



The Research Bureau

Testimony on An Act Promoting Consumer Choice and Competition for Cable Service

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Thank you for the opportunity to testify on this important bill, which I believe will benefit the residents of the Commonwealth by improving cable service and lowering the cost.

Several years ago, when the City of Worcester had to renegotiate its cable service contract, the City Solicitor asked The Research Bureau to review contracts in other cities to determine what provisions would best serve the interests of the City and the subscribers. Based on our survey of cable contracts and practices in fifteen cities, we found that there are two aspects of service which we believe will be positively affected by the passage of this bill. It should lower the expanded rates charged by the provider and it should improve customer service.

Let's address the issue of rates first. As you know, rates for the basic service tier are the only rates that the government can regulate under Federal law, and such regulation can occur in communities where there is only one cable operator. If there is effective competition between cable operators in a community, then the basic rate is not regulated. In Worcester, between 1997 and 2007, the basic rate remained constant while expanded rates increased by 248%.

A 2004 study by the U.S. Government Accountability Office (GAO) found that competition between cable operators results in cable rates that are 15% lower than in communities without competition. Our research bore that out. In 2006, Boston's and Brookline's rate with two cable operators in each community was \$49.81, while Worcester's rate with one operator was \$57.59, or 15.6% higher. In addition, Worcester had fewer channels available.

One of the biggest obstacles to attracting new cable operators to a community is the time required to negotiate a franchise. By limiting that negotiating period to 90 days, this bill will mitigate that obstacle.

Introducing cable service competition into communities would also affect customer service. Under Federal law, municipalities can negotiate customer service standards. The cities we surveyed had various ways of measuring the performance of their cable operators, including holding performance hearings, monitoring customer service call centers, and conducting surveys. In some cases, the cities themselves have a unit that actively monitors performance. Worcester's contract called for periodic surveys of customers conducted by the cable provider to identify programming and services desired by subscribers. In the course of a ten-year contract, the provider conducted two surveys. In addition, the company did not consistently fulfill its FCC customer service requirements. However, it would have been extremely difficult for Worcester to have denied renewal based on the justifications provided in Section 626 of the 1984 Cable Act.¹ Even if a renewal had been successfully denied, there was no alternative cable provider. With greater competition, performance standards will be self-enforcing. If customers don't like the service provided, they have an alternative.

Given the meltdown in the economy and close to 9% unemployment, it is imperative that the Commonwealth seek out every opportunity where the private sector is willing to invest in infrastructure, expand the number of jobs, reduce costs to consumers, and provide better service. This bill will accomplish that.

¹ (1) the cable operator has not substantially complied with the material terms of the existing franchise and law, (2) the quality of the operator's service has not been reasonable in light of community needs, (3) the operator does not have the financial, legal, and technical ability to provide the services, or (4) the operator's franchise renewal proposal is not reasonable. If a municipality denies a provider a renewal license, the provider has the right to challenge the denial. A license denial in Massachusetts is first referred to the Massachusetts Cable Division. If the Division upholds the city's decision, the cable operator can appeal the denial in a U.S. district court.