

# **Bond Case Briefs**

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## **Chattanooga, Tenn., is Proof Municipal Broadband Works.**

Last month, FCC Chairman Tom Wheeler addressed net neutrality and municipal broadband, stating his organization would preempt states that wanted to prohibit local governments from offering locally owned broadband (20 states currently have such laws). Wheeler boldly declared the FCC would not allow the Internet to be divided into the “haves” and the “have-nots.”

The statement, made at a meeting of the National Cable and Telecommunications Association, unsurprisingly ruffled some feathers.

Among the dissenters is North Dakota Rep. Blair Thoreson, who, in a Governing VOICES column titled “Why the FCC Should Stay Out of the Local Broadband Business,” argues among other things that “Local governments almost inevitably lack business know-how, and in many noteworthy cases they’ve run their broadband networks into deep financial difficulties. Enormous operating losses and the mounting debts of local government-owned networks have had spill-over effects on local budgets.”

To this, I have two words: Chattanooga, Tennessee.

Several years ago, Chattanooga unleashed a beast: A fiber-to-the-home network spanning 600 square miles with 1 Gigabit-per-second speed available to all businesses, residences, and public and private institutions. The network is the fastest in the nation — approximately 50 times the speed of homes in the rest of the U.S. It not only allows for the novelty of 30-second downloads of a 2-hour high-definition movie, but has the potential to revolutionize public safety and enable the city to implement smart grid technologies.

Opposite from bankrupting the city or putting stress on taxpayers, it’s attracting businesses and industry to the area, helping to revitalize a community that once depended on pollution-heavy manufacturing. Developers, computer programmers, investors and entrepreneurs now call the city home.

Like Wheeler’s statement, Chattanooga’s plan had its dissenters and its journey was not without roadblocks.

Unlike other cities, Chattanooga’s end-game wasn’t originally high-speed Internet — it was electricity. The fiber-optic lines that enable the city’s superfast broadband were commissioned by the Electric Power Board (EPB), Chattanooga’s municipally owned electrical utility. EPB needed the fiber optic lines to build a state-of-the-art grid with smart meters on every home and business. While the cost was high — a total of \$300 million — it was financially feasible if done in stages.

During this planning process, a realization was made that the new fiber-optic system could also be used for digital data, video and telephone services. This is where opposition brewed. Internet service providers, who had monopolized for decades, attempted to dissuade the city from investing in this infrastructure, arguing the plan would fail. They argued that even if it succeeded, it constituted unfair competition with private enterprise.

The city proposed these companies install a complete network of fiber instead, and offered to lease that network for its electrical utility needs, piggybacking off the private system. The response from these multi-billion dollar entities? “We can’t afford it.”

In the end, Chattanooga was sued four times by these providers and endured public relations campaigns to characterize the project as unfair and as dangerous intrusion into private affairs. The court ruled in the city’s favor despite the fact that Tennessee is one of the 20 states that preempts locally owned municipal broadband. The court’s reasoning was that the fiber was used to primarily manage the electrical distribution system and this gave it sufficient reason to move forward.

Economic stimulus programs in response to the recession specified “shovel-ready” infrastructure projects. Making good use of bad times, the city applied for and received a \$111 million grant to compress the construction phase of the project and provide service quickly to the more economically distressed areas of the community.

As an act of good will, EPB avoided competing with existing businesses by undercutting its rate structure. Competition is instead based on quality of service and the digital product. In spite of its higher rate structure, EPB is the only provider with fiber connected to every home and business in Chattanooga and its surrounding area. As a result, EPB has claimed almost 40 percent of the local market for other digital services.

As FCC Chairman Wheeler said, we cannot allow the Internet to be divided into the “haves” and the “have-nots.” On a broader scale, city innovation cannot be stifled by its inability to invest in 21st-century infrastructure. As a city planner and a mayor, I always believed I could predict with some degree of accuracy what a new investment in infrastructure might produce. However, Chattanooga’s network exceeds what I thought possible and makes me excited for the future — it is a gift to be more fully utilized by future generations.

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