

**STATEMENT OF COMMISSIONER JONATHAN S. ADELSTEIN
CONCURRING**

Re: Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992;

Statistical Report on Average Rates for Basic Service Cable Programming Service and Equipment – “Report on Cable Industry Prices” – Pursuant to Section 623(K) of the Communications Act of 1934, as amended, MM Docket No. 92-266

Once again we are presented with an annual *Report on Cable Industry Prices* showing the price Americans pay for cable service spiraling ever upward as cable companies continually report double digit increases in revenues and cash flow.¹ And once again this regular report provides insufficient data and analysis to explain how cable companies’ prices are growing at such tremendous rates, leaving both us and Congress without the information we need to know how best to combat rising prices.

The price to consumers for cable service increased an average of 5.2% this year to bring the ten year total price increase on cable television rates to a whopping 93%. Few other goods and services in America cost nearly twice today what they did in 1995. And as anyone would expect from looking at these ever rising prices, the cable companies behind them have swelling revenues year in and year out regardless of the overall American economy. Questions about both ascending prices to consumers and market dominance in the cable industry will be raised many times in other proceedings over the next year. Other than the most basic information that prices are continuing to rise and cable companies are consolidating and growing richer, this report does not give either us or the American people much information to work with in considering future related proceedings.

Over the years, I have consistently pointed out areas where these annual reports need more effort and also have offered many constructive suggestions to improve them. While I am happy to see the econometric analysis finally return in this report, I find its conclusion that cable companies are using unilateral market power to extort unreasonable prices sobering. Unfortunately, however, this appears to be the only positive improvement in the work done on these reports. While an international market comparison is made, it is made to a single foreign city – Hong Kong – clearly hand-picked to support a particular viewpoint. Whether one agrees with that viewpoint or not, a factual analysis such as this is no place to hand pick particular comparisons. Rather, as an expert agency, our analysis should include a broad comparison to many similarly situated foreign markets in order to give an accurate picture of cable competition at home and abroad.

Finally, the econometric analysis that addresses the impact of consolidation, mergers and vertical integration in the cable industry on consumer price is short on a meaningful and thoughtful discussion, beyond the model specification narrative.

The underlying facts analyzed in this annual report are generated solely from a survey of the cable companies and their responses are simply assumed to be accurate. The suggestion to perform an audit of some of these responses to see if we are really being told the truth has been on the table for years. For example, the cable companies attempt to explain their soaring prices through increases in the cost of programming content. How do we know this is the case when the only data we have is nothing more than what the cable companies decide to tell us? Also, there are some curious results shown in the raw data that are not addressed in the analysis. For example, there are some unexplained differences between the price increases in analog cable and the decreases or averaged miniscule increases in high quality digital

¹ ¶ 10, FN 11, *infra*.

service and equipment. However, we do not know what the experts think is the cause of this huge discrepancy, since no analysis was provided.

The lack of meaningful analysis in some areas and wealth of it in others lend this report to criticism. The huge inconsistency in what types of data and analysis will be included in any given year reinforce this weakness since it makes meaningful comparison of the reports nearly impossible. And the lack of auditing makes all the data in these reports suspect at best, especially on the data the cable companies use to justify their prices.

All of these deficiencies and inconsistencies make this report of limited use in examining a cable industry except to tell us what we already know: that consumers keep paying higher prices for cable year after year and that, regardless of economic climate, the cable companies keep posting huge annual profits. One conclusion that is easy to reach is that this market is in desperate need of competition. I am hopeful that the entrance of the telephone companies into this market will provide badly needed competition that can help keep a lid on prices and provide the incentive for innovation and new services for consumers.