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79th LEGISLATURE

Phone companies' TV plan is dead

'It's over,' says lawmaker who pushed proposal, and it's a rare defeat for powerful SBC lobby.

By [Claudia Grisales](#)
 AMERICAN-STATESMAN STAFF
 > Sunday, May 29, 2005

A controversial proposal that would have made it easier for big phone companies to get into the television business died in the Legislature Saturday night after all-night negotiations failed to break an impasse between the House and Senate.

"It's over; it's over," Rep. Phil King, R-Weatherford, the champion of the proposal, said Saturday night as it became clear that there was no chance the legislation would get to a House vote by the midnight deadline..

"The problem is, we are out of time," said Troy Fraser, R-Horseshoe Bay, who led Senate opposition to the plan.

Cable companies and a coalition of Texas cities also fought the proposal, which would have allowed SBC Communications Inc. and Verizon Communications Inc. to get a single statewide franchise for their planned Internet television service instead of negotiating scores of agreements with individual cities, as cable companies do.

The failure of the measure is a rare defeat for SBC, one of the most powerful lobby forces in the Legislature. The company's chief executive, Ed Whitacre, personally visited the Capitol this week to push for the measure, King and Fraser said.

In another defeat for SBC, the clock ran out on legislation that would have allowed it and other major phone companies to set their own local phone rates. The House and Senate could not reconcile sharply different approaches on how to end state rate controls.

"This evening, time ran out on a visionary concept" for a statewide franchise for video services, said Jan Newton, president of SBC Texas. She said the concept would have created more choices for consumers.

SBC has divulged few details of its plans, but as one indication of the stakes involved, the company plans to invest \$4 billion nationwide to upgrade its network for television.

The cable industry and Texas cities joined forces to fight the proposal. Cable companies said the measure was written to favor SBC. Cities said the plan would cost them millions of dollars a year in revenue.

SBC and Verizon are eager to get into television to offset the erosion of their core telephone business by rising cell phone use and Internet phone service, which cable companies offer.

King said his measure would have created new competition for cable companies and attracted jobs and "billions of dollars" worth of new investment, as SBC and other companies upgraded their networks to launch their service.

But King twice was unable to get his measure to a House floor vote. He then attached it to Senate Bill 408, which reauthorizes the



Public Utility Commission. That angered Fraser and other senators, who said it was wrong to add such a controversial proposal to must-pass legislation.

Friday night, Fraser, King, SBC and cable industry executives and representatives from the Texas Municipal League started intense talks in an effort to reach a compromise.

Fraser's idea was to allow the statewide franchise but require SBC and Verizon to provide public access channels and other services, as cable companies do. King balked, in part because Fraser proposed that the franchise last only two years, allowing legislators to adjust the plan in the next session.

"What company is going to invest billions of dollars for two years?" King said.

The talks ended early Saturday morning. SBC lobbyists then met off and on all day with staffers for Lt. Gov. David Dewhurst.

The stalemate on the television proposal also derailed measures to encourage wind power generation in Texas and allow electric companies to offer high-speed Internet connections over power lines. So-called safety net legislation assures the continuance of the utility commission.

Texas would have been the first state to create a statewide franchise for television providers. King had hoped that the state would be a model for others that are grappling with how to change their laws to reflect how the Internet is blurring the line between cable and phone companies.

"It's very disappointing," King said. "We've been working on this for two years."

He said he would try again in the next session.

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