

Co-operative model vs Private Model – Shutesbury Broadband Committee 2015

Aren't we subsidizing other towns? As a member of a cooperative we have to share in the risks and rewards. Yes, some of "our" profits will be spread out across the network to less profitable towns but the cooperative model is the **ONLY** way we have *any* possibility of paying back our debt and receiving future profits due to efficiency of scale. The large network protects us more against the risks and gives the reward not possible with sole ownership. In addition, the cooperative model offers many benefits compared to the "go it alone" option that are in our town's best interest.

		Private Local Solution (ie. Go it alone)	Cooperative Regional Solution
COST BENEFIT	Debt reimbursement possible	No (Unless subscription rates are very high)	Yes
	Return of post-debt profits	No (Private company keeps any profits)	Yes
	Affordability -subscribers -taxpayers	\$75 internet/\$95 internet and phone On hook for full debt service	\$49 internet only/\$74 internet and phone On hook for full, but with possibility tax could be \$0
	Efficiency of shared cost	No	Yes
	Value of asset	Value would require a buyer willing to take over small network.	More value because larger network with more customers. Can borrow against network assets as LLC to make improvements, enlarge service area.
	Ownership of assets	Full ownership.	Distributed ownership.
FUTURE NEEDS	Stability 20+ years	Provider can pull out. Provider can go bankrupt. In really good economy private company may leave to pursue more profitable endeavors.	10 yr. contract means towns are locked in to stay in network so it succeeds. Although they can recover their investment, towns can never take their assets and leave to destabilize network. Towns can't initially join unless 40% subscriber rate helping to ensure network success.
	Long term availability	May not be private companies willing to provide service after contract. Current providers may be loss leading and then lock towns into high costs.	We will run the ISP ourselves, or if it's contracted out, large network will be more attractive and competitive to bidders.
	Technology upgrades for the future	Future upgrades would need to be arranged in advance with ISP and operator. Town may need to borrow again for upgrades.	We decide and control when and what upgrades get done and how they are paid for. Don't need to know years in advance which technology we might need. Upgrades could be done by borrowing against network assets, not taxpayers.
	Guarantee of buy-out option	No guarantee there would be a buyer wanting a small network.	Yes, Town can pull out after 10 years and will have ready buyer.
MANAGEMENT	Leadership	Town would need dedicated and qualified volunteers to serve and/or hire consultants for legal, technical and management advisement.	Large pool of experts, shared leadership and skills, distribution of workload.
	Personnel Needed	20+ years active broadband committee, 4-8 people. Some lulls between contract periods.	ONE town rep and ONE alternate serving 3 yr. terms. Broadband Committee/MLP advisement if desired.
	Control over design	Yes	Yes – More control with clout of cooperative
	Transparency	No, private companies under no obligation to share information.	Yes, have full transparency for all finances and operations and can influence decisions.
	Clout/Negotiating power	Less clout and negotiating power as small town – with contractors, MBI, ISPs.	More clout and negotiating power as larger group.
	Risk and reward	All on our town.	Spread out between many towns.
SERVICE	Television Service	No	Yes
	Reliable Service	Must contract with private company. If unhappy with service, only recourse is complaints and legal action (ie. Comcast, Verizon)	Have option to be the ISP and have full control of service. If contracted out, have more clout for complaints and legal action.