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**Biden Broadband Plan:
Transparency and Accuracy Required for Sound Policy**

by

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This paper, the fourth in an ongoing series highlighting flaws in the Biden Broadband Plan, shows how advocates for a radical change in broadband policy use misleading and incomplete data in a manner that undermines informed decisionmaking and is inconsistent with the Biden Administration's, as well as their own, calls for transparency. The earlier papers in this series are included in the Further Readings section found at the end of this Perspectives.

I. Introduction and Summary

All the way back in 1996, Congress [formally codified](#) "the policy of the United States ... to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by Federal or State regulation." With the exception of the short period when the Obama FCC imposed Title II public utility-like regulation on Internet access providers, the experience of the past twenty-five years has proven that private investment, encouraged by the minimal regulatory oversight dictated by that policy, is the optimal way to connect Americans to high-speed Internet access. Indeed, the Federal Communications Commission [reported](#) in January 2021 that, "[a]s of year-end 2019, approximately 96% of the

overall population had coverage of [25/3 megabits per second (Mbps)] services, up from 94% in 2018."

Thus, the current approach is working. It necessarily follows that, absent transparent, unbiased, and reliable evidence demonstrating otherwise, there can be no justification for an abrupt change in course. To our knowledge, no such evidence exists.

Nevertheless, we do recognize that the stakes in the current broadband policy debate are high. President Biden, as part of his [American Jobs Plan](#), initially sought to spend a total of \$100 billion. Republican lawmakers countered with proposals in the amount of [\\$65 billion](#) and [\\$20 billion](#), and on May 21, 2021, the Biden-Harris Team released a [memo](#) indicating that "[t]he President is prepared to accept [Senator Capito's] proposed funding of \$65 billion in broadband investments."

Against this backdrop, it perhaps is not surprising that those who believe passionately that government should embrace a more intrusive role with respect to the competitive broadband marketplace might go to rather extreme lengths to justify their demands. In that vein, we regularly see reports that appear, at first glance, to show that U.S. broadband prices are higher than in other developed countries; that domestic broadband prices are rising; or that municipally owned-and-operated networks save consumers money.

A close review of the underlying data, however, exposes insurmountable failings in these analyses, exacerbated by a lack of transparency: (1) apples-to-oranges comparisons among countries that knowingly disregard fundamental differences in geography, population, and average income; (2) pricing claims that intentionally exclude or minimize significant fees and other charges that consumers must pay; and (3) studies that ignore unhelpful yet reliable evidence and focus instead on cherry-picked numbers that even the source thereof regards as unreliable.

As we demonstrated in "[Biden Broadband Plan: Claims That Broadband Is 'Too Expensive' Are Unfounded](#)," competition among high-speed Internet service is growing, prices are dropping, and overall quality is improving. Before the Biden Administration disrupts the existing broadband marketplace that is generally operating efficiently to produce these pro-consumer results, it first would need to present a compelling case that a legitimate problem exists. Transparency, without question, is a critical touchstone. As we demonstrate below, however, evidence proffered to date falls short.

II. So-Called Evidence of Broadband Marketplace Failures Does Not Survive Scrutiny

Highly consequential decisions impacting the regulatory treatment of high-speed connectivity – a driving force in our lives, economic and otherwise – demand a rigorous consideration of the actual consumer experience. On this point, at least, we agree with President Biden on the critical need to "[promote price transparency ... among internet providers](#)."

The value of price transparency, of course, is that it can enable consumers and policymakers alike to conduct accurate and meaningful comparisons of the options available in the marketplace. With respect to broadband, however, it can be difficult to control for all of the differentiating features of rival offerings: speeds, both upstream and downstream; latency; data

allowances and overages; upfront costs; promotional pricing; bundling discounts; additional fees; etc. Even the New America Foundation's Open Technology Institute (OTI) shares this view, [acknowledging](#) in *The Cost of Connectivity 2020* that "[t]he total cost of service is difficult to determine in the United States."

This challenge is exacerbated when comparisons are attempted among countries with their own unique operating environments, which often include vast differences in population densities, geographic features, average incomes, and other considerations, as the Information Technology & Innovation Foundation's Doug Brake and Alexandra Bruer explained in a February 2021 publication titled "[Broadband Myths: Are High Broadband Prices Holding Back Adoption?](#)"

As a consequence, ongoing broadband policy discussions are vulnerable to compelling, and yet facile and misleading, assertions that cherry pick from the available evidence and/or disregard relevant marketplace distinctions. For example, the Biden Administration repeatedly has made the inaccurate claim that American broadband service is "too expensive" as compared to other countries, most recently in a [May 5, 2021, Instagram post](#). OTI is the source cited in support of that assertion. And it is true that OTI, in the very first sentence of the [executive summary](#) to *The Cost of Connectivity 2020*, does declare that "we find further evidence that people can expect to pay more for internet service in the United States than in Asia or Europe."

But as we pointed out in "[Biden Broadband Plan: Claims That Broadband Is 'Too Expensive' Are Unfounded](#)," if one reads far deeper into that report, OTI [reluctantly acknowledges](#) the inconvenient truth that "standardizing costs and speeds while also factoring in differences in population density reveals that U.S. providers on average advertise similar prices for similar speeds as European providers." Beware the fine print, indeed. And this is from an entity that [alleges](#) that ISPs are not transparent with consumers.

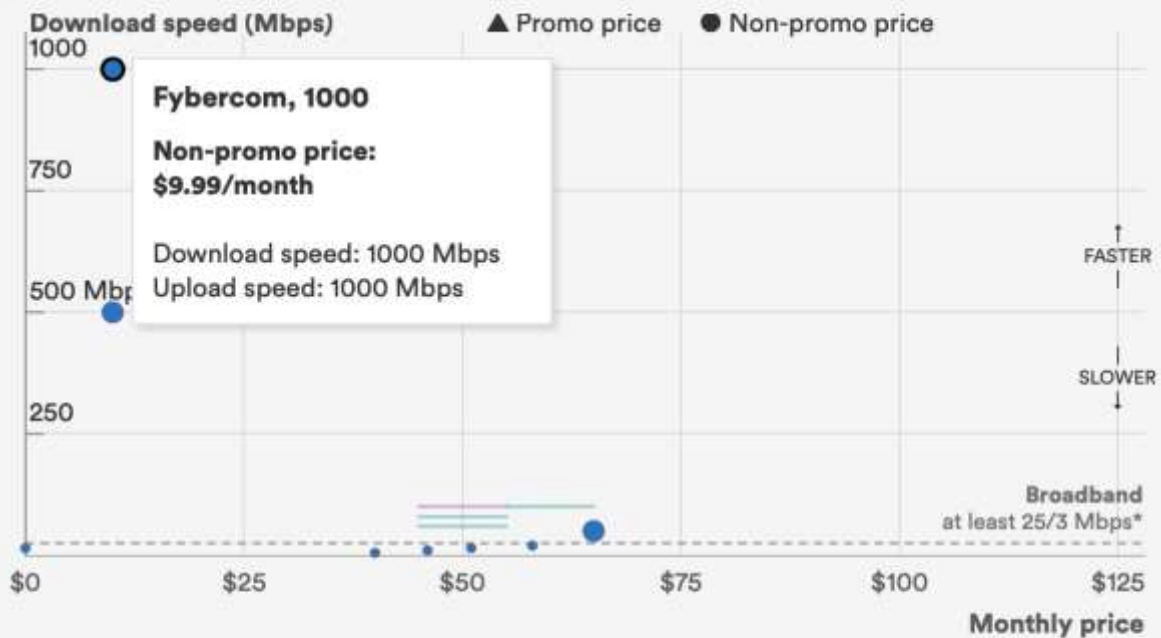
For a deeper dive into the problems with OTI's comparison of prices in the U.S. and other countries, please see "[International Broadband Price Comparisons Tell Us Little About Competition or Affordability, and Do Not Justify Broadband Regulation](#)," a paper commissioned by NCTA – The Internet & Television Association.

Unfortunately, this by no means is the only significant example where OTI fails to provide transparency. *The Cost of Connectivity 2020*, citing another OTI publication, [The Cost of Connectivity in Ammon, Idaho](#), asserts that this suburb of Idaho Falls "offers ... the lowest average monthly price of any U.S. city in our dataset." As you can see below, *The Cost of Connectivity in Ammon, Idaho* does indeed graphically depict a rosy scenario in which Fibercom, an Internet service provider, makes available symmetrical gigabit service for the "non-promo price" of just \$9.99:

Plan Costs

Hover over a provider name to see just that provider's plans:

CenturyLink DirectCom **Fybercom** GWK Sparklight SpeedConnect Sumo



*The Federal Communications Commission's current definition of broadband is 25 Mbps download, 3 Mbps upload

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By comparison, OTI reports that 80/40 Mbps service from CenturyLink is available for a "promo" price of \$45 per month and a "non-promo" price of \$55 per month. (As of May 21, 2021, CenturyLink is advertising on its [website](#) 80/10 Mbps no-contract service in Ammon with a 1 terabyte data cap for \$49 for life plus \$15 to lease a modem and a one-time tech install charge of \$99.)

The following footnote text from *The Cost of Connectivity 2020*, however, hints at a more complete – and more accurate – picture about the true price of Fybercom's offering in Ammon: "This comparison only includes monthly internet costs and excludes any additional fees."

Another commenter critical of the broadband marketplace is Free Press Research Director S. Derek Turner. Mr. Turner is the author of a misleading recent [report](#) claiming, on the basis of egregiously cherry-picked Bureau of Labor Statistics (BLS) data, that "the nominal increase in broadband bills was more than four times the rate of inflation" between 2016 and 2019. But as USTelecom's Mike Saperstein has [forcefully and convincingly demonstrated](#), Mr. Turner focuses

on detailed consumer expenditure data that [BLS does not consider to be reliable or accurate](#) – while other, far more reliable BLS Consumer Price Index (CPI) data to the contrary reveals that "prices for Internet access services ... decreased by 12% in real (inflation-adjusted) terms from 2012 to 2020."

We therefore do not accept Mr. Turner's inaccurate pricing claims. However, we can and do agree, emphatically, with his recent statement to [Axios](#) that "[w]hat actually matters most to people is the price on the bill for the check they write every month." Accordingly, we note that, contrary to what OTI would like policymakers to believe, Fibercom subscribers actually write two checks per month, which together total far more than \$9.99.

The municipal broadband network in Ammon, Idaho, is operated pursuant to a so-called "open-access" model. As a consequence, consumers are required to enter ongoing financial relationships with both the city, which builds and maintains the physical infrastructure, and the ISP, which delivers high-speed Internet access service over those facilities.

Construction Costs. According to the [FAQ section](#) of the City of Ammon Fiber Optics website, the significant fiber-to-the-home installation costs are estimated to be between \$3,000 and \$3,500. They can be paid upfront or annually over twenty years. If they are paid annually, "low interest rates" apply. OTI [clarifies](#) that the annual option is available only during the construction phase; "if they opt in after construction is completed, they must pay the one-time fee upfront."

According to the city, the twenty-year annual option adds, on average, \$23/month to the bill, including interest. For the purpose of full disclosure, however, we note that, without interest, (1) \$3000 evenly divided over 20 years (240 months) equals just \$12.50, and (2) \$3500 distributed across 20 years is only \$14.58 per month. In other words, these "low interest rates" significantly inflate the monthly fee.

Moreover, the [National Association of Realtors](#) reports that homeowners in Idaho Falls stay in their homes an average of only 11 years. For those that choose or are required to pay the entire installation cost upfront, the monthly allocation, based upon 11 years instead of 20, would range from \$22.73 (assuming a \$3,000 installation) to \$26.52 (for a \$3,500 installation). These figures do not factor in the lost opportunity cost associated with those upfront payments – for example, the foregone interest that would have been earned had that money instead been invested – and therefore appear low when compared to the \$23 per month (including interest) reported by the City of Ammon. Nevertheless, the point here is that a twenty-year time horizon may not be the appropriate, or best, measure.

That is especially true because it is unclear what happens to the balance should a subscriber who finances the installation costs moves or chooses to terminate service before the end of the twenty-year term. Is the remainder due in the form of a balloon payment?

Utility Fee. In addition, every subscriber must pay a city utility fee "for maintenance and operation of the line." That's another \$16.50/month.

These two amounts are just what a subscriber must pay directly to the city itself. In addition, the subscriber must obtain service from one of the four ISPs that provide the actual Internet service over the "open access" municipal fiber infrastructure. According to the City of Ammon Fiber

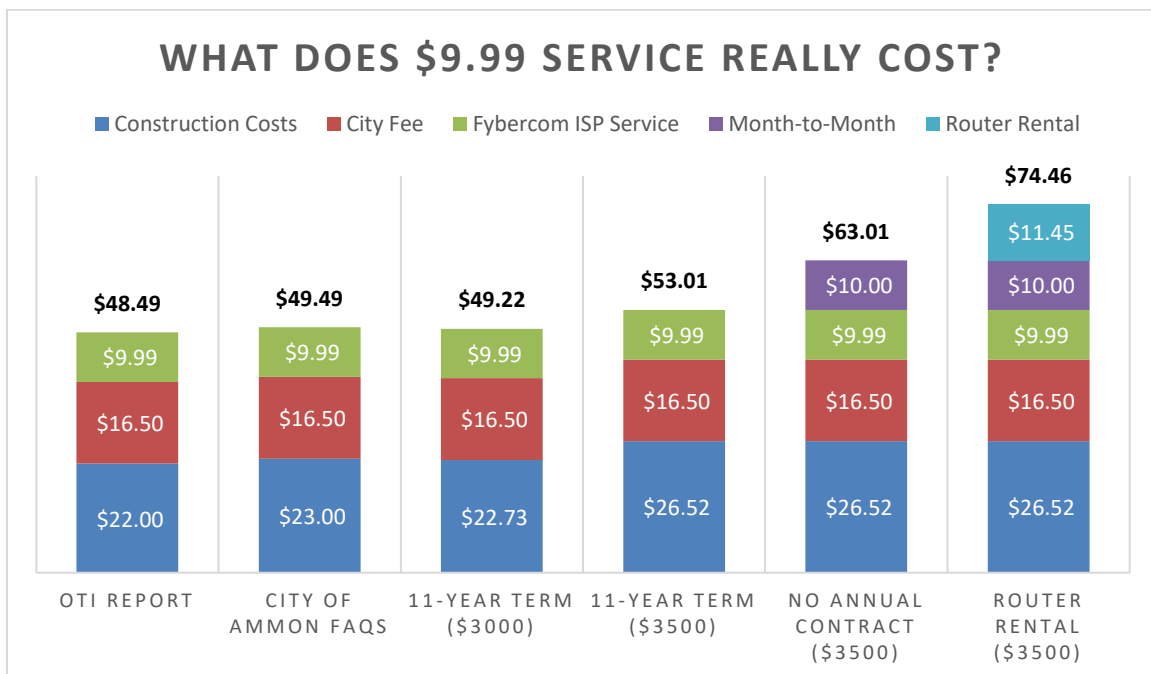
Optics website [FAQs](#), "a residential property that wants Internet at 1Gbps (1000Mbps) with no caps, you'll be looking at around \$10 - \$25 per month depending on the ISP."

As illustrated above, OTI [touts](#) the symmetrical gigabit service offered by Fybercom at the "non-promo" price of \$9.99 and asserts that "Fybercom's plan demonstrates how an open access network can help facilitate significantly lower prices for consumers." Further down, within the text of its report, OTI does present the more accurate total of \$48.49. The City of Ammon, on the other hand, presents a higher estimate: \$49.50.

Importantly, however, neither of these numbers appear to fully reflect the amount that a subscriber ultimately will pay. First, according to the [FAQs](#) on Fybercom's website, for those who do not want to sign a two-year contract it "offer[s] a month-to-month (M2M) option for an additional \$10 a month on whichever service plan you choose." It is not entirely clear that this month-to-month fee applies to the \$9.99 price for service over the Ammon fiber network – but it certainly is reasonable to assume that it does.

Second, the City of Ammon Fiber Optics website [FAQs](#) note that a wireless router is required "to support the service from your Internet service provider (ISP)" and recommends several models for purchase at prices ranging from \$78.49 to \$379. However, should the consumer choose to [lease](#) a wireless router from Fybercom, that would increase the monthly bill by \$11.45.

Thus, there is no certain method to determine a single, definitive price for Fybercom's "\$9.95 per month" service – but the floor appears to be in excess of \$48. Depending on a number of uncertain variables, the total fluctuates substantially, as depicted in the following chart:



The totals represented above range from OTI's claim of \$48.49, to the City of Ammon's estimate of \$49.50 (\$49.49 to be precise), to \$53.01 with a \$3500 construction cost paid up front but

spread across 11 years, to as high as \$74.46 without an annual contract and including a monthly router rental fee.

We'd like to highlight a couple of points regarding the above. One, given the incomplete information available and variables involved, this chart depicts a number of widely divergent yet defensible ways to arrive at how the amount a subscriber might pay each month. Two, all of those amounts significantly exceed \$9.99 per month. And three, the "correct" representation, from a policy perspective, is the one that enables a meaningful, apples-to-apples comparison of the price of Fybercom's service to that of other providers.

Our goal in engaging in this exercise is not to state with specificity a precise total, but rather to highlight the fact that cross-service comparisons are not easy to perform. Indeed, the above makes clear that it is a challenge to calculate the actual price, in isolation, of a single service. Accordingly, to the extent that the relative costs of broadband alternatives – whether across different countries or from different providers in a specific American market – are to serve as the justification for government intervention, policymakers must exercise the necessary levels of care and diligence to ensure that the values they consider in fact are suitable for any meaningful comparison.

III. Conclusion

Over the past two-and-a-half decades, the congressional policy directive to rely upon the efficient operation of broadband marketplace forces has led to massive private investment – [nearing \\$2 trillion overall](#) and [roughly \\$80 billion annually for the past several years](#) – and the deployment of infrastructure so widespread that its ubiquity rightly shines a glaring light on those areas that remain truly unserved. Accordingly, absent a rigorous, evidenced-based, apples-to-apples, and – above all else – transparent determination that competitive forces are not continuing to do their job, there is no basis for a departure from the market-based policies that have served consumers so well.

Indeed, and as demonstrated above, transparency is critical to an accurate depiction of the broadband marketplace and a proper assessment of the appropriate role of government therein. Unfortunately, OTI's *The Cost of Connectivity 2020*, upon which the Biden Broadband Plan heavily leans, leaves out critical details and, as a consequence, cannot reasonably serve as the foundation for sound decisionmaking.

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Further Readings

Andrew Long, "[Broadband Organizations Join Together to Form America's Broadband Future](#)," *FSF Blog* (May 17, 2021).

Randolph J. May and Seth L. Cooper, "[Biden Broadband Plan Favoring Government-Owned Networks Lacks a Constitutional Foundation](#)," *Perspectives from FSF Scholars*, Vol. 16, No. 24 (May 11, 2021).

Andrew Long, "[Latest FSF Critique of Biden Broadband Plan Disproves Claim That Service Is 'Too Expensive,'](#)" *FSF Blog* (May 7, 2021).

Randolph J. May and Andrew Long, "[Biden Broadband Plan: Claims That Broadband Is 'Too Expensive' Are Unfounded,](#)" *Perspectives from FSF Scholars*, Vol. 16, No. 23 (May 7, 2021).

Randolph J. May and Andrew Long, "[Biden Broadband Plan: Misdirected Broadband Subsidies Hurt Competition and Consumers,](#)" *Perspectives from FSF Scholars*, Vol. 16, No. 21 (April 28, 2021).

Andrew Long, "[Republican Senators' \\$568B Infrastructure Proposal Includes \\$65B for Broadband,](#)" *FSF Blog* (April 26, 2021).

Andrew Long, "[USTelecom Study Comparing Broadband in the U.S. and the EU Confirms the Wisdom of a Light Regulatory Touch,](#)" *FSF Blog* (April 22, 2021).

Andrew Long, "['Future Proofing' Subsidized Broadband Would Inflate Consumer Prices,](#)" *FSF Blog* (April 13, 2021).