

**Does Cable Competition Really Work?**  
**A Survey Of Cable TV Subscribers In Texas**

**The American Consumer Institute**  
*Advocating Smart Consumer Policies*

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**Table Of Contents**

	<b><u>Page</u></b>
<b>Executive Summary</b>	<b>2</b>
<b>I. The Need For Cable TV Competition</b>	<b>4</b>
<b>II. Evidence That Competition Lowers Consumer Prices</b>	<b>5</b>
<b>III. Do Consumers Really Benefit From Competition, And When?</b>	<b>7</b>
<b>IV. Survey Methodology</b>	<b>8</b>
A. Sample Frame And Size	8
B. Statistical Validity	9
<b>V. Survey Results</b>	<b>10</b>
A. Market Concentration Falls Quickly	10
B. Competitive And Incumbent Prices Fall	11
C. Market Churn Increases	13
D. Customers Not Switching Also Benefit	14
E. Entry Stimulates New Customers And Demand	14
F. Consumers Want Competition	15
<b>VI. Consumer Welfare Effects</b>	<b>15</b>
<b>VII. Franchise Fees Are Not At Risk</b>	<b>17</b>
<b>VIII. Conclusion</b>	<b>18</b>
<b>APPENDIX</b>	<b>19</b>
• Texas Video Competition Survey	20
• Verbatim Comments Regarding Competition	23
➤ Consumers Subscribing To Competitive Providers	23
➤ Consumers Subscribing To Incumbent Providers	25
➤ Consumers Subscribing To Satellite TV Providers	29
<b>About The American Consumer Institute</b>	<b>32</b>

## **Does Cable Competition Really Work? A Survey Of Cable TV Subscribers In Texas**

### **Executive Summary**

Citing high and rising cable TV prices, a recent American Consumer Institute (the Institute) study reported that consumers would save \$107 billion of dollars over the next five years, if cable TV markets were competitive.<sup>1</sup> Similarly, the Federal Communications Commission (FCC) concluded that wireline competition – competition from new cable providers like Knology, OneSource, RCN, AT&T and Verizon – would produce the biggest savings for consumers, lowering cable TV prices by a whopping 27% per channel.<sup>2</sup> Intent on speeding consumer benefits from competition, Texas lawmakers recently passed legislation that seeks to encourage market entry by streamlining the typically slow-moving local franchising process.

The Institute wanted to gauge if there was already evidence of consumer benefits from emerging cable TV competition and, if so, how long did it take for these benefits to materialize? This study reports on a survey of 883 cable consumers living in three newly competitive portions of three Texas communities – namely, in Keller, Plano and Lewisville. All of these communities have had wireline-based competition for less than six months.<sup>3</sup> The survey asked consumers if they were aware that cable TV competition existed in their community. The survey also asked consumers if they had switched cable TV or video providers in the last 6 months, and if they saved on their cable TV bill as a result of competition. The key findings of the survey include:

- *Declining Concentration.* In newly competitive markets, the competitor had captured nearly 20% of share, indicating that consumers *do* want more choice.
- *High Market Churn.* 22% of consumers reported to have switched their cable TV or video provider in the last six months, about 50% percent annually.
- *Declining Prices.* One in six consumers reported savings money on their cable service subscription as a direct result of competition, and most consumers were aware of the new competitor.
- *Switching Saves.* Half of those switching service providers reported significant savings off their cable bills, averaging \$22.30 per month.
- *Price Competition.* Some consumers stayed with their incumbent provider and reported to have saved, on average, \$26.83 per month off their average cable TV

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<sup>1</sup> “An Analysis of Cable TV Service: Are Older Consumer Losing Out?” The American Consumer Institute, Reston, VA, Oct. 17, 2005.

<sup>2</sup> Compared to Satellite and wireless competitors, consumer prices were lowest when wireline competitors served the cable TV market. Price savings based on price per cable channel. See “Report on Cable Industry Prices,” FCC, MM Docket No. 92-266, released Feb. 4, 2005.

<sup>3</sup> The survey asked 1,077 consumers whether they subscribed to cable or video service and found 883 that did. Based on this, we estimate the 36,000 households have cable TV or video service in the study area of 44,000 households.

bill, as a direct result of competition. This provides evidence that competition quickly puts downward pressure on incumbent prices.

- *Bigger Market.* This study finds that wireline competition expands the total size of the cable TV and video market. This means that competition should not adversely affect the local franchising fees that local governments collect from wireline providers and use to support public access channels and other community services.

The study finds that competition works, even in a period of less than 6 months. Using the results of the survey, the current level of consumer benefits, as measured by consumer welfare, was found to be immense. Currently, the competitive portions of these communities are realizing \$2.4 million in consumer benefits per year as a result of lower cable TV and video prices. That number will likely increase to \$14.1 million per year as competition continues to develop in these areas, and as consumers become more aware of competitive choices and prices. If these estimated consumer welfare benefits could be replicated across the U.S., this study finds that consumers would receive \$23.0 billion in benefits per year, or approximately \$19 per month per household. This estimate is well in line with the estimate from the Institute's initial study. This estimate is also conservative, since it excludes nonprice benefits, such as the fact that cable competition appears to stimulate broadband subscription. That fact suggests that if public policies encourage cable TV and video investment, then they encourage broadband deployment as well.

In summary, the results of the survey demonstrate that consumer benefits of cable TV and video services competition come quickly and are quite significant. The evidence presented in this study shows that competition works to produce lower prices and sizable consumer benefits. This supports the need to streamline the local franchise process and to encourage competitive entry, as was accomplished in Texas.

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### **I. The Need For Cable TV Competition**

The recent study by the American Consumer Institute, *An Analysis of Cable TV Services: Are Older Consumers Losing Out*, summarized numerous government data showing that cable TV service prices are too high and are increasing nearly three times the rate of inflation.<sup>4</sup> The Institute's study concluded that the lack of competition was behind the apparent high cable TV prices. Citing a Federal Communications Commission (FCC) report, the Institute's study finds that cable TV prices would have been 27% lower per channel, if only wireline competition been present.<sup>5</sup> While satellite TV offers some level of competition, according to a United States General Accounting Office report, satellite services are significantly less competitive in markets where cable TV operators offer advanced services, which holds true in most cable TV markets.<sup>6</sup> Based on these government data, the Institute's recent study estimated that, in the absence of effective competition, consumers would pay \$107 billion of dollars too much for cable TV services over the next five years with older consumers being among the most effected.

Despite the promise of benefits from competition, cable TV prices continue to increase unabated. Citing fourteen cable markets, Bernstein Research reported that Comcast has increased prices for expanded basic service by an average of 6.7% in just the last month.<sup>7</sup> Cable TV's high and rising prices pose risks for consumers, a risk that more competition would alleviate.

In exploring ways in which to speed market entry, researchers and policymakers have honed in on the local government's role as the regulatory authority over cable TV and video operators.<sup>8</sup> Several studies have cited the local franchise authority (LFA) approval process as a barrier to entry.<sup>9</sup> Because many view the LFA process as costly and time-consuming, recent federal and state initiatives have sought to limit local

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<sup>4</sup> "An Analysis of Cable TV Services: Are Older Consumers Losing Out?" The American Consumer Institute, Reston, VA, October 17, 2005.

<sup>5</sup> Compared to Satellite and wireless competitors, consumer prices were lowest when the cable TV market was served by wireline competitors. See "Report on Cable Industry Prices," FCC, MM Docket No. 92-266, released Feb. 4, 2005.

<sup>6</sup> See "Direct Broadcast Satellite Subscribership Has Grown Up Rapidly, but Varies Across Different Types of Markets," General Accounting Office, GAO-05-257, Washington, DC, April 2005.

<sup>7</sup> Bernstein Research, *Weekly Notes*, Dec. 16, 2005, p.3.

<sup>8</sup> This report will sometimes refer to these local government regulators as *Local Franchising Authorities* (LFAs).

<sup>9</sup> For example, see Kent Lassman, "Franchising in the Local Communications Market: A Primer and Discussion of Three Questions," The Progress and Freedom Foundation, Progress on Point Release 12.9, Washington, DC, June 2005; and Thomas W. Hazlett, "Wiring the Constitution for Cable," *Cato Institute*, Vol. 12, No. 1, 1988.

government's role in franchising cable TV operators. Recognizing a need to streamline the entry of cable TV operators, federal and state legislative proposals have directed their focus on limiting and eliminating the role of municipalities on franchising cable and video operators. For instance, on November 18, 2005, the FCC announced a Notice of Proposed Rulemaking (NPRM) to investigate whether the franchise process represents a barrier to entry and whether the FCC has a role in streamlining the process. In the U.S. Senate, Sen. Smith (R-Ore) and Sen. Rockefeller (D-WV) have introduced the Video Choice Act of 2005 (S-1349), which limits local authority over cable franchising process. In the House of Representatives, Rep. Blackburn (R-Tenn.) and Rep. Wynn (D-Md.) have introduced a similar bill (HR-3146).

In Texas, law now permits cable providers to apply for a statewide franchise, altogether circumventing the local franchise application process.<sup>10</sup> That law eliminates local franchising authority and gives the state public utilities commission the task of accepting and approving cable TV applications. In just 5 days after the Texas bill was signed into law, the first application was submitted to the Texas Public Utilities Commission. In fact, in just 32 days, six applications were submitted and approved, covering approximately 83 areas, counties, and cities. These applications included both large and small cable TV providers. Several of these providers already serve customers, and one has committed nearly \$1 billion of investments to doing so.<sup>11</sup> The Texas governor credits this legislation as being responsible for bringing broadband services to 71 underserved communities.<sup>12</sup> In short, passage of the Texas bill showed that competitors were, for whatever reason, hesitant to go through the local franchising process.<sup>13</sup> Other states have shown interest in streamlining local regulation as well.<sup>14</sup> There is clearly political momentum toward streamlining the franchise process, possibly moving to a statewide or federal franchising process.

## II. Evidence That Competition Lowers Consumer Prices

Economic theory says that unregulated monopolies restrict output and charge higher prices. So, it should follow that competition would lead to lower prices and stimulate demand. A review of studies and various sources of data demonstrate that cable TV monopolists do, in fact, charge higher prices. To begin with, the previously mentioned FCC and the Institute studies provide evidence that cable prices are high and increasing much faster than inflation. Other government agencies have also released data indicating that cable prices have increased briskly, including data from the U.S. General Accounting Office and the U.S. Bureau of Labor Statistic's Consumer Price Index. This

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<sup>10</sup> Texas Senate Bill 21 gives streamlined franchising authority to the state. This will be referred to as *the Texas bill*.

<sup>11</sup> "SBC: Texas Policy Changes Bring \$800 million in New Technology for State Consumer," SBC, Nov. 17, 2005.

<sup>12</sup> "Broadband," *Technology Daily*, Feb. 17, 2006.

<sup>13</sup> This study will not review the body of literature detailing the delays and costs facing franchise applications.

<sup>14</sup> Proposals have surfaced in many states, including Virginia, New Jersey, Missouri and Indiana. For example see, Linda Haugsted, "Franchise Battle Heats Up in N.J.," *Multichannel News*, Oct. 31, 2005.

was also the conclusion of a study by the Perryman Group.<sup>15</sup> Therefore, high cable TV prices are consistent with what would be expected from an unregulated, profit-maximizing monopolist.

Economic theory would also suggest that competition would yield consumer welfare benefits through lower prices and stimulated demand. This too is confirmed in numerous studies, including a study by the American Consumer Institute, as well as studies independently done by the Mercatus Center and the Phoenix Center – all of which estimated billions of dollars of annual consumer benefits.<sup>16</sup>

Competition also appears to be heightened by intermodal rivalry. For example, some evidence suggests that consumers can save when they buy a bundle of communication services – cable TV, telephone and Internet services. Specifically, investor analyst reports cite lower prices as a risk of service bundling.<sup>17</sup> Newspapers have cited sizable price reductions when cable services are bundled with other communication services,<sup>18</sup> with some reporting 50% price decreases.<sup>19</sup>

In newly competitive markets, prices appear to be falling, whereas they continue to increase in markets without competition. A recent Bank of America analysis that compared video prices in markets in Texas, Florida and Virginia showed that cable TV incumbents set prices significantly lower in competitive markets, but kept prices higher in monopoly markets. Specifically, their analysis found that cable incumbents generally matched or beat the prices of their rivals in competitive markets, while charging prices between 40% and 75% higher in other markets.<sup>20</sup> Some of the incumbent discounts were stealthily unadvertised and offered only when customers threatened to switch to a competitor.<sup>21</sup> Therefore, heavy discount prices are being offered to consumers in competitive markets, while consumers in markets absent of competition face intentionally higher prices. The fact that competition leads to lower prices may explain why cable monopolies oppose statewide franchising.

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<sup>15</sup> “An Assessment of the Impact of Competition in the Delivery of Wireline Video Services on Business Activity in Texas,” The Perryman Group, Waco, TX, July 2005.

<sup>16</sup> See fn. 1 for the Institute’s study. Also, see “Public Comment on Video Franchising,” Mercatus Center, George Mason University, FCC MB Docket No. 05-311 and No. 05-189, Feb. 13, 2006; and George S. Ford, Thomas M. Koutsky and Lawrence J. Spiwak, “The Impact of Video Service Regulation on the Construction of Broadband Networks to Low-Income Households,” Phoenix Center, Policy Paper No. 23, Sept. 2005.

<sup>17</sup> For example, see Jason Bazinet and Michael Rollins, “Share Wars – Expansive Pricing Survey Shows Deflationary Risks,” Citigroup, Communications Markets, January 26, 2006.

<sup>18</sup> Anthony Massucci, “Charter, Facing Verizon’s FiOS Threat, Cuts Prices,” *Bloomberg Business News*, Oct. 4, 2005; Jerri Stroud, “SBC Wants Statewide TV Franchise,” *St. Louis Post-Dispatch*, Oct. 8, 2005; and Dave Gussow, “Verizon’s Arrival Cuts Cable Prices in Dallas Area,” *St. Petersburg Times*, Oct. 10, 2005.

<sup>19</sup> Phil Kerpen, “Untangle the Telecom Regulation Wires,” *Newsday*, Oct. 6, 2005.

<sup>20</sup> David W. Barden, et. al. “Battle for the Bundle,” Bank of America, Equity Research, Wireline & Wireless Telecommunications Services, January 23, 2006, p. 10.

<sup>21</sup> *Ibid.*

In terms of marketing and advertising, there is circumstantial evidence that cable operators have dropped price to coincide with market entry. These tactics may be part of the incumbents' strategy to lock-in customers into higher priced plans just before lower competitive prices can be offered. For example, Verizon Communications in Keller (Texas) began taking video orders on September 22, 2005, while Charter Communications (the primary incumbent) offered its existing cable customers discount packages in return for a one-year commitment in July.<sup>22</sup> One month before Verizon signed its first customer in Keller, Charter offered consumers its family tier for three months at \$39.99.<sup>23</sup> Fairfax County (Virginia) and neighboring Fairfax City receive franchise approval on September 26, 2005 and September 27, 2005, respectively, and coincidentally, in September 2005, Cox cable (the incumbent) offered Fairfax consumers "Cox Digital Cable for ½ price for 6 months."<sup>24</sup> Later, as Verizon began to roll out its services for the first time, Cox offered a six-month discount consisting of high-speed Internet, digital cable, local telephone services and 100 free domestic long distance minutes per month for \$74.99.<sup>25</sup> On February 1, 2006, Verizon began serving portions of Manatee County (Florida),<sup>26</sup> while the week before customers were given \$340 in discounts and upgrades for one year.<sup>27</sup>

Cutthroat-like advertising is not necessarily a bad thing, since it is the means by which consumer benefit with lower prices. However, if customers are being locked into modestly discounted packages before competition arrives, then consumers would not quickly see the full benefits of competition.

### **III. Do Consumer Really Benefit From Competition, And When?**

Theories, studies of predictions, and anecdotal evidence all suggest that consumers benefit from competition, and that consumers are paying too much for monopoly cable TV services. However, once competitive entry occurs, it will take some time for consumers to know that competition even exists, shop and compare prices, switch to a lower priced competitors, and have the service installed. Some consumers may not want to be bothered. This raises a question – do consumer really benefit significantly and quickly once cable TV competition arrives? If speeding competition is important as those advocating state franchising suggest, then the benefits of competitive entry should be evident and develop soon after entry.

This study surveys consumers about their experiences with cable TV competition. In order to get meaningful results, the Institute surveyed consumers living in newly competitive markets in Texas. Texas was selected because it contains several examples

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<sup>22</sup> "Lower your Cable Bill or Get More Channels or Add High Speed Internet or ALL OF THE ABOVE." Charter Communications, flier for existing "Charter Cable (Keller Customers), approximately July 2005.

<sup>23</sup> "It's a Big Planet Dive In," Charter Communications, mail adverting, Delivered by Aug.24, 2005.

<sup>24</sup> "Cox Communications Now Offers Cox Digital Telephone!" Cox Communications, flier, approximately September 2005.

<sup>25</sup> Cox Communications, flier, offer #2532, approximately Nov. 2005.

<sup>26</sup> "Verizon Expands FiOS TV Availability in Florida to Southern Manatee," News Release, Verizon Communications, Feb. 1, 2006, available at [www.verizon.com](http://www.verizon.com).

<sup>27</sup> Lauren Mayk, "Cable Battle Heats Up," *Herald Tribune*, Feb. 5, 2006.

of developing competition, and it is the only state permitting statewide cable franchising. With cable TV competition being so limited in the U.S., it is hoped that these developing competitive markets in Texas will give insight into what to expect if public policies are successful in streamlining franchising and encouraging competition elsewhere in the U.S.

The survey looked at the early stages of competition – namely, markets where competition has existed for only a few months. The survey inquired about consumer awareness of competition, and asked questions in the following areas:

- What are consumer’s attitudes toward competition?
- Do consumers save if they switch to a cable competitor, and by how much?
- Do incumbents lower prices as a competitive response, and are consumers realizing these benefits?
- When consumers switch providers, do they do it for lower price alone?
- How much do consumers pay for cable TV services and what do they buy?
- Are satellite subscribers affected by competition?
- If prices fall, is demand stimulated?
- Do competitive benefits materialize quickly, within a few months of competitive operations, or have promises of competitive benefits been exaggerated?

This survey addresses these and other questions in an assessment of the early stages of competition in Texas. These results provide the clearest glimpse to date about how much and how quickly consumers benefit from competition. This information may be helpful to policymakers in assessing the importance of speeding competitive entry.

#### **IV. Survey Methodology**

##### *A. Sample Frame And Size*

In order to understand if consumers are truly benefiting from competition and whether any benefits come soon after entry, 1,077 Texans were surveyed with 883 identified as subscribing to pay TV or cable TV services.<sup>28</sup> These subscribers were then asked about their experiences with competition in their community.<sup>29</sup> The survey considered competitive areas offered by Verizon Communications in Texas, and selected four markets where entry was only a few months old and where Verizon was already signing up customers – including Keller, Plano and two areas within Lewisville. At the time of the survey, Keller was the most developed competitive area, having signed up customers over the last five months, while the other areas were starting up service.

The survey targeted telephone exchanges in competitive areas of these cities, and eliminated two exchanges that were predominantly business. While the sample frame can be generally regarded as customer living in areas that have wireline-based cable TV competition, it is possible that a small number of surveyed consumers were actually living just adjacent to a competitive area. It is also possible that the surveyed areas were

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<sup>28</sup> The percent of video and cable households is accurate within a plus or minus 2.95%.

<sup>29</sup> The survey is attached in the **Appendix** of this study.

still under construction or had only recently been made operational, limiting competitor's opportunity to notify its potential customers service offerings. Even in the most competitive areas, it is possible that some customers were not notified, while other customers did not notice, nor remember any solicitation by mail, flyer or telemarketers. In all instances, Verizon had served these markets for less than six months. All in all, the sample captures a range of consumers living in areas where competition is in various stages of early development. In this respect, the results will provide a good cross-section of consumer perceptions regarding nascent cable TV competition.

### *B. Statistical Validity*

The survey was designed and conducted using rigorous survey research methods. Those responsible for writing, conducting and reporting the survey results have substantial knowledge of survey research methods, including previous publication in journals and government reports. The sample population was drawn randomly from known competitive telephone exchanges, using a widely used database for survey research, Survey Sampling International. The survey was pre-tested prior to its implementation.

The Research Network independently conducted the survey from February 4th to 13th of 2006. Respondents were limited to adults over the age of 18. Hispanic translation and interviewing was made available. A two-stage modified Mitofsky-Waksberg method developed the sample utilizing a five-callback rule before replacement. As mentioned, the sample frame was based on known telephone exchanges in areas where multiple competitors provided cable TV service. The response rate was 37%, with a 92.5% completion rate. In comparison, this completion rate was substantially higher than the 60% average for national telephone interviews.<sup>30</sup> Cases of unknown eligibility, such as answering machines, busy signals, no answer, and known ineligibility, such as disconnected numbers, businesses, and fax numbers, were excluded from this calculation as recommended by the American Association for Public Opinion Research.

The sample size for the survey is sufficiently high to permit statements with reasonable statistical accuracy. The sample of 883 cable TV subscribers provides a confidence interval of plus or minus 3.26%, in the worse case.<sup>31</sup> Finally, the results were cross-tabulated for those who switched services verses those who did not switch, as well as other relevant factors. Because sample size is an important determinant of the statistical validity and reliability of the results, caution should be exercised for those subgroups containing small sample sizes.

In summary, this survey was pre-tested and validated, used sound and well-accepted methods for survey research, and should accurately reflect the opinions of consumers living in newly competitive cable TV service markets.

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<sup>30</sup> H. Weisberg, J. A. Krosnick, B. and Bowen, *Introduction to Survey Research and Data Analysis*, Scott, Foresman, Chicago, Illinois, 1989.

<sup>31</sup> This assumes that responses are evenly split between two choices. Actual reliability will vary depending on the number of respondents to a particular question and the number of answers to the question, as well as other factors.

## V. Survey Results

This section summarizes the survey results of Texas consumers and their experiences with emerging cable and video competition, including data on changes in market share, churn, price, demand and other factors related to competition.

### *A. Market Concentration Falls Quickly*

Market concentration is a standard indicator of market power and anticompetitive risks.<sup>32</sup> The survey of 883 consumers gives a clear picture of how market concentration falls soon after competitive entry occurs. Before entry, Charter Communications was the primary wireline provider in Keller, and Comcast Communications dominated in Plano and Lewisville. Except for a small overbuilder,<sup>33</sup> satellite was the only alternative for cable TV, accounting for over one-third of the market.<sup>34</sup>

After entry, however, market concentration shifted quickly and significantly. According to the survey results, after only a few months of competition, Verizon Communications garnered 19% of the combined market. Verizon's success was most obvious in its longest served and most developed market, Keller, where it accounted for remarkable 31% of market share, compared to 22% for Charter.<sup>35</sup> In its more nascent markets of Plano and Lewisville, Verizon achieved over 5% of the market share, compared to 63% for Comcast.<sup>36</sup> From this, it can be concluded that some consumers are switching, and rather soon after competitive entry occurs. This suggests that some consumers are indeed looking for choices, and it may suggest that price competition is occurring.<sup>37</sup>

**Figure 1** summarizes the market concentration resulting from competition. Across all surveyed areas, the incumbents had 42% market share, with Comcast having 30% share and Charter having 12% share. For satellite, Dish Network and Direct TV accounted for 21% and 15%, respectively. The competitors, consisting of Verizon and OneSource, had 20% of the market. Therefore, Verizon's entry into the cable TV and video service markets reduced industry concentration. Economic theory suggestions that this is likely to yield consumer benefits in the form of lower market prices.

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<sup>32</sup> For instance, the Federal Trade Commission and United States Justice Department use measures of industry concentration when evaluating the potential anticompetitive risks from mergers.

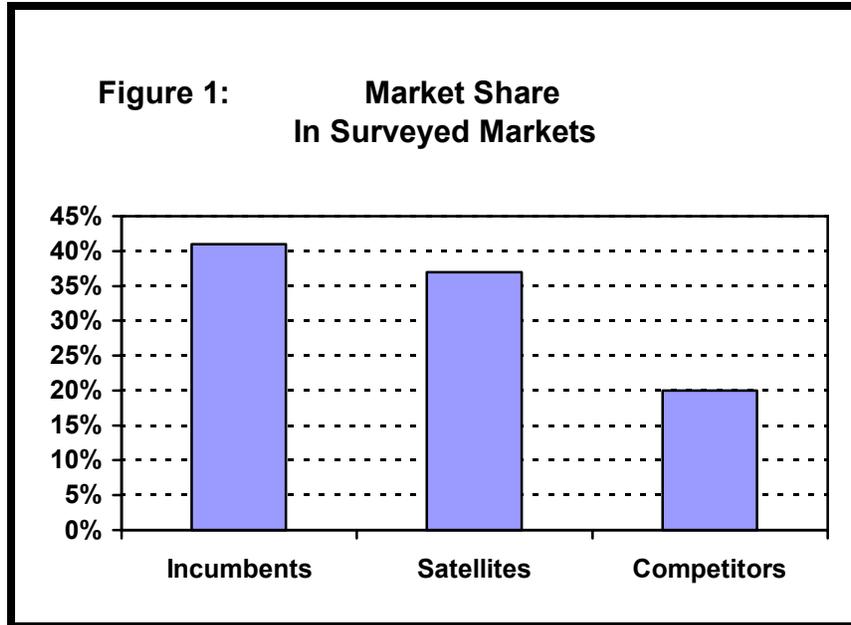
<sup>33</sup> OneSource accounts for 2% of the Keller market. Some respondents did not identify their provider and could not be classified.

<sup>34</sup> As previously mentioned, the presence of satellite service providers has been shown to have only modest effect on market pricing, and, where cable incumbents offer high-speed services, satellite services have a significantly lower market penetration. See "Direct Broadcast Satellite Subscribership Has Grown Up Rapidly, but Varies Across Different Types of Markets," General Accounting Office, GAO-05-257, Washington, DC, April 2005; and "Report on Cable Industry Prices," FCC, MM Docket No. 92-266, released Feb. 4, 2005.

<sup>35</sup> This statistic has a confidence limit of plus or minus 4.30%, based on 405 consumers surveyed.

<sup>36</sup> Verizon achieved 10% of the market in Lewisville, and, in newly opened Plano, attained 1%.

<sup>37</sup> This possibility will be explored later in this section.



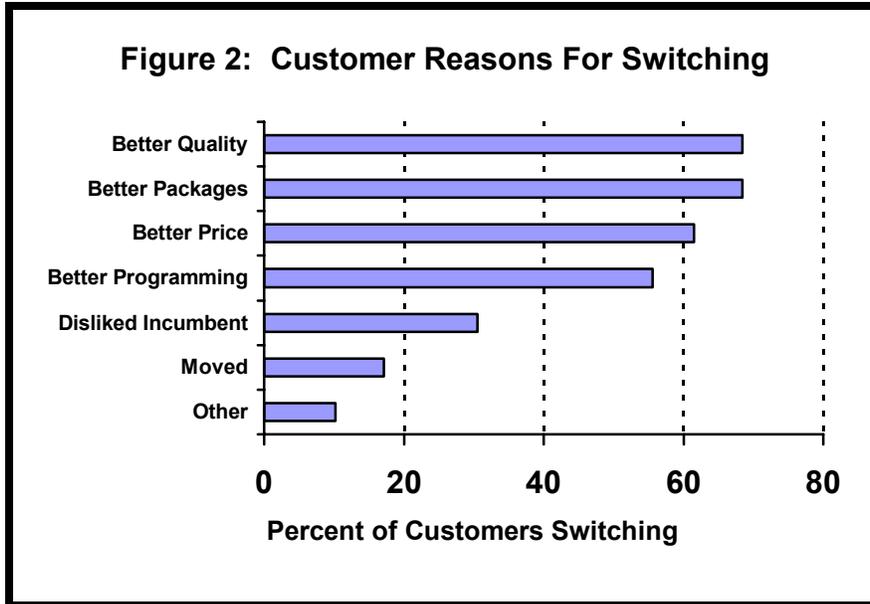
*B. Competitive And Incumbent Prices Fall*

The benefits claimed by those who switched were very substantial. According to the survey, customers that claimed benefits from switching to a competitor saved, on average, \$22.50 per month on their cable bill, and those switching to any provider saved, on average, \$22.27 per month. This suggests that price competition is occurring among the providers. For these customers, the savings represented approximately a 30% decrease in price, which is nearly identical to the FCC's estimate of 27% lower price per channel in competitive markets.<sup>38</sup> From this, we can safely assume that the new competitor dropped prices and incumbents responded – either preemptively or post-entry – by offering similar discounts. The result is that competitive entry has led to heightened price competition, and, as a result, consumers are saving. Clearly, some consumers are benefiting because competitors have lower prices.

However, there is some evidence that consumers did not switch solely on price. As **Figure 2** shows, along with price, quality and packaging were major reasons for switching cable providers.<sup>39</sup> Clearly some consumers switched for other reasons. This corroborated by the fact that only half (48%) of customers that switched reported a reduction on their monthly cable TV bills. In fact, 15% reported an increase in their monthly fee, presumably because they demanded more services or different options that were not previously available.

<sup>38</sup> See “Report on Cable Industry Prices,” FCC, MM Docket No. 92-266, released Feb. 4, 2005.

<sup>39</sup> Among the other reasons for switching are free DVRs, dissatisfaction with the old provider's customer service, likes online bill paying, and likes consolidated of bills.



As **Figure 3** shows, there is evidence, in fact, that when consumers switched to a competitor, they are more likely buy expanded services, demand digital and high-definition features, and want a Digital Video Recorder (DVR) and its features. Also, consumers flock to competitors in order to buy bundled services, presumably because they were able to save money.<sup>40</sup> This demonstrates clear consumer benefits – as prices fell, consumers demanded more service. The sizable savings from consolidation and consumer welfare benefits from buying new services cannot be measured by simple savings, but are nonetheless meaningful consumer benefits.

**Figure 3: What Cable and Video Consumers Buy Varies By Service Provider**

	<u>Competitors</u>	<u>All Other Providers</u>
<b>Expanded Basic</b>	83%	71%
<b>Digital Cable</b>	67%	47%
<b>Premium Channels</b>	43%	45%
<b>High-Definition Package</b>	54%	32%
<b>DVR and Services</b>	61%	34%
<b>Broadband Services</b>	82%	38%
<b>Telephone Services</b>	86%	21%

**At Lower Prices, The Competitor's Customers Buy More!**

<sup>40</sup> Recall earlier reports that the combination of services resulted in nearly a 50% price cut for some consumers. See Phil Kerpen, "Untangle the Telecom Regulation Wires," *Newsday*, Oct. 6, 2005.

### C. Market Churn Increases

Falling prices means nothing, unless consumers shop for better deals. The survey asked consumers if they switched providers, and, if they did, which provider was dropped? The results to this question show that 191 of 871 (22%) consumers reported changing their provider in the last six months. As **Figure 4** indicates, with the entry of Verizon, there appears to be intense competition among all providers. While competitors (predominantly Verizon) captured most (72%) of the customers that switched, satellite providers and wireline incumbents were taking customers from one another, presumably the result of discounts and win-back offers. Most of the wireline incumbent's win-backs came from satellite, and most of satellite's win-backs came from the wireline incumbent, suggesting a renewed rivalry among existing providers.

Figure 4:  
Market Churn During the Last Six Months

<u>Dropped Providers</u>	-----Current Provider-----			
	Total	Incumbent	Competitor	Satellite
Incumbents Dropped	82	1	67	14
Competitors Dropped	15	2	10*	3
Satellite Providers Dropped	79	12	53	13
Refused to Identify	15	2	9	3
Total	191	17	139	33

\* - This reflects competition among wireline competitors in Keller, and where two cases consumers switched back after trying a competitor. Competitors are most notably Verizon and OneSource.

Satellite providers were clearly affected by competition, accounting for nearly 40% of the new competitor's gains. When summarizing the gains and losses of the churn during the last six months, satellite and the wireline incumbents clearly lost customers to the new competitor. In terms of terrestrial satellite versus wireline providers, satellite netted a loss of 46 customers (gaining 33 and losing 70), while wireline netted a gain of 59 customers (gaining 156 and losing 97). This suggests that wireline competition leads to more wireline customers, which may reduce risks that competition could jeopardize municipal cable franchise fees.<sup>41</sup>

While 191 consumers switched their cable TV provider in the last six months, 692 did not. Of those consumers not switching, 73% were aware that Verizon had entered the market in their community, while 25% were unaware and 2% were not sure. For the

<sup>41</sup> Satellite providers do not pay local franchise fees, whereas wireline providers do. Local governments collect these fees to fund public, educational and government cable channels, among other things. The survey result shows that wireline competition may increase the number of wireline-based customers, a potential financial benefit for local governments that rely on franchise fees. This point will be discussed later in this study.

entire sample group, 80% were aware of competition. Consistent with Verizon's market share and length of time in the market, residents living in Keller (89%) were more aware that competition existed, compared to residents living in Lewisville (79%) or Plano (59%). So, while competitive benefits reached some consumers quickly, other consumers were slower to notice that competition had arrived.

In summary, most consumers recognize quickly that competition exists, and the survey's market churn statistics give a clear indication that many consumers are quick to consider alternatives.

#### *D. Customers Not Switching Also Benefit*

Another advantage of competition is that it not only encourages consumers to switch to the best provider, but competition adds a measure of market discipline, thereby encouraging all providers to improve their service and pricing. The survey looked at those consumers who were aware of competition, but decided not to switch. It asked these consumers if they benefited from competition.<sup>42</sup> According to the survey, 20% of those who did not switch reported that the incumbent provider dropped prices, and 21% had heard that the cable incumbent would drop prices below advertised prices, if customers threatened to switch. In fact, 12% of surveyed customers (those not switching) reported, "benefiting from lower cable prices as a result of recent competition."<sup>43</sup> These consumers reported saving \$26.83 per month or approximately 35% lower than pre-competition prices. This is consistent with other reports that incumbents are dropping prices to meet and beat competitor prices.<sup>44</sup>

#### *E. Entry Stimulates New Customers And Demand*

Another source of benefits from competition is that competition increases demand for cable TV services. In addition, competition is likely to increase the size of the cable TV market for two reasons. First, price reductions stimulate demand. According to FCC estimates, a 1% decrease in price leads to a 2.2% increase in demand for cable TV services.<sup>45</sup>

Secondly, some consumers may have dropped out of the market for non-price reasons, such as dissatisfaction for the incumbent, lack of choice, and poor service quality. With competition, however, these consumers may have a renewed interest in these services. There is, in fact, some evidence that Verizon's entry has attracted previously disconnected consumers. The survey finds that 23% of Verizon's customers did not have cable TV service prior to Verizon's entry. While some of this demand may be the result of falling prices, it may also be that increasing consumer choice invigorates the market, and encourages first-time consumers to subscribe to cable TV and video

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<sup>42</sup> Recall that one report cites the incumbent offering unadvertised lower prices to consumers, if they threaten to switch to the competitor. See David W. Barden, et. al. "Battle for the Bundle," Bank of America, Equity Research, Wireline & Wireless Telecommunications Services, January 23, 2006

<sup>43</sup> This was the wording in the survey question itself. See the **Appendix** for the full set of survey questions.

<sup>44</sup> David W. Barden, et. al. "Battle for the Bundle," Bank of America, Equity Research, Wireline & Wireless Telecommunications Services, January 23, 2006, p. 10.

<sup>45</sup> "Report on Cable Industry Prices," Federal Communications Commission, MM Docket No. 92-266, Washington, DC, 2002, Table 3, p. 20.

services. As **Figure 4** showed, consumers are buying more service bundles and are demanding more services. From this, it can be concluded that competition leads to a bigger cable TV and video services market, and encouraging cable TV investment also encourages broadband investment. This conclusion is good for consumers, who benefit. A bigger wireline cable TV and video market is also good for local governments that rely on wireline franchise fees to support their communities.

#### F. Consumers Want Competition

Finally, the survey asked all consumers about their perceptions of competition in their community. Of 883 consumers surveyed, 823 (93%) thought that cable TV competition was good for consumers, with only 4% disagreeing and 3% unsure.<sup>46</sup> Asked if they support legislation that speeds competitive entry, like the Texas statewide franchising bill, 87% of consumers said they did, with only 8% disagreeing and 5% unsure. Consumers were also asked to provide comments regarding their experience, if any, with competition. The **Appendix** provides a long list of comments, many of which shower praise for competition and strong interest in knowing what the new provider has to offer. From these data, the Institute finds that consumers want more cable TV competition now, and they want public policies to encourage more cable TV competition.

## **VI. Consumer Welfare Effects**

The survey results can be used to estimate the welfare gains that have benefited the sampled households since the introduction of competition less than six months ago. Since the survey sample is representative of the universe of 44,000 households covered in the study,<sup>47</sup> consumer benefits can be estimated for the combined Keller, Lewisville and Plano competitive areas. Also, since not all consumers know about competition, have not switched, or have not reported any benefits, it is also possible to estimate what consumer benefits would be once competition is fully developed in these markets.

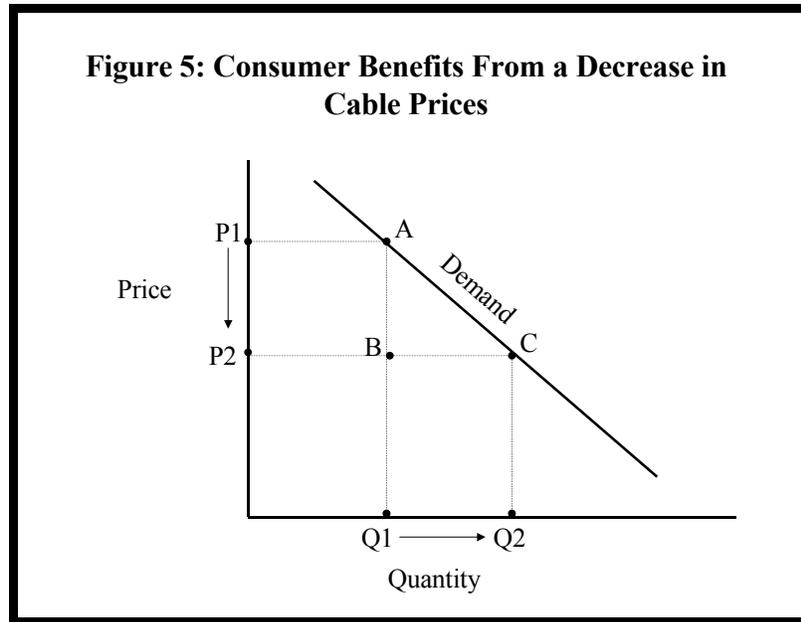
Welfare economics provides a well-accepted measure of consumer benefits, usually referred to as *consumer welfare* or *consumer surplus*. As **Figure 5** illustrates, competition results in lower prices (depicted as a change from P1 to P2), which expands output (depicted as the quantity change from Q1 to Q2). Consumer benefits are measured as the sum of the savings (the area of the square P1-A-B-P2) and the added benefits from demand stimulation (the area of the welfare triangle A-B-C). The survey results provide the number of consumers benefiting from competition, either by switching or not, and it also provides an estimate of the discount savings. The survey also provides the average monthly price that consumers are paying for their service. To estimate consumer benefits, the only other value that is needed is the price elasticity for cable TV and video services. For this, the FCC's estimate of -2.19 will be used, which is an estimate in range of other studies.<sup>48</sup> As illustrated earlier, the value of price elasticity

<sup>46</sup> This statistic has a confidence limit of plus or minus 1.67%.

<sup>47</sup> Consistent with the survey results, we will assume that 82% of these households subscribe to cable TV or video services.

<sup>48</sup> "Report on Cable Industry Prices," Federal Communications Commission, MM Docket No. 92-266, Washington, DC, 2002, Table 3, p. 20. The GAO has estimated the price elasticity to be -3.22, which is

means that a 1% decrease in price would yield a 2.2% increase in demand. Therefore, total market revenues increase despite falling prices. This is consistent with the survey's findings that cable competition increases the size of the market. It also should allay any fears that falling prices would shrink the market and reduce local municipal fees.



Based on the survey results, consumers in the surveyed competitive markets are already receiving \$2.4 million in annual consumer benefits. This survey finds that 17% of the households have benefited so far from price competition, as other consumers have yet to switch, shop or realize that there is competition. Since price decreases are offset by greater increases in demand, it is estimated that total cable TV and video revenues in these new competitive markets have increased by 3.5%, that is, so far.

Eventually, as competition fully develops in Keller, Lewisville and Plano, and as consumers become aware of discounts, consumer benefits should reach all cable TV and video subscribers in these markets, which is estimated to be \$14.1 million in annual consumer benefits, or about \$19 per month per household. If the consumer benefits occurring in Keller, Lewisville and Plano are fully realized and replicated across the U.S., the total annual consumer benefits could reach \$23.0 billion.<sup>49</sup> This estimate closely approximates the benefits estimated in the Institutes initial study.<sup>50</sup>

In summary, the consumer welfare benefits resulting from price reductions in Keller, Lewisville and Plano are sizable, and the potential benefits across the U.S. are

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more elastic. See "The Effect of Competition from Satellite Providers on Cable Rates," United States General Accounting Office, July 2000, Table 3, p. 28.

<sup>49</sup> Assuming 100 million of the roughly 110 U.S. households subscribe to cable TV, satellite or some other form of video service.

<sup>50</sup> That figure was \$107 billion over five years. See "An Analysis of Cable TV Service: Are Older Consumers Losing Out?" The American Consumer Institute, Reston, VA, Oct. 17, 2005.

immense. Therefore, public policies that encourage competition would yield significant consumers benefits.

These estimates of consumer welfare are conservative, considering that other benefits can result from competition. As mentioned, there are also many non-price benefits that cannot be easily measured.<sup>51</sup> These may include consumers that have given up on the incumbent altogether, and consumers that want more features (DVR services, more channels, better programming), better service quality, and bundled telecommunications services. This study makes no attempt to estimate these other benefits. Moreover, this study does not estimate the economic benefits, such as jobs and investments, from increased competition, and increased deployment of broadband services.

## **VII. Franchise Fees Are Not At Risk**

As mention several times in this study, the prospect of falling cable TV prices has left some local municipal leaders concerned that the franchise fees it collects from wireline providers to support access to public, education and government channels would be reduced by competition.<sup>52</sup> This study finds the exact opposite – namely, that wireline-based cable TV and video competition would significantly stimulate market demand, so much so that total market revenues would increase. Specifically, the survey finds that, while incumbent cable and satellite providers take customers away from one another, wireline competitors take significant share away from both satellite and incumbent cable provider. The net result is a shift in market share toward wireline services, which are subject to franchise taxes, while modestly reducing terrestrial satellite revenues, which are not subject to franchise taxes. Therefore, the survey provides some evidence that wireline competition increases the wireline market, which would maintain financial support for public access channels.

In addition, the survey also found that many of the competitor’s consumers buy upgraded services – such as DVR services, high-definition services, and bundled telecommunication and broadband services – an indication that consumers have pent-up demand.<sup>53</sup> This would suggest that some consumers take their savings from competitive cable TV services and buy more services, some of which are subject to franchise taxes.

Furthermore, elasticity studies that predict a drop in cable TV prices would produce a proportionately large increase in demand, and a net increase in cable TV and video revenues.

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<sup>51</sup> Ibid, p. 30. The GAO report finds this as well and state “we also found strong evidence of nonprice competition in response to increased DBS penetration.”

<sup>52</sup> Currently wireline providers pay a franchise fee, often near 5% of gross receipts. Satellite providers do not pay franchise fees.

<sup>53</sup> This study does not estimate these potentially sizable consumer welfare benefits.

Therefore, wireline competition stimulates the wireline market.<sup>54</sup> Using survey results, this study estimates that cable and video revenues have increased approximately 3.5% in the competitive portions of the communities in the study area. Based on all of these facts, it can be concluded that cable TV and video competition makes the market bigger. Therefore, falling prices would not jeopardize local franchise fees and taxes.

### **VIII. Conclusion**

Competition works. After only a few months of cable TV and video competition in Texas, consumers who switch are saving about \$270 each year. Other consumers are staying with the incumbent and saving on new discount offers, an indication of intense rivalry. There is substantial evidence that competition stimulates consumption, encouraging consumers to buy cable services for the first time and encouraging existing consumers to upgrade services. All of these things tell us that consumers are benefiting – some directly on their bills, others by entering a market they once avoided, and still others by buying more features and services. These consumer benefits are consistent with the host of studies noted earlier in this study – competition means that consumers pay less and demand more.

With competition, consumers win, and so do public policymakers. This study finds that wireline entry expands the wireline services market. This means that competition should not affect local franchise fees used to support public access channels and other community services.

In summary, competition has only upside benefits – there are no obvious downside risks. Moreover, as consumers benefit, the local economy benefits from investment. This study concludes that the success occurring in Texas can be repeated in communities all across the U.S., but only if policymakers realize the enormity of benefits awaiting consumers and act now to encourage competition in the cable TV and video services market. Speeding competition will require streamlining the franchising process, perhaps like what occurred in Texas, and removing barriers that impede market entry.

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<sup>54</sup> Obviously, only to the point where there are 100% cable TV and video subscribers.

**APPENDIX**

**Texas Video Competition Survey**

**And**

**Verbatim Comments Regarding Competition**

**TEXAS HOUSEHOLDS WITH CABLE SERVICE -- QUESTIONNAIRE**

Hello. My name is (NAME) and I'm calling from The Research Network, a national public opinion research firm. We are conducting a short consumer survey for The American Consumer Institute. This is not a sales call. I am not trying to sell you anything. This is a completely confidential survey and your name will not be used in reporting the results of this survey. May I please speak to the person who is the head of your household?

Does your household subscribe to a pay TV or cable TV services? This includes satellite and cable TV services.

1. Yes [883 or 82%]
2. No [194 or 18%]

**The Following Questions are answered by All Video Subscribers:**

1. What is the name of the pay or cable TV company that your household currently subscribes to? [Various companies identified and recorded]
2. Did you switch to your current pay TV or cable company from another TV provider in the past 6 months?
  1. Yes [191 or 22%]
  2. No (go to #6) [680 or 78%]
  3. DK/REFUSED (go to #6)

**The Following Questions are answered Video Subscribers that Switched:**

- 2b. Which cable company did you switch from? (RECORD VERBATIM)
3. Which of the following reasons describe why you switched cable services? (Read list - answer all that apply) [187 responding]
  1. Better price [62%]
  2. Better quality of service [68%]
  3. Better programming choices [56%]
  4. Better packages with telephone and Internet services [68%]
  5. Disliked the previous cable provider [31%]
  6. New to the area or moved [17%]
  7. Any other reason? (SPECIFY) [10%, recorded reason]
4. When you switched to your current TV provider, would you say your monthly bill decreased, increased or stayed about the same? [191 responding]
  1. My bill decreased (go to #5) [48%]
  2. My bill increased (go to #9) [15%]
  3. No/About the same (go to #9) [37%]
5. Approximately, how many dollars are you saving each month because you switched to your current TV provider? [recorded \$22.30 per month]
 

(GO TO #9)

**The Following Question Answered Video Subscribers That Did Not Switch:**

6. Were you aware that Verizon (also called FiOS) is now competing against the established cable company in your community? [692 responding]
1. Yes (go to #7) [73%]
  2. No (go to #9) [25%]
  3. Not sure / other [2%]

**The Following Questions Are Answered By Video Subscribers That Did Not Switch But Are Aware Of Competition:**

7. Do you agree with any of the following statements? [502 responding]
- A. My cable company dropped its advertised prices as a result of competition
    1. Yes [20%]
    2. No [57%]
    3. Not sure / other [24%]
  - B. I have heard that if customers threaten to switch to Verizon, the cable company will offer lower than advertised prices to keep them from switching?
    1. Yes [22%]
    2. No [65%]
    3. Not sure / other [13%]
8. Have you benefited from lower cable prices as a result of recent competition?
1. Yes (go to #8A) [11%]
  2. No (go to #9) [78%]
  3. Not sure / other (go to #9) [11%]

**The Following Question Answered By Video Subscribers That Did Not Switch But Are Aware Of Competition and Claim Savings:**

- 8A. How much have you saved on your monthly cable TV bill?  
[recorded \$26.83 per month]

**The Following Questions are answered by All Video Subscribers:**

9. Do you think competition among cable TV providers is good for consumers?
1. Yes [823 or 93%]
  2. No [36 or 4%]
  3. Not sure / Other [24 or 3%]
10. The Texas legislature passed a law last Fall that makes it easier and faster for companies to enter and provide cable TV services in Texas communities. Do you generally support public policies that encourage competition among cable TV providers?
1. Yes [771 or 87%]
  2. No [67 or 8%]
  3. Not sure / Other [45 or 5%]

11. Which of the following services do you have through your pay TV or cable TV provider? [872 responding]

(READ LIST – SELECT ALL THAT APPLY)

1. Basic cable [74%]
2. Expanded basic that includes more channels [73%]
3. Digital Cable [51%]
4. Premium channels such as HBO, Starz, and Showtime [44%]
5. A package that includes High Definition TV [35%]
6. A Digital video recorder provided by your pay TV/Cable company [39%]
7. High-Speed Internet [54%]
8. Telephone services [34%]
9. Or, anything else? [recorded 1%]

12. About how much do you pay each month just for cable TV service? This does not include added services such as premium channels, high-speed Internet, or bundled telephones services.

[recorded \$52.19 per month]

13. Do you have any comments regarding your experience with cable competition in your community?

[recorded an open-ended verbatim, see **Appendix**]

Thank you for your time.

## Verbatim Comments On Experiences With Competition<sup>55</sup>

*“Do you have any comments regarding your experience with cable competition in your community?”*

### Comments From Consumers That Use Competitors:

<b>Company</b>	<b>TYPE</b>	<b>Comment</b>
OneSource	Competitor	I am just that not satisfied with cable.
Other	Competitor	Comcast won't provide cable for this area.
Other	Competitor	I would Like more competition, its good for the consumer.
Other	Competitor	No, just good competition.
Verizon/FIOS	Competitor	Cable was not an option and Verizon made it possible to have cable.
Verizon/FIOS	Competitor	Charter made you mad because they tired to get me to change my mind about dropping them. They lowered the price and I felt like they were tricking me.
Verizon/FIOS	Competitor	Cities should allow multiple cable companies.
Verizon/FIOS	Competitor	Comcast is dying and Verizon is great.
Verizon/FIOS	Competitor	Competition is good because there is more availability of services in the area; the prices of those services have also dropped because of it.
Verizon/FIOS	Competitor	Doing a very good job, want them to go cheaper.
Verizon/FIOS	Competitor	Great!
Verizon/FIOS	Competitor	Helps keep prices competitive.
Verizon/FIOS	Competitor	I am able to get a better package and combine bill.
Verizon/FIOS	Competitor	I am happy that there is some.
Verizon/FIOS	Competitor	I dislike cable and didn't use it when I had it; that's why I switched to Verizon.
Verizon/FIOS	Competitor	I do not like Charter.
Verizon/FIOS	Competitor	I Don't care for Charter.
Verizon/FIOS	Competitor	I think it is good.
Verizon/FIOS	Competitor	It has been wonderful.
Verizon/FIOS	Competitor	It is great for Verizon to come in and compete.
Verizon/FIOS	Competitor	It's a good thing.
Verizon/FIOS	Competitor	It's fine.
Verizon/FIOS	Competitor	It's a good thing.
Verizon/FIOS	Competitor	It's been good with different options.
Verizon/FIOS	Competitor	It's fantastic wouldn't have Verizon if it wasn't for it.
Verizon/FIOS	Competitor	Nice to have a choice with different choices and variety.
Verizon/FIOS	Competitor	No experience with anyone other than Verizon.
Verizon/FIOS	Competitor	No, because charter was a monopoly and we just recently got Verizon. In fact, most places here had a monopoly through charter until Verizon came around.
Verizon/FIOS	Competitor	No, the competition is good, so keep it coming.
Verizon/FIOS	Competitor	Not really, any competition is good.
Verizon/FIOS	Competitor	Still too expensive.

<sup>55</sup> These are opened-end responses by consumers regarding their personal experiences, if any, with cable TV competition. Excluded are those respondents with no comment or simply answering no.

Verizon/FIOS	Competitor	The company that had a monopoly had lousy services until competition came, and then they improved their services.
Verizon/FIOS	Competitor	The new company is more than adequate and has a higher level of professionalism, with no added cost.
Verizon/FIOS	Competitor	The other company was too expensive.
Verizon/FIOS	Competitor	There is very little competition in the area. Until recently if you wanted cable you had to use charter.
Verizon/FIOS	Competitor	They're all pretty much too high.
Verizon/FIOS	Competitor	Too many commercials with the new competition among providers.
Verizon/FIOS	Competitor	Verizon is reliable, and very nice; Customer service is really good; Knowledgeable.
Verizon/FIOS	Competitor	Very bad experience with charter -- bad service and picture quality was horrible.
Verizon/FIOS	Competitor	Wasn't any before, but Verizon just moved in, which is good.
Verizon/FIOS	Competitor	We had Comcast and they are by far the highest priced. Our family had problems ... the high-speed service kept going down, it was \$150 a month for high speed and cable, and all we had extra was HBO.
Verizon/FIOS	Competitor	When Verizon got in the area, I switched over.
Verizon/FIOS	Competitor	Wish there was more.
Verizon/FIOS	Competitor	Yes, it is good!

## Verbatim Comments On Experiences With Competition

*“Do you have any comments regarding your experience with cable competition in your community?”*

### Comments From Consumers That Use Incumbents:

<u>Company</u>	<u>TYPE</u>	<u>Comment</u>
Charter	Incumbent	Cable (price) keeps going up.
Charter	Incumbent	Charter is the best.
Charter	Incumbent	Haven't heard much about the competition, but I am sure they are better than Charter.
Charter	Incumbent	I am waiting for more competition to come in, so I can switch.
Charter	Incumbent	I love the cable company.
Charter	Incumbent	I think it is a good thing.
Charter	Incumbent	I would like to change now.
Charter	Incumbent	I would like to see more competition because Charter is the only one that we can subscribe to, instead of going to satellite and I don't want satellite.
Charter	Incumbent	I would like Verizon as their cable company, but they only offer having to get a box for every single TV and it comes out to more then what they pay now.
Charter	Incumbent	If it's possible to switch I will.
Charter	Incumbent	If Verizon would only call.
Charter	Incumbent	It sucks.
Charter	Incumbent	It's good.
Charter	Incumbent	It's good to have competition.
Charter	Incumbent	I've been getting a lot of calls and I don't like that.
Charter	Incumbent	Lower rates.
Charter	Incumbent	Make sure that company representatives have the right information. A Verizon representative came to the area to install cable, but the service was not available. Respondent said this was embarrassing and it did not make Verizon look good at that time.
Charter	Incumbent	No comment, doing research to find out who is the best cable provider.
Charter	Incumbent	No, if I can get better prices and more channels than charter communications then I will switch to Verizon.
Charter	Incumbent	No, I'm satisfied with it. Verizon is not cheap enough.
Charter	Incumbent	No, might be switching.
Charter	Incumbent	No. I am happy with the cable company, so feel no need to inquire with the others.
Charter	Incumbent	Not have explored cable competition, but definitely intend to.
Charter	Incumbent	Requested pricing from Verizon but they were higher than charter so satisfied with charter communications because Verizon does not offer contracts.
Charter	Incumbent	Service is good with Charter and has been but competition has a difference in prices since FIOS and they need to compete before people decide to leave.

Charter	Incumbent	Soon as the contract is up they will be switching to Verizon.
Charter	Incumbent	The prices went up with company I am using, so competition is good. If Verizon is coming in, they better not pull customers then raise prices on them.
Charter	Incumbent	They call a lot.
Charter	Incumbent	Verizon has good ads.
Charter	Incumbent	Verizon is not competitive because of the required decoders.
Charter	Incumbent	Well until recently there wasn't any.
Charter	Incumbent	We've had a lot of Verizon people show up at the door to try to sell it to us, but the problem that their package is not attractive as the one we have with charter because of the need for transmitter boxes.
Charter	Incumbent	Would get Verizon fired, because you need a box on every TV and it's not worth the hassle.
Charter	Incumbent	Yes, Charter clearly tried to lower their prices after Verizon came to the community.
Charter	Incumbent	Yes, they care when you have a problem and have become more customer oriented.
Comcast	Incumbent	A great thing.
Comcast	Incumbent	All expensive.
Comcast	Incumbent	Bring it on.
Comcast	Incumbent	Bring rates down.
Comcast	Incumbent	Cable is too expensive and keeps going up all the time! The TV goes out and they take too long to take care of the problems.
Comcast	Incumbent	Cable's bills are way too high.
Comcast	Incumbent	Comcast charges too much.
Comcast	Incumbent	Comcast has been okay so far, but I have noticed another company with cheaper prices that I am considering.
Comcast	Incumbent	Comcast has not been a good service.
Comcast	Incumbent	Comcast Internet is really bad and Verizon should offer Internet service.
Comcast	Incumbent	Comcast is no longer at the office and no one knows where they are located now; I have some cable boxes to return.
Comcast	Incumbent	Comcast is terrible (regarding Customer Service and service requests).
Comcast	Incumbent	Comcast is too expensive plus they raise their rates all the time. I am looking to find a cheaper company very soon.
Comcast	Incumbent	Comcast should reduce prices.
Comcast	Incumbent	Curious about what happens when high definition television evolves in the area, and what it will do to cable competition.
Comcast	Incumbent	Direct TV had a program-listing channel that allowed my wife, who is deaf, to see if shows have closed captioning; Comcast doesn't do that.
Comcast	Incumbent	Excited about the new competition.
Comcast	Incumbent	High bills with Comcast.
Comcast	Incumbent	Hopefully, competition will drive down prices.
Comcast	Incumbent	I am dissatisfied with Comcast because it takes them too long to answer service requests and the rates are too high.
Comcast	Incumbent	I am glad to see it because maybe it will improve Comcast customer service.
Comcast	Incumbent	I am Happy about competition, and looking forward to switching to Verizon.

Comcast	Incumbent	I am looking forward to Verizon offering cable services.
Comcast	Incumbent	I am not happy with Comcast. They don't supply good service to their area. I want lower prices and good service.
Comcast	Incumbent	I am thinking about switching to Verizon because I'm very unhappy with Comcast.
Comcast	Incumbent	I didn't realize that there was much competition.
Comcast	Incumbent	I don't like satellite dishes pinned to my roof.
Comcast	Incumbent	I hate when companies remove channels I like from their programming and add ones I don't like instead.
Comcast	Incumbent	I have had Comcast for nearly twelve years and service has downgraded over time and prices have increased greatly.
Comcast	Incumbent	I haven't gone with direct TV because of the storm hazards with the dish.
Comcast	Incumbent	I haven't seen any competition. I would like to see some competition and see some results from it.
Comcast	Incumbent	I know that Verizon is about to come in and install services in my (senior citizen development) community. I am really excited about Verizon coming in because they offer lower rates than Comcast. All 134 residents of the community are going with Verizon.
Comcast	Incumbent	I like Cox better ... I'm disappointed in Comcast.
Comcast	Incumbent	I Think I am paying too much for what I am is getting and that is why I am switching.
Comcast	Incumbent	I think it's a good thing.
Comcast	Incumbent	I think there is no competition that is any better then what I have currently.
Comcast	Incumbent	I Usually go with whoever has the lowest price with the best packages as well.
Comcast	Incumbent	I will switch to Verizon.
Comcast	Incumbent	I wish it was better.
Comcast	Incumbent	I wish there was more competition so that it could be cheaper.
Comcast	Incumbent	I would like more choices.
Comcast	Incumbent	I would like to experience more competition, and would like to know if FiOS is available in his viewing area.
Comcast	Incumbent	I would like to have competition like Verizon come to my house.
Comcast	Incumbent	I would like to see better prices.
Comcast	Incumbent	I would like to see more competition and competitive rates.
Comcast	Incumbent	I would switch to Verizon but its satellite, and I don't like satellite.
Comcast	Incumbent	I'm not aware of any competition except Verizon, and they haven't done anything yet.
Comcast	Incumbent	It's a bunch of junk.
Comcast	Incumbent	It's too expensive.
Comcast	Incumbent	It's expensive.
Comcast	Incumbent	Just that there hasn't been any, but I think it would be healthy if there were some.
Comcast	Incumbent	Like to see more competition, so I can pay less for cable TV.
Comcast	Incumbent	Lower prices
Comcast	Incumbent	Lower prices
Comcast	Incumbent	Lower prices
Comcast	Incumbent	Lower prices and please give discounts, since I've been a loyal customer for so long.

Comcast	Incumbent	More competition.
Comcast	Incumbent	More competition and lower prices.
Comcast	Incumbent	More options.
Comcast	Incumbent	No, I haven't really dealt with it, but I think it's good to have competition.
Comcast	Incumbent	Nope. I really have good service.
Comcast	Incumbent	Not aware that it (competition) is available for me to switch to another company.
Comcast	Incumbent	Not really, except that there is no service. Sometimes cable goes off and it's irritating when I am watching sports.
Comcast	Incumbent	Quit raising rates and cutting channels that are already included with Comcast.
Comcast	Incumbent	The high-speed connections are too slow.
Comcast	Incumbent	There hasn't really been any (competition); prices keep going up.
Comcast	Incumbent	There hasn't been much competition, but I'd like to see more.
Comcast	Incumbent	There is no competition.
Comcast	Incumbent	There is not any competition at this time.
Comcast	Incumbent	There isn't enough competition.
Comcast	Incumbent	There needs to be more.
Comcast	Incumbent	There seem to be more disruptions in cable service lately.
Comcast	Incumbent	There should be some competition.
Comcast	Incumbent	There's not enough competition; Comcast is totally in control.
Comcast	Incumbent	They all suck.
Comcast	Incumbent	They keep cutting cable out and the service isn't any good and it's getting more expensive. They keep changing programs to channels I do not have and that I cannot afford, because I am retired. I am getting very upset about this.
Comcast	Incumbent	They're all too expensive.
Comcast	Incumbent	Very overpriced and need better quality.
Comcast	Incumbent	Very unhappy with my cable company. The service is slow, I'm paying too much, and the cable cuts out every now and then.
Comcast	Incumbent	Waiting for a good deal.
Comcast	Incumbent	Waiting to switch to Verizon.
Comcast	Incumbent	We just need more.
Comcast	Incumbent	When flyers are sent out advertising low prices, they only tell you about the basic rates. The price dramatically increases when you add on the extra services; cable/pay TV providers should let you know this upfront.
Comcast	Incumbent	When they have new offers, I would like to know about them.

## Verbatim Comments On Experiences With Competition

*“Do you have any comments regarding your experience with cable competition in your community?”*

### Comments From Consumers That Use Satellite:

<u>Company</u>	<u>TYPE</u>	<u>Comment</u>
DirecTV	Satellite	Anything that brings prices down is good.
DirecTV	Satellite	Comcast should offer lower prices from the beginning; not when they find out they have competition.
DirecTV	Satellite	Frustrated that DirecTV sent a rate increase.
DirecTV	Satellite	Glad to have more on the market.
DirecTV	Satellite	Has looked into Verizon because I have DSL with them, but it would be more expensive than my current services.
DirecTV	Satellite	Have installed Verizon.
DirecTV	Satellite	I am happy with what I've got.
DirecTV	Satellite	I don't like monopolies.
DirecTV	Satellite	I don't like the contracts and the termination fees.
DirecTV	Satellite	I had major issues with Comcast that caused me to switch.
DirecTV	Satellite	I have no knowledge of cable competition in my community.
DirecTV	Satellite	I just don't like cable TV. I think satellite is much better.
DirecTV	Satellite	I Like DirecTV!
DirecTV	Satellite	I only get DirecTV. I tried FIOS for 6 hours, and it didn't do what Tivo does, so switched back to DirecTV.
DirecTV	Satellite	I really haven't seen any competition.
DirecTV	Satellite	I think its good. I just wish that the NFL package were not exclusive to direct TV.
DirecTV	Satellite	I would prefer to have cable than satellite.
DirecTV	Satellite	In the past, cable competition has been piss poor. The company used to be Comcast. They sucked so badly.
DirecTV	Satellite	It was truly sorry that's why I only have satellite companies.
DirecTV	Satellite	It went out sporadically.
DirecTV	Satellite	Less technical problems with satellite.
DirecTV	Satellite	More competition.
DirecTV	Satellite	No, but I tried to switch to FiOS and we set up an appointment to get the service, but they never showed up since last year of November. We tried to subscribe.
DirecTV	Satellite	No, I'm just satisfied with DirecTV.
DirecTV	Satellite	No. I have DirecTV and I am very happy with it.
DirecTV	Satellite	No. We really want to switch to Verizon but our contract is up in January, so we are just waiting for that.
DirecTV	Satellite	None; we're happy.
DirecTV	Satellite	Not really, cause we never considered switching.
DirecTV	Satellite	Nothing really about the competition, but I am thinking about switching back to cable because the TV guide is not correct on the satellite, and the info channels are in Spanish, among other things.
DirecTV	Satellite	Nothing, I haven't seen any competition.

DirecTV	Satellite	Offer the lower price to everyone.
DirecTV	Satellite	Our current (satellite) company misled us in the discount we were supposed to receive.
DirecTV	Satellite	Same old crap; it goes out when it storms.
DirecTV	Satellite	Satellite is great unless there are clouds and it disrupts reception.
DirecTV	Satellite	Shouldn't have to buy bundle packages.
DirecTV	Satellite	Thank god for satellite.
DirecTV	Satellite	There is no competition in this area, so I have had no experience.
DirecTV	Satellite	There is none and as long they have a franchise agreement with the city there won't be any competition.
DirecTV	Satellite	Verizon needs to learn how separate their Internet line from the phone.
DirecTV	Satellite	We were on cable, but switched to satellite. Not much change in pricing.
Dish Network	Satellite	Bad cable.
Dish Network	Satellite	Better that there is now more competition and providers in the community.
Dish Network	Satellite	Cable did not provide what I needed, that's why I switched to satellite service.
Dish Network	Satellite	Cable isn't offered where I live.
Dish Network	Satellite	Cable service has lower quality picture and overall service.
Dish Network	Satellite	Come down on prices and get cheaper.
Dish Network	Satellite	Cut back on channels.
Dish Network	Satellite	First, it is too expensive.
Dish Network	Satellite	For satellite better signal in the heavy rain.
Dish Network	Satellite	I am going to look into Verizon.
Dish Network	Satellite	I am happy with the satellite dish.
Dish Network	Satellite	I am ready for all companies to compete and offer the best prices.
Dish Network	Satellite	I contacted Verizon to find out rates but the rates were not competitive enough, and channel offerings were not as good as DishTV.
Dish Network	Satellite	I don't like it.
Dish Network	Satellite	I don't like Verizon; I felt I was screwed on our DSL rates.
Dish Network	Satellite	I don't know. Comcast was too high and very complicated to use.
Dish Network	Satellite	I don't really hear that much advertisement should provide more advertisement.
Dish Network	Satellite	I enjoy satellite TV and prefer it over cable any day.
Dish Network	Satellite	I had cable but had problems and did not like it.
Dish Network	Satellite	I had cable service for many years with another company. Service was so bad had to switch.
Dish Network	Satellite	I have contacted Verizon and haven't gotten a call back.
Dish Network	Satellite	I like the idea of being able to choose, But I am dissatisfied that need to use Verizon, because I don't like the service Verizon offers. I like the idea of competition between companies, because is gives consumers a better choice.
Dish Network	Satellite	I never had cable, I only had dish network because of their international channels.
Dish Network	Satellite	I think it will be good for the community.
Dish Network	Satellite	I would like to see more competition.
Dish Network	Satellite	If I could get the golf channel I would switch to Verizon.

Dish Network	Satellite	I'm switching to Verizon when my contract is up in two months.
Dish Network	Satellite	Improvement of customer service.
Dish Network	Satellite	Keeps prices down.
Dish Network	Satellite	No, but I have considered switching to Verizon.
Dish Network	Satellite	No, I have satellite TV and am satisfied with it.
Dish Network	Satellite	No, not really, we are thinking of changing to Verizon
Dish Network	Satellite	Oh, it's been so many years ago ... I'm sure its more satisfactory now.
Dish Network	Satellite	Service was real bad.
Dish Network	Satellite	Several different carriers. I switched for better service with channels.
Dish Network	Satellite	The community did not have high definition, so we switched.
Dish Network	Satellite	The local cable company stinks, that's why I have satellite.
Dish Network	Satellite	The new lower prices are not offered to old customers, only new customers.
Dish Network	Satellite	There is not enough information to judge between the competing companies. They are too involved in just trying to get you to subscribe and they do not provide enough information about their prices.
Dish Network	Satellite	There isn't any.
Dish Network	Satellite	Verizon doesn't offer in my area.
Dish Network	Satellite	We had Comcast for a while but we weren't satisfied with it. So once we learned that dish network was offering basic channels, we switched to them and we've have been very happy with them ever since.
Dish Network	Satellite	We need more competition!
Dish Network	Satellite	We would have gone with Verizon, but they could not hook it up in the home because of the wiring in the house.
Dish Network	Satellite	Well yeah, we keep going back and forth from dish to Charter.
Dish Network	Satellite	What does Verizon have to offer?
Dish Network	Satellite	Wish cable competition was more available in his community.
Dish Network	Satellite	Would like to get more info on Verizon.
Dish Network	Satellite	Yes, when I had cable it was twice the price.
Dish Network	Satellite	You can't compare the prices.

## **About The American Consumer Institute**

The American Consumer Institute is an independent consumer organization devoted to improving the lives of American consumers. The purpose of the Institute is to promote a more factual analysis on and workable resolution of important consumer public policy debate that affect average consumers. The American Consumer Institute accomplishes its purpose by providing consumer information and conducting policy research, as well as being a voice for American consumers.

**To comment on this study, please send an email to:**  
editor@theamericanconsumer.org

**For other inquiries, send an email to:**  
info@theamericanconsumer.org

**To reach us by telephone**  
Call us at (703) 471-3954

**To reach us by U.S. Mail, write us at:**  
The American Consumer Institute  
P.O. Box 2161  
Reston, VA 20195