



The Tomás Rivera  
POLICY INSTITUTE

## **WIDER BROADBAND ACCESS HELPS MINORITIES AND ECONOMY**

*Estimates Indicate That Universal Access Could Add Up To \$74 Million In Monthly Revenues*

**FOR IMMEDIATE RELEASE**

**August 10, 2004**

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**Los Angeles, CA** – The lower broadband penetration rates found among Hispanics and African Americans may be costing providers of the technology between \$58 and \$74 million in potential monthly revenues, according to a new study, *Broadband Internet Access Among Latinos: Status, Issues and Opportunities*, by the Tomás Rivera Policy Institute at USC. These groups continue to be largely underrepresented in the broadband market and have yet to take advantage of the benefits of high-speed Internet connectivity to the extent that non-Hispanic whites and Asian Americans do.

The number of broadband users in the U.S. is up significantly in the past few years. There were 20.6 million households and small businesses subscribing to broadband services as of June 2003 compared to 3.1 million in June 2000.

Deployment and use of broadband have continued to increase across the country, but the technology has some way to go to reach the underserved fully, especially Hispanics and African Americans, inner city residents, rural inhabitants, and the disabled.

Young Hispanics are almost two times less likely than non-Hispanic whites and Asian Americans to have a home computer. Compared with non-Hispanic whites and Asian Americans, Hispanics have the lowest proportion of Internet users at home. Outside the home, Internet use also is much lower for Hispanic children than for any other group, including African Americans.

Broadband use is rising rapidly because of the benefits it generates, in addition to higher speeds, the technology enables consumers to access voice, high-speed data, video-on-demand, and interactive delivery services far more efficiently and conveniently than narrowband.

Faster deployment and adoption of high-speed Internet connectivity, along with more sophisticated applications in education, health care, research and development, home security, and national defense can provide significant stimuli to national and local economies in the next decade.

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“The technology’s central importance was underscored when President Bush called for universal, affordable access to broadband technology by the year 2007,” said Elsa Macias, Ph.D., Tomás Rivera Policy Institute Senior Research Associate. “There is hope that the expansion of broadband technology can continue the IT revolution partly responsible for the economic growth of the 1990s.”

The longer download time associated with the slower speed of dial-up connection has its economic costs. Consumer benefits afforded by the use of broadband are estimated at \$500 billion annually. Experts have estimated the delayed deployment of broadband could reduce national productivity by at least 1% annually and universal diffusion of broadband will create 1.2 million new and permanent jobs in the United States alone.

The critical question then is what measures can the public, private and non-profit sectors take to reduce the high-speed digital divide that separates Hispanics from non-Hispanic whites and Asian Americans? While there are no simple answers, some recommendations to achieve greater parity are to:

1. Place greater emphasis on social justice and the universal service goal of the Telecommunications Act of 1996. While rationing by price is economically efficient in perfectly competitive markets, this economic principle is violated when market imperfections are present. Even when markets are competitive, they are not socially optimizing since many individuals are excluded and deprived of the benefits of universal access.
2. Use public and private grants to develop programs (e.g., community networks, telecenters, and free nets) to increase computer and Internet access in schools, libraries, and other public places visited by Hispanics, African Americans, and low-income residents.
3. Seek private and public sector cooperation to fund and support mobile high-speed Internet labs to visit Hispanic and African American neighborhoods in order to provide computer training and classes. This alternative can expose Americans with no broadband access in their home to the new technology as well as to medical information, job search and training, continuing education, and other opportunities.
4. Increase local government participation to provide community residents with high-speed alternatives (e.g., Wi-Fi and Wider-Fi) to cable and DSL. For example, the city of Cerritos, CA has partnered with Aiirmesh Wireless Community Broadband and is using Wi-Fi to make broadband available to residents with no access to high-speed Internet connectivity.
5. Promote and help organize efforts to aggregate broadband demand. Local governments can establish buying cooperatives or aggregate demand of various department and agencies into a single buying authority to encourage broadband deployment by providers. Local jurisdictions also can use their market power to entice commercial providers of broadband services to improve broadband services and keep prices in check.

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6. Provide tax credits to firms experimenting and testing new promising technologies (e.g., satellite, wireless high fidelity, and wide area wireless) in areas that are currently unprofitable or beyond the reach of current service providers.
7. Avoid taxation of new applications and online Internet services, which will increase prices of broadband services for Internet users and will add to existing price barriers already encountered by many Hispanics and African Americans.

#### Methodology of lost revenues estimate

To provide estimates of market losses associated with the low broadband market penetration rates among Hispanics and African Americans, the authors assumed a household size of 2.8 and 4.0 for African Americans and Hispanics, respectively, and converted the population of broadband nonusers into household data. An average price range between \$35 and \$45 for a high-speed connection was further assumed. The resulting calculations, while estimates, indicate that Hispanic and African American underrepresentation in the broadband market is costing providers of broadband technology between \$57.6 and \$74.0 million of lost revenues per month.

Copies of *Broadband Internet Access Among Latinos: Status, Issues and Opportunities* can be obtained by calling 213-821-5615, or by downloading the PDF file at [www.trpi.org](http://www.trpi.org)

Founded in 1985, The Tomás Rivera Policy Institute advances critical, insightful thinking on key issues affecting Latino Communities through objective, policy-relevant research, and its implications, for the betterment of the nation. The Tomás Rivera Policy Institute is located at the University of Southern California and is an affiliated research unit of the School of Policy, Planning, and Development.

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