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U.S. is doing just fine in high-speed access

Analysis: Despite low global ranking, America not falling way behind

By [Jeffrey Bartash](#), MarketWatch

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WASHINGTON (MarketWatch) - Is the U.S. really falling behind other countries in the adoption of speedy Internet access, and does something urgent need to be done about it?

Not really.

That's what an ideologically diverse panel of experts told a packed audience Wednesday at a conference sponsored by the Congressional Internet Caucus. While panelists said the government could take minor steps to improve "broadband" availability and should study the successful tactics of foreign countries, none advised wholesale changes in existing law.

Whether the advice is heeded remains to be seen, but the panelists might have given policymakers plenty to think about. A sizable contingent of lawmakers, aides, regulators and lobbyists attended the event, which took place just one month after Democrats assumed control of Congress.

Already, key Democrats are preparing plans to spotlight the issue and lay the groundwork for potential legislation. The House Energy Committee, for instance, has scheduled a hearing for Feb. 15 in part to address whether additional steps are needed to make broadband cheaper and more accessible.

"Rankings create pressure on policymakers to do something immediately," said Scott Wallsten, director of communications policy at the Freedom and Progress Foundation.

Although some legislative or regulatory fixes are possible, a major overhaul in U.S. law is unlikely because of a fundamental split between the Democratic Congress and Republican White House.

"One side thinks the market never works," quipped George Ford, chief economist of the nonprofit Phoenix Center. "The other side thinks the market never fails."

Fear of falling behind

For the past few years, a number of lawmakers and regulators, mostly Democrats, have expressed concern about the apparent slippage of the U.S. in broadband usage.

"We are slipping perilously down the international broadband ranks," said Michael Copps, one of two Democrats on the Federal Communications Commission's decision-making board, in a speech last spring.

The most recent study by the Organization for Economic Cooperation and Development, for example, ranks the U.S. at No. 12 in broadband availability per 100 citizens, down from 4th just five years ago. Among the nations ranked ahead of the U.S. are the United Kingdom, Canada, Denmark and even Iceland.

Yet experts say those numbers can be misleading because of the criteria used to measure the rankings and because of major differences in each country. Most of Denmark's residents live in compact areas while the population in the much larger U.S. is more spread out.

"The rankings don't mean very much at all. You don't want to pay much attention to them. The things you want to focus on are access and competition," Wallsten asserted.

Taylor Reynolds, an OECD representative partly responsible for creating the institution's global-ranking system, agreed that the rankings can be misinterpreted. Yet he also insisted the rankings do show general trends and suggest the U.S. could learn "best practices" from other countries.

"I wouldn't blow off the rankings," he said.

In his view, policymakers ought to examine price trends and available speeds. Reynolds, an American who now lives in France, said he can get high-speed Internet service from at least six providers at just a fraction of the typical cost paid by U.S. consumers.

Reynolds said he pays \$30 a month for 100 television channels, unlimited local and long-distance calling and Internet download speeds of 20 megabits per second - a much faster connection than what most U.S. companies offer. A similar package of service in the U.S. would cost more than \$100, he noted.

Apples and oranges

Examining the policies of other countries, however, could lead to a dead end, several experts said.

Consider France. The government adopted a so-called unbundling strategy in which the biggest phone companies are required to let rivals effectively rent access to their networks to deliver Internet service. That's why so many providers exist.

The same approach, however, proved to be a big failure in the U.S., noted Wallsten. After unbundling requirements were instituted, big phone companies skimmed on investment and resisted legally and by other means. Eventually most independent providers that sprang up to supply Internet service couldn't make money and went out of business.

"As we've moved away from unbundling, we've seen massive investments by incumbents," Wallsten said. Verizon Communications ([VZ](#)), for example, is spending at least \$18 billion to build a fiber network that offers television service and the nation's fastest connection speeds.

Ford, for his part, questions whether any government strategy can ensure the survival of so many broadband suppliers. Companies have to spend a lot of money to deliver communication services while increased competition limits their returns. He doubts whether any unsubsidized market can support more than three competitors in the long run.

"We have to stop and ask: Are these companies making any money?" Ford said. "Are they going to be around in five years?"

Differences in demand also account for the split in rankings. More households in the U.S. actually subscribe to high-speed service than in any other country - 50 million-plus at the end of the third quarter -- but millions of others appear satisfied for now with cheaper and slower dialup service.

The OECD's rankings, moreover, don't take into account business customers. Most businesses won't locate in areas where they cannot get high-speed access and virtually every U.S. company is connected to the Internet. As a result, the U.S. economy is unlikely to suffer at all because of the country's low ranking in global Internet-access studies.

The most likely problem is that some low-income or rural Americans might get left out of the Internet economy because they cannot afford the cost or no provider exists in their area. The same problem existed 100 years ago when telephone service became widespread. Eventually Congress passed a subsidy program known as Universal Service to remedy the situation.

A quick fix?

So what can Congress do? For one thing, lawmakers could modernize Universal Service to subsidize high-speed access to low-income or rural Americans.

At the same time, make sure it's easy for companies that want to provide Internet service to enter the market. That might entail selling more wireless spectrum, passing laws to entice utilities to join the fray and avoiding rules that could crimp returns on investment.

Bigger changes that might help, such as a federal law to let phone companies get into the TV business as quickly as possible, aren't viewed as likely under a Democratic Congress. Many objected last year when a Republican-run Congress tried to pass a similar bill.

Before any steps are taken, however, Mark Lloyd of the Center for American Progress said the government has to do a better job of defining broadband. The FCC calculates broadband availability simply by asking companies whether they provide at least one customer in each zip code with download speeds of a mere 200 kilobits, he points out. That's just four times the speed of ordinary dialup access.

"We've got to get much, much better data," Lloyd said. ■

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