

Cable Franchise Legislation Update

MTA Capitol Conference
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Lansing Radisson Hotel
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Activity in Michigan

- **Legislation has been introduced on behalf of AT&T:**
 - **SB 1157** sponsored by Sen. Kuipers
 - **HB 5895** sponsored by Rep. Hoogendyk
 - **Bills were introduced in late March**
 - **Will the legislature act quickly on the bills?**

Activity in Michigan

- **Details about SB 1157 & HB 5895**
 - **Eliminates local cable franchising and requires the state (Sec. of State) to grant a statewide franchise** - This creates a new state bureaucracy, the state has no involvement in the cable business today
 - **Allows cable or video providers to stop serving in any area of any community any time they choose** - Cable companies could stop serving based on out-of-state economic decisions

Activity in Michigan

- **SB 1157 & HB 5895 details:**
 - **Prohibits the state and local governments from requiring a cable provider to have a build-out requirement** - Current federal law guarantees cable companies to install lines at certain population densities and allows local franchises to also address build-out

Activity in Michigan

- **SB 1157 & HB 5895 details:**
 - **Negatively impacts deployment of broadband as much of current broadband is delivered thru cable lines**
 - **Jeopardizes cable franchise fees paid to local governments** - Franchise fees would immediately drop by 30% and when existing franchises are terminated, they will be eliminated (amounts to \$100 million annually to locals) - Equal protection standards will take it into court

Activity in Michigan

- **SB 1157 & HB 5895 details:**
 - **Public Access Channels (PEG - Public, Education and Government) to schools, communities and universities are virtually eliminated due to new barriers**
 - **Rights-of-Way management is in jeopardy**
 - **Currently, local governments handle this for all utilities but this legislation is void of any rights-of-way management obligations**

Myths About Local Franchising

- Some people and legislators believe that local governments provide “exclusive” cable franchises to one company only to provide service in their community – Federal Cable Law prohibits “exclusive” cable franchises
- AT&T is making claims that it would take them years to collect all the local franchises needed – Yet, they admit their cable product; “Project Lightspeed” is 2-3 years away before it can be put to use in Michigan
- Local governments support cable competition and choices for their residents

Action by Townships

- Adopt a resolution opposing SB 1157 & HB 5895 (send copies to legislators and MTA)
- Provide AT&T with a copy of your current cable franchise with the existing cable provider crossed out and offer the same franchise for them to sign (letters soon)
- Contact your legislator and ask them to oppose the bills and support local franchising

Activity in Congress

- House Energy & Commerce Committee is expected to act as early as today on “Communications, Opportunity, Promotion and Enhancement Act of 2006”
- The bill would eliminate local control of the franchise process and create a national franchise system for cable providers
- Allows a cable company to opt out of a local franchise if a phone company with a national franchise has entered the same local franchise area

Activity in Congress

- The bill would allow new cable providers to “cherry-pick” customers and fails to provide sufficient enforcement authority over the management of rights-of-way
- The bill limits gross revenues for public, educational and governmental (PEG) channels and institutional networks for local government such as fire, police and other governmental communications

Activity in Congress

- The bill also negatively impacts Michigan’s Metro Act, which requires telephone companies to pay townships, cities and villages for use of public rights-of-way (The Metro Act provides roughly \$25 million to locals per year as partial compensation for use of the rights-of-way)
- Contact your Congressman and ask that they oppose any legislation that strips away local franchising and creates a national franchise

Closing Cable Thoughts

- Be careful of AT&T company representatives and what information they give you – locals are not “taken care of in this legislation”
 - Don’t always believe them when they tell you one community near you is supporting the legislation
 - AT&T wants to cherry-pick the more profitable areas where they plan to deliver cable service
- Other telephone companies entering the cable market are securing local franchise agreements – AT&T is standing alone in not securing local franchises
- We have very good momentum in Michigan