



BROADBAND DEPLOYMENT RECOMMENDATIONS IN NORTH CAROLINA

BY BRENT SKORUP

May 2017

Twenty years of light-touch Internet regulation made the United States a global leader in technology, innovation, and broadband use. However, as the saying goes: the future is here—it’s just not evenly distributed yet. According to the FCC’s latest report, about 33 percent of census blocks have only one or two fixed broadband providers offering 10 Mbps speeds.¹ To close the “digital divide” in a financially prudent manner, I recommend the following.

RELY ON PRIVATE BROADBAND INVESTMENT

Larry Summers, former secretary of the treasury and economic adviser to President Obama, observed that broadband investment is “clearly the responsibility of the private sector.”² Public networks are financially risky and often only benefit a small number of residents. Rigorous research in this area is scarce, but a graduate student in the Mercatus Center at George Mason University’s MA Fellowship analyzed 80 municipal broadband projects and found that the largest economic effect of these publicly funded networks is to increase local government employment.³ Private-sector effects are modest or negative. Further, public networks siphon users from private providers and depress private investment.

MAKE BROADBAND DEPLOYMENT CHEAPER AND FASTER

To incentivize more broadband providers and investment, state and local governments should streamline and expedite the permitting of broadband infrastructure on public property and

1. FCC, “Internet Access Services: Status as of December 31, 2015” November 2016, figure 4.

2. Lawrence Summers, “The Next President Should Make Infrastructure Spending a Priority,” *Washington Post*, September 11, 2016.

3. Brian Deignan, “Community Broadband, Community Benefits?: An Economic Analysis of Local Government Broadband Initiatives” (Mercatus Graduate Policy Essay No. 17, Mercatus Center at George Mason University, Arlington, VA, 2014).

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public rights-of-way. Wireless towers in particular are needed in rural areas to provide Internet access to hard-to-reach subscribers.

CREATE “TECH VOUCHERS” FOR RURAL AND OLDER RESIDENTS

Rather than building public networks, the legislature should consider offering a direct consumer subsidy—a voucher that rural residents and older North Carolinians can use to purchase discounted broadband or devices—to increase broadband adoption transparently and efficiently.⁴ This avoids building duplicative networks that the vast majority of non-adopters are uninterested in using.⁵

4. As economists Jerry Hausman and Howard Shelanski have said, “It is well established that targeted subsidies paid from general income tax revenues are often the most efficient way to fund specific activities.” Jerry Hausman and Howard Shelanski, “Economic Welfare and Telecommunications Regulation: The E-Rate Policy for Universal-Service Subsidies,” *Yale Journal on Regulation* 16, no. 1 (1999): 19, 33.

5. Pew Research found that about 70 percent of nonsubscribers have no interest in subscribing. John B. Horrigan and Maeve Duggan, “Home Broadband 2015” (Report, Pew Research Center, Washington, DC, 2015), 7.

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