

Verizon Cable/Video IP Service Testimonial – Mayor 1
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There are two major advantages to creating regulations that would allow for a single, statewide cable franchise approval process: Competition and Increased revenues for cities like mine.

First, let me address competition. It is a matter of history that markets that are allowed to operate under little or no competition, eventually see a deterioration in the quality of goods and services available with a simultaneous increase in the prices consumers are required to pay to receive the lower quality items.

As you know, this basic fact of market dynamics is exactly why anti-trust laws exist. Yet this summary almost perfectly encapsulates the current cable market in New Jersey. For more than 22 years viewers have been severely restricted in their cable options. In fact, only within the past few years has satellite programs made any headway in providing a second choice. Even, then progress has been slow. Currently satellite services only command 12% to 15% of the New Jersey video market. This is substantially below the national average of 21%. Clearly, competition is not thriving in the cable industry here in New Jersey.

This lack of competition represents a significant disservice to our residents. I recognize that this is a fairly bold statement. However, I do not make this statement without a substantial amount of backing.

As Mayor of the city of XXXX I represent over XXXX residents. Being close to the people, my office serves as a first reception point for complaints. Many of these complaints that we deal with are directly related to the poor customer service to which cable companies are subjecting residents. Unfortunately, when dealing with these complaints, the current monopolistic environment that exists has tied our hands. We cannot tell them to switch providers and poor customer service is not yet a finable offense in my city. But it is frustrating and unquestionably our residents deserve better.

As frustrating as poor service quality and lackluster customer skills can be, they are hardly considered painful when compared to the second blow that monopolies deliver to consumers: High prices.

For years now, cable companies, void of competition, have enjoyed the luxury of being able to essentially charge what they want for their services. During the past five years alone, the cost of cable services has risen by more than 38%. This is totally contrary to the typical price cycle that is seen in the technology world, which runs something like this: New technologies are introduced at rather high prices. Initially, few purchasers embrace the new gadget or service because it is cost prohibitive. However as time goes on, competition and slow sales force the providers to find less expensive, higher quality ways to distribute or manufacture their products or services. Consequently, prices follow a steady downward trend as quality increases.

Perhaps no better example of this process exists in the country today than the cell phone industry. 15 years ago most cell phones were also commonly referred to “brick phones” because of their size and weight. Minutes were extremely expensive, voice quality and reception were scratchy at best and coverage areas were limited to significant metropolis areas. Consequently market penetration was under 10% and struggling. Today the difference is beyond radically different: Coast to coast coverage, crystal clear voice quality, and a price point that continues to see a consistent decline.

Unfortunately, cable companies have done little to advance their technologies and as indicated before, their prices continue to escalate.

Some have unnecessarily speculated on what the effects of competition would be to the cable industry. Fortunately, we have need look no further than Keller, TX to answer these speculations. Not long ago, Keller, TX simplified their franchise process and flung open their doors to cable competitors. The Verizon FIOS service entered the arena providing exceptional quality of service and the latest technologies at a price comfortably lower than you would pay for standard cable service. The impact was almost instantaneous. In order to avoid losing large portions of their customer base, cable companies began reducing their prices and customer representative performance took a dramatic turn for the better.

Now, let me turn your attention to the next major benefit of creating a streamlined franchising process for competitive companies hoping to enter the cable market in New Jersey: Increased revenues.

The current proposal to allow more competition to enter the cable arena stipulates an increase in franchise fees. More competitors paying a higher fee will have a direct impact on cities like mine. One extremely positive impact is that city revenues will be increase without increase citizens’ tax burdens. This new revenue stream can be used to boost police forces, pave new roads, repair old roads, help with school funding needs and countless other benefits to residents. They are funds that are desperately needed and funds that we simply do not have today.

In conclusion, let me make it clear that I am strongly in favor of opening the environment for companies like Verizon to provide increased competition as they bring the latest video technologies into New Jersey. If companies are forced to follow the current process of introducing new cable-TV services they are likely never to attempt to enter the market. The process, which can take more than 18 months per city consumers unimaginable amounts of resources for companies and diverts a tremendous number of valuable city resources away to complete, is simply too costly and too time consuming. Reforms are urgently needed.

Thank you.