



12 Propositions on the Digital Divide

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Proposition #1

The Province of BC has two overriding objectives in tackling the Digital Divide through the procurement process:

- 1. Universal availability and access to broadband service by the end of 2006**
- 2. A sustainable, competitive market structure for the delivery of telecom services throughout B.C.**

Proposition #2

The Province has suggested that these two objectives can be better met by deferring the JSRP process for a period of time, while seeking to eliminate the Digital Divide through a process of one-on-one negotiations with existing service suppliers.

Proposition #3

The reason the Digital Divide exists is that it is unprofitable for the private sector to provide even minimal service to remote, high-cost serving areas.

Proposition #4

Governments are invariably called upon to protect the public interest when markets fail.

Proposition #5

There exist several models of how governments may supplement or substitute for market forces to facilitate the provision of essential services to unserved and under-served areas:

- 1. Direct government ownership (e.g. AGT, SaskTel, municipally-owned telcos).**
- 2. Community Champion model (e.g. BRAND) -- direct financial support to community coalitions of private and/or public sector interests.**

Proposition #5 - Models (cont'd.)

- 3. Anchor Tenant / Demand Aggregation Model (e.g. JSRP, winner-take-all model).**
- 4. Carrier of last resort -- inter and intra-subscriber cross subsidization model.**

Proposition #6

Of the four models, only one addresses both of the Digital Divide objectives.

The demand aggregation / government procurement model, for example, is unlikely to meet the second objective (i.e. competitive market structure), because it is a winner take-all model.

The Community Champion model, on the other hand, can accomplish both objectives. Why? Because it has the potential to break the monopoly bottleneck both in long haul transport and in the last mile.

Proposition #7

Efforts to bring long haul facilities to unserved / underserved communities (even with open access to these facilities) address neither of the Province's two objectives (i.e. universal access and a competitive market structure).

Proposition #8

The key attributes of a well-designed Community-centric / Community Champion model are:

- **Technology neutrality**
- **Opportunities for public and private sector involvement**
- **One-time external financing to cover some portion of the fixed capital cost of both the last mile and the long haul portion.**
- **No further financing required since pricing can be set close to the marginal cost of ongoing service provision.**

Proposition #8 - Attributes (cont'd.)

- **Commitment of capital from all participants in the community coalition in local and long haul facilities (this breaks the monopoly bottleneck).**
- **Open access to community-based facilities should be a condition of any external direct funding.**
- **Opportunity must be provided to the community coalition members to select their supplier (i.e. underlying suppliers must not be predetermined by the external funding agency).**
- **Community must be given the opportunity and ability to participate in the design, construction, operation, maintenance and ownership of the system.**

Proposition #9

Allowing communities or community-level coalitions to own and control their last mile and long haul facilities provides them with:

- **long-term skilled employment opportunities**
- **control of their own service costs**
- **control over speed of introduction of new value added services**
- **a measure of competitive parity with competing business establishments in more populated centres**
- **enhanced opportunities for local economic development**
- **enhanced opportunities for pursuing initiatives in e-learning, e-health, e-commerce, etc.**

Proposition #10

Local community ownership of infrastructure and systems would not necessarily complicate any future JSRP or other procurement process:

- **Ability to bid on government contracts could still be limited to a smaller group of “qualified” suppliers.**
- **Nothing would prevent community-owned systems from subcontracting to qualified suppliers.**

Proposition #11

To the extent that the Province can apply leverage in awarding contracts to major suppliers, it may be able to advance the public interest by discouraging market conduct that dampens long-run incentives for alternative suppliers to invest in last mile and / or long haul transport infrastructure in high cost areas.

Proposition #12

Eliminating the Digital Divide ultimately requires a solution to the last mile problem. This, in turn, requires direct community involvement, in collaboration with their provider(s) of choice, and external assistance in funding the necessary infrastructure. Bringing long haul transport to the outskirts of town is not enough.