

October 5, 2004

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Lafayette, LA, ██████████



Dear ██████████,

As an important leader in our community, Cox Communications wants to make you aware of an issue that could have profound economic implications for citizens and businesses in Lafayette.

The Lafayette City-Parish Council is considering allowing the Lafayette Utilities System to go nearly \$120 million in debt to finance a government-controlled cable, telephone and Internet system. We believe that this plan is a high-risk, minimal reward venture, with the potential for long-term tax liabilities for Lafayette citizens. Here are a few reasons why:

- ***No one knows the real cost of the project – but from the outset, the price tag has been staggering.*** LUS originally said it intended to finance the network entirely by municipal bonds with no risk to taxpayers. However, cost projections have gone up nearly 20 percent since the system was first proposed and LUS is already discussing the possibility of rate increases.
- ***Credible, third party research finds that municipally operated telecom services are prone to failure.*** In a recent study of municipally owned telecom networks, The Progress and Freedom Foundation concluded that there is "*very little prospect of any of the municipalities paying off its initial investment.*" The study also found that "*none of the municipally owned entrants was able to cover costs without being subsidized.*"
- ***Taxpayers in other cities have lost millions of dollars after their cities tried this and failed:***
 - The City of Marietta, Georgia entered the telecommunications business eight years ago, but the fiber-optic utility never made money. Marietta recently sold its FiberNet system at a \$27 million loss. (Marietta Daily Journal, September 1, 2004)
 - The town of Bristol, Virginia, through its utility Bristol Virginia Utilities (BVU), installed a fiber-optic network similar to what LUS is proposing, and is now "currently able to pay its bills only because it is being cross-subsidized by BVU – i.e., by the citizens of Bristol through their electricity, water and wastewater bills." (Government Entry into the Telecom Business: Is the Benefit Commensurate with the Cost?, The Progress & Freedom Foundation, February 2004). Further, in its first year of operation, cable rates for BVU subscribers increased 15 percent.