

The Information Sector

Democratizing Access to the Airwaves and the Wires



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Consumer-Friendly Broadband Service Within Reach of Most Minnesotans; Municipalities Can Play Vital Role in Making Telecom Markets Competitive

Current federal telecom policies are biased toward corporations at the expense of consumers

St. Paul, Minn. - Competitive broadband service and pricing is within reach of most Minnesotans if anti-competitive policies and practices are removed and municipal governments build broadband infrastructure, according to a new report released today by the Institute for Local Self-Reliance (ILSR). The findings are contained in "Who Will Own Minnesota's Information Highways?", a report issued by the New Rules Project of the Institute for Local Self-Reliance.

"Minneapolis and Saint Paul have a once-in-a-lifetime opportunity to develop an affordable, high quality broadband infrastructure that would benefit city offices, consumers and businesses," said co-author Becca Vargo Daggett, a former information systems administrator for a private company.

"But to make that a reality, Minneapolis city leaders must revisit their decision to depend on a private company for future information needs," Daggett warned. "Given that Minneapolis has spent the last 10 years trying to get its cable company to live up to the provisions of its original franchise contract, it is remarkable that it wants to travel that same privately owned information highway in the future."

When cities offer broadband services, the competition with private companies drives prices down and improves service. The experiences with community-owned systems in Buffalo, Chaska, and Windom, Minnesota support that conclusion. The city need not act as a service provider, however. Publicly owned networks in Philadelphia and Western Utah will sell network access to private service providers, who will in turn sell services to consumers.

American Consumers at an Increasing Disadvantage

The report notes that the United States has fallen behind other nations in the percentage of its population with access to high-speed information networks, and in what we define as "high-speed". One significant reason for this is the lack of competition at the local level.

For example, in Japan nearly every household has access to a broadband connection of 26 Mbps for about \$22 per month. In Minneapolis and most U.S. cities, customers pay twice as much for connections with as little as one-tenth that speed.

Japan gets such competitive pricing for truly high-speed broadband because it fosters local market competition. The government enforces common carrier and anti-trust laws, and encourages municipal ownership.

Corporations Can Move Easily From Control to Censorship

Most American cities have a duopoly - one cable and one phone company. If current trends continue, each city could end up with a single company providing these services.

The federal government has ruled that cable and phone companies do not have to share their high-speed networks with competitors at any price; companies have the final say on who may use their networks, what kind of information they will transmit, and what kind of information they will refuse to transmit.

As the report notes, it is technically possible for private companies to censor the Internet and control the content available to customers. They can force consumers to access the Internet through their sign-in page, as AOL does even for their always-on DSL services. This gives them the opportunity to filter your information through their advertisements and selected news items.

The Twin Cities' Future

The city departments of Saint Paul and Minneapolis, as well as other public entities like schools and libraries, will be major consumers of information services in the future. They can pay to rent space on a private network, or they can pay to own their own networks. Ownership imposes a higher level of responsibility; but as we have seen in the real estate sector, 80 percent of households prefer to own rather than to rent.

There are other benefits. The municipally owned system can serve as a yardstick against which to measure the quality and cost of private company services. And, to borrow the metaphor from President Franklin Delano Roosevelt, the municipal enterprise can act as a "birch rod in the cupboard" to be taken out when things get "beyond the point where more scolding does any good."

For more information, visit www.newrules.org. The full report, "Who Will Own Minnesota's Information Highways?", can be downloaded at www.newrules.org/info/minnesota.html.