



## **Monitoring the Stimulus Package: Broadband Bailout is Narrow in its Vision**

New America Media, News Analysis, Aaron Glantz, Posted: Jul 10, 2009

SAN FRANCISCO -- The Obama administration is poised to spend \$7.2 billion in stimulus money to expand broadband Internet access to rural America and under-served urban communities.

But after sitting through an administration-sponsored broadband stimulus national town hall meeting Thursday, it seemed clear that those who are supposed to benefit from the stimulus plan are not even at the table.

After quick introductory remarks from representatives of the federal government's Rural Utilities Service and the National Telecommunications and Information Administration, attendees heard from a who's who of big business who have never had much of a problem accessing the Internet themselves.

There was Marty Stern of the global law firm K&L Gates, Rich Wonders, a vice president of the Paris-based telecom giant Alcatel-Lucent and Grant Seiffert, the president of the Telecommunications Industry Association.

A second panel included a former Commerce Department official-turned-lobbyist, a second Washington-based corporate attorney, and the vice president of global marketing for Adtran, one of the world's largest makers of networking hardware.

It seemed like an odd sort of town hall, given that a recent Pew Research Center survey found that 82 percent of non-Internet users reported annual incomes of \$40,000 or less, with almost half earning less than \$20,000. Only 46 percent of African Americans had broadband access, compared to 63 percent of Americans overall.

Civil rights organizations believe it's critical that the needs of potential broadband consumers be considered when the money is doled out. They argue that examining the cost and content of the Internet is at least as important as a physical infrastructure of cables, hubs, and routers – which already exists in most, if not all, urban centers.

"We need to make sure there's localized content that helps people find information about issues that matter to them like health care, education, and jobs," said Howie Hodges, senior vice president of One Economy Corporation, which together with the National Urban League, National Council of La Raza, and Asian American Justice Center, has formed a Broadband Opportunity Coalition.

In comments filed with the Federal Communications Commission, One Economy also notes that language provides a major barrier keeping under-served communities from using the Internet.

For example, “educational information available on the Internet is almost always written in English,” the group said. “Web sites on the Internet still fail to translate their content from English to Spanish and also fail to provide the content that is most important to the communities they serve.”

“This condition contributes to the fact that a significant number of non-English speaking Hispanics do not use the Internet,” the group added. Seventy-six percent of English-dominant Latinos and 78 percent of bilingual Latinos use the Internet, One Economy said, compared with just 32 percent of Spanish-dominant Latino adults.

The stimulus package allocates \$250 million for “support innovative, sustainable broadband adoption,” which civil rights groups are targeting. But it’s a small shard of the \$7.2 billion appropriated for broadband in the American Reinvestment and Recovery Act (ARRA) and it went undiscussed at the broadband stimulus national town hall meeting.

Nearly six months after President Obama signed the \$787 billion American Recovery and Reinvestment Act into law, most of the economic news remains grim. According to the Labor Department, the unemployment rate shot up to 9.5 percent in June, with 467,000 jobs lost – the worst numbers in 26 years.

Conservatives say the continued morass shows that government spending simply doesn’t work. Liberal Democrats in Congress are pushing a second stimulus bill, arguing that the first one wasn’t big enough to help the country out of its biggest economic crisis since the Great Depression.

An alternative explanation is that the Obama administration is misdirecting that investment.

Indeed, civil rights groups aren’t the only ones sidelined in the broadband portion of the stimulus bill. American workers are being left out too.

Last week, a little-known federal department called the National Telecommunications and Information Administration (NTIA) bowed to pressure from the two largest makers of broadband equipment, Cisco Systems and Alcatel-Lucent, and exempted the broadband expansion from the “buy American” provisions of the stimulus bill.

“Much of the finished products used to manage and operate broadband infrastructure and offer broadband service are manufactured outside of the United States,” the agency said in its ruling. “The result is a very competitive and complex production landscape with components and end products being manufactured and assembled in a large number of countries.”

As a result, the American taxpayer will be subsidizing multinational companies to make broadband equipment overseas, an arrangement that will not necessarily stimulate

domestic jobs.

One of the two companies likely to secure government contracts, Cisco, does all of its production overseas. Forbes estimates that its CEO, John Chambers, has personally earned \$232.66 million over the last six years, giving him an average annual compensation package of nearly \$40 million.

The other stimulus recipient, Alcatel-Lucent, isn't even an American company. In 2006, Lucent (a spin off of the old AT&T) was acquired by Alcatel SA, a Paris-based competitor.

It's an arrangement that Debbie Goldman of the Communication Workers of America finds particularly ironic.

"This was designed to create American jobs," Goldman said, "not Chinese jobs. If we were going to point a way to bring these jobs back to America, it would seem the stimulus package would have been the way to do it."

What makes the "buy American" waiver particularly ironic, Goldman noted, is the fact that two of the American factories that produce broadband equipment only closed last year.

One plant, the Merrimack Valley Works facility in Haverhill, Mass., had been in operation since 1956. Over the years, its union workers produced a series of innovations for America's telecommunications infrastructure: printed wiring boards for the telephone, cables, and fiber-optics. At its height, the factory employed 11,000 workers.

The other plant, Alcatel-Lucent's Columbus, Ohio facility, laid off its final 200 employees last October. The company said production from both factories has now been moved to Italy.

"This is not high-tech," CWA's Goldman noted. "This is making things. It's putting things like circuit boards together. At least they could have done assembly in America," she said. "Or they could have some assembly here in America, but with the blanket exemption, they don't need to do any of the manufacturing here."

Even with the federal waiver, some jobs will still be created with the federal government's \$7 billion investment in broadband Internet infrastructure. Across the country, thousands of workers will be hired to install and maintain the new infrastructure in some of America's most underserved urban and rural communities.

But the question remains: If the broadband portion of the American Recovery and Reinvestment Act is designed to provide Internet access to under-served parts of our population and help laid-off workers in our recession, why aren't these groups even invited to speak at our national town hall meeting?