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By DAVID TICOLL

Thursday, Oct. 9, 2003

The British government has published the world's first compelling business case for investment in highspeed broadband Internet access in small towns. It proves growth in jobs, business returns and tax revenue.

And, by the way, the case is based on South Dundas Township in rural Ontario. Plus, the ground-breaking research was done by a 34-year old Canadian economist.

Michael Curri, the economist in question and founder of Ottawa consulting firm Strategic Networks Group (SNG), explains why it's tough to get broadband into small towns.

"In urban areas, there are enough customers to make a \$40-per-month charge profitable for the phone or cable companies. But in a place like South Dundas, Bell Canada can't charge enough to cover its infrastructure costs." So businesses and consumers in rural areas face a competitive disadvantage against those in big cities.

That's why the federal government launched a broadband initiative with great fanfare a couple of years ago. Although somewhat torpedoed in Paul Martin's last budget as finance minister, it did survive and is now helping small and First Nations communities across the country to build arguments for local broadband, then providing money to make it happen. The feds' standard broadband presentation says that rural and remote communities are "unlikely to be served by market forces, as the business case is non-existent." A key reason: Canada's population per square mile, they point out, is second lowest (next to Australia) among OECD countries.

Enter South Dundas, a community of 11,000 on the north shore of the St. Lawrence. South Dundas offers a lovely rural environment, a prime location close to Ottawa and Montreal, low taxes and good quality of life.

Despite such advantages, it lost 600 jobs, about 10 per cent of its work force, in the 1990s.

In 2000, the township decided to stanch the bleeding with business broadband. But rather than plead with telecom companies or the feds, the township used local tax revenue to fund construction and continuing maintenance of a fibre-optic business communication network.

Beyond a basic connection fee to local businesses, the township funds broadband as infrastructure — just like fire, roads, waste collection and recreation.

South Dundas hired Mr. Curri to help design and evaluate the project, and he produced a preliminary report in early 2001. Coincidentally, the British Department of Trade and Industry was scouring the globe for a credible business case for rural broadband. It came across Mr. Curri's initial work and hired him to do a broader study. His innovative study methodology carefully traces causes and effects step by step — proving the linkages between shared local investments in broadband and economic benefits to all and sundry.

The township invested \$1.3-million in fibre-optics infrastructure to April, 2003. The payoff over the preceding 21 months included 63 new jobs, \$2.8-million in commercial and industrial expansion, and \$140,000 in revenue increases and cost savings for existing businesses.

What's important is that these benefits appear to be sustainable. Mr. Curri projects gross domestic product growth over the next two to four years of \$25-million in the South Dundas economy and an \$8-million spinoff across Ontario; 207 person-years of local employment and another 64 for the rest of the province; and increased taxes of \$3.5-million for the province and \$4.5-million for the federal government (some of these taxes will be offloaded back to the township).



A local trucking firm, for example, had historically found itself with empty vehicles on return trips. In an industry where “he who has the fastest modem wins,” the company was not only able to fill its trucks by finding available loads over the Internet but bought a couple of new ones and hired six more drivers.

The local Canadian Tire started providing on-line product training to store employees, resulting in higher sales per customer. Xenopus Inc., a dental equipment manufacturer, said: “Our sales office, with eight employees, would be based in the United States if it was not for broadband” because it let the workers share product diagrams and specifications with customers over the Internet more easily. Eckel Industries opened a new tile manufacturing plant in town and moved 31 jobs from Boston.

Some of these benefits help the local economy without hurting other regions. Others are more in the nature of zero-sum: More trucking jobs in Dundas may mean fewer in Cornwall. So if you're considering broadband for your community, treat such first-mover advantage as an issue of some urgency. Before adopting a wait-and-see approach, note that eventually every locality will need broadband to play in the networked economy; first-mover opportunities may pass you by.

South Dundas also shows how broadband lets small communities compete internationally. Xenopus and Eckel Industries illustrate a trend in that 38 of the township's 63 new jobs would be in the United States if not for the fibre network.

Mr. Curri raises an important caution: *“Throwing technology at a community doesn't do it. You need to get people to understand what it will do from them and then they need to change their behaviour. And compared to installing the technology, it's a lot more work to make this happen.”*

South Dundas invested heavily in making the change work. Township staff and external advisers spent a lot of time in public meetings and one-on-one education.

The results seem promising. South Dundas is growing again thanks to an effective dose of technology. Its planning and evaluation model can be replicated in many other places.

Indeed: Earlier this week, I caught Mr. Curri between flights — just in from India and preparing for La Ronge, Sask.

*David Ticoll's new book is The Naked Corporation: How the Age of Transparency Will Revolutionize Business, written with Don Tapscott.
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