

New Law Aims To Level Field For AT&T, Cable Firms

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Over the objections of the cable TV industry and consumer advocates, Gov. M. Jodi Rell has signed a bill designed to promote competition in pay television services that also increases a tax on cable and satellite service and reduces some consumer protections.

The new law is a response to AT&T's introduction of a TV service known as U-verse that delivers television programming over telephone lines.

The law, which Rell signed late Wednesday, establishes a complex new system of regulation in areas of the state where AT&T and traditional cable companies compete for customers toe-to toe.

The law also increases the gross earnings tax for all cable and satellite customers in the state from 5 percent to 5.5 percent. AT&T TV customers will also be subject to the tax when the law takes effect Oct. 1.

Supporters of the law say the new regulatory system equalizes the regulation of AT&T, which offers U-verse in parts of more than 20 towns and cities, and cable companies such as Comcast Corp. and Cox Communications.

By establishing rules that AT&T and the cable companies will have to follow, the new system will foster competition, resulting in lower prices, they say.

"An injection of healthy competition into this market will benefit consumers in the long run," Rell said in a statement Thursday.

The Department of Public Utility Control ruled last year that AT&T's U-verse service isn't subject to state regulations. But cable companies and the state's Office of Consumer Counsel said the lack of state regulation gave AT&T an unfair advantage and left customers without certain protections. The cable companies and the consumer counsel filed lawsuits, which are pending.

The new law, designed to address issues in the lawsuit, attempts to create a level playing field for both AT&T and the cable companies. In essence, regulations were relaxed for cable companies, while AT&T accepted some new regulation in competitive areas.

But the cable companies and consumer advocates remain unhappy, saying AT&T still has an advantage in the marketplace.

"I am deeply disappointed by this legislation, which exacerbates an already egregious imbalance against consumers in the current cable playing field," Attorney General Richard Blumenthal said.

AT&T doesn't, for example, have to provide its service everywhere, allowing the company to pick the most lucrative communities while leaving poor and rural towns with no competition, said Bill Vallee, principal attorney for the state Office of Consumer Counsel.

Then there's the tax increase, which cable industry officials estimate will cost consumers an additional \$8 million to \$10 million annually - a figure AT&T disputes.

The old system wasn't bringing competition, and that's exactly how the cable companies wanted it, said John Emra, regional vice president for external and legislative affairs for AT&T.

"Do you want investment and competition, or don't you?" Emra said. "More of the same will give more of the same."

Emra says the law is a compromise in which AT&T agreed to go from being unregulated to accepting some regulation on its TV service. The rules include customer service requirements and funding for public access TV channels.

The new law also includes a tax benefit for AT&T. It will not face personal property taxes in the next three years on new equipment, while investing \$336 million in new equipment in the state. But AT&T and its customers will begin paying the gross earnings tax for the U-verse service.

State Rep. Steve Fontana, D-North Haven, one of the authors of the bill, said the tax increase would cost a typical cable customer just a few more cents a month. In exchange, they will be paying for upgrades in public access and TV service in schools and other public buildings.

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