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FCC RELEASES 2000 REPORT ON CABLE INDUSTRY PRICES

Washington, DC – The Federal Communications Commission (FCC) released its annual report on cable industry prices, which compares prices charged for the delivery of basic service, other cable programming services, and equipment by cable operators facing effective competition with those of operators not facing effective competition. The report includes information about monthly charges for the basic service tier (“BST”) and cable programming service tiers (“CPSTs”), monthly charges for equipment, installation fees, reconnect fees, and fees for tier changes. A full copy of the report can be found at www.fcc.gov/csb.

The FCC found that competitive operators increased average monthly rates for BST, CPST, and equipment by 5.8% during the 12-month period ending July 1, 2000; noncompetitive operators also increased rates by 5.8%, over the same period. These increases compared with increases of 4.5% and 5.2% for the competitive and noncompetitive groups, respectively, for the year ending in July 1, 1999.

For the 12 months ending July 1, 2000, competitive and noncompetitive operators attributed 44.1% and 41.4%, respectively, of their rate increases to higher programming costs. In order of importance, other specific factors that reportedly led to price increases were system upgrades, equipment cost increases, inflation, and increased costs for programming associated with newly added channels.

Since their percent price increases were equal, the difference in average monthly rates for BST, CPST, and equipment (typically a converter and remote) between competitive and noncompetitive operators (the “competitive differential”) also stayed the same at 5.3%. On July 1, 1999, competitive and noncompetitive cable operators charged \$30.63 and \$32.25, respectively, a 5.3% differential between the two groups. By July 1, 2000, cable operators facing competition were charging, on average, \$32.40 while operators not facing competition were charging \$34.11, also a 5.3% differential.

Within the overall average monthly rate, the rates of increase for BST and CPST services were similar for the competitive group, as BST rates rose 6.1% and CPST rates rose 5.9%. For the noncompetitive group, CPST rates rose faster than BST rates. The average rate for BST service increased by 2.3% between July 1, 1999 and July 1, 2000, while the average rate for CPST service increased by 8.3%.

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Both competitive and noncompetitive groups increased the average number of channels offered on BST and CPST service during the 12 months ending July 1, 2000. The competitive group averaged 59.9 channels and the noncompetitive group averaged 54.8 channels as of July 1, 2000, increases in channel offerings of 4.0% and 5.4%, respectively. Despite an increased average number of channels, the per channel rate for the competitive group was unchanged at \$0.57 over the 12 months ending July 1, 2000, and increased for the noncompetitive group from \$0.65 to \$0.66 per channel over that period.

Many cable operators offered digital and non-video services in 2000. As of July 1, 2000, the percentage of surveyed cable operators that offered a digital programming tier doubled from 27% a year earlier to 54%. Further, 47% offered Internet services and 7% offered telephone service.

Revenue from non-video sources increased as a percent of total revenue from 1.5% to 3.5% between 1999 and 2000. This may be attributed to the growing importance of these services and the increasing number of operators offering Internet and telephony services. Of the cable operators surveyed, 52% received revenue from non-video subscriber services during the 12-month period ending July 2000, an increase from the 32% who reported receiving such revenue during the 12-month period ending July 1999.

Operators also reported that DBS service has captured, on average, an estimated 14.7% share of television households in their service areas. In addition, we found that the demand for cable service is somewhat sensitive to changes in monthly cable rates.

Action by the Commission, February 8, 2001, by Report (FCC 01-49). Chairman Powell, Commissioners Ness, Furchtgott-Roth and Tristani.

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