

The Emerging World of Broadband Public–Private Partnerships

Joanne Hovis, President, CTC

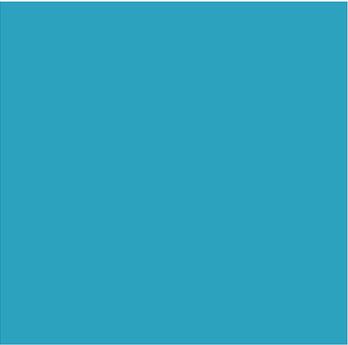
ConnectBoulder

April 2015

Framework

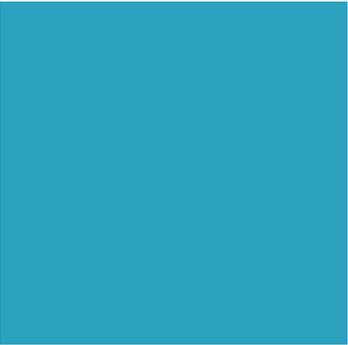
Balance risk, benefit, and control

- ▶ Model 1: Public investment
- ▶ Model 2: Private investment
- ▶ Model 3: Shared investment and risk



Emerging P3 environment

- ▶ Range from Google/facilitation model to Macquarie Capital traditional P3 model
 - ▶ Early days
 - ▶ Astonishing level of public sector interest
 - ▶ Goal is FTTP and affordable, symmetrical speed
- 



How Does the Municipal Model Compare?

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

Model 1: Public Investment

- ▶ 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

Model 1 case study: Utopia

- ▶ Macquarie Capital team—very viable partner 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, we commend a strong model for buildout

Model 2: Private Investment

- ▶ Facilitation of private investment
 - Leading private entity is Google
 - 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

Model 2 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

Model 2 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 2 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 2 case study: Raleigh/Durham region

- ▶ Offer of existing city fiber
- ▶ Attention to processes
- ▶ Regional collaboration
- ▶ RFP led to agreements with AT&T
- ▶ Area within Google footprint; our analysis is that cities' engagement was helpful data point



Model 2 case study: Mesa AZ

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



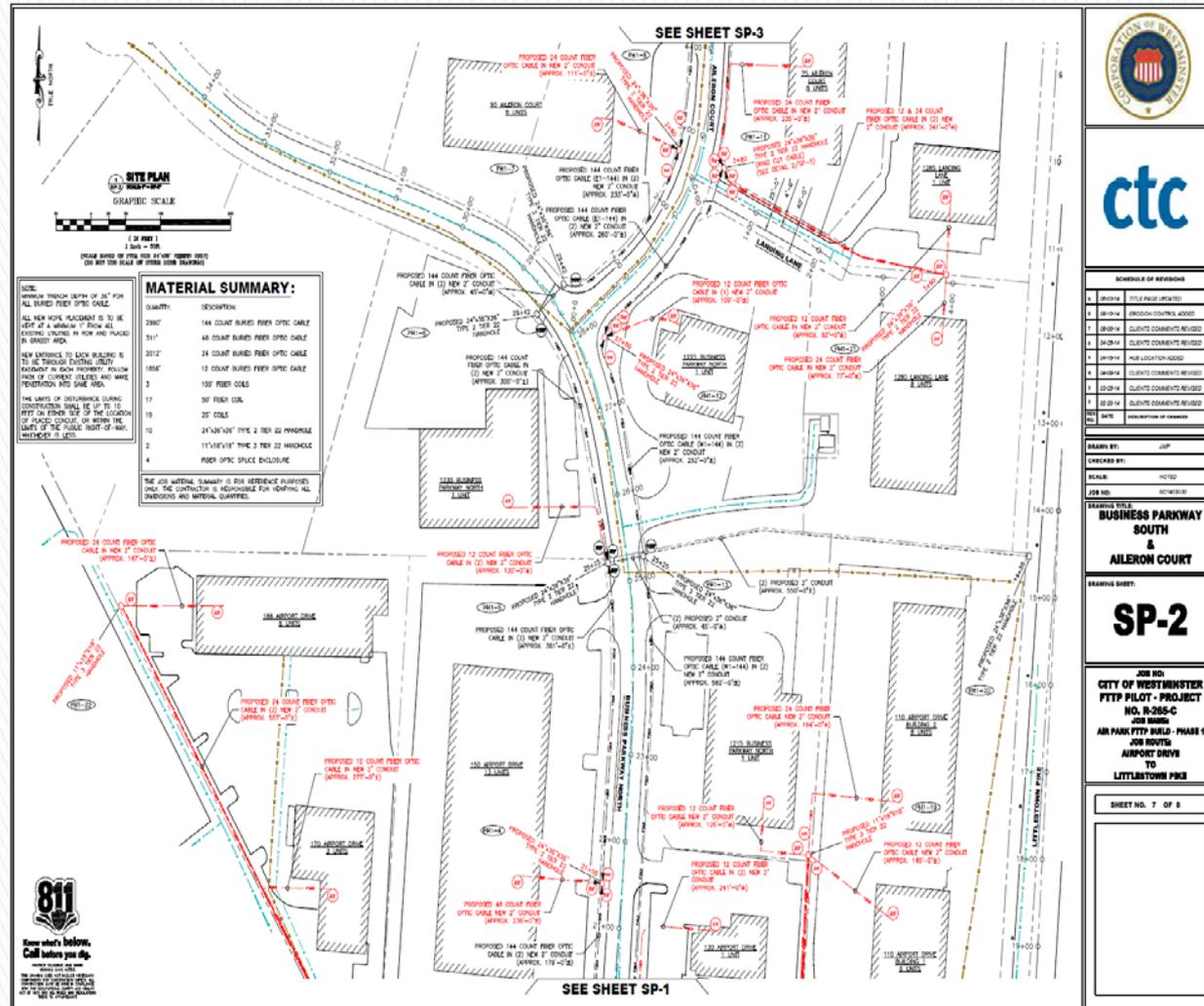
Model 2 case study: Howard Cty MD, Arlington Cty VA, Pleasant Prairie WI

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



Model 3: Shared Risk

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

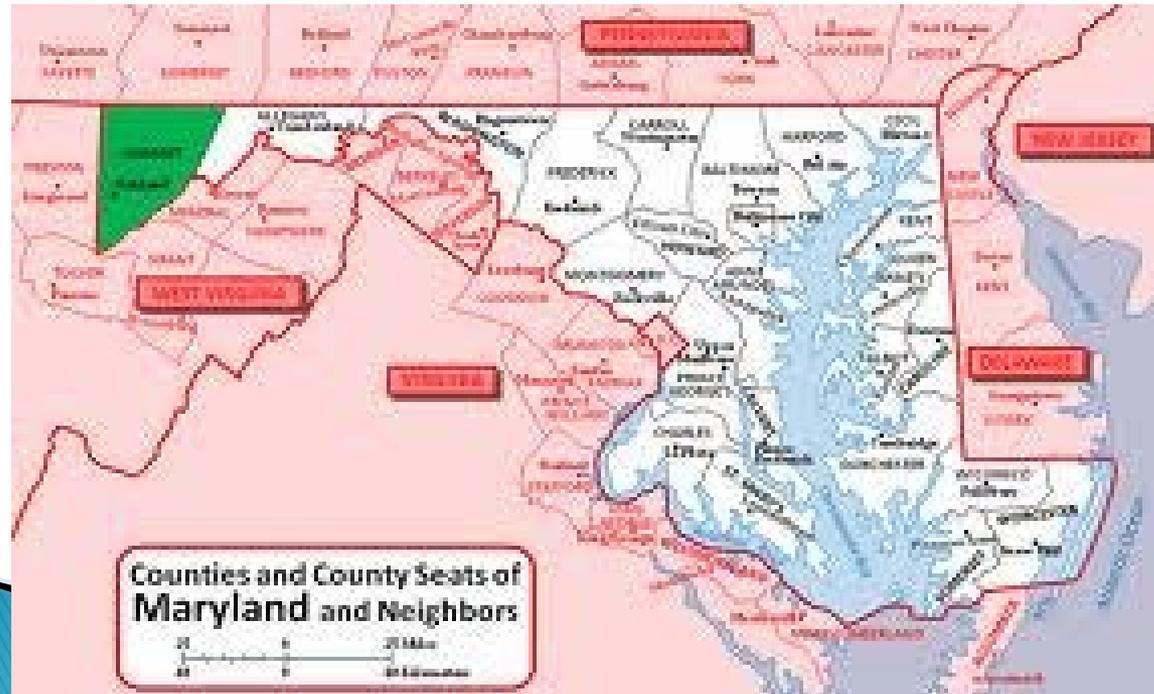
Model 3 case study: Urbana/Champaign IL

- ▶ Deal gives 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 – all neighborhoods have equal opportunity to get service if presales reach 50%
- ▶ Partner with strong customer service, local presence, strong financials



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

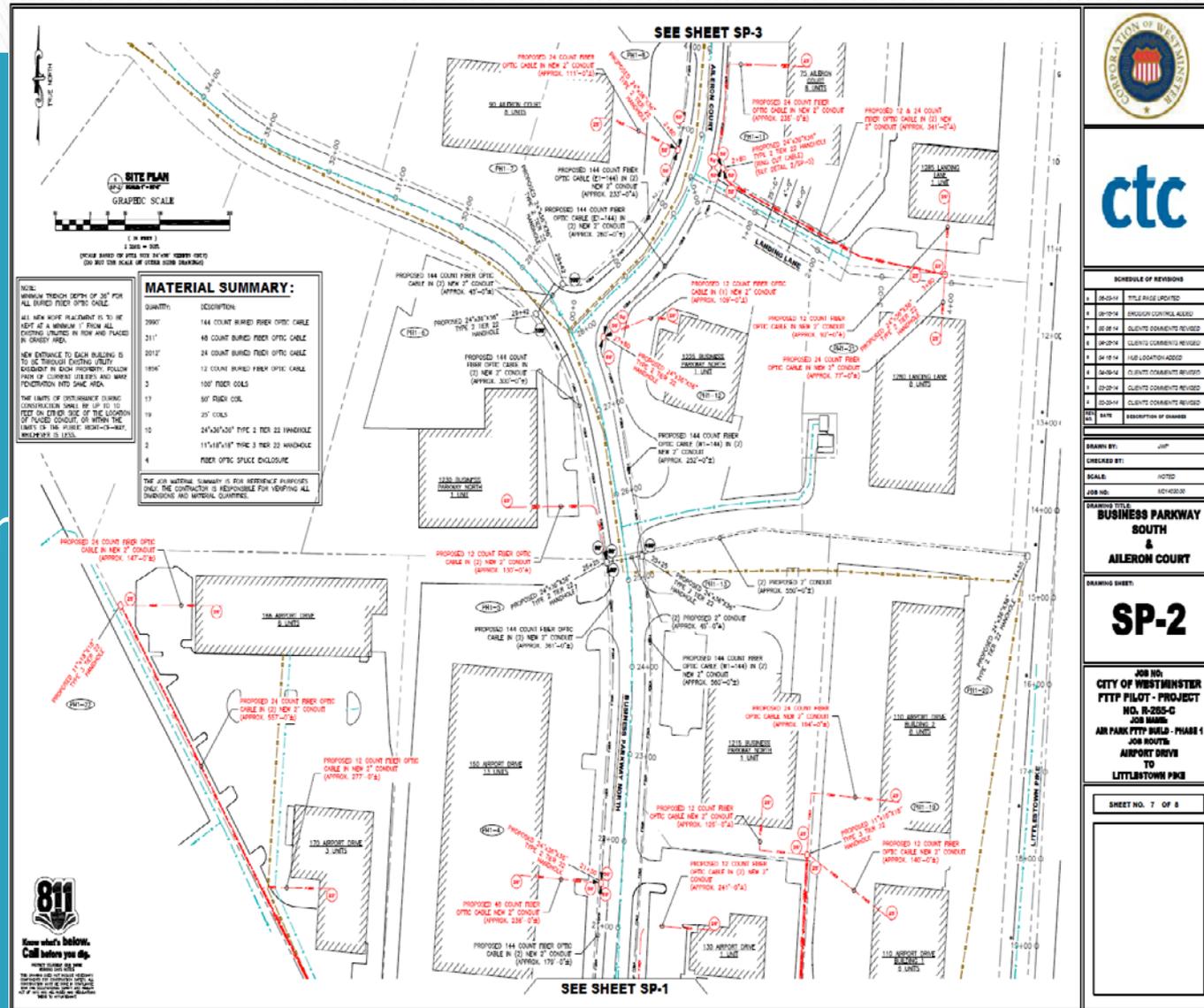


Model 3 case study: Westminster MD

City near DC,
Baltimore

City will build & own FTTP & lease to private partner to operate on open access basis

Ting selected as partner



ctc

CREATED BY: JGP
CREATED BY: JGP
SCALE: NOTED
JOB NO: 14-000000

DRAWING TITLE:
BUSINESS PARKWAY SOUTH & ALLERSON COURT

DRAWING SHEET:
SP-2

JOB NO: 14-000000
CITY OF WESTMINSTER
FTTP PILOT - PROJECT NO. R-205-C
JOB NAME: AIR PARK FTTP BUILD - PHASE 1
JOB ROUTE: AIRPORT DRIVE TO LITTLETON PARK

SHEET NO. 7 OF 8

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

Thank you

CTC Technology & Energy
301.933.1488
www.CTCnet.us