



June 8, 2006

An Open Letter to the California State Senate: Taxpayers Want TV Choice

Dear Senator:

On behalf of the more than 65,000 California members of the National Taxpayers Union, **I urge you to bring much-needed competition to the video services marketplace.** By clearing away regulatory underbrush in the existing thicket of video services franchises, simplified statewide video franchising will directly benefit consumers by heralding lower prices, better service, and faster deployment of new technologies.

While almost all other aspects of the communications industry thrive from vibrant commercial competition, video services are currently bound by an antiquated patchwork of local regulations and fees. The impact of this convoluted system is clearly demonstrated in consumer prices – although phone and Internet service prices have increased less than 5 percent in the past five years, cable rates have skyrocketed 40 percent.

Statewide video franchising would modernize a process that currently requires providers to negotiate separate agreements with hundreds of local governments across California. The process is time- and resource-consuming, for both the providers themselves and the municipalities. Rather than investing in deployment of broadband networks, companies can become mired in costly negotiations. The existing franchising model is clearly a barrier to competition, consumer choice, and technological advancement.

We strongly believe that reform will result in better services, lower prices, and superior quality for California consumers. 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. California consumers could also reap the rewards from changes to an archaic franchising system that provides dominant cable firms cover for high prices. By some estimates, competitive market reform could result in California cable prices being lowered 15 to 22 percent.

A statewide video franchise will make it easier for firms to compete head-on with cable companies, and as a result, Californians will have more choices and price options. Furthermore, widespread broadband deployment will increase productivity for the state's small and mid-sized businesses. We look forward to your support of this pro-taxpayer policy.

Sincerely,

Kristina Rasmussen
Senior Government Affairs Manager