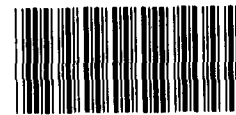




Testimony



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TELECOMMUNICATIONS

1991 Survey of Cable Television
Rates and Services*Statement of*

John M. Ols, Jr., Director
Housing and Community Development Issues
Resources, Community, and Economic
Development Division

Before the

Subcommittee on Telecommunications and Finance
Committee on Energy and Commerce
House of Representatives



Mr. Chairman, at your request, we just completed our third survey of cable television rates and services.¹ The survey builds on our prior survey and provides information on cable rates and services from November 1986 to April 1991, with emphasis on changes since December 1989. To obtain the latest and best information, we contacted the 1,530 cable systems that responded to our 1990 survey and obtained information from 1,505, a 98% response rate. The 1,505 cable systems provide service to almost 27 million subscribers or about half of all cable subscribers. The results of our survey can be used to make estimates of pricing changes affecting about 45 million of the 54 million current cable subscribers. Because responses were voluntary, we could not have completed our work without the excellent cooperation of the many cable operators, associated corporate officials, and industry representatives whose efforts were essential to the success of this study.

Let me briefly summarize our report. Our study shows that rates to customers continue to rise faster than the rate of inflation even though they have moderated somewhat. Sixty-six percent of the subscribers for the lowest priced basic service incurred rate increases of more than 10 percent between Dec. 1989 and April 1991. Average rates for the lowest priced basic service increased by 9 percent from \$15.95 to \$17.34 per subscriber with an average decrease of one channel. Also, the average monthly rate for the most popular basic cable services increased by 5% from \$16.33 to \$18.84 with an increase of 2 channels.

Our study also showed that the number of systems offering only one tier or level of service decreased by about 25% from 83.4 to 58.6 percent. The number of systems offering two or more tiers increased from 16.6 to 41.4 percent. I should note that the legislative proposals introduced in 1990 would have generally restricted rate regulation to only the lowest priced basic service.

¹TELECOMMUNICATIONS: 1991 Survey of Cable Television Rates and Services (GAO/RCED-91-195, July 17, 1991).

I should also note that FCC has modified its effective competition regulation. Based on our 1990 survey, the new regulations would not affect about 59 percent of the cable systems serving 80 percent of the nation's subscribers.

On the revenue side, overall monthly revenue to cable operators increased an average 4.2% between Dec. 1989 and Dec. 1990 and 4.7% for the period Dec. 1990 and March 1991.

This concludes my summary of our report. I will be glad to answer any questions.