

September 21, 2005

To the Editor:

The *Register's* business section ran a story September 20 about the profitability of Iowa's municipal telecommunications utilities. Here is what the story didn't tell your readers about Cedar Falls Utilities.

Cedar Falls' cable TV and Internet services have earned positive operating income each year since 1998, our third full year of operation. We earned net income of \$981,120 in 2003 and \$1,032,944 in 2004. This year, our business is on track to earn \$1.1 million on revenue of \$7.6 million.

This information is easily verified by looking at our annual financial statements, which are certified by an independent auditor and fully open to the public. Yet the *Register* published, seemingly without question, a press release that says we price below cost and our business is losing money. We want to state very clearly that this information is wrong. In fact, our financial track record shows we are not just surviving, but thriving.

We have achieved financial success while launching new services sooner and charging customers less than competing services. Our customers receive 70 channels of cable TV and high-speed cable modem service for \$69.50 per month. Statewide, the average cost of these services is \$89.81. The difference in price saves Cedar Falls residents approximately \$2.0 million per year.

The report you published says we have not yet fully recovered the cost of building our cable plant. In fact, our cable plant is a long-term asset, and our rates are set so that user fees will more than pay for the plant over its useful life. We have paid the principal and interest on our build-out debt on schedule, at market rates of interest, since our service was launched. Any statement to the contrary is simply untrue.

The source of the misinformation you printed is the Heartland Institute, which advocates privatization of government services and does not disclose its funding sources. The author (according to information available on the worldwide web) has done private consulting work for U.S. West (now known as Qwest) and TCI (now known as Mediacom). These facts clearly indicate that the report is not objective, independent research, yet your story failed to question the source's credibility or its political agenda.

Iowans, be assured that this is only the beginning of what will be a relentless misinformation campaign designed to defeat municipal communications referendums in a number of communities this fall. The private cable and phone companies will spend hundreds of thousands of dollars to fight the formation of municipal services. They will continue to attack us precisely because we are successful. While we take no position on whether any other community should launch a city communication utility, we will not allow the opposition to misrepresent the great story we have to tell about the benefits of municipal broadband in Cedar Falls.

James R. Krieg, General Manager  
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