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

FOR IMMEDIATE RELEASE
December 20, 2006

News Media Contact:
Rebecca Fisher (202) 418-2359

FCC Releases Report on 2005 Cable Industry Prices

Washington, DC – The Federal Communications Commission (FCC) today released its annual report on cable industry prices. The report shows that average monthly rates for cable service -- including basic and expanded basic cable programming services -- increased by 5.2 percent over the 12-month period ending January 1, 2005, from $40.91 to $43.04, and by 93 percent since the period immediately prior to Congress's enactment of the Telecommunications Act of 1996.

Section 623(k) of the Communications Act, as amended by the Cable Television Consumer Protection and Competition Act of 1992, requires the Commission to publish annually a statistical report on average rates for basic cable service, cable programming service, and equipment. The Act also requires the Commission to compare the average rates of cable operators subject to effective competition with those of operators not subject to effective competition.

Specifically, the average monthly charge for basic service increased by 3.3 percent, rising from $13.84 on January 1, 2004 to $14.30 on January 1, 2005. Over the same period, the average charge for expanded basic service rose from $27.07 to $28.74, an increase of 6.2 percent -- more than 84 percent of cable consumers subscribe to the expanded basic service.

The report finds that for the 12-month period ending January 1, 2005, the average monthly rate for basic and expanded basic cable programming services increased by 4.9 percent for the group of cable operators in communities relieved from basic tier rate regulation (the "effective competition group") and by 5.2 percent for the group of cable operators without a finding of effective competition (the "noncompetitive group"). As of January 1, 2005, cable operators without a finding of effective competition charged an average of $43.33 per month for basic and expanded basic programming, which was 7.9 percent more than the $40.15 charged by the group of operators with a finding of effective competition. The degree of difference, however, varied by subgroup, with the highest percentage differential associated with the subgroup of cable operators for which relief from rate regulation was based on a second cable operator. Prices charged by cable operators in these communities were 17 percent lower than in communities without a finding of effective competition. DBS competition, however, does not appear to constrain cable prices – average prices were the same as or slightly higher in communities where DBS was the basis for relieving a cable operator from rate regulation than in noncompetitive communities.

The Commission also collected information on the prices charged for the most highly subscribed digital tier plus equipment consisting of a digital set-top converter and remote control unit. For all communities sampled, over the 12 months ending January 1, 2005, the price for this tier and equipment increased by 1.2 percent, to $12.99. Of the 98 percent of all cable subscribers served by systems that offered digital video service, 37 percent subscribe to the digital tier.

The report also provides information on 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. As of January 1, 2005, approximately 87 percent of all cable subscribers were served by systems that had been upgraded to a capacity of at least 750 MHz. Also, 96 percent of all cable subscribers were served by systems that offered Internet access. In addition, 42 percent of subscribers were offered telephone service by their cable operator. There was very little variation between the groups (those with and without a finding of effective competition) in terms of system capacity or the percentage of subscribers offered advanced services.

The report also provides an econometric analysis of the data collected. The results of this analysis show that cable prices tend to be higher in local markets where cable operators have a larger share of the subscription video market. This may indicate the exercise of market power by dominant firms or may reflect higher costs to serve those markets.

Action by the Commission, December 20, 2006, by Report (FCC 06-179). Chairman Martin, Commissioners Tate and McDowell with Commissioner Copps and Adelstein concurring. Separate statements issued by Chairman Martin, Commissioners Copps, Adelstein, and McDowell.

-- FCC --

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