The Battle Over Public Broadband

By Steven S. Ross ■ *Editor-in-Chief*

The mud has been flung back and forth for about five years now. You know the players. First, you have the major cable companies and the former Regional Bell Operating Companies, AKA the RBOCs, AKA the Incumbents. Greedy monopolists all, they can't imagine competition from municipal networks, even in places where they have no interest or even ability to build networks of their own. Then there are the municipal governments. Babes in the backwoods, they are. They have no idea what they are getting into by building broadband networks for their citizens. But buoyed by government "funny money" and goaded by those greedy equipment vendors starved for sales, they string fiber and install Wi-Fi.

Monopolists versus socialists. If I were producing a TV news show, I'd have all the material I need. But *Broadband Properties* is a specialized magazine. Our readers want to be entertained, but they demand to be enlightened first. This month, we make an extra-special effort to get all the arguments out on one large table.

For and Against Muni Broadband

Yes, we include both "sides." There's David McClure from the Internet Industries Association arguing against municipal broadband. Jim Baller, an attorney hired by municipalities to fight incumbents, disagrees. The mayor of Ft. Wayne weighs in. His medium-size community has attracted fiber investment from Verizon and leveraged it well. Our regular columnist Carl Kandutsch, a student of history as well as of law, says there's nothing new after all. Municipalities have been stepping up to the plate for more than 100 years to provide utilities in the face of private investors' indifference. Loma Linda officials argue that builders should install fiber the same way they build streets, water pipes and sewers – and then deed the fiber to the city. Loma Linda even specifies exactly how bandwidth gets distributed inside new homes.

If a municipality decides on broadband, how should the network be managed? Ben Gould of DynamicCity argues for a network open to all. Sounds good, but it is hardly easy to manage a network where the municipality is probably both a wholesaler and a retailer. Gould's firm turned the trick with Utopia in Utah.

We offer some pointed case studies this month, as well, with authors arguing that broadband access is vital for economic growth or at least economic stability. Wiring only large cities while serving small markets with less bandwidth at higher prices just adds to economic disparities. Historically government has cared about such disparities. Will it now? Should it?

And finally, we provide a complete guide to the technology, written to enlighten engineers as well as municipal officials.

Where We Stand

We've read the articles. In fact, we've been editing them for months. What have we learned?

First, a disclaimer. I've been a municipal official (in Leonia, New Jersey, a town of 9,000). I also worked in and around New York City for more than 30 years, witnessing first-hand how truly incompetent a city and state government can be, but also the importance of delivering vital services.

Government really does like to spend any money that comes its way. As humorist Will Rogers noted 70 years ago, Democrats do it by taxing and spending; Republicans do it by borrowing and spending. But municipal broadband is almost always funded with revenue bonds. The underwriters want a solid business plan and want faith in management before they advise investors to part with their dollars.

Municipalities do indeed have a long history of providing public utilities. But government tends to deliver services well when the technologies behind those services are stable. The technology for supplying drinking water, for example, hasn't changed much in 100 years. Electric power generation has changed, but slowly; many generating stations (public and private) are more than 40 years old. Most countries once put telephone service in the charge of a national, government utility. That changed when digital technology revolutionized the telephone business, forcing innovations too fast for government to respond.

Nevertheless, we strongly believe there is an important role for municipalities in providing broadband services, particularly with fiber optic networks. For one thing, the fiber itself is almost future-proof, and the fiber is the largest cost. For another, it is absolutely clear that municipal officials almost always build publicly owned networks only after private enterprise has refused to, or has taken advantage of monopoly or duopoly to charge extra-high prices.

We also believe that government decisions should be made at the lowest level of government possible. That means states and the federal government should regulate municipalities lightly or not at all. The investor community itself will smother badly conceived municipal projects.

Finally, we note that telephone companies are moving into building broadband networks in large part because they realize that cable-based digital telephony will put them out of business if they don't. It is to the public's benefit that this competition takes place in as many localities as possible. But it is clear that the telcos, off to a late start, can't possibly spend enough to match cable everywhere. Why don't telcos accept the inevitable and buy bandwidth on municipal systems they have neither the time nor the money to build themselves? It means accepting a lower profit margin in many cases, but at least there's some profit, and some way to keep their large cable competitors from making undeserved profits as well.