Center for an Urban Future
Innovative Ideas. Independent Policy.



Testimony - January 2005

Is There a Broadband Gap for Businesses in Brooklyn?

CUF Research Director Jonathan Bowles recently testified to the New York City Council Committee on Technology about the difficulties Brooklyn businesses face in securing reliable broadband internet access.

by Jonathan Bowles

Good afternoon. My name is Jonathan Bowles and I am the research director of the Center for an Urban Future, a non-partisan policy institute that conducts research and publishes studies on economic development, workforce development and other issues that are important to New York City's future.

I want to start by thanking Councilwoman Brewer, the members of the Technology in Government Committee and the Brooklyn Chamber of Commerce for holding this hearing, and inviting me to testify.

The question being asked today is an important one for the city's economic future: Is there a broadband gap for businessesin Brooklyn? My conclusion is that while there is no widespread broadband blackout across Brooklyn, there are definite gaps throughout the borough where broadband is accessible and reliable for businesses.

A couple of years ago, the Center for an Urban Future received a grant from the Alfred P. Sloan Foundation to look at this very issue, and after months of research we issued a study last month titled "New York's Broadband Gap." Based on my research, I can tell you that most businesses in Brooklyn-—and throughout the city-—at least have access to a moderately priced broadband connection, either through DSL or a cable modem. The problem is that there are still several commercial districts across the city—including a handful in Brooklyn—where many businesses still have great difficulty accessing a reliable broadband connection at prices they can afford.

It is virtually impossible to detail the true extent of the broadband gap, since city and state agencies collect scant information about business broadband subscribers. But based on interviews I conducted with numerous business owners, officials at local development corporations, real estate experts and officials at telecom companies, I found that businesses face

extremely limited options for obtaining broadband in parts of Red Hook, Sunset Park, the Brooklyn Navy Yard, East New York, Williamsburg and Greenpoint.

In these areas, many businesses are too far from a Verizon central office to qualify for DSL. In other instances, DSL is available but the service is either of extremely poor quality or doesn't allow the connection speeds that make the service worthwhile. Residential customers around the five boroughs who have problems with DSL almost always can turn to another moderately affordable option: a cable modem broadband connection. And while cable companies are increasingly making their broadband service available for small businesses across the city, they have mostly targeted businesses located in or around residential areas. Cable companies still haven't extended their infrastructure to many commercial buildings in several of the city's more isolated industrial neighborhoods.

Finally, most businesses around the city do have the option of buying a T1 line. But this service is simply too expensive for the vast majority of businesses in these areas.

This broadband gap is cause for concern. After all, it is no longer just investment banks and dot coms that need a high-speed Internet connection. In today's digital age, businesses in nearly sector are increasingly finding that they need broadband to become more efficient, expand profit opportunities and, ultimately, to remain competitive with firms around the block and across the globe.

The broadband gap also threatens to diminish the city's economic competitiveness at a time when some of the city'sbrightest prospects for growth lie outside of Manhattan's central business districts. Roughly 48 percent of the city's 213,000 businesses are located outside of Manhattan, and many of the sectors with the greatest potential for growth in New York have significant concentrations outside of Manhattan – including health services, the arts, film and music production, air transportation and food production.

There are many reasons for the broadband gap. To begin with, the telecommunications infrastructure in many of the city's older commercial areas is roughly 100 years old and in bad shape. At the same time, the economics of upgrading this network or extending new fiber optic cables to un-served areas often doesn't make sense for telecom companies. Outside of Manhattan, there are few high-rise office buildings, and few of the large corporations that make telecom providers salivate. Businesses in these areas tend to be spread out over larger distances and are mostly housed in small buildings that rarely have more than a few tenants.

Another huge problem is that demand for broadband still hasn't reached a critical mass among small businesses in New York, with many companies remaining woefully in the dark about the benefits of this technology. Until demand reaches a critical mass, broadband providers aren't likely to make the significant upfront infrastructure investment to wire buildings, and the businesses in these neighborhoods that are further along on the technology curve are likely to have a hard time getting service.

There are other problems, too, like a lack of competitive broadband providers in some areas and some landlords who makeit difficult for broadband providers to install the necessary equipment inside their buildings.

With the market not taking care of many business' technology needs, the city does have a role to play in ensuring that broadband is widely available. There are several things the city could do:

1) One of the easiest things city officials can do is bring small business owners up to speed in understanding broadband. Doing so could help drum up demand for broadband, and thereby entice telecom companies to offer service. Policymakers in New York might have the most success by working with industry associations, chambers of commerce, local development corporations, business improvement districts and other business intermediaries to get the message out. At the very least, these organizations can use their newsletter to publicize how local businesses are taking advantage of the Internet and promote opportunities for firms to use the Web to access government services and apply for contracts, incentive programs

and licenses. The city could also help local organizations take the lead on setting up wireless networks.

2) Wireless technologies obviously hold enormous potential to solve some of the city's broadband gaps, but the rollout of wireless to underserved areas may not happen anytime soon without some level of involvement from the city. The city should work with wireless companies and local business leaders to develop an action plan for ensuring that affordable wireless Internet service can be accessed by the businesses that aren't currently served by DSL or cable. A city strategy may involve allowing companies to install wireless infrastructure on city-owned property at significant discounts in targeted areas, and it could involve incentives for property owners that install wireless antennas in their buildings.

3) The city could also design a package of incentives to encourage the wiring of commercial buildings in underserved areas throughout the five boroughs. For example, the city could offer an incentive to cable companies that would defray the cost of extending their fiber infrastructure to smaller commercial buildings in targeted areas. The incentives shouldn't be included for major new developments or large multi-tenant buildings—just the properties where the economics make sense for the broadband provider.

4) Where possible, the city should support the development of cluster buildings. These properties, like the Greenpoint Manufacturing and Design Center, make economic sense for a number of reasons. Among them, they may be a good way for small businesses that otherwise couldn't afford broadband to share the cost of a T1 line. In addition, the city work with the managers of existing cluster buildings to ensure that they make broadband available for all of their tenants.

RELATED PRESS

To Help Connect the Two New Yorks, Bill de Blasio Should Build More Community Broadband

The Nation, by Maya Wiley, January 08, 2014

CENTER FOR AN URBAN FUTURE
120 Wall Street, 20th Floor, New York, NY 10005

cuf@nycfuture.org © All Rights Reserved.