

GAO Highlights

Highlights of [GAO-13-576](#), a report to the Acting Chairwoman of the Federal Communications Commission

Why GAO Did This Study

Video provided through subscription video services, such as cable and satellite television, is a central source of news and entertainment for the majority of U.S. households. Technological advances have ushered in a wave of new products and services, bringing online distribution of video to consumers. Federal laws and regulations have sought to foster competition in the video programming and distribution marketplace, but many such laws were adopted prior to the emergence of these advances.

Among other things, GAO examined (1) how competition has changed since 2005; (2) the increased choices that consumers have in acquiring video programming and content; and (3) stakeholders' views on how the government's regulations, reports, and other activities have kept pace with changes in the industry. GAO reviewed relevant literature and reports; interviewed agency officials, industry stakeholders, and experts; and analyzed prices and service offerings in 20 randomly sampled zip codes (the prices and services offerings reflect conditions in the 20 zip codes and are not generalizable to all zip codes).

What GAO Recommends

FCC should study the advantages and disadvantages of different reporting frequencies for its cable industry price and video competition reports and transmit the results of its analysis to Congress. FCC said that the Commission strives to use its resources efficiently to meet the agency's mission and its Congressional requirements, and the Commission is reviewing GAO's recommendation.

View [GAO-13-576](#). For more information, contact Mark Goldstein at (202) 512-2834 or goldsteinm@gao.gov.

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VIDEO MARKETPLACE

Competition Is Evolving, and Government Reporting Should Be Reevaluated

What GAO Found

Since GAO reported on competition in 2005, competition among video content producers is little changed, while competition among distributors has increased. According to data cited by the Federal Communications Commission (FCC), seven companies' broadcast and cable networks accounted for about 95 percent of all television viewing hours in the United States. Further, ownership of broadcast and cable networks changed little from 2005 through 2012. Alternatively, the introduction of video service provided by telephone companies, such as Verizon's FiOS service, has brought additional competition to video distribution. At year-end 2010, roughly 1 in 3 households could choose among 4 or more subscription video distributors: typically a cable company, 2 satellite companies, and a telephone company. With technological advances, companies are increasingly distributing video online. Online video distributors (OVD) are developing a variety of business models, including free and subscription-based services. However, online viewing and revenues represent a small portion of overall media viewing hours and revenue.

Consumers continue to acquire programming and content through packages, but OVDs are delivering new choices. All the video distributors that GAO analyzed required consumers to purchase a package of channels often through the basic, expanded basic, and premium tiers. According to FCC data, in 2011, the average price for expanded basic service was \$57.46, and had increased over 33 percent since 2005, exceeding the 15 percent increase in the Consumer Price Index. OVDs and other companies allow consumers to select content on a program or episode basis. However, these services typically do not include the most recent television programs and movies, thereby limiting their value for some consumers.

Stakeholders generally noted that laws and regulations have not kept pace with changes in the video industry, and FCC has not consistently reported on competition. Some legislation governing the media industry was adopted over 20 years ago, before telephone companies entered the marketplace and the commercialization of the Internet facilitated new OVD services. A majority of stakeholders with whom GAO spoke stated that some provisions should be revisited. FCC is required to annually report to Congress on cable industry prices and competition in the video marketplace. However, since 1992, FCC has not published the cable industry price report 4 times—in 2004, 2006, 2007, and 2010—and has not published the video competition report 4 times—in 2007, 2008, 2010, and 2011. According to FCC officials, a variety of administrative factors contributed to the missed reports, and the reports are time consuming to prepare. The reports also impose burdens on some industry participants.

Less frequent reporting on cable industry prices and competition in the video marketplace could allow for continued measurement of industry performance while reducing the burden on FCC and industry participants. GAO found little change in the reported findings from year-to-year in FCC's video competition report. FCC's 2009 cable industry price and 2012 video competition reports followed missed reports, and these reports included data covering multiple years; these reports could serve as a model for issuing such reports less frequently. Since these reports are statutorily required, Congress, with input from FCC, would need to determine any new reporting frequency.