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NOTES RE MUNICIPAL OWNERSHIP OF CABLE SYSTEMS

**Testimony of
STEVE SCHORR
VICE PRESIDENT
COX COMMUNICATION LAS VEGAS**

Mr. Chairman and members of the committee I am Steve Schorr Vice President of Cox Communications of Las Vegas and Southern Nevada. As the largest cable telecommunications provider in our state I find it a peculiar environment to be reconsidering legislation adopted in 1997 in which the Nevada legislature adopted clear policy prohibited all but the smallest communities from competing with private cable operators. The overall feeling was cities and governments that regulate companies like mine should not be in the business of competing with them at the same time.

Cities and counties are struggling to make taxpayers' dollars cover their expenses. Cox Communications currently provides more than \$11.4million annually to its franchising authorities in S. Nevada and since 1998 we have paid over \$54 million in local franchise fees to the five communities in Southern Nevada, Las Vegas, North Las Vegas, Henderson, Boulder City and Clark County.

Private capital funding has dried up - meaning that any such investment by municipalities could be made only on the basis of government bonds - guaranteed by the full faith and credit of the community. Most overbuilders that have tried to provide another source of competition have failed financially. If a municipality fails in this business, the taxpayers will bear the brunt. Even for companies like mine finding the capital funds to continue to build to our communities becomes tougher and tougher. Last year alone we spent over \$72 million in capital dollars extending our services to the ever-growing residential and business communities of Southern Nevada while at the same time adding the latest technologies including High Definition TV, faster data services and additional analog and digital channels sought by our customers.

There is no private money available for these ventures, in part because there already is substantial competition. A municipality providing cable service in a community where there is an existing cable provider would be the third or fourth competitor.

Those now in the marketplace, especially in the larger communities include

1. Existing cable operator
2. DBS (which already have more than 20% of the market nationally) and more then 18% in Nevada
3. DSL (can provide not only high speed data, but VideoDSL). Though Sprint and SBC are not yet providing this service, phone companies are in a number of cities. They are already major competitors in high-speed access to the Internet.

Not only does this competition already provide a spur to Cox to provide great service at a fair price, but also it increases the risk that municipal provisioning of additional competitive service will fail. Cox Communications continues to go above and beyond what even is required within the local franchises. Statistically we provide better service than is even required in the franchises. We were the first service provider to offer 2 hours service and installation windows to customers. We provide service and installation after 5:00pm and on weekends. We provide service guarantees, the first provider to do so. Despite the fact that we provide services to over 400,000 customers in 2002 our official complaint numbers were less than one-tenth of one-percent of our total customer base. As a company we now lead the nation in fewest outage minutes per customer. Less than 44 minutes for the entire year, an unprecedented number.

If government provides competitive cable service, it is almost inevitable that the government will have to subsidize its cable service with tax revenues and that it will find it impossible not to use its regulatory powers to try to disadvantage the private company. We feel both of these results are very bad public policy.

I would like to remind the members of this committee that the Interim Legislative Committee reemphasized that they felt it would be bad gov't policy to compete against private industry from government owned businesses.

There are no success stories of a private and government cable systems operating in healthy competition. In most cases, the City systems have floundered. In a few, they those cities have driven out the private company. What is the point here?

Cox has been an outstanding corporate citizen. Last year alone we provided 1.5 million dollars in cash and in-kind services to charitable and non-profit organizations in Southern Nevada. Our GoalGetters program now has over 120,000 children enrolled helping them make and achieve goals. Our partnership with the Andre Agassi College Preparatory Academy, which is a Cox Model Technology school, has been awarded for its effort to help so-called at-risk children succeed educationally. Our "A Welcome Home" program has seen the adoption of more than 100 "At-risk children" in our community. We now support over 100 various organizations from the United Way to the Latin Chamber of Commerce, from the Urban Chamber to Opportunity Village, from the Boys and Girls clubs to the YMCA's.

Finally in personal telephone discussions I had with the Mayor of Las Vegas Oscar Goodman, The Mayor of Reno Bob Cashel, the Mayor of North Las Vegas Michael Montandon and the County Manager in Clark County Tom Reilly, none have expressed any interest in competing with the local franchised cable provider. I quote Tom Reilly the County Manager in Clark County who said, "This is no where on our radar screen. We have no interest in getting into competition with local franchised company" and Mayor Oscar Goodman of Las Vegas who said "We have enough challenges already in local government. We don't need to compete with good companies like yours."

Thank you for taking my testimony and I will answer any questions you might have.