

Telecom & Information Technology: The New Infrastructure for Community Economic Development

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This presentation was prepared under the auspices of CDIII, a national project on the future of community development and CD finance:

- Premise: The economic and financial worlds have changed profoundly over the last 30 years; fundamental assumptions about community development and community development finance must be revisited.
- Range of Concerns: Macrofinancial trends, savings and financial services, affordable housing, business development and job creation, asset building strategies for individuals and communities, technology and community infrastructure, financial infrastructure for the CD field
- Questions: What is the current state of the CD and CDFI industries? How do these industries need to evolve in order to have impact in this new economic and financial world? What is needed to help move these industries into their new positions and roles?
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This presentation on telecommunications and information technology will:

- Provide a brief overview of the telecom and information technology sector
- Illustrate the connections between telecom/information technology and community economic development through the introduction of 8 case studies (*Details of the case studies are provided in an accompanying presentation*)
- Describe technology as a platform for community economic development and suggest possible directions for community development organizations
- Summarize the importance of telecom and information technology to community development

Revolutions, by their nature, create new and unanticipated opportunities, challenges and risks for those caught up in them.....All around us, in ways and forms we cannot fully appreciate, new digitally-based economic arrangements are changing how people work together and alone, communicate and relate, consume and relax. These changes have been rapid and widespread, and often do not fit the established categories for understanding economic development.

-- Robert J. Shapiro

Under Secretary of Commerce for Economic Affairs

“E-commerce is profoundly changing economies, markets, and industry structures; products and services and their flow; consumer segmentation, consumer values, and consumer behavior; jobs and labor markets. But the impact may be even greater on societies and politics and, above all, on the way we see the world and ourselves in it.”

-- Peter Drucker, “Beyond the Information Revolution”

Background on the Telecommunications and Information Technology Sector

Telecom is a subset of the Information Technology (IT) industry and includes:

- Local exchange telephone services
- Long distance telephone services
- Cable television
- Radio and television broadcasting
- Satellite services
- Computer hardware and software
- Internet service providers
- Data networks and communications
- Electronic information services
- Wireless communication systems and services, including cellular, personal communications and mobile radio services
- Home videos and electronic games

The IT industry is growing and changing rapidly and has become the most powerful “driver” of the American economy.

- Between 1995-98, IT-producing industries contributed 35% of total U.S. economic growth.
- IT industries accounts for over 8% of GDP (more than automobiles and aerospace combined); they employ nearly 5 million people.
- By 2002, retail e-commerce projected at \$40-\$80 billion; business-to-business e-commerce -- \$300 billion.
- Rate of change is exponential: e.g., number of internet host computers: 1,000 in 1985, 100,000 in 1990, 100 million in 2000 [*Emerging Digital Economy*, Dept. of Commerce, 1999; Bonnett, 1999]

But if present patterns continue, LMI communities will become less competitive in the workplace and more disadvantaged in accessing goods and services.

- Rates of internet use vary by race and income; gap between the technology “haves” and “have nots” is widening
 - Households w/incomes \$75,000+ are 20 times more likely to have internet access than those at the lowest income levels
 - Black and Hispanic households are roughly two-fifths as likely to have home internet access as White households
- Nearly half of the 2006 workforce will be employed in IT industries or in industries which are heavy users of IT equipment or services
- Better selection, better service and better prices in consumer goods and services are often available through e-commerce.
[Dept.of Commerce, 1999]

Unfortunately, industry deregulation and restructuring may contribute to lower-income communities being poorly served by telecom companies.

- Telecom service providers are gravitating to markets which are perceived to be more lucrative, leaving remote rural and distressed inner city communities with fewer service providers and less competition. This portends less service, higher price and less access to high-speed broad-band options.
- In this environment, local development, ownership or control of telecommunications infrastructure may be necessary to insure high quality, reasonably priced access.

There are numerous ways community development can connect to the emerging digital economy, but, for the most part, this is not happening.

Community development opportunities exist in:

- Job training and placement
- Job creation, business recruitment
- Small business development, technical assistance to entrepreneurs
- Real estate and physical infrastructure development
- Financial services provision, access to capital for CD
- Education and human capital development
- New corporate/private sector partnerships
- Catalyst for neighborhood and community economic development
- Ultimately, the democratization of access to information, capital, products and services

For example, while Telecom & IT industries are perceived as “high tech,” many jobs are applicable to lower-income or working class residents.

Many IT industry jobs require less than a college degree, e.g.

- Telephone and cable installers; facility repair and maintenance
- Call centers
- Equipment manufacturing
- Equipment operators, repair and maintenance
- e-commerce order fulfillment, warehousing, delivery and logistics

IT-using industries employ about 45 million people, largely in:

- Wholesale trade
- Financial, business and health services

In fact, there is great opportunity because the industry faces a number of challenges in getting sufficient and sufficiently-skilled labor.

- Workers in IT-producing industries earned on average almost \$53,000 in 1997, compared with \$30,000 for all private employees
- IT-using industries pay wages about 13% higher than the average for all industries
- However, IT-companies have difficulty meeting labor demand:
 - Recruitment: escalating bonuses, salaries & compensation
 - Training: up to 12 months & \$50,000 before worker is productive
 - Retention: “swapping talent,” 20-25% attrition
 - Retraining: with technology changing daily, re-training and continuing education is imperative

[Dept. of Commerce, 1999; Baker, 1999]

Connections Between Community Development and Telecom/Information Technology: Eight Case Studies

Montana Terrace, Washington, DC

E-Tropolis, Evanston, IL

Sprint Call Center, Kansas City, MO

Coastal Enterprises, Inc., Wiscasset, ME

Business First Stop, MACED, Berea, KY

John C. Ford Program, Inc., Dallas, TX

United Neighborhood Houses, New York, NY

Proposed Online Financial Services: The De Novo Bank Project

The details of these case studies are provided in an accompanying presentation.

Montana Terrace

A comprehensive package of telecommunications, educational and health care services are provided to an affordable housing community through communications technology.

E-Tropolis Evanston

Developing telecommunications
infrastructure as a platform for community
economic development.

Sprint Call Center, Kansas City

A partnership between the private sector and a Community Development Corporation to create jobs, train residents in appropriate technology, and build telecommunications infrastructure in the inner city.

Coastal Enterprises, Inc.

Integrating a telecommunications and information technology focus into a CDC/CDFI's community economic development mission and activities.

Business First Stop, MACED

www.bizfirststop.org

A web-based tool providing customized information, resources and business diagnostics for entrepreneurs; distinguished by extensive local content and value-added filters, tailored Business First Stop sites currently exist for Kentucky and West Virginia, with one underway for Ohio.

John C. Ford Program, Inc.

An inner-city telecommunication centers program to promote business ownership and jobs skills/career development with the involvement of the corporate sector, churches, community centers, ethnic Chambers of Commerce and local colleges and universities.

United Neighborhood Houses of New York

Use of technology by neighborhood-based settlement houses to enhance service delivery and expand employment and training and other social, educational and cultural services through the establishment of community computer learning centers and technology-related partnerships.

Proposed Online Financial Services: The De Novo Bank Project

A technology-based market-driven solution to deliver banking products and services to low-income consumers in geographic markets throughout the U.S. The Bank's intended market is households with annual income of \$16,000 or less. Bank is currently in formation.

New Directions for Community Development Organizations and CDFIs

The case examples suggest what a technologically-competitive community may look like in the new economic era.....

- Has the technological infrastructure to support E-commerce and industries which requires high level of telecommunications services: broad-band, high-speed access
- Has a technology-literate workforce and resources for continuing training and education of workforce and people
- Has buildings and facilities which are compatible with knowledge workers and technology-intensive companies
- Utilizes technology for better access and more efficient delivery of educational, health and other services
- Offers financing and business services for emerging technology-related businesses
- Has visionary leadership to continually push the agenda

.....and illustrate how telecom & IT are the new infrastructure for community economic development.

- Analogy is to the traditional infrastructure for economic development: roads, sewers, airports, water and electrical utilities, ports
- Information and telecommunications technology are not just an industry but a platform for the economy of the 21st century
- Low-income communities often lag on the trailing edge of infrastructure, new technology, and economic growth opportunities
- Failing to embrace new technology may result in these communities remaining uncompetitive for the long term because of substandard infrastructure.

These examples point to important new directions for CD organizations and CDFIs: e.g.,

- Helping to ensure access to up-to-date telecom/IT infrastructure in your community
- Providing leadership with respect to the electronic future of your community more broadly
- Engaging in advocacy with respect to telecom/IT deregulation and industry restructuring
- Undertaking or facilitating education, training and workforce development in the telecom/IT sector
- Providing financial products and services more cost effectively and to a larger market through the utilization of technology
- Enhancing service delivery electronically

These examples point to important new directions for CD organizations and CDFIs: e.g.,

- Developing and providing TA to small businesses attempting to get into e-commerce
- Incorporating up-to-date telecom infrastructure in affordable housing developments to provide an enhanced package of services to residents
- Developing new lending and investment products for telecom/IT-related businesses
- Cultivating new partners and new funding sources in telecom/IT industries
- Exploring ownership and/or control of telecom/IT infrastructure as a tool for community economic development

Summary Thoughts About The
Importance of Telecom and Information
Technology to Community Development

There is virtually no aspect of community development that will remain unaffected by telecommunications or information technology:

- Persistence of a Digital Divide will make low/moderate income or minority individuals
 - disadvantaged in accessing information and a broad range of goods and services, including financial services
 - less competitive in the workplace
 - disadvantaged in running a small or micro business
- Communities without up-to-date telecommunications infrastructure will be less competitive in attracting and retaining businesses
- Telecommunications offers communities new small business and job opportunities (many of which require 2 years or less post-secondary training) in a growing sector

There is virtually no aspect of community development that will remain unaffected by telecommunications or information technology:

- Community organizations and small firms without up-to-date telecommunications infrastructure will not be able to communicate or do business effectively with their mainstream “wired” counterparts
- Information technology offers human and community development organizations the potential to greatly reduce administrative and transaction costs and improve financial self-sufficiency
- Human and social services organizations will increasingly provide services electronically, both as a cost reduction measure and to improve the quality of service provision
- CDFIs and other community development lenders will need to increasingly look at electronic delivery of financial products and services, like their mainstream counterparts

There is virtually no aspect of community development that will remain unaffected by telecommunications or information technology:

- Local ownership and control of telecommunications infrastructure represents a potential new strategy for community economic development, especially given the magnitude of wealth creation in this sector
- Information technology has the potential to reinforce the network of connections, interactions, relationships and information that characterizes community, thereby enhancing mediating institutions and strengthening community
- Ultimately, information technology and the internet democratizes access to information, capital, products and services

Sources:

- *Falling Through the Net II: New Data on the Digital Divide*, National Telecommunications and Information Administration, U.S. Department of Commerce (Washington, DC, 1999)
- *The Emerging Digital Economy II*, U.S. Department of Commerce (Washington, DC, 1999)
- Misty Baker, Presentation at *Community Business and Economic Growth Through Telecommunications* conference (Washington, DC; September 29, 1999)
- Thomas Bonnett, presentation at *Community Development Researchers Meeting* (New York, NY; June 11, 1999)