February 5, 2007

Government should stay out of Wi-Fi

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Local governments provide us with roads, parks, and water treatment and delivery. Should they be in the digital communications business, too?

The latest fad in government is the growth in broadband, or high-speed Internet connections that allow people to conduct e-commerce, do research, educate themselves or spend hours playing Texas Hold'em.

A number of cities across the country have gone into the communications business, sometimes going so far as to provide land lines and cable television. Others are content to deal only with broadband, often by giving a favored franchise to private companies.

According to the Web site muniwireless.com, 312 local governments had moved towards government-owned or -sponsored Wi-Fi services by the end of 2006. Roughly half of those systems are deployed; the rest are in the planning stage.

In Minnesota, the cities of Buffalo, Chaska and Moorhead made the list. Burnsville, Osseo, Minneapolis and Saint Louis Park were in various phases of planning. St. Paul is debating spending $300 million to roll out fiber-optic cable.

Why are governments acting? The most commonly offered reason is economic development. Businesses and individuals who need to be connected in a globalizing economy will shy away from regions without good service.

Others cite a need to bring the benefits of online service to low-income citizens, thereby closing the "digital divide." Still others cite cost savings of in-house systems for official business. More ambitious programs provide public service, either free or at a low monthly cost.

Governments can enter the communications business in several ways. One is the outright enterprise model: Build a system and sell the service to willing customers. Another is to partner with private corporations who will build the system.

A more government-focused approach is for the public entity to actually own and operate the system, like a public utility. In its report "Localizing the Internet," the Institute for

Local Self-Reliance (http://www.ilsr.org/) says that government must own broadband equipment and see it deployed on a citywide basis.

It says that government ownership of the physical assets will promote competition. It will also ensure that price makes no difference in the development or delivery of services. (This is the "net neutrality" argument that has been favored by a strange bedfellow coalition of MoveOn.Org and some conservative groups.)

But is all this really necessary when plenty of private companies are looking for business?

The Mackinac Center for Public Policy (http://www.mackinac.org) warned Michigan lawmakers several years ago against plans to enter the Wi-Fi business, saying state provision of Internet access was "a bad idea whose time shouldn't come."

While all new technologies are concentrated in urban areas when they start out, it noted, eventually they are used throughout the country.

The Buckeye Institute (http://www.buckeyeinstitute.org), an Ohio-based and -focused organization, offers the city of Lebanon, Ohio, as a cautionary tale. The city took municipal involvement further than most. It got into the cable TV and Internet business in 1999, and added telephone service three years later.

The city spent $38 million to build its system, incurring a debt of nearly $10 million. Last year, voters approved the sale of the system to Cincinnati Bell for $8.62 million—in other words, at a loss. As the case demonstrates, government ownership puts taxpayers at risk for both capital and ongoing expenses. The risk is unnecessary in light of continued rollouts by private companies.

A more subtle risk comes from technological innovation. Remember eight-track tapes? Keeping up with changing standards and consumer tastes requires significant amounts of cash, marketing savvy, and the ability to anticipate new products and services. It's not clear that governments, with their multitude of responsibilities, are up for the task.

Where there's government, there's politics, another downside to public ownership or sponsorship of broadband service and facilities. Recently, Google, Earthlink, and the mayor of San Francisco announced an agreement whereby city residents would receive free broadband.

Two years later, the project is stalled by local politics and freeloading demands. Community activists, for example, want Google and Earthlink to supply everything from free transportation to the local zoo (I kid you not) to free electricity.

Many of the problems that allegedly call for municipal involvement are sorting themselves out. New technologies are expanding the reach of broadband, and commercialization away from the Internet as a government entity has benefited millions.

Why would we want to give up those advantages through turning broadband into something as bland and stale as a public utility? No thanks.