
Ten Myths About a Publicly Owned Information Network in Minneapolis, and the Facts*

Myth #1: The City doesn't have the expertise to manage a network.

Fact: Chaska, Buffalo, Windom, and hundreds of cities across the country have discovered that they have the expertise to manage a high-speed information network. Buffalo in particular is proud of the fact that its system is run by just two people – an information technology person and an administrative person.

Perhaps Minneapolis' lack of self-confidence is a result of the difficulties it has faced trying to manage a network while Time Warner, its cable TV franchisee, continually failed to live up to its obligations to provide the City network space.

Although many other cities have shown themselves capable of managing a network, the public could own the network without the City assuming the responsibility of managing it. Day-to-day operations could be contracted out to a private service provider.

The advantage of a municipally owned network is that if the City is displeased with how the network is being run, it can renegotiate the management contract or seek other bidders to manage its network. With a privately owned system, the City is locked into a relationship with the network's owner for the life of the network.

Myth #2: Information technology is rapidly evolving. A municipally owned network would be too big a risk.

Fact: The technology certainly is improving. But fiber optics is the gold standard, the only future-proof broadband technology currently available. The fiber optic portion of the network will be with us for many years to come. Other technologies (e.g. WiMAX) may evolve to have the carrying capacity of fiber, but this will not make fiber obsolete. Windom, Minnesota is secure in the knowledge that its municipal fiber-to-the-home network will serve the city for decades.

While faster and higher quality wireless technologies will no doubt be available, there is little chance that a system built with today's technology will be obsolete in the near future.

Every project has its own risk. But the risk of physical infrastructure projects – like roads, sewers, water works, electricity networks, and information networks – is very low. Moreover, wireless networks have become surprisingly inexpensive to install. The cost to the City would be much less than City investments in a number of other projects.

Myth #3: Private companies are more likely than the City to upgrade the quality and speed of their networks.

Fact: Private companies are more likely not to upgrade their networks, preferring instead to extract every last bit of profit out of existing equipment. Consider that the customers of the municipally owned network in Glasgow, Kentucky gained Internet access at speeds of 4 Mbps in

* A response to questions raised at the July 29, 2005 "Breakfast with Gary", a meeting convened by Minneapolis Councilor Gary Schiff to discuss the future of high-speed information networks in the city.

1995, and have 10 Mbps today. Time Warner and Qwest offered these speeds to standard residential customers ten years later.

Myth #4: The regulatory environment is hostile to municipal ownership.

Fact: This is true. The federal government has consistently ruled that having a phone and cable information duopoly is an acceptable form of competition. In June, the Supreme Court paved the way for cable and phone companies to have the right to refuse access to their networks to competitors and those selling content they oppose.

But the federal government's refusal to enforce laws that would encourage competition at the local level means that city governments have an even greater obligation to do so.

Myth #5: Cable and phone companies will file lawsuits if the City considers public ownership.

Fact: According to news reports, Qwest has threatened to file a lawsuit in response to the current plan for a privately owned network. They object to more competition. But the City's duty is to choose the form of ownership that is best for its citizens, not for a private company trying to protect its market share. The City is well within its legal rights to build a municipal network.

Myth #6: Money spent on a municipal broadband network is money that won't be spent on police and schools.

Fact: The City is a huge consumer of information services. This is why the City has offered itself as an anchor tenant for a privately owned network. It will be paying for the network infrastructure, whether it is through annual service fees to a private company or payments on municipal bonds.

On the other hand, cost savings from a publicly owned network, and negotiations with competing service providers for the lowest price, will be passed on to police, fire, schools and libraries. Tempe, Arizona, for example, is receiving all of its public safety wireless communications services at no cost in exchange for space on the publicly owned fiber network.

Myth #7: A City-owned network will be subsidized, leading to unfair competition with privately owned networks.

Fact: This argument, one might point out, is the mirror image of the argument that the City is incapable of running a high quality, competitive network. In any event, a municipal network need not be subsidized. Chaska and other cities have shown that a wireless network can pay for itself through subscriptions. Ultimately the City's investment in a network must be driven by its institutional needs, and by its responsibilities to its citizens. If the City can provide services to itself at lower costs by using its existing infrastructure as the basis for a network, it is fiscally irresponsible not to do so.

Myth #8: Union jobs are at risk if the city builds a network.

Fact: Competition leads to increased investment in broadband networks, which means more jobs in the industry. Outsourcing and mergers are the greater threats to communications workers' contracts with their employers.

A municipally owned network would not be a monopoly. The cable and phone companies would continue to operate their networks. The indisputable fact of the matter is that demand for telecommunications services is rising and will continue to rise until virtually every household receives video, voice and data over broadband.

Myth #9: The City has to rule out public ownership in order to introduce a wireless network as soon as possible.

Fact: There are ways to begin extending high-speed information access to all of the City's residents immediately without relinquishing control over our information future. For several thousand dollars the city could activate wireless hotspots in neighborhoods with low rates of broadband subscriptions. It might center the hotspots on Community Technology Empowerment Project activities.

This is a long-term, multi-million dollar investment in our city's information infrastructure. We should do it right.

Myth #10: The City has learned from its mistakes in the cable franchise. A well-negotiated community benefits agreement will ensure the community has a seat at the table.

Fact: There is an old saying, "Fool me once, shame on you. Fool me twice, shame on me." The cable company's failure to live up to the terms of its agreements with the City is not related to the City's negotiation skills. Minneapolis is not the only city that has filed a lawsuit against its cable franchisee specifically over the company's failure to provide the promised institutional network. As cities have learned, what seems like a solid community benefits agreement today may leave citizens without promised services in five years.

Provided by the Institute for Local Self-Reliance. A full report on municipally owned information networks, *Who Will Own Minnesota's Information Highways?* Is available at www.newrules.org
Contact: Becca Vargo Daggett, 612-379-3815 x209, becca@ilsr.org

Institute for Local Self-Reliance, 1313 5th St. SE Minneapolis, MN 55415
