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Telecommunications Reports

The Next Wave in Municipal Wireless:
Legislative and Business Developments

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Executive Summary

For several years, a debate has raged around the United States over the desire of some local governments to deploy their own telecommunications networks and offer service to their communities. In some rural areas, it was seen as a necessity – a bid to grab a lifeline to connect them to the rest of the world and give them an opportunity to survive economically in the future.

Eventually, the push for municipal networks spread beyond rural, underserved areas into cities and communities of all sizes, driven by a desire to avoid being left behind and an apparent opportunity to take advantage of wireless technologies promising inexpensive broadband coverage to local businesses and citizens.

They hype over the emerging municipal network movement in 2006 was matched only by the reports of its death in 2007, as a number of high-profile projects and providers ran into trouble. EarthLink, Inc., the Internet service provider turned municipal wireless leader, in particular, epitomized the difficulties in the sector, as its highly touted plans to work with municipalities nationwide to deliver wireless broadband networks flamed out and led it to put its municipal networks on the sales block.

The future of municipal networks, however, seems to lie somewhere between the wide-eyed hype of 2006 and the doom-and-gloom of 2007. The number of municipal networks continues to grow, and localities continue to examine the options available to them to improve their broadband connectivity, both to bolster economic development in their downtown business districts as well as to bridge the “digital divide” and reach unserved consumers.

Going forward, the keys to success in one municipality may not be the same in another. There is clearly no one-size-fits-all solution. Municipalities seeking to deploy their own networks or partner with private providers to bring such networks to their area will need to consider what is realistic financially, what opportunities are available to leverage current and future spending on other services, and what partnerships arrangements may be viable.

Municipalities may serve as “anchor tenants” for privately built networks or form other forms of public-private partnerships. They also may seek additional sources of support from grant programs or simply build and operate a network on their own. There are a number of options available that could make sense for a locality depending on its specific circumstances.

Underlying all of the business models are the rules of the game, and those rules vary widely state-by-state. State legislators have engaged in heated debates in the last few years, haggling over whether localities should be allowed to enter the telecom market at all. Some states have erected barriers to

municipalities offering such services, ranging from outright bans to various restrictions on what they can and cannot offer and on what preliminary hurdles must be surpassed before a municipality can deploy their own network.

Meanwhile, the issue has also been on Congress's radar, with lawmakers on both sides of the aisle weighing in. While legislation has been introduced in the past to bar localities from offering telecom services, the legislation that has received the most attention in the current Congress would ensure that government entities can offer such services by barring states from banning such services.

Furthermore, additional trends at both the state and federal levels could provide additional opportunities for municipalities seeking to upgrade the infrastructure available to their citizens. Although not all of the initiatives are directly focused on government-owned networks, these initiatives, which include the creation of task forces designed to provide assistance and funding to ensure the deployment of broadband services to unserved areas and the use of grant programs to support broadband deployment, provide opportunities for municipalities to help get broadband services to their citizens through public-private partnerships or other arrangements.

One leading option is modeled on the "Connect Kentucky" program, which conducted a comprehensive inventory of the status of network deployment and service availability around the state and focused efforts on filling the gaps it found. A number of state legislatures are looking at similar approaches, as are federal policy-makers.

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