For the past several years in Nashville, state lawmakers have faced the same question: Are government-run broadband networks an appropriate use of taxpayer resources?

On its face, this may sound like a good idea, as proponents of big government typically sell Government-Owned Broadband Networks (GONs) as more competition in the industry and additional choices for Tennesseans. In reality, however, this nice-sounding idea never works as planned.

### Tennessee Government-Run Internet: An Expensive Failure

In 2001, the Memphis Light, Gas, and Water Division’s GON, Memphis Networx, was made available to the public. Fewer than 5 years later, it was clear that this undertaking was a big financial mistake, and by 2007, the GON was sold off to a private company at a $20.5 million loss on its $32 million investment.

**Memphis**
- **Cost to Build:** $32,000,000
- **FAILED**
- **Taxpayer Loss:** $20,500,000

The Bristol Virginia Utility Authority began its GON, OptiNet, in 2002. Despite being improperly subsidized by BVU’s electric revenues, it still failed to turn a profit and was eventually sold at a loss of more than $80 million. A federal criminal investigation was launched into OptiNet, revealing that along with the improper subsidies, BVU officials also illegally saved the network hundreds of thousands by undercharging it for pole attachments, and also falsified invoices and took kickbacks.

**Bristol (VA)**
- **Cost to Build:** $155,800,000
- **FAILED**
- **Taxpayer Loss:** $80,000,000

**Chattanooga**
- **Cost to Build:** $232,500,000
- **Years to Break Even:** >680

In 2005, Pulaski Electric System poured around $8.5 million into building out its GON, PES Energize. Despite being a cash flow positive project, its rate of return is so poor that it would take somewhere between 450 and 500 years to break even.

**Pulaski**
- **Cost to Build:** $8,500,000
- **Years to Break Even:** 490

**Morristown**
- **Cost to Build:** $25,392,598
- **Years to Break Even:** NEVER

**Morristown**
- **Cost to Build:** $32,600,000
- **Years to Break Even:** 108

**Clarksville**
- **Cost to Build:** $40,200,000
- **Years to Break Even:** NEVER

The Tullahoma Utilities Authority started its municipal broadband network, lightTUBe, in 2007 for around $17 million. Since there were already numerous private providers serving this small town, it is unsurprising to learn that lightTUBe has not attracted many subscribers. lightTUBe’s rate of return is so low that it would take more than 100 years to pay off its debts.

**Tullahoma**
- **Cost to Build:** $17,000,000
- **Years to Break Even:** NEVER

In 2008, Chattanooga’s Electric Power Board began its fiber-to-the-home service. Including a $50 million loan from the EBP’s electric power division that was used to finance initial planning, $162 million in local revenue bonds that were used to finance the construction, and a one-time $11.5 million subsidy from the federal government, it would take more than 680 years – well beyond its useful life – for this GON to break even.

**Clarksville**
- **Cost to Build:** $40,200,000
- **Years to Break Even:** NEVER

*Cost represents the amount cited at the start of the project. It only considers the cost of constructing the basic fiber network, and does not include any state or federal subsidies the project may have received.

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