

ASK YOURSELF WHY... CABLE RATES GOT SO HIGH

The first in a series of reports showing how American families are harmed by special interest campaign donations.

A report from the Common Cause Education Fund

BIG CABLE'S \$100 MILLION INVESTMENT IN WASHINGTON PAYS OFF

In the mid-1980s, Congress deregulated cable television, only to witness huge price increases. As a consequence, and over the veto of then-President George H.W. Bush, Congress re-regulated cable in 1992. The Federal Communications Commission mandated rate reductions that saved families an estimated \$3 billion.¹

But just four years later, in one of the biggest flip-flops in history, Congress reversed itself. It passed the Telecommunications Act of 1996. That Act freed the cable industry from nearly all curbs on rate hikes.

The Act lifted all regulation on rates for non-basic cable service, effective immediately for most small cable systems, and for all cable companies by 1999. Proponents in Congress argued that competition from satellite and phone companies that soon would offer video programming would keep prices down.²

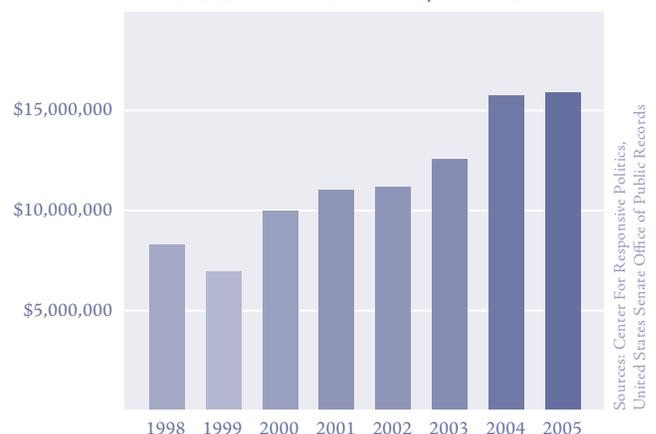
The competition Congress predicted did not materialize. As a result, cable rates have increased more than 90 percent since 1995.³ Now American families, on average, are paying more than \$45 a month for cable service.⁴

And while telephone and cable companies may be competing for high-end customers with packages that include high-speed Internet and digital cable, companies are not offering these special deals to every customer. In 2006, alone, for example, Comcast, the country's largest cable operator, hiked by 6 percent the price it charges for its standard cable package.⁵

A \$100 MILLION INVESTMENT

Between 1991 and 2006 major cable industry interests and their trade groups spent more than \$105 million on campaign contributions to federal candidates and on lobbying in Washington.⁶ The five members of Congress who currently hold key positions on the crucial House and Senate Commerce Committees alone have received more than half a million dollars in contributions from major cable interests since 1991. Contributions went both to members' candidate committees and their leadership political action committees (PACs).

TOTAL LOBBYING EXPENDITURES BY MAJOR CABLE COMPANIES AND TRADE ASSOCIATIONS, 1998-2005



Since 1991, big cable has given \$13.8 million to congressional candidates, nearly \$7.7 million to Republicans and a little more than \$6 million to Democrats. In addition, since 1998, the first year for which federal records were

available, major cable interests spent more than \$92 million lobbying in Washington.

Big cable's investment grew over the years. After Comcast acquired AT&T's cable operations in 2002,⁷ it became the largest cable provider in the country. Comcast's size instantly made it a target for activists and members of Congress.⁸

As a consequence, between 2003 and 2004, the company increased its spending on lobbying by nearly \$1 million.

Since 2003, big cable has ramped up its spending and giving in an effort to keep Congress and federal regulators from asking tough questions about cable mergers, derail any action to impose curbs on cable bills, and quash cable choice.

In 2003, major cable interests and their trade groups spent \$12.7 million lobbying Washington. By 2004, they hiked their spending by more than 25 percent to \$15.9 million. Likewise, in the entire 2004 election cycle, cable interests gave \$2.4 million to Congressional candidates. In the 2006 election cycle as reported by September 25, with six weeks remaining until the election, big cable had already given at least \$3 million to congressional candidates.

There were a number of reasons for the huge increase, but one was Sen. John McCain (R-AZ). In 2003, McCain asked the Government Accountability Office to investigate why cable rates kept going up. "One of two things will happen," McCain said of his effort to get to the bottom of skyrocketing rates. "Either cable is regulated or there is meaningful competition. And so far there doesn't seem to be real meaningful competition."⁹

Satellite television could have been a stronger competitor against cable. But in 2002, the Department of Justice and the Federal Communications Commission (FCC) both nixed a merger between DirecTV, owned by a subsidiary of General Motors, and EchoStar.¹⁰ The merger had the blessing of a consumer watchdog, Consumers Union, because it would have made satellite a stronger competitor against cable. "It's hard to understand how the FCC thinks that it's helping

consumers by blocking, rather than restructuring this deal," said Consumers Union's Gene Kimmelman. "The merger ... could have been structured in a way that helped consumers by making satellite TV a legitimate competitor to cable."¹¹

But in 2006, the FCC gave the green light to a \$17.6 billion merger¹² in which AOL Time Warner and Comcast absorbed the cable operations of Adelphia Communications Corp.,¹³ despite serious concerns about cable's increasing monopoly power. Congress failed to push federal regulators to impose meaningful conditions on the merger. "The result of this merger will be fewer choices and higher prices for consumers," said Ben Scott, policy director of media reform group, Free Press.¹⁴

WHY YOU CAN'T PICK AND CHOOSE THE CABLE CHANNELS YOU WANT

Big cable also used campaign contributions and lobbying to fight back efforts to give families more control over the programs they watched and over how much they paid in monthly cable bills.

Cable a la carte gives cable viewers the ability to pay for cable channels on a channel by channel basis, rather than having to pay for an entire "package" of cable channels, including ones they don't want or might find objectionable.¹⁵

Big cable has strenuously opposed a la carte cable, calling it "completely unnecessary" and a threat to diversity in programming.¹⁶ It is easy to understand why the cable industry would oppose it. On average, Americans view only about 17 cable channels, out of the more than 70 channels delivered to them via cable.¹⁷ To get the 17 channels it wants, a family might now be paying for a package including 64 channels, and costing, on average, more than \$45 a month.¹⁸ In contrast, a family in Hong Kong, where cable choice is possible, pays less than \$30 a month for 26 channels, 15 free

channels and 11 digital channels that can include HBO, ESPN, CNN Headline News, and the Discovery Channel. To get the same package of channels in the Washington, D.C. area would cost more than double that amount—\$82 a month.¹⁹

And big cable has prevailed in the debate over a la carte, despite opposition from FCC Chairman Kevin Martin. Martin in February 2006 released an FCC study backing his contention that giving viewers a choice of channels to buy could reduce their cable bills by 13 percent.²⁰ Martin also has said that a la carte would help parents have more control over their children's viewing habits.²¹

Not only the FCC, but also the AARP, Consumers Union, Consumer Federation of America, and the Parents Television Council all have come out in favor of a la carte television.²² Polls also have shown overwhelming public support for the concept.²³

Nevertheless, cable's clout in Congress helped keep a la carte at bay. On June 28, 2006, McCain offered an amendment to a Senate telecommunications bill that would have offered regulatory incentives to cable operators to offer the a la carte option to subscribers. The amendment was defeated by a vote of 20 to 2. Only Sen. Olympia Snowe (R-ME) joined McCain in support for the amendment.²⁴

PAC DONATIONS FROM MAJOR CABLE INTERESTS TO KEY MEMBERS OF CONGRESS SINCE 1991

Donation totals are based on disclosure reports submitted through September 25, 2006.
Includes donations to campaign committees and Leadership PACs.

MEMBER	LEADERSHIP POSITION	TOTAL
Sen. Ted Stevens (R-AK)	Chair, Commerce Science and Transportation Cmte	\$82,150
Sen. Daniel Inouye (D-HI)	Co-chair, Commerce Science and Transportation Cmte	\$50,999
Rep. Joe Barton (R-TX)	Chair, Energy and Commerce Cmte	\$145,998
Rep. John Dingell (D-MI)	Ranking Member, Energy and Commerce Cmte	\$158,284
Rep. Fred Upton (R-MI)	Chair, Telecommunications and the Internet Subcmte	\$118,997

Sources: PoliticalMoneyLine and the Federal Election Commission

TOTAL PAC DONATIONS FROM MAJOR CABLE INTERESTS TO FEDERAL CANDIDATE COMMITTEES AND LEADERSHIP PACS SINCE 1991

Donation totals are based on disclosure reports submitted through September 25, 2006.

PAC NAME	DEMOCRATS	REPUBLICANS	TOTAL
National Cable and Telecom Assn	\$2,619,468	\$3,821,011	\$6,440,479
Time Warner	\$1,359,425	\$1,413,529	\$2,772,954
Comcast Corp	\$1,146,011	\$1,370,517	\$2,516,528
Cablevision Systems	\$454,880	\$238,575	\$693,455
Tele-Communications Inc#	\$181,450	\$240,025	\$421,475
MediaOne Group^	\$120,050	\$155,133	\$275,183
Adelphia Communications	\$36,850	\$108,756	\$145,606
Charter Communications	\$66,250	\$53,375	\$119,625
Others	\$161,350	\$280,190	\$441,540
Total	\$6,145,734	\$7,681,111	\$13,826,845

#Bought by AT&T in 1999 ^Bought by AT&T in 2000

Sources: PoliticalMoneyLine and the Federal Election Commission

ENDNOTES

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- 6 Statistics from Common Cause and Center for Responsive Politics.
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- 23 Statement of Sen. John McCain before the Senate Commerce, Science & Transportation Committee, 28 Jun. 2006.
- 24 "Senate Committee Approval of Communications Bill Tees Up Talks for Filibuster-proof Support," *Telecommunications Reports*, 15 July 2006.