



Illinois Electronic Security Association

309 E. Rand Rd., #107 | Arlington Heights, IL 60004 | 1-630-305-8800

Illinois Electronic Security Association (IESA) OPPOSES House Bill 1301

Name and Number of Bill: Fire District Antitrust Exemption—House Bill 1301

Sponsor: House Representative Donald L. Moffitt (R) 74th District

Bill Summary: A bill has been introduced to allow fire protection districts to engage in the fire alarm monitoring business. It allows fire districts to mandate that everyone use the fire district's monitoring business. Finally, it seeks to exempt fire protection districts from anti-trust liability.

Reasons to oppose:

- **THIS BILL IS NOT ABOUT PUBLIC SAFETY.** Districts currently have the authority to adopt and enforce rules consistent with the national fire codes (such as the National Fire Protection Association) that provide comprehensive coverage of alarm monitoring (e.g., what technologies are allowed, what is required for alarm monitoring). This legislation is designed to allow districts to monopolize alarm monitoring and arbitrarily exclude viable technologies in direct opposition of the national fire codes.
- **THIS BILL TAKES AWAY SMALL BUSINESS JOBS.** Instead of 20 small businesses competing in a market, one company will be selected to do all service and installations while the government claims the monitoring revenue, which is a significant percentage of income for alarm dealers. As such, many businesses will close (loss of tax base) and private sector jobs will be lost.
- **THIS BILL STRIPS SMALL BUSINESSES OF REVENUE AND VALUE.** Alarm monitoring contracts are the most valuable asset a small or large alarm company has. Confiscating 100 accounts can cripple the ability of an alarm company to borrow money and maintain employment levels. If a company has **100 accounts** generating a **monthly income of \$65**, losing those customers strips that company of approximately **\$230,000** in capital value in addition to the loss of monthly revenue.
- **THE BILL CALLS FOR TECHNOLOGY THAT IS ALREADY IN PLACE.** Private alarm companies have provided communities with wireless radio technology for more than a decade.
- **PRIVATE INDUSTRY CAN SOLVE ANY SAFETY CONCERNS OF FIRE DISTRICTS.** The private alarm industry has invested hundreds of millions of dollars into fire alarm monitoring technology and infrastructure. The alarm industry employs thousands of professionals in Illinois at companies both large and small. Private industry stands ready and willing to implement any technologies necessary to maintain the public's safety.
- **THE BILL IS COSTLY AND HURTS EVERY BUSINESS OWNER.** By eliminating competitors that apply market pressure to raise the standards of service while keeping prices in check, there is no incentive to strive for improvement to public safety. As seen with a number of fire districts currently (and illegally) operating exclusive fire alarm monitoring facilities, these service fees are in far excess of those charged by private alarm companies, costing the average business hundreds or even thousands of unnecessary dollars every year.
- **THE BILL ENCOURAGES ABUSE OF POWER.** This bill allows fire districts to force every business in its jurisdiction to enter into alarm monitoring contracts with the district. If a business refuses to accept the terms of the contracts, the fire district has the authority to fine or penalize the business. The business community is entitled to free choice and the ability to negotiate with service providers.

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The private alarm industry's role in this public safety:

Private alarm companies provide almost all of the fire alarm monitoring services in Illinois and the United States. Private alarm companies compete with each other to provide the best services at the most competitive pricing. The quality of service is ensured through licensing, fire codes and certification by nationally recognized testing laboratories (e.g., Underwriters Laboratories and FM Global).

In the Chicago suburbs, however, a contingent of fire protection districts has been duped into illegally using regulatory authority to monopolize alarm monitoring. These fire protection districts are purchasing and operating their own alarm monitoring systems. To capture as much as revenue possible, some fire districts have passed ordinances that require all commercial property owners to use their monitoring service.

This practice has dramatic effects on the taxpayers and alarm companies operating in Illinois. Taxpayers are forced to pay the district non-competitive rates. If they do not agree to contract with the fire departments, they face having their business shut down by the district for not complying with the local fire code.

The private alarm industry is also severely affected by fire department alarm monitoring. Alarm companies' hard-earned customer relationships are instantly destroyed when the districts take over the monitoring. Moreover, all future ability to compete for alarm monitoring is eliminated by the districts.

Districts that have purchased their own monitoring equipment have aggressively pursued taking monitoring business from private companies. The districts tell business owners that their company must enter into five-year contracts with the district or face fines and lose their certificate of occupancy.

In 2010, a group of private alarm companies challenged a fire district's authority to buy alarm monitoring equipment and monopolize the market in federal court. The federal court issued a preliminary injunction against the fire district on the ground that the fire district exceeded its statutory authority. In response, the fire districts are attempting to legislate around the federal court's rulings and gain the authority to monopolize fire alarm monitoring.

Conclusion: The bill introduced seeks to legitimize a practice that is anti-competitive, dangerous, and that has been declared illegal by a federal court. The primary motivation of the proposed bill is to take over an area of private business that took over a hundred years for private industry to build. It is a revenue booster for fire districts. It does not, however, improve response time or increase firefighter safety. As such, HB 1301 should be rejected.