

Case Memo Analysis for Wireless Philadelphia and Wireless Philadelphia Sequel

Summary:

Since 2003, Chief Information Officer Dianah Neff had a technological vision for the citizens and businesses of Philadelphia. She envisioned a city where internet access was easily accessible and inexpensive for all. Over the years, there has been a loss of business and jobs and Neff felt that it was time to rebuild the economy. She felt that having inexpensive wireless access can bring new businesses to the city, benefit all educational institutes, serve small businesses, provide internet service to areas with no access, increase tourism, serve all the citizens and also, narrow the digital divide. With Mayor Street's support, an appointed 17-member "executive committee" submitted their plan to make Wireless Philadelphia in December 2004, which was revealed to the public in April 2005.

The plan stated that Wireless Philadelphia will be a hybrid of a nonprofit and a cooperative wholesale model that would request bids from private network firms. Wireless Philadelphia would then sell the network access wholesale to internet service providers and they would provide inexpensive services to the community and businesses, and free internet in public spaces. The free cash flow will help narrow the digital divide by funding the "Economic Development and Digital Divide project (Digital Divide project)" to provide computers and training to poorer households and minority businesses.

Although Wireless Philadelphia had a lot of support, it also received much opposition. Critics questioned the government's need to intervene in the market. They felt that there was enough free broadband access and that internet companies were already working with schools, libraries and poorer communities. They felt that the unfair competition will make private companies less likely to invest in improvements. In addition, critics felt that the program was a risky investment because technology is always changing and that at the end, taxpayers would end up paying the price. Finally, they stated that providing internet service will not help narrow the digital divide because there are other reasons why poorer communities do not use the internet. Aside from all the opposition, the Mayor went forward with the plan and on October 3, 2005, EarthLink won the bid. The only change to the plan was that EarthLink will pay for the network creation instead of Wireless Philadelphia and therefore, be the owners. Wireless Philadelphia will still regulate the network through joint committees.

Issues and Recommendations:

Failure Costs – Although EarthLink is funding the network, there is still a possibility that the program will cost the city if it fails. The wireless capital investments were estimated to cost \$10 million in year one and \$500,000 each year after until the fifth year. Administration and operations will cost about \$15-\$18 million in year one and \$8 million each year after. With the incoming revenues, they estimated that by year four they will breakeven with a \$4 million reserve and in year five, they will have \$5 million for the Digital Divide project. Since these amounts are not concrete, there is always a possibility that the program will not reach the revenue goals that were estimated. Also, investment in new technology and maintenance can cost more than anticipated. Since much of the risk has been reduced by EarthLink, there is always a possibility that Wireless Philadelphia might have to buy them out if the program fails or if they want to sell. This will cause a great fiscal problem for the Wireless Philadelphia and City of Philadelphia government. A possible solution for Wireless Philadelphia is to diversify their revenue and commercial activities. They could look at increasing funding through alternative revenue sources such as foundations, government grants and private contributions (Froelich, 1999). To diversity commercial activity, Wireless Philadelphia could joint venture with other for-profits to accomplish their goals (Froelich, 1999; Oster, 1995). They can try to attract new customers by selling business ad space on

their website, by working with businesses to offer bundled deals of internet services and products or by creating incentive packages to new customers. Partnering with businesses and finding alternative revenue sources will give Wireless Philadelphia the opportunity to safeguard their investment and organization while the community “catches on” to the concept of a government-run internet service.

Evaluating Programmatic Success – Philadelphia will be the first large city to provide low-cost broadband service and the Digital Divide project, but many critics have doubts that the program will succeed. In order to determine if the program is successful, some sort of program evaluation should be performed on the internet services and the Digital Divide project. Determining the level of success can be subjective; therefore, the Wireless Philadelphia should create benchmarks of desired outputs and outcomes for each part of the program (Rossi, Lipsey and Freeman, 2004). Performing in-house analyses of service utilization and output on the internet services will provide Wireless Philadelphia with a formative evaluation of the program. The analyses will show how many people are signed up and show what parts of the population are using the services (S. Gen, classroom lecture, March 14, 2007). Performing these analyses over time will allow them to see (1) if they are reaching their overall penetration target each year and (2) if they are reaching their low-income household penetration target.

The evaluation of the Digital Divide project should be evaluated very differently. In order to determine the success of the program, Wireless Philadelphia should hire a third-party organization to measure effectiveness. Performing an evaluation to show effectiveness will show if the program had an impact on the targeted population (Osborne and Gaebler, 1993). Questions such as “How did the low-income community use their new computer skills and technology?” and “Did it help them perform better at school and/or get a new job?” can be answered with surveys, interviews and/or focus groups (Osborne and Gaebler, 1993). Combined with a formative evaluation, the gathered information can be used to gauge whether the program is closing the digital divide and more importantly, closing an inequality gap in computer technology. With Wireless Philadelphia being under scrutiny, program evaluations are necessary to determine if the program is efficient and effective.

Network Communication Problems – With EarthLink as the owners of the internet network, Wireless Philadelphia loses their ability to lead and control the program. Wireless Philadelphia would still be able to regulate the program through joint steering and technical committees according to contract negotiations, but decentralizing it could lead to future public to private sector networking problems. To eliminate the possible problems, building a solid communicative relationship is necessary. According to Goldsmith and Eggers (2004), they claimed that building an effective governance structure, sharing knowledge and creating transparency will help Wireless Philadelphia monitor the program. An effective governance structure will create a mainframe that establishes communication guidelines for strategy, management and organization between the public and private partners (Goldsmith and Eggers, 2004). By creating a governance structure, Wireless Philadelphia will be able to work with EarthLink with a set of expectations both sides understand and agree upon. Sharing knowledge and creating fiscal transparency is also extremely important because not only will it give them important evaluative information about the program, such as how many people are buying the service and which areas are using it, but it will also allow them to determine if EarthLink is providing adequate service. In addition, having fiscal transparency could show Wireless Philadelphia the expenditures and revenues of the program and could also determine if revenue given to the Digital Divide project is appropriate to what was negotiated in the contract. With EarthLink as the owner of the network, Wireless Philadelphia faces new problem; however, they can be prevented with proactive planning.

Reference List

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