

Gap grows on how to dish up cable

November 30 2005

Freedom to choose what gets fed into a television set piece by piece is not only better for parents of small children, but also for cost-conscious consumers as well, or so the Federal Communications Commission's chief argued before legislators.

The problem, however, is that in his latest testimony before the Senate Committee on Commerce, Science and Transportation on Tuesday FCC Chairman Kevin Martin directly contradicted what the agency had been calling for only months ago, namely that cable companies should be offering programs by preset bundles in an effort to keep prices down for viewers.

Parents are the first line of defense when it comes to keeping children away from adult content programs, but while "cable and satellite television offer some great family-oriented choices ... parents cannot subscribe to those channels alone. Rather, they are forced to buy the channels they do not want their families to view in order to obtain the family-friendly channels they desire," Martin told lawmakers. The hearing ostensibly was about censoring sexually provocative, violent programming and indecency in the media, but more attention was paid on what the FCC head had to say about the marketing model of cable and satellite companies.

Specifically, Martin said that cable providers could be well-advised to offer solely family-friendly programming packages, or better still, "to offer programming in a more a la carte manner, giving consumers more choice over which programs they want to purchase."

In fact, Martin went as far as to dismiss much of the findings in the latest FCC report on the subject produced in 2004, stating that it presented "only one side of the economics literature." That report found that the average household hooked on cable watches 17 channels and would see its bill rise up to 30 percent from current levels should companies adopt the a la carte system, assuming the average cost of a channel to be about \$3.90 per month.

"Based on a more complete analysis of the costs and benefits of bundling and the potential costs and benefits of a la carte pricing, this further report determines that the first report incorrectly found that offering of cable programming in a more a la carte manner would be economically infeasible," Martin said.

Some industry analysts have argued that because Martin himself was appointed to the top spot at the FCC earlier this year, it has been easier for him to distance himself from the earlier report and start afresh from a new baseline.

But many in the cable and satellite broadcasting business are opposed to Martin's a la carte proposal, including the National Cable and Telecommunications Association, which represents major cable and satellite providers that would be directly affected by any legislative changes proposed by the FCC.

"Government pay-per-channel regulation would be likely to hurt consumers by increasing prices, decreasing choice, and reducing diversity in programming, and it would do so in a way that violates the First Amendment," said NCTA President Kyle McSlarrow.

"Mandatory a la carte would be potentially very troublesome for our goal of universal deployment of broadband services. Such a massive government intrusion into how a broadband service like video is

marketed, offered, and priced would undoubtedly chill the needed innovation and investment necessary to build out capital intensive networks that rely on the marketplace to determine the most economically effective way to provide a return on investment," McSllarrow added.

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