



**Testimony of Edward S. Pardini,  
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**on behalf of  
The American Cable Association**

**Before the  
House Subcommittee on Contracting and Technology  
of the  
House Small Business Committee**

**The DTV Transition and Small Businesses:  
Small Firms Contributing to a Big Change**

**May 7, 2008**

Thank you Chairman Braley, Ranking Member Davis, and members of the subcommittee.

My name is Ed Pardini, and I am Senior Vice President of Operations, North Central Division at Mediacom Communications, an independent cable business. At my division, based in Des Moines, Iowa, we have the privilege of serving smaller cities and towns throughout Iowa, Minnesota, North Illinois, South Dakota, and Wisconsin, where we provide a wide array of broadband products and services, including traditional video

services, digital television, video-on-demand, digital video recorders, high-definition television, high-speed Internet access and phone service.

I am here today to testify on behalf of the American Cable Association, of which Mediacom is a member. ACA is the voice for nearly 1,100 small and medium-sized cable companies across the country that together serve more than 7 million households. The association's members range from family-run businesses serving a single community to multiple system operators, like Mediacom, providing service to smaller markets and rural areas. More than half of ACA's members' systems serve fewer than 1,000 customers, and most serve rural communities with only a few hundred homes.

Small cable operators are important businesses in their communities. In addition to providing broadcast and cable programming, top quality local-based customer service, and jobs to hard working Americans, many of ACA's members offer exclusive community programming not carried by other operators, like our very own Iowa based Mediacom Connections Channel. And, in many smaller communities, ACA members are the only providers of high-speed Internet access.

ACA and its members are committed to ensuring a successful digital transition and know we have a role in educating consumers about the transition. For this reason, ACA is an active member of the Digital Television Transition Coalition, working with other

business, trade and industry groups to ensure that no consumer is left without broadcast television after the transition because of a lack of information.

For our part, Mediacom has undertaken a massive education campaign to prepare consumers in our markets for the digital transition. In addition to running regular public service announcements across our cable systems and including information in our monthly billing statements, we have mobilized a team of professionals to meet with local community organizations and participate in local talk radio programs about the digital transition.

While ACA and its members are committed to ensuring a successful digital transition, the switch raises some unique concerns for small cable operators, which, if not appropriately dealt with, would harm consumers who subscribe to cable.

First and foremost, ACA and its members are committed to ensuring that all of our subscribers can view broadcast stations after the transition just as they did before. ACA's members are collectively investing tens of millions of dollars to purchase the equipment necessary to receive and convert the broadcasters' digital signals into a format that is viewable on both digital and analog sets without the need for a converter box. Small cable operators are also reaching out to the broadcasters in their community to address any technical issues, specific to their market that might interfere with their subscribers receiving their broadcast signals after the transition.

With respect to the digital must carry obligations imposed upon the industry in the Federal Communications Commission's (FCC) 2001 Report and Order, we welcome FCC Chairman Kevin Martin's recent announcement of a proposal that would provide an exemption for certain small systems. At the ACA's Summit in Washington, D.C., the Chairman told independent operators that with few exceptions, all cable systems with 552 MHz or less of capacity would be exempt from the digital must carry obligations of this Order, as long as the must-carry broadcasters' signal are viewable by all their systems' subscribers. This provides many small system operators with the flexibility to decide how to invest their limited resources in ways that best serve their customers' needs, such as providing important advanced services, in small markets and rural areas. The ACA is currently working with the Commission on a final Order to be adopted by the agency that we hope will resolve the concerns of all its members.

Currently, the government, broadcasters, and cable operators are working together to minimize the consumer confusion and viewing disruptions associated with the digital transition. However, with the digital transition scheduled for the same time that many small cable operators will be negotiating with broadcasters for the right to retransmit their signals, the ACA is concerned that broadcasters will continue to force cable operators to drop their broadcast signals as a means of pressuring small operators into accepting unfair deals with no regard to the confusion lost signals would cause consumers in the months before and after the transition.

In the second half of 2008, the rights of many cable operators to continue offering local broadcast signals in their markets under typical three-year retransmission consent agreements will expire. The ACA expects a significant number of its members to face difficult negotiations with the broadcasters who commonly leverage their market power to demand unreasonable prices, terms, and conditions from small and medium-sized operators. As it stands, federal retransmission consent and network non-duplication rules have granted the broadcasters unrestrained power in these negotiations.

Broadcasters commonly leverage both exclusivity in their market and the right to demand payment for their signal, to discriminate against small and medium-sized operators, including charging higher fees from smaller operators than from larger ones for identical content, delivered at the same cost. According to Economist William Rogerson, former FCC Chief Economist, small cable operators pay between 200 – 1,100% more for broadcast stations than their larger counterparts.

Often, during these one-sided negotiations, a broadcaster will go so far as to force a small cable operator to drop its signal until the operator agrees to the broadcaster's terms. Recent history has proven that broadcasters are willing to use consumers as pawns, and disrupt service when it suits their goals. This is precisely what happened in early 2007 when 2 million television viewers in 700,000 households were disrupted by Sinclair Broadcast Group's unilateral decision to pull 22 broadcast stations from Mediacom cable systems in 12 states.

In September 2007, the FCC issued a rulemaking seeking comment on revisions to the Commission's program access and retransmission consent rules. The ACA filed comments in this proceeding describing the broadcasters' discriminatory conduct toward small cable operators. More recently, Mediacom and several other independent cable operators, filed a petition with the FCC asking the Commission to promptly adopt a retransmission consent "quiet period" to ensure that private commercial disputes in the months surrounding the February 17, 2009 digital transition do not unnecessarily trigger consumer confusion or service disruptions at a time when the American public is most dependent on the cable industry's delivery of broadcast signals.

To put an end to discriminatory retransmission consent practices and ensure uninterrupted service for ACA's more than 7 million subscribers, we would encourage this Committee to conduct its own review of these practices that cause great harm to our country's small communications providers and their customers. We also urge every Member of Congress to play an active role in monitoring the negotiations in their state or district to ensure broadcasters are not forcing small cable operators to drop signals in the months before and after the digital transition is scheduled to occur.

Chairman Braley, Ranking Member Davis, and members of the subcommittee, thank you again for the opportunity to testify.