Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of	)	
Implementation of Section 621(a)(1) of	)	
The Cable Communications Policy Act	)	MB Docket No. 05-311
Of 1984 as Amended by the Cable	)	
Television Consumer Protection and	)	
Competition Act of 1992	)	

REPLY COMMENTS OF THE CALIFORNIA SMALL BUSINESS ASSOCIATION AND THE CALIFORNIA SMALL BUSINESS ROUNDTABLE

March 23, 2006

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I. STATEMENT OF INTEREST

The California Small Business Association (CSBA) is a 501(c)(6), non-profit organization that grew out of the 1980 White House Conference on Small Business. It is a grassroots, volunteer-driven organization dedicated to helping members "grow their businesses," informing members about government programs and other resources available to assist them, and advocating on their behalf in Congress, the California Legislature and the federal and state administrative agencies and courts. CSBA regularly polls its members on public policy issues affecting small businesses and receives guidance from the California Small Business Roundtable (CSBRT) which consists of 40 leading small businesses from across the State.

CSBRT is a 501(c)(6), non-profit organization which, among other things, provides general advocacy on behalf of small business owners in California, disseminates information relevant to such businesses and represents the interests of small businesses before various public agencies. Together, CSBRT and CSBA represent approximately 203,000 small business owners in the state of California. As stated on our respective February 7, 2006 comments both CSBA and CSBRT have a strong interest in the above-captioned Federal Communications Commission (FCC) Notice of Proposed Rulemaking (NPRM) proceeding because small business owners are directly impacted by the lack of competition in the video services market.

II. SUMMARY

CSBA and CSBRT reiterate our concern that the lack of competition in the multi-channel video services distributor (MVPD) market severely limits the ability of small businesses to provide related services and products to their customers at competitive prices. The 203,000 small businesses that we represent throughout the populous, demographically diverse and geographically massive state of California can use advanced video, telephony and data to communicate throughout the state; communicate better with local people; and use additional sales channels to differentiate their products and services.

The Federal Communications Commission (FCC) has the expressed authority and the obligation under Section 621 of the Communications Act of 1934 to ensure that local municipalities "not unreasonably refuse to award an additional competitive franchise."[1] The current local franchising regulations are cumbersome, function as a barrier to rapid growth in the video service market and threaten to stall California's economic recovery.

III. DISCUSSION

The FCC need only to review its very own findings related to local franchising to understand that [the local franchise process is perhaps] "the most important policy relevant barrier to competitive entry in local cable markets."[2] Additionally, a recent Phoenix Center study noted that the local franchising

[1] 47 U.S.C. § 541(a)(1).
[2] In re Implementation of Section 19 of the Cable Television Consumer Protection and Competition Act of 1992, Annual Assessment of the Status of Competition in the Market for Delivery of Video Programming, 9 FCC Rcd 7442, Appendix H at ¶ 375 (1994).

process raises the costs of entry and causes considerable delay in the construction of these new, multi-service broadband networks. It estimates that delaying video entry by one year would cost American consumers $8.2 billion in consumer welfare from video services alone, and these losses increase with each year of delay.[3]

As we predicted in our February Comments, the FCC received a fair number of comments from consumer advocates and incumbent MVPDs. CSBA and CSBRT share many of their concerns. For example, we agree with municipalities that local authorities should be able to address service quality and rights of way matters. Similarly, we believe that new entrants in the MVPD market should be required to pay franchising fees and we agree with consumer advocates that new entrants should be required to carry Public, Education and Government channels. Based on the commitments made by potential new entrants to the FCC, which may be viewed as legally binding, we believe these concerns have been adequately addressed.

Small businesses are both consumers in the traditional sense and providers of services and products that use video, broadband and advanced services to compete. As such, removing the local franchising regulatory barrier to new MVPD market entry will provide CSBA and CSBRT members with the

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[3] PHOENIX CENTER PUBLIC POLICY PAPER NO. 23 discusses the important link between the availability of video services is crucial to the business case for constructing a broadband network in low-income areas. Delay in video entry will cause significant delay in broadband services in low-income areas, and the consumer welfare loss of that situation is likely to be significant. George S. Ford, Thomas M. Koutsky and Lawrence J. Spiwak, *The Impact of Video Service Regulation on the Construction of Broadband Networks to Low-Income Households*, PHOENIX CENTER POLICY PAPERNO. 23 (September 2005) (available at: http://www.phoenix-center.org/pcpp/PCPP23Final.pdf).

opportunity to partner with competitive MVPDs as they invest in building new networks.

IV. CONCLUSION

CCBA and CSBRT share the FCC's observation that local franchising process is the greatest impediment to competition in local cable markets. The FCC must use its authority under Section 621 to streamline the local franchising process. This would attract capital investment from competitors to the incumbent cable monopoly, which will increase contracting opportunities for small businesses, jobs and the tax base for local governments. The FCC must act this year as each year of delay represents billions of dollars of lost consumer benefit.[4]

Respectfully submitted,

By: _____/S/_____
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[4] Supra, at fn. 2.