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Highlights

Highlights of GAO-05-257, a report to the Subcommittee on Antitrust, Competition Policy and Consumer Rights, Committee on the Judiciary, U.S. Senate

TELECOMMUNICATIONS

Direct Broadcast Satellite Subscribership Has Grown Rapidly, but Varies across Different Types of Markets

Why GAO Did This Study

Since its introduction in 1994, direct broadcast satellite (DBS) service has grown dramatically, and this service is now the principal competitor to cable television service. Although DBS service has traditionally been a rural service, passage of the Satellite Home Viewer Improvement Act of 1999 enhanced the competitiveness of DBS service in suburban and urban markets. GAO agreed to examine (1) how DBS subscribership changed since 2001; (2) how DBS penetration rates differ across urban, suburban, and rural areas; (3) how DBS penetration rates differ across markets based on the degree and type of competition provided by cable operators; and (4) the factors that appear to influence DBS penetration rates across cable franchise areas.

To complete this report, GAO prepared descriptive statistics and an econometric model using data from the Federal Communications Commission's annual Cable Price Survey and the Satellite Broadcasting and Communications Association's subscriber count database.

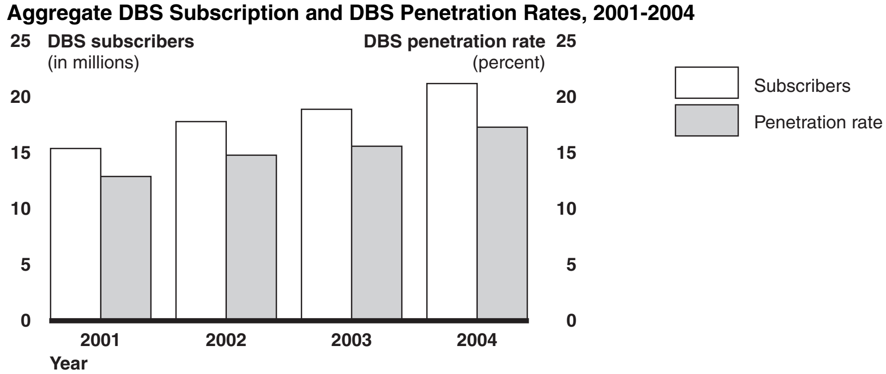
www.gao.gov/cgi-bin/getrpt?GAO-05-257.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Mark L. Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

What GAO Found

Since 2001, the number of households subscribing to DBS service has grown rapidly; thus the percentage of households subscribing to DBS service, the DBS penetration rate, has grown to over 17 percent of American households.

Aggregate DBS Subscription and DBS Penetration Rates, 2001-2004



Source: GAO.

The DBS penetration rate is highest in rural areas, but growing most rapidly in suburban and urban areas. Between 2001 and 2004, the DBS penetration rate grew 15 percent in rural areas to 29 percent of rural households, 32 percent in suburban areas to 18 percent of suburban households, and 50 percent in urban areas to 13 percent of urban households.

The degree and type of competition influences the DBS penetration rate. In areas with no cable service, the DBS penetration rate is about 53 percentage points greater than in areas where cable service is available. Where cable service is available, cable operators increasingly offer advanced services. The DBS penetration rate is approximately 20 percentage points greater in areas where cable operators are not providing advanced services, compared with areas where these services are available. While relatively few areas have more than one wire-based cable operator, in these areas the DBS penetration rate is 8 percentage points lower than in areas with only one cable operator.

In addition to the differences in DBS penetration rates across rural, suburban, and urban areas, and differences associated with the degree and type of cable competition, additional geographic and competitive factors also influence the DBS penetration rate. For example, the DBS penetration rate is lower in areas with a high prevalence of multiple-dwelling units, such as apartments. Additionally, the DBS penetration rate is higher in areas where DBS providers offer local broadcast stations (such as ABC and NBC affiliates) directly to their subscribers.

The Federal Communications Commission provided technical comments on a draft of this report that we incorporated where appropriate.