



**Hearing Statement of Matthew M. Polka,
President and CEO
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**on behalf of
The American Cable Association**

**Before the
Federal Communications Commission,
En Banc Hearing, Pittsburgh, PA, Carnegie-Mellon University**

"Broadband and the Digital Future"

July 21, 2008

INTRODUCTION

Thank you for inviting me to speak today on the positive impact that smaller, independent cable and broadband providers can have for consumers throughout the United States.

My name is Matt Polka, and I'm the President and CEO of the American Cable Association. **ACA is the voice for 1,100 small and medium-sized cable companies that serve 7.5 million subscribers in smaller and rural markets in all 50 states.** The average ACA member size is about 7,500 subscribers, but many have less than a 1,000.

In the Pittsburgh area we have a number of broadband providers such as The Armstrong Group in Butler, PA, the 2007 Independent Operator of the Year, Bentleyville Telephone and Cable in Bentleyville, PA, and HTC Communications in Hickory, PA.

In addition to broadcast and cable programming, the majority provide high-speed Internet, while many are launching Internet phone service, **deploying broadband in spite of the unique economic challenges they face.**

First, the cost to provide broadband is steep and tougher to recoup for cable operators with a limited number of subscribers. Equipment costs are the same whether providing broadband to 5,000 or to half-a-million.

Second, the cost of maintaining a broadband network is high when the distance among subscribers is great. ACA members often send employees more than an hour to make a service call.

Finally, access to capital is scarce. Our members must turn to bankers on local Main Streets, because Wall Street isn't interested, and available financing doesn't come cheap or easy.

But ACA members know their customers want broadband, and they are finding price-sensitive ways to offer it, even though their costs to provide broadband are increasing.

COST OF REGULATION

Still, there are no guarantees.

Any fluctuation or increase in financial or bandwidth costs, whether through regulation or for other content carried on cable systems, has a direct correlation to our members' ability to deploy broadband services.

ACA believes government can encourage greater broadband deployment through limited regulation and sensitivity to the unique economic concerns of smaller, rural markets.

ACA members become concerned about more broadband deployment when FCC regulations impose a disproportionate cost on smaller broadband providers.

For instance, some proposed regulations will limit the amount of resources available to small cable operators for broadband deployment.

- In June the FCC imposed new requirements to report data on broadband deployment. While ACA supports the Commission's efforts, burdensome reporting obligations add to the costs and challenges ACA's members face in providing broadband to rural America. Actual deployment must take priority over gathering information on deployment of broadband.
- Furthermore, the FCC is considering raising the cable broadband pole attachment rate for broadband services provided over a cable television system. The effect of an increase in the broadband attachment rate is multiplied for each smaller-market and rural subscriber, making it *more* difficult to deploy broadband in these markets, raising costs to providers and consumers.

ACA urges *vigilant* Commission review of regulations that have a significant economic impact on small cable operators to determine whether rules should be amended or rescinded to free up resources and bandwidth for greater broadband deployment in rural America.

To be sure, there are success stories too.

For example, we welcome FCC efforts on an exemption for small systems from digital must-carry obligations, and we hope this order can be adopted soon. This order will preserve system bandwidth and allow small operators to invest in more broadband.

RETRANSMISSION CONSENT/TYING AND BUNDLING

Marketplace concerns too, when coupled with existing FCC rules and regulations, dramatically increase costs and bandwidth constraints of smaller cable operators to provide greater broadband services.

ACA members are concerned about the rising costs of cable and broadcast programming and how broadcasters and programmers force programming cost and content onto smaller cable systems and customers, taking away bandwidth for other broadband services or for more consumer programming choice.

Small cable operators have no leverage in negotiations with network broadcasters and national programmers who demand double or triple the fees paid by larger providers, and who require carriage of undesired, affiliated programming just to get the popular TV station or cable channel.

Federal retransmission consent and network non-duplication rules grant broadcasters and programmers unrestrained power in these negotiations and exclusive

markets, which are routinely used to discriminate against small and medium-sized operators.

In September 2007, the Commission issued a rulemaking on the FCC's program access and retransmission consent rules. ACA described the broadcasters' and programmers' discriminatory conduct. We proposed prohibiting volume-based price differences, unless those differences are cost-based, and eliminating bundling of affiliated content.

Rising retransmission consent costs and programming bundling directly effect whether ACA members can provide more broadband services.

ACA urges the Commission to act on the bundling and retransmission rulemaking as soon as possible.

[QUIET PERIOD – If Time Permits]

More recently, ACA supported a petition filed by members, Mediacom and General Communications, Inc., with others, asking the Commission to adopt a retransmission consent "quiet period" to ensure retransmission consent disputes around the digital transition do not trigger consumer confusion or service disruptions when the American public is most dependent on the cable industry's delivery of broadcast signals.

We urge the Commission to adopt the "Quiet Period" petition. It will not only reduce confusion for consumers, but also provide continuity for smaller cable operators in smaller markets and rural areas to continue job number one – rolling out broadband and advanced services.]

SUMMARY

Thank you again for the opportunity to speak today.

ACA members are committed to job one – providing broadband in smaller markets and rural areas.