

Iowa has several examples of municipal telecom companies

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INDEPENDENCE -- As debate continues over cities' roles in telecommunications, Northeast Iowa claims a handful of examples of the types of utilities being discussed.

Osage, Reinbeck, Cedar Falls, Independence and Grundy Center all have municipal utility companies that compete with commercial telecommunication companies. Each side accuses the other of not playing fair.

"(Private companies) hold an unfair advantage in their size," said Darrel Wenzel, director of Independence Light & Power Telecommunications, a municipal utility. "They get better rates on equipment. They get bulk buying power."

Wenzel was previously local manager of Waterloo-based Mediacom predecessor TCI of Northern Iowa when it was engaged in a heated campaign against Cedar Falls Utilities' establishment of its municipal communications utility, approved by voters during a 1994 referendum.

The Independence utility competes with Mediacom for cable and Internet customers. Wenzel accuses Mediacom of subsidizing its low rates there with profits from other less-competitive markets.

"We need to price our product in a way that makes it competitive," said Calvin Craib, Mediacom senior vice president for business development.

Craib said municipals underprice their rates by subsidizing costs with income from other utilities like gas and electric.

Wenzel said that's not the case. The utility started offering cable and Internet service in 2000 and after the 33rd month the services were self-sustaining, he said.

"It's been very successful here in Independence," Wenzel said.

Boosters say the draw for customers include cost savings and keeping money in the community.

Cedar Falls Utilities provides residents with water, electric, natural gas and most recently communications.

In 1994, voters widely approved a referendum that gave the go-ahead for the city to establish and fund the communication utility.

There, too, marketing and sales manager Betty Zeman said, customers saved money. Since then, the utility has offered cable television and high-speed Internet rates lower than the state average, she said.

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Compared to rates in Oelwein, which does not have a municipal utility, Wenzel said Independence customers saved about \$425,000.

"That's a lot of money that consumers get to keep and spend in the community," he said.