



NEWS

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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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FCC FINDS CABLE OPERATORS MAY PASS THROUGH FRANCHISE FEES

Agency Also Supports Consumers' Right to Know Who's Responsible for Charges on Bill

Washington, DC – The Federal Communications Commission (FCC) today said that cable operators may pass through to consumers and itemize on monthly bills the entire amount of a franchise fee assessed by the local franchising authority, including franchise fees from non-subscriber related revenue, pursuant to the Communications Act. Today's action is in response to separate petitions filed by the cities of Pasadena, California; Nashville, Tennessee; and Virginia Beach, Virginia.

Under the Communications Act, cable companies pay franchise fees to local franchising authorities (LFAs) as a mechanism for reimbursing the local government for use of the public rights-of-way. Pursuant to the Act, calculation of franchise fees is limited to 5 percent of the cable company's gross revenues. The FCC determined that the statute does not prohibit a cable operator from passing through the full amount (or any portion) of the franchise fee, including the portion derived from non-subscriber revenues such as advertising sales and home shopping commissions. The FCC also clarified that, under the statute, cable companies may itemize franchise fees separately on subscriber bills to inform consumers about the portion of their bill that is paid to the local government.

The FCC said it hopes that both cable operators and local governments will use this decision as an opportunity to negotiate reasonable franchise agreements and franchise fees that put consumers at the forefront of their discussions.

The FCC noted that if cable operators and LFAs do not want to burden subscribers with higher franchise fee pass throughs, they may modify their franchise agreement and change the definition of gross revenues to exclude certain categories of revenue.

Action by the Commission, October 1, 2001, by *Memorandum Opinion and Order* (FCC 01-289). Chairman Powell, Commissioners Abernathy, Copps and Martin with Commissioners Abernathy and Martin issuing a joint statement.

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