The Emerging World of Broadband Public-Private Partnerships

February 24, 2016

Coalition for Local Internet Choice

Seeking understanding of priorities and goals

- Balance reward, risk, and control
- Potential priorities include:
  - Ubiquity
  - Consumer choice/competition
  - Community competitiveness
  - Control over infrastructure
  - Control over pricing
  - Residential sector
  - Small business sector
  - High-tech sector

Framework for Options

Balance risk, benefit, and control

- Municipal broadband
- Incumbent upgrade
- Partnerships
  - Model 1: Private risk & public facilitation
  - Model 2: Public risk & private execution
  - Model 3: Shared risk, investment

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Municipal Model

- Risk, reward, and control all at maximum
- Established strategies
- Electric utility confers huge benefits
- Key case studies
  - Wilson, NC
  - Lafayette, LA
  - Chattanooga, TN
  - Longmont, CO

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Incumbent Upgrade

- Largely catalyzed by prospect of competition (100% overlap with Google Fiber builds)
- Easy upgrade path for cable companies—can deliver solid speed and good competition for FTTP
- Telco upgrade path more challenging, requires significant investment

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Model 1: Private risk, public facilitation

- City facilitates private investment
  - Leading private entity is Google Fiber
  - Strong interest by smaller companies
- Reduced risk, no control, potential benefit
- Facilitation can expand to tax benefits, other economic development incentives
- Beware entities seeking benefits without offering investment

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Model 1 strategy: grow your assets

Access to Key Assets

- ✓ **Lease public assets such as fiber, conduit, and real estate**
  - Lease middle-mile fiber
  - Lease fiber in hard-to-reach areas
  - Increase existing fiber capacity if insufficient fiber exists
- ✓ **Facilitate underground construction**
  - Develop a "dig-once" policy
  - Maintain future-proof conduit specifications
  - Enable all parties to take advantage of "dig-once"
  - Place conduit banks in congested areas
- ✓ **Facilitate aerial construction through access to utility poles**
  - Facilitate make-ready process to streamline pole access
  - Eliminate the need for make-ready
- ✓ **Facilitate in-building access for wireline infrastructure**
  - Ensure availability of conduit from street to building
  - Ensure installation of in-building pathways and cabling

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Model 1 strategy: make data available

Information Access

- ✓ **Make data available wherever possible**
  - Make GIS data sets available
- ✓ **Document and publish data regarding available conduit, fiber, and other assets**
  - Document your fiber assets
  - Document your conduit assets

Model 1 strategy: maximize process

Process Efficiency

- ✓ **Build broadband into planning and staffing of all relevant agencies**
- ✓ **Streamline and publicize procedures and timeframes for permitting and inspections**
- ✓ **Allow network operators to contract pre-approved third-party inspectors to speed processes and reduce local burdens**

Model 1 case study: NCNGN Raleigh/Durham region

- Offer of existing city fiber
- Attention to processes
- Regional collaboration
- RFP led to agreements with AT&T
- Google also building in some of these communities

Model 1 case study: Mesa AZ

- Concern about impact of fiber construction on ROW, city costs
- Long-term strategy to build assets
- Focus on four target economic development areas
- Apple silicon manufacturing lab

Model 1 case study: Holly Springs, NC

- Town built robust rings for internal services
- Engineered to enable FTTP in future
- Highly efficient processes, alignment
- Fiber lease agreement with Ting Internet
  - Ting will lease public fiber for backbone
  - Ting will build to homes & businesses

Model 1 case study: Howard County, MD; Arlington County, VA; Pleasant Prairie WI

- Deploy fiber strategically, with focus on key economic development targets
- Connect to Internet peering point (could be local meet point)
- Locality to build & own, lease to private partners on open access basis
- Pricing designed to attract ISPs and non-traditional users such as building owners

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Model 2: Public risk with private execution

- Variation on traditional municipal ownership
  - All risk, benefit, and full control
- Emerging innovation makes use of the traditional P3 structure used in Europe and increasingly in US
  - Leverages private sector strengths
- First time applied to broadband in US
- Guaranteed revenue stream to private partner
  - Financial risk
  - Political risk

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Model 2 case study: UTOPIA

- Macquarie Capital team
- Midst of complex process with range of Utopia member communities
- Turn-key private financing, deployment, operations, and revenue-sharing
- Guaranteed public funding in the form of a utility fee to all residents
  - In some communities, will not be a politically viable model (this has been true with some in Utah)
  - In others, can be strong model for buildout

Model 2 case study: Lake Oswego, OR

- Symmetrical Networks team
- City Council recently approved negotiation of contract for P3
- Private financing and deployment
- Public service provision (in this case) through potential partnership with SandyNet
- Key to financing is effective public guarantee of the debt
  - Financial projections suggest low risk, but the risk falls nonetheless to the City

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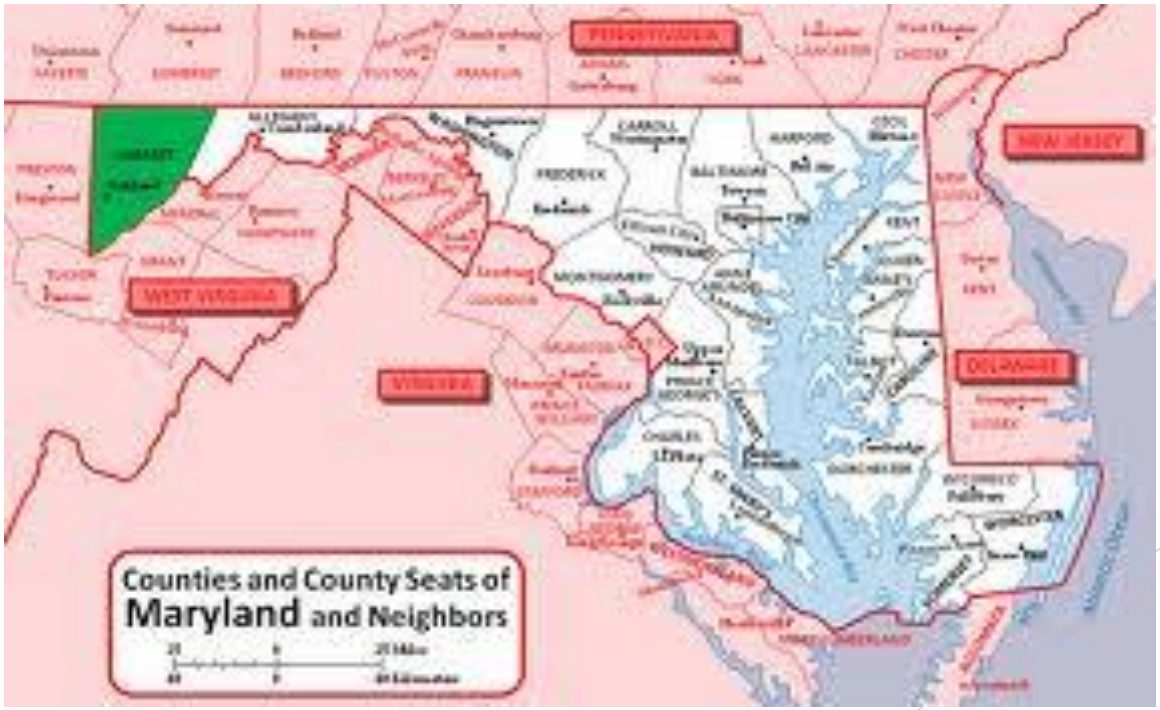
Model 3: Shared Risk

- Opportunity for innovation
- Plays to strengths of both parties
- From the standpoint of a locality, risk is shared but 100% of network benefit realized
  - Public benefit does not show up on financial statements
  - Private partner gets financial benefit

Model 3 case study: Garrett County, MD

- Underserved rural areas (bandwidth caps)
- Fiber construction strategy for key anchors
- Public/private wireless to key target areas
- Public risk contained



Model 3 case study: Urbana/Champaign, IL

- Private access to cities' fiber in return for binding commitments, meeting 3 key goals:
  1. Fiber at gigabit speeds
  2. Open access – ongoing commitment to wholesale service
  3. No cherry-picking
- Partner w/ strong customer service, local presence, but….
- Right of first refusal in event of sale

Model 3 case study: Westminster MD

- City near DC, Baltimore
- City will own fiber only; lease to partner
- Ting Internet selected as partner through competitive process

Model 3 case study: Santa Cruz, CA

- City Council authorized exclusive negotiations with local company Cruzio
- Council voted in December to authorize negotiations based on business model in which
  - City will finance, build, and own fiber and other outside plant assets
  - Cruzio will light and operate network and offer services

Model 3 case study: Huntsville, AL

- City developed plan for gigabit networking and partnership a year ago
- Announcement on Monday that Google Fiber will lease fiber to be deployed by Huntsville Utilities
  - Kudos to our friends at The Broadband Group
- Note the economics for a public utility may not be replicable for a city without an electric utility

A Few Cautions

- Be skeptical of rosy projections
- Be sure that risk as well as opportunity are shared
- Be aware of dependencies and control
- Avoid silicon snake oil:
  - Technology snake oil: remember BPL?
  - Business snake oil: unrealistic business plans that ask for no risk (or pretends there is no risk)
  - Unrealistic revenue assumptions

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More Resources

- Next Century Cities
- The Institute for Local Self Reliance
- The Benton Foundation
- Broadband Communities (magazine and conference)
- CLIC's P3 Library