

3.2 RECOGNITION OF BROADBAND FOR ECONOMIC DEVELOPMENT

One of the major drivers for broadband deployment (even when not on an open access basis) is the impact that it is perceived to have on economic development. Since broadband is a relatively new phenomenon, there is a limited amount of empirical research on its economic impact. However, all of the research studies that have been undertaken to date demonstrate that broadband deployment results in very substantial benefits to the economy.

The earliest of these studies have been from the United States, where researchers attempted to estimate the impact that widespread deployment and adoption of broadband technology would have on the economy at a national level. The basic conclusions were as follows:

- Widespread deployment of broadband could contribute up to an extra \$500 billion annually to the US GDP (Crandall and Jackson 2001).[\[ii\]](#)
- Ubiquitous adoption of residential broadband could result in the creation of more than 1.2 million jobs in the US (Criterion Economics 2003).[\[iii\]](#)
- Universally available broadband could result in cost savings to the US economy of \$233 billion over 6 years (Yankee Group 2001).[\[iv\]](#)
- Adoption of Internet business solutions by US organizations has resulted in an estimated \$155 billion in savings over the period 1998 – 2001 (Momentum 2003).[\[v\]](#)

These observations have been borne out by studies from other countries. In a study conducted by CEGR (2003)[\[vi\]](#) for the Broadband Industry Group on the impact of broadband on the UK economy, it estimated that:

- By 2015, the productivity benefits of broadband could be as much as 2.5% resulting in an annual increase to the UK Gross Domestic Product (GDP) of £21.9 billion.
- Additional benefits that could be realised by 2015 were an annual estimated increase in UK fixed expenditures of £8 billion and an increase in annual net exports of £11 billion.

More recent studies measuring the economic impact of broadband at a regional and community level have confirmed that there is a substantial quantifiable impact.

In a study undertaken by ACIL Tasman (2004)[\[vii\]](#) on the economic impact of broadband to the State of Victoria in Australia (population of 4.9 million), it found that broadband would have significant positive impacts on productivity, employment and investment. It forecast that over the period 2004 –2115;

- An annual increase of 0.82% in Gross State Product amounting to a total contribution of AUD \$15 billion to the State economy.
- An annual increase of 0.5% in employment growth that would equate at its peak to 18,000 jobs in 2008.

- An increase in investment of 10.46%.

In a study conducted over a broad range of U.S. communities where broadband had been deployed since December 1999, the researchers found that between 1998 and 2002, these communities experienced more rapid growth in employment, number of businesses overall, and businesses in IT– intensive sectors. As noted by the authors, '*...the early results presented here suggest that the assumed (and oft–touted) economic impacts of broadband are both real and measurable.*' (Lehr, Osorio, Gillett and Sirbu, 2004)[viii]

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REFERENCES

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<http://www.mmv.vic.gov.au/broadband/Economicbenefits>

[viii] Lehr, W., Osorio, C., Gillett, S., and Sirbu, M, (2005) "Measuring Broadband's Economic Impact", paper presented at the 33rd Research Conference on Communication, Information, and Internet Policy (TPRC), Arlington, VA, and revised as of October 4, 2005.

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