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Quest to Own the Information Superhighway: How Much of It Can Blacks Realistically Expect to Own?

by Matthew S. Scott

On the so-called information superhighway, cable systems, wire telephone lines, cellular services, satellite delivery and broadcast properties are converging to create an interconnecting electronic system on which audio, video and text can travel worldwide. Even though the system is not yet complete, many African Americans have expressed concern that they will somehow be left out on the back roads without an ownership stake. This essay will attempt to answer some of those questions pertinent to this quest of ownership.

If information is destined to become the currency of the 21st century, how important is it that blacks own part of the system on which that information travels?

African Americans already control part of the information superhighway. About 200 of the nation's 10,000 broadcast stations are black-owned. Though small in number, these stations are critical to minority communities: they provide key information to keep minorities informed; a receptive platform for political debate and social commentary; a showcase for minority artists and culture; and a vocational training ground where careers can developed. Observers in the black community want to ensure the information superhighway provides those same benefits.

Unfortunately, minorities have had little success increasing their small share of the nation's commercial broadcast television and radio stations. As new wireless technologies are spun off, as the cable industry expands to more than 500 channels and as the broadcast and telecommunications industries begin to converge, many are hoping that African Americans and other minorities will be able to garner a larger share of the ownership pie. "The broadcasting industry began when people weren't really sensitive to including different population groups," says Jo Ann Anderson, of the National Congress for Community Economic Development in Washington, D.C. "That's a mistake we don't want to repeat with the new technologies."

Indeed, that would be a mistake that would cost African Americans on several fronts. "We're talking about new industries that are going to be in the forefront of job creation and wealth creation in this country," says Christopher Bell, publisher of the *Minority Telecommunications Strategy Newsletter*, the Chicago-based minority telecommunications strategy newsletter. Bell estimates that by the year 2000, the Internet and all the industries that support its development, will create over 300,000 jobs and generate $1 trillion in revenues—about one-sixth of the American economy. He reasons that since studies show that minority telecommunications property owners tend to hire a proportionately larger number of minorities than white property owners, the best way to ensure that people of color benefit from the development of new technologies is to make sure that they own businesses within those industries. "We've got to establish ownership now because this is like the building blocks of the future of technology," Bell warns. "As technology moves forward, it's going to be more and more difficult for blacks to get involved in any meaningful way."

To get involved, blacks can seek ownership by investing in start-up ventures or by acquiring an existing entity. They can also pull together a consortium of investors, business executives and telecommunications experts of all races to start a new business. And of course, there is the option of seeking partial ownership with whites who are established in the industry. Overall, Anderson believes ownership opportunities will increase because, "the momentum seems to be toward breaking down monopolies and trying to assure that there's competition."

That might be so, but significant barriers to minority ownership remain. The Republican Congress' repeal of the 17 year-old tax certificate program dealt a serious blow to minorities seeking broadcast ownership opportunities. "As a result of that action, there are a number of opportunities that minorities won't even be considered for," explains attorney Thomas Hart Jr., who represents Essence Communications in its bid to purchase telecommunications properties. "Sprint recently announced that it was going to sell its cellular properties. If we had a tax certificate program, there would've been a very good chance that at least one or more of those properties would've gone to a minority. Now, there's not even any consideration being given to minority concerns that want to purchase."

And there will most likely be no more special consideration given to minorities competing for FCC telecommunications licenses as they are auctioned off. The growing opposition to affirmative action and several Supreme Court decisions have made programs intended to even the playing field for minority telecommunications ownership targets for elimination. In July, the FCC revoked its race and gender preference policy for its PCS license C-Block auctions—an action many believe further stalls the efforts of minorities to gain ownership opportunities within this emerging form of wireless communications. Secretly, industry insiders acknowledge that the window of opportunity is closing rapidly.

In addition to those policy problems, African Americans face the perpetual barrier of lack of access to capital. "People are hoping that there are going to be a lot of players," says Anthony Williams, president and CEO of Washington, D.C.-based Broadcast Capital Fund Inc., which funds minority broadcasting ventures. "The reality is that the cost to participate is so significant and the technology so sophisticated and high-risk, that only a few people are going to end up in the game."

Williams estimates that the auction price of a Personal Communications Services (PCS) license represents only a fraction of the total cost of building a wireless communications system. Maceo Sloan recently paid $91 million for five such licenses. After the system is built, more money must be spent to maintain, market and operate the system. "That's substantial capital for the minority business community to come up with for a new service that requires you to compete for customers," says Williams.

And the problems are no different in Africa. While all African countries have some system to send and receive e-mail, only eleven currently have full Internet connections: Algeria, Botswana, Egypt, Kenya, Morocco, Mozambique, Namibia, South Africa, Uganda, Zambia and Zimbabwe. This makes the continent particularly fertile for start-ups that can provide basic Internet services. However, since there is very little suitable infrastructure in place and because the cost of computers and other technologies are relatively expensive, telecommunications ownership opportunities in Africa are still limited to a select few. Many of these players are expatriates who are wealthy enough to have returned to their home countries with the expertise to establish Internet connections with specific foreign countries at costs that can average $200,000 a year. Many of the state-run telephone companies have also established Internet connections. But the landscape is changing.

"I can see AT&T and MCI emerging as the big Internet providers in a couple of years," says Ayisi Makatiani, president and CEO of Africa Online, an Internet provider with offices in Kenya and New York. "They're going to buy out the smaller fish who are already providing it now." He cites AT&T's proposed Africa One project—an attempt to provide a cable link for the entire continent that would accelerate African countries' efforts to obtain full access to the Internet as the first step in that direction.

Although the other industry observers in Africa are in favor of AT&T's effort and other similar ventures, Makatiani cautions, "Unless Africans seize opportunities to run their own networks and plan their own connections to the information superhighway, we'll be left so far behind that we'll have to look for technical support and help from foreign countries. We'll find we don't have control and we'll have the same situation we have now, where information about us is reported by others and not ourselves." He estimates as much as 80 percent of all information on Africa is generated outside the continent.

So are Africans and African-Americans destined to have dismal ownership representation on the information superhighway?

Black ownership of the delivery systems that make up the information superhighway is not likely to improve significantly. However, rather than concentrating on owning cable, telephone, broadcast and cellular systems, blacks have been creating special services and programming that are carried on these systems with great success. For example, online services and bulletin boards that are black oriented number in the hundreds with more being created every month.

Larry Irving, Executive Director of the National Telecommunications and Information Administration, a part of the U.S. Department of Commerce, says ongoing development of these ethnic-specific systems and programming is key. "The reason you're seeing AT&T, Paramount and the networks all trying to buy production companies and software firms is because they know that content is where the profit margins are really going to be," Irving asserts. "I get calls all the time from people who either want a broadcast license or PCS license. I'm waiting for the calls that ask, 'How do I get into software development? How do I get into content?' " Many observers agree with Irving, reasoning that content will be more vital than ownership of the systems because it is the content that will ultimately drive the usage of the Internet.

The point is that the Internet is only as valuable as the information that is on it. Yes, the Internet is also used for information transfer, but you do not need the Internet

when modems, and telephones lines will do. It is when the Internet provides content or services that you cannot get as cheaply or easily through any other means that its true value shines through. So whether it's downloading up-to-the-minute information on the stock market, or obtaining the newest version of your favorite software without leaving your home, or providing afrocentric software and online information—it is these types of activities that will generate Internet traffic; thereby increasing the value of the system overall.

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And African Americans can receive much greater benefit from creating content than they can trying to purchase the nation's information infrastructure. As Irving puts it, "There are limits to the number of people who can own and expand the distribution systems of the Internet, but there are limitless opportunities to develop software."

As long as the Internet and other information systems carry information and programming that serves the black community, a black voice and presence will be represented—and the effects of black ownership achieved. The danger lies in making sure that the mechanisms and costs for placing these services on the information superhighway are not structured in a way that adversely affects minorities.

Please contact the following organizations for more information on the topic of the Internet and ownership: National Telecommunication and Information Administration (202) 482-1840; Africa Online (617) 666-9559; National Congress for Community Economic Development (202) 234-5009; Minority Telcom Strategy Newsletter (312) 667-6253; Broadcast Capital Fund, Inc. (202) 429-5393.

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