Phone, Cable Trade Fire Over Ads

AT&T Wants Spots on Legislation That Would Let It Enter TV Business

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AT&T Inc. yesterday accused cable television companies of suppressing public debate by refusing to air ads that urge lawmakers to make it easier for phone companies to get into the TV business.

Time Warner Cable shot back that it was under no obligation to carry its competitors’ ads while Comcast Corp. said it rejected the spots because they were riddled with false and misleading claims.

The charges are the latest in a long series of broadsides between phone companies, which want to offer TV without having to get thousands of franchise agreements at localities all over the country, and cable companies, which believe their rivals should have to secure local agreements just as they did.

Both sides have launched media campaigns to sway lawmakers debating whether to grant phone companies state or national franchises. The Federal Communications Commission is also studying whether local authorities are “unreasonably” denying franchises.

In a victory for the telephone companies, the House Commerce Committee yesterday released a draft bill that would grant new entrants a national video franchise within 30 days of filing certain information with the FCC. If enacted into law, this would let phone companies into the TV business much faster than if they had to negotiate franchises in every locality.

AT&T, the largest U.S. phone company, filed a complaint yesterday with the FCC claiming that cable companies are trying to thwart competition.

"Incumbent cable operators nationwide are refusing to carry paid issue advertising aimed at informing consumers, legislators and regulators of the enormous benefits of wireline video choice and the urgent need for franchising reforms that will make widespread video competition possible," the complaint said.
Verizon Communications Inc. issued a news release on March 15 criticizing Comcast and Time Warner for refusing to run telephone industry ads, accusing them of doing so "because they don't want consumers to know there could be a choice for cable TV."

Mark Harrad, a spokesman for Time Warner Cable, said his company was not required to run ads and said it was common practice for companies not to help out their competitors in this way.

"Coke doesn't promote Pepsi. McDonald's doesn't promote Burger King. NBC doesn't promote ABC. This is not news that you do not take an ad from a direct competitor," Harrad said.

Comcast questioned the accuracy of the ads, some of which include claims about how much cable prices have risen over the past decade that are disputed by the cable industry.

"Comcast will not run advertisements which contain unsubstantiated, false and misleading claims. This policy is very consistent with long-standing and generally accepted industry practices," Comcast spokesman Tim Fitzpatrick said. He called the phone ads "part of a larger lobbying effort intended to secure preferential legislative treatment at the expense of consumers."

AT&T's filing, which was signed by the USTelecom trade group, which represents major phone companies, suggested the cable industry was suppressing political speech.

"The incumbent cable operators' heavy-handed attempts to skew the political debate merely underscore the urgent need for opening up local video programming markets to real competition," AT&T wrote.

Regulatory analysts said that as a legal matter cable companies are under no obligation to run such ads and that in any case it was hard to regard the AT&T spots as anything but commercial in intent.

"These ads are solely aimed at telephone companies taking market share from cable," said Paul Gallant, who analyzes telecom and media regulation for the Stanford Washington Research Group.