

February 7, 2012

Members of the Regulated Industries and Utilities Committee
Georgia State Senate

Dear Senator,

I'm writing to commend you for undertaking the important task of preserving free-market competition and protecting Georgia citizens by considering legislation that, if enacted, would require municipal broadband schemes to at least compete on a level playing field with private sector providers.

This particular playing field is littered with failed and failing municipal Wi-Fi and broadband schemes across the United States. Yet municipalities continue to go weak at the knees at the temptation to play at being broadband providers and continue to find creative ways to ignore the lessons of the failures that have preceded them.

Philosophically, IPI believes that governments at all levels should be limited, should focus on their core duties and responsibilities to their citizens, and should not compete in the marketplace with private sector companies. Given that municipalities are the creation of the state, it is appropriate for state government to protect Georgia taxpayers by restricting municipal daydreams about running broadband networks. If municipalities have time and budget leftover for side projects, perhaps they should consider downsizing and returning excess dollars to the taxpayers.

Nonetheless municipalities continue to entertain the notion that they somehow know better how to run broadband networks than do the private network providers who have been in the business for decades. But only by tilting the playing field and advantaging their own efforts can municipalities thus delude themselves.

Government will not compete fairly. Governments will give their own network efforts advantages in zoning hearings, taxes, permit approvals, and other government functions. They will cross-subsidize their struggling networks with taxpayer money levied to perform other, more important functions.

And then, when the reality of actually running a competitive enterprise in a challenging industry overtakes them, they will turn to the taxpayers for loan guarantees, bond approvals, and the higher taxes ultimately necessary to service and subsidize debt that was unwisely obligated.

Meanwhile, dare anyone imagine that private providers will get a fair shake from the local government in their competition with the government's own network?

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If municipalities are to be permitted the ability to establish municipal networks, at minimum, states should require that municipal networks compete with private broadband providers on a level playing field. IPI has elsewhere suggested that states should apply restrictions such as the following on the provision of municipal broadband services:

1. Comply with all laws and regulations applicable to private providers-- including payment of taxes;
2. Not cross-subsidize their competitive activity using taxpayer or other public monies;
3. Not price below cost, after imputing costs that would be incurred by a private provider;
4. Not discriminate against private providers in access to rights-of-way;
5. Those funding the venture, the citizens, must be allowed a vote before incurring debt;
6. Have a local government commission evaluate the competitive environment before approving loans for a competitive purpose, as a further taxpayer protection.

Finally, if the real problem is that some cities lack access to broadband networks, there are superior, market-oriented solutions to this problem. IPI has proposed Broadband Enterprise Zones as a means of encouraging private broadband providers to rollout service in unserved areas. Unserved areas could be determined through existing and ongoing broadband mapping efforts. Providers could receive tax credits which could be used to offset a portion of the provider's state tax burden. IPI policy experts would be delighted to work with you to help craft such a market-friendly means of extending broadband availability to unserved communities in Georgia.

In the meantime, we congratulate you for undertaking this important taxpayer protection effort, and we offer ourselves as a resource to you in this important work.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom", with a stylized flourish at the end.

Tom Giovanetti
President