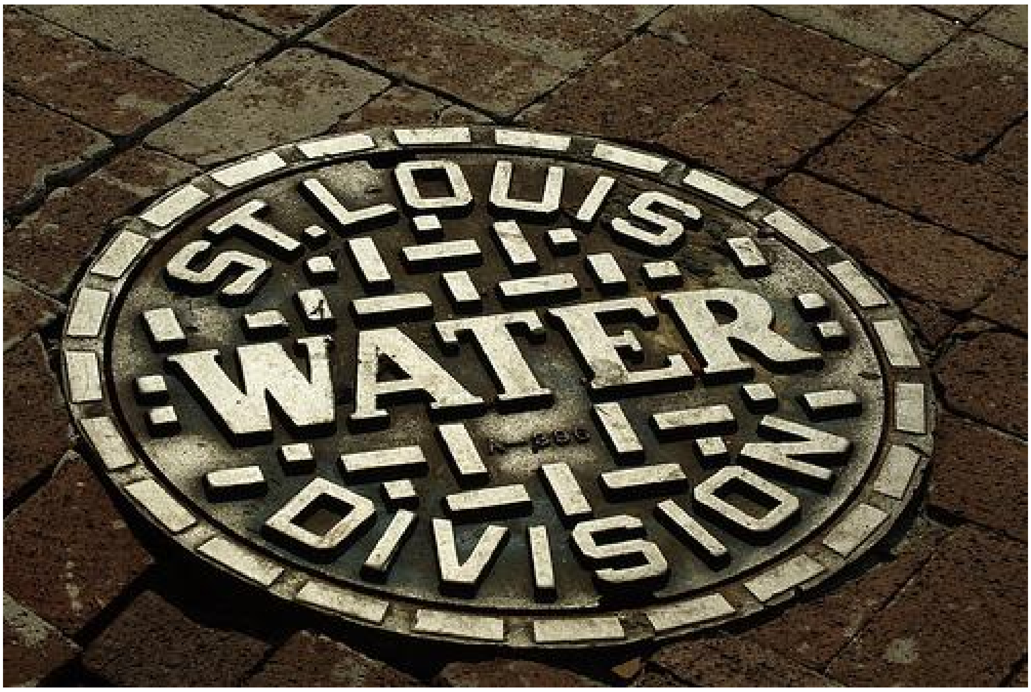
Cable Consumers Deserve Choices

Published on *Show-Me Institute* (https://showmeinstitute.org)



By: Timothy B. Lee

“The company that had a monopoly had lousy services until competition came, and then they improved their services.”

That’s how one Texas consumer describes the increased cable TV competition his community has experienced in recent months, after the Texas legislature passed sweeping legislation to open up the cable TV market to new competitors. Another Texas consumer says, “I think I am paying too much for what I am getting and that is why I am switching.”

That’s how competition is supposed to work: several different companies compete for your business, and you choose the one that offers the best service at the lowest price. But that’s not how the cable TV industry works in Missouri. For most consumers, the only alternatives to your local cable company are satellite TV or rabbit ears.

Under current Missouri law, a new company wanting to compete with incumbent cable companies must negotiate hundreds of franchise agreements with individual municipalities. The process can take years and cost millions of dollars in attorneys’ fees. Not surprisingly, few companies have attempted it.

Sen. John Griesheimer has introduced legislation to reform the system and reduce red tape, but his bill has stalled in the Senate. He blames heavy lobbying by the cable industry, which—not surprisingly—would rather not have new competitors.

That is particularly disappointing because it comes just as several new studies find that reform would bring substantial benefits for consumers. Jerry Brito and Jerry Ellig of the Mercatus Center at George Mason University calculate that cable franchise reform could increase competition and save consumers nationwide $5.5 billion per year. Kent Lassman of the Progress and Freedom Foundation published a study last month that focused specifically on the Missouri cable market. He estimated that franchise reform could save Missouri consumers more than $100 million per year.

These predictions are borne out by experience. A survey released last month by the American Consumer Institute shows the dramatic results of the Texas franchise reform: in three of the first communities where Verizon Communications began offering video service in competition with the incumbent cable companies, more than 20 percent of consumers switched to the new service. Customers who switched since Verizon entered the markets have saved an average of $20/month on their cable bills.

But the benefits of competition go beyond saving money. Many of the “switchers” indicated they did so because they preferred the package of channels offered by the new company. Others cited dissatisfaction with the quality or customer service of their previous company. Competition drives down prices, but it also spurs companies to offer higher-quality, more responsive service. Consumers in Texas are reaping those benefits.

Unfortunately, in Missouri, the interests of consumers seem to have taken a back seat. That’s especially problematic because Missouri is in competition with other states for new investment. After Texas passed its franchise reform bill, telecom companies pledged to spend $800 million on new and upgraded infrastructure. Indiana, which enacted similar legislation last month, is seeing a similar windfall, as AT&T has promised to upgrade their infrastructure in 33 rural Indiana communities to offer new services. Virginia has passed similar legislation, and there are numerous other states considering it.

If the Missouri legislature adjourns without passing meaningful franchise reform, it is likely that the telecom companies seeking to invest in next-generation video services in 2006 will invest in other states with less hostile regulatory climates. By the time the legislature convenes again in January 2007, we will likely have fallen behind several more states.

Time is of the essence. Consumers in Texas, Indiana, and Virginia are already enjoying the benefits of increased competition. Why should Missouri consumers have to wait until next year?

Timothy B. Lee is a policy analyst at the Show-Me Institute.

About the Author

Timothy Lee

Read Online

https://showmeinstitute.org/blog/privatization/cable-consumers-deserve-choices#comment-0

Links

[1] https://showmeinstitute.org/blog/privatization/cable-consumers-deserve-choices

Mission Statement

Advancing liberty with responsibility by promoting market solutions for Missouri public policy.

Show-Me Institute

5297 Washington Place
Saint Louis, MO 63108
Phone: (314) 454-0647
Fax: (314) 454-0667

3645 Troost Avenue
Kansas City, MO 64109
Phone: (816) 287-0370

Email: info@showmeinstitute.org

Support Our Work

The Show-Me Institute is a tax-exempt 501(c)(3) nonprofit organization. Make your tax deductible contribution today: http://ShowMeInstitute.org/donate