

**STATEMENT OF
COMMISSIONER MICHAEL J. COPPS,
DISSENTING**

Re: Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992.

I respectfully dissent from today's Report on cable rates. At a time of significant increases in cable rates year after year, consumers deserve a better effort from the FCC. I do not believe that the Commission has adequately fulfilled its statutory responsibility under Section 623(k). For this Report, the Commission conducts even less analysis than it has in the past and does not audit any of its results notwithstanding problems with our methodology disclosed in a recent report from the General Accounting Office.

The data show the continuation of a troubling trend -- rates increased 8.2 percent in one year, significantly more than inflation and more than the average over the preceding five years. We hear from consumers who are fed up with continual increases in their cable bills. When consumers keep getting hit in the pocketbook year after year, we must commit the resources necessary to gather the information so we can make informed decisions to ensure that consumers are protected.

In section 623(k), Congress gave the Commission the charge to publish annually statistical reports on the average rates for basic cable service, other cable programming, and cable equipment. Congress directed the Commission to compare those rates in areas that are subject to effective competition with areas that are not subject to such competition. Congress further provided definitions of when effective competition exists.

In adopting this section, Congress envisioned that the Commission, as the government's expert agency, would actively pursue information each year on cable rates and publish statistical reports. Here, we have not delved as deeply as Congress expects. The data we have and the analysis derived from it are, for me, insufficient.

To carry out its responsibility under the statute, the Commission sent surveys to a sample of cable operators asking them to provide their rates for cable services and equipment, and to attribute any increases in rates to a number of different factors including costs of programming. The operators attributed over 60 percent of their rate increases to programming costs, yet the Commission does not conduct even minimal audits to assure the accuracy of these data.

The Report states that there may be areas presumed to have effective competition but in which the competitive situation subsequently changed. These changed circumstances could account for some of the discrepancies with the General Accounting Office (GAO). In a report issued in October 2002, the GAO used the Commission's data but undertook additional analyses to gauge the actual state of competition. The GAO found instances where the Commission's data were inaccurate. The majority recognizes

the shortcomings of our data, but nonetheless concludes that we have carried out our obligations under the Act. And again, the Commission fails to conduct even the most minimal of audits to ensure the accuracy of the data, including the actual extent of competition.

I am further disappointed that the Commission failed to undertake statistical analyses as it has in past Reports. Previously, the Commission conducted econometric analyses of such important issues as the impact on cable rates of clustering, DBS, and cable overbuilds. Such analyses were useful to enable the Commission to determine whether specific factors influence rates, and to measure the extent of that influence. For example, the Commission conducted regression analyses to determine whether the number of channels offered influences the rate charged. It also used econometric analysis to assess whether the demand and price charged for cable service were sensitive to the type of competition faced by cable operators. To carry out Congress' directive for statistical reports on cable rates, we would have preferred not only to continue the efforts of the past, but to expand the analyses to include such areas as the impact of local-into-local DBS offerings on cable rates.

The Commission needs to be more proactive in its cable reports. I urge the Commission to adopt a specific plan to obtain data, conduct audits, and undertake the analyses that can provide a fuller and more accurate picture of cable rates. Such an effort is necessary to fulfill our statutorily mandated responsibilities.