

Why voters are rejecting municipal broadband

One of the most closely watched municipal broadband efforts of the past two years went down to defeat on Nov. 2. Voters in Illinois' Tri-Cities-Batavia, Geneva, and St. Charles wisely decided their local governments should not be in the business of providing HBO and MTV.

The referenda's backers blame "misinformation" from SBC and Comcast as the reason why the measures were defeated by large margins for the second time in as many years, but they overlook two more likely explanations: The growing availability of inexpensive broadband and the increasing sophistication of consumers.

In the past two years, as federal regulators have slowly clarified the investment outlook for the industry, commercial providers have moved up the services curve. Virtually 100 percent of homes in the Tri-Cities area, for example, now have access to DSL and cable modem service, up from half or less two years ago. Yet advocates of municipalization remained married to plans drawn up 24 and even 48 months ago.

Cable companies today offer an alphabet soup of services, including DVRs, HDTV, and VoIP. Rural phone companies like Ringgold (Ga.) Telephone Co. offer video on demand over DSL. DirecTV is the only service provider offering viewers a full slate of NFL games every Sunday.

One thing becoming clear is that nobody sells on price or bandwidth anymore. It's all about content. Advocates of municipal broadband, though, don't get it. A plan for Lafayette, for example, is based on the proposition that prices for municipally provided cable, phone, and Internet will be, on average, 20 percent lower than the incumbents' and every home will get a 100-megabit fiber optic line. As

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was the case in the Tri-Cities, there is little more than token discussion in the Lafayette proposal of service differentiation, creation of new premium services, or how to generate the strong revenue streams needed to finance an investment in infrastructure of this magnitude (\$62 million in the case of the Tri-Cities).

Consumers and voters aren't stupid. They've seen the growth in broadband options and know what kinds of content they are willing to pay for. Voters have learned that many early municipal broadband systems haven't delivered on their promises. At the same time, voters have had a chance to use broadband technology and go through the process of choosing a private provider.

For starters, voters know the real value of a 100-Mb/s fiber line to the home is to support multiple streams of pay-per-view TV for movies-on-demand and interactive multi-player Internet gaming. While these are likely to be popular applications among high-income residents, it is doubtful all citizens (even those well-to-do) will be interested in purchasing them. A bond issue that would finance fiber to every home is now widely seen, correctly, as a subsidy for home entertainment.

If universal high-speed Internet access is the goal, as municipal proponents say, voters also know there are cheaper alternatives from commercial service providers such as wireless and DSL. By looking at their monthly phone bills, voters also know other government programs, such as state and federal universal service funds and the e-rate program for schools and libraries, already pay for broadband access in underserved areas.

Back in 2002, when advocates first proposed a municipal fiber-to-the-home plan for the Tri-Cities, supporters promised distance learning, telemedicine, and a mini-Silicon Valley on the outskirts of town. The sky was the limit. Today those applications are still possible, but voters understand they are insufficient reason to run-fiber to every house or to municipalize what the private sector is fully capable of providing.

Defeat of the Tri-Cities referenda may mark a turning point in the national municipal broadband effort. Up until now, most of these efforts have enjoyed uncritical press coverage as reporters bought the story, offered up by contractors, consultants, and municipal bureaucrats, that they represent a valiant grassroots effort to take on greedy telephone and cable companies that "underserve" the community.

Now, reporters know (or should know) better. Municipal broadband isn't about helping the poor get online or battling corporate villains, or even about economic development. It's about contracts, mission creep, and providing subsidized television and video games to a small minority of residents.

Other municipal broadband proposals remain under consideration in areas such as Lafayette: Crawfordsville, Ind.; and Palo Alto, Calif. As the phone, cable, satellite, and wireless companies shoot it out for the home entertainment dollar, voters should happily reap the benefits of robust commercial competition without feeling compelled to jump in themselves and lose tax dollars in the crossfire.

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