



Utah Taxpayers' Association

PPPs & Municipal Telecom

May 2014

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PPPs & Municipal Broadband

The UTOPIA PPP



The PPP proposal allows the Cities to achieve their intended vision for the UTOPIA network on a fixed price basis that transfers substantially all development risks to the private sector

- ✓ Ubiquitous buildout provides **all residences and businesses access to a gigabit connection**
- ✓ Basic service delivers **value for money**, particularly with addition of a voice product
- ✓ Open access model **promotes competition** through greater choice of providers
- ✓ Competition incentivizes ISPs to **increase investment, develop new products** and **price products efficiently**
- ✓ Flexible model can be tailored to achieve the Cities' specific needs but **delivered by the private sector**
- ✓ Project **risks are transferred to specialist third parties** that are best able to mitigate their impact
- ✓ Competitive subcontracting process **incentivizes cost savings** through design innovations
- ✓ **Performance based model** that permits payment deductions if minimum benchmarks are not met
- ✓ Cities regain operational control of an **established asset with significant cashflow** potential at the end of the term



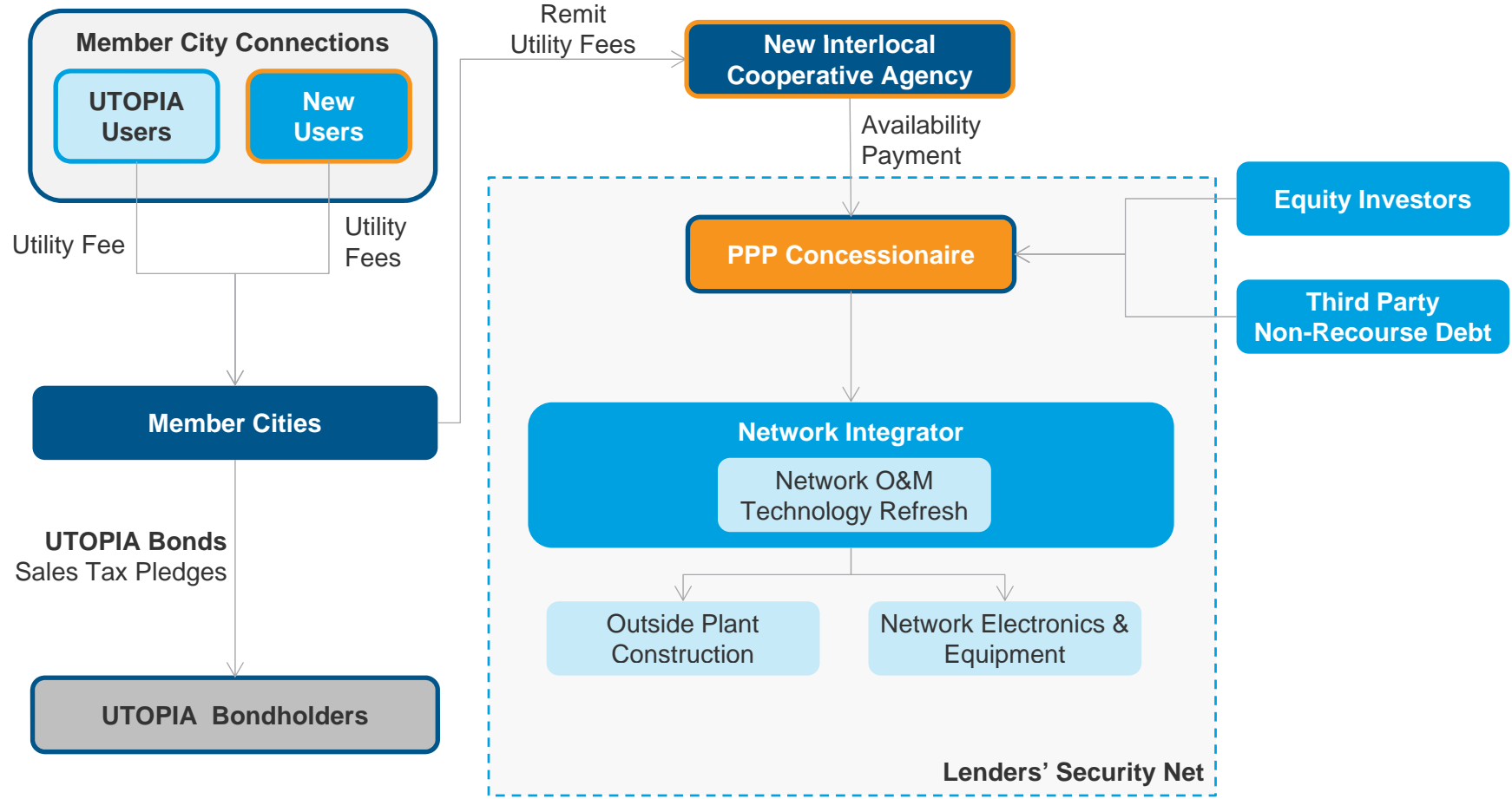
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UTOPIA PPP Structure



Note: structure diagram excludes UIA and SAA users. Macquarie is working with the Agencies and their advisors to bring them into the utility fee model

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Benefits of Open Access PPP Model



PPPs can separate infrastructure from network services and provide an open access fiber highway that requires ISPs to service customers more efficiently to maintain market share

MYTHS

REALITY

Broadband is not a utility

- High speed broadband access can improve property values
- Platform to efficiently deploy community resources

Cities cannot compete with the private sector

- PPP can subcontract network functions to specialist third parties
- Wholesaler will not compete with ISPs for end users
- City is a regulator with no operational role

Municipal networks are an inefficient use of public funds

- PPP is a fully funded solution using private capital
- PPP bears risk of unexpected cost increases
- Cities participate in the network upside

Private sector investment provides sufficient connectivity for users

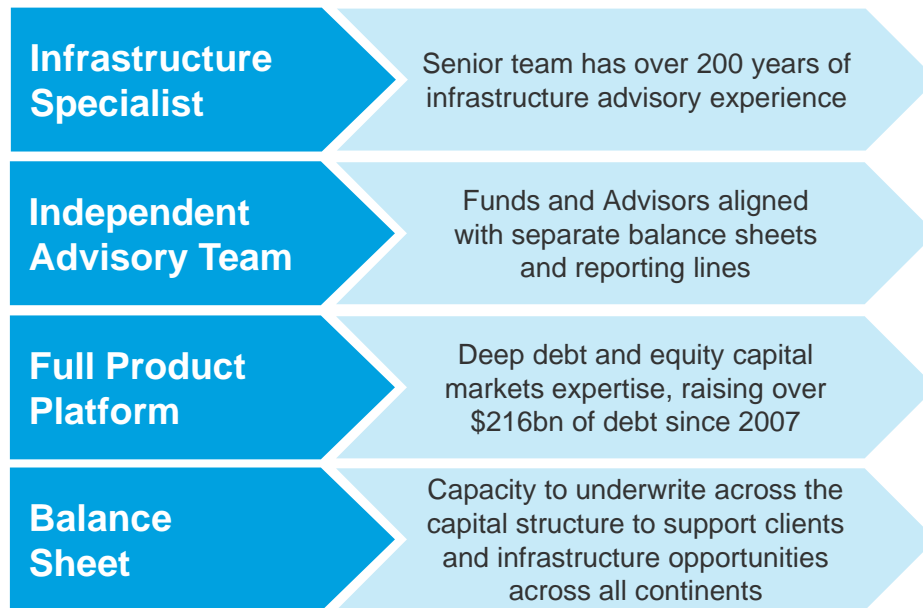
- Open access model promotes competition
- Competition benefits users regardless of their provider
- Google's entry has seen increased investment, product development and price reductions

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Overview of Macquarie



Macquarie offers a full-service platform to clients



Macquarie has created

\$5bn

more capital than its closest global peer for infrastructure investment in the last 5 years

No. 1 in Infrastructure Investment

No	Investor	5-year capital creation (US\$m)
1	Macquarie	\$23,338
2	Brookfield Asset Management	\$18,482
3	Global Infrastructure Partners	\$16,470
4	Borealis Infrastructure	\$6,780
5	IFM Investors	\$5,851

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