

MUNICIPAL BROADBAND

In an increasingly wired world, access to high-speed internet is quickly becoming a necessity to millions of American households. As such, over 126 cities have partnered with private entities to build government-owned broadband networks in their jurisdiction with the aim of connecting every resident to the World Wide Web (2). While such an aim is nice in theory, municipal broadband systems have been fiscal and technological fiascos in action – burdening struggling cities with millions in debt, crowding out private investment, and offering poor service.

WHAT IS BROADBAND?

Simply put, broadband is high speed internet. Its technical definition according to the Federal Communications Commission is an internet connection with download speeds of 768kbps (kilobits per second) and upload speeds of 200 kbps (3). But in the colloquial sense, it is the internet connection that most of us use every day. 70% of Americans currently enjoy a broadband connection, and that number is only expected to increase over the coming years (4).

Since the advent of the internet, the building of broadband infrastructure has been driven primarily by private industry. According to the United States Telecom Association, private Internet service providers (ISP's) have spent \$1.2 trillion in such investments since 1996, and \$66 billion in 2011 alone (5). Thanks to market incentives for ISPs to expand their customer base, broadband access has skyrocketed from just 8 million Americans in 2000 to over 200 million today (6). Despite this impressive surge of broadband access courtesy of private industry, local governments are increasingly intervening in the internet service market.

WHAT IS MUNICIPAL BROADBAND?

Municipal broadband is operated like trash service, where the government uses its position to crowd out private industry. A city or town will contract with a private company to have the internet network structure constructed. These networks can consist of wireless access points throughout certain locations in cities, or hardwired network lines may also be available to certain homes or buildings.

The terms of ownership of municipal broadband networks can vary. A local government can fully own the broadband network, or it can share ownership with a private entity. Typically, municipal broadband networks are provided at low or no cost to consumers, but instead of financed through taxes or fees – which could be more expensive. Municipal broadband networks generally cover a limited area, meaning that citizens that are not within the network area will be unable to utilize the service unless they physically take their computer or device somewhere within range, despite the fact that they may be paying the taxes that keep the broadband service running.

QUICK FACTS

- Private industry has spent \$1.2 trillion investing in broadband networks since 1996.
- Thanks to their efforts, over 200 million Americans enjoy broadband access today.

NOTABLE & QUOTABLE

“The march of broadband Internet service has been steady and growing without government subsidies, and there’s little reason to believe it will slow without more infusions of cash from taxpayers or the creation of whole businesses from scratch with taxpayer backing. Indeed, this is a march whose pace and direction should be led not by governments, but by consumers – with private providers responding to the drumbeat.”

- **Andrew Moylan
and Bret Mead** (1)

UNINTENDED CONSEQUENCES

While increasing internet access sounds good in theory, municipal broadband networks' attempt of achieving this goal distorts markets and burdens taxpayers with debt. Whereas private networks are funded by the revenues companies receive from their customers, public networks are backed by taxpayers. As such, governments have a huge advantage over private ISPs in the market since their tax revenues are guaranteed regardless of profit. Consequently, private ISPs have less incentive to invest in communities with municipal broadband networks.

In this manner, municipal broadband networks crowd out private investment and unintentionally lead to less competition – precisely the opposite effect of what they were built to do. Even worse, taxpayers are on the hook for any expenses the public networks occur even if they don't subscribe to its service. Unsurprisingly, municipal broadband networks have a history of being inefficiently managed, as is too often the case with government services. Consider these two examples provided by the National Taxpayers Union:

- Utah Telecommunications Open Infrastructure Agency (UTOPIA): Although it sounds like an Orwellian acronym, UTOPIA is actually a municipal broadband network collectively owned by 11 towns in Utah. While it serves a sizeable customer base, UTOPIA has not once turned a profit and currently owes over \$81 million in debt (7).
- Burlington Telecom: Founded in 2001 by the city government of Burlington, Vermont, Burlington Telecom has been under both state and federal investigations for several years now due to its mismanagement and possible fraud in handling public funds. The municipal broadband network currently owes \$33 million to the private company that leased it equipment to build the network (8) As a result, Burlington taxpayers are now directly paying for the failed project regardless of whether they use the network or not.

CONCLUSION

As the old adage goes, “If it ain't broke, don't fix it.” Private broadband networks have expanded Internet access to millions of Americans at a rapid rate, and this trend is only expected to continue if left unfettered. Government-owned municipal broadband networks, on the other hand, have a long history of debt and economic distortion. City governments should stay out of the Internet business to allow private, professional industries expand access, as they have since the advent of the World Wide Web.

Endnotes:

1. Andrew Moylan and Brent Mead, “Municipal Broadband: Wired to Waste,” National Taxpayers Union (April 9, 2012), <http://www.ntu.org/news-and-issues/telecom/49municipal-broadband-wired-to.html>.
2. Broadband Communities Magazine (September 12, 2013), <http://www.bbpmag.com/search.php?s0=1&cols=-co-mest-ve-gr-te-se-ty-in&st=&ve=&gr=&te=&se=&ty=mun&qco=&qme=&qan=&qus=0&qmu=&qsu=&qpa=&qin=0>.
3. Federal Communications Commission, http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-08-89A1.pdf.
4. Kathryn Zickuhr and Aaron Smith, “Home Broadband 2013,” Pew Internet & American Life Project (August 26, 2013), <http://pewinternet.org/Reports/2013/Broadband.aspx>.
5. “Broadband Investment,” United States Telecom Association, <http://www.ustelecom.org/broadband-industry/broadband-industry-stats/investment>.
6. Supra note 1.
7. Ibid.
8. Joel Banner Baird, “Judge narrows guidelines in Burlington Telecom lawsuit,” Burlington Free Press (August 23, 2013), <http://www.burlingtonfreepress.com/article/20130823/NEWS02/308230020/Judge-narrows-guidelines-in-Burlington-Telecom-lawsuit>.

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