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# Reform of cable franchising would benefit consumers

Oakland County residents have seen the cost of cable television skyrocket, and complaints about service are legion. The problem is largely the result of local franchise regulations that restrict competition in video services.

Legislation pending in the Michigan House would replace municipal franchising with a one-stop statewide franchise. Whether lawmakers embrace this or succumb to special interests will determine whether we create or destroy jobs, invite or deter broadband investment and benefit or burden consumers.

**GUEST OPINION**

**Diane Katz**

From the time cable lines began reaplacing TV antennae four decades ago, municipalities have required firms to obtain franchises under the assumption that cable service was a natural monopoly in need of taming. This local regulation, which was never justified, has become destructive now that there are assorted technologies and service providers.

Municipal officials promise to negotiate in good faith with competitors. No doubt many would. But there are 1,200 franchising authorities in Michigan. Requiring a firm to negotiate with each one in which it wants to do business is an enormous obstacle to video competition and broadband deployment.

Evidence abounds that municipal franchising costs consumers. Cable TV rates in markets without meaningful competition run as much as 25 percent higher than in competitive markets.

Local officials say they must maintain franchise control in order to regulate the use of public property on which network infrastructure is located. The pending legislation would not diminish this authority. As it is, most of the broadband service providers already pay municipalities for use of local rights of way. Municipalities also would continue to collect the franchise fees that have fattened local budgets for decades.

Municipal officials argue that local franchises are necessary to prevent red-lining. But telecom firms have every incentive to increase market share, not shun customers. Indeed, low-income households are heavy users of video services and constitute the fastest-growing segment of the broadband market. Still, the reform does require service quotas for low-income households.

Cable firms oppose reform because most are trapped in long-term franchise agreements that would put them at a competitive disadvantage if newcomers weren't also forced to operate under the same provisions. The solution is not to impose obsolete regulations on everyone else, as well. It's important to remember that cable firms were granted a monopoly in exchange for franchise conditions, but newcomers can expect only to garner a share of the market. So legacy franchise requirements would dissuade investment in competing video services.

Where franchise reform has been adopted, benefits have been immediate and substantial. The passage of statewide franchising in Indiana, for example, prompted AT&T to announce expansion of high-speed DSL to 33 rural communities. Reform in Texas has resulted in new broadband service to 71 communities. An analysis by the Perryman Group projects more than $3.3 billion in new telecom investment for the state and thousands of new jobs.

Besieged by plant closings and job losses, Michigan cannot afford to reject reforms that would benefit consumers and promote high-tech investment.

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