ISSUE BRIEF

Government Broadband Networks Aren't Built for the Long Haul

America's position as a global leader in broadband connectivity has been fueled by private sector investment. In fact, America's broadband providers have invested **over $1.78 trillion** over the past 25 years into the nation's broadband networks—into just one sector the near equivalent of the recent American Rescue Plan to bolster the entire American economy! And over the last few years, broadband providers have invested approximately **$80 billion** each year.

To meet exploding consumer demand, this investment goes both to expand broadband's footprint and to upgrade present networks to ever more enhanced technologies for fixed and mobile broadband emerging from a never-ending research and development cycle.

Fierce competition among providers—over 92% of American homes have at least two fixed broadband providers competing for their business—has led the way for breakneck service upgrades, with consumers increasingly demanding higher speeds, streaming more video, and using more data. Indeed, because data traffic in America—increasing an average of 20% annually over the past five years and **up nearly 250,000% since 2000**—there is a continual need for additional investment in higher capacity connections.

Despite the private sector success story, some are calling for non-profit entities—specifically municipalities—to become broadband providers. History shows why this approach should be viewed with caution.

EXPERIENCE MATTERS

Simply put, local governments are focused on governing, and possibly building and maintaining static infrastructure such as roads, sewers and bridges—not running technically complex dynamic broadband networks. And forgetting this has often left their residents with a hefty bill. Government broadband deployments at all scales frequently have struggled to remain solvent, even with financial subsidies, let alone keep up with the pace of technology to do frequent network upgrades and ensure cybersecurity protections. Consider the following cautionary examples across all levels of government:

- **Australia:** In 2009 the government set out to build NBN, a national wholesale network designed to provide fiber to nearly every home in Australia. But those visions have not materialized. Instead, the network's design has been subject to political wrangling resulting in lower performance expectations while coming in 75% over budget.[1]
- **Dunnellon, FL:** The city deployed its own fiber network in 2012. By 2013, the city voted to sell the system to a private entity for $1 million, leaving the city and its residents with $7 million in debt.[2]
- **Lake County, MN:** This example shows that heavy federal subsidies do not guarantee success. The county's project relied on $56 million in federal loans and $13.5 million in federal grants. Despite this boost, the town could not support the network and was forced to sell the network to a private company at a $40 million loss for taxpayers.[3]

The private sector has the best track-record of success for broadband deployment.

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START WITH THE SOLUTION

While we have seen many government-owned broadband projects struggle and ultimately be sold to private sector broadband operators, there is a successful path that allows local governments to control the scope of the project and provide a clearer path to success.

> **The growing trend of embracing public private partnership models at the outset is paying broadband dividends.**

Consider these examples:

- **Monadnock Broadband Implementation Guide:** The New Hampshire Southwest Region Planning Commission has created a step-by-step template for how local governments can partner with the private sector to meet their broadband goals.[4] This guide, based upon a success story in Chesterfield, NH, describes the process from the initial Request for Information (RFI) through the final Request for Proposal (RFP) process, suggesting a timeline of just 18 months from concept to connection.
- **Fiber for Eastbrook, ME:** Eastbrook, ME recently tapped Consolidated Communications to enter into a public-private partnership to build a high-speed, fiber-to-the-premises broadband network directly to nearly 500 homes and businesses. The project is jointly funded by Eastbrook and Consolidated, and is scheduled to be completed by the end of 2021.[5] This is just one of a growing number of public-private partnerships Consolidated is servicing in New England.
- **Leveraging Federal Funding at Local Level with Qualified ISPs:** Greene County, PA was able to leverage the significant investments of the incumbent local exchange carrier, Kinetic by Windstream, when choosing Kinetic as a partner to expand access to some of the county's more remote areas. The project was made possible by use of CARES Act funding awarded through Greene County Commissioners, coupled with capital from Kinetic. Kinetic built fiber to 7,300 homes to offer gigabit services in areas where most customers had access to less than 25 Mbps speeds.[6] Additional upgrades are underway.

These innovative models are proof positive that the partnership model delivers connectivity.

ENDNOTES

1 NBN budget revised up again to $51 billion as higher costs and slower revenue bite - ABC News (2018).

2 Dunnellon sells failed fiber optic system - News - Gainesville Sun - Gainesville, FL (2013).

3 The Law and Economics of Municipal Broadband, T. Randolph Beard, PhD, George S. Ford, PhD, Lawrence J. Spiwak, Esq., Michael Stern, PhD, 73 Federal Communications Law Journal 1, 68, http://www.fclj.org/wp-content/uploads/2021/01/73.1.1_Municipal-Broadband-Article-Final-Proof.pdf; http://www.phoenix-center.org/perspectives/Perspective15-01Final.pdf.

4 http://www.swrpc.org/files/Monadnock%20Broadband%20Implementation%20Guide%202020-10-12.pdf

5 Eastbrook, Maine, Selects Consolidated Communications to Build New Fiber High-Speed Internet Network > Consolidated Communications

6 https://in.finance.yahoo.com/news/kinetic-windstream-brings-ultra-fast-133000640.html