CCM-101

City of Cambridge

20.

IN CITY COUNCIL

August 7, 1991

COUNCILLOR WALSH

WHEREAS: Given the sometimes conflicting signals which come from the Cable TV industry when questioned about the amount of cost of basic cable service rates and the amount of choice and competition within a particular geographical area; and

WHEREAS: The attached July 1, 1991 letter and FCC enclosure from the General Manager of Continental Cablevision appears to contain much between the lines and to raise more questions than it answers with regard to the issues referenced above; and

WHEREAS: The continuing increases in the cost of basic cable service rate (about 50% within the past 10 years is reported to be a reliable figure) are squeezing the consumer, especially those with limited and fixed income; now therefore be it

ORDERED: That the City Clerk be and is requested to schedule a public hearing by the City Council's Committee on Cable TV and Communications on a mutually convenient date late in September for the purpose of examining the full meaning and impact of the content of the attached documents on Cable TV subscribers in Cambridge and invite Mr. Philip S. Ripa, General Manager of Continental Cablevision, to be present and respond to inquiries.

In City Council August 7, 1991.
Adopted by the affirmative vote of nine members.
Attest:- Joseph E. Connarton, City Clerk.

A true copy;

ATTEST:- Joseph E. Connarton

Joseph E. Connarton, City Clerk

Continental Cablevision

July 1, 1991

Chairman William Walsh
Committee for Cable TV
and Communications
Town Hall
Cambridge, MA 02139

Dear Chairman Walsh:

You may have read in the newspaper recently that the FCC adopted a new standard defining which cable systems are subject to price regulation. I am enclosing a copy of the FCC announcement for your review.

The standard provides that prices will be regulated where viewers in a community receive less than six unduplicated off-air television signals. This doubles the previous standard of three available signals.

Our system in Cambridge meets this new, tougher standard for deregulation, since six or more broadcast television signals are available off-air. These signals, especially in combination with VCRs, do provide competition to our service. That is best illustrated by the fact that 56.6% of the households in Cambridge choose not to subscribe to cable television.

We at Continental are very aware of the fact that we must continue to provide good programming and good customer service at a reasonable price in order to satisfy our customers. If you have any questions about this rulemaking, please feel free to call me.

Respectfully,

Philip S. Ripa

Philip S. Ripa
General Manager

Enclosure (FCC announcement)
cc: Vice Mayor Kenneth Reeves
Coucillor Sullivan

88 Sherman Street · Cambridge, Massachusetts 02140 · Telephone: (617) 876-5005

News media information 202 / 632-5(
Recorded listing of releases and texts
202 / 632-00(

NEWS

FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N.W.
WASHINGTON, D.C. 20554

Report No. DC- ACTION IN DOCKET CASE June 13, 1991

FCC REDEFINES EFFECTIVE COMPETITION FOR CABLE; SEEKS COMMENT ON MANDATORY SIGNAL CARRIAGE REQUIREMENTS (MM Docket 90-4)

The Commission has modified its rules to define the existence of "effective competition" for purposes of regulating basic cable service rates.

Specifically, "effective competition" would exist and local authority to regulate basic service rates would be preempted if either of the following conditions are met:

1) six unduplicated over-the-air broadcast television signals are available in the entire cable community; or

2) an independently owned, competing multichannel video delivery service is available to 50 percent of the homes passed by the incumbent cable system, and subscribed to by at least 10 percent of the homes passed by the incumbent cable system.

The FCC noted that in the absence of effective competition, a franchising authority has the discretion to regulate the rates charged for basic cable services. For those cable systems whose basic service rates are regulated by their franchising authorities, the FCC will require that in setting or approving rates, franchising authorities allow cable operators to earn a fair return on investment.

The Commission also seeks additional comments on whether the elimination of signal carriage obligations for cable systems since the Cable Act was enacted in 1984 is undermining effective competition.

The Cable Act requires the Commission to periodically review its regulations, taking into account developments in technology. In January 1990, the FCC initiated this proceeding to review its rules regarding the regulation of basic cable service rates in light of changed circumstances in the video marketplace since the three signal standard was adopted in 1985. In December 1990, the Commission adopted a Futher Notice of Proposed Rule Making requesting comment on specific proposals for modifying the rules.

(over)

In adopting the new definition of "effective competition," the FCC said that the number of over-the-air broadcast signals required to provide effective competition to basic cable service must be sufficient to allow viewers adequate and significant programming choices. Further, the number of signals should ensure that the basic tier offering does not become a source of market power for the cable operator. Therefore, the Commission's selection of a six over-the-air signal standard is intended to be conservative enough to ensure a complement of signals clearly adequate to provide effective competition to the signal retransmission function of the basic tier.

The Commission noted it will continue to count all unduplicated over-the-air broadcast services available in the cable community including: full service commercial, full service noncommerical, and satellite stations as well as translators and low-power television stations.

The FCC initially recommended that a cable penetration criterion be considered along with the six signal complement as a means to address its "antenna service" source of cable market power. However, it is now persuaded that no useful purpose would be served by subjecting additional cable systems to rate regulation where six signals already supply effective competition. Cable penetration is determined by a number of factors other than the quality of off-the-air signal reception, including price, quality of service, income, demographics, and age of system.

For the purposes of applying the multichannel competitor test in communities lacking six over-the-air signals, the FCC will consider such providers to include a second cable service, multichannel, multipoint distribution systems, satellite master antenna television systems, home satellite dishes, and direct broadcast satellites. The Commission noted that it adopted the proposed 50 percent availability/10 percent penetration benchmarks because they are sufficient to indicate the presence of an alternative provider and a viewing choice for consumers.

The Commission declined to adopt the proposed competitive behavior test that would have deemed a cable system to be subject to effective competition if it offers a package of basic cable service corresponding in rates, and perhaps in quantity, to those in communities where competition is readily apparent and meets specified customer service standards. As the record indicates, it is unlikely that there is a single competitive rate for any complement of cable service that reflects competitive behavior.

The Commission adopted a fair return on investment rate-setting standard that, in addition to a reasonable profit, would take into account such factors as capital, programming, customer service and labor costs, as well as changes in such costs and the cost of any requirements made by the franchising authority that do not relate directly to provision of cable service. These standards would be applied to cable rates only after the five percent statutory automatic annual increase has been considered insufficient. (The Cable Act provides for a five percent automatic annual increase.)

Finally, the FCC determined that the record in response to the <u>Further Notice</u> request for comment on whether must carry rules should be included as part of the effective competition standard is insufficient. Therefore, additional comments are sought to determine whether or not a link exists between effective competition and signal carriage and whether there are policy reasons or legal justifications for reinstating must carry rules.

Action by the Commission June 13, 1991, by Report and Order and Second Further Notice of Proposed Rulemaking (FCC 91-///). Commissioners

-FCC-

News Media contact: Audrey Spivack at (202) 632-5050
Mass Media Bureau contact: Marcia Glauberman at (202) 632-3410 or James Coltharp or Scott Roberts at (202) 632-6302

20.

CAMBRIDGE CITY COUNCIL

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139
(617) 498-9094

William H. Walsh
City Councillor

BY HAND

July 19, 1991

MEMORANDUM:

TO: Joseph E. Connarton
City Clerk

FROM: David Noonan, for
Councillor Walsh

RE: Council Order for July 29, 1991
(CONSENT AGENDA)

Councillor Walsh requests that the enclosed Council Order (with attached documents) be included in the CONSENT AGENDA for the Council Session of July 29, 1991. As you will note, it concerns CONTINENTAL CABLEVISION and calls for a Public hearing in late September of the Council's Committee on Cable TV & Communications.

As usual, your courtesy and cooperation are much appreciated.

(ENCLOSURE)

CCM-101

City of Cambridge

IN CITY COUNCIL

Councillor Walsh

July 29, 1991

WHEREAS: Given the sometimes conflicting signals which come from the Cable TV Industry when questioned about the amount of cost of basic cable service rates and the amount of choice and competition within a particular geographical area; and

WHEREAS: The attached July 1, 1991 letter and FCC enclosure from the General Manager of Continental Cablevision appears to contain much between the lines and to raise more questions than it answers with regard to the issues referenced above; and

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(ATTACHMENT)

Continental Cablevision®

July 1, 1991

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Committee for Cable TV
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Town Hall
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Respectfully,

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FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N.W.
WASHINGTON, D.C. 20554

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC. 515 F 2d 385 (D.C. Circ 1974).

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City Council AUG. 7 1991

Adopted by the affirmative vote of 9 members

Joseph E. Connarton

City Clerk

CONSENT ORDER # 20

S-881

Councillor Walsh re: increases in the
cost of basic cable service rates.

In City Council,

August 7, 1991

Order adopted