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Before the
Federal Communications Commission
Washington, D.C. 20554

DISPATCHED BY

In the Matter of)
)
Implementation of Section 3)
of the Cable Television)
Consumer Protection and)
Competition Act of 1992)
)
Statistical Report on)
Average Rates for Basic)
Service, Cable Programming)
and Equipment)

MM Docket No. 92-266

REPORT ON CABLE INDUSTRY PRICES

Adopted: December 31, 1996

Released: January 2, 1997

By the Commission:

I. Introduction

1. Section 623(k) of the Communications Act of 1934, as amended ("Communications Act"),¹ which was added by the Cable Television Consumer Protection and Competition Act of 1992 ("1992 Cable Act"), requires the Commission to publish annually a statistical report on average rates for the delivery of basic cable service, other cable programming services, and equipment.² Specifically, Section 623(k) directs the Commission to compare prices charged by cable systems facing effective competition with those not facing effective competition.³ This report, which is based upon the results of a survey of cable

¹47 U.S.C. 521 *et seq.*

²Pub. L. No. 102-385, 106 Stat. 1460 (1992), § 623(k), 47 U.S.C. 534(k) (1992) ("1992 Cable Act"). The 1992 Cable Act amends Title 6 of the Communications Act of 1934.

³Under the 1992 Cable Act, effective competition can exist in these three situations: (1) where the franchise area is served by at least two multi-channel video program providers ("MVPDs"), each of which "offers comparable video programming" to at least 50 percent of the households, and at least 15 percent of the households "subscrib[e]" to the smaller MVPD; (2) where "fewer than 30 percent of the households in the franchise area subscribe to the cable service of the cable system;" or (3) where a municipal cable system offers service to at least 50 percent of the households in the franchise area. Communications Act 623(l)(1)(A)(B)(C), 47 U.S.C. 543(l)(1)(A)(B)(C). The Telecommunications Act of 1996 added a fourth situation in which effective competition can exist, namely, when a local exchange carrier or its affiliate (or any multichannel video programming distributor using the facilities of such carrier or its affiliate) offers video programming services (other than by Direct Broadcast Satellite) in the franchise area of an unaffiliated cable operator. Communications Act 623(l)(1)(D), 47 U.S.C. 543(l)(1)(D). This new standard

industry prices ("the Survey"), is issued in compliance with that statutory requirement, and represents the fourth survey of cable rates conducted by the Commission since 1992.

A. Differences Between this Survey and the Previous Commission Rate Surveys

2. This Survey differs in important ways from the three previous Commission cable rate surveys. The first rate survey, which was conducted in December 1992, provided the basis for the Commission's benchmark formula adopted on April 1, 1993.⁴ The second rate survey was conducted in September 1993 in order to develop a better understanding of the rate changes after the effective date of the Commission's initial rate regulations.⁵ The third survey, which was conducted in June 1994 and released in July 1994, was a telephone survey limited to the 25 largest U.S. cities and was conducted in order to make an informal and preliminary assessment of the impact on rates of the Commission's revised cable rate regulations adopted pursuant to the 1992 Cable Act.⁶ The purpose of the current Survey is to compare prices charged by cable operators not facing effective competition with those facing effective competition. In addition, the current Survey also compares cable rates before and after the introduction of rate regulation. In view of these differences in purpose and coverage, the results obtained from each of these four surveys are not directly comparable. Moreover, the methodology employed in each of these four surveys are different, and different methodologies will produce different results. Parties comparing the results of these four surveys should recognize the limitations and differences in methodology of each survey.

B. Dates Covered by this Survey and Purposes of this Report

3. The information and analysis provided in this report is based upon the results of a survey of cable industry prices conducted by the Commission in 1995. On October 10, 1995, the Commission issued an order directing cable systems subject to the Survey to respond to Commission data requests to implement the requirements of Section 623(k) of the

was not, however, applicable to the period covered by the Survey.

⁴See *The Benchmark Order*, MM Docket No. 92-266, FCC 93-177, 8 FCC Rcd 5361, Appendix E (1993). Data for this survey were collected from 748 community units. This sample was comprised of: (1) a 1% random sample of community units, (2) cable community units that appeared to be in competition with at least one other multichannel video service provider, (3) cable community units in low penetration areas, and (4) cable community units in the 100 largest cable systems.

⁵See Cable Services Bureau, Federal Communications Commission, *FCC Cable Regulation Impact Survey, Changes in Cable Television Rates Between April 5, 1993 - September 1, 1993* (February 22, 1994). Data for the second survey were collected from the 10 largest benchmark-regulated systems of each of the 25 largest multiple system operators.

⁶See Cable Services Bureau, Federal Communications Commission, *Report on the Cable Services Bureau's Survey on the Rate Impact of the Federal Communications Commission's Revised Rate Regulations* (July 14, 1994).

Communications Act on or prior to November 13, 1995.⁷ In response to requests for extension from cable operators, the response date for the Survey was extended to December 15, 1995. The Survey obtained data from the cable industry as of three dates: August 31, 1993, July 14, 1994, and January 1, 1995. August 31, 1993 data were collected to gather information regarding prices prior to the effective date of the Commission's initial cable industry rate regulation rules and procedures. July 14, 1994 was chosen to collect information on cable prices after the implementation of revised benchmark rules. January 1, 1995 was selected to obtain data at the beginning of the year in which the survey was conducted, and to establish a base for comparison with future surveys. The next survey will be conducted in the first quarter of 1997, and will report data as of January 1, 1996 and January 1, 1997. It is anticipated the results of the next survey will be directly comparable with the results of the present Survey.

4. In addition to comparing prices charged by cable franchises facing and not facing effective competition, the report also provides a comparison of prices charged by regulated and unregulated cable operators.⁸ The report also provides data from the cable services segment of the Consumer Price Index ("CPI"), which is published monthly by the U.S. Bureau of Labor Statistics ("BLS"), in order to provide a better perspective on the trend of average cable industry prices over a longer time period and to provide information on the current trend of cable prices. Specifically, the report provides a comparison of prices charged by the cable industry, as measured by the BLS, with the price trend of the overall CPI for the period from January 1990 through November 1996. A chart of the overall CPI and the cable segment of the CPI for the period January 1990 through November 1996 is provided and the applicable dates covered by the Survey are identified in the chart. Because the CPI is reported monthly, it is possible to compare percentage changes found in the Survey with applicable percentage changes in the cable segment of the CPI. Additional statistical data gathered as part of the Survey are provided in the attachments.

II. Summary of Findings

5. Pursuant to the statutory requirement, the Survey gathered information on the prices charged in two groups of cable franchises: (1) those in which there was effective competition, referred to as the "competitive group," and (2) those in which there was not, referred to as the "noncompetitive group." A significant portion of the noncompetitive group, representing more than two-thirds of the total number of subscribers served by cable operators in franchises included in the sample, was subject to rate regulation. The remaining one-third subscribed to services from cable operators in franchises which were unregulated. Three of the more significant findings of the Survey are summarized below.

⁷Order, MM Docket No. 92-266, DA 95-2138, 10 FCC Rcd 13200 (1995).

⁸Regulated cable operators are those whose rates are regulated under the Commission's rules. Unregulated operators are not regulated because they are subject to effective competition or because local regulatory authorities have not obtained certification to regulate rates pursuant to 47 C.F.R. § 76.910.

6. First, the Survey found that prices charged in the noncompetitive group were higher in all three time periods studied than those charged in the competitive group. In addition, the Survey found that the price differential between the competitive and noncompetitive groups was significant prior to the implementation of rate regulation under the 1992 Cable Act, and that the differential narrowed substantially after rate regulation was instituted. This finding is consistent with expectations since the intent of rate regulation was to simulate the effects of a competitive marketplace.

7. Specifically, the Survey found that prior to the implementation of rate regulation, on August 31, 1993, the average cable rate for services and equipment charged by the competitive group was \$20.51 per month, and the average charged by the noncompetitive group was \$22.23 per month, a differential of 8.4%. After the imposition of rate regulation, the differential narrowed to 2.7% (\$21.04 charged by the competitive group compared with \$21.61 charged by the noncompetitive group) in July 1994, and narrowed further to 2.3% (\$21.25 charged by the competitive group compared with \$21.74 charged by the noncompetitive group) by January 1, 1995.

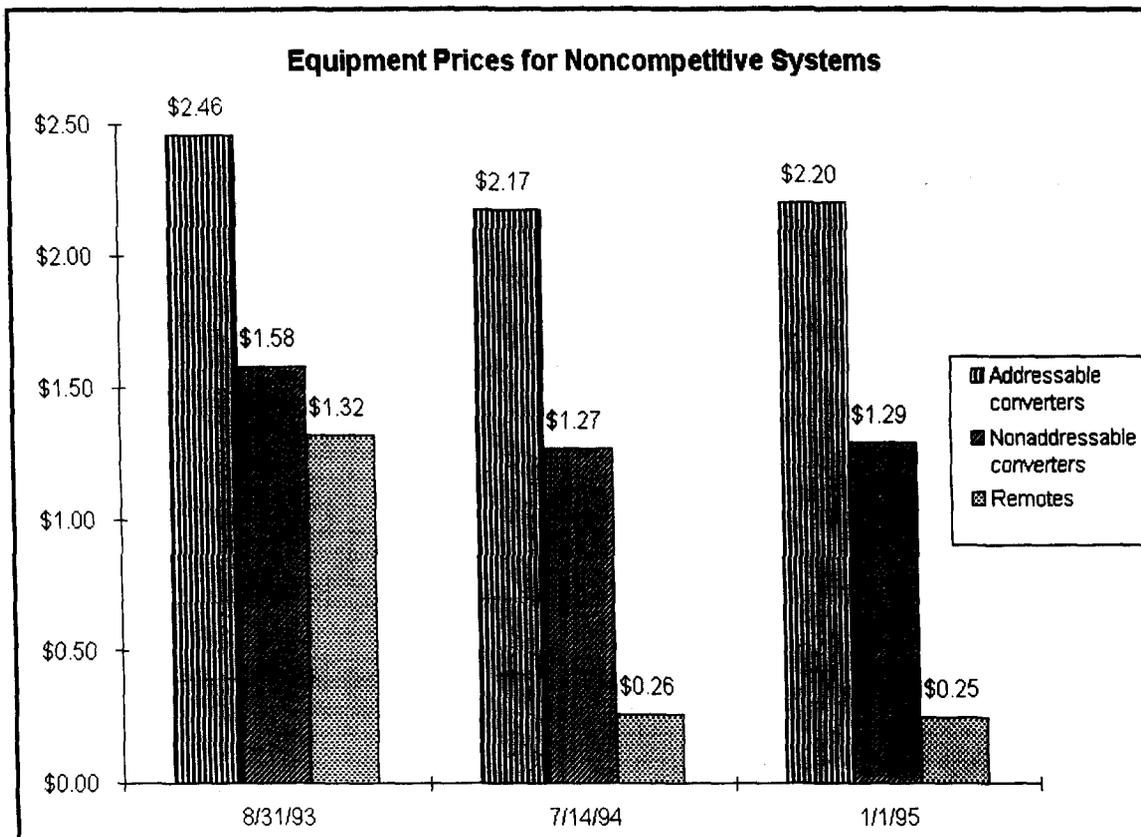
8. Because not all noncompetitive franchises were subject to rate regulation during this time period,⁹ it is useful also to look at a comparison of regulated noncompetitive franchises with competitive franchises to determine if the same effect was present. This comparison indicates that the differential in prices charged for equipment, basic, and other programming services narrowed even further to 2.1% in July 1994 and 1.6% in January 1995. A comparison of the rates charged by these three groups, i.e., competitive, noncompetitive, and noncompetitive subject to rate regulation, for the three dates covered by the survey is shown in Table 1 below.

Date	Competitive Group (A)	Non- Competitive Group (B)	% Difference A&B	Non- Competitive Regulated Group (C)	% Difference A&C
8/31/93	\$20.51	\$22.23	8.4%	\$21.69	5.7%
7/14/94	\$21.04	\$21.61	2.7%	\$21.48	2.1%
1/1/95	\$21.25	\$21.74	2.3%	\$21.59	1.6%

⁹Noncompetitive franchises are not subject to regulation unless the relevant local franchise authority obtains certification to regulate rates. See 47 C.F.R. § 76.910.

9. Second, the Survey found a large drop in equipment prices between August 1993 and July 1994, the period during which rate regulation took effect. For example, the monthly rate for remotes for the noncompetitive group dropped from \$1.32 per month in August 1993 to \$0.26 in July 1994. Similarly, over the same period, the average monthly rate for nonaddressable converters dropped from \$1.58 to \$1.27 and for addressable converters, from \$2.46 to \$2.17. This is shown in Chart 1, below, and the data on average equipment prices are shown in Attachment C-1.

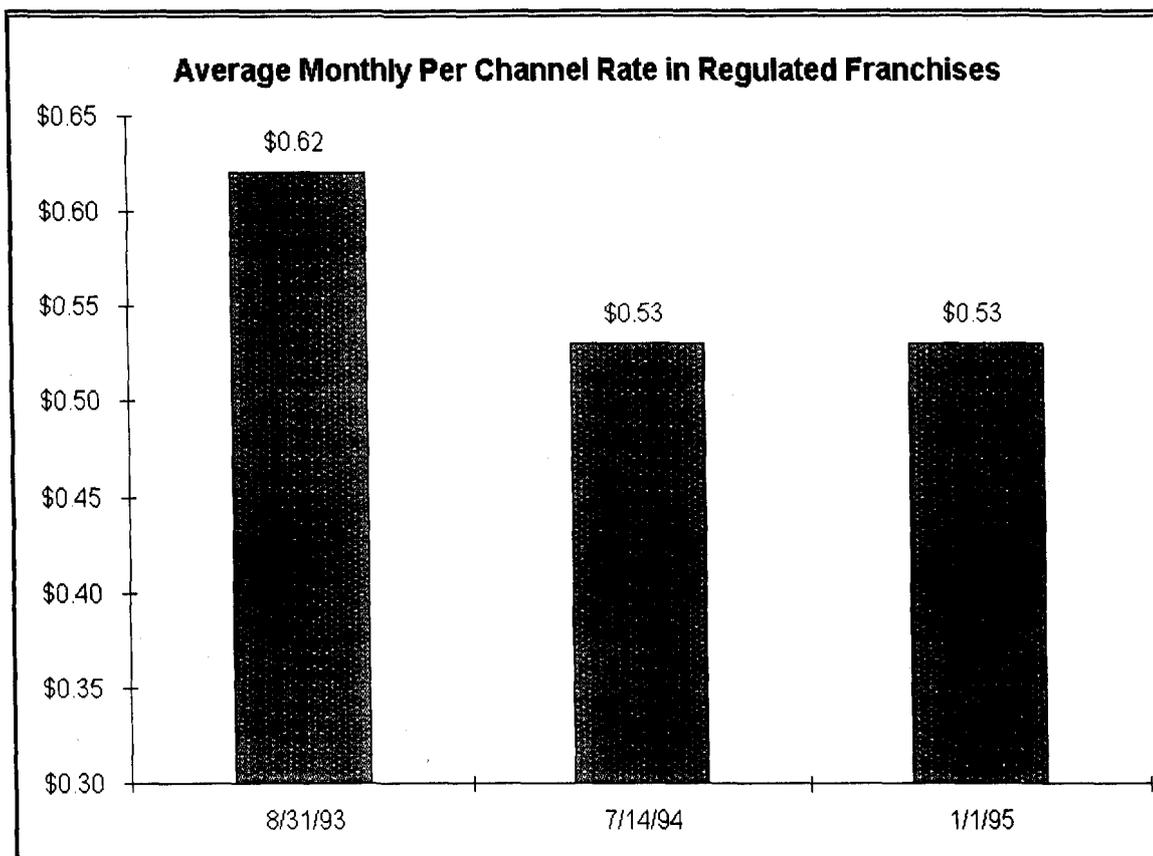
Chart 1



10. Third, the Survey found that the average monthly rate per channel charged by cable operators in franchises subject to rate regulation fell from \$0.62 per channel to \$0.53 per channel between August 1993 and July 1994, a drop of 14.5%. This decline reflects both an increase in the average number of channels received as well as a decline in the average monthly rate for programming services. Between July 1994 and January 1995, the per channel rate remained steady at \$0.53 because the underlying average rate per month and the average number of channels offered remained roughly the same. This is useful information because the number of channels received and the average price per channel provide a comparable way of measuring the services received by cable subscribers. The data on

average rates per channel are shown in Chart 2 below.

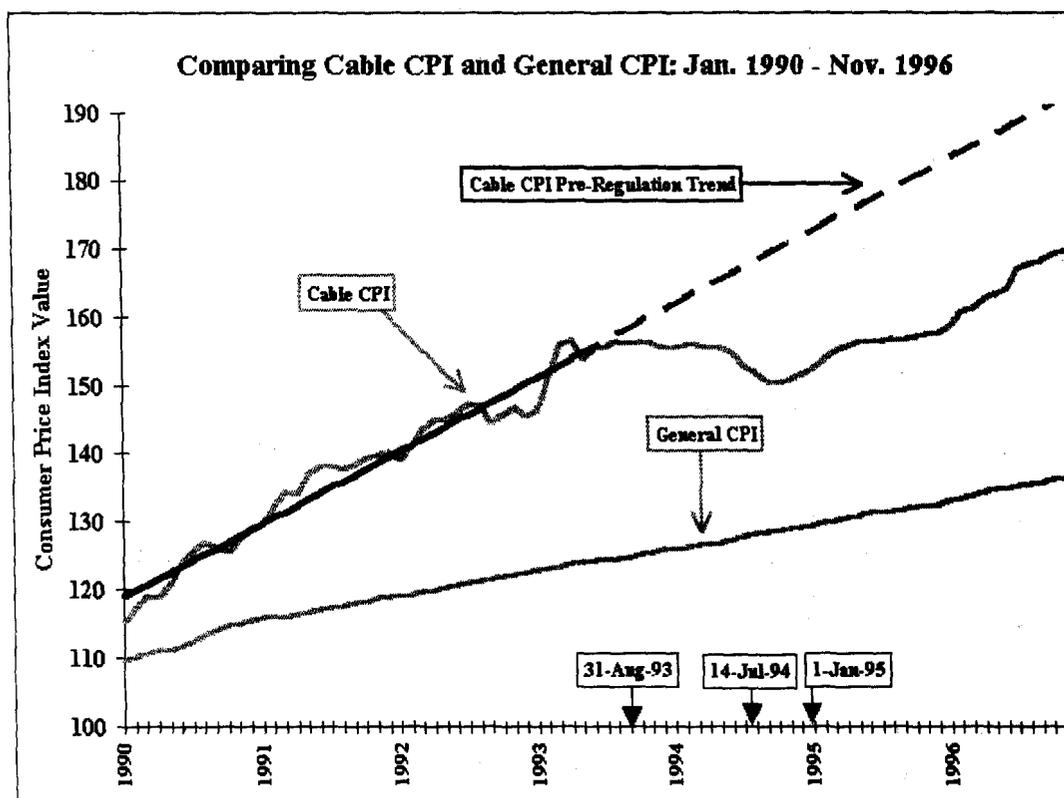
Chart 2



III. Trend of Cable Rates Over a Longer Time Period

11. CPI data published by the BLS shows the trend of cable service prices over a longer time period. The BLS reports a monthly index of cable prices ("Cable CPI") which is a part of the overall CPI. The overall CPI and the Cable CPI from January 1990 to November 1996, the latest month for which data are available, are shown below in Chart 3. The chart also shows a trend line fitted by the "least squares" method to the Cable CPI data. The trend line (labeled "Cable CPI Pre-Regulation Trend"), was fitted to the data for the period from January 1990 to April 1993, the pre-regulation period. This trend line shows an 8.0% compound annual growth rate. By comparison, the Cable CPI for the period following rate regulation (from April 1993 to November 1996) grew at a 2.2% compound annual rate. During the nearly seven year period from January 1990 through November 1996, the general CPI grew at a fairly steady pace, as the chart indicates, at a 3.2% compound annual rate.

Chart 3



12. Because the Cable CPI is reported monthly, it is possible to compare percent changes from the Cable CPI with those reported in this survey. Between August 1993 and July 1994, the Cable CPI dropped by 2.2%. This compares with a 2.9% drop in average monthly cable rates found in our Survey. Between July 1994 and January 1995, the Cable CPI dropped by about 1.0%. This compares with an increase of 0.6% found by our Survey. These are small differences which can be attributed largely to differences in the composition of the two surveys. For example, the Cable CPI includes installation charges as well as premium channels and pay-per-view, whereas our Survey excludes these services.

13. Over the entire period of rate regulation from April 1993 through November 1996, the overall CPI increased by 10.2%, or at a 2.7% compound annual rate, whereas the Cable CPI increased by 8.4%, or at a 2.2% compound annual rate. More recently, looking at the period from January 1995, the latest Survey date, through November 1996, the Cable CPI increased by 11.3%, or at a 6.0% compound annual rate. Within this 23-month period, the Cable CPI increased at a 3.7% compound annual rate from January to December 1995, and at a 8.5% compound annual rate for the eleven months from January 1996 to November 1996.

Although the BLS does not report subcomponents of the Cable CPI which would enable us to determine the causes of the rise in cable prices during 1996, we note from anecdotal evidence reported in both the trade press and the general news media that cable operators have attributed the recent increases in cable rates to higher programming costs, system upgrades which provide additional channels, and the pass through of the effects of general inflation on cable operators' costs.¹⁰ A more thorough analysis of the causes and results of these increases will be conducted as part of the next price survey report.

IV. Survey Methodology

A. Sample

14. The Survey was conducted between October 12 and December 15, 1995, and covers rates for programming services and equipment as of August 31, 1993, July 14, 1994, and January 1, 1995. The Survey sample consists of two groups: a targeted group of 290 "competitive" cable franchises (i.e., franchises in which the 1992 Cable Act definition of effective competition was met) and a randomly selected "noncompetitive" group of 700 cable franchises (i.e., those in which the statutory definition was not met) for a total sample size of 990 cable franchises. The competitive group was compiled using the 1993 cable rate survey,¹¹ which was supplemented by franchises in which the Commission subsequently ruled that the cable operator was subject to effective competition. The random group was selected from among the approximately 33,000 remaining cable franchises and represents approximately 2.1% of all cable franchises.

15. A total of 940 completed questionnaires were returned. After review of the returned questionnaires for completeness and accuracy of data, 756 were found to be suitable for analysis, 118 from the competitive group (which represented 214,454 subscribers as of January 1, 1995), and 638 from the noncompetitive group (which represented 2,473,872 subscribers as of January 1, 1995). The remaining 184 questionnaires were found to be unusable because they lacked significant rate information. For purposes of this report, and as required by statute, we compare data from the 118 surveys collected from the competitive group with the data from the 638 surveys collected from the noncompetitive group. For purposes of reporting on the cable industry as a whole, however, we relied on data from the random sample of 638 surveys of the noncompetitive group.

16. These 638 questionnaires cover approximately 2% of all cable franchises,

¹⁰See, e.g., Lander, Mark, and Geraldine Fabrikant, "Even Before Deregulation, Cable Rates Are on the Rise," *The New York Times*, April 12, 1996, at D1; "Cable TV Rates Are Climbing Without Curbs," *The Wall Street Journal*, June 28, 1996; Glick, Eric, "Cable Operators Play Down Rate Increases," *CableWorld*, September 2, 1996 at 4.

¹¹See Report and Order and Further Notice of Proposed Rulemaking ("*The Benchmark Order*"), MM Docket No. 92-266, FCC 93-177, 8 FCC Rcd 5361, Appendix E (1993).

servicing approximately 2.5 million basic cable subscribers, or about 4.5% of all basic cable subscribers, as of January 1, 1995. We believe that these 638 surveys are a sound random sample of the cable industry even though competitive franchise data are excluded. This accurately represents the nation's franchise areas for two reasons: (1) in view of the ratio of competitive franchises in the nation to the total number of franchises (290 to 33,000), the random sample is likely to have included fewer than ten observations from the competitive group had they been included; and (2) since most competitive franchises are small in terms of number of subscribers, on a subscriber-weighted basis, the effects of ten (or fewer) additional observations from the competitive group would have been minimal in a sample consisting of more than 600 observations.

B. Variables

17. For purposes of this report, five variables were selected to serve as the focus of analysis. These variables are: programming services, equipment, average monthly rates, average number of channels received, and average rate per channel. It should be noted that disaggregated data are available in the attachments to this survey. Programming services, for example, are disaggregated into basic service tier ("BST") and cable programming services tier ("CPST") services, and equipment is disaggregated into nonaddressable converters, addressable converters, and remotes. A brief discussion of each variable follows.

18. Programming Services. Programming services represents the average sum paid by subscribers each month for programming services such as the BST and CPSTs that may have been subject to the Commission's rate regulations, excluding CPSTs that are New Product Tiers ("NPTs") because their rates are unregulated. This variable is the combination of the BST and any CPSTs that were on a system in the franchise.

19. Equipment. Equipment represents the average sum paid by subscribers each month for three specific types of equipment: nonaddressable converters, addressable converters, and remote control units.

20. Average Monthly Rate. The average monthly rate is the sum of the programming services and equipment variables and constitutes that portion of a subscriber's monthly bill that may have been influenced by traditional rate regulation, except for installation costs. Fees for other cable services, such as for NPTs and premium, a la carte, and pay-per-view channels were not included in this survey. The average monthly rate represents the recurring, monthly revenue earned per subscriber by a cable operator that may have been affected by traditional rate regulation.

21. Average Number of Channels Received. Average number of channels received represents the average number of channels on regulated tiers (other than NPTs) that subscribers chose to receive. It was calculated using the same weighting methodology as the programming services and equipment variables. Thus, it is comparable to the programming services variable, in that it is adjusted to account for the fact that not all subscribers chose to

receive all of a system's regulated channels.

22. Average Rate Per Channel. The average monthly rate was divided by the average number of regulated channels received (other than NPTs) to calculate an average monthly rate per channel which, in effect, serves as a proxy for a quality adjustment. Even though the rate per channel is not a perfect measure of consumer value, it does permit a comparison of per channel rates across franchises and over time on a comparable basis. This calculation was performed for each franchise and the results were weighted by the number of subscribers. It is interesting to note that the average number of channels offered to subscribers grew in each time period and for each group surveyed and that, for every category and time period, the average monthly rate per channel stayed the same or dropped, dramatically in some cases.

C. Weighting of Variables

23. Weighting by the Number of Subscribers and the Limitation of Weighted Averages. Data for each franchise's programming services and equipment variables were calculated by weighting the rate charged for each tier of service, or type of equipment, by the number of subscribers receiving that specific category of service. This method was followed because not all consumers subscribed to all of a cable operator's regulated tiers or used all, or, in some cases, any, of the possible equipment types offered by cable operators. Thus, the average prices reported in this survey in all cases reflect averages calculated across all subscribers who received that particular category of service.¹²

V. Survey Results

A. Competitive and Noncompetitive Franchises

24. As mentioned above, the survey sample consists of two groups: a targeted group of competitive franchises and a random sample of noncompetitive franchises. This method was chosen because the 1992 Cable Act requires that the Commission report on both the competitive and noncompetitive segments of the industry.¹³ The competitive segment is fairly small, consisting of 290 franchises, whereas the total universe of cable franchises consists of approximately 33,000 franchises. In order to ensure the collection of statistically meaningful data on both groups, we sampled 100% of the smaller competitive group, and conducted a random sample of the larger noncompetitive group. Because of the small size of

¹²Although this weighting scheme produces accurate industry-wide averages, it understates what a subscriber who purchased all services (e.g., basic, CPS, an addressable converter, and a remote) would have paid. A subscriber receiving these four services on August 31, 1993 would have paid \$26.80. On July 14, 1994, this subscriber would have paid \$25.33, a drop of 5.5%. On January 1, 1995, this subscriber would have paid \$25.65, an increase from July 1994 of 1.0%.

¹³Communications Act, 623 (k), 47 U.S.C. 543(k).

the competitive group, relying on the random sample for this group would have resulted in too few observations to be meaningful.

25. Comparisons of average monthly rates for programming and equipment for the competitive and noncompetitive groups of franchises are shown in Tables 2 and 3. Monthly rates for the noncompetitive group shown in Table 2 (which includes both regulated and unregulated franchises) declined by 2.9% between August 1993 and July 1994.¹⁴ By contrast, Table 3 shows that average monthly rates for the competitive group (which is made up entirely of unregulated franchises) increased by 2.6% over this same time period. This increase is due to a 3.2% increase in programming service rates which was partially offset by a decrease in equipment rates. Also, between August 1993 and July 1994, per channel rates for the noncompetitive group decreased by 5.2%, while per channel rates for the competitive group decreased by only 1.7%.¹⁵ In addition, the average number of channels received increased in each time period and for both groups.

Service	8/31/93 (A)	7/14/94 (B)	% Change A&B	1/1/95 (C)	% Change B&C
Programming Services	\$20.89	\$20.42	-2.2%	\$20.53	0.5%
Equipment	\$1.34	\$1.19	-11.2%	\$1.21	1.7%
Average Monthly Rate	\$22.23	\$21.61	-2.7%	\$21.74	0.6%
Average Channels Received	38.5	39.6	2.9%	40.2	1.5%
Average Monthly Rate Per Channel	\$0.58	\$0.55	-5.2%	\$0.54	-1.1%
Subscribers	2,424,076	2,487,193		2,473,872	

¹⁴The prices reported in this document have not been adjusted for inflation and so are in nominal dollars. During the time period from August 1993 to July 1994, the overall CPI increased by 2.2%.

¹⁵In all tables in this report, the percentages are calculated from unrounded data. Some data, therefore, show small percentage changes from year to year even though the underlying numbers appear to remain the same. For instance, Table 3 presents an average monthly rate per channel of \$0.49 for both August 1993 and for July 1994, whereas the percentage change, which is calculated from unrounded data, is shown as -1.7%.

Service	8/31/93 (A)	7/14/94 (B)	% Change A&B	1/1/95 (C)	% Change B&C
Programming Services	\$19.81	\$20.44	3.2%	\$20.62	0.9%
Equipment	\$0.70	\$0.60	-14.3%	\$0.63	5.0%
Average Monthly Rate	\$20.51	\$21.04	2.6%	\$21.25	1.0%
Average Channels Received	41.5	43.3	4.3%	46.4	7.2%
Average Monthly Rate Per Channel	\$0.49	\$0.49	-1.7%	\$0.46	-5.9%
Subscribers	198,801	208,314		214,454	

26. The competitive group experienced a 1.0% increase in total monthly rates during the period from July 1994 to January 1995. For the noncompetitive group, total monthly rates increased at a slightly slower rate, by 0.6% during the same period.¹⁶ This increase was due to slightly higher programming service rates by both regulated and unregulated franchises plus an increase in equipment rates by the unregulated franchises (see Tables 4 and 5). Both competitive and noncompetitive groups experienced a reduction in per-channel rates between July 1994 and January 1995. Thus, the increase in programming services rates during the period was due to an increased number of channels included in programming service offerings.

B. Regulated and Unregulated Franchises from the Noncompetitive Group

27. The Survey included questions intended to identify the respondent's regulatory status.¹⁷ Using this information, we determined that, in August 1993, 43 of the franchises in the noncompetitive group were regulated. The remaining franchises in that group were unregulated at that time. As of July 14, 1994, after the initial round of rate regulation, the number of regulated franchises in the noncompetitive group climbed to 197. On a per-subscriber basis, this amounts to over two-thirds of the total number of subscribers in the random sample.

¹⁶For the period between July 1994 and January 1995, the overall CPI increased by 1.4%.

¹⁷It should be noted that all of the operators in the competitive group were unregulated since, by definition, they met the criteria for effective competition provided in the 1992 Cable Act. This group, however, is not included in the calculations shown in Table 5, since doing so would bias the random sample.

28. For most cable operators subject to rate regulation, the Commission's "benchmark" method of rate regulation provided for a 17% rate rollback.¹⁸ Prior to the rate rollback, a rate freeze had been in effect, and systems were not permitted to adjust rates for the general effects of inflation on their costs during the period of the freeze. In order to allow a "catch up" with the effects of general inflation, the Commission permitted those systems subject to the rollback to increase their rates by 3% as an adjustment to the prior year's inflation. The net effect was a 14.5% rate rollback.¹⁹

29. As shown in Table 4, the average per-channel rate for regulated franchises fell from \$0.62 in August 1993 to \$0.53 in July 1994, a drop of 14.5%. During the same time period, as shown in Table 5, operators in unregulated franchises experienced an average per-channel price increase of 1.8%, from \$0.56 to \$0.57 per channel, per month. Between July 1994 and January 1995, the average monthly per-channel rate in regulated franchises remained steady at \$0.53 per channel while the rate in unregulated franchises decreased slightly to \$0.56 per channel.

¹⁸The benchmark regulatory approach required operators of noncompetitive cable systems subject to rate regulation (not all operators of noncompetitive systems are subject to rate regulation) to reduce their rates to a level that was consistent with comparable rates found in the competitive marketplace. Specifically, the Commission required a 17% rate rollback in two stages for those systems that were subject to rate regulation. Certain exceptions were permitted to provide "transition relief" for small systems and for those found to be "low price" systems, and to those systems choosing the "cost of service" method of rate regulation. Cable operators not subject to rate regulation were not required to reduce rates. Unregulated operators could become subject to rate regulation on the BST if the relevant local franchising authority became certified to regulate BST rates and on the CPST if a consumer filed a complaint with the Commission. It is believed that rate regulation acted as a restraint on the prices charged by cable operators not subject to rate regulation since, with respect to BST rates, the formerly unregulated operator would be subject to refund liability for the difference between actual rates and what regulated rates would have been in the year preceding the implementation date of a local order. The prospect of rate regulation also restrained CPST rates since rate increases could provoke rate complaints. Thus, rate regulation affected more operators than the group that was subject to the regulation.

¹⁹To illustrate, if we assume a starting index point of 100; a 17% reduction from 100 results in an index value of 83; a 3% increase on a base of 83 would result in an index value of 85.5; 85.5 is 14.5% below the starting point of 100. The average monthly rate per channel for noncompetitive systems subject to rate regulation is shown in Table 4 below.

Service	8/31/93 (A)	7/14/94 (B)	% Change A&B	1/1/95 (C)	% Change B&C
Programming Services	\$20.41	\$20.34	-0.3%	\$20.45	0.5%
Equipment	\$1.28	\$1.14	-10.9%	\$1.14	0.0%
Average Monthly Rate	\$21.69	\$21.48	-1.0%	\$21.59	0.5%
Average Channels Received	34.8	40.3	15.8%	40.6	0.7%
Average Monthly Rate Per Channel	\$0.62	\$0.53	-14.5%	\$0.53	0.0%
Subscribers	580,441	1,698,188		1,651,960	

Service	8/31/93 (A)	7/14/94 (B)	% Change A&B	1/1/95 (C)	% Change B&C
Programming Services	\$21.04	\$20.59	-2.1%	\$20.68	0.4%
Equipment	\$1.36	\$1.29	-5.1%	\$1.34	3.9%
Average Monthly Rate	\$22.40	\$21.88	-2.3%	\$22.02	0.6%
Average Channels Received	39.7	38.3	-3.5%	39.3	2.6%
Average Monthly Rate Per Channel	\$0.56	\$0.57	1.8%	\$0.56	-1.7%
Subscribers	1,844,028	789,115		822,264	

VI. Conclusion

30. In the Survey, three conclusions stand out:

- First, the Survey found that the price differential between the competitive and noncompetitive groups was significant prior to the implementation of rate regulation under the 1992 Cable Act, and that this differential narrowed substantially after rate regulation was instituted. These findings indicate that the intent of the 1992 Cable Act's rate regulation, to simulate the effects of a competitive marketplace, was met.
- Second, the Survey found that the monthly charge for equipment also dropped

significantly. This decline was due to the Commission's requirement that equipment and services be unbundled and that equipment should be provided at cost plus a reasonable return. As an example, the monthly rate charged for remotes fell from \$1.32, on average, in August 1993, to \$0.26 in July 1994.

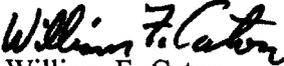
- Third, on a per channel basis, cable rates dropped substantially between August 1993 and July 1994. Over this period, the average monthly rate per channel charged in franchise areas subject to rate regulation dropped by 14.5%, from \$0.62 per channel to \$0.53 per channel.

31. These findings indicate that over the time-period covered by the Survey, consumers benefited not only from lower rates, but also from more economical service, as indicated by a lower rate per channel.

VII. ADMINISTRATIVE MATTERS

32. It is ORDERED that this Report is issued pursuant to authority contained in Section 623(k) of the Communications Act of 1934, as amended, 47 U.S.C. 534(k).

FEDERAL COMMUNICATIONS COMMISSION


William F. Caton
Acting Secretary

Attachment A -1

**Monthly Basic Services Averaged Across Subscribers Receiving Basic
Noncompetitive Group**

Service	8/31/93	7/14/94	% Change	1/1/95	% Change
Basic Prog. Service Rate	\$11.98	\$11.31	-6%	\$11.61	2.6%
Number Basic Channels	20.4	21.7	6.5%	22.6	3.9%
Basic Price Per Channel	\$0.65	\$0.54	-17.0%	\$0.54	-1.2%
Subscribers	2,424,076	2,487,193		2,473,872	

Attachment A -2

**Basic Price Per Channel
Grouped By Regulatory Status In Each Period
Noncompetitive Group**

	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	\$0.66	\$0.55	-16.7%	\$0.53	-3.1%
Subscribers	1,909,042	1,183,489		1,237,176	-
Regulated	\$0.63	\$0.53	-14.8%	\$0.54	0.4%
Subscribers	468,257	1,272,064		1,199,708	

Attachment A -3

**Basic Price Per Channel
Grouped By System Size
Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	\$0.88	\$0.65	-26.0%	\$0.64	-1.6%
Subscribers	411,523	427,604		433,798	
Over 15,000 Subscribers	\$0.61	\$0.52	-14.5%	\$0.51	-1.3%
Subscribers	1,965,776	2,027,949		2,003,086	

Attachment A -4

**Number of Basic Channels
Grouped By Regulatory Status In Each Period
Noncompetitive Group**

Regulatory Status	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	20.2	23.1	14.7%	23.4	1.0%
Subscribers	1,796,855	759,843		787,518	
Regulated	20.8	21.0	0.7%	22.1	5.3%
Subscribers	468,257	1,695,710		1,649,356	

Attachment A-5
**Number of Basic Channels
 Grouped By System Size
 Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	17.4	19.4	11.2%	19.7	1.6%
Subscribers	411,523	427,604		433,798	
Over 15,000 Subscribers	20.9	22.1	5.6%	23.1	4.4%
Subscribers	1,965,776	2,027,949		2,003,086	

Attachment A-6
**Total Monthly Basic Rate
 Grouped By Regulatory Status In Each Period
 Noncompetitive Group**

Regulatory Status	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	\$11.46	\$11.64	1.5%	\$11.67	0.2%
Subscribers	1,909,042	1,183,489		1,237,176	
Regulated	\$13.80	\$10.89	-21.1%	\$11.40	4.8%
Subscribers	468,357	1,272,064		1,199,708	

Attachment A-7
**Total Monthly Basic Rate
 Grouped By System Size
 Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	\$12.92	\$12.06	-6.6%	\$12.07	0.1%
Subscribers	411,523	427,604		433,798	
Over 15,000 Subscribers	\$11.72	\$11.08	-5.4%	\$11.42	3.1%
Subscribers	1,965,776	2,027,949		2,003,086	

Attachment B - 1

**Monthly CPS Services Averaged Across Subscribers Receiving CPS
Noncompetitive Group**

Service	8/31/93	7/14/94	% Change	1/1/95	% Change
CPS Prog. Service Rate	\$11.03	\$11.59	5%	\$11.60	0.1%
Number of CPS Channels	22.4	22.8	1.6%	22.7	-0.4%
CPS Price Per Channel	\$0.51	\$0.54	6.0%	\$0.54	0.1%
Subscribers	1,976,700	1,971,786		1,926,204	

Attachment B - 2

**CPS Price Per Channel
Grouped By Regulatory Status In Each Period
Noncompetitive Group**

	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	\$0.49	\$0.56	13.5%	\$0.54	-3.1%
Subscribers	1,640,302	930,364		955,388	
Regulated	\$0.58	\$0.52	-10.3%	\$0.54	3.3%
Subscribers	311,790	1,028,741		955,528	

Attachment B - 3

**CPS Price Per Channel
Grouped By System Size
Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	\$0.56	\$0.64	14.8%	\$0.63	-1.7%
Subscribers	325,612	314,325		320,345	
Over 15,000 Subscribers	\$0.50	\$0.52	4.4%	\$0.52	0.4%
Subscribers	1,626,480	1,644,780		1,590,571	

Attachment B - 4

**Number of CPS Channels
Grouped By Regulatory Status In Each Period
Noncompetitive Group**

Regulatory Status	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	23.3	20.3	-12.6%	21.4	5.1%
Subscribers	1,595,979	564,392		585,234	
Regulated	19.5	23.7	21.6%	23.2	-2.2%
Subscribers	431,957	1,394,713		1,325,682	

Attachment B-5

**Number of CPS Channels
Grouped By System Size
Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	18.7	19.4	3.4%	19.5	0.4%
Subscribers	325,612	314,325		320,345	
Over 15,000 Subscribers	23.2	23.4	0.9%	23.3	-0.4%
Subscribers	1,626,480	1,644,780		1,590,571	

Attachment B-6

**Total Monthly CPS Rate
Grouped By Regulatory Status In Each Period
Noncompetitive Group**

Regulatory Status	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	\$11.22	\$11.26	0.4%	\$11.39	1.2%
Subscribers	1,595,979	564,392		585,234	
Regulated	\$10.11	\$11.68	15.6%	\$11.65	-0.3%
Subscribers	311,790	1,394,713		1,325,682	

Attachment B-7

**Total Monthly CPS Rate
Grouped By System Size
Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	\$10.37	\$11.37	9.7%	\$11.54	1.5%
Subscribers	325,612	314,325		320,345	-
Over 15,000 Subscribers	\$11.15	\$11.59	4.0%	\$11.58	-0.1%
Subscribers	1,626,480	1,644,780		1,590,571	

Attachment C-1

Monthly Equipment Rates Averaged Across Subscribers Receiving Each Equipment Type

Noncompetitive Group

Service	8/31/93	7/14/94	% Change	1/1/95	% Change
Non Addressable Converters	\$1.58	\$1.27	-20%	\$1.29	1.4%
Subscribers	375,048	472,790		476,656	
Addressable Converters	\$2.46	\$2.17	-11.9%	\$2.20	1.4%
Subscribers	701,614	1,008,647		1,090,453	
Remotes	\$1.32	\$0.26	-80.3%	\$0.25	-4.0%
Subscribers	723,033	881,091		969,044	

Attachment C-2

**Total Monthly Non-Addressable Converter Rate
Grouped By Regulatory Status In Each Period
Noncompetitive Group**

Regulatory Status	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	\$1.51	\$1.14	-24.3%	\$1.17	2.0%
Subscribers	232,008	175,252		174,866	
Regulated	\$1.74	\$1.35	-22.4%	\$1.37	1.1%
Subscribers	136,474	290,900		294,688	

Attachment C-3

**Total Monthly Non-Addressable Converter Rate
Grouped By System Size
Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	\$1.75	\$1.21	-31.2%	\$1.22	1.4%
Subscribers	50,391	67,668		72,314	
Over 15,000 Subscribers	\$1.57	\$1.28	-18.2%	\$1.30	1.5%
Subscribers	318,091	398,484		397,240	

Attachment C-4

**Total Monthly Addressable Converter Rate
Grouped By Regulatory Status In Each Period
Noncompetitive Group**

Regulatory Status	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	\$2.52	\$2.29	-9.4%	\$2.35	2.6%
Subscribers	557,707	491,568		514,517	
Regulated	\$2.23	\$2.05	-8.0%	\$2.06	0.5%
Subscribers	129,921	502,286		560,880	

Attachment C-5
**Total Monthly Addressable Converter Rate
 Grouped By System Size
 Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	\$2.73	\$1.75	-36.0%	\$1.78	2.3%
Subscribers	33,253	83,603		89,769	
Over 15,000 Subscribers	\$2.46	\$2.21	-10.2%	\$2.23	1.3%
Subscribers	654,375	910,251		985,628	

Attachment C-6
**Total Monthly Remote Rate
 Grouped By Regulatory Status In Each Period
 Noncompetitive Group**

	8/31/93	7/14/94	% Change	1/1/95	% Change
Unregulated	\$1.57	\$0.30	-81.0%	\$0.28	-4.8%
Subscribers	571,391	440,468		458,646	
Regulated	\$0.30	\$0.18	-40.7%	\$0.18	3.1%
Subscribers	139,841	427,502		496,115	

Attachment C-7
**Total Monthly Remote Rate
 Grouped By System Size
 Noncompetitive Group**

Size of System	8/31/93	7/14/94	% Change	1/1/95	% Change
No More Than 15,000 Subscribers	\$1.85	\$0.56	-69.6%	\$0.44	-21.8%
Subscribers	79,375	96,493		103,783	
Over 15,000 Subscribers	\$1.25	\$0.20	-84.3%	\$0.20	4.0%
Subscribers	631,857	771,477		850,978	