

Cable Franchise Agreement Renegotiation

February 14, 2018

Presented by Schalmont High School Students in
Syracuse University's Public Affairs 101

Welcome

- ❖ A cable franchise agreement is an agreement between a municipality and a cable company, allowing the cable company to use their right of ways and equipment in exchange for a fee paid to the local municipality
- ❖ Rotterdam's cable franchise agreement with Spectrum Cable is a major source of revenue for the town
- ❖ Approximately half a million dollars annual revenue for the town



Problem Statement

- ❖ The Town of Rotterdam needs to eliminate the negative effects of the cable franchise agreement.



Current Negative Effects

- ❖ Exclusive rights to one company, prevents competitive pricing
- ❖ Senior citizens, which make up 18.3% of the town, are major cable subscribers and many on fixed incomes struggle to pay for cable television
 - U.S. Census Bureau
- ❖ To gain cable access, one must live in an area with at least 20 houses per square-mile
 - Cable Franchise Agreement between the Town of Rotterdam & Time Warner Cable



Evidence

- ❖ Number of households with television sets:
 - ❖ 2010 and 2011: peaked at 116 million households
 - ❖ 2013: number decreased by approximately three million
 - Atlantic Marketing Journal



- ❖ Cable subscriptions in America:
 - ❖ July 2011 the percentage of households with multi-channel cable reached 91%
 - Forbes Magazine
 - ❖ November 2017, the percentage of households fell below 80%
 - lowest in 15 years
 - Forbes Magazine
 - ❖ 2018: predicted decline, a record breaking 4%
 - Business Insider
 - ❖ 2027: projections are 67%
 - Forbes Magazine

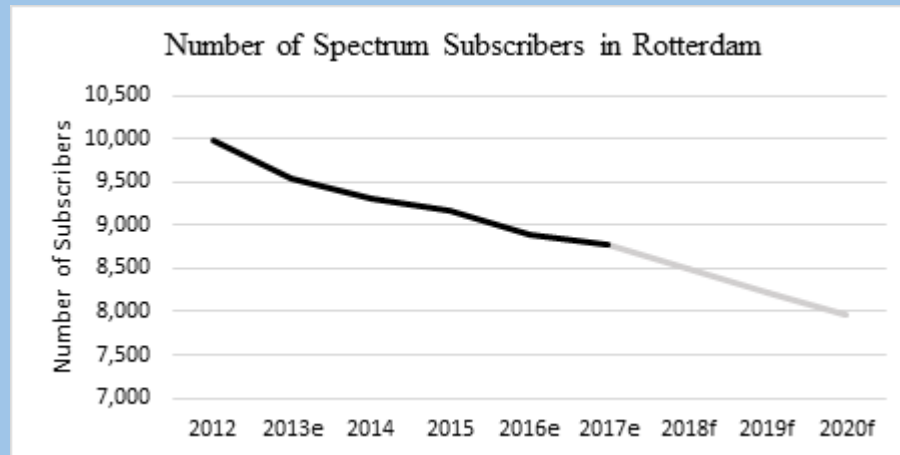
In the Town of Rotterdam:

- ❖ 394 housing units have been constructed in the town (2015-2017)
 - Rotterdam Public Works (2017)
- ❖ 2016 Franchise fee revenue- \$552,639.98
 - 2018 Town Budget



In the Town of Rotterdam Spectrum's Cable Service Subscriptions are declining annually.

- ❖ Time Warner Cable's (Spectrum) subscribers decreased starting in 2012
-TWC Franchise Fee Worksheets



Evidence

- ❖ “About six-in-ten of those ages 18 to 29 (61%) say the primary way they watch television now is with streaming services on the internet, compared with 31% who say they mostly watch via a cable or satellite subscription”

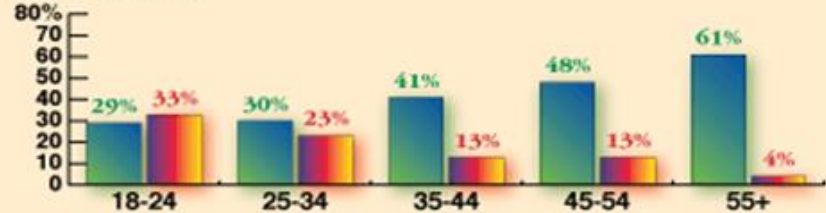
-Pew Research

Younger Audiences Prefer Online TV

TV viewers between 18 and 24 spend slightly more of their TV viewing time watching online on-demand services such as Netflix rather than watching live broadcasts. Meanwhile, adults 55 and older spend 61 percent of their TV viewing time watching live broadcasts and just 4 percent of the time watching online services.

Weekly TV Viewing, Live Broadcast vs. Online TV (by age)

(Percentage of viewers)



Source: Data compiled from 1,671 adult broadband users that view video on television, surveyed July-August 2013; "Video Behavior in the Age of Quantum Media," The Diffusion Group, <http://tinyurl.com/m8zddlt>

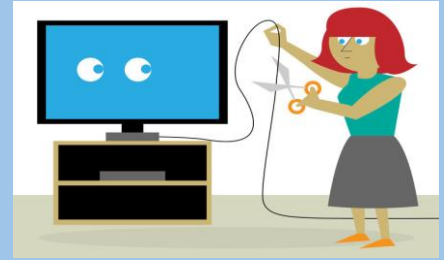
● Live TV Broadcasts
● Online TV Services

Online Streaming

- ❖ In 2009, Americans spent 0.3 hours on the internet per day.
- ❖ In 2015, it increased to 2.8 hours per day
 - Smart Insights
- ❖ 58% of homes in the U.S. have at least one streaming video service
 - Forbes Magazine
- ❖ Individuals are dropping cable or satellite programming providers in favor of lower-priced and more consumer-friendly programming providers:
Netflix, Hulu, and others
 - Atlantic Marketing Journal

Basic cable rates for Spectrum in Rotterdam are over twice the cost of basic streaming service for companies like Netflix and Hulu

 - Spectrum Residential Rate Card Information (2018); Netflix(2018); Hulu (2018)
- ❖ Most of the shows that won Golden Globes this year are not available on cable television
 - The Daily Gazette*



Causes of the Problem

- ❖ Spectrum has a monopoly over the cable services in the Town of Rotterdam
- ❖ Internet literacy is becoming much more common and effective
- ❖ Advancements in technology are allowing people to find better, cheaper ways to watch their favorite shows
- ❖ The baby boomer population, the majority of cable subscribers, is decreasing



Proposed Policy

- ❖ The Town of Rotterdam will renegotiate the cable franchise agreement to make it a non-exclusive agreement, shorten the term to five years, and provide a rate-lock on basic cable services.



Benefits

- ❖ Potential for additional cable companies in Rotterdam driving cable prices down
 - Cable consumers in markets with wire-based competition saw an average cable bill rate drop of 23% when competition was introduced

-Wisconsin Policy Research Institute

The Federal Communications Commission (FCC) found 15.7% savings for communities with wireline competition

-Wisconsin Policy Research Institute

- ❖ Shortening the length of the term agreement
 - allows the town flexibility to utilize new technological advancements

- ❖ Protects Seniors on fixed incomes with Basic Service from increases

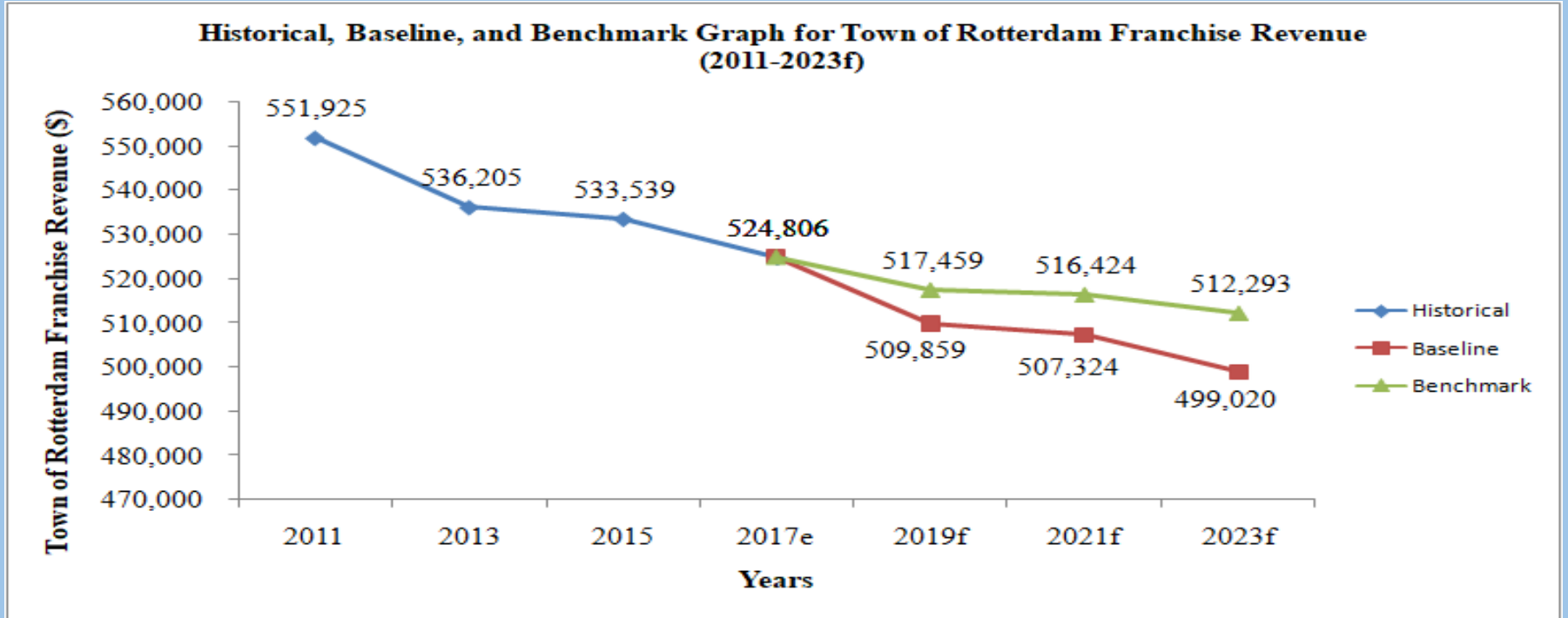


Costs

- ❖ Loss of revenue from the cable franchise fee
- ❖ No guarantee that new companies are willing to provide cable services in Rotterdam
- ❖ Time and expense of the Town Attorney to renegotiate the cable franchise agreement more often
- ❖ Spectrum will have less of an incentive to continue development in Rotterdam
 - Some of these advances may include installing cable infrastructure in areas of the town without cable service



Effectiveness



Effectiveness

- ❖ Slow the decline of franchise revenue
 - Competition will increase
 - Prices will lower and service quality will increase
 - Millennials will be more willing to purchase cable services than streaming services
 - Spectrum's profits will increase, as well as the town revenue
- ❖ The town has a shorter more flexible agreement



Feasibility

- ❖ The Rotterdam Town Board should consider implementing this policy to lessen the impact of the decreasing franchise fee revenues

Thank you for assigning
us this project and
taking the time to listen
to our research and
policy proposal.

