

Press Statement of Chairman James H. Quello

In re Cable Rate Regulation

April 1, 1993

The Report and Order on Cable Rate Regulation represents a significant first step in implementing the all important rate regulation phase of the 1992 Cable Act.

I earlier mentioned there were no perfect answers to this complex issue. We did our earnest best to interpret the statute and the intent of Congress with members of Congress sometimes having different opinions. It was only through a supreme effort of the FCC Cable task force and all the Commission legal assistants working weekends and day and night including late last night that we have this item today. In the Army, we would characterize it as heroic action above and beyond the normal call of duty. However, I'm afraid the staff is entitled to the same overtime pay as the military. So, I'm personally indebted to you until you are better paid.

From early reaction generated by the usual information leakage, our rate reduction was either too little or too large. Usually this reflects acceptable judgment. But no doubt some will characterize the April 1st date of adoption as prophetic. I believe it is a carefully reasoned first step.

This was based on data collected from 792 cable systems comparing rates of competitive and noncompetitive systems. Congress defined cable systems with effective competition as: (1) systems with multichannel competition; (2) municipal systems; and, (3) systems with less than 30% penetration. It was found that systems with competition on average have about 10% lower rates than systems without competition.

The benchmark to determine local competitive per channel rates for cable systems without competition will vary according to factors such as: number of subscribers, number of channels, and number of satellite-delivered channels. We will conduct further surveys of rates and collect cost data to accurately assess future rate reductions.

Our Mass Media Bureau and our Office of Plans and Policy estimate that about 2/3 - 3/4 of systems and subscribers will be affected by our action today which will cover rates for both basic services and cable programming services. It is estimated that this initial rate reduction will exceed one billion dollars as rate regulation is implemented.

Implementation of the Cable Act is a massive detailed assignment requiring additional personnel. It is the largest new assignment I have ever seen in my 19 years at the FCC. We have the potential of becoming the Federal Cable Commission (FCC). Without additional resources, the Commission will be unable to meet the objectives spelled out in this Report and Order. With additional administrative and enforcement personnel, we can organize and departmentalize areas of cable responsibility and avoid what could become an unmanageable avalanche of petitions and letters. In the words of an old veteran, we need reinforcements and we need them now. In fact, we needed them last week.

The overall Cable re-regulation the last two months was quite a handful. In summary, we implemented the Act to provide lower rates and better service for consumers, equity for broadcasters, program access for cable competitors and reasonable cash flow profits for cable systems. And more is yet to come including anti-siphoning provisions. Only time, the public and Congress will eventually decide how well we succeeded.

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