

The South Dundas municipally-owned network: from fiber optic pioneer to cautionary tale

Why public officials should document and monitor all public investments in broadband – and how SNG can help

In February 2006, South Dundas Township, a rural community of 10,000 located south of Ottawa, Ontario (Canada), sold its highly publicized municipal broadband network to W3 Connex Inc. One of the first publicly-owned fiber-optic broadband networks sold to the eastern Canadian fixed wireless provider for only 29% of the investment made by local taxpayers just a few years earlier.

While a high-profile study (commissioned by the UK's Department of Trade and Industry) had found that the \$1.3 million invested in the network had resulted in a \$25 million increase in local GDP, the creation of over 600 jobs in South Dundas, and an \$8 million increase in tax revenues, the network's financials showed mounting operating losses. This led to an election cycle where candidates ran and won on campaigns decrying public involvement in broadband infrastructure and calling to privatize the network.

The town council members who were responsible for the broadband initiative were ousted as they were not able to fully demonstrate and convince the taxpayers that public investment in broadband infrastructure was paying-off. Their opponents believed "municipalities have no business in running a communication network," and "the private sector could do it better." The network's sale closed a chapter in a local controversy about the system that was built and owned by the municipality.

Who really lost? The community – as broadband is now necessary infrastructure for a community or region, just like roads and electricity. Without broadband it is difficult to retain local businesses and stop high-paying jobs from leaving. Broadband infrastructure is the platform for innovation and communication for 21st century. But the truth is: the ousted council members did not have enough data to defend the value of the network when trouble arose. Those who saw no role for the public sector in broadband infrastructure did not have a comprehensive understanding of the impact of the network on the region when making the decision to sell. As a result the citizens of South Dundas Township are out a lot of money.

Don't do that!

Broadband's benefits cannot be fully realized if investment decisions are left only to the market forces within the telecom industry as the majority of broadband's benefits are 'off-balance sheet' to telecom operators and service providers. Countries and their governments across the globe are actively investigating the social and economic benefits from broadband. Elected officials considering public investments in broadband deployments need to monitor and document the all of the benefits of their broadband public investments and the accompanying benefits associated with telecom infrastructure.

To grasp broadband's value, it's crucial to go beyond the basic business case (revenues vs. costs), because many benefits are "off-balance sheet." That's especially true when accountability and transparency in the use of public funds are becoming an important evaluation need. All the public funds being invested in broadband will come under increasing scrutiny as the pendulum swings back from post-crisis stimulus funding to financial prudence - worldwide. This is precisely what we articulated in the study (which you can find here: <http://www.berr.gov.uk/files/file13262.pdf>).

Do invest!

South Dundas shouldn't serve as a showcase of why municipal broadband can't work – rather it is a cautionary tale about what it takes to do it right, i.e. gathering as much data as possible so that community leaders can make informed broadband investment decisions. At SNG, it is our job to assist them making those decisions: since 1998, we are the world's leading experts in the gathering and analysis of data involving the economic impact of broadband, with tools and services encompassing the full lifecycle of community broadband investments.

We know it is critical for elected officials to have the ability to articulate the value of broadband investments to their constituents. Not just for political marketing purposes – but because the issue is crucial to a community's future and its opportunities.

Ten years into the digital economy everybody agrees that "broadband is good and necessary." Today, questions being asked include "How good" and "In what ways?" Documenting, articulating, measuring, structuring this "how good" is what we call building the "rationale for public broadband support." We think the community of South Dundas could have used more of our help. But that was 5 years ago – an eternity... and of course hindsight is 20/20 – unless you are building your network today, or plan to build a network in the near future.

We look forward to working with community leaders who are committed to equipping their communities with the most essential infrastructure for the digital economy, and to doing community broadband right, with data-driven decision-making.

Michael Curri, Strategic Networks Group (President)

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