Competition in the telecommunications industry has changed the way we live, work, and play. From cellular phones to PDAs to wireless broadband, each from various suppliers, consumers now have more choices than ever before at increasingly competitive prices. Now, the state is considering AB 2987, the Digital Infrastructure and Video Competition Act of 2006.

Let’s hope it becomes law.

To begin with, competition will bring out the best in the private sector. In such an environment, companies need to offer the latest technologies and most cost-effective service, or consumers will take their business elsewhere. In the current environment, most local cable systems have no competition, which reduces the incentive to invest and keep prices down.

By deregulating the industry and opening it up to competition, the positive results will be felt in living rooms and pocketbooks throughout the state. As we have seen, given the rampant changes and innovations in telecommunications, a more competitive environment will bring us products and services we cannot conceive of or even dream about today.

It is also clear that increased competition will lead to lower prices for consumers. In a study by a UC Berkeley professor, it was shown that cities with competing cable television companies have monthly subscription rates that are nearly 16 percent lower than those without competition. For Los Angeles alone, the estimated savings are $320-$470 million per year. That is significant!

AB 2987 establishes a statewide franchise system. In today’s environment, companies wishing to enter the market must negotiate separate agreements with each city, leaving prices and regulations inconsistent. AB 2987 will streamline the bureaucratic process by establishing a single statewide regulatory framework. It will ensure that consumers throughout California enjoy the same uniform protections while preserving an important revenue source for local governments. Even the federal government is considering replacing the archaic system by deregulating at the national level.

AB 2987 will also increase jobs. Companies that seek to develop new products and services will need to expand their workforce to accommodate their plans for expansion. In addition, the new infrastructure investment that the legislation will spur will create jobs. For Los Angeles alone, the estimated savings are $320-$470 million per year. That is significant!

This is not to say that cable television providers have not done a good job for consumers. Whereas we were once limited to channels 2-13, there are now hundreds of options for all interests and ages. They also help deliver the web as Internet providers. However, cable companies received their exclusive franchises at a time over 30 years ago when exclusivity was needed to encourage their investment. The regulatory environment made sense then, but it is outdated now.

Some local government officials are not supporting the legislation because they fear a loss of revenues from franchise fees and a loss of regulatory control. However, the bill meets their concerns. Key among them are guaranteeing local government a five percent royalty and the ability to levy a utility tax, both of which they have in the current environment. What it does not do is preserve their regulatory control. The fact of the matter is that city councilmembers are not elected for their expertise in regulating complex and fast-moving industries like telecommunications. Their desire to hold on to an antiquated system that is 30 years old, does not work well, and does not respond to the lightning speed changes in technology is no way to assure consumers will receive cutting edge technology at the best possible price.

Both cable television companies and local government officials have points to make regarding AB 2987. We need to look at their proposals and enact the best bill possible. But the reforms are needed, and now is the time.

A good way to start would be for the Los Angeles City Council to lend its support to the legislation when it comes up for a vote next week. The city has said that it wants to be at the forefront of technology to make it a leading world city in the 21st century. This is a way to show it. And, it is a way to show that the city is friendly to business by casting a vote to free up business from an outdated regulatory system. I urge you to contact your councilmember and communicate your support.

AB 2987 brings regulatory consistency throughout the state, just like
in the telephone industry. It will lower prices, encourage investment, stimulate competition and promote new innovations—all of which will benefit consumers. Reforming the system is good for our economy and it’s good for California. That is why we support it.

And that’s The Business Perspective.

Russell J. Hammer
President & CEO
Los Angeles Area Chamber of Commerce