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CITIZENS AND CAPTIVE ELECTRIC RATEPAYERS OF OPELIKA ALABAMA HAVE LOST MILLIONS ON MUNICIPALLY-OWNED BROADBAND NETWORK

Review of City's Own Financial Documents Finds that Opelika Municipal Broadband Network, Despite Massive Cross-Subsidies, Will Never Be "Profitable" by Any Meaningful Financial Metric

WASHINGTON, D.C. – Beginning in 2013, the city of Opelika, Alabama, became the state's first "Gig City," offering broadband Internet services to its 11,000 households over a \$43 million fiber-optic network constructed and operated by the city's electric utility, Opelika Power Services ("OPS"). In a new economic analysis released today entitled *Financial Implications of Opelika's Municipal Broadband Network*, Phoenix Center Chief Economist Dr. George S. Ford conducts an analysis of the OPS broadband network's financial health using the city's own financial statements.

As Dr. Ford highlights, the City of Opelika to date has lost nearly \$14 million dollars on its broadband network and holds \$42 million in debt for its construction, a huge burden for such a small community. Moreover, Dr. Ford predicts that these financial losses to mount through 2020, at which time the network will continue to lose money on an annual basis and will have accumulated losses of nearly \$19 million. The losses mount despite sizable increases in electric rate—about \$5.40 per month—to cover the losses. By any meaningful financial metric, Dr. Ford finds that OPS's broadband network is unlikely ever to be "profitable."

Notwithstanding these significant losses, the Mayor of Opelika and his allies in the Alabama legislature are attempting to change existing law to allow the Opelika system to serve customers outside of the city limits. If allowed to do so, then the inevitable financial losses that arise as the network reaches beyond the city's limits must also be subsidized by Opelika's taxpayers and captive ratepayers. As Dr. Ford therefore notes, "It is one thing when a city's residents subsidize their own municipality's broadband, but quite another when they are tasked with subsidizing someone else's Internet connections."

"Opelikans certainly have nothing to gain from an expansion of the network, forcing the question—*who does stand to gain financially from its expansion?*" said study author and Phoenix Center Chief Economist Dr. George S. Ford. "As I see it, the people of Opelika should be seeking an answer to this question."

A full copy of PHOENIX CENTER POLICY PERSPECTIVE NO. 17-11, *Financial Implications of Opelika's Municipal Broadband Network*, may be downloaded free from the Phoenix Center's web page at: <http://www.phoenix-center.org/perspectives/Perspective17-11Final.pdf>.

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