



City of Cambridge

Committee Report #1A

IN CITY COUNCIL

June 2, 1997

COUNCILLOR GALLUCCIO

ORDERED: That the City Manager be and hereby is requested to contact potential video service providers by way of an introductory letter expressing the city's interest in encouraging competition and working with providers to facilitate competition.

In City Council June 2, 1997

Adopted by the affirmative vote of nine members.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

A handwritten signature in black ink that reads "D. Margaret Drury". The signature is written in a cursive style.

ATTEST:-

D. Margaret Drury
City Clerk



City of Cambridge

Committee Report #1B

IN CITY COUNCIL

June 2, 1997

COUNCILLOR GALLUCCIO

ORDERED: That the City Manager be and hereby is requested to begin discussions regarding the franchise renewal process for cable television service.

In City Council June 2, 1997

Adopted by the affirmative vote of nine members.

Attest:- D. Margaret Drury, City Clerk.

A true copy;

A handwritten signature in cursive script, reading "D. Margaret Drury".

ATTEST:-

D. Margaret Drury
City Clerk

City of Cambridge

The Cable TV and Telecommunications Committee held a public meeting on Wednesday May 14, 1997, beginning at 6:00 p.m. in the Sullivan Chamber for the purpose of receiving an update on competition in the cable television industry and the measures the City is taking to ensure that residents get maximum benefits from competition.

Present at the hearing were Councillor Anthony D. Galluccio, Chair of the Committee, Councillor Katherine Triantafillou, and City Clerk D. Margaret Drury. Also present were Robert W. Healy, City Manager; James Ares, Director of the Municipality Cable Office; and Peter Epstein, Attorney and Counsel to the City of Cambridge for cable TV matters.

Councillor Galluccio convened the hearing and explained the purpose. He welcomed those present and stated that Peter Epstein, Legal Counsel to the City on cable issues was present, along with Mr. Healy, City Manager and Jim Ares, Director of the City Cable office.

Councillor Galluccio introduced Mr. Healy and requested that he introduce the discussion. Mr. Healy noted the enormous change in the regulatory structure in the area of telecommunications and added that the changes in the playing field are continuing. He stated that the FY 98 budget includes some additional resources for expert assistance in this area.

Mr. Healy noted that Continental has been purchased by U.S. West and has changed its name to Media One. This name has a significance in that it denotes desire for an identification broader than just that of a cable television provider.

Councillor Galluccio stated that he had a couple of introductory questions on the current franchise agreement. He asked how much control the City has over the rate structure.

Mr. Epstein said that as a result of the 1992 changes to the federal law, the City has virtually no control. There is federal rate regulation by the Federal Communications Commission of all rates except "basic." The rate for "basic service" is set by the state. In addition Continental is subject to the social contract regulations. Premium services are subject to no rate regulation at all. The Massachusetts Cable TV Commission regulates the rates for basic service subject to FCC rules and regulations "Extended tier" regulation is ended by the 1996 act.

Attorney Epstein stated that the purpose of the 1996 act was to open up the telecommunications field with the purpose of increasing competition that would drive the market to lower rates for consumers; so far, this has not occurred.

Councillor Galluccio asked how the City Council and citizens upset about rates can voice these concerns. Could the City control rates in a future franchise? Mr. Epstein said that under the current federal law and structure, the City cannot control the rates.

Councillor Galluccio asked whether the City Council can have a say in issues such as an elderly discount, can a city negotiate this type of thing. Mr. Epstein said that the City can negotiate; it cannot mandate.

Councillor Galluccio asked when the current franchise expires. Mr. Epstein responded that it expires on December 31, 2000. A city is allowed to begin negotiations for the next franchise three years before expiration, so the city can begin December 31, 1997. His advice is to start early. Mr. Epstein said that the City can start working now.

Councillor Galluccio asked whether Continental would have the option to not have a franchise.

Mr. Epstein said that under federal law Continental, as a cable provider, would be required to have a franchise agreement. It is important for the City to be proactive. A city cannot be hurt by an early renewal. However, under Massachusetts General Laws Chapter 166A, extension of time is not allowed even if negotiations are still in progress. The worst problem that he encounters is that communities run out of time.

Councillor Galluccio noted that one issue with deregulation is that you can start with a regulated monopoly and end with a deregulated monopoly, which results in increased costs for consumers. He stated that it is important for this reason for the City Council to expedite competition. He asked Mr. Epstein to address the issue of how the City can do this.

Mr. Epstein said that the '96 Telecommunications Act and the Massachusetts actions in the area of utility deregulation have brought about the possibility of dramatic changes in this area. For example, Residential Communications Network (RCN), a telephone company, is partnering with Boston Edison to provide alternative telephone, internet, data and cable TV services. In some communities such as Brookline and Somerville, Residential Communications Network has expressed an interest in getting a franchise.

Councillor Triantafillou said that regardless of whether a new franchise is negotiated, there are companies that are willing to provide services without a franchise. Mr. Epstein agreed. He noted that Cambridge's franchise is nonexclusive. Because of the nature of the city, Cambridge would be an attractive location for other providers.

Councillor Triantafillou asked what is the difference between video services and cable. Mr. Epstein said that they are essentially the same thing.

Councillor Triantafillou asked what are the options if Cambridge is dissatisfied with Continental's basic services. Should the City renegotiate with Continental or bring in a different company with a better service record?

Mr. Epstein said that the City cannot tell the providers what they must provide for programming. The hope is that competition will bring about services responses to the needs of the consumers.

Councillor Galluccio asked whether the City could end up with two providers who are both more interested in another service area first, such as business services, computer data services etc., so that they are not particularly concerned with the needs of the TV customers. Mr. Epstein said that the company currently interested, Residential Communications Network, is interested in the cable TV service aspect. He noted that the City cannot require a common carrier provider to franchise but the company can choose to seek a franchise.

Mr. Epstein said that under the 1996 act, a common carrier can provide cable TV services for a community without a franchise but they are required to provide the same local benefits. They must pay a license fee to the municipality and they must provide public access programming to the same extent as the franchise requires. The regulations also require that they make two thirds of their capacity available to nonaffiliated programs. If they have a franchise, they are not required to do this. So it is not clear that other companies will prefer an Open Video Services (OVS) agreement to a franchise.

Councillor Galluccio asked how many providers Mr. Epstein could potentially see in Cambridge and whether any of these potential companies have a track record. Mr. Epstein said there is one company that has expressed interest in metro Boston; Residential Communication Network. Another company, Nynex, set up a subsidiary to provide video services via a microwave-like system, but has decided not to go forward under this plan.

Councillor Galluccio asked if U.S. West could seek an Open Video Services agreement. Mr. Epstein said no; there are restrictions in the FCC regulations to prohibit licensed cable providers from migrating to open video services status to evade franchise responsibilities.

Councillor Galluccio returned to the question of how many providers Mr. Epstein could envision. Mr. Epstein said that he could see multiple providers, but he is not sure that they would all provide video services. Nynex has that capacity now. He noted that the companies seem to want to be the single provider of the whole variety of telecommunications services. He pointed out the public works issues of multiple requests to dig up the roads and install fiber.

Councillor Triantafillou asked whether telephone companies have to install more wire. Mr. Epstein said yes, the telephone system is fairly old, it is all twisted copper which is not useful for cable and data services. Councillor Triantafillou asked about cable companies.

Mr. Epstein said that twenty-five percent of Time Warner, which serves Somerville, is owned by U.S. West which purchased Continental. He does not think it likely that they would provide competition in Cambridge and Somerville.

Mr. Healy noted that all of these companies are laying fiber optic cable; they are all trying to position themselves to provide the whole array telecommunications services.

Mr. Epstein said that in this environment it is more likely that some telephone - like companies will want to provide video services as well.

Councillor Galluccio asked about the recent Bolt, Beranek and Newman (BBN) merger. Mr. Epstein said the GTE, the larger independent telephone company in the nation, just purchased BBN, which is a well known expert in the internet field.

Councillor Galluccio asked whether it was possible that GTE would provide video services. Mr. Epstein said that it is possible; GTE does have some video experience-a shopping channel in Newton.

Councillor Galluccio asked whether the companies will go for an emphasis on a particular function, for example, GTE now owns the premier internet company, Nynex might emphasize phones, etc.

Mr. Epstein said that this is a marketing issue, but since the companies are building the facilities to serve all, their strategy may well be to offer an integrated telecommunication system and give price breaks based on customers taking more.

Councillor Galluccio noted that Continental tells consumers who want programs that they do not provide that it does not have enough channels. He ask how the City should evaluate this response.

Mr. Healy said that the services that are provided are chosen in a market-driven system that balances subscriber interest and cost except that they are required to carry certain "must carry" channels and they are also required to carry public, educational and governmental (PEG) channels. Mr. Healy noted that the U.S. Supreme Court just decided a very interesting case requiring cable providers to continue to carry the "must carry" channels.

Mr. Healy said that he believes that the current provider is trying to achieve a standardization for all communities in the area so that, for example, Channel 3 has the same programming in every town. They are trying to do this in Cambridge but Cambridge has more public, educational and governmental channels than any other communities.

Councillor Galluccio asked whether channel capacity is an issue. Could Nynex provide more than 80 channels? Mr. Epstein says that it depends on the design of the system. A fiber-rich company could provide more. Boston, which has an old system, has 110 channels. If Continental is saying they have a channel problem, that is an appropriate concern for the city.

Keep a close record and start putting all these issues into a renewal file. Cable service provides channels for video programming. Internet services are not part of the franchise, and if this is affecting Continental's channel capacity, the City may want to look into this.

Councillor Galluccio said that the City may want to have Continental do a survey as part of the renewal process. Mr. Epstein said that a survey could be a good idea, but it may be that the city wants to frame and ask the questions itself.

Councillor Galluccio asked the City Manager what he can do to expedite the process of competition, to encourage more competition.

Mr. Healy said that the FY 98 budget includes money to be dedicated to that process. He has had an introductory meeting with RCN. This will continue.

Mr. Epstein agreed that it is important to continue the dialogue. It is a fast-changing field.

Councillor Galluccio requested that the notes of this meeting reflect that the committee report will contain an order to ask the City Manager to contact potential video providers with an introductory letter expressing the City's interest in encouraging competition and working with them and an order requesting that the city begin discussions regarding the franchise renewal process.

Councillor Galluccio thanked Mr. Healy and Mr. Epstein. He stated the he looks forward to working together on these issues. He told Mr. Epstein that he appreciates his experience in Somerville where they have been able to increase franchise fees, protect the public way and encourage competition.

Councillor Galluccio then invited public comment.

Charlotte Goldberg, 335 Pearl Street, asked why Continental is not here to answer the questions from the last hearing. Councillor Galluccio said that Continental has not responded and he is surprised. However, this meeting was to focus on increasing competition to provide better service to Cambridge customers that way.

Susan Fleischman, Executive Director, CCTV stated that she looks forward to working with the City Manager and the City Council on negotiations for a new franchise.

The meeting was adjourned at 7:20 p.m.

For the Committee,

Anthony D. Galluccio DM
Councillor Anthony D. Galluccio
Chair

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A report from Councillor Anthony D. Galluccio, Chair of the Cable TV and Communications Committee, for a meeting held on May 14, 1997 for the purpose of receiving an update on competition in the cable television industry and the measures the City is taking to ensure that residents get maximum benefits from competition.

In City Council June 2, 1997

*Report Accepted.
Placed on File.
Two Orders Adopted.*