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Congressional

CONGRESSIONAL CORRESPONDENCE TRACKING SYSTEM
02/09/93

LETTER REPORT

CONTROL NO.	DATE RECEIVED	DATE OF CORRESP	DATE DUE	DATE DUE OLA(857)
9300464	02/09/93	02/05/93	02/22/93 25	
TITLE	MEMBERS NAME	REPLY FOR SIG OF		
Speaker	Thomas Foley	BC		

CONSTITUENT'S NAME	SUBJECT
Joel Crosby	inq. re: rate regulation & 92 Cable Act

REF TO	REF TO	REF TO	REF TO
MMB	ENF	CGI	mmb
DATE	DATE	DATE	DATE
02/09/93	2/9	2-10	

REMARKS:

9 FEB 1993

THOMAS S. FOLEY
5TH DISTRICT, WASHINGTON

THE SPEAKER

PLEASE REPLY TO:

CONGRESSIONAL OFFICE:
1201 LONGWORTH HOB
WASHINGTON, DC 20515-4705
AREA CODE (202) 225-2006

Congress of the United States
House of Representatives

PLEASE REPLY TO:

DISTRICT OFFICES:

WEST 801 FIRST AVENUE
SECOND FLOOR WEST
SPOKANE, WA 99204
AREA CODE (509) 353-2155

E. 12929 SPRAGUE
SPOKANE, WA 99216-0736
AREA CODE (509) 926-4434

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RECEIVED
93 JAN -7 AM 9:28
HON. THOMAS S. FOLEY



December 31, 1992

Donna Searcy
Secretary of Federal Communications Commission
1919 M Street NW
Washington, D.C. 20554

SPOKANE CITY COUNCIL

Dear Secretary Searcy:

Enclosed you will find copies of testimony given to the Spokane City Council on December 14, 1992, regarding the Cable Bill which was recently passed by Congress. As you can see by the enclosed testimony, many citizens in Spokane are dissatisfied with what

*Rates
Quality*



OFFICE OF THE CITY COUNCIL

SPOKANE CITY COUNCIL

November 4, 1992

TO: Cable Advisory Committee
FROM: Councilman Joel Crosby
SUBJECT: Need for action to implement the Cable Bill in Spokane

Since our last meeting I have been working through Bob Gordon, the City's lobbyist in Washington, D.C., and the National League of Cities, to gather information on cable rates and the cable bill. As a result of my efforts I make the following observations and recommendations:

OBSERVATIONS:

1. As I made a comparison of cable rates in Spokane and the Northwest with rates in places where there is competition, the contrast reveals that Spokane rates are too high. An easy way to make this comparison is to look at Cox Cable's cost of \$21.46 for 34 channels which is .63 cents per channel. This compares unfavorably with almost all of the competitive systems. In part, the case can be made that Cox is charging double the rate in a competitive market and does not offer very many channels.

EXAMPLE:

The same Cox Cable company that charges Spokane ratepayer's \$21.46 for 34 channels at .63 cents per channel charges customers in Georgia \$10.00 per month for 34 channels at .29 cents per channel.

*Rates
Quality*



OFFICE OF THE CITY COUNCIL

SPOKANE CITY COUNCIL

November 4, 1992

TO: Cable Advisory Committee
FROM: Councilman Joel Crosby
SUBJECT: Need for action to implement the Cable Bill in

RECOMMENDATION:

1. The City Council should hold a public hearing to take testimony, along with the Cable Advisory Committee. This hearing will gain valuable input from our citizens who are cable customers.
2. The Cable Advisory Committee should oversee the preparation of a background piece as suggested by the National League of Cities.
3. Depending upon the outcome of public testimony, the City Council should request that the FCC give Spokane Cable ratepayer's relief through rate regulation and respond to other citizen concerns expressed at the hearing.
4. The City Council and Cable Advisory Committee need to take action in 1992 while the FCC regulations are being written.
5. We have a window of opportunity that may be limited and we need to act decisively in the next few weeks, and work the issue throughout 1992 as the FCC develops regulations.

MEMORANDUM

TO: Councilmember Joel Crosby

FROM: Robert G. Beaumier, Jr., Assistant City Attorney 

DATE: November 3, 1992

RE: Public Hearing on Cox Cable rates

Pursuant to your request, I have made inquiries about the relative impact of competition on local cable rates. Although there is disagreement on how the figures are derived, one consultant familiar with the industry suggests as a rule of thumb that the rate differential is about forty percent (40%) lower cable rates in those communities with effective competition, compared to communities without such competition. I have contacted Rene Winskey (202) 626-3061, staff with the National Association of Telecommunications Operators and Administrators (NATOA) for data to support this forty percent figure. Unfortunately, because of budget limitations, the City of Spokane has dropped its \$200 individual membership (for Glen Lipsker) in NATOA. It would be of some help to me if at least Mr. Lipsker's membership could be restored and our information channel with NATOA kept open.

Of interest however is the finding in the Congressional committee conference report adopting the 1992 Cable Act amendments:

1. rates have been deregulated under the 1984 Cable Act for 97% of all cable franchises since 1986.
2. since rate deregulation, basic service rates have gone up at least 40% for over a quarter of the nation's cable subscribers. While it is also true that the average number of basic channels has increased from 24 to 30 channels, the average cable rates have increased almost 30% since 1986; triple the consumer price index.

You inquired further of the process for pursuing FCC review of Cox's rates in Spokane. Prior to the City of Spokane taking action to request FCC review, the City must file a written certification with the FCC promising that it will comply with FCC regulations (these are due from the FCC by April of 1993) and certifying the City meets other requirements of the new law (section 623 (a) (3), amended), including the implementation of procedures for rate regulation whereby the City assures a

reasonable opportunity for consideration of the views of interested parties. Again, I understand there are NATOA materials available, free of additional charge, for members wishing to pursue these areas.

I shall be having lunch with Alan Collins a week from Friday, and intend to discuss with him his thoughts about rates and what position Cox will be taking on municipal rate review.



FAX NUMBER (202) 347-0625

DATE: 11/3

TIME: 5:00 PM EST

FACSIMILE MESSAGE

PLEASE DELIVER THE FOLLOWING 4 PAGES & COVER PAGE

TO: JOEL CROSBY

FROM: BOB GORDON

If you do not receive any of the following pages, please contact the sender at (202) 737-0213.

Telephone Number Called: 509/326-5712

November 3, 1992

To: Joel Crosby

From: Bob Gordon

Subject: Cable TV



Attached are figures for monthly rates, number of channels, and price per channel for the cable systems operating in the 26 competitive markets I listed for you in my October 21 memo. The original is very difficult to decypher; where illegibility may have won out you will find a (?). It is not faxable, but I have sent a copy to you by regular mail. The source is a March 1990 telephone survey by Consumers' Research. Rates are for basic cable service. The survey also lists 26 non-competitive areas, which you will see when you receive the mailing.

Since my last memo I have spoken to 2 or 3 others around town in an attempt to flesh out the list of competitive markets. No one seems to have a complete list handy, but all refer to the Cable and TV Handbook and the Cable Yellow Pages, neither one of which I have yet seen.

A report on the all-day meeting with the FCC last Wednesday, attended by NLC, USCM, NATOA, and telecommunications officers from 3 or 4 cities: Discussions involved rates and customer services provisions. The FCC was of a mind to keep the process as simple as possible: e.g. perhaps a simple form postcard that a franchising authority could fill out to certify that there is no effective competition in the community and that it wants to

City/Cable Company	Monthly Rate	No.of Channels	Price per Channel
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- 3 -

<u>City/Cable Company</u>	<u>Monthly Rate</u>	<u>No.of Channels</u>	<u>Price per Channel</u>
Boone Co., KY			
Jacor	15.95	46	35 cents
Storer	19.30	64	30 "
Frankfort, KY			
Consolidated TV Cable	7.00	30	23 "
Community Cablevision	7.00	30	23 "
Glasgow, KY			
Tele????	8.95	42	21 "
Glasgow EPB	13.50	43	31 "
Ann Arundel Co., MD			
North Arundel Cable	11.90	41	29 "
Jones Intercable	14.25	32	45 "
Monroe, MI			
Toledo Blade	14.50	41	35 "
River Raisin(?) Cable	16.95	42	40 "
Omaha, NE			
Cox Cable	17.66	40	44 "
Metrovision	14.00	29	48 "
Hillsboro, NC			
Cablevision Indus.	17.95	29	62 "
Carolina Cable	18.50	35	53 "
Paramus, NJ			
Cablevision	17.95	25	69 "
UACablesystems	17.45	33	53 "
Cleveland, OH			
MetroTEN	13.95	25	56 "
North Coast	14.50	60	24 "
TBA(?)	14.95	37	40 "
Allentown, PA			
Twin County Trans Video	14.50	50	29 "
Service Electric	14.95	43	35 "
Pottsville, PA			
Service Electric	14.99	36	42 "
Warner	13.95	28	50 "
Wire Teleview	10.95	25	44 "
Henderson, TN			
Multivision	9.00	30	23 "
	11.05	45	32 "

- 4 -

<u>City/Cable Company</u>	<u>Monthly Rate</u>	<u>No. of Channels</u>	<u>Price per Channel</u>
Arrollton, TX			
Cable Operator	17.95	32	49 cents
Planned Cable Systems	17.95	44	41 "
Indy, UT			
Cablevision I	17.95	29	62 "
Sight Cablevision	17.95	12	56 "
BRAGE	14.13	40	35 "

NORTHWEST CABLE RATE COMPARISON

<u>City</u>	<u>Operator</u>	<u>Basic Rate Including all Taxes, Fees</u>	<u># Channels</u>	<u>Additional Fee if Provided Converter</u>	<u>Fully - Loaded Rate if Converter/ Tuner Needed</u>
Spokane	Cox Cable	\$21.46/ 19.93 ¹	34/46 ²	0	\$21.46/ 19.93
Seattle	TCI	23.08	36	2.36	25.44
Bellevue	Viacom	22.45	31	1.00	23.45
Tacoma	TCI	23.08	30	2.36	25.44

NORTHWEST PREMIUM RATE COMPARISON

<u>CITY</u>	<u>OPERATOR</u>	<u>HBO RATE</u>	<u>SHOWTIME RATE</u>	<u>DISNEY CHANNEL RATE</u>	<u>THE MOVIE CHANNEL RATE</u>
Spokane	Cox Cable	\$ 8.60	\$ 8.60	\$ 8.60	\$ 8.60
Seattle	TCI	13.95	13.40	12.03	-
Bellevue	Viacom	11.00	9.00	9.00	11.00
Tacoma	TCI	12.70	12.20	10.95	-
Tacoma	Viacom	12.95	12.95	12.95	12.95
Portland	Paragon	11.00	10.47	10.47	6.26
Yakima	TCI	11.60	11.50	9.20	-
Boise	TCI	10.95	10.95	10.95	-
Coeur d'Alene	Cablevision	10.75	10.75	7.95	10.75



November 4, 1992

FOR IMMEDIATE RELEASE

SPOKANE CITY COUNCIL

CONTACT: MICHELLE MARSH 625-6250

Councilman Joel Crosby is pursuing the need for implementation of the Cable Bill in Spokane.

Attached is a copy of the memo sent to the Cable Advisory Committee.

For further questions, please contact the City Council Office t 625-6255.

From 1991 G.A.O. report

B-226720

Results in Brief

Our survey showed that over the period between December 1989 and April 1991:

- Average monthly rates for the lowest priced basic service increased by 9 percent, from \$15.95 to \$17.34 per subscriber; the average number of channels offered dropped by one.
- Average monthly rates for the most popular basic cable service increased by 15 percent, from \$16.33 to \$18.84 per subscriber; the average number of channels offered increased by two.
- The number of systems offering only one tier or level of service decreased from 83.4 to 58.6 percent. The number of systems offering two or more tiers increased from 16.6 to 41.4 percent. Some of the legislative proposals introduced in 1990 would have generally restricted rate regulation to only the lowest priced basic service.
- Overall monthly revenue (basic rate charges, premium services, pay-per-view, etc.) to cable operators per subscriber increased on average by 4.2 percent, from \$26.36 to \$27.47, between December 1989 and December 1990. In comparison, the increase between December 1990 and March 1991 was 4.7 percent for the 3-month period. As discussed later, the increase for the 3-month period was due, in part, to two pay-per-view offerings during March, which generated substantial revenue for some systems.

Appendixes I and II contain tables detailing the results of our survey.

Since 1980 and

Over the more than 4 years since deregulation, our surveys showed that

\$16.33 to \$18.84, with an increase of 2 in the average number of channels offered (33.6 to 35.3). Table 1 below shows the rate changes since November 30, 1986.

Table 1: Average Monthly Basic Service Charge per Subscriber

Date	Average basic service charge per subscriber for:	
	Most popular service	Lowest priced service
11/30/86	\$11.71	\$11.14
12/31/89	\$16.33	\$15.95
4/1/91	\$18.84	\$17.34

Table 2 shows how subscribers were affected by the different ranges of the rate increases. As the table shows, approximately 70 percent of sub-

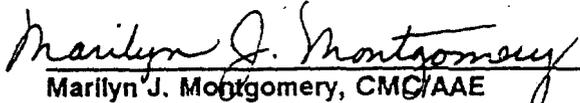
1 CERTIFICATION

2 The following is a transcript of statements made at the Regular Legislative Session of the
3 Spokane City Council held on Monday, December 14, 1992, in the Council Chamber,
4 Municipal Building, West 808 Spokane Falls Boulevard, Spokane, Washington, during
5 Council's consideration of citizen comment and testimony in regard to commercial rates and
6 services provided by Cox Cable. All Council Members were present.

7 Dated this 21st day of December, 1992.

DEC 22 1992

CE/AD-1

8 
9 Marilyn J. Montgomery, CMC/AEE
10 City Clerk
11 Spokane, Washington

12 CITY CLERK'S FILE NO. CPR 92-127

13 MAYOR SHERI S. BARNARD: On Item S3, Madam Clerk, please read Item S3.

14 CITY CLERK MARILYN J. MONTGOMERY: Item S3 is "Citizen comment and testimony in
15 regard to commercial rates and services provided by Cox Cable."

16 MRS. BARNARD: Mr. Crosby?

17 COUNCILMAN JOEL CROSBY: Yes. After the Cable Bill passed, I was contacted by several
18 citizens concerning what, how the Cable Bill would apply to rates and service by Cox Cable
19 here in Spokane. And, so, I began to do some research into it and took my concerns to the
20 Cable Advisory Board. The background is that, as you know, the cable companies received
21 franchises. Initially those franchises allowed for the regulation of the company and also the
22 regulation of the rates that were charged because they were monopolies.

23 MRS. BARNARD: Could I ask for people to please quiet a little bit? If you wish to talk, go
24 out in the lounge so we can hear. Thank you very much.

25 MR. CROSBY: Then, the cable companies lobbied through the Congress and received a
deregulation they called it which really prohibited communities, such as the City Council's,
from regulating rates. So the cable companies had the best of both worlds. They had a
monopolistic situation, plus they could charge whatever rates they felt the market would

1 bear. There are very few places in the United States, under 50, I believe, that actually have
2 competitive situations where you have places where you have two cable companies
3 competing for rates. And, thus, the outrage grew, and so the Cable Bill passed, over the
4 veto of the President, and now there is a Cable Bill where the FCC is now in the process of
5 writing regulations. Part of those regulations relate to rates and I think that it would be
6 appropriate for citizens to make comment and that we would send those comments to the
7 FCC and to our lobbyist, Mr. Gordon, in Washington D. C., and to our congressional people.

8 Just to give you an idea, Mr. Gordon sent me some facts which showed comparable
9 rates with competitive situations and our own situation with rates. Then, the cable people
10 at the Cable Advisory Board, Mr. Collins and his people, said those rates were not accurate.
11 They needed to be updated. So Mr. Lipsker, who is the head of our cable operation, then
12 evaluated and got some updated comments on some of those rates. When you look at the
13 competitive rates around the country, you can see that even when you compare other places
14 where there are competitive rates and our rates that are charged by Cox Cable, you can see
15 there is a big difference. I personally have, when I was elected City Council, my family
16 wanted to see the meetings, so we got Cox Cable. I have Cox Cable, the Disney Channel,
17 and a remote that costs me about \$40 a month. In Sacramento, California, if I lived in
18 Sacramento, California, through Pacific West TV, I could have 23 channels, plus the Disney
19 Channel, plus a remote, a converter, for \$19.95, which is basically half what I pay for what
20 I receive now. And, you look at their other situations around the country where there are
21 lower rates, some of them very significant. In Troy, Alabama, you can receive 32 channels
22 for \$8 - \$8.10 a month, and 37 channels for \$9.95 a month, and premium channels are only
23 \$4.95 a month. And there are other comparisons, but... I think the point is that, I believe,
24 Cox has set their rates based upon what they think the public will tolerate and they do
25 surveys to evaluate that and then, not based on competition, but based on what they think

1 the public will tolerate, they set those rates and are allowed to keep those rates and I think
2 we, as a City Council, as public elected officials, need to be a force for the market place.
3 They also, I think, are treating some segments of our community without really listening to
4 them. I met with some people from the Mexican/American community and they felt that there
5 are some program they wanted to see on Cox Cable, or some avenues that they wanted, and
6 those avenues they felt were being - were turned away and they weren't given help to find
7 ways that they could put their programming on Cox Cable or any kind of programming on the
8 television. I think that's unfortunate that a segment of our community has been effectively
9 excluded. And, so I think, I felt it was helpful to have a hearing, to give people a chance to
10 speak their piece, that we would send those comments to the FCC and that we would follow
11 this, the Cable Bill, as it goes through the FCC regulation writing process which will take the
12 next three to four months, and then we can look at that and see how that can be applied.
13 We also may want to look at ways we can bring competition to Spokane. There are
14 communities where the telephone companies are offering a cable service, and that provides
15 an effective competition to Cox Cable, and if that could happen, then that would be - provide
16 a competitive situation for Cox, and you would see their rates go down. It's without a doubt,
17 I believe, that Cox does enjoy a monopoly. They have set their rates on that basis, and I
18 think that we need to do what we can to combat that. So, with that, I would like to open up
19 to citizens to testify.

20 MRS. BARNARD: One comment I did want to make, Mr. Crosby, and that is, in your memo,
21 you mentioned that Mrs. Reikofski did not attend their meetings. Mrs. Reikofski was there
22 at the beginning. It was our intention that she would only help them get started. Her
23 schedule did not permit, and she was not appointed to the Cable Advisory Board. They were
24 getting started, and we did not feel, just like with Human Services, we do not have enough
25 people to go around. If you would like to serve on the Cable Advisory Board, I would be