



NEWS

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

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. Cir. 1974).

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News Media Contact:

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Rebecca Fisher (202) 418-2359

FCC RELEASES REPORT ON 2004 CABLE INDUSTRY PRICES

Cable rates increase, but at a slower pace than in recent years

Washington, DC – The Federal Communications Commission (FCC) today released its annual report on cable industry prices. The report shows that the overall average monthly rate for cable service -- including basic and expanded basic cable programming services and equipment -- increased by 5.4 percent over the 12-month period ending January 1, 2004, from \$42.99 to \$45.32. This was a slower rate of increase than the 7.8 percent increase recorded over the 12-month period ending January 1, 2003.

Specifically, the average monthly charge for basic and expanded basic services increased by 5.4 percent, from \$38.95 to \$41.04, and the average charge for equipment increased by 5.9 percent, from \$4.04 to \$4.28, over the same period.

The report also provides information on the number of channels offered in each tier of service, the average capacity of cable systems, and the percentage of cable subscribers that are offered advanced services such as digital service, Internet access, and telephone service. In addition, the report compares the prices charged by cable operators that face effective competition, referred to in the report as the “competitive group”, with the prices charged by operators that do not face such competition, referred to as the “noncompetitive group.” The determination of whether a cable operator is eligible for effective competition status is based on an objective statutory test.

The report finds that for the 12-month period ending January 1, 2004, the average monthly rate for basic and expanded basic cable programming services and equipment increased by 3.6 percent for the group of cable operators that face effective competition and by 5.6 percent for the group of operators that do not face effective competition. As of January 1, 2004, cable operators facing effective competition charged an average of \$42.48 per month for programming and equipment, while those not facing effective competition charged \$45.56.

The difference in average monthly rates between the competitive and noncompetitive groups (referred to in the report as the “competitive differential”) was 7.3 percent as of January 1, 2004. The degree of difference, however, varied by competitive subgroup. The highest percentage differential -- 15.7 percent -- was associated with wireline overbuild competition.

Cable operators in both groups increased the number of channels provided on their basic and expanded basic service tiers over the period studied. The competitive group, for example, increased the number of channels offered on their basic and expanded basic tiers by 4.0 percent over the 12-months ending January 1, 2004, to an average of 72.5 channels. Over the same time period, the noncompetitive group increased their channel offerings by 4.2 percent to an average of 70 channels. As a result, rates increased at a much slower pace or declined when measured on

a per-channel basis. The average rate per channel charged by operators in the competitive group fell by 0.3 percent, from 60.1 cents to 59.9 cents per month, while the rate charged by operators in the noncompetitive group increased by 1.2 percent, from 65.7 cents to 66.5 cents.

The report also shows that most cable subscribers are now offered advanced services. As of January 1, 2004, 97 percent of all cable subscribers were served by systems that offered digital video service, and 95 percent of all cable subscribers were served by systems that offered Internet access. In addition, 28.5 percent of subscribers were offered telephone service by their cable operator. Approximately 85 percent of all cable subscribers were served by systems that had been upgraded to a capacity of at least 750 MHz. There was very little variation between the competitive and noncompetitive groups in terms of system capacity or the percentage of subscribers offered advanced services.

A full copy of the report is available at www.fcc.gov/mb.

Action by the Commission, January 14, 2005, by Report (FCC 05-12). Commissioners Copps and Adelstein concurring and issuing a joint statement.

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Media Bureau contact: John Scott or Dan Hodes at (202) 418-7200.
TTY: (202) 418-7172