

# Public Ownership Is Good Business

Communities taking control over their own destinies was the theme of the Broadband Summit session called “Public Ownership Is Good Business.” Christopher Mitchell, director of the Telecommunications as Commons Initiative at the Institute for Local Self-Reliance, said the recent shakeup in the municipal wireless market shows the dangers to communities of relying on companies whose actions they cannot control, yet the regulatory environment often precludes them from controlling the facilities they need. Mitchell’s organization promotes efforts by municipalities, utilities, not-for-profits and cooperatives that are committed to using telecommunications for the public good.

“There’s a strong history of local utilities,” Mitchell said. “The public and private sectors have different roles. In Burlington, Vermont, small businesses complained that bandwidth was unaffordable. They said it was easier to get the mayor on the phone than someone who could change the cable company’s

*The public and private sectors have different roles. In Burlington, Vermont, small businesses said it was easier to get the mayor on the phone than someone who could change the cable company’s policy.*

policy.” The town of Burlington eventually built its own broadband system.

Community systems tend to enjoy popular support. Mitchell told of a small business owner in one of the Utah cities served by the UTOPIA community fiber network, who was asked about the possibility of paying higher taxes if the municipality had to make up UTOPIA’s losses with tax revenues. The businessman said, “We’re saving \$1,000 a month in access fees. I wouldn’t mind paying a little extra in taxes.”

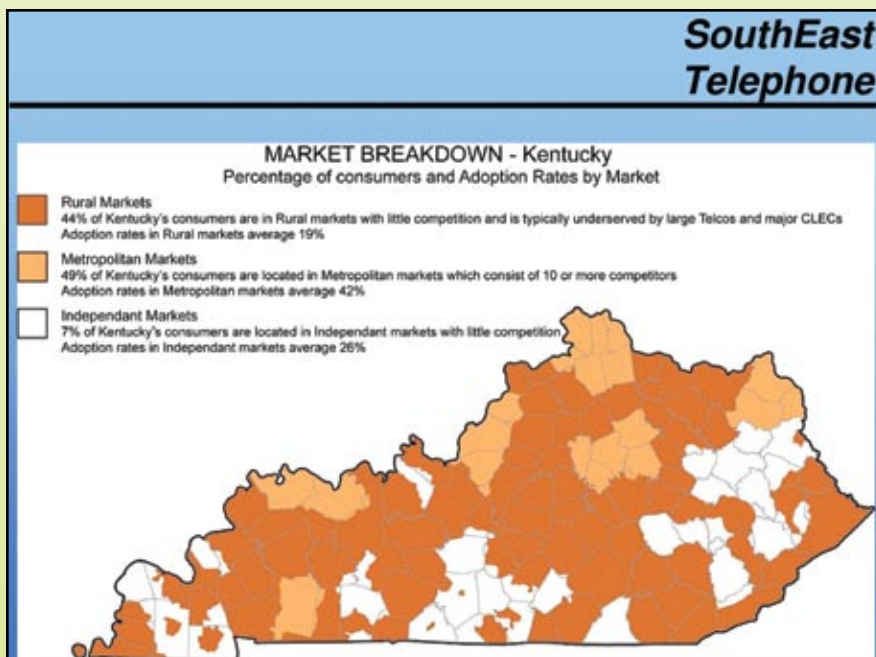
Many workable models exist for municipal broadband, Mitchell said, and communities should investigate them

all. Open access is a promising model, though many communities will need to sell retail services, at least at the outset, in order to meet revenue goals. Hybrid models, where the municipality and third-party providers offer services, can also be successful.

But when communities choose open access only because the state requires them to, the result is a “recipe for failure.” Mitchell said, “That policy is reprehensible – it ties their hands, and holds them hostage to the incumbents. You can’t be guaranteed that a service provider will do a good job.”

The session’s moderator, Dr. Andrew Cohill, president of the broadband consulting firm Design Nine, said open access systems needed a high level of service provision software, and should build out first in areas that would be attractive to providers – preferably where residents had already signed commitments to subscribe. He added that another key to municipal network success was having a local champion – not necessarily an elected official. Finally, he noted, the project must be tied to broader community goals.

Mary Farley, operations executive for broadband integrator Steeplechase Networks, which works with both private and municipal operators, said that municipal networks permitted a great deal of involvement by residents: “Everyone gets a choice.” She offered several pieces of advice for municipalities considering building fiber networks: First, develop a plan in collaboration with stakeholders including businesses, resi-



**Darrell Maynard of Southeast Telephone says state-generated maps like this one help providers find network business opportunities.**

Lookout		Business Model Options			
Point Communications		Municipal Owned and Operated	Open Access	Public/Private Partnership	Privately Owned and Operated
Type of Network	Municipal Owned and Operated	Open Access	Public/Private Partnership	Privately Owned and Operated	
Pro's	<ul style="list-style-type: none"> <li>• City owns network</li> <li>• City drives benefits and costs</li> <li>• Safety Community asset</li> <li>• Manage all services and prices</li> <li>• City only service provider</li> <li>• Line of sight to pay off debt</li> </ul>	<ul style="list-style-type: none"> <li>• Control over network</li> <li>• Less capital required</li> <li>• Many service providers competing</li> <li>• Wealth of new service offerings</li> <li>• City treats network like infrastructure (roads)</li> <li>• Proven expertise brought to bear on network</li> <li>• No specialized expertise required by city</li> </ul>	<ul style="list-style-type: none"> <li>• Control over network</li> <li>• Less capital required</li> <li>• One service provider per service set</li> <li>• City treats network like infrastructure (roads)</li> <li>• Proven expertise brought to bear on network</li> <li>• Line of sight to pay off debt</li> <li>• Partner providing back office systems</li> <li>• No specialized expertise required by city</li> </ul>	<ul style="list-style-type: none"> <li>• Provider owns network</li> <li>• No capital required</li> <li>• No specialized expertise required by city</li> <li>• Proven expertise brought to bear on network</li> <li>• Service provider fully committed</li> <li>• No confusion on cities role</li> </ul>	
Con's	<ul style="list-style-type: none"> <li>• Specialized expertise</li> <li>• Build entire network</li> <li>• Most expensive option</li> <li>• Structure and expertise critical for success</li> <li>• Political risk</li> </ul>	<ul style="list-style-type: none"> <li>• Limited control over services and prices</li> <li>• Service providers not committed to pay off debt</li> <li>• Service providers are not committed to marketing</li> <li>• Increases complexity of network provisioning and maintenance</li> <li>• Confusion about city's role and responsibilities</li> <li>• Less political risk</li> </ul>	<ul style="list-style-type: none"> <li>• Complex to negotiate</li> <li>• Dependent on service provider</li> <li>• Some control over services and prices</li> <li>• Service provider committed to marketing</li> <li>• Confusion about the city's role and responsibilities</li> <li>• Some political risk</li> </ul>	<ul style="list-style-type: none"> <li>• Little political risk</li> <li>• Dependent on service provider</li> <li>• Some control over pricing and services</li> <li>• No change from status quo</li> </ul>	

**Eric Lampland's panel (Tim Scott of PacketFront, Ernest Bray of US Metronets, Edward Zyszkowski, Steeplechase Networks) put together this comparison.**

dents, hospitals, and schools. Second, consider regional consortia, which can lead to economies of scale – then sit back and enjoy the competition; if you have a large network, content providers will want to be players. Next, look for revenue-sharing opportunities. And finally, consider where you can get support services that will help create loyalty from the community.

Two panelists gave firsthand reports of how municipalities tied their FTTH projects to important community goals:

Monticello, Minnesota, is a conservative Twin Cities-area community of 11,000 with a local government well respected for its competence. According to city administrator Jeff O'Neill, incumbent telecom providers there were unresponsive to local needs; residents felt that broadband service was poor and overpriced, and that the market had failed. The "strong and forward-thinking" economic development community pushed for a municipal FTTP system, and got the City Council on board. Despite opposition from the incumbents, the city's residents voted 74 percent in favor of building a municipal system. The project was supported by residents all along the political spectrum, in large part because city leaders shared the vision of what the network could do for the city and were able to communicate

it to the citizens and counter the arguments made by the incumbents.

O'Neill said, "The citizens of Monticello learned that FTTH is a key part of the economic future, and they have to do it themselves...And the people making the decisions have to be accountable to the people who rely on the service."

Monticello plans to start building its system this month, after revenue bonds are issued. Fiber will be made available in every part of the city over a three-year period, and the network will be managed by Minnesota CLEC Hiawatha Broadband Communications. [We report elsewhere in this issue that one of the incumbents recently filed a lawsuit trying to block the Monticello project.]

Fiber networks are good for business, said John St. Julien, a community activist involved in the campaign to bring FTTH to Lafayette, Louisiana, who believes that high-tech organizations should support public networks. "Public ownership has different criteria for what

counts as 'return,'" St. Julien explained. "They don't have to extract money and move it out of the community. They make different decisions – but those decisions favor local businesses."

In Lafayette, now that the long-awaited fiber network is being built, "people are trying to figure out what to do with this 'gaudy bauble.'" The lowest broadband tier offered will be 10 Mbps, and symmetrical bandwidth will ensure that citizens can be "full participants, and not just recipients."

Lafayette Utilities System's plan to provide all subscribers with 100 Mbps speeds for communication within the local network has generated the most excitement locally, St. Julien said. The proposal is seen both as good social policy – "we didn't want to add to our existing inequalities" – and as good business policy. "Businesses saw they could sell ads, the PEG channels are salivating, content distributors are bringing activists on as consultants. One of our local businesses wants to offer cloud computing – access to a massive server as if it were in your office. We can have community-owned computational power and network storage. Local businesses are fighting for this!"

Lafayette also became home to a large call center that moved to the area specifically because of the fiber project. In addition to operating a physical call center, the company plans to "virtualize," or hire at-home workers, as many call centers are now doing. Symmetrical bandwidth capability allows workers not only to telecommute but even to stay in touch with the home office via high-definition videoconferencing.

"In the long run, there will be only one provider [in a city]," St. Julien said. "So whom do you trust?" **BBP**

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