

Memorandum

To: Dr. Katherine Naff
From: Luiz Guevara
Date: 3/17/2009
Re: Wireless Philadelphia Case Analysis

Summary: In 2005 Mayor John Street announced a plan to make Philadelphia the first large city to provide its residents with low rate broadband Internet access, through the creation of a city sponsored nonprofit called Wireless Philadelphia. The city felt that the two major private sector providers of broadband services in Philadelphia were alienating low-income households by not offering access to low cost services, and also that in order to move from a 20th century industrial economy towards a more sustainable 21st century technology based economy it was necessary to foster and cultivate a “milieu of innovation” that would attract a broader business community to the region (Briggs, p 163). After a bidding process, the city eventually partnered with Earthlink, in a public-private venture that would be highly criticized by skeptics. The following is a brief description of some of the issues confronted by the city of Philadelphia, and recommendations.

Government-Created Monopolies: Critics of Wireless Philadelphia claimed that it was unfair for government to be in direct competition with private business because local governments are exempt from paying state and federal taxes, and can also operate their networks at a loss by subsidizing them with taxpayer money. In response, Wireless Philadelphia announced that instead of using taxpayer money, the private firm Earthlink would shoulder the entire cost of building, operating, and owning the Wi-Fi network. By giving Earthlink the exclusive right to develop and sell Wi-Fi network services in Philadelphia, the local government has in fact created a monopoly (Mankiw, 2007, p. 313).

Monopolies charge prices above marginal cost because they are the sole producer in its market (Mankiw, 2007, p. 313). This is in direct contrast with Wireless Philadelphia’s mission to provide lower cost services than cable and DSL providers. In order to ensure that Earthlink provides services that are affordable to all Philadelphia residents, the local government should set a price ceiling that’s equal to

Earthlink's marginal cost, and subsidize any losses associated with marginal-cost pricing (Mankiw, 2007, p. 328).

Accountability: If the Wireless Freedom project is successful, Philadelphia will receive accolades for being the first large city to provide its entire population with low cost broadband access, and an Economic & Digital Divide program, and Earthlink will be touted as the company that made it possible. If the project fails, who will be held accountable? Failures in the public sector are subject to public scrutiny and should therefore be taken seriously by all parties involved (Goldsmith & Eggers, 2004). Accountability should be based on the goals that have been set, and the authority that individuals have been given in order to reach those objectives (Goldsmith & Eggers, 2004). From the onset of this public-private partnership, roles should be delegated, and objectives should be clarified. Each organization, as well as the public should be fully aware of what role each member plays in the network, that way if something goes wrong, the problem can be isolated and fixed.

Performance Measures: In order to justify the validity of these programs to taxpayers, administrators need to set performance indicators that show that "substantive results, or outcomes directly related to the effect of a program has on the public, had been generated by its activities"(Denhardt, 2006, p. 221). The mission of the Wireless Freedom project is (1) to provide low cost broadband services to all Philadelphia residents, and (2) to get computers into low-income households and minority businesses and provide training programs for operating them.

Providing broadband services and computers to low-income households are objectives concerned with outputs, and whether the program is delivering intended services (Theodoulou & Kofinis, 2004, p. 193). This means that Wireless Philadelphia can measure its success in meeting these objectives by simply counting the number of computers that they've given away or the number of households that their wireless network reaches. Measuring the type of impact a program has on a community, on the other hand, is concerned with whether the target population is being affected by the implementation of a program (Theodoulou & Kofinis, 2004). In order to measure these objectives Wireless Freedom should

conduct pre and post tests on individuals that participate in their workshop to determine whether computer literacy and access to the high speed internet had any affect on their quality of life, ability to get better paying jobs, education, and other impact based objectives.

Work Cited

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