

5.5 ROLE OF PUBLIC PRIVATE PARTNERSHIP

There are various definitions of public–private partnerships, but the one that seems the most appropriate for the purposes of this study is:

"A cooperative venture between the public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards."^[xii]

The role of public–private partnerships in the development of local government access networks is gaining more prominence as a means of operating them. This has been particularly evident in the development of municipal wireless systems. This may reflect recognition by local governments that have no resident technological or relevant expertise. A number of cities have opted to contract with an outside ISP to operate the network and provide services on an exclusive basis to the public.

The role of public–private partnerships particularly in the financing of community networks has been an accepted model in Europe for some time, but it is just beginning to emerge in the United States. Some recent examples of innovative approaches towards public–private partnership models are *iTown* Communications, Wireless Philadelphia and the City of Manassas, Virginia.

iTown Communications is a newly established company, whose business case is based on the provision of open access community–wide FTTP broadband networks on a public–private partnership basis. The company will advise communities, manage, build and operate Local Community Public–Use Networks and market their availability to all service providers, including incumbent operators. It will also act as a service provider for high–speed Internet access, voice and video services '...in the absence of more robust choices for the community.'^[xiii] *iTown* Communications will operate the network under non–profit objectives in partnership with the local community.

iTown Communications target market is serving those cities and towns that have a population base of between 125,000 and 5,000 and do not have access to advanced communications infrastructure. The current focus of activities is on its West Virginia First initiative, which is a public–private partnership, composed of *iTown*, the West Virginia Development Office and participating local communities. It has two current projects, which are being independently assessed by a team of consultants that include Black and Veatch Corporation, The Yankee Group and Utility Financial Solutions. *iTown* notes that this independent assessment is required by financial institutions in their due diligence process of evaluating an investment in the construction of the network.^[xiv]

At this point, there is no publicly available information on the interest of the investment community in financing these types of initiatives and if there are, the terms and conditions that they are likely to impose on both the company and the community. It does represent a very interesting model, and if successful, it could provide a valuable blueprint for other communities.

Wireless Philadelphia is an initiative of the City of Philadelphia designed to provide an open access wireless network to provide high–speed Internet services to the 1.5 million residents of the City over a coverage area of 135 square miles. Project implementation is the responsibility of Wireless Philadelphia, a non–profit corporation, incorporated to develop a public/private partnership that would oversee the development of the

network and achieve certain economic and social goals, such as reducing the digital divide in the City.

The original business model described as a '*non profit cooperative wholesale*' model estimated that the \$10 million infrastructure investment, funded by the City, would reach a breakeven position in four years. It would also result in building \$4 million of working capital reserve for network upgrades and provide \$5 million for economic and digital divide activities.^[xv] One of the key aspects of the business model was that the City would act as an anchor tenant outsourcing some of its fixed and mobile telecommunications requirements from the new network. In early 2005, Wireless Philadelphia issued a Request for Proposals seeking a turnkey solution provider for a wireless network to serve the City of Philadelphia.^[xvi]

Earthlink, which has been chosen as the preferred supplier, has agreed to fund, construct and operate the network and develop a revenue sharing arrangement to support the activities of Wireless Philadelphia.^[xvii] Philadelphia will provide the use of certain City-owned infrastructure and will act as anchor tenant. In addition, Earthlink has agreed to operate the network on an open access basis, although it will be able to compete with other service providers for retail customers. It will provide discounted rates of approximately \$10 monthly for qualifying residents and offer free access in a number of city parks and public access areas.^[xviii]

The City of Manassas BPL project represents another case study of a public-private partnership, where the private partner has contributed most of the costs for establishing the city network. COMTek and the City have entered into an agreement that gives COMTek a 10-year exclusive franchise to operate the BPL system as the only ISP. In return, ComTek is responsible for funding the BPL equipment expenditures and must share a portion of the revenues generated.

The City initially receives 10.5% of the residential and 25% of the commercial revenues generated. The revenue sharing formula is tied to market penetration and as this increases, the City could receive as much as 40% of both residential and commercial revenues. COMTek estimates a payback period on its \$1.5 million investment of anywhere between three and seven years.^[xix]

Ons Net in Nuenen is an example of a financing model that has been developed, as a customer owned fibre based Local Open Access Network. It is based on the cooperative principles of Close the Gap BV, designed as a customer-owned and customer-controlled network through a Cooperative structure with the connected residents as members. It provides a complete range of broadband services with 100 Mbps bandwidth both ways (full duplex) and non-shared to each customer.^[xx]

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References

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[xiv] iTown News Release, "Work Begins in Wood County on West Virginia First Fiber Optic Advanced Broadband Network", October 12, 2005.

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[xv] Wireless Philadelphia Business Plan Summary, Mayor's Office of Information Services, 7 April 2005.

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[xvii] Wireless Philadelphia News Release, "Wireless Philadelphia Enters Final Contract Negotiations with Earthlink", October 3, 2005.

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[xix] Hoffman, T., "Energy execs debate future of broadband over power lines", Computer World, November 11, 2004.

[xx] <http://www.closesthegap.nl/index.php?item=17>