GOVERNMENT BROADBAND CONSULTANTS - THE BIG GRIFT

TAXPAYERS PROTECTION ALLIANCE

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This document will be updated as new information becomes available

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The Taxpayers Protection Alliance (TPA) is a rapid response taxpayer group dedicated to analyzing and researching the consequences of government intervention in the economy. TPA examines public policy proposals through a non-partisan focus, identifying how government waste and overreach impacts taxpayers and consumers regardless of the political party responsible.

TPA holds government officials in the United States, and around the world, accountable through editorials, statements, coalition letters, public interest comments, and radio and television interviews. TPA recognizes the importance of reaching out to concerned citizens through traditional and new media, and utilizes blogs, videos, and social media to connect with taxpayers and government officials.

While TPA regularly publishes exposés and criticisms of politicians of all political stripes, TPA also provides constructive criticism and reform proposals based on market principles and a federalist philosophy. TPA empowers taxpayers and consumers to make their opinions known to their elected and non-elected officials and embraces bold solutions to hold an ever-growing government in check.

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Government-Owned Broadband Network Consultants: The Snake Oil Salesman of the Digital Economy

With billions of federal taxpayer dollars flowing into states for the purpose of extending high-speed internet infrastructure, broadband consulting is quickly becoming big business and a big grift. Nowhere does this grift manifest more obviously than in the proliferation of taxpayer-funded local government-owned networks (GONs).

The Taxpayers Protection Alliance (TPA) has written extensively about some of the major national consultants, such as CTC Technology & Energy and Magellan Advisors. Now, more companies are entering the consulting market at the state and regional levels. In many cases, states have partnered with consultants to develop long-range plans for how to spend the windfall they receive through the federal Broadband, Access, Equity and Deployment (BEAD) Program, which is now distributing $42.5 billion in tax dollars across the United States for broadband deployment.[i]

As TPA has pointed out in its recent reports "GON with the Wind: The Failed Promise of Government Owned Networks Across the Country" and "GON with the Wind II: Frankly, Taxpayers Do Care," consultants on municipal broadband projects have the answer before local governments even ask the question whether or not to build a GON. GONs often fail and leave taxpayers or electric ratepayers with the debt. Consultants rarely advocate anything other than building a GON because they have something to sell municipalities on the back end – from software to construction to overall management of the GON.

According to Brent Skorup, a former senior research fellow at Mercatus Center, broadband consulting services have emerged across the country at an accelerated pace following the expansion of federal funding.

"There's a broadband gold rush right now and there's going to be small companies of varying quality and expertise trying to get some of these tens of billions of dollars flowing to states and cities," he said. "Unfortunately, in a gold rush, a lot of people lose their shirts."

In this case, the shirtless could be taxpayers. Skorup said he's concerned that Congress discouraged due diligence with the federal broadband grant programs by not requiring significant matching funds by local governments in the contracts. There are also time pressures to meet deadlines to get the funding, but he hopes communities fully analyze and account for their choices.

His advice to politicians: "Hold on to your wallet and hire a lawyer that knows the broadband industry."

Below are some examples of the recent work of broadband consultants on various GON projects around the U.S:

Bonfire Infrastructure Group

Bonfire Infrastructure Group (a Denver, Colorado-based turnkey broadband consultant) says on its website that it has engineered more than 5.3 million miles of fiber across the U.S. Even though the company does not feature a client list on its website, it recently consulted with Vineland, New Jersey.

In the Vineland city resolution awarding the broadband consulting contract to Bonfire, the document notes that "Bonfire was formed in 2016, in response to the growing demand and complexity of designing and deploying broadband networks across the United States." Bonfire won the contract with a bid of $221,400, reflecting an estimated 1,230 hours of work at $180 per hour.[ii] Vineland has planned a middle-mile project that will cover parts of Cumberland and Salem counties. County commissioners approved the middle-mile project despite plenty of pushback from the public.[iii]

Vineland released an abstract to the New Jersey Board of Public Utilities showing how it hopes to tap into state and federal grants to fund the nearly $40 million project.[iv] The city has refused to publicly release the feasibility study prepared by Bonfire to support the claims made in the abstract, denying open records requests from the Taxpayers Protection Alliance Foundation and public interest group Jersey First.

Bonfire started ramping up its staff in 2022 (likely in anticipation of the billions of dollars in federal taxpayer money set to flow into the broadband business) by hiring vice presidents of support services[v] and construction.[vi]

The group's subsidiary, Bonfire Fiber, focuses on creating and managing open access fiber networks. It was awarded a contract in August by the Southern Ute Indian Reservation in Colorado to manage and operate the tribe's fiber broadband network.[vii]

CobbFendley

A Houston-based engineering firm with offices across the west and southeast, CobbFendley has ramped up its consulting business in Texas with the hopes of cashing in on the federal broadband largess.

CobbFendley prepared feasibility studies for several cities across the Lone Star State in the past three years, including Fort Bend County, Harlingen, and Victoria. The company suggested that government officials should build middle-mile fiber networks, which (not surprisingly) CobbFendley is happy to design and construct.

In its report for Victoria, CobbFendley suggests that contracting with a private provider to build a middle-mile fiber network would "make the city look good in the eyes of the public."[viii]

Middle-mile networks don't actually connect customers, but rather provide broadband infrastructure between communities. They can be extremely costly to taxpayers. KentuckyWired (now rebranded as Accelecom) is the most egregious example, putting Kentucky taxpayers on the hook for as much as $1.5 billion for the border-to-border, middle-mile network.

Local officials often don't realize that middle-mile networks often duplicate the work of private providers. Yet, officials still must convince said providers to connect to government-owned middle-mile, which providers are often reluctant to do because they already have their own fiber backbone infrastructure. The last mile is significantly more expensive, so creating a middle-mile isn't a foolproof way to connect the currently unconnected.

CTC Technology & Energy

CTC Technology & Energy is based in Maryland and boasts that it has worked with hundreds of government and nonprofit clients on a broad range of tasks over its more than 30 years in business. One of its big current projects includes long-term fiberoptic and wireless regional communications interoperability initiatives in the Washington, D.C. area through funding from the U.S. Department of Homeland Security.[ix]

President Joanna Hovis serves on the board of activist groups such as the Benton Institute and the Fiber Broadband Association. CTC co-produced a report with the Benton Institute for Broadband & Society in November 2021 noting that the COVID-19 pandemic caused "a remarkable wave" of public-private collaboration for broadband projects, with both states and federal governments willing to spend more taxpayer money toward the effort to close the digital divide.[x]

While one industry insider told TPA that CTC is at least a little more of a pure consultancy in that it doesn't sell services on the back end, it still has made some questionable calls. For example, CTC told Los Angeles city and county officials that they should build a fiber-to-the-home network. Clearly, the second largest population center in the country does not lack for broadband providers.

CTC pitches public-private partnerships that tend to operate more like GONs, with taxpayers bearing most of the risk.

CTC also recommended that Huntsville, Alabama, build dark fiber that Google Fiber is using to its benefit, an unnecessary taxpayer subsidy of a trillion-dollar company. Dark fiber is infrastructure that is constructed in the hopes that providers will tap into it for future usage.

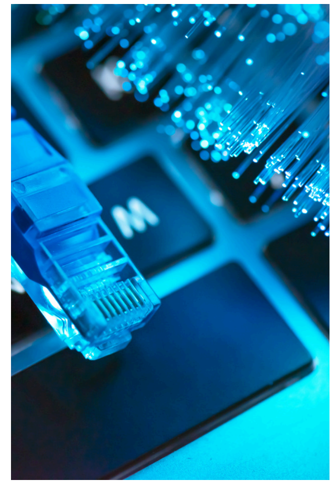
EntryPoint Networks

Based in Salt Lake City, Utah (and formed in 2007), EntryPoint promotes an open-access model for broadband, selling cities a platform that allows multiple internet service providers to use the same physical infrastructure.[xi] So far, the company has completed full deployment in Ammon, Idaho, and is consulting with a handful of other cities for other possible open-access projects. Although EntryPoint first began deploying its network virtualization concept in 2016, it has so far seen limited usage outside Ammon.[xii]

The company recently began surveying residents in Dartmouth, New Hampshire, about a possible GON. EntryPoint CEO Jeff Christensen told residents at an open forum that despite the presence of both Comcast and Verizon in the community, they should consider creating a taxpayer-funded network.

EntryPoint developed Detroit's Digital Access Policy and Strategic Infrastructure Plan, which calls for a citywide open-access fiber network at a cost of around $900 million, and assumes an incredible 65 percent take rate.[xiii] Similar to CTC's pitch in Los Angeles, it is hard to imagine the need for municipal-owned broadband service in a major metropolitan area. It is also especially hard to imagine that a city such as Detroit does not have more pressing needs.

In a survey in Quincy, Massachusetts (which is moving forward with a GON), EntryPoint claimed that 80 percent of residents said they would subscribe to municipal broadband.[xiv] For perspective, TPA found in its first "GON with the Wind" report that GONs averaged a take rate of about 40 percent.[xv]



Magellan Advisors

Magellan Advisors continues to be a national leader in broadband consulting, partnering with more than 400 utilities, cooperatives, and municipalities across 35 states. The company says it has connected more than 50 million U.S. residents to broadband.[xvi]

The company emphasizes its turnkey services, meaning it will both consult on a network and then build and help operate it. As TPA has pointed out, this provides a financial incentive for these companies to tell municipalities to build networks. Recent projects in which Magellan has double dipped include Mont Belvieu, Texas; Rancho Cucamonga, California; Palm Coast, Florida; and Newport, Tennessee.

The company has recently consulted on projects from Marion County, Oregon, to Chesapeake, Virginia.[xvii] Of about 40 recent engagements with local governments and other taxpayer-funded entities, none of the projects have seen long-term sustainable success, with four of them failing.

Consultants often base proposed projects' likely profitability on take rates that do not materialize, as TPA found in its research for the first GON with the Wind report. Lakeland, Florida, is one of the few communities to pay Magellan for consulting and not follow through with building a network. Mike Brossart, the city's chief financial officer, expressed wariness at the consultant's financial model and projected take rate. He said the city was "not in the business of being highly speculative with the citizens' money."[xviii]

In November 2021, Magellan bid on and was awarded a $2.5 million contract to design a GON fiber last mile system in Waterloo, Iowa. The company based its bid amount on 309 miles of fiber, which it estimated would be enough to connect every household in Waterloo. But, the following November, Magellan returned to the Waterloo City Council to ask for an additional $677,000 for the project because it had underestimated the fiber needed by 82 miles, or more than 26 percent. That funding request included more than $20,000 for higher-than-anticipated "travel costs."

From GONs to P3s, most of Magellan's consultations suggest some form of government-run and taxpayer-funded broadband network.

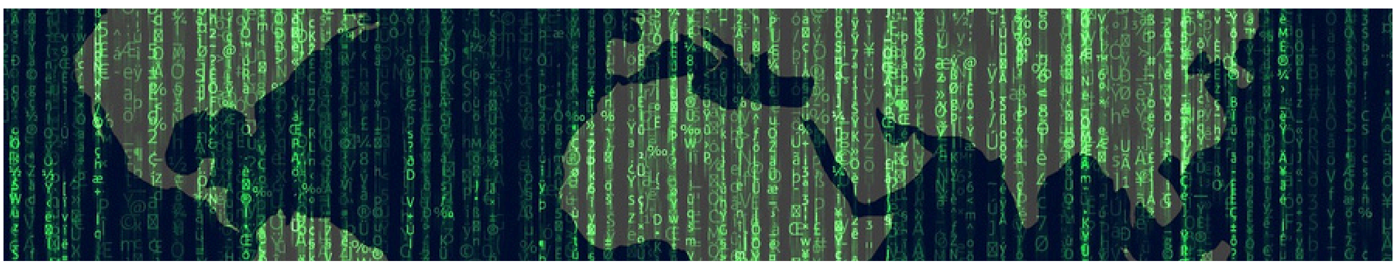
SiFi

Self-billing as an open access fiber network developer, SiFi pitches cities on building networks at no cost to the city and engaging multiple ISPs to use that fiber to offer broadband.[xix] It also touts "smart city" services to potentially streamline city functions and save municipalities on costs.

SiFi is funded in large part by $1 billion from Patrizia Infrastructure, which manages assets for the largest pension delivery organization in the Netherlands.[xx] Many of the agreements that SiFi makes with cities include favorable terms regarding the sale of the fiber network, which would likely create a more substantial return on the investments made by Patrizia.

SiFi seeks generous concessions from cities that can include favorable treatment in right-of-way access or exclusive use of certain rights-of-way to help speed up infrastructure construction. SiFi has been criticized for its use of microtrenching during its broadband construction, which leaves the fiber close to the surface and more prone to being damaged. [xxi]

Originally, SiFi pushed for cities to create their own GONs to serve as anchor tenants on open-source fiber networks, but that requirement was dropped due to lack of success in selling cities on the plan. SiFi primarily works with GigabitNow and Ting as partners on its open-source fiber.



SmartSource Consulting

> *"With feasibility studies cooked by push polling, communities are left waiting to find out if the market can sustain a GON only after precious tax dollars have been sunk into the project."*

Curtis Dean (the founder of SmartSource Consulting) is one of the biggest driving forces pushing cities to build and operate their own GONs in Iowa.[xxii]

Dean started his career with Spencer Municipal Utilities back around the genesis of the modern internet in the late 1990s. Dean has since embedded himself in Iowa's telecommunications utilities industry, also co-founding Community Broadband Action Network and serving as broadband coordinator for the Iowa Association of Municipal Utilities. Dean frequently leverages these organizations' contacts with cities throughout Iowa to tout his perception of the advantages of GONs.

As he travels around Iowa consulting with communities, Dean makes promises of better internet service through GONs than the incumbent providers. SmartSource is frequently retained by cities to conduct "pre-feasibility studies" to help the cities determine whether a GON can and should be built. Dean promotes his pre-feasibility studies as a way for cities to gauge citizen support for GONs. In reality, the SmartSource pre-feasibility studies are little more than GON marketing materials and are fairly illustrative of the broadband consultant playbook as a whole.[xxiii]

SmartSource generally begins with a description of the incumbent provider "landscape," in which the consultant denigrates the incumbent providers' technology and business models, often making unsubstantiated comments along the lines of incumbents being unwilling to invest in the community to provide "excellent internet service." Dean then creates a rather subjective community survey as the foundation for his findings. First, the surveys are generally small in sample size, much less than 10 percent of the available households. Second, the survey respondents are self-selected, meaning the respondents generally only respond if they have an interest in a different internet service alternative, resulting in a heavy response bias (a common tactic by other consultants, as well). Third, Dean utilizes a questionable "Net Promoter Score" (NPS) system for respondents to rate their existing internet service. The NPS leans heavily toward customer dissatisfaction, in that only those providers scoring 9 or 10 on a 1-10 scale are viewed favorably, scores of 7-8 are deemed neutral, and any score of 6 or less is deemed indicative of an "unhappy" customer likely to leave for a new and better provider.

Dean's pre-feasibility survey then follows up with a question about whether the responder would be willing to switch to a new provider who provides "superior service at a competitive price." By defining "superior service" to include speeds and reliability, Dean's survey is subject to significant bias in that it does not control or account for internet speeds based upon the level of speed package that the respondents purchase. The survey also does not account for the respondents' own equipment selections or use. The survey also uses anecdotal estimations of the frequency of the respondents' service "slowdowns"," which is both ambiguous and subjective. Finally, by using the phrase "competitive price," Dean's survey at the very least implies that the new provider would be cheaper than the existing providers.

Not surprisingly, SmartSource's pre-feasibility surveys almost always result in a "significant" (though likely not statistically significant) number of citizens who are dissatisfied with their current internet providers and are self-proclaimed "likely" to switch to a new and better GON. Dean then proposes a more thorough feasibility study, which includes a generic design and cost estimate for construction, a general business model for operations, and financing options.[xxiv]

The feasibility study provides communities with a general idea of the market share needed to financially support the construction and operation of the GON. However, the more thorough feasibility study generally does not question the biased results of the pre-feasibility study, often leading to the conclusion that sufficient citizen support exists to garner the market share needed to make a GON feasible. With a favorable feasibility study, the targeted community is usually off and running towards a GON.

With feasibility studies cooked by push polling, communities are left waiting to find out if the market can sustain a GON only after precious tax dollars have been sunk into the project.

SmartSource Consulting worked with Fort Dodge on its GON, which has connected just 350 customers out of 11,000 premises since it was first conceived five years ago.[xxv] The Fort Dodge City Council recently agreed to spend nearly $366,000 for cost overruns[xxvi] after borrowing nearly $37 million in 2021 to pay for construction and initial operating expenses.[xxvii]

Had Fort Dodge voters known what the future would hold (rather than the optimistic projections espoused by Dean and city leaders), then 72 percent of them likely wouldn't have voted "yes" in the referendum that created the GON.

Uptown Services

The Boulder, Colorado-based consultant has had its hands in some of the biggest GON flops in American history, including projects in Bristol, Virginia; Opelika, Alabama; and Salisbury, North Carolina.[xxviii] Unsurprisingly, these three aren't included in the company's list of example projects.[xxix]

Unlike many broadband consultants, Uptown does not offer turnkey services, and says that it does not have a financial relationship with equipment suppliers or service providers.[xxx] Perhaps because of that fact, Uptown Services is one of the consultancies more likely to give cities an answer they rarely hear in terms of building a GON: no. That was the case in January 2023 when the company's principals (Dave Stockton and Neil Shaw) told Milford, Conn., city leaders that rather than build their own network, they should "collaborate with local providers to enhance their offerings and awareness campaigns for [Affordable Connectivity Program]. Partnering with a local school to gain a better understanding of student needs and maybe target some solutions to that. Maybe consider limited WiFi in public places."[xxxi]

On the other hand, Uptown Services told Eagle, Colorado, city leaders they should build a GON, but the Eagle City Council passed on the $10 million proposal in 2021. Rather than invest taxpayer money into a city-run system, the Council let Comcast finish plans to build out infrastructure to nearly all of the city.[xxxii]

Most recently, the self-described "leading edge broadband and telecommunications consult[ant] for the private sector" is partnering with Decatur Utilities in Alabama on a possible GON project in a city with plenty of existing broadband options.

Conclusion

While by no means an exhaustive list, TPA compiled this report to help educate local policymakers and taxpayers on the kinds of firms and tactics behind the proliferation of GONs. Consultants like those discussed often rig polling and inflate estimates to sell local governments and taxpayers on building GONs, many of which self-deal back to the consultancy. Meanwhile, these projects routinely fail, which TPA has extensively documented over the years. Local taxpayers and utility ratepayers are left holding the bag when GONs financially implode. Such projects simultaneously deter sustainable private investment in broadband services by well-established providers. Communities would be wise to keep the names and tactics detailed above top of mind as tens of billions of new federal broadband dollars begin to flow into local coffers.

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