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Why Municipalities Should Stop Trying to Subsidize Broadband Access

by

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Some municipal governments concerned that their residents do not have sufficient access to broadband have launched their own broadband services, only to find that government-run broadband utilities lead to more problems than they solve. Fortunately, some municipalities are starting to recognize the downsides to government-run broadband services.

Traverse City, Michigan was considering adopting a municipal broadband project by its city-owned utility, but recently changed course. It is now seeking proposals from private providers to build and maintain a proposed fiber network. Municipalities should follow this example and carefully examine the economic consequences before investing in such costly broadband projects.

Government-owned broadband networks are not the only way to reach presently unserved Americans, and for most areas they are not the best option. Instead, Congress, the Federal Communications Commission, and local governments can do more to facilitate private broadband deployment to unserved areas. These actions, more often than not, are the preferred solution to the perceived problem of insufficient broadband access.

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Even if only some significant proportion of municipal broadband subscribers switch to satellite or wireless broadband, that could threaten the already unstable financial viability of municipal broadband agencies, leaving local or state governments – and ultimately taxpayers – on the hook for future losses.

For Americans who live in unserved areas, the prospect of municipal broadband can seem appealing. But government-run broadband networks, at best, usually are 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 markets unserved by broadband.

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