



## Assessing the Damage:

### Survey shows that state video franchise laws bring no rate relief while harming public benefits

#### About the Survey

In May 2008, the Alliance for Community Media (ACM) initiated an online survey regarding the impact of state video franchise laws. Members of ACM and the National Association of Telecommunications Officers and Advisors (NATOA) from around the country participated in this survey.

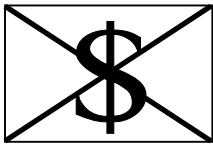
There were 204 respondents from 33 states, representing public, educational and governmental (PEG) access television centers. Of those respondents, 140 (from 18 states) now have a state video franchise law in effect. *This summary focuses on the responses from those with state video franchise laws.*

#### Companies applying to operate under new state laws

- 68% of survey respondents report that new entrants (AT&T and Verizon) have applied for state franchises.
- 52% report that their incumbent cable providers have applied for state franchises.

#### Impact on PEG Facilities and Services

Since the recent passage of state video franchise laws, many PEG centers already see a negative impact on their funding and operations, and a decrease in related services or benefits.



- *About 20% of respondents report PEG funding decreases since the advent of statewide franchising (including communities in CA, FL, IA, IN, KS, MI, MO, NC, OH, TX and WI), while cable operators report record earnings. In many communities, PEG funding that had been available for all PEG-related costs is now restricted to capital purchases.*

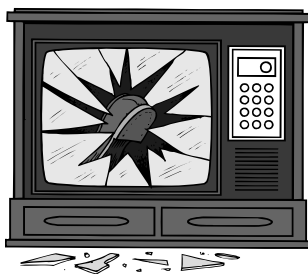


- *Respondents from 17 communities in 8 different states report loss of access to PEG facilities managed by cable operators soon after state video franchise laws removed local obligations from those companies. In addition, Comcast used state franchise law as the excuse to close all of its PEG facilities in northern Indiana and southwestern Michigan in September of 2007, prior to distribution of this survey.*



- *26% of respondents that had public cable drops in locations like libraries, schools and other public centers, and 41% of respondents in communities that had an Institutional Network connecting government facilities, educational institutions, and PEG facilities report the loss or reduction of those benefits (including communities in CA, CT, FL, GA, IN, MI, MO, NC, OH, TX and WI).*

#### Impact on Quality and Functionality of PEG Channels



About two-thirds of affected survey respondents from 13 states report that new state franchise service providers deliver PEG channels with impaired signal quality and functionality. For example, AT&T's "U-verse" system:

- *takes up to a minute or more to tune in a PEG channel*
- *presents PEG at inferior quality compared to commercial channels*
- *cannot support closed captioning or second audio programming*
- *does not support DVR recording (like "TiVo") of PEG channels*
- *strips away PEG channel number identity*
- *prevents viewers from channel surfing to and from PEG channels*

## Impact on PEG Channels Carriage

Since the passage of state video franchise laws, PEG centers report reductions and threats to their existing channels. Operating under recently-adopted state rules, many new entrants and incumbents quickly took steps to limit PEG channel capacity and placement.



- Nearly 25% of respondents said they lost or expect to lose channels since the advent of statewide franchising (including communities in CA, FL, GA, IN, KS, MI, MO, NC, OH, TX and WI).



- Respondents from 29 communities in 12 states report PEG channels being moved by incumbent cable operators to “digital only” channels, decreasing accessibility & visibility and increasing costs for subscribers
- Respondents from 8 states report that they must purchase special hardware and pay significant monthly fees to deliver PEG channels to new state franchise service providers. Such carriage fees were never required previously under local franchises, and are not paid by local commercial and public broadcast stations.

## Impact on Cable Rates

Survey respondents confirm what has been widely reported elsewhere: relief to the consumer from skyrocketing cable rates -- the major reason for adopting state video franchise laws -- has not occurred.



- Two-thirds of respondents said basic cable rates have increased in their communities after a state video franchise law was adopted and a new competitor arrived.
- Only 1% said that rates have gone down.

## Preliminary Conclusions

Even in the early stages of adoption and implementation, the negative fallout from the state video franchise laws has been substantial and will continue to mount. As incumbents and new entrants apply to operate under these new franchises, more communities will experience the cutbacks and degradation of PEG services reported in this survey, leaving many communities in the nation without the diverse, local programming provided through PEG channels. This outcome directly contradicts the purpose stated in the Cable Act of 1984, that franchises be responsive to the needs and interests of the local community.

It's important to note that where PEG Access has greater protection in the state video franchise laws, AT&T is ignoring requirements to provide PEG at “similar” (CA law) or “equivalent” (IL law) signal quality and functionality as commercial channels. This disadvantages, rather than serves local communities.

It is our hope that the information drawn from this initial survey of communities affected by state video franchise laws will inform proactive legislative and regulatory action to preserve the localism and diversity of programming that emerges from PEG channels nationwide.

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*The Alliance for Community Media is a national membership organization representing more than 3,000 PEG access centers across the nation. Local PEG programmers produce 20,000 hours of new programs per week, and serve more than 250,000 organizations annually through the efforts of an estimated 1.2 million volunteers.*

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