



January 31, 2006

## **An Open Letter to the Indiana General Assembly: Don't Strip Statewide Video Franchising from Telecom Reform Legislation**

Dear Legislator:

On behalf of the more than 9,200 members of the National Taxpayers Union in Indiana, I am writing to express our concern that the state House of Representatives has taken a wrong turn en route to updating Indiana's telecom laws. While the Senate-passed telecom reform package (SB 245) would create a streamlined state authority for video franchising, a subsequent amendment to companion legislation passed by the House (HB 1279) removes this critically important provision.

The House's amendment would continue to bind Hoosiers to a balkanized system that requires providers to negotiate video franchises with each and every Indiana municipality. However, leaving video franchising reform out of the telecom mix is a recipe for an economically and technologically bland future for Indiana. Consider some of the ingredients: Indiana's telecom laws have not been updated in 21 years. The state ranks 34<sup>th</sup> in deployment of broadband networks. Indiana is being held back by outmoded doctrines on regulatory and technological matters.

Statewide video franchising would modernize a process that currently requires providers to negotiate separate agreements with hundreds of local governments across the state. The process is time- and resource-consuming, for both the providers themselves and the municipalities. Rather than investing in deployment of broadband networks, companies are forced to devote time and money on an endless string of negotiations. The existing franchising model is clearly a barrier to competition, consumer choice, and technological advancement.

In Texas, where legislators passed statewide video franchising rules last year, the incumbent cable company dropped its prices 25 percent within weeks of new competitors entering the market. Indiana consumers also stand to benefit from changes to an antiquated franchising system that provides dominant cable firms cover for high prices. Although phone and Internet service prices have increased less than 5 percent in the past five years, cable rates have skyrocketed 40 percent – all courtesy of cable's lack of viable competition.

Simplified statewide video franchising will directly benefit consumers by heralding lower prices, better service, and faster advancement and deployment of new technologies, such as interactive television. In addition to the entertainment enhancements of "IPTV," or Internet Protocol Television, there will be consumer applications in the areas of personal security and health care. Furthermore, widespread broadband deployment will increase productivity for the state's small and mid-sized businesses.

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**NTU's Open Letter on Telecom Reform Legislation, Continued.**

Streamlined video franchising rules will encourage new providers, stimulate investment in Indiana, and create jobs. By some estimates, reform could result in \$7 billion in new spending and 20,000 new jobs for Hoosiers.

Ideally, telecom reform in Indiana would avoid measures to provide new subsidies, or encourage local governments to get into the broadband business. As House and Senate members meet to resolve differences between SB 245 and HB 1279, our members hope you will seek a final bill that reflects a stronger free-market perspective across the board. At the very least lawmakers should work to reinstate statewide video franchise reform into current telecom legislation. Such action will help to spark the investment, competition, and technological advancements that Indiana needs to be a top economic contender in the 21<sup>st</sup> century.

Sincerely,

A handwritten signature in black ink that reads "Kristina Rasmussen". The signature is written in a cursive, flowing style.

Kristina Rasmussen  
Government Affairs Manager