



The Honorable Evan Low
Member, California State Assembly State Capitol, Room 2175
Sacramento, CA 95814

RE: Assembly Bill 2395 - OPPOSE

May 16, 2016

Dear Assembly Member Low:

The transition from legacy telephone systems originally designed in the 19th century to 21st century broadband networks is necessary and urgent. Customer demand and vigorous competition – including free competition between developing technologies – should drive the change.

Unfortunately, Assembly Bill 2395 will reduce market competition – eliminate it completely in poorly served and unserved areas – and prevent technological innovation. We oppose it in its current form.

The Central Coast Broadband Consortium is a 20-year old broadly based, ad hoc group of local governments and agencies, economic development, education and health organizations, community groups and private businesses. We are dedicated to improving broadband availability, access and adoption in Monterey, Santa Cruz and San Benito Counties.

The top priority of the CCBC is providing resources and incentives to telecommunications service providers to build broadband infrastructure and extend it throughout our region. Our work includes a broadband development program, funded by a grant from the California Public Utilities via the California Advanced Services Fund, that is resulting in service and infrastructure upgrades, largely by incumbent cable and telephone companies, for more than 100,000 local residents, hundreds of businesses and dozens of community anchor institutions.

We believe that opportunity and prosperity in our largely rural region will be built on a foundation of diverse, competitively priced broadband service and infrastructure. Families in the Salinas Valley need fast and affordable Internet access. Businesses in Watsonville and Hollister can't grow without connecting to customers and suppliers around the world. Entrepreneurs from Santa Cruz to San Ardo have to attract – and hold – talent, capital and ideas. But they can't without the wealth of telecommunications options that affluent areas of California take for granted.

AB 2395 is a blunt and rushed instrument that offers one simple, monopolistic solution for three critical, complex public policy problems:

- How do we transition from outdated analog voice technology to Internet protocol-based platforms that can support today's wealth of digital services – including voice – as well as the yet undreamed of technologies that the coming decades will bring? Outdated regulations should not stand in the way of this necessary change, but also should not be simply swept away. Thoughtful new rules are needed.
- What do we do with the aging wireline networks – built with a century's worth of public investment but now neglected – that struggle to provide services to remote rural areas and inner cities alike? Wireless systems offer essential capacity and flexibility, but by themselves are not a substitute. We need both to keep pace with technological innovation.

- Who will serve rural and inner city California in the 21st century? The answer should be "the same diverse, innovative range of companies who compete where California offers a fast and steep return on investment". Telecommunications policy must promote competition and opportunity, and only suffer – and regulate – monopolies as a last resort.

To address these issues, we recommend the following changes:

1. If an incumbent local exchange carriers (ILEC) replaces current systems with either IP-based technology or wireless infrastructure, then regulatory obligations should not change so long as the market conditions that triggered those obligations exist. These obligations include maintenance of infrastructure, access to facilities by competitive carriers or provision of basic voice and broadband service.
2. Similarly, ILECs must not be allowed to engage in monopoly-driven profit maximization behavior, regardless of the technology employed or services provided. Appropriate regulation must continue where ever monopoly conditions exist in the market for voice, broadband, video or other telecommunications services.
3. ILECs must continue to maintain their wireline systems – copper or fiber – in an operational condition that meets service and infrastructure standards set by the California Public Utilities Commission, for as long as they own them.
4. If an ILEC wishes to transition to wireless technology, it may do so only after divesting itself of its wireline assets and the customers that choose to keep such service.
5. Wireline divestiture may be accomplished by selling the assets and customer accounts to a qualified successor company, or by an orderly transfer to a public trust. If the latter, the transfer of ownership must be at no capital cost to the trustee and the ILEC will be responsible for operations and maintenance costs for a reasonable transition period. No restrictions are to be placed on the trustee's operation, management or ultimate disposition of the assets by the transferring ILEC.

The bill before us today was written by a single company pursuing its own interests. It is our responsibility to bring all Californians into this policy debate which will shape our opportunities and hopes for a better future. Please consider the fact that the three members who voted against AB 2395 in the Assembly Utilities and Commerce Committee – Brian Dahle (R - Redding), Roger Hernandez (D - West Covina) and Mark Stone (D - Santa Cruz) represent diverse rural and urban districts with agricultural, industrial and high tech economies, respectively. As currently written, AB 2395 would harm all Californians, regardless of location, employment or circumstances.

We ask that AB 2395 be set aside for the moment so that all stakeholders may participate in this critical debate and all options may be considered. A one-sided solution is no solution at all.

Sincerely,



Joel Staker
Chair
Central Coast Broadband Consortium

cc: Honorable Members, Assembly Appropriations Committee
Jennifer Galehouse, Deputy Chief Consultant, Assembly Appropriations Committee
Jennifer Swenson, Principal Chief Consultant, Assembly Appropriations Committee