

# United States Senate

WASHINGTON, DC 20510

February 15, 2006

Dear Chairman Stevens and Ranking Member Inouye:

As Senate Commerce Committee members with a strong interest in promoting investment in broadband networks and facilitating rapid competition in the video marketplace, we believe that committee efforts to reform the regulation of video services are both timely and necessary. We applaud you for scheduling a full committee hearing on this important issue today.

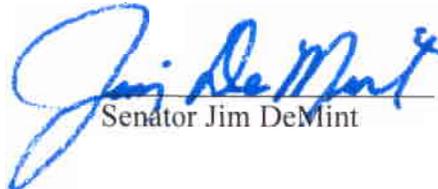
In anticipation of the hearing, we offer the enclosed video competition principles and urge the committee to use them as a guide in its consideration of video franchise legislation. We believe such legislation should ensure that both Federal and local policies promote broadband deployment. In addition, consumer interests must remain paramount in the development of new policies and core state and local interests must be protected.

We look forward to the video franchise hearing and urge the committee to move quickly thereafter on video competition legislation.

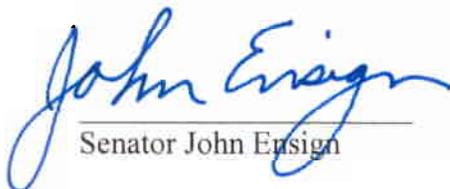
Sincerely,



Senator Gordon H. Smith



Senator Jim DeMint



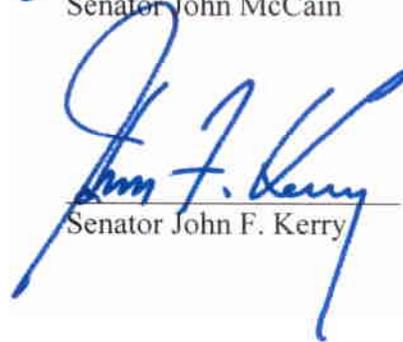
Senator John Ensign



Senator John McCain



Senator John D. Rockefeller IV



Senator John F. Kerry

## VIDEO COMPETITION PRINCIPLES

**The Senate Commerce Committee should move quickly to promote investment in broadband networks and to facilitate rapid competition in the video marketplace.**

### Both Federal and Local Policies Should Promote Broadband Deployment

- Increased broadband deployment, particularly in next-generation fiber-based networks benefits America's consumers and America's workers and will enhance economic growth and job-creation.
- The ability to offer consumers competitive video, voice, and data services, is the economic driver of recent decisions by communications companies to greatly increase investment in advanced broadband networks.
- Federal, state and local policies regulating the offering of video services were developed in a different period. Laws, rules and regulations that were once desirable now serve as barriers to competitive entry and disincentives to network investment.
- With head-to-head competition in less than two percent of America's 33,000 cable communities, Congress should update the franchising process to promote competition this year.
- In the interests of protecting consumers and promoting investment, the Congress should reform existing policies to ensure that they reflect the extraordinary changes in the communications marketplace, including new technologies and the desires of new entrants to compete with the incumbent provider.

### Consumer Interests Must Remain Paramount in the Development of New Policies

- New policies to streamline the video franchising process must place the highest priority on ensuring a competitive market for video services to the benefit of consumers.
- In wireless and long distance services, competition has led to innovative product offerings, widespread deployment of services, and competitive pricing, and Congress must now focus on promoting similarly robust competition in the video market.
- Where consumers have choice, services improve and rates decline. Since 1999, long distance prices have declined 30 percent and wireless prices have declined 20 percent. In contrast, cable prices have increased nearly 60 percent.
- The Government Accountability Office has found that prices are 15 percent lower in those areas where there is wire-based video competition; and recent analyst reports demonstrate even greater savings in those markets where a new provider has recently entered in direct competition to the incumbent cable operator.

## Core State and Local Interests Must be Protected

- Deployment of advanced communications networks will improve America's position in the global economy, spur economic investment and equipment manufacturing, provide new high-wage and high-skill jobs, and provide other benefits for state and local economies – both urban and rural.
- A robust broadband network, which will provide video services, will also be a catalyst for telemedicine and distance learning, linking rural communities and small businesses to the information highway.
- New policies to streamline the franchising process must respect the role of state and local governments in protecting the public interest. More specifically, state and local authorities should continue to:
  - Maintain their authority to manage public rights-of-way for their citizens;
  - Ensure a strong role for the state and local governments in ensuring compliance with customer service and consumer protection requirements, and to ensure these entities continue to serve as the primary contact point for customer service complaints;
  - Receive reasonable compensation from providers of video services that use the public rights-of-way; and
  - Have access to capacity for public, educational, and governmental programming.
- As with incumbent cable providers, new entrants must not be permitted to discriminate against any community based on the income of the subscribers that reside in such community.