

Background document

Interactive Panel 1: Bankrolling Broadband: Is Government Back?

Communicating, learning, making business, sharing information and taking advantage of government services available online are becoming the norm for the 2.4 billion Internet users accessing Internet from their homes, work place or shared-access facility at the end of 2011. However, that leaves some 4.5 billion people who have never experienced the Internet, let alone participated in the rising digital economy. While mobile broadband holds a promise to rapidly spread powerful Internet connectivity, it is today only available to one out of six world citizens. The disparity in broadband access is great, between regions as well as within the same region. Whereas mobile broadband reached 60 per cent of the population in North America and 11 per cent in Latin America and the Caribbean, fixed broadband penetration sits at 29 per cent in North America and 7 per cent in Latin America and the Caribbean compared to the world average of 8.4 per cent.

It is clear that broadband networks are here to stay, and they are already proven catalysts for economic growth, employment and social empowerment in both developed and developing countries. In Panama, for example, a recent ITU study showed that the indirect effects of fixed broadband usage represented 11.3 per cent of all economic growth since 2005.

With broadband networks comes a new wealth of services and applications, driving a virtuous circle of content generation, consumer demand, competition and lower prices. This is nothing less than the start of a “broadband revolution”, which is expected to facilitate universal access to information carried over high-speed networks. However, for this revolution to fully materialize, governments seek to narrow the gap between the digital haves and the have-nots. It is, therefore, time to reassess the strategies put forward and the business models they rely upon.

With two decades of experience with shared access, direct infrastructure funding, establishment of Universal Service Funds, Public-Private Partnerships (PPPs), end-user subsidies, and, most importantly, market reform focusing on competition and fiscal policies, it is now necessary to critically reconsider the strategies with respect to funding broadband networks, which remains today a key concern. This debate will enable the development of new effective strategies to tackle the challenges posed by low levels of affordability and insufficient rollout of networks in “high risk,” rural and remote areas on the one hand, and take advantage of the opportunities presented by advances in technology, and developments in society on the other.

The fundamental drivers of growth in the ICT industry remain sound despite the international financial crisis. The demand for wireless voice and data services, and for broadband Internet access services, remains strong and could well turn voracious as positive growth returns to economies around the world.

Governments from around the world, in both developed and developing countries, are actively promoting the use and development of broadband for a range of economic and social reasons. More than 115 countries worldwide, including most (69%) of the countries in the Americas region, have already adopted national broadband strategies, policies or plans and/or have included broadband as part of their universal service definition and are now faced with the challenge of implementing those policies to harness the potential of broadband as well as foster opportunity and prosperity through broadband access for all.

Regulators are also looking at the evolution of networks, and the regulatory frameworks must evolve along with the industry. The increasingly pervasive broadband network environment invites regulators and policymakers to address three fundamental building blocks of growth: investment, network access and resource scarcity. To boost economic growth, regulators and policy-makers in the Americas region can take steps to ensure that their markets are as attractive as possible for ICT investment. They can also enable equitable access to networks, and manage the scarcity of resources before it becomes an insurmountable problem.

Governments have a large role to play in reducing barriers to domestic and foreign investment, creating demand for broadband services as well as establishing an effective and transparent regulatory environment that minimizes risk for investors. However, today's stringent economic conditions have reawakened the debate over the role of government in infrastructure investment and whether state investment 'crowds out' private sector investment.

These debates are very relevant to the ICT industry today, which lies at the crossroads of public-private sector investment as more financing will be needed over the next decade to complete the quantum jump to the era of ubiquitous IP-based networks and advanced broadband wireless capabilities.

As in recent years, regulators and policymakers will continue to smooth out regulatory frameworks, and when the investors return, they will find markets fuelled by pent-up demand and governed by enlightened regulatory regimes and professional regulators. The technology is available, the regulatory environments are increasingly being smoothed out, and the demand is certainly there. Can the investment be far behind?