

**Before the
Federal Communications Commission
Washington, D.C. 20554**

Comments – NBP Public Notice #13

GN Docket Nos. 09-47, 09-51 and 09-137

**SUGGESTIONS FOR
FURTHER STUDY
BY
THE DIGITAL POLICY INSTITUTE**

ON

**BROADBAND STUDY CONDUCTED BY
THE BERKMAN CENTER FOR INTERNET AND SOCIETY**

Respectfully submitted,

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November 16, 2009

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Introduction.

These comments are submitted by the Digital Policy Institute (“DPI”) in response to the Commission’s *Public Notice*¹ requesting comments on the October 2009, draft study compiled by the Berkman Center for Internet and Society titled *Next Generation Connectivity: A Review of Broadband Internet Transitions and Policy from Around the World* (“*Berkman Study*”).²

The DPI was created in 2004 with funding from a Provost Initiative Grant at Ball State University. DPI, comprised of a multidisciplinary faculty team, operates primarily in research and education regarding issues relevant to digital media. In doing so, DPI is able to serve the academic and research communities and communications policymakers in particular.

¹ *NBP Public Notice #13*, DA 09-2217, released October 14, 2009.

² *Berkman Study*, Berkman Center for Internet and Society, Harvard University, issued October, 2009.

Comments on the Berkman Study.

The premise of the Berkman Study is that ubiquitous, seamless, high capacity connectivity is a shared goal worldwide.³ As such, thorough study of the state of broadband connectivity, both domestically and the world over, is essential to understanding the current landscape and to formulating forward-looking policies that can work.⁴

DPI believes there will be a number of comments filed that will address the first four questions posed by the Commission in its *Public Notice*. Therefore, the DPI seeks to focus on: (1) whether or not additional studies are needed along the lines of the Berkman study; and (2) additional research that the Berkman Center team was not able to undertake, but that would be useful to the Commission's broadband policy formulation.

Regarding potential additional studies, we believe that the Berkman Center research team should extend the timeline in developing a baseline for understanding U.S. telecommunications deregulatory policy. The current draft looks at the evolution of deregulation primarily between 1996 and 2002. A more informed policy making will result if the Commission is able to consider a more complete and timely arc of telecommunications deregulation.

For example, post-2002, DPI has studied intensively the statewide video franchise deregulation in telecommunications, with specific reference to its impact on broadband deployment. The first DPI report in this area was *The Economic Impact of Telecom*

³ *Berkman Study, supra note 2*, at 9.

⁴ The DPI acknowledges the background investigation of Ball State University Center for Information and Communications Sciences research fellows C.J. Holmes and Eric Mowery.

*Reform in Indiana: 2006.*⁵ That report concluded that broadband deployment was a catalyst for growth, that the impact of new competition would be immediate with the potential to save Indiana cable subscribers between \$131 million and \$262 million annually, and that statewide franchising would be the key to a uniform, fair framework to attract outside investment necessary for broadband deployment across the state.

This was followed by *The Economic Impact of Full Telecom Reform in Missouri, 2006.*⁶ That report concluded that as a result of competition in the video marketplace Missouri cable subscribers could realize between \$104 million and \$209 million annually in savings. Depending on the reduction rate, this study also suggests competition would encourage between 87,000 and 349,000 new Missouri television households to subscribe to a video service provider and thereby become newly franchised members of the information age.

Following that effort, the DPI issued the *Michigan White Paper: The Economic Impact of Video Franchising and Broadband Investment in Michigan: 2006*⁷ That study focused on the telecommunications deregulation movement within the state of Michigan generally, and the final leg of its journey – statewide video franchising – specifically. It analyzed how this deregulation affects both Michigan's economic landscape and the effect of broadband competition on consumer welfare.

⁵ *Indiana White Paper: The Economic Impact of Telecom Reform in Indiana: 2006.* See full report at the DPI homepage: (<http://www.bsu.edu/digitalpolicy>).

⁶ *Missouri White Paper: The Economic Impact of Video Franchising and Broadband Investment in Missouri: 2006.* See full report at the DPI homepage: (<http://www.bsu.edu/digitalpolicy>).

⁷ *Michigan White Paper: The Economic Impact of Video Franchising and Broadband Investment in Michigan: 2006.* See full report at the DPI homepage: (<http://www.bsu.edu/digitalpolicy>).

In 2008, DPI completed an additional study on Indiana. That report examined the impact of statewide franchising after deregulation was enacted and implemented in Indiana.⁸ In this light, Indiana serves as a case study for this concept nationwide.

The follow-up to those Indiana studies is the recently-released report *The Evolution of Telecom and the Ohio Template for Reform*.⁹ This study examined the topics of the Indiana reports as they parallel Ohio's deregulation legislation, providing another case study of a prominent state with a diverse economy and how that economy may be stimulated by expanded broadband penetration.

DPI also is continuing to study statewide video franchising and its effects upon broadband access and development nationwide. Our research in progress includes the development of comprehensive databases on broadband deployment and the potential benefits of such deployment. Of particular focus in this research are positive externalities that have the potential to result from broadband expansion.

In addition to offering our prior studies for review by the Berkman Center team before its final report is submitted, DPI remains available to support the Commission by serving as an independent scholarly resource for more recent telecommunications analyses that correlate deregulatory policies and broadband deployment.

Our remaining suggestions deal with other areas of inquiry that the Berkman Center team references as important, albeit underdeveloped, research areas.

⁸ *An Interim Report on the Economic Impact of Telecommunications Reform in Indiana*, February 15, 2008. See full report at the DPI homepage: (<http://www.bsu.edu/digitalpolicy>).

⁹ *The Evolution of Telecom and the Ohio Template for Reform*. October 2009. See full report at the DPI homepage: (<http://www.bsu.edu/digitalpolicy>).

First, according to the Berkman Center study:

"There has been substantial attention given to municipal and regional efforts as a pathway for private intervention. In the United States, various stories from Burlington, Vermont to Bristol, Virginia at the municipal level, have suggested that municipal and regional investments may provide an appropriate and productive pathway for public investment. The finances of local and regional projects are difficult to capture comprehensively in a way that would allow genuine, aggregate comparisons of levels of investments. False starts are unlikely to be reported systematically. As a result, making a strong analysis of the relative effectiveness of municipal initiatives is beyond the scope of our analysis. We treat the examples more as inspiration for a future, more detailed study, and for efforts to create learning networks and systems for synthesizing and communicating best- practices"¹⁰

We agree that a fuller understanding of U.S. municipal and regional investments may help inform the Commission about productive public investment models. Since the Berkman Center team explicitly has excluded such research from its study design, the submission of its final report will not yield additional information in this area.

The Berkman Center team's call for a future, more detailed study is apt. DPI stands ready to work with the Commission in undertaking such research to complement and supplement the Berkman Center's highlighting of this area.

Second, the Berkman Center study notes:

"While the United States adopted subsidies to school deployment of Internet connectivity through the E-rate program since the Telecommunications Act of 1996, the heavy emphasis on skills training is an important lesson carried by these international studies. Least known in the American debate have been the heavy investments in adult education. One important pathway seems to have been investment in workplace-based training programs, both for employees and for small and medium sized business owners is an interesting observation. Better known and clearly important is the extent to which investment in skills training, including intensive teacher training, rather than merely in hardware and

¹⁰ *Berkman Study, supra note 2, at 165.*

connectivity, was central in several other countries to the school-based programs."¹¹

We understand that empirical or case study analyses of adult education and workplace training may be beyond the scope of the Berkman Center team's research design. But its acknowledgement that skills training, along with hardware and connectivity, are important factors in other countries raises the question regarding whether the U.S. conforms with, or is different from, that observation. We believe some underlying information to test this would be useful for the Commission to consider, particularly since workplace-based training programs, along with broader forms of adult education, are critical to employment recovery and growth.

The premise of the Berkman Study is a useful point of departure for overall analysis of regulatory policy regarding telecommunications policy. However, the effects of higher rates of broadband adoption on commerce cost and quality of government services and consumer utility is necessary to balance the cost of any policy or regulatory intervention with its putative benefits. As such, detailed analysis of these factors, with a focus on measurement of benefits is a key step in evaluating the potential efficacy of policy changes.

The effect of national broadband policies such as unbundling of services is an important precedent to policy adjustments in the U.S. The Berkman Study, however, may not capture fully the access effects policy differentials. More to the point, the extension of access to a broader suite of benefits is an underdeveloped question. Our DPI

¹¹ *Berkman Study, supra note 2, at 172.*

economists believe far more extensive empirical analysis of policy effects is needed.¹² In particular, studies which evaluate not only penetration rates, but also the putative benefits, are needed. Studies which focus on such matters as border effects of different telecom policies, the influence of policy changes on industrial and commercial location decisions, the effect of broadband penetration rates on residential location decision, the change in value of immobile assets to broadband access, the quality and cost of government services due to differentials in broadband access and the changes to worker and capital productivity are all useful extensions of these questions.

Conclusion.

The Commission's linkage of long-range broadband policy development to outside independent research speaks to its intellectual rigor and desire for a more transparent process. Its comparative approach also is well founded, since the United States can and should draw upon best practices and policy lessons from around the world.

We urge the Commission to continue with other studies by other qualified research teams, as well, particularly studies that may shed light on our own national

¹² Michael Hicks, Ph.D., and Cecil Bohanon, Ph.D. are members of the DPI and are professors in the Ball State University Miller College of Business.

laboratories – regional, state and municipal experiences that may lead to the most adaptable policy and regulatory models that can be applied to the entire United States.

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