

Let The Towns Decide:

It's Best For The Public And Business

In Intel's *Digital Cities* partnerships, government and private sectors collaborate

Pat Gelsinger ■ *Senior Vice President, Intel Corporation*

There's been some misinformation floating around the nation's statehouses. Some companies are claiming that broadband networks initiated by municipalities are inherently harmful to the private sector and to free markets, and therefore must be stopped in their tracks.

Nothing could be further from the truth. Legislative intervention that erects barriers to municipal broadband participation will interfere with the free market choice of those private-sector businesses willing to partner with municipal networks. It not only limits broadband deployment to private-sector decision-making, but also effectively nullifies numerous private sector risk-investments in municipal-initiated networks. There is no evidence to support the need for these barriers. It is a hypothetical threat that doesn't match the willing partnership realities of the marketplace.

Public-Private Partnerships Work

Partnerships between the public and private sectors to achieve a common goal are effective and efficient. In fact, Intel is collaborating with numerous municipalities in "Digital Cities" initiatives across the country. Our involvement is growing. Consequently, we are concerned about attempts by certain state governments to tell us and others how we can and cannot invest our time and resources, particularly as we try to help advance our nation's broadband goals and advance new technologies and services.

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benefit both the public and private sectors. We believe it because we are engaged in them. It is a solvable problem with a beneficial outcome. But the solution must be flexible enough to accommodate the widely varying needs of municipalities and the widely varying attractiveness of certain municipalities relative to private sector return-on-investment.

The Digital Cities initiatives we are engaged in involve not just the municipalities, but also multiple private sector partners. Each partner is contributing valuable expertise in helping the cities address their specific economic and social growth objectives via broadband solutions.

Some examples of these partnership solutions include:

- Automated utility meter reading and service disconnects.
- Building inspection automation to reduce permitting and reporting process time.
- Video surveillance in police vehicles and in high-risk fixed locations such as air and seaports, public transportation hubs, and trouble-prone neighborhoods.
- "Traffic-cams" at busy and dangerous intersections to aid first responders and to help citizens plan their driving routes.

- Mobilized tools for the indigent or home care-givers.
- Education applications to improve parent-teacher-student involvement.
- Tourism and mobile city guide applications.

This listing of promising applications and services only scratches the surface. However, it does make clear that imposing universal barriers on this emerging marketplace at the state-wide level is short-sighted and harmful to market development. The inherent case-by-case differences in needs, and in a municipality's willingness to act as a pioneer, further support the case for local, not state, decision processes. Grandfather clauses and arbitrary time windows for municipal involvement are not reasonable or neutral compromises, and squelch the future growth potential.

The Digital Divide is Real

While the majority of today's consumers have an opportunity to benefit from private broadband investments, a truly free market process must not legislatively preclude municipal investments, nor be biased in favor of certain municipalities. Addressing the digital divide and meeting the needs of rural and underserved areas requires special

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attention to achieve that parity. These municipalities pose significant challenges to the private sector (due to the significantly higher deployment cost, longer payback period, and often-low take rates). They should not be mandated by law to wait in vain for private sector investment and build-out. To do so would just reinforce the digital divide. Instead, each locality should be able to assess the viability of partnerships that meet its needs to achieve local broadband and connectivity goals.

Local Decisions at Local Levels

The decisions on whether a given municipality deploys a broadband network should all be made at the local level, by the local officials who intimately understand the local needs, and who must answer to local voters.

Some municipalities may use advanced optical fiber architectures, while others may determine that their needs are better met with wireless mesh architectures, and still others, perhaps with a copper-based technology. When municipalities deploy these advanced communications facilities, they use new technologies developed by the private sector, buy services and equipment from the private sector, and create new opportunities for private sector companies to sell their products and services.

Competency-Driven Partnerships

Municipal network deployments can and should follow common sense guidelines of open processes and competitive neutrality, to remain attractive

to the private sector. The municipality should stay as low in the value chain as there are willing private sector partners to complete the rest of the chain from above. All the private sector partners would inherit any of the advantages a municipality can provide to the partnership by virtue of their sharing of the municipal facilities.

The attraction to the private sector providers includes the lower cost of entry. That's because they do not incur the crushing burden of infrastructure deployment simultaneous with service deployment. In fact, for some deployment models, there is little infrastructure operational cost burden either. Perhaps more importantly for these providers, there are no long-established supply chain constraints, nor any pre-set distribution channel constraints tied to the infrastructure. They can innovate freely. The lack of legacy network investments weighing on new technology diffusion and network architectural considerations is also an important attribute of municipal networks.

The Private Sector's Incentives

The public sector has an entirely different incentive structure and core

competency than the private sector. The social and economic benefits the public sector strives for often involve content, applications, and services with a low willingness to pay and infrequent, unpredictable usage. In some cases these can consume significant network resources, which must be accounted for in overall network capacity planning. These attributes run counter to the private sector's ROI, take rate, and payback period requirements. But these applications without question increase the value of the network for taxpayer-consumers. Partnership therefore makes obvious sense.

Municipal networks and public-private partnerships present some exciting innovation opportunities for the private sector to expand the capabilities and reach of broadband, and to develop new market opportunities. Many of these opportunities have not had a receptive audience via the established broadband providers. That should not equate to a clash of interests, but instead should be viewed as an opportunity to test new market dynamics devoid of established processes weighing on success potential.

There would be no logic for the establishment of municipal networks if the established broadband companies and their platforms adequately satisfied new technology and service adoption pace, network upgrade pace, deployment ubiquity pace, service value proposition, adequate competitive pressure to take risks, and adequate incentives for economic and social growth beyond entertainment applications.

While opinions vary, few would argue that these considerations are adequately satisfied. The established broad-

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band providers have not proven to be, in the US anyway, particularly receptive to playing out the risk/reward scenarios of significantly enhanced broadband platform capabilities.

There are various and complex reasons for this, and they should not be viewed without the proper perspective of what drives incentives for the established providers.

Municipal networks can serve as a vital if not uniquely receptive proving ground for deploying such enhanced capabilities.

If a municipality wants to deploy a network technology that is a generation or two ahead of the established providers, and the municipality intends to enable competitively neutral private sector participation, the private sector would see that as an important advance not only in broadband deployment goals, but in platform capabilities as well.

Conclusion

In closing, we at Intel strongly believe municipalities should be free to support broadband networks and to pursue public/private partnerships. We believe that three key principles should guide municipalities as they consider this issue:

- Municipal network deployment decisions should be made at the local, not the state level.
- Municipal networks should follow open and transparent operating processes throughout the life of the network.
- Municipal networks should strive to be as competitively neutral and technology neutral as their local conditions and private sector interest merit.

As long as municipalities follow these common sense guidelines, there is no

justification, and certainly no evidence, that municipal networks are in need of barriers imposed by state legislatures. The decisions should all be made at the local level, subject to open and transparent processes, by the local officials who must answer to voters, and who are intimately aware of their localities' strengths, weaknesses, and needs.

Municipal partnerships offer valuable means of growing broadband platform capabilities, new markets, and new services in support of national broadband goals. Both the public and private sectors should embrace them. ♦

About the Author

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