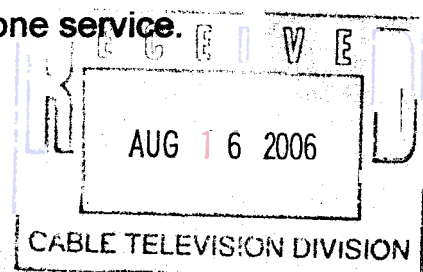


Good morning. My name is Deborah Lathen, President of Lathen Consulting. I appreciate the opportunity to share my views with you today.

I am here because I know that we all share a desire to ensure that all consumers have the best communication services available in the marketplace—with plenty of choices at affordable prices. Your work is another significant step in our quest to reach that goal.

As you consider reforming the state rules and regulations surrounding cable competition, I hope to provide perspective based on my years in the trenches. Before my current work as a telecommunications consultant with companies such as Verizon Communications, I was Chief of the Federal Communications Commission's Cable Services Bureau. During my tenure, the FCC worked diligently to ensure that consumers benefited from the cable industry's rapid growth and advancement into new markets like local telephone and high-speed Internet services.

In many instances we found that regulatory forbearance served consumers best. While we had our share of naysayers who claimed imminent harm if we did not impose regulatory protections and restrictions—we know quite the opposite has occurred. Millions of customers today enjoy choice not just for high-speed internet access, but also for home phone service.



Yet, the wireless telephone business offers us the most profound example of how pro-competitive regulation works. In 1993, Congress changed the laws in order to create an effective national regulatory framework for wireless services and prohibited the disparity of 50 different states creating their own rates and rules on market entry

Twelve years later—nearly 200 million consumers have wireless service and more than 180 wireless providers compete for their dollars. Prior to Congress acting, only 13 million consumers had wireless phones.

Competition in the wireless industry also caused a dramatic decrease in the average monthly bill. In 1993, consumers paid nearly \$70 a month. Today they pay less than \$50, and get more minutes and enhanced services as well.

The proof is in these astounding numbers. When government stood back and streamlined wireless regulations, more competitors invested in their networks and offered better quality services at more affordable prices.

Pro-competitive public policies have been a boon to cable operators as well. The Cable Television Policy Act of 1984 not only ended much of cable regulation, it marked the beginning of a proliferation of national, satellite-delivered programming services such as HBO

Subsequently, when Congress passed and President Bill Clinton signed the Telecommunication Act of 1996—you will recall that the intent of the legislation was to stimulate facilities based competition in the telecommunications industry. It is fair to say that on the wireless and broadband side, those goals have exceeded all expectations.

The '96 Telecom Act also cleared away the final vestiges of federal regulation over the cable industry, freeing the companies to invest and innovate. As a result, cable operators have boosted their program offerings and converted their simple television broadcasting capability into two-way, high speed networks. These networks now carry video on demand, broadband Internet and telephone services.

As a means of jumpstarting competition in the local phone market, the '96 Act also established certain rules for incumbent local exchange carriers while making entry easier for its new competitors. Cable companies quickly converted their networks in order to compete for millions of local telephone customers by offering them voice, internet and video packages. For consumers, this has all been good.

With little government interference, wireless and broadband have boomed and become even more competitive. Innovation indeed has become the

hallmark of these industries. It is something consumers not only expect, but now demand.

Technology companies are always seeking the “killer app” – a new application that will spur demand and create or greatly boost a new product or industry. As a conduit for other applications, fiber optic video services are being used as a springboard for further innovation, not only in our homes but in such industries as health care. The potential benefits of these technological advances are unlimited and should not be hamstrung by an outdated process.

Still, a decade later, the Telecom Act’s intent of generating true intermodal competition among cable companies has not yet been fully realized.

Here in Massachusetts, you are at a watershed moment with an opportunity to streamline cable entry rules and usher in a new era of competition and investment.

think this look back provides a good roadmap for updating the franchising rules. They were developed decades ago when cable TV was the only technology available and certain protections were necessary to encourage investment and ensure that municipalities maintained control of their rights of way. In today’s environment, these rules only serve to stifle video competition. Forcing cable competitors to go through the extensive


process associated with negotiating hundreds of franchises, before they can compete with the dominant incumbent cable company, is a policy that has outgrown its original purpose.

We have clearly found that wire-to-wire competition leads to lower prices; just look at the examples in Texas, Virginia, and Florida. Once competitors started offering television service over fiber-optic lines, the cable companies immediately lowered their prices in response. I believe consumers everywhere deserve such benefits.

History shows us that pro-competitive policies that eliminate burdensome regulations will spur innovation and investment—and benefit consumers by offering them more products and services at competitive prices.

I recognize and respect the legitimate concerns you face as you consider reforming the cable franchise process in the Commonwealth. However, I do believe your concerns are adequately addressed in Verizon's proposal. State law ensures that municipalities maintain control of their rights of way. Additionally, local communities will continue to receive their fair share of franchise fees and grants for public and educational and government programming.

These are serious issues for cities and towns. Yet they are fairly and fully protected by a process that allows for the streamlining of overly



burdensome local franchising rules. Similarly, speeding up video competition will result in lower prices, better quality service and more choices for Massachusetts consumers. That sounds like a win-win for all.

Thank you for your time and attention on this important matter before you.