

NSCC Franchise Renewal Talking Points

1. **Comcast:** Federal law prevents us from paying operational support.

Federal law does not allow local franchising authorities to require operational support. Nothing in federal law precludes cable companies from offering operational and other support for public, educational and government (PEG) access, and many recent agreements between cable companies and local franchising authorities do provide operational, as well as capital, support for PEG access facilities.

2. **Comcast:** NSCC's PEG (public, education and government) access fee is one of the highest in the nation.

- It is important to understand that PEG fees historically have been based on assessments of community needs, not by the NSCC or Comcast. Comcast chooses to pass PEG fees through to subscribers.
- The NSCC/CTV PEG fee stays here and supports eight channels (That's 50 cents/channel.) of award-winning locally-produced, community based programming, including city parades and festivals, meetings and informational programming from local government, school sports and concerts, youth media education, election coverage and hundreds of hours of programs created by community producers and volunteers.
- If the PEG fee were to be decreased or eliminated, Comcast might decrease the rates for basic service temporarily, but would recover the amount in other unregulated tiers. And that money would go to Philadelphia to support the company's bottom line, instead of supporting and benefitting the local community.
- In over 20 years, the NSCC/CTV office has received only a few calls about the PEG fee, and the subscribers simply wanted to know what it was. When they were told that it was used to support locally-produced community programming for subscribers in our 10 cities, they were overwhelmingly supportive of the PEG fee and its use.

3. **Comcast:** NSCC's PEG fee is a competitive disadvantage for the company because the satellite providers do not have to pay it.

- In fact, the cable company's numbers of subscribers and penetration rate has stayed remarkably consistent over the past 20+ years, with slightly over 30,000 subscribers for the past 10 years and, even with the number of marketable homes increasing, a penetration rate of close to 50%. [This is lower than the penetration rates in most other parts of the country. Historically, the Twin Cities, Portland and Denver markets have tended to have lower rates of cable subscribership.]

- In reality, the PEG fee has no effect on Comcast's competitiveness against satellite providers, as evidenced by the company's most recent 2013 rate filing for the basic service tier. In that filing, Comcast is proposing to increase its basic service rate by 12% - a change that is well in excess of inflation and shows that Comcast is unconcerned about competitive pressures from other multichannel video programming distributors.

4. **Comcast:** We don't provide free institutional networks to local governments anymore; we only provide managed services networks for a fee.

The Institutional Network, or I-Net, is a combination of fiber (paid for by subscribers under the 1998 cable franchise) connecting the NSCC/CTV building and the ten city halls, along with a legacy coaxial cable+fiber, or hybrid fiber-coax (HFC), network that provides two-way connections enabling the routing of video programming to and from CTV's master control for distribution over Comcast's cable system. It is also used to transmit data services, such as Internet connections, e-mail service, and other local government data and shared services, between and among the cities and NSCC/CTV. The I-Net is connected by cable company fiber to Institutional Networks of other cities and franchising authorities, enabling the sharing of locally-produced programming throughout the metropolitan area.

The attributed cost (\$567,000+) of the three pairs of fibers set aside for the I-Net were paid for by subscribers through the PEG fee. The users of the I-Net (the cities, schools, libraries and NSCC/NSAC) provided their own equipment to connect to and manage the network, and city and NSCC/CTV staff oversee and maintain the network. As a result, the cost to Comcast to provide the I-Net is very small. However, the benefits to the NSCC/CTV and the member cities, such as substantial cost-savings, are significant.

The issue is that, in recent years, cable companies have decided they want to be more than about "entertainment," and they have begun to compete with the legacy telephone companies in providing managed data services over their networks. They see local government as potential customers from which they can make more money.

5. The PEG Fee, Franchise Fees and Institutional Network = rent for use of the public rights-of-way

The public right-of-way is essentially a strip of land that was acquired by the city from every property owner for utilities like water, sewer, electricity and telephone. Because cable television operators desire to utilize scarce and valuable public rights-of-way for private business purposes, they are required by federal and state law to obtain franchises from the member cities, which own, manage and maintain the public rights-of-way on behalf of their citizens. In return for the franchise, the cable company pays “rent,” in the form of franchise fees (capped by federal law at 5% of the company’s gross revenues from cable television service), channels and financial support for public, education and government (PEG) access programming, and Institutional Networks.

A common analogy is the local public park. The city would not permit a privately owned coffee shop to operate in a public park or city hall without charging rent. The issue is no different for the public rights-of-way.

Since the current franchise was granted in 1998, the cable company, currently Comcast, has added Internet access and telephone to its portfolio of services. Unfortunately, federal and state law prevents our cities from collecting any rent from these increasingly lucrative services. So, cable companies get free use of the public rights-of-way to provide these services.

At the same time, Comcast’s current proposal to the NSCC would essentially de-value the public rights-of-way by cutting its compensation to the Cities by more than half while requiring them to pay for the Institutional Network fiber that subscribers paid for after the 1998 franchise renewal.