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Remove Barriers to Broadband Deployment

by

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The Michigan House of Representatives is considering [House Bill 5099](#), which would prevent local governments in the state from using public funds to pay for the cost of providing Internet service. The bill would, however, allow local governments to enter into contracts with private companies to provide Internet services. The legislature is expected to hold hearings on HB 5099 in the near future.

States have [good reason](#) to be concerned about municipal broadband projects. A [recent study](#) showed the financial performance of government-run broadband utilities is very poor, with only two of 20 municipal broadband projects for which transparent financial information was available expected to recover their costs within 40 years. Some have been [sold off for a loss](#), which can become a burdensome obligation for a local government and often results in costs being shifted to taxpayers elsewhere in the state who receive no benefits from the local broadband project. Currently [more than 20 states](#) have laws that either prohibit municipal governments from offering broadband or require that they show a sufficient lack of private alternatives.

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Having a municipal broadband provider also necessarily leads to [other problems](#). The local government is [both the regulator and the provider](#), so it has both the incentive and the ability to favor the government-run service over private competitors. Any private firms considering investing in a market with a municipal broadband utility must be concerned that a future local government may try to help a failing broadband utility by favoring it over private providers.

The Michigan proposal comes after two Michigan municipalities have been considering government-run broadband projects. [Traverse City](#) considered going forward with a project, but has tabled the project and is considering an alternative of partnering with a private company. The other project, in the [city of Holland](#), was approved by the local government, despite criticism that it was [based on overly optimistic assumptions](#). It is expected to become available to local subscribers before the end of the year. It should be noted that both Traverse City and Holland are already served by several private broadband providers.

In many areas, broadband availability has been slowed by local governments creating regulatory barriers to private deployment. Some municipalities have been slow to issue permits and licenses, made it difficult for private providers to obtain rights-of-way, and charged fees that far exceed the costs to the municipality. In Traverse City, for example, a private company [abandoned](#) plans to provide a gigabit-speed broadband service after the city added so many restrictions and requirements that the investment no longer was financially viable.

The Legislature appears to be making removal of these barriers a priority. Michigan's HB 5099 was introduced along with a [package of bills](#) that would limit fees, streamline permits and generally make it easier for network providers to ensure high-speed Internet services. The other bills in the package cap the amount local government can charge broadband providers for rights-of-way; cap the fee a county can charge a broadband provider for repair or maintenance in a right of way and also limit the bonding requirements that can be imposed; and impose notification requirements for a local government or state agency that requires an Internet provider to temporarily move wires or other infrastructure due to roadwork or other projects, and prohibit charging the provider a permit fee to do the required work.

For Americans who live in unserved areas, the prospect of municipal broadband can seem appealing. But government-run broadband networks, at best, are usually only short-term solutions that lead to future economic problems. In most markets, encouraging more private investment, whether by lowering regulatory barriers or by providing carefully targeted government support to private firms, offers the most sustainable solution to the problem of unserved markets for broadband.

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