

# Government broadband unnecessary, unfair

By DIANE KATZ

From Detroit to Marquette, municipalities by the dozen want more control over Internet access. Undaunted by the frequent costly failures of such ventures elsewhere, many local officials insist they can solve an array of economic and social ills by managing residents' connections to the World Wide Web. But evidence and experience suggest strongly that a market-based approach would get the job done better and with less political baggage.

The timing of this trend could not be more incongruous.

The Michigan Legislature last month rewrote state law to promote private investment in telecommunications technology. But efforts to prohibit municipalities from muscling in on the market were largely defeated by the likes of the Michigan Municipal League and other advocates of government-run Internet access.

In the absence of government interference, however, the number of high speed lines statewide has increased by 1,251 percent in the past five years, to more than 1.1 million. At least 32 firms in Michigan already offer Internet access of every sort, including coaxial cable, DSL and wireless. Indeed, no other technology has ever spread as far so fast at such affordable cost.

Nonetheless, even cash-poor communities are lining up to finance and operate broadband networks or to franchise a favored firm that's willing to discount rates in return for a captive customer base. In addition to Detroit and Marquette, government broadband initiatives are under way in the counties of Oakland, Macomb, Washtenaw, Kent, Genesee and Ottawa, as well as in the cities of Battle Creek, Grand Rapids and Muskegon — to name but a few.

Proponents contend that municipal broadband will stimulate economic growth, alleviate computer illiteracy and even conquer blight. Blanketing a community with subsidized access supposedly will lure loads of high-tech investment and "prepare citizens for the economy and work force of tomorrow."

"The benefits are nearly endless," according to Oakland County Executive L. Brooks Patterson, whose Wireless Oakland proposal ranks as Michigan's most ambitious to date, encompassing "free" wireless access across Oakland's 910 square miles.

In Oakland County, a wide range of locations from coffeehouses and restaurants to hotels and a mall offer wireless Internet access.

Assuming even the best of intentions, there's solid evidence that local governments are ill-equipped for the rough and tumble of the high-tech market. Indeed, executives have warned Oakland County that new technologies will render the proposed service obsolete before project costs can be recouped. More often than not, municipal broadband ventures have saddled taxpayers with unwelcome debt or otherwise failed to deliver promised results.

Take, for example, the Florida community of New Smyrna Beach, which is losing \$200,000 a month on its municipal telecom service. To the south, in Orlando, a 17-month



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trial of "free" wireless Internet ended after the service averaged a dismal 27 users daily — rather than the 200 needed to cover costs. Marietta, Ga., meanwhile, recently took a \$23 million loss on the sale of its fiber-optic network, while the city council of Acworth, Ga., raised property taxes to cover a \$1 million bond payment due on its municipal broadband system. Similar fiascos have also beset communities in Washington, California, Iowa and Oregon.

"Nearly every municipal network of the last decade has failed badly," said David P. McClure, president and CEO of the U.S. Internet Industry Association, writing for the Washington D.C.-based New Millennium Research Council.

Arguments for municipal broadband might be more plausible if evidence existed of market failure. But there's hardly a great shortage of Internet access in Michigan. Even those preferring to Google in public can easily find wireless "hotspots" in airports and hotels, as well as at Starbucks, Borders and Kinko's. Meanwhile, a joint venture between McDonalds and Intel will soon make wireless access as ubiquitous as Big Macs, while Verizon, among others, is preparing to expand wireless services across entire communities in 2006.

Nor is Internet connectivity an issue for lower-income households, which constitute the market segment experiencing the highest rate of growth in access. Free broadband also is widely available in public libraries and schools, as well as in community centers, compliments of federally mandated taxpayer subsidies.

Thus, the attraction to municipal broadband is hard to fathom — if we dismiss as a primary factor the conceit of politicians. But the risks and adverse consequences of gov-

ernment-managed access are abundantly clear, as evidenced by a closer examination of the Wireless Oakland project.

Wireless Oakland has captured headlines as the state's largest municipal broadband proposal to date. County officials are promising "free" wireless Internet access throughout the county's 910 square miles, both open-air and in-building. Plans also call for "no cost" or "low cost" computers and training for low-income residents, although funding has not yet been found.

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Patterson and his team claim that the project will attract new business, boost tourism, improve education, enhance public safety and eliminate the so-called "digital divide" in one of the nation's wealthiest counties — all without a dime of taxpayer financing.

The Pontiac-based firm of MichTel Communications, LLC will own, operate and maintain the wireless network but will answer to a newly formed public corporation overseeing the service. And while there are no plans for county taxpayers to directly finance the infrastructure, the project will still impose significant costs on the public.

As it is, county staff has already spent untold work hours on the project, employing an array of public facilities in the process. But that's peanuts compared with the potential ripple effects of usurping private enterprise. In theory, the Wireless Oakland plan is viable because the county has pledged to provide unfettered access to hundreds of public facilities for MichTel's rooftop antennae and receivers. The access inventory includes 325 buildings, 350 public schools, 1,400 traffic signals, 200 tornado siren poles and other structures that county officials say is worth "hundreds of millions of dollars."

## Write us

Let us know what you think about municipal broadband efforts. Put your thoughts on paper and send them to: Voice of the People, The Oakland Press, Box 436009, Pontiac, 48343. Keep your comments to 150 words and include your name, community of residence and a daytime and evening telephone number where you can be contacted to verify your letter. Letters also can be submitted via e-mail to vop@oakpress.com.

Competing firms — all those that have not won county favor — can only dream of such success, given the siting obstacles they must endure. For example, telecom firms paid Oakland County communities more than \$2.1 million for rights-of-way in 2003-2004, according to state figures; payments statewide totaled nearly \$16 million. There's no accounting for the hours of bureaucratic wrangling.

MichTel thus will enjoy a tremendous competitive advantage in the state's most lucrative market — assuming it actually secures the estimated \$113.5 million in financing needed in the next five years to build and operate the network. The provision of free access by MichTel will only further erode rivals' market share, thereby jeopardizing the investment and innovation otherwise maximized by free and fair competition.

There's also great risk that Wireless Oakland will lock in a technology that may become obsolete even before the network is completed. The choice of wi-fi presumes that county officials know what system is best despite the roiling of consumer preferences and the rapid pace of remarkable technological change.

According to a Nov. 7 report in Crain's Detroit, SBC Communications Inc. characterized the Wireless Oakland plan as unsustainable. "The rate of technology change and the eminence of known new capabilities will make it unlikely that a player who invests in a total countywide wireless blanket will be able to obtain a return on investment prior to next generation services stealing their customer base," the company stated in a letter to the county.

Recognizing such dangers, legislators in several states are considering bans on municipal broadband, while legislation is pending in Congress. Texas Rep. Pete Sessions introduced legislation in May to constrain municipal broadband, a sentiment echoed in a recent bill sponsored by Nevada Sen. John Ensign.

State Rep. Mike Nofs, chairman of the Energy and Technology Committee, likewise argues that municipal broadband is anti-competitive. "We don't need county, city and township governments trying to control private businesses. That's not free enterprise."

Alternatives do exist for local officials dissatisfied with the course of the market: To the extent that municipalities reduce tax and regulatory barriers, broadband penetration and consumer choices will increase. Simply put, Michigan needs less government involvement in broadband, not more.

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