

CABLE FRANCHISE FREQUENTLY ASKED QUESTONS

What is a cable franchise agreement?

The provision of cable television services is the result of a franchise agreement between the City of Palo Alto, representing the Joint Powers Agency partners, and AT&T. The franchise agreement is a contract between Palo Alto and AT & T that sets the terms of the provision of cable services, including service standards, public, educational, and government programming requirements, and system requirements. The franchise agreement has specific terms, and is set to expire on July 23, 2010.

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What is the JPA?

JPA stands for Joint Powers Agency. There is a Joint Exercise of Powers Agreement between the City of Palo Alto and East Palo Alto, Menlo Park, Atherton, San Mateo County, and Santa Clara County (representing Stanford). This agreement gives the City of Palo Alto the right to negotiate on behalf of all of the agencies the cable franchise transfer and franchise renewal processes.

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What are open video systems (OVS)?

Open video systems (OVS) are systems that provide cable programming, and may also provide voice and data transmission. OVS refers to a regulatory structure that was created in the 1996 Federal Telecommunications Act, to encourage more competition in the cable industry.

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What is "open access?"

"Open access" refers to the availability of use of the cable modem platform to the Internet by other Internet service providers. In other words, a cable television customer is not limited to using the cable company's Internet service provider before accessing the Internet. The Courts have decided that the FCC has the right to regulate this.

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Can the City regulate cable rates?

Federal law prohibits local governments from regulating cable rates, except for the lowest cost tier of service.

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What can the City do?

Federal and state law establish restrictions on what the City is allowed to regulate in a franchise or negotiate for in a franchise agreement. Below is a table detailing what Palo Alto can and cannot do as the local franchise authority.

Cable Franchise Authorities – What they can and cannot do

Can Do	Cannot Do
Can require specific cable system capacity and functionality.	Cannot require a specific transmission technology.
Can require support of PEG access through facilities, equipment, and channels (spectrum).	Cannot specify which channels are or are not carried and cannot specify which channels are on which tier of service (other than PEG access).
Can establish customer service standards, including ones related to answering telephones calls, response to complaints, and imposition of late fees. Can require a local customer service office.	Cannot regulate rates (other than lowest cost tier of service).
Through an enabling ordinance can require a specific definition of gross revenues.	Cannot require franchise fees of more than 5 percent of gross revenues, as defined in the franchise agreement.
Can regulate the video portion of services offered.	Cannot regulate any voice (telephone) services (regulated by state Public Utilities Commission).
Must be willing to negotiate in good faith with additional cable companies.	Cannot specify engineering performance standards in those areas where FCC has preemptive authority.
Can require construction of an Institutional Network (I-Net) linking schools, libraries, and public buildings for voice, video and data communications.	Cannot grant an exclusive franchise.
For the public access channel, can require placement at a specific location.	Can not regulate data services, including Internet services.
When a cable company does construction in public rights of way, can specify that it must do so in a manner that does not disrupt those rights of way unreasonably. Company must apply for and be issued all necessary construction and occupancy permits.	

What is MPAC?

The Mid-Peninsula Access Corporation is the City's designated community access organization providing community media services to the public, educational and government sectors, including public access television for Palo Alto, Menlo Park, East Palo Alto, Atherton and portions of San Mateo and Santa Clara Counties. MPAC operates two noncommercial cable

channels carried on the AT&T system featuring lectures, performances, debates, town meetings and programming from a wide range of community groups and organizations. MPAC trains people in video production and studio operations so they can communicate through the video medium and over Channels 6 and 77. MPAC staff videotapes all of the government meetings that are cablecast on Municipal Cable Channel 16. They also produce several ongoing program series in order to generate a venue for civic awareness and participation as well as local arts. MPAC operates an online community-conferencing site at <http://www.NeighborSpace.org> which affords mid-peninsulans yet another forum for locally focused communications. It is a joint project with the Palo Alto Weekly.

What is SVCC?

Created as part of the asset purchase agreement between AT&T and Cable Co-op, Silicon Valley Community Communication, Inc. (SVCC) is the non-profit corporation responsible for providing facilities and equipment to MPAC. The SVCC Board of Directors consists of nine people, three designated by SVCC, three designated by MPAC and three designated by Palo Alto.

What is PEG?

PEG stands for public, education and government access services. In AT&T's franchise area, these services are provided by MPAC, Stanford University and the Foothill/DeAnza Colleges.

What is the additional \$0.88 PEG fee on my cable bill?

The Franchise Agreement requires AT&T to pay the City \$0.88 per residential subscriber per month to maintain and enhance PEG access services provided by MPAC. AT&T has chosen to pass this \$0.88 fee on to subscribers, which it is not prohibited to do under Federal law.

What are the major terms of the Franchise Agreement?

Overall, the new Franchise Agreement with AT&T represents a departure from the previous franchise agreement with Cable Co-op, reflecting the changing nature of the cable television industry and the transition from a locally owned cooperative to a multinational corporation. AT&T provides a standard set of cable services across the country, and therefore some of the services to which citizens had grown accustomed will be altered or discontinued under the AT&T franchise. With this, many of the changes will be positive, including AT&T agreeing to spend millions of dollars investing in a cable plant upgrade, including laying new fiber optic cables. This is intended to result in the expansion of channel capacity, long term system reliability and the availability of additional video services.

The major terms of the Franchise Agreement are as follows:

Term: The term of the Agreement is 10 years, beginning July 25, 2000.

Cable System Upgrade: The system will be upgraded within 36 months to a hybrid fiber/coax communications system with a minimum bandwidth of 750 MHZ. This is intended to bring improved service and reliability to the community. The system will be capable of carrying local phone service, high-speed data access and multi-channel video service. The upgrade will be phased in through the franchise area, so some residents will see new services sooner than others.

Rates: AT&T has agreed to not increase rates until the end of 2000; after that, AT&T normally makes rate adjustments in June of each year. The City may regulate rates in the lowest or

basic tier of cable services, which generally includes television stations broadcast locally and PEG channels.

Channel Line up: During the rebuild, the channel line up will remain the same; once it is completed, subscribers could expect to see line-up changes including a "leaner" basic service with fewer channels at a lower cost.

PEG channels: The existing PEG channels are 6 and 77 (for local and public access programming), 16 (government), 50 (Foothill College), and 51 (Stanford University). During the rebuild, the channel line-up will remain the same; once it is completed, subscribers should expect to see line-up changes. After the rebuild, AT&T will provide a sixth PEG channel for government programming, up to six additional channels if PEG programming grows sufficiently, and a channel for SVCC.

Internet Services and Speed: AT&T will retain the current tiered Internet service offering until the system is upgraded. Once the upgrade is complete, AT&T will offer its standard Internet service package to subscribers.

Institutional Network: AT&T has provided support for an institutional network linking public schools, libraries, public buildings, and community centers in the Joint Powers communities, with the capability of providing voice, video and data communications. In addition, AT&T caused Cable Co-op to pay \$250,000 to the City to help fund a portion of the cost for the equipment necessary to make the network functional.

Public, Educational and Government (PEG) funding and support: AT&T will pay \$0.88 per residential subscriber per month, or approximately, \$275,000 annually to maintain and enhance PEG access services provided by MPAC. The level of support will increase if the residential subscriber base goes up. Federal law does not prohibit AT&T from passing this \$0.88 fee on to the subscriber.

In addition, AT&T will provide, free of charge, basic cable and cable modem service for all educational institutions (including public schools) and for all public buildings in the JPA area. AT&T will also provide free cable modem equipment to all public schools and libraries in the JPA.