



VIEWPOINT

ON PUBLIC ISSUES

September 22, 2006 • No. 2006 - 42

Sale of City Telecom System Cause for Relief, Not Celebration

By: Marc Kilmer

Summary

Taxpayers in Lebanon, Ohio, should not be fooled by city officials' claims that the city-run telecommunications system is a success. It has been a costly failure from the start.

Main text word count: 587

Voters in Lebanon will soon vote on a proposal to sell their city-run telecommunications system to Cincinnati Bell. Should citizens celebrate the sale as the vindication of a worthy effort, or should they be glad to be rid of mistaken venture?

News reports quote city leaders as saying that this system was successful and that the people of Lebanon have benefited from it. This is simply not the case. The system was flawed from the start. While the people of Lebanon will certainly be better off with the system in private hands, this sale will not rectify the mistake made by the city when it started its telecommunications business ten years ago.

According to Darrick Zucco, head of Lebanon's telecommunications department, the city is considering selling the system because it wants to focus city resources elsewhere: "We've accomplished what we wanted to do and now want to focus on core services—police, fire and road."

What exactly has the city accomplished? It ran up over \$9 million in debt, diverted taxpayer money from other departments to prop up the system, and used city resources to battle a variety of legal challenges related to the telecommunications department. If this is how city leaders define success, I would hate to hear their definition of failure.

Unfortunately, this sale will only partially rectify these past injustices to city taxpayers. For one, the \$8.62 million offered to the city by Cincinnati Bell will only cover payment on the bonds taken out by the city to finance the system. The city's electric fund also loaned the system over \$2 million. Those funds will not be recovered by the sale.

Furthermore, the city extracted almost \$900,000 from city taxpayers in telecom permits. While an appeals court stopped the city from collecting any more money, ruling that the practice was unconstitutional, there is no evidence that the city will return this improperly collected money.

The indirect costs incurred by Lebanon taxpayers during the system's setup and operation will not be recouped, either. For instance, there were substantial legal costs for the various court challenges over the system. In 1998, taxpayer money was spent on a recall election that was a direct result of the building of the system. The city may not count these and other expenses as costs of the telecommunications system, but taxpayers would



Lebanon taxpayers have a chance to free themselves of their city cable system in November.

Source: Corbis

not have been obligated to pay them without it.

While it is clear that city taxpayers have suffered, the system's supporters will claim that the system has succeeded because cable costs are lower in Lebanon than elsewhere. True; the price of cable is certainly lower. But is it really the government's job to give subsidies to residents who want to pay a few dollars less to watch *The Sopranos*? And since these lower prices were paid for by either increasing taxes or diverting tax money from other purposes, it is certainly questionable whether or not even the cable consumers saved any money.

Lebanon voters should not be fooled by city officials who try to paint the sale of this system as a vindication of their plans. "We did our job; it was a success, and now we're moving on." In fact, the city failed miserably. Residents should consider themselves lucky that city officials found a company willing to buy it and stop the yearly losses.

This ten-year experiment has illustrated that telecommunications in Lebanon should have been left to private companies all along. It has also shown once again that when government competes against private enterprise, taxpayers lose.

But is it really the government's job to give subsidies to residents who want to pay a few dollars less to watch *The Sopranos*?

**Attention
Editors and Producers**

Viewpoint commentaries are provided for reprint in newspapers and other publications. Authors are available for print or broadcast interviews. Electronic text is available at www.buckeyeinstitute.org. Please contact:

Dorothea Prouty
88 East Broad Street, Suite 1120
Columbus, Ohio 43215

Phone: (614) 224-4422
Fax: (614) 224-4644

www.buckeyeinstitute.org
prouty@buckeyeinstitute.org

#####

(Marc Kilmer is a research associate with the Buckeye Institute for Public Policy Solutions, a research and educational institute located in Columbus, Ohio. More information is available at www.buckeyeinstitute.org. Permission to reprint in whole or in part is hereby granted, provided the author and his affiliation are cited.

