CHAMPAIGN-URBANA CABLE TELEVISION AND TELECOMMUNICATIONS COMMISSION

SPECIAL STUDY SESSION

MINUTES

DATE: September 17, 2005
2:00 p.m.

PLACE: Champaign Council Chambers

MEMBERS PRESENT:

CITY OF CHAMPAIGN	CITY OF URBANA
Richard Atterberry	Barb Gladney
Giraldo Rosales	Durl Kruse
Karen Walker	

PARKLAND	UI
Tom McDonnell	

MEMBERS ABSENT: Brian Silverman, Danielle Chynoweth, Stan Yagi, and Peter Resnick

STAFF PRESENT: Chris Foster
Jeff Hamilton

OTHERS PRESENT: Sue Buske

Introduction

Rick Atterberry introduced himself and welcomed attendees to the meeting. He gave an explanation of the purpose of the meeting: *The possibilities as we launch into the next cable franchise negotiation.* He introduced the guest speaker Sue Buske, president of The Buske Group in Sacramento. He reported she has been in the cable television industry for 30 years.

Barbara Gladney provided background information on the Public Access Study Committee and its mission statement. They will be providing a report to the Cable Commission on October 12, 2005 at 4 p.m. and action will be taken at the January regular quarterly meeting.

Sue Buske Presentation

Sue provided numerous handouts for the attendees and the Commission, which she said she would refer to in detail. She thanked the Commission for inviting her to come ad asked the audience to provide information on what they are interested in learning about.

Audience questions:

1. Deregulation-What is the impact? Where is it at and where is it going?
2. How can non-profit organizations use cable and access television more effectively?
3. The system and access should be accessible to people with all types of disabilities.
4. What can we realistically ask for in this next franchise?

The Franchising Process and Current Status in Champaign-Urbana

Sue also provided facts about renewal and the current state of cable television in Champaign-Urbana. She said the process of franchise renewal basically starts 3 years before the franchise expires. Insight Communications is using a limited public resource to generate a lot of money. That resource is the public right-of-way - public property and the cities have their responsibility for managing and allowing people to use. The franchise is in effect a lease. The cable company leases from the city (the landlord). The city represents the public interest. A franchise agreement is a contract. Insight currently holds the cable franchise agreement. Franchises expire. They are typically 5 years in length. They were granted in 1994 and will expire in 2009. There are roughly 19,000 homes in Urbana, of which about 7400 subscribe to cable=39%penetration (homes that could take it compared to those who choose to take it.) In Champaign there are about 34,000 homes and about 16000 people subscribe=49% penetration. These numbers are typical of university environment. Average runs around 65%. It is important to understand what we're doing when we do franchise renewal. What is the value to that company of having the right to use the public's property to run their business? It's a limited asset. The cable company is going to offer a service and generate money. It appears that there will be a change of control of cable system sometime within the next 6 months or so. The control of Insight may be being purchased by the Carlisle Group.

Franchise Renewal Opportunities

-Obligation to make sure that technology is well maintained for the next 15 years.
-Another opportunity is to make sure that you as customers are being properly cared for and provided good customer service. Insight becomes part of the city code and must follow the rules of the road. Make sure that benefits of having the technology in the community are available to individuals and schools, government and public use. That's what we call Public, Education and Government (PEG) access.

-What can we realistically negotiate for as far as support for PEG? Important to recognize that in renewal there are two forms of economic compensation that can come back to a community. One is franchise fees - rent for use of the right of way paid to city that is unrestricted. Federal law caps at 5% of gross revenue. The other from is resources used to support setting up a community media center that will deliver services to schools, government and public. In addition to the 5% you can negotiate financial and in-kind support of PEG. She also provided examples of comparable cities and their franchises.

Audience question*-Do you get arguments from cable companies that all those other facilities should come out of franchise fees?*
Response: Yes. They are going to say that, but you can properly research, justify and build a legal case for support above that 5%.

Audience question- *Who is telling the cable company they should provide access and who is informing the community that we should try and participate in the process? What are the requirements for participating* in access?
Response: To use access an individual can learn how to use the equipment and create programs. The University can deliver tele-courses. PACE can provide content on disabilities. You all have access to these channels. The difference is the skill set you need to have to use that tool. Champaign has a franchise, Urbana has a franchise and the County has a franchise for the unincorporated areas.

In addition to equipment and facilities there is two-way broadband system that you can run video, voice, and data on available called an institutional network. I-Net is a fiber wide area network. It is advantageous for communities because you can get internet and things free or at reduced cost. For example, you can move live programming from schools, businesses, control traffic signals, all on cable system using an I-Net. Essentially we're assuring that the cable company is paying adequate rent for the use of right of way.

Sue also provided information on the statutory requirements of franchising process. This process is very precisely defined by federal law. It includes a review of the past performance of the company; a community needs assessment and an opportunity to negotiate an agreement. The due diligence part of this process is the review and needs assessment.

Sue also reviewed the Formal and Informal renewal process.

Audience question*-All four of our channels are not working together to provide access to the community. What the cities do with their money is irrelevant to the philosophy of public access and PEG channels. Is that true?*
Response: I think people really don't understand what they could do, but there are great opportunities here and you structurally have a great start.

Sue then reviewed recent cable industry trends with the audience.

Audience question*-Can the city regulate what internet services the cable company provides?*
Response: The city's authority is limited to those things defined as cable services. Internet and phone services are not included.

Sue then reviewed the franchise renewal challenges that we could face.

Audience question-*Why is our penetration percentage so low compared to the average? Is there any company that has telecommunications integrated and how have those customers bills changed? What is the profit rate for the industry in general? How are cable rates dealt with when telephone rates have to be approved by the commerce commission when the 3 things are combined?*
Response: Generally, when there is a large student population, a lot of people can't afford it and because of cultural elitism. There are a number of places that deliver all three services. Overall the biggest reduction is seen in the telephone bill as a net decrease due to a change in the telephone piece of the puzzle. The typical operating margin is about 40%. Right now you have to have authorization from the state and rates are overseen and regulated on the telephone side in the same manner. Just because they are delivering on the same cable they are still subject to the same law (Title II). What that tells you is on the cable rate side of things they are essentially deregulated. Telephone side is regulated.

Audience question-*Have any of the cities been able to diversify cable packages?*
Response: There are certain things local government can and can't do - such as regulate rates and they can't tell the cable company what channels and services they should provide or how they should tier those services. Cities can require PEG channels and require that they be available on the lowest tier. Something a lot of companies don't market is the broadcast basic service. Here it is about $11/month.

Sue then discussed laying the groundwork for the renewal process. There is no real reason why you can' create an umbrella organization, a community media center for "P", "E" and "G" institutions. It would have a non-profit board including members who are elected, appointed, members of public access, etc. If you resource the base of it well enough, you can grow it with grant sponsorship and partnerships.

Audience question*-Is independently produced programming easier to get money for underwriting?*
Response: Yes. Another thing that you can get involved with is the issue of when a city runs the P part of the PEG you have an inherent 1st amendment issue. From a legal perspective there can be problems when government runs access. A contract is created between government and community media center therefore the "P" part is no longer the city's responsibility.

Audience question-*How do you regulate commercial content on PEG?*
Response: A basic rule of thumb is there are certain rules for public broadcasting. The easiest thing to do is follow the PBS guidelines for what defines commercial advertisements. The intent is that access channels are supposed to be non-commercial.

Sue concluded her presentation by showing a video clip produced by Honolulu's Community Media Center, defining Access in their community.

Chair Atterberry thanked the audience for coming. Meeting adjourned.