Communications Workers of America
AFL-CIO, CLC

501 Third Street, N.W.
Washington, D.C. 20001-2797
202/434-1110 Fax: 202/434-1139

Larry Cohen
President

December 9, 2008

The Honorable Speaker Nancy Pelosi
Speaker of the House of Representatives
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Senate Majority Leader
United States Senate
Washington, D.C. 20510

Dear Madam Speaker Pelosi and Senate Majority Leader Reid:

The Communications Workers of America urges Congress to include programs to stimulate investment in broadband infrastructure as part of a comprehensive economic recovery and job creation program. We outline our broadband stimulus program in the attached fact sheet.

Government programs to stimulate broadband investment will create jobs in the near-term, while building our nation's competitiveness and economic strength. Every $5 billion invested in broadband infrastructure will create 100,000 jobs directly in the telecommunications, information technology, and computer sectors and a total of 2.5 million jobs throughout the entire economy in the near-term. It also will accelerate the build-out of America's advanced communications networks to assure economic growth, global competitiveness, innovation, and job creation over the long-term.

Deployment of universal, affordable broadband also generates significant additional benefits such as reducing health care costs, addressing our energy crisis, and improving education and the delivery of government services.

CWA looks forward to working with you on these proposals. Feel free to contact Debbie Goldman, CWA Telecommunications Policy Director, (202-434-1194, dgoldman@cwa-union.org) or Lou Gerber, CWA Legislative Director (202-434-1315, lgerber@cwa-union.org).

Sincerely,

Larry Cohen
President

Attachment

cc: Members of House Appropriations Committee
Members of House Energy and Commerce Committee
Members of House Ways and Means Committee
Members of Senate Appropriations Committee
Members of Senate Commerce, Science and Transportation Committee
Members of Senate Finance Committee

Communications Workers of America
Proposals to Stimulate Broadband Investment

Government programs to stimulate broadband investment will create jobs in the short-term while building our nation's competitiveness and economic strength. Every $5 billion invested in broadband infrastructure will create 97,500 direct jobs and 2.5 million jobs throughout the economy in the near-term. It will accelerate build-out of America's advanced communications networks to assure economic growth, innovation, and job creation over the long-term. Deployment of universal, affordable broadband helps reduce health care costs, solve our energy crisis, and improve education and delivery of government services.

A broadband stimulus program to create jobs, jumpstart the economy, and improve our global competitiveness should address: 1) slow broadband networks compared to our international competitors; 2) lack of broadband availability in rural areas; and 3) broadband affordability and digital illiteracy.

1. Fund S.1492, the Broadband Data Improvement Act (P.L. 110-385). Cost: $335 million over three years.

   The House and Senate unanimously passed this legislation last session, but Congress failed to authorize funding. Since good data is the foundation of effective policy to target limited resources, the broadband stimulus package should include authorization and funding for this legislation to provide grants to states to map broadband infrastructure and support demand-stimulation programs.

   CWA recommends frontloading the funding based on the formula in the companion H.R. 3919, the Broadband Census of America Act that unanimously passed the House at a cost of $335 million over three years.

2. Tax Policy. Tax incentives lower the cost of capital, encouraging broadband build-out in high-cost underserved rural areas and investment in next-generation high-speed networks. There are several means by which incentives could be implemented:

   a. Expensing of investments in qualified broadband infrastructure build-outs. Expensing (or accelerated depreciation) allows companies to deduct a larger portion of the cost of the investment in early years. This provides immediate incentives for companies to make broadband investments and has the "multiplier" effect so that each dollar of stimulus results in several dollars of increased investment.

   b. Broadband investment tax credit reduces the cost of the investment in broadband infrastructure, and would have many of the same benefits as expensing.

How to structure tax incentives. A broadband tax incentive program should be structured to incent two kinds of new broadband investment: 1) networks in rural unserved areas; and 2) high-speed advanced networks serving residential customers. CWA recommends tiering the incentives along these lines:

- New Investment in Rural and Underserved Areas. 50% expensing or 10% investment tax credit the year the additional investment is made available to companies that invest in networks capable of at least 3 mbps down/1 mbps up.

- New Investment in Advanced Networks. 100% expensing or 20% tax credit the year the additional investment is made available to companies that invest in networks capable of at least 50 mbps down/20 mbps up or advanced network capabilities.

- Companies should be required to demonstrate to the Department of Treasury new capital investments and jobs created. The program should last three years.

3. Rural Broadband. There are several means to support investment in high-cost rural areas that need additional support.

   a. Direct grants either at the Federal level or through states or localities.

   b. Public/Private Partnership Tax Credit Bonds targeted to high-cost areas. The first opportunity to build would go to public-private partnerships. If the private sector does not come forward, a public entity could proceed. The bonds could lower the cost of capital 1.5 to 2 points.

4. Increase Broadband Adoption through Digital Literacy and Computer Ownership
   Many Americans report they do not subscribe to broadband even where it is available because they do not know how to access the Internet, do not see its value, or lack computer access. CWA proposes two community-based programs to address demand-side issues.

   a. Tech Corps funded through grants to community-based organizations and libraries to fund tech corps members for digital outreach and training.

      50 tech corps members in 100 locations = $250 million

   b. Computer Microloans/Vouchers and Free Broadband Access available through community-based or public programs to low-income households to purchase computers and receive free broadband access while they are paying off the microloan. This program is modeled after a One Economy program. The program can be implemented in conjunction with digital literacy programs, or programs such as those in Miami FL that provide free computers to middle- or high-school students who achieve academic success.

      A $1 billion computer microloan/broadband access program reaching 4 million households could increase broadband access by six percent and result in 2 million new jobs.

Broadband Investment Creates Jobs

Summary: A $5 billion broadband stimulus would directly create 97,500 new jobs in the telecom, communications equipment, and IT industries in the year the investment is made and spur the addition of as many as 2.5 million jobs throughout the economy.

Broadband and Job Creation

There are direct and indirect employment effects of a $5 billion broadband investment.

- Direct effects. A $5 billion increase in broadband investment would create 97,500 new jobs in telecom and IT in the year in which it occurs.

  Investment in broadband networks is comprised of network construction, equipment, and software. We use multiplier data from the U.S. Department of Commerce. While the exact "multiplier" effect of increased investment would depend on the precise mix, we estimate an employment multiplier of 19.5 for every $1 million invested.[1]

- Indirect employment effects. A seven percentage point increase in broadband penetration would result in 2.4 million new jobs throughout the economy.

  The indirect employment effects result from greater availability, increased competition, and lower prices. Based on Brookings Institution research, Connected Nation estimates 2.4 million new jobs from a seven percentage point increase in broadband penetration.[2]

Additional Research on Broadband Jobs

- According to a Department of Commerce study, communities with broadband added one percentage point to the employment growth rate, 0.5 percent to the growth of business establishments, and 0.5 percent to the share of IT establishments. [3]
- A study of Appalachia found that firms in communities with broadband were 14 to 17 percent more productive than those in communities without high-speed Internet.[4]

---

[1] Estimate based on RIMS II Model, Bureau of Economic Analysis, U.S. Department of Commerce; represents the average of the multipliers for Construction and Broadcasting and Communications Equipment ($5 billion x 19.5/$1million = 97,500 new jobs)

[2] Connected Nation, "The Economic Impact of Stimulating Broadband Nationally," Feb. 21, 2008 (http://www.connectednation.org/research/economic_impact_study/index.php). The Brookings study found that for every 1 percentage increase in broadband penetration, employment is projected to increase by 0.2 to 0.3 percent. Connected Nation found that broadband penetration increased seven percentage points above the national average in Kentucky (2005-2007) due to intensive demand-stimulation and network investment.

[3] William Lehr, Carlos A. Osorio, Sharon E. Gillett, and Marvin Sirbu, "Measuring Broadband's Economic Impact," U.S. Department of Commerce, Economic Development Administration (Feb. 2006) (http://www.eda.gov/ImageCache/EDAPublic/documents/pdfdocs2006/mitcmubbimpactreport_2epdf/v1/mitcmubbimpactreport.pdf)

[4] Mark L. Burton and Michael J. Hicks, "The Residential and Commercial Benefits of Rural Broadband: Evidence from Central Appalachia," June 2005, Paper prepared for the West Virginia Development Office, Center for Business and Economic Research, Marshall University