For Immediate Release

FCC Creates a Climate of Chaos over Video Franchising

Washington, DC, September 14, 2007 -- In another blow to consumers and cities, the Federal Communications Commission (FCC) is expected soon to decree that any company now under contract with a local government to provide video services may have the right to renegotiate better terms for itself, putting at risk America's public access channels, first-responder communications capability, and millions of dollars in franchise fees used by cities and towns for public safety and infrastructure.

"We continue to be shocked at the brazen efforts of the FCC to help the already-thriving telecommunications industry to the detriment of local governments, their first responders, and their taxpaying residents," said Elizabeth Beaty, executive director of the National Association of Telecommunications Officers and Advisors (NATOA). "Hundreds, if not thousands, of cable franchise agreements could be voided across the country as a result of the pending FCC order. This is not competition, this is chaos," Beaty said.

NATOA, the National League of Cities, and several organizations representing consumers, cities, towns, counties and non-profits are already suing the FCC over its initial order of last March, which in their view improperly strips local governments of their authority to protect the public health, education, welfare and safety of local residents, in violation of the Cable Act. The latest effort by the FCC, far from simplifying or streamlining matters, would only multiply the potential problems and disputes that cities have with cable operators.

According to recent media reports, the FCC is expected any day to rule that existing cable operators can, under certain circumstances, back out of key provisions in their current franchise contracts with local governments, renegotiate lower municipal fees, and reduce the benefits they currently provide to the public. This compounds the problems already created by the initial order, which among other things, appears to allow new franchise applicants to refuse to provide free service to municipal and school buildings and eliminate other in-kind services, while unilaterally reducing the fees they pay to support public, education and government (PEG) access channels.

"This new FCC order could put many PEG channels out of business. It would likely cripple many local governments' emergency services communications, which rely on institutional networks furnished by the cable operator," said Beaty, who is serving as a spokesperson for the six organizations. "What will happen if the backbone of emergency communications is stripped away? What happens to the math homework channels? How will cities make up lost revenue that currently assures local residents are connected to libraries, governments, schools, senior centers, and police and fire stations? The FCC is creating problems – not solutions – by its actions."

Communities are already experiencing confusion and backlash where state legislatures have taken video franchising out of local hands. Comcast, a major provider of cable services across the country, has already informed some agencies in Indiana and Michigan that, as a result of new state cable laws, it is canceling all public access channels.

Video franchise agreements between local governments and cable operators usually provide for an array of services to localities in exchange for the operator's use of public property. Institutional networks or I-Nets are secure connections to municipal buildings, police and fire stations, courts and jails, schools, libraries, senior centers and hospitals. In many communities, these networks are the linchpin of emergency communications. Public access channels are made available for government, educational and community programming, such as high school football or Little League games, city or county council meetings, and homework help.

"Not only would the FCC's rulings create chaos and uncertainty for our communities; they have the potential to create a real budget gap for our municipalities that would have to be closed, either by reducing important local government services or raising fees or taxes in other areas," Beaty said. "This FCC order is a win for big business and a loss for the people of this country."

In a 2006 survey of local government cable offices conducted for NATOA, 94 percent indicated that their community collects a franchise fee from cable operators. The majority, 87 percent, collect a franchise fee of 5 percent of gross revenues. The remaining 13 percent collect varied lesser franchise fees or do not collect a franchise fee at all. More than half of the fees are used by local governments to support their general fund, which funds police, fire, schools, transportation and other vital public services provided by local governments. Seventeen percent of the fees are used for oversight of cable franchising and for public access channels; 20 percent are used for a combination of general fund and cable oversight; and 11 percent of fees are used solely for public access channels.

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