

Muni or Private Networks? Why Not Partner?

No bandwidth hawk can be happy about restrictions on public broadband. Municipalities and private operators both have more to gain by partnering to provide broadband.

By Steven S. Ross ■ *Broadband Communities*

North Carolina, after years of considering – and rejecting – a ban on public broadband, has just become the 19th state to restrict municipally owned networks. The state's four existing municipal networks will be allowed to stay in business, but they cannot spread their overhead costs by accepting invitations to expand into neighboring communities.

As a bandwidth hawk, I firmly believe that anyone – private companies, municipalities, other levels of government, electric utilities, *anyone* – should have the right to build fiber-to-the-home networks. Though some incumbent telecom providers have now arrived at the same conclusion, others have not – even if they have no intention of upgrading their own services in many municipalities.

What's their problem?

- Municipalities and muni-owned utilities are not rushing to build fiber networks; they do so as a last resort, when private enterprise cannot make its own business case to do the job.
- There are only about 100 municipally owned fiber-to-the-premises networks, including those still under construction. Most are small, and many serve only businesses. Hardly a massive competitive threat.
- Private companies can offer services on many municipal networks without having to pay the up-front cost of building the networks. Seems like a good deal, but few take advantage.

even though governments (and their investment bankers) have shown great reluctance to move forward when adequate privately funded bandwidth is available.

Municipalities do have some advantages, such as greater access to capital at lower interest rates. They do not have to pay taxes or franchise fees and can internalize some of the benefits of broadband – economic growth, better health and education services, smarter electric grids. On the other hand, municipalities are vulnerable to predatory pricing – private operators can cut their prices in response to municipal competition while raising them elsewhere to compensate. And municipal business plans and budgets are public documents that can be read by anyone.

Overall, if municipalities have any advantages, they are small. Otherwise there would be thousands of municipal networks instead of dozens.

Perhaps incumbent providers are worried about competition from Google or other potential municipal partners. Austin, Texas, was a finalist for a Google-financed 1 Gbps network, but, according to a member of Austin's Technology and Telecommunications Commission, the city was restricted by Texas law in how it could deal with Google. Google chose Kansas City, Kan., instead.

Rather than worrying about municipalities and their partners, why don't incumbents *become* municipal partners in

places where they cannot make a private business case to upgrade their networks? Outside the United States, such public-private partnerships are common. They build half the fiber networks in Europe and account for about a quarter of European premises passed by fiber.

Graham Richard, technology entrepreneur and a former mayor of Fort Wayne, Ind., says public-private partnerships are key to improving broadband in the U.S. "For our communities to be competitive, we must move to a Gigabit Nation," he says. "That is the concept behind the Smart City Bond. It will take new partnerships and new financing models. I believe a combination of public and private financing and the use of respective talent and resources can help reduce capital costs or at least better leverage resources to get more communities on the FTTH pathway."

As for North Carolina, the scorecard is damning: lost construction jobs because FTTH networks won't get built. Lost work-at-home jobs. Lost opportunities to attract growing industries that rely on fiber bandwidth and reliability. Shocking disregard for North Carolina companies that manufacture FTTH equipment. Republicans won elections last fall promising a "laser-like focus on job creation." Yet every Republican in the North Carolina legislature voted to kill broadband-borne jobs. Mission accomplished. ❖

DOES THE PLAYING FIELD TILT?

Some private companies and some politicians insist that government networks compete unfairly with private networks,

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