

**United States Senate  
Commerce Committee**

***Hearing: Cable Franchising Authority  
Washington, DC  
January 31, 2006***

Testimony of Robert K. Johnson  
On behalf of  
Consumers for Cable Choice

Mr. Chairman and Members of the Committee:

My name is Bob Johnson. I am President of Consumers for Cable Choice, a national coalition of 38 consumer groups that collectively represent one million consumers. Our members are a diverse group of consumers from all socioeconomic, ethnic and demographic fabrics. They are bound together by one common thread—the cable television marketplace is dysfunctional and consumers are paying the price for that malady.

There is both good news and bad news in this diagnosis. That is because the subject of this hearing—Local Franchising Authority—encompasses both the affliction and the cure for America's stagnant cable television structure.

At the outset, let's be clear about the symptoms. Cable prices are high and going higher; customer service is abysmal; and service quality is uninspiring. The facts don't just speak, they scream.

- Cable rates have increased 86% in the past decade, according to the FCC. Let's put that in perspective. Technology is driving the cost of communication services down, not up. In the same time period that cable rates have shot up, the average cell phone bill has decreased 5.6% as usage tripled; the average long distance rate has dropped by 50%; and the price of a personal computer has declined by 78%. Even the price of electricity has dropped 6% in this time period. But the price of the basic expanded cable package to which four-fifths of cable consumers subscribe has gone up 86%. Perplexing? Guess what? It is getting worse. All the major cable companies have announced new rate increases for early 2006, led by Comcast's 6% nationwide increase, so that is another 6% on top of the 86%. Let's put this in real dollar terms. For example, look at the San Francisco Bay Area. There, rates have increased five times in 36 months, or 32% total in that timeframe....almost one percent per month. A consumer who paid \$36.20 per month just 36 months ago now will pay \$47.93 for exactly the same service. That is \$141 a year. The inescapable lesson in these numbers—technology drives down cost, unless that technology is held by a monopoly.

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- Customer service is abysmal. And, no matter how improbable, getting worse. In gauging the level of consumer frustration, consumers we polled agreed that the customer service provided by the IRS is superior to their cable company. In fact, they agreed by a 3-to-1 margin. While stark, this is hardly news. JD Power surveys annually document the low ranking of cable service, far below any other public service. While we all have personal anecdotal experiences, I did not really have a grasp for how pervasive and deep-rooted this frustration lies across the nation until we unveiled a new Web site—mycablenightmare.com. Our goal was to give consumers a chance to vent about customer service and channel that energy into positive action. Little did we know what we were about to unleash. In its first three months, mycablenightmare.com has attracted tens of thousands of hits with many consumers voicing their complaints about botched service appointments, inferior signal reception and uncaring customer service. We have even compiled top ten list, which I invite you to view on our Web site.
  
- As bad as perpetual price increases and lousy customer service may be, they pale to what is missing from today's cable service. That is—reach, innovation and consumer responsiveness. Let me tell you what I mean by each. As for reach, we will hear from another witness that cable still fails to provide connections to as many as 30 million households. Those are mainly in rural areas. But there is another segment of our economy that has been excluded from receipt of video services. That is small business. In a study conducted for C4CC by University of California economist Dr. Esteban Soriano, many small business owners indicated that they are unable to receive high-speed cable services because there is no service in the small office buildings and rental facilities in which they are located. Others indicated that they could only receive service if they agreed to pay connection and termination fees in the thousands of dollars. The impact is clear and unmistakable—the inability of competitors to freely provide video services to rural and small business customers is a serious economic impediment to our nation. Innovation is also a serious concern with today's cable marketplace. Video has the potential to offer truly amazing interactive services, services that will benefit all, from pre-school children to seniors and shut-ins. Today's cable industry, however, has not embraced the socially beneficial applications that are waiting in the wings. It is the cable industry's version of the movie Groundhog Day—consumers wake up to the same stagnant service everyday. Finally, consumer responsiveness is at an all-time low. Rather than giving consumers what they want, cable programming is offered only on a take-it-or-leave-it basis. The recent debate over a la carte pricing, where consumers can select the channels they want or reject those they do not want in their homes, is a prime example. Rather than listen to consumer concerns and wishes, cable's response has been a condescending “you don't understand” directed at consumers.

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But there lies the rub. On this issue, just like all the issues discussed, consumers do understand. They understand they are paying too much for indifferent service and little innovation, while video broadband technology literally explodes around them. They understand that competition in the video broadband market will turn this around because new technology is proven and ready to be deployed. They understand that it is up to their elected public officials to make it happen.

That is where you come in. Here is where you can provide the solution. Local franchise requirements are a vestige of the 1960s and beyond. They allow 33,000 local government units to individually set the terms of service for any new entrant that wants to provide an alternative to consumers. That is a process that has outlived its purpose. It is a process that was invented at a time when there were only three television networks. Now, instead of promoting consumer choice as it was originally intended, the LFA process has become a barrier to consumer choice.

The solution is simple and straightforward. Move the video franchise process to the state level. In doing so, however, maintain an obligation to pay local franchise fees and provide local institutional channels. This will allow new entrants to provide service on an expeditious basis and ensure local benefits. That is all that is required. Exemplary legislation like the Video Choice Act, sponsored by Senators Smith and Rockefeller, accomplishes this laudable goal, as do other proposals in formal and informal forms.

The problem and its adverse impact on hundreds of millions of Americans are clear. Today's cable system is dysfunctional—prices are artificially high and service quality is uniformly inferior. But the cure is readily available. Simply put, open the market to competitive forces. As you wisely did a decade ago with the Telecommunications Act of 1996, open the door to competition. Let consumers benefit from the market principles that make our economy great.

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