

Commentary > The Monitor's View
from the February 22, 2006 edition

Give cable TV some healthy rivals

The Monitor's View

Anyone who has watched cable TV bills soar year after year has to wonder if price relief will ever arrive. Now telephone companies are trying to compete with cable to offer popular channels through their phone lines. But if federal government regulations aren't modernized, that day may be long in coming.

Under current rules, "video franchising" gives local cities and towns the right to grant a license to each cable television company. That's been great for municipalities: They can ask the winning cable company to upgrade their streetlights or build them a park to sweeten the deal.

But that system doesn't let consumers directly benefit from competition for TV-viewing dollars.

Despite some inroads from satellite operators, cable companies still control about 70 percent of the TV market (not including the 14 percent of Americans who watch only over-the-airwaves TV). That huge market share has dropped only a couple percentage points in the past year, according to a report from the Federal Communications Commission (FCC).

Phone companies such as AT&T and Verizon, the remnants of Ma Bell, are searching for new businesses, such as Internet and video, as the cost of phone calls slides. That's happened in part because cable companies have been allowed to compete in the voice communication business.

These "telcos" argue that if they have to go through the franchising process that cable companies have already completed, it will take them years to reach customers with their services. AT&T has said it might abandon plans to offer TV and high-speed Internet service in some markets if it has to do it one franchise at a time.

Right now Texas is the only state to end local franchising and provide statewide licensing. Recently the FCC commissioners made a visit to Keller, Texas, where cable TV prices have dropped 20 percent since Verizon was allowed to compete with cable. From 1995 to 2004, before Verizon arrived, cable prices in Keller rose 86 percent. That's consistent with the rest of the country where, in general, cable TV costs have risen faster than inflation.

Consumer groups have generally applauded more competition but cautioned that telcos should be required to offer their services in all neighborhoods and not contribute to a "digital divide." State legislation in Virginia shows one possible approach: It allows telcos to begin offering video service quickly in communities as long as they offer service to at least 65 percent of households in the state within seven years.

State efforts are laudable, but spotty. To address a national issue, Congress is where the action needs to be. Sen. John McCain (R) of Arizona may soon file a bill that would pressure cable companies to let viewers buy each channel individually. It also would allow telcos to not need to obtain a "video franchise" if they offered these "a la carte" channels.

The Telecommunications Act of 1996, which regulates TV and the Internet, needs a significant overhaul. Congress is unlikely to undertake such a battle royal in this election year. But reforming video franchising - and heating up competition between cable companies and telcos - is something it should tackle now.