TESTIMONY OF THOMAS M. RUTLEDGE
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on

VIDEO FRANCHISING

before the

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION,
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Mr. Chairman, Senator Inouye, and members of the Committee. My name is Tom Rutledge, Chief Operating Officer of Cablevision Systems Corporation. Thank you for inviting me to speak about fair competition and video franchising.

Since 1996, cable operators like Cablevision have invested more than $100 billion in our networks and in innovative products for our customers. As a result, we now lead the nation in the deployment of broadband Internet service, digital and high-definition video, and voice over Internet protocol.

During this same period, the Bell companies did little to enter the video business opened to them by Congress in 1996. Now, facing voice competition from Cablevision and other cable operators that invested and planned for this competition, AT&T and Verizon argue that they can make up lost time if free from local regulation, such as franchising.

My comments will focus on the importance of a level playing field and why the existing franchising regime does support fair competition while allowing local officials to protect community interests.

Level playing field is essential.

Our primary concern is ensuring that we face our competitors – including the phone companies – on a level playing field. A level playing field means that we succeed or fail based on innovation and effort rather than because our competitor may get better rules. Franchising is an important part of fair competition.

Our franchises contain commitments that are important to the communities we serve, but are being questioned by phone companies in their new video plans. For example, Cablevision has made service to every neighborhood in a community a key part of its local franchises. In New York and New Jersey, Verizon's fiber upgrade is focused on wealthier, suburban areas but leaves rural and urban centers virtually untouched. Similarly, while new entrants want to avoid franchise commitments of interest to local officials, under its franchises Cablevision provides free video and Internet services to more than 5,000 local schools and libraries. Sustainable competition requires that new entrants embrace comparable franchise commitments.

Franchising sustains localism.

Broadcast television and professional sports programming services are local businesses, as is cable television. Franchises are an important aspect of cable television's localism. Far more than any other media business, cable has a rich tradition of community programming. In the New York, New Jersey, and Connecticut markets alone, Cablevision operates seven full-time news stations, dozens of small, community news services, and 89 government, educational and public access channels to deliver local news and information to our customers. In our franchise agreements with the communities we serve, Cablevision also agrees to provide local programming services that enable residents to see their local City Council hearing or the meeting of the local planning board.

Franchise agreements reflect other local priorities of the community. These include requirements for universal service, nondiscrimination, construction standards, zoning, aesthetics and public safety. These priorities are most effectively selected and enforced by local officials that know their community best. For example, if a resident's driveway were damaged by a contractor, or if a neighborhood were improperly denied service because of its demographic profile, the local government is best positioned to address those concerns.

Localism in cable television and local accountability in the community are rooted firmly in the franchise relationship.

Streamlined franchise processes accommodate new entrants.

Finally, the franchising scheme has demonstrated sufficient flexibility *both* to accommodate competitive entry and to serve the values of localism and fair competition. Today, local and state governments are using the flexibility of the federal franchising scheme to encourage and accelerate Bell video entry.

New York, for instance, has streamlined the local franchising process for new entrants. Any new entrant that agrees to the terms of an existing franchise can get a franchise approval hearing in 30 days. Yet, no new telco entrant has sought to exploit this quick entry mechanism.

The New York Commission has also approved a pro-competitive franchise template that protects local interests and ensures a level playing field. New entrants can use this franchise as a roadmap for speedy approvals. Verizon called it a "framework ... that should help expedite … future franchises."

Connecticut already has a statewide franchising scheme that allows providers to negotiate authority to serve broad geographic areas. Instead of asking for a franchise there, AT&T has spent close to a year asking the state to exempt it from the the state's cable and franchise law.

In New Jersey, local mayors are calling on the telephone companies to come get new video franchises quickly and bring additional competition. Instead of signing those franchises, Verizon is pushing for new state legislation to eliminate local franchising.

Given the complaints about local franchising, one might think that there are thousands of Bell video franchise applications stuck in municipal red tape, delaying the promise of new competition. That is not the case. In our service area of more than 400 communities, Verizon has only three local franchise applications pending. If this is any indication of the national experience, it appears that it is the business decisions of the telephone companies, *not* the local franchising process itself, that are causing delay.

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The truth is, local franchising works. The “failures” that have repeatedly been cited by its opponents are not due to the regulatory framework. Franchising has proven to be a durable, predictable and effective means of ensuring competition develops on a level playing field.

To the extent that this Committee is considering modifications to the franchise model to further accommodate new entry without sacrificing localism and fair competition, I recommend New York’s approach. There, the procedural “shot clock” protects against delay, and the ability of an existing operator to “opt in” to any new competitive franchise provides for fair competition, all within the current regime and without sacrificing the legitimate local interests that it sustains.

Thank you for inviting me here today. I look forward to answering your questions.