

## Broadband Policies Gain Global Traction — Except in U.S.

**Governments in several developed nations encourage and invest in broadband to accelerate high-speed Internet connections to the public. Without a federal broadband policy, the United States risks lagging behind.**

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**Event:** In recent news reports:

- Nippon Telegraph and Telephone said it would spend up to \$4 billion through 2007 to upgrade its Japanese fiber optic network to offset declining revenue from traditional telephone operations.
- The South Korean government announced it would invest nearly \$11 billion to bring high-speed Internet connections to all households by 2005.
- The British government said it would spend \$1.6 billion to provide broadband Internet access to schools, hospitals, police departments and other public services.

**First Take:** These events, along with ongoing and planned deployments by major global vendors of broadband equipment, create a drumbeat of movement toward widespread broadband access worldwide — with one notable exception: the United States. The U.S. telecom industry is floundering in the “Trough of Disillusionment” in the Gartner Hype Cycle. It is saddled with a weak economy and backward-focused telecom regulation. Although improvement in general economic conditions might help ease the pain, U.S. telecom regulation reform doesn’t appear likely any time soon. Heavy lobbying and misinformation campaigns by competitive and incumbent service providers over legacy network unbundling (unbundled network element platform, or UNE-P) have created a stalemate, thus delaying the long anticipated deployment of broadband networks to users. Who will pay for last-mile fiber deployments to business and residential users?

One Gartner proposed solution — FlexReg — could help break the access broadband stalemate (see “FlexReg: Telecom Regulatory Model of the Future”). FlexReg calls on the Bush administration to put forward a U.S. broadband vision, negotiated settlement of legacy UNE-P issues and government incentives to stimulate deployment of broadband access facilities. Without an end-to-end broadband infrastructure, the U.S. telecom industry will continue to lag behind forward-thinking countries in reaping the productivity and economic benefits of the Information Economy. Without some type of government initiative, the ongoing reduction in the number of competitive carriers will reduce competitive pressure in the U.S. telecom industry and lead incumbent carriers to gain the most from “business as usual” legacy service revenue. FlexReg also has applications in other countries as well since it is a forward-looking regulatory model adaptable to address issues relative to every telecom marketplace and submarket.

It will take years for the U.S. telecom sector to regain its strength. Enterprises should do the following to shield themselves from the current U.S. telecom depression:

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- Mandate a dual-supplier telecom services policy and encourage independent and diverse broadband access facilities to the providers' network.
- Focus on the strategic benefits of value-added services (quality of service, security, route diversity, network monitoring, bandwidth-on-demand vs. service provisioning velocity and so on) rather than just commodity connectivity.
- Advocate secure, redundant broadband access rather than short-term price wrangling.
- Add their competitive broadband demands to the political agenda.

**Analytical Sources:** John Mazur, Ron Cowles, Frank Fabricius, Tim Smith and Peter Kjeldsen, Gartner Research

### **Recommended Reading and Related Research**

- “Next-Generation Networks Will Need Forward-Looking Regulation” — Governments should create forward-looking legislation that supports migration to broadband. **By Peter Kjeldsen and Frank Fabricius**
- “The Great U.S. Telecommunications Depression” — Gartner offers recommendations in an effort to provide some stability to telecom service providers and enterprises struggling amid a tumultuous telecom marketplace. **By John Mazur**

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