

Agenda Report

DATE: June 5, 2000

TO: City Council

FROM: City Manager

SUBJECT: Protest of Charter Communications' Request that the FCC Waive the Deadline for Security Devices for Retail Cable Television Converter Boxes

RECOMMENDATION:

It is recommended that the City Council file comments with the Federal Communications Commission (FCC) protesting Charter Communications' request to waive the deadline for making security devices available for use in commercially-available cable television converter boxes.

BACKGROUND:

At present, customers of Charter Communications who wish to receive expanded basic or premium cable television service must pay a monthly rental fee to the cable company for a converter box. Converter boxes are tailored to Charter's local system, and are not generally available for purchase by cable subscribers.

The Federal Telecommunications Act of 1996 and related regulations developed by the FCC sought to accelerate private sector deployment of advanced telecommunications technologies and services by opening telecommunications markets to competition. Converter boxes (referred to as navigation devices in the Federal regulations) are the means of delivering cable TV communications. The FCC determined that competition in the navigation equipment market was central to encouraging innovation and bringing variety and better prices to consumers.

To accomplish this, the Commission established a July 1, 2000 deadline for cable operators to make security devices available for use in commercially available converter boxes. The devices are tailored for use with the specific cable system, and when used in a commercial converter box, allow the consumer to receive

programming for which a proprietary converter box is now required. It was envisioned, for example, that a consumer could purchase a standard converter box at a retail store such as Circuit City or Radio Shack and insert a Charter-provided security device in the box, activating it for use in Pasadena.

Charter Communications has filed a petition with the FCC requesting a waiver of this security device deadline for its Alhambra cable system, from which Pasadena's service is provided. Charter argues that manufacturers have not made available any security devices that will work in the Alhambra system. The company requests that the deadline be waived until half the Alhambra system customers that currently subscribe to basic cable service convert to digital cable TV service.

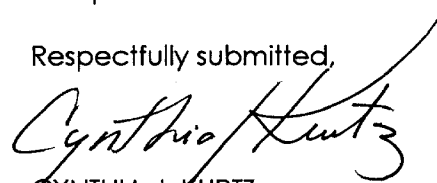
Staff recommends the City file comments with the FCC protesting Charter's petition for the following reasons:

- 1) As noted above, the Telecommunications Act and related regulations were designed to benefit consumers. If the deadline is waived, Pasadena's subscribers will fail to reap the benefits of increased consumer choice, interoperability, and wider availability of cable TV equipment.
- 2) Pasadena residents are eager to benefit from those regulations. Subscribers have commented repeatedly through public hearings and correspondence to officials and staff that they want to be able to purchase set-top converter boxes, eliminating the requirement of renting the boxes from Charter.
- 3) Charter has had ample time to work internally and with manufacturers to comply with the deadline, which was adopted in June, 1998.
- 4) Charter's request to waive the deadline until 50 percent of its basic customers subscribe to digital services appears to be a request for an indefinite waiver. Given the high cost of digital service, it is unlikely that half of Charter's subscribers receiving the lowest level of service will be willing or able to convert to digital service.

FISCAL IMPACT

There is no fiscal impact as a result of this agenda report.

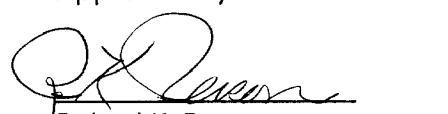
Respectfully submitted,


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