



AMERICANS  
for TAX REFORM

September 25, 2017

To: Members of the Joint Appropriations and Revenue Committee

From: Americans for Tax Reform

Re: Stop KentuckyWired

Dear Members of the Joint Appropriations and Revenue Committee,

On behalf of Americans for Tax Reform (ATR) and our supporters across Kentucky, **I urge you to bring KentuckyWired to a permanent stop.** If implemented, **this unnecessary government-run fiber optic cable network would result in negative consequences for Kentucky taxpayers and consumers, and the future of the internet.**

KentuckyWired was initially estimated to cost \$350,000,000 dollars and to be completed by April 2016. But, as has been the case with dozens of government-owned networks (GONs), **the price tag for this boondoggle was grossly underestimated and construction is running way behind schedule.**

As of August 2017, just 123 miles of fiber had sucked up a whopping \$175,000,000, which breaks down to \$1.3 million per mile. With literally thousands of miles left to go, optimists predict KentuckyWired will be completed sometime in 2019. As such, in addition to the added labor costs that rack up when such a project takes longer than intended, the taxpayers may also have to foot upwards of \$50,000,000 in contract penalties for “supervening events.”

It seems the state of Kentucky, like dozens of other government entities that have attempted to play in the broadband space, is not well suited to take on the construction of broadband network. And unfortunately for Kentucky taxpayers, history suggests things are only going to get worse.

**Study after study has concluded that government entities simply cannot operate as efficiently as industry experts in this space, as they lack the expertise and resources necessary for maintenance and upgrades, which are required to remain current in such a rapidly changing, innovative field. Along with escalating costs, demand for GONs is typically overestimated.** Despite having access to a GON, consumers are not always as eager to leave their trusted private providers as government officials would like them to be. **Underestimated costs and overestimated demand is a recipe for a deficit that the taxpayers will be forced to fill.**

Unfortunately for Kentuckians, despite the clear financial risks at stake, proponents of government-internet still think KentuckyWired is necessary to ensure competition and choice in the industry. But such claims are shortsighted, as they fail to consider the adverse affects such “competition” will have on the market.

GONs unfairly compete with the private sector because government entities can subsidize costs with tax dollars, and thus charge consumers below the cost of service. The private

722 12<sup>th</sup> Street N.W.

Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

[www.ATR.org](http://www.ATR.org)

sector, on the other hand, cannot undercharge their customers because it would drive them out of business. **Naturally, private providers are discouraged from remaining, expanding, and investing in areas where GONs are present, as their odds of success are hindered by unfair competition from an entity that doesn't need to turn a profit.**

Since it is vigorous competition between providers that spurs innovation, improves quality and drives prices down, **GONs leave consumers at risk for fewer choices, outmoded technology, and deteriorating service.**

Should you need another reason to call off KentuckyWired, moving forward with its construction could also result in the abuse of eminent domain. The Kentucky Communications Network Authority (KCNA), which is overseeing the construction of KentuckyWired, recently released a Request for Proposals for legal services, which stated, "In order to construct portions of the network, the Commonwealth may need to obtain easements across properties owned by private citizens."

**Indeed, along with the massive financial burden KentuckyWired will impose on Kentucky taxpayers and the adverse effects it will have on innovation, moving forward with this undertaking could result in the forceful taking of private property.**

**Americans for Tax Reform opposes the creation and expansion of GONs and, as such, urges lawmakers to scrap KentuckyWired.** Contrary to what many claim, KentuckyWired will NOT reach any Kentuckian who does not currently have internet access. It will only reach consumers who are already connected to fast internet speeds. **Moving forward with KentuckyWired would result in taxpayers footing a multimillion-dollar bill for a service they do not need, and will have negative consequences in store for property owners and the future of the internet.**

The best way to expand access to the internet and improve service is to limit government intervention and allow private sector competition to meet demand at a lower price and with a superior product than government could provide. **Pouring millions of dollars into an unnecessary project in an industry that government clearly has no place in is a totally unsound use of hard-earned taxpayer dollars.** If you have any questions, or if ATR can be of assistance, please contact me or Margaret Mire, ATR's state affairs coordinator, at [mmire@atr.org](mailto:mmire@atr.org) or 202-785-0266.

Sincerely,



Grover Norquist  
President  
Americans for Tax Reform