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STATEMENT IN SUPPORT OF MUNICIPAL BROADBAND NETWORKS

The United Telecom Council ("UTC") hereby submits this statement in support of the testimony by the Honorable Lewis F. Billings, Mayor of Provo, Utah, on behalf of the American Public Power Association (APPA), provided April 27, 2005 before the House Energy and Commerce Committee.

UTC is the trade association for the telecommunications and information technology interests of the nation's electric, gas, and water utilities, pipeline companies and other critical infrastructure industries. Its members own, manage or operate extensive communications networks that ensure the safe, reliable and efficient delivery of essential services to the public at large. Many of these members also use their communications networks to support or provide commercial services, including advanced telecommunications services. UTC's members include all types of utilities, from small municipal utilities or cooperatives that serve a few thousand customers, to large investor-owned utilities that serve millions. Virtually every utility is a member of UTC or one of its affiliates.

UTC believes that Congress should encourage municipal utilities to offer communication services and facilities on either a wholesale or retail basis. The reason is simple: municipals provide the most efficient means of providing affordable broadband services to America's rural communities by 2007. That is good for the national economy and good for rural America.

It can be argued that, philosophically speaking, government – whether local, state or federal – should not be offering services that directly compete with the private sector. Incumbents claim that such a playing field would be most uneven, given the public sector's tax and regulatory advantages. However, the provision of state-of-the-art telecommunications services is one of those occasional areas where philosophy runs headfirst into practicality, policy and need.

Economic and educational development for citizens of rural counties is contingent upon being able to offer state-of-the-art telecommunications systems. Competition with the private sector telecommunications industry is not the aim. Rather, these municipalities seek to provide advanced services and high-tech systems at affordable rates when the major telecommunications companies are 1) only willing to provide them at highly inflated prices (due to lack of competition); 2) are postponing the provision of them until after the more profitable urban markets have been exploited; or 3) are unwilling to offer these services altogether. In sum, municipal entry into the telecommunications market directly facilitates business and industry recruitment and retention, enhances economic

development, and improves the quality of education and employment opportunities for its citizens.

Secondly, municipal entry into the telecommunications market is the quintessential example of allowing local communities to help themselves, and not rely on federal assistance. In terms of economic development, the provision of high-speed telecommunications services is as essential for rural communities as the provision of water and sewer lines, shell buildings or access roads into industrial parks. No one disputes the authority of municipalities to offer these other services for the benefit of the community.

Thirdly, municipal entry may actually incent private telecommunications providers to offer their services at more reasonable rates. Recent studies have indicated that competition tends to grow, not lessen, in communities offering municipal networks, offering citizens greater choice. Thus, the local government "competitive threat" may serve to lower costs and enhance the benefits that result from private competition and multiple providers, rather than to stifle competition.

Finally, municipal utilities already have the infrastructure in place to provide communications services or to lease facilities to other providers. Doing so makes more efficient use of that infrastructure. It also is economically efficient, because municipal utilities tend to be located in areas that are unserved or underserved by competitive providers. Municipal utilities are uniquely positioned to serve those communities cost-effectively. Contrary to the rhetoric of opponents, preventing municipal utilities from offering communications services and facilities would be the real waste of resources.

For these reasons, UTC opposes state laws that prohibit or have the effect of prohibiting municipal utilities from providing communications services and facilities. These laws would hurt utilities and the communities that they serve. UTC urges Congress to send a clear message against state legislation that keeps municipal utilities on the sidelines: let them compete.