



Correcting Community Fiber Fallacies

Taxpayers Protection Alliance Edition

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More than 500 communities have made some kind of investment in fiber optic networks to benefit local businesses and/or residents¹ and some 70 percent of Americans are in support of municipal networks.² Clearly, the many variants of community broadband have gone mainstream. But from the first municipal cable television networks many decades ago to the newest all fiber, software-defined networks today, publicly owned networks have faced relentless criticism from the largest cable and telephone companies as well as anti-government groups that have long been connected to them.

By anti-government, we do not mean the long-established and essential American tradition of questioning the wisdom of any given public policies from local, state, or federal governments. The Institute for Local Self-Reliance (ILSR) is itself a critic of many current public policies. In the case of the Taxpayers Protection Alliance (TPA) and their claims related to municipal broadband networks, we use “anti-government” to mean the deliberate delegitimizing of any government action as a check against the virtually unlimited private power of some firms to monopolize essential services needed by local businesses and residents.

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Rather than focus its attention on government programs like the Connect America Fund, that offers billions of dollars in federal subsidies to entrenched incumbents liked AT&T and CenturyLink while retarding competition, TPA attacks local government programs that cost millions of dollars and actually encourage competition. Considering TPA’s support for each major cable company merger in recent years,³ the organization has demonstrated more interest in supporting big cable and telephone companies than defending taxpayers or encouraging market competition.

We have seen many critiques of municipal networks over the years and even took the time to respond to one line-by-line to dispute false claims about municipal network failures.⁴ We have resisted responding to various TPA claims because, as we show below, those claims are particularly outlandish and inaccurate. We disagree with some groups that oppose municipal networks because we have different philosophies about the role of government in the modern economy. We respect their role in the marketplace of ideas. However, TPA has repeatedly offered some of the sloppiest and most inaccurate claims about municipal networks. We haven’t wanted to dignify them with a response.

¹ Community Broadband Networks Map. <https://muninetworks.org/communitymap>

² Pew Survey. <http://www.pewresearch.org/fact-tank/2017/04/10/americans-have-mixed-views-on-policies-encouraging-broadband-adoption/>

³ See <https://ecfsapi.fcc.gov/file/7521805119.pdf> and <https://ecfsapi.fcc.gov/file/60001347695.pdf>

⁴ Community Fiber Fallacies Report. <https://ilsr.org/fiber-fallacies-lusfiber/>

But these claims have been taken seriously enough that we felt it was time to document why TPA's many claims show a reckless disregard for the truth and should be ignored until they can make claims located in some proximity to actual facts.

This brief report does not claim all municipal networks are successes. Municipal networks are challenging in the best of circumstances and local governments must perform due diligence before making decisions in this area. However, we have seen networks that are unqualified successes attacked as being failures by groups that, like TPA, are more focused on delegitimizing the idea of government than determining the best policy for building community wealth.

The cities of Cedar Falls, Iowa; Wilson, North Carolina; and Chattanooga, Tennessee, have all made wise municipal broadband investments that dramatically improved circumstances for local businesses and residents. Each was attacked early in the process as being destined to fail. Honest opponents of municipal networks will cede that there are successes, but TPA is willing to publish unsubstantiated claims of network failures in order to delegitimize them. We can only assume that they trust their readers will not look deeper into their claims of failure.

We selected a few communities that we have deep knowledge of as a litmus test for TPA claims. Their statements, which can only be described as wildly inaccurate, should make any reasonable person question anything TPA claims without independent verification. Some of the errors we found were simply sloppy, but others showed a reckless disregard for the truth.

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Boondoggling a Boondoggle Map

TPA operates *Broadband Boondoggles: A Map of Failed Taxpayer-Funded Networks*,⁵ where they have aggregated many of their claims. They have 213 dots on the map but only supply detailed information for 87 of them. The rest are labeled as “FOIA in progress” but in talking to some of the communities cited, they have no record of any request along these lines.

Some are in communities that have merely considered an investment without having committed to it, and some have already definitively sided against the project, as in Leesburg, Florida. Some are projects that are not even properly characterized as municipal, a common tactic among opponents of municipal broadband networks. For instance, during the “Muni Wi-Fi” period, the private company Earthlink attempted to build citywide Wi-Fi networks but failed.⁶ Many of these failures were later attributed to the local government, which would be like blaming local governments after the Adelphia cable bankruptcy in the 2000’s. Common sense would dictate that an essential ingredient for a list of municipal failures would require that the project was owned or operated in some fashion by the local government.

Ten networks are labeled merely “dark fiber” without additional information as to financial performance. In ILSR’s experience, dark fiber is often used in situations where an entity was already building a network that was cost justified for other reasons, such as connecting local government facilities. The cost of

putting in extra fiber is less than a rounding error for these projects, but the gains to encourage competition for services are significant. These projects are extremely low risk and unlikely to fail because the network has already been paid for.

Sandy, Oregon, and Danville, Virginia, are listed within the wrong states⁷ in yet another sign of the sloppiness found in TPA claims.

Only 14 of the networks are actually labeled as failures, which means the TPA map indicates a failure rate under 10 percent. The rest of the networks that have information are sorted by how much debt they carry as though that is an indication of failure or success. The amount of debt in aggregate is meaningless. What a small Iowa town considers big debt is nothing compared to that of a large metro county. In any event, providing telecommunications historically has involved lots of debt. All major telecom carriers carry debt – this is virtually inevitable in an industry where an organization must make large capital investments before accruing any revenue. The TPA map does not show a pattern of municipal failure. It doesn’t say much of anything frankly, except that TPA does not engage in rigorous internal fact checking.

⁵ <http://munibroadbandfailures.com/>

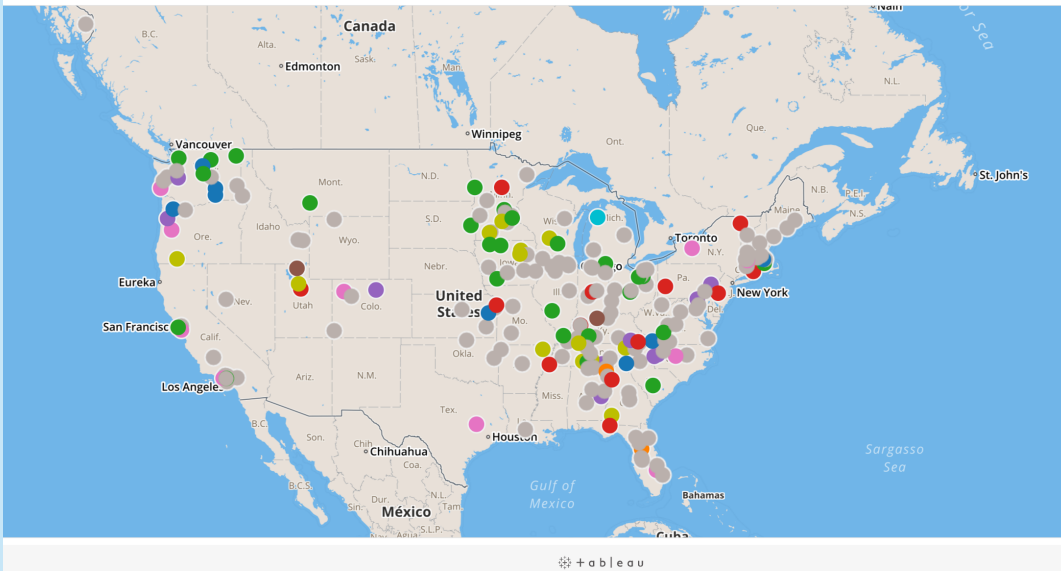
⁶ See for example – Philadelphia case study by Joshua Breitbart. <https://www.newamerica.org/oti/policy-papers/the-philadelphia-story/>

⁷ The Danville network is labeled “Danville, IN,” and Sandy is plotted in Utah.

Misleading Visuals: A Double Boondoggle

Broadband Boondoggles: A Map of Failed Taxpayer-Funded Networks

For decades, local governments have made promises of faster and cheaper broadband networks. Unfortunately, these municipal networks often don't deliver or fail, leaving taxpayers to foot the bill. Explore the map to learn about the massive debt, waste and broken promises left behind by these failed government networks.



Screenshot 1: 213 communities

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Screenshot 2: 14 actually labeled as failures



Chattanooga

Chattanooga is not only one of the most successful municipal networks in the nation, it has made Hamilton County one of the best places on the planet for connectivity, boasting the ability to deliver 10 gigabits to any address in Chattanooga Electric Power Board's (EPB) service territory. It continues to grow at a remarkable rate, with more than 90,000 subscribers, well over half of the market. It was the first city in the United States to offer a citywide gigabit.

But TPA has made various questionable claims about it. For instance, TPA claims that EPB charges \$350 for its service. It isn't clear what service TPA is referencing as its 10 gig package runs only \$299 per month.⁸

Presumably, TPA is referring to the original price of a gig, which was lowered to \$70 in 2013 but there have always been lower priced tiers available. With this level of basic errors, any claims by TPA should be independently verified prior to being believed.

Though TPA details, incorrectly, the cost of building the network, it does not note the fiber division has paid off its debt already. Because both the fiber division and electric division use the network (electric for extensive smart grid usage), the debt was shared between them. Revenues have been so high on the fiber side that it has retired its debt and its net income has allowed EPB to forego electric rate increases for several years.⁹

In short, the market has spoken. Businesses and residents in Chattanooga love their municipal network. But one would have no sense of its success from TPA's negative coverage.

Chattanooga Quick Facts

First City in the U.S. With Citywide Gigabit Service

1 Gbps — \$70 per month
10 Gbps — \$299 per month

EPB's Fiber Division
Paid Off Debt
Slows Electric Rate Increases
90,000 Subscribers

⁸ Seriously, EPB's prices are very easy to find on their website. <https://epb.com/home-store/pricing>

⁹ The most recent electric rate news was just announced, but similar announcements have been made in prior years. <http://www.chattanoogan.com/2017/5/19/348318/EPB-Budget-Will-Not-Include-Electric.aspx>

Cedar Falls

Cedar Falls has itself corrected the record with regard to dubious claims from TPA.¹⁰ TPA claims both that the network began in 2006 and has not been finished despite “20 years in development.” In reality Cedar Falls has already built two networks. Its cable network was so successful that as the debt was retired, they converted it to Fiber-to-the-Home (FTTH).

Not only does every address in town and some outside of it have access to Cedar Falls Utilities (CFU) telecom services, the vast majority take it.



CEDAR FALLS UTILITIES

The Power of Service

“Consumers vote with their feet. In a city with about 15,500 dwellings and 1,500 business premises, CFU has more than 14,900 active fiber service points, making it the dominant provider in the market. Customers choose from a full menu of broadband, telephone and TV plans. The most popular residential broadband plan is 100 mbps download and 50 mbps upload, at \$45.50/month.”¹¹

TPA called Cedar Falls debt stifling, but as CFU notes in its response:

“An update report Moody’s issued November 15, 2016 affirms CFU’s investment-grade A3 rating, and notes as strengths the Utility’s large market share, competitive pricing, solid debt coverage and technological advantage over competitors provided by fiber-optic infrastructure.”

¹⁰ <https://www.cfu.net/about-cfu/truth>

¹¹ <https://www.cfu.net/about-cfu/truth>

Sandy and Rockport

Figuring out the finances of larger communities like Cedar Falls and Chattanooga can be difficult, but TPA struggled with even small towns' budgets that are somewhat easier to parse. Maine's Rockport has just 3,300 people nestled into a great little community worth visiting.

When the Town Manager of Rockport saw TPA claims, he was stunned. TPA claims they "burned through more than \$2.5 million of local residents' money." The truth is that they spent \$20,000 on a feasibility study and \$40,000 on a partnership to expand fiber optics with local provider GWI. How did TPA turn that into "more than \$2.5 million?" It's yet another mystery of the Boondoggle Map.

On the other side of the country, some 10,000 people live in Sandy, Oregon, between Portland and Mount Hood. Lacking any decent Internet access, they built a Wi-Fi network 15 years ago, eventually upgrading it to a FTTH network in recent years.¹² They modeled the business plan to cash flow with a take rate of 40 percent. But due to extremely weak competition, they quickly connected more than half of the premises in the community.

TPA claims they are struggling to pay their debt, something community leaders deny and is extremely unlikely given the high rate of community support and subscription base. TPA is especially confused regarding Sandy – their map locates the city in Utah. This is another example of the sloppiness with which TPA approaches their research.

“It’s yet another mystery of the Boondoggle Map.”



¹² For more information, see this helpful video: <https://www.youtube.com/watch?v=fBztjr2uGzg>

Conclusion

The Taxpayers Protection Alliance claims are so wild and factually inaccurate that they cannot be taken seriously by any policy makers absent rigorous independent verification. TPA seems unaware that debt is a necessity in telecom infrastructure investment, a common feature for large companies, small companies, municipalities, cooperatives, and others. TPA seeks to create the impression that many municipal networks have failed even as its own map claims that only 14 of the 213 networks represented on the map have failed.

The reality is that most municipal networks have achieved their goals – improving Internet access to spur economic development while paying for themselves. Most municipal networks are modest, break-even affairs that have improved their communities. Some have succeeded incredibly, like Chattanooga, Cedar Falls, and Spanish Fork in Utah (ignored by TPA but another fine network). Some have not achieved their goals – as in UTOPIA and Provo. Oddly enough, both Utah networks were harmed by deliberate efforts of the state legislature to increase the risk of the municipal projects following legislation crafted by incumbents and supported by groups like TPA that oppose municipal broadband.¹³ So much for protecting taxpayers.

Even in good circumstances, municipal broadband investments are difficult to implement and require due diligence. We strongly recommend that policy makers both educate themselves and work with qualified consultants to explore options.

This is an important decision that will impact communities well into the future and should be made locally by the people who live with the consequences. Local communities need the authority to choose action or inaction regarding essential infrastructure that underpins not only the economy into the future, but may not leave any aspect of our lives untouched.

“Most municipal networks have achieved their goals — improving Internet access to spur economic development while paying for themselves.”

¹³ <https://muninetworks.org/content/how-lobbyists-utah-put-taxpayer-dollars-risk-protect-cable-monopolies>

The Institute for Local Self-Reliance
ILSR.org



The Institute for Local Self-Reliance is a people-community-policy driven nonprofit. Our mission is to provide innovative strategies, working models, and timely information to support environmentally sound and equitable community development. By delving into how programs and policies work, we have documented challenges, risks, and solutions to keep local economies strong since 1974.

Community Networks Initiative
MuniNetworks.org



For the past 10 years, the Community Networks Initiative of the Institute for Local Self-Reliance has documented and analyzed the role of community broadband networks throughout the U.S. Our research includes networks owned and operated by municipalities, county governments, cooperatives, nonprofits, and public-private partnerships.