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À la carte cable TV: Con

By Loretta Sanchez

Imagine a world where the government would decree newspapers out of existence and require, instead, that you must buy your news stories from individual reporters. Or imagine a world in which shopping malls would be banned, and where, after purchasing a pair of jeans, you'd have to slog across town to buy shoes.

Hard to contemplate such an Orwellian norm in modern-day commerce? Well perhaps not. For today, if the chairman of the Federal Communications Commission and special interests get their way, a similar heavy-handed government rule, known as a la carte regulations, would be applied to the cable television industry. That rule would require consumers to pay a per-channel charge for each cable TV channel they receive.

Independent study after independent study shows that "per-channel charge" will cause cable prices to soar, consumers to suffer and diversity in cable programming to disappear. And, if that were to happen, the cable industry's most exciting new talent – the scores of new Hispanic, African-American, women's and other programs – would be the first casualties. Pay-per-channel regulations would be a death knell for media diversity. Nearly every new programmer agrees on this point.

Like most industries you see, the cable industry relies on economies of scale – the industry has invested over $100 billion in new and improved high-speed networks to create a common platform from which hundreds of cable networks now offer an unprecedented selection of choices. But the common platform, otherwise known as basic cable, is not only essential to the continued investment but also is the very lifeblood for many of the new, niche cable programs and the bulwark against price hikes for consumers.

Once a new channel, such as the wildly popular Latino network SiTV, makes it on the basic platform, it becomes the immediate beneficiary of a double-barreled marketing subsidy: Because so many viewers will glimpse the network while channel surfing, it gets free promotional advertising to its potential audience of millions.

At the same time, because so many eyeballs see the new programming, the new programmer can charge advertisers a premium – revenue that can make a life-and-death difference to networks struggling to get established.

A new cable network might have to spend over $100 million to bring new programming to the marketplace. But with the support that new programmers get from the basic-cable economic model, this barrier is made surmountable for many new Hispanic, African-American and other programmers.

Indeed, Lisa Hall, president of Oxygen, a popular cable network targeted to women, said of the shared platform that "if there is a better model, I have not seen it."

And in this view, Hall is hardly alone. The Government Accountability Office – Congress's chief auditing agency – said that if per-channel charges were adopted, then diversity in cable programming would likely disappear and that prices would likely rise for many of my constituents – and all consumers for that matter – who deign to view more than just six cable networks. Industry studies by Bear Stearns and Booz Allen – two of the most respected analyst firms – echoed the same findings.

A bipartisan group of organizations opposing media concentration – from leading civil-rights organizations like the National Urban League and LULAC to leading conservative voices like Citizens for a Sound Economy and Pat Robertson – has dismissed opposing arguments as sophistry and point out that consumers will be the big losers if these media-concentrating rules are enacted.

It seems odd for the conservative Republican Kevin Martin – the White House's point-man at the FCC – to advocate such heavy-handed government regulations, particularly after his agency released a study recommending against such regulations just a year ago. And while Mr. Martin may honorably seek to give parents tools to weed out programming they may think objectionable, other options – like parental controls – already give parents that power today.

But by imposing a new pay-per channel government regulation – unprecedented in the annals of government regulation of television content – the feds would be throwing the baby out with the bath water, killing small programmers and dousing consumers with rate increases.
