

Statement of

The Honorable Russ Feingold

United States Senator
Wisconsin
February 11, 2004

Statement on Cable Rates
Senator Russ Feingold
February 11, 2004

I want to thank Chairman DeWine and Senator Kohl for convening this hearing on the continuing increase in cable rates. I believe this is a very important consumer issue and one on which Congress and the American people deserve some answers.

I am alarmed by the soaring cable rates that consumers in Wisconsin and across the country have had to endure. For too many years, I have been hearing from my constituents about the rising cost of basic cable and the many other services that are bundled together for the consumer like high-speed Internet connections, wireless phone service and digital television.

For all of the promises of more services for less money, since 1988, average cable rates have increased each year. Between the enactment of the Telecommunications Act of 1996 and today, rates have jumped by over 40 percent, almost three times the rate of inflation. In my home state of Wisconsin, the problem is exacerbated in rural communities where there is no meaningful competitor to the local cable operator.

Over the years, I have been actively engaged in efforts to foster true competition in the cable industry, and I hope today's hearing will help spur Congress to act responsibly. I am concerned that as more and more services are bundled together and companies claim to offer new "special" prices for these bundled services that we lose sight of the fact that already high prices actually keep getting higher.

About two-thirds of the households in this country rely on cable for their television programming. And more and more households receive their Internet services from a cable company as well. We now rely on cable for entertainment and information. More and more, cable has become part of the monthly budget for the average consumer. And instead of the cost going down because so many people now use the service, the cost just keeps rising.

What I hear time and time again is not that we need hundreds of channels or more bells and whistles for our televisions but rather that we need prices that families can afford. I believe that we have a responsibility to ensure that there is meaningful competition across the technological spectrum. Without competition, cable companies have no incentive to keep rates

low, and consumers have nowhere else to turn for the products they provide. As the GAO study confirms, when there is meaningful competition in a community, like a broadband or satellite service provider, then cable rates will decrease. I believe Congress has a responsibility to ensure that there is true competition in the marketplace.

According to the GAO report, cable companies charge 15-41 percent less for the exact same programming in areas where they face competition. If applied across the country, the savings for the American consumer would equal more than \$4 billion dollars.

So, I was more than a little surprised to read in a recent Business Week interview with Rupert Murdoch, the new owner of DirectTV, that when he was asked if he intended to undercut cable's prices, he said that he wasn't (quote) "going into a price war with anyone." If Rupert Murdoch isn't willing to compete then we need make sure our rules will allow someone else to offer the American people a better price.

I am looking forward to hearing about how Congress can protect new entrants in the marketplace. As we watch the providers of cable and satellite continue their vertical integration of the industry by controlling the distribution and production of content I wonder if an independent operator trying to reach homes across America today, like Ted Turner once did, would have the same opportunity?

Or have we gone so far in allowing the vertical integration between those who create the content and those who distribute the content that new entrepreneurs can never enter the marketplace with any realistic chance of survival?

Mr. Chairman, thank you again for holding this hearing.