

Date: November 16, 2006
To: Troy Mayor and City Council
From: Troy Cable Advisory Committee
Subject: Passage of House Bill 6456

The Troy Cable Advisory Committee wants to advise the Troy City Council of the potential implications with the passage of House Bill 6456 on November 14, 2006, in the Michigan Legislature. As you are probably aware, passage of this Bill by the Senate would fundamentally change the franchise arrangements the City of Troy has with the cable video providers. This bill is believed to have been backed by telephone companies, such as AT&T, Verizon, etc. which want access into the Cable Provider business but outside current protocols.

The bill, known as the "Uniform Video Services Local Franchise Act", would create a system of uniform local franchising for providers of video services. The bill is to foster competition and increase investment in the cable television and video services industry.

Below are some facts of House Bill 6456:

- The Michigan Public Service Commission would provide a uniform franchising form for parties to use but they would not regulate the providers. Control would be removed from local communities.
- The current franchise agreements could not be renewed or extended and video providers could opt out of them early.
- Entities that want to become video service providers would still receive their franchise agreement from the local unit of governmental. Agreements would cover a 10 years period and than would be renewable for another 10 years.
- The local unit of government could not require any video service provider to obtain a separate franchise agreement, and they could not impose any fee or franchise requirement other than prescribed in the bill. However a separate agreement is allowed with approval of the video provider.
- A local unit of government must allow a video service provider to install, construct, and maintain a communication network within a public right-of-way and allow "open, comparable, nondiscriminatory, and competitively neutral access to the public right-of-way."

House Bill 6456 was passed by the Michigan House on November 14, 2006 by a count of 80-Yeas and 21-Nays. It is now being sent to the Senate.

There are a number of concerns with provisions of this Bill, and are listed below.

- The bill will cause the State to break existing local cable franchises which have been carefully negotiated to meet each communities needs. The bill would cancel these contracts and require local units of government to amend their existing contracts or adopt the new state uniform version one.
- Municipal cable law experts determine this bill will cost communities in Michigan between \$47-57 million per year in lost revenue and increased costs.
- The bill will shut down or severely curtail most school, community and local government access channels by imposing onerous new requirements and reducing funding for them.
- It appears that as a result of the bill all capital support for Public access, Education and local Government (PEG) equipment and facilities would be stripped when franchises expire or are terminated.
- The latest revision of the bill allows local units of government to charge franchise fees similar to what are charged now however we will have to see if this remains in the bill.
- The bill contains meaningless provisions that will allow both old and new providers to engage in redlining and discrimination of services. All citizens will not be treated equally with service, or types of service, that companies will provide.
- The bill eliminates requirements that all in our community have access to media resources, explicitly allowing providers to “pick and choose” where they will serve.
- Consumer protections in existing franchise agreements are absent from the proposed bill and local communities will have no power to determine or enforce “how” local rights of way are used. The State would take over control of our local, community property.
- House Bill 6456 is unnecessary. Congress is poised to pass legislation shifting cable franchising to the federal level. Both Congressional houses rejected provisions grandfathering or “carving out” state bills such as HB 6456. The Federal Communications Commission was clear it will act to expedite cable franchises and cable services by phone companies if Congress does not act by years-end.

In summary, the bill would replace municipal cable television franchises with a one-time statewide certification process administered by the Michigan Public Service Commission. It would allow AT&T, Verizon and others to begin offering competitive video service over their existing facilities with a bare minimum of any state or local regulation. While the bill purports to protect local authority to manage public right-of-way, ensure consumer protection, prohibit redlining, preserve franchises fees, and PEG channels, a detailed analysis reveals that it fails to do so.

The City should encourage residents to write their Legislators and ask them to reject this bill. A sample letter could be available from Cindy Stewart.

The passed House bill can be found at:
www.legislature.mi.gov/documents/2005-2006/billengrossed/House/pdf/2006-HEBH-6456.pdf

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