

Opinion **New Technology Policy Forum**

The Washington broadbandwagon

Eli Noam MARCH 18 2009

A few weeks ago, President Obama signed the economic stimulus bill into law. It included \$7.2bn for broadband infrastructure upgrade, plus some money for telemedicine and smart grids to stimulate applications.

The money unleashed a feeding frenzy. A recent public session of the Commerce Department – the agency charged along with the Rural Utilities Service with administering this money – generated a crowd of over thousand eager attendees. Around the country, many thousands of applications are now being prepared and political sponsors sought out. And around the world, with every economy having related problems, the American experience is being watched.

A touch of reality is necessary. First, the money for broadband is only a modest splash in the bucket. It is less than one per cent of a stimulus package that is already considered to be on the small side. And it is only 12 per cent of capital expenditures already planned just by phone and cable companies for 2009. Part of it, whatever the safeguards, will replace rather than supplement planned private investment. Furthermore, the federal money must be sprinkled on every single state, and in particular on rural and underserved metropolitan areas. Thus, this money will not get America's broadband leapfrog over its global competitors technologically. At best, it will get rural areas to catch up, while hopefully helping to turn the economy around.

The challenge now is to allocate this moderate amount of money. To do so speedily, the temptation would be for those running the program to run a tight centralized ship, and to avoid conflicts by including many worthy goals. But that will actually slow down the process and dilute its effectiveness. So here are ten principles for the program.

I. Project Selection

1. Focus. The relatively vague Congressional criteria invite various stakeholders, rivals, and activists to tie their favourite causes to the criteria for grant selection. (The author, admittedly, has done so himself in his previous column, tying openness to grant money.) They will try to obtain through strings attached to the grants what they could not get through legislation and regulation. But one needs to keep the eye on the prize. This law is not called the Telecom Reform Act. Nor is it the R&D Innovation Law. It is the American Recovery and Reinvestment Act. Its primary purpose is to stimulate immediate spending in the economy. Its secondary goal is to accelerate connectivity to the high-speed internet. The other goals, laudable as they are, will have to wait their turn.

2. Simplicity. The perfect should not become the enemy of the good. To keep things moving briskly, criteria for funding must be straightforward, quantifiable, and public. Criteria such as miles of fibre, number of unserved households reached, or added connectivity speed.

3. Ready-to-wear. Awards should be meaningfully open to all, from giant corporations to community organizations with a technology track record. Awards should be technology-neutral but time-sensitive, with off-the-shelf, shovel-ready technology projects preferred. Support should be for incremental projects. Applicants need to commit themselves to an accelerated and expanded construction.

4. Decentralization. Given the avalanche of programs and the need for local knowledge, the State Public Utility Commissions, State-level internet expansion agencies, and local first-mile boards should play a real input in the initial review and ranking of the grant applications, with criteria and final decisions set in Washington. Such decentralization may slow the process a bit but will speed up its impact.

II. Performance Evaluation

5. Transparency. What happens to the money has to be transparent. Milestones of performance must be specified and performance reports be publicly accessible. But openness is not enough. Sunshine, it has been oft said, is the best disinfectant, but that's actually not quite true, neither literally nor metaphorically. When it comes to assuring effective and honest use of billions of public dollars, websites are no substitute for auditing and law enforcement.

6. Incentives. The race to the funding has to be followed by a race to the actual construction. Top-performing projects should be rewarded through further grants.

7. Independent Performance Evaluation. Any form of reward and critique requires a high-quality monitoring and evaluation process. One must avoid a repeat of the recent experience with banks, which took billions of public money, paid themselves high bonuses, and extemporized on expanding credit. Neither is the recent experience of the digital TV expansion encouraging, which was partly administered by the same Commerce Department. It is therefore essential to have a trusted evaluation process. This needs to come from independent auditing boards with credibility. They would consist of accountants, technologists, economists, and rural development experts.

8. Willingness to Fail. Any billion dollar pool of money that needs to be spent in a hurry will lead to some inevitable mistakes. But one should not let the process sink from the weight of its bureaucratic safeguards. A trusted evaluation board can credibly differentiate between honest mistakes and malfeasance.

9. Feedback. Another reason for independent evaluation is that it would provide information as to what worked well and why, and thus help in future grant activities.

10. Government Accountability. The same board should also aggregate and evaluate the performance of the money and its impact, in order to give taxpayers and congress confidence in how their money is being spent, and what its impact is.

Our children and grandchildren will pay for today's spending. We should behave as their fiduciaries, not like drunken sailors with money to burn.

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