

What business model should we use? For communities thinking about building a broadband network, this is a common question. It's also a complex one! While there are as many business models as there are agreements between cities and service providers, there are some trends in the types of business models communities are choosing for their networks. This chart provides a summary of these general business model types, including examples of communities using them. You can learn more about what other communities have done in the **Examples** section of the **Ethos Better Broadband Toolkit**. Available at: <http://ethostoolkit.net/examples-and-exemplars>

Choosing a business model begins not with the business model itself, but with an understanding of community needs, resources, and challenges. What kind of broadband services does your community need? Who will the network serve? What finances and other support are available to make it happen? Answers to these questions can help you decide which business model is right for your community.

Pros and cons must be considered in relative not absolute terms. For example, assuming investment risk is only bad if it's a bad risk.

Commonly Called	Owned By	Operated By	Start Up Financed by	Revenues	Pros	Cons	Examples
Public Utility	City	City or private sector	Bonds, grants, city revenues	City collects all profits, from sources including residential, business and institutional user fees, city services.	High level of local control over network priorities and user access fees; can result in significant revenues and cost savings for the city.	Greater initial outlay than many cities are comfortable with; Maintenance and management commitment	St. Louis Park, MN; Chaska, MN; St. Cloud, FL
Non-profit	Non-profit	Private and/or public sector	Grants, loans, other fund-raising	Revenues may go to investors, and/or to support and expand the network.	Non-profit can have a social mandate that focuses on community needs; separates operation of network from other city business.	Fund-raising may be difficult; city has less control over direction of network, and lower revenue share than if the network were city-owned.	Boston, MA; Cape Cod, MA; Rhode Island
Publicly Owned / Privately Operated	City, non-profit, consortium of cities, public/private consortium, or private company	Any entity can purchase access to the network at a wholesale rate	Members of the Consortium	Revenues generally support the maintenance and development of the network	Encourages build out of "middle mile" across a region; encourages competition in local broadband market.	providers that purchase access to the network may not offer services that meet community needs.	UTOPIA; Tacoma Click! Network; Nevada, MO; Corpus Christi, TX

Commonly Called	Owned By	Operated By	Start Up Financed by	Revenues	Pros	Cons	Examples
Consortium	Group of public partners, private partners, or public and private partners	Private and/or public sector.	Financed by consortium members;	Revenues generally support the maintenance and development of the network.	A Broadband buyers club for big broadband users across a region.	Doesn't solve connectivity for all end users in a region.	Fredericton, NB; OneCommunity; Wireless Silicon Valley
“Public/Private” or Franchise	Private sector.	Private sector.	Financed primarily by the private sector, though the city may serve as an anchor tenant, and/or contribute start-up funds;	Private sector receives most revenues through subscriber fees, city may receive a small share and/or payment for access to city infrastructure.	Short term outlay by city may be minimised.	City has limited input and control; typically the city contracts with one private sector partner, meaning that the network may have little impact on competition in the local broadband market.	Philadelphia; Umatilla county; Rio Rancho, NM; Tucson, AZ
Subscriber-Based Private	Private sector.	Private sector.	Private sector	Private sector receives all revenues.	Limited short term financial and political risk for city.	There is no guarantee that service will meet community needs.	The status quo! Any number of private networks.
Ad-based Private	Private sector.	Private sector.	Private sector	Advertising revenues; the network may also gain revenue from a city acting as an anchor tenant and/or from user fees for a higher quality level of paid service.	Basic service is free; little financial risk for city.	City has limited input and control; ads appear when users use basic level of service; little incentive to build into under served areas	Foster City, CA; Mountain View, CA
Ownerless	Each node on the network is owned by its operator.	Individual node owners, may be unaffiliated	Each node in the network finances itself.	These networks typically do not have investment or revenue structures;	Network emerges on its own; risk and cost are distributed.	No guarantee of network availability or quality.	These networks are largely unmapped.
Community Hot-spots	Distributed ownership	Volunteers; local businesses.	Local businesses agree to sponsor hotspots, which are coordinated by community volunteers;	Indirect revenues via value added service to customers	Investment is assumed by individual businesses; free service.; service is free for users.	Difficult to achieve ubiquitous coverage; no service quality guarantees; no residential access.	Ile Sans Fil, Austin Wireless

Learn More

You can read more about what other communities have done in the Examples section of the Ethos Better Broadband Toolkit.

AVAILABLE AT: <http://ethostoolkit.net/examples-and-exemplars>

You can learn more about broadband business models from the following resources:

Vargo Daggett, B. (2007). Localizing the Internet: Five Ways Public Ownership Solves the U.S. Broadband Problem. Institute for Local Self Reliance.

AVAILABLE AT: www.newrules.org/info/5ways.pdf

Ellison, C. (2007). Choosing the Right Business Model. MuniWireless Magazine. June 2007, p. 13.

AVAILABLE AT: <http://www.muniwireless.com/article/articleview/17/1/29/>

The Wireless Philadelphia Executive Committee (2005). Wireless Philadelphia Business Plan, p. 30.

AVAILABLE AT: www.phila.gov/wireless/pdfs/Wireless-Phila-Business-Plan-040305-1245pm.pdf

Neff, D. (2007). Local Wireless Networks – A Prerequisite for The Future. Public Management, 89, 10-14.

AVAILABLE AT: <http://www.icma.org/pm/8902/>