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House Energy and Commerce Committee  
Subcommittee on Telecommunications and the Internet  
Washington, DC 20515

Dear Members of the Subcommittee on Telecommunications and the Internet:

We are writing to highlight three points prior to tomorrow's subcommittee hearing, "How Internet Protocol-Enabled Services Are Changing the Face of Communications: A Look at Video and Data Services":

**(1) The cable market is highly concentrated, leading to high prices and lack of diversity in content and ownership. Consumers deserve better.**

As former cable industry executive John Malone on April 4, 2005 told *Broadcasting & Cable* about cable, "I'm not sure it's an industry anymore. I think it may be just a few big guys. ... Basically, the consolidation of the business has got to the point where I don't believe that an independent programmer has any chance whatsoever of doing anything unless he's heavily invested in and supported by one of the major distributors." Breaking the stranglehold that large cable companies and broadcasting conglomerates have in the cable market through a cable channel choice system, which would empower consumers by allowing them to choose channels in bundled tiers or individually, would allow independent programmers to gain carriage while lowering prices for consumers – a true win-win.

**(2) Satellite is a limited competitor, particularly as it faces anti-competitive cable industry bundling practices.**

Because cable can carry all local broadcast channels nationwide and can bundle high-speed Internet and cable television programming, it has a competitive advantage over satellite, which does not independently offer broadband services and is only slowly expanding capacity to offer all broadcast channels. The multichannel video programming distribution (MVPD) market is dominated by cable; in fact, if the Comcast/Time Warner purchase of Adelphia deal goes through, Comcast alone will control about 32 percent of the entire MVPD market. This is particularly dangerous when considering last year's cable-sponsored Booz/Allen study conducted for the FCC's cable *a la carte* proceeding, which concluded that "advertisers will not support networks that do not reach 50% to 70% of the nation's TV households – around 50-70 million subscribers." This effectively means that Comcast is the only game in town – programmers that can't get carriage on Comcast are unlikely to gain carriage in enough markets to reach the 50-70 million mark necessary for advertiser support. This deal therefore could lead to even less diversity than we have today.

**(3) Although IP-enabled services could potentially bring much-needed competition to the market, broadband services are out of reach for the majority of Americans.**

IP-enabled services, such as video over broadband (IPTV), have the potential to bring competition to the cable market as well as more choice, greater diversity of programming, and lower prices to consumers if local phone companies and others are able to buy the most popular channels from the cable and broadcasting giants. However, owing to the increasing “digital divide,” only about 40 percent of households have broadband in the home, meaning that only a minority of households could take advantage of IPTV if it was offered. Moreover, the U.S. only ranks 15<sup>th</sup> in broadband rollout, with slower speeds and lower take-up rates than countries like Japan and Korea.

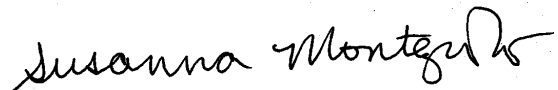
We need to ensure that broadband is available and affordable to all Americans, so that everyone – not just those who are offered and can afford high-speed Internet in the home – can take advantage of new technologies like IPTV. This would require ensuring open access to the building blocks of broadband and encouraging community wireless networks, which could significantly reduce the cost of broadband.

Thank you for your consideration of consumer concerns with how these markets are developing. We look forward to working with you to create a competitive MVPD market with diverse programming available to all consumers.

Sincerely,



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Senior Director for  
Public Policy & Advocacy



Susanna Montezemolo  
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