

March 25, 2008

Dear Tennessee Elected Official,

It is our understanding that the Tennessee legislature is considering lowering barriers to the rollout of new video competition in Tennessee.

Our organization, the Institute for Policy Innovation (IPI) is a twenty year old market-oriented public policy research institute based in Texas. IPI does not lobby, we do not represent clients, and we do not advocate the passage of specific legislation.

We do, however, advocate policies that stimulate economic growth. We have observed the video franchise reform movement as it has swept through the states, and we would like to share our perspective with you.

Based on our observations, **if you want broadband networks to be built out in Tennessee, if you want market forces to help hold down video prices to the consumer, and if you want new and enhanced video services for Tennessee consumers, the simplified statewide video franchise system is the key.**

New competition for video services will put downward pressure on consumer prices, and it will result in the accelerated rollout of new services to consumers.

Many at both the state and national level are frustrated at their perception of a slow pace of broadband rollout. But, in fact, broadband services are rolling out rapidly in those parts of the country where regulatory barriers, such as arcane local franchise regulations, have been removed. If you don't believe it, come to Texas, or Indiana, or any of the other states that have streamlined their video franchise regulations.

Today, broadband technology has made it possible for new entrants to offer video services and thus provide additional competition in the video business. Given the opportunity to compete for video customers, these new competitors have every reason to aggressively rollout and price broadband.

The US Department of Commerce's Bureau of Economic Statistics reports that since the recent wave of deregulation, including the four years of video franchise reform, there has been a 40 percent rise in investment—almost all in the form of real investment in communications equipment.

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State-by-state, each time a state simplifies their video franchise system, the state sees a dramatic increase in investment in broadband infrastructure. This new investment means new jobs, new broadband networks, and lower video prices to consumers.

Tennessee stands poised to join this trend by eliminating onerous requirements to competition and innovation.

Importantly, it is risk-free for Tennessee to adopt the statewide video franchise system. Many states have implemented video franchise reform, and are now reaping the benefits.

You may be concerned about those Tennesseans who do not yet have access to broadband networks. You may feel that, unless state regulations compel them to do so, broadband companies will have no incentive to build out in rural or historically underserved areas.

But if you will examine the track record of states that have passed video franchise reform legislation, such as Texas and Indiana, you will find that many communities that were formerly bypassed by broadband networks now have access to at least one and sometimes competing broadband service providers. This is a direct result of the elimination of the outdated local franchise regulations.

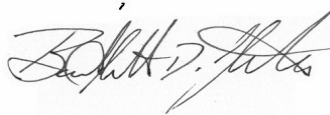
There may be additional things that the Tennessee legislature might choose to do in order to make sure all Tennessee residents have access to broadband networks, such as tax incentives or even outright subsidies. But before you decide that such measures are necessary, shouldn't you first eliminate outdated regulatory barriers and see what the private service providers will do once they are no longer hindered by these regulations?

We have watched video franchise reform as it began in Texas, moved to Indiana, and then on to over a dozen states. We have met with elected officials and have testified before legislative committees to share our observations and recommendations. We would be delighted to share our perspective with you as you consider this important legislative initiative for Tennessee.

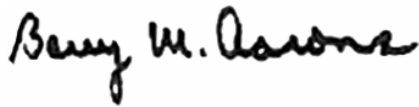
Sincerely,



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