2007 Telecommunications Symposium

Voice, Video and Broadband: The Changing Competitive Landscape and Its Impact on Consumers

Local Franchising Supports Competition

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Montgomery County Cable Office

- Negotiates franchises, monitors service quality and resolves customer complaints;
- Oversees and supports 11 PEG channels; and
- Coordinates the siting of wireless facilities in the County.
- Five cable transfers, a renewal, 3 competitive franchise applications and approvals, 18 telecom franchises &1200 wireless sites for 15 wireless providers.

Montgomery County Seeks Competition

- "Triple play services" are essential – to <u>all</u> our residents.
  - We want all residents to have access to the highest quality services at fair and equitable prices.
- We want competition
  - Four cable providers competing head to head: Comcast, RCN, and Verizon - soon to be Cavalier
- WE ARE NOT A BARRIER TO ENTRY!

Markets, Not Regulation, Determine State Of Competition

- Robust regulatory environment is not a barrier.
  - We have similar franchise agreements with all 4 providers.
  - All are enjoying success in our market.
  - Soon to be first market in the country with four wireline competitors serving the same area.
- We are not alone. More Marylanders have choice than any other state. No state franchise law.

Protecting Consumers By Ensuring Access, Choice And Uniform Pricing

Because Montgomery County wants all its residents to have choice, all franchises have:

- Build out obligations
- Customer service obligations
- Uniform Pricing standards
- Building standards and testing requirements

Local Government as Landlord

- Rights of way are limited valuable public resource. Cannot give away without fair rental payments and rules for use.
- Must be used in a safe and equitable way.
  - Incumbents and competitors alike complain about intentionally cut lines, space on poles, or the impact of street cuts to build out plans
- Real problems that require real management.

Impact of Competition: Our Experience

Promise

- Improved customer service
- Lower prices
- Higher quality picture
- Wider array of programming choices

Reality

- Service complaints up
- Rates continue to rise
- Customer safeguards decline
- Programming choices have not changed significantly.

Our Experience Is Consistent With National Data

- FCC's 2006 Report shows prices rose twice the rate of inflation.
- Montgomery County
  - Since competition in 2000, incumbent's rates have risen 61%, new fees introduced and customer service declined
  - Verizon entered the market in 2007 with initial rate similar to incumbent's – that rate raised before started service, and their latest rate increase is $5, an 11.6% increase
  - This year RCN raising rates by $3, a 5.6% increase

Incumbents Attempt to Protect Revenues Resist Competition

- Cut customer service,
- Raise rates and create new fees;
  - Examples –new customer service transaction fees, early termination fees, new truck fees for repairs, guide fees, inside wiring protection plans, penalties for changes in service, equipment return pickup or mailer fees
- Change customer services policies to enhance their bottom line profits.

Consumer Concerns

- Customer confidence is declining
- No national standards for cable modem/DSL
  - Customers have no assurance that they are getting the quality or reliability they pay for
- New Privacy Policies increase concern about privacy breaches and “identity theft”
- Forced Arbitration diminishes legal remedies

What is Basis For DOJ Position?

- No evidence that more people are served more quickly in statewide franchise states
- No evidence that rates are reduced or choice is increased in statewide franchise states
- Neither the Federal government, nor the State government, should pick the winners and losers, nor should they disregard or diminish local government's legitimate role in franchising

Conclusion

- Consumers increasingly dependent on these new services for their communications needs
- Local, state and federal governments must work together to ensure that the public has access to the same high level services, at reasonable prices, with confidence that policies will not change to undercut their protections.
- The public and competitive providers both benefit when local government is supported at the federal level.

Contact Information

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