



*Freedom  
Innovation  
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March 8, 2016

Members of the House of Representatives  
State of New Hampshire

Dear Representative,

I'm writing to offer information, perspective and context toward your consideration of HB 1180, which would encourage local governments to go into the broadband business and compete with existing private sector providers.

The Institute for Policy Innovation (IPI) is a 28 year-old free-market public policy think tank that studies broadband and communication technology policy issues. We have followed the track records of municipal broadband projects across the country for the past decade, and would like to share our perspective with you.

It is our understanding that the Municipal and County Government Committee has recommended that HB 1180 be found Inexpedient To Legislate and **we concur with this recommendation.**

We think such legislation is unnecessary, puts taxpayers at risk, and sets a dangerous precedent of encouraging government to exceed its bounds and compete with private sector businesses.

**First, the legislation is unnecessary.** New Hampshire already is among the most successful states in the nation at rolling out broadband to its residents. The FCC's most recent Broadband Progress Report shows that New Hampshire's unserved population has dropped from 17 percent to just 7 percent. And with Fairpoint Communications' continued rollout of broadband to 13,000 unserved locations in over 100 New Hampshire communities through the Federal Communications Commission's Connect America Fund, New Hampshire's unserved population will soon drop even further.

The legislation is particularly unnecessary because New Hampshire law already allows municipalities to bond in order to provide broadband to unserved residents. In other words, you're already created mechanisms to address the small unserved population that remains in New Hampshire.

**Second, the legislation is risky.** The only possible justification for municipal broadband networks is serving the unserved, and New Hampshire already permits bonding in such cases. It requires an entirely different set of justifications for a municipality to get into the business of competing with existing private sector providers, and these justifications are illegitimate.

There are very prudent reasons to discourage municipalities from trying to compete with private broadband providers. The municipal broadband playing field is littered with failed and failing municipal Wi-Fi and broadband schemes across the United States. The vast majority of municipal broadband networks have lost huge amounts of taxpayer dollars, and many have gone bankrupt and been sold to private investors at pennies on the dollar.

States like New Hampshire are well-advised to not make it easier for such disasters to occur in your towns and counties.

Typically, proponents of municipal broadband networks believe they can do it cheaper and faster than the private sector. But of course the idea that government is more efficient than the private sector flies in the face of all observation and experience. Local governments that think they can do it better, cheaper and faster simply cannot—at least they cannot without using government’s unique powers to tilt the playing field to its own advantage.

Proponents of municipal networks underestimate costs, exaggerate projected subscriber adoption rates, assume cross-subsidies from taxpayers, and ignore the substantial ongoing costs of upgrading and maintaining a broadband network. The result is almost always a network that soon faces insolvency, with a future of either endless taxpayer subsidies or bankruptcy.

**Third, the legislation is inappropriate.** We believe that government at all levels should be limited, should focus on its core duties and responsibilities to its citizens, and should not compete in the marketplace with private sector companies. Competing with the private sector is an inappropriate and counterproductive role for government.

Unfortunately, history suggests, when local governments compete in the broadband business, local governments do not compete fairly. They give their own network efforts advantages in zoning hearings, taxes, permit approvals, and other government functions. They cross-subsidize their struggling networks with taxpayer money levied to perform other, more important functions.

And then, when the reality of actually maintaining and upgrading a competitive network in a challenging industry overtakes them, they will turn to the taxpayers for loan guarantees, bond approvals, and the higher taxes ultimately necessary to service and subsidize debt that was unwisely obligated.

**The market is already providing competitive broadband to the vast majority of New Hampshire residents.** If some areas lack access to broadband networks, there are superior, market-oriented solutions to this problem. Public-private partnerships that place a substantial portion of the risk on the private provider rather than entirely upon the community can work.

IPI has also proposed Broadband Enterprise Zones as a means of encouraging private broadband providers to rollout service in unserved areas. Unserved areas could be determined through existing and

ongoing broadband mapping efforts. Providers could receive tax credits which could be used to offset a portion of the provider's state tax burden. IPI policy experts would be delighted to work with you to help craft such a market-friendly means of extending broadband availability to unserved communities in New Hampshire.

In the meantime, we believe HB 1180 is not only unnecessary but potentially risky, and would enable local governments to expand outside of their appropriate sphere and into the illegitimate role of competing with the private sector. We would be delighted to offer ourselves as a resource to you in this important work, and I would be happy to discuss this issue further with you at your request.

Sincerely,

A handwritten signature in blue ink that reads "Tom". The signature is written in a cursive, flowing style.

Tom Giovanetti  
President