

ECONOMIC DEVELOPMENT COMMITTEE

February 2, 2010

4:15 P.M.

Councilwoman Scott, Chairman, called the meeting of the Economic Development Committee to order with Councilmen Rico, Berz, Benson, Gilbert, McGary, and Murphy present. City Attorney Michael McMahan and Shirley Crownover, Assistant Clerk to the Council, were also present.

Others present included Dan Johnson, Daisy Madison, and Richard Beeland.

On motion of Councilman McGary, seconded by Councilman Gilbert, the minutes of the previous meeting were approved.

Under old business, Chairman Scott reported that at the last meeting we discussed policy and procedures with PILOTS; that IDB, the Chamber of Commerce, and the Mayor's office was to make a recommendation, but this meeting has not occurred.

Under new business, today **Russell Byrd of Comcast**, East Tennessee Division, was present to petition the Council to de-regulate cable rates. She thanked him for coming.

Mr. Byrd thanked the Council, noting that his address was Asheville Highway, Knoxville, Tennessee. He noted that this had to do with franchise responsibility; that two weeks ago he sent Michael McMahan an e-mail and also a letter; that the 1992 Cable Act set the precedent for franchising authorities to become certified to regulate rates. The City of Chattanooga, Red Bank, and others all chose to regulate the lowest rates that Comcast had; that FCC had set out the guidelines to de-regulate and the first criteria is that fewer than 30% of the households in the franchise area subscribe to cable. Mr. Byrd stated that they had more than 30% of the residents. The second criteria was that the franchise area is served by at least two unaffiliated multi-channel video programming distributors, each of which offers comparable programming to at least 50% of the households in the franchise area. Mr. Byrd stated that they met the third criteria which stated that a multi-channel video programming distributor, operated by the franchising authority for that franchise area, offers video programming to at least 50% of the households in the franchise area. Mr. Byrd stated that they were asking the City to consider sending a letter to FCC that Comcast had fulfilled these requirements and to de-regulate the rates; that the City of Chattanooga holds the franchise. He felt that this would be a great step in the interest of free enterprise in the market place.

Attorney McMahan stated that Comcast de-regulation was outside of his expertise. Mr. Byrd noted that they clearly met the criteria.

Attorney McMahan noted that in talking about 30% or more, that we don't know what EPB has because they have not built out yet. He noted that we regulate the basic fee which runs from \$7.99 to \$10.00.

Mr. Byrd explained that the City of Chattanooga regulates their lowest basic fee and installation rates; that de-regulation would allow them not to have 5-6 different rates—that all customers would pay the same price, where there are different prices today.

Councilwoman Berz asked the downside of doing this for Comcast? Mr. Byrd responded that he did not know if there was a downside; that this puts Chattanooga in the position to treat them as they do EPB—that the City does not regulate them, and this needs to be made the same in Chattanooga.

Councilman McGary stated that he hoped the right and just thing would be done—that if we said “no” what recourse did Comcast have? Mr. Byrd responded that they could file directly with FCC and then this would be sent back to Chattanooga; that FCC would de-regulate their rates.

Attorney McMahan agreed that if they met the criteria, they could get de-regulation; that they were just asking for a letter from us. He explained that EBP is an Enterprise Fund and nothing comes to the City—that EPB “is” us and also “is not” us.

Councilman Benson asked what the motivation was for Comcast and why they needed this? He stated that he was thinking about the banking industry and did not want to move too quickly; that right now the City can tell Comcast their maximum limit on the basic fee; that they could probably give it to us at half the price. Mr. Byrd responded that it could not be below their cost; that the FCC would rule on this. Councilman Benson asked Mr. Byrd why they wanted this? Mr. Byrd responded that they were in a position where they had a franchise with the City of Chattanooga; that EBP did the same thing—that the City regulates Comcast but do not regulate EPB; that banks don’t have a franchise with the City; that this is a local agreement and Comcast has a partnership with the City and believed this was in the best interest of the City and puts Comcast on an even playing field with EPB. Councilman Benson noted that right now, they can’t raise the basic rate and if this occurs, they will be able to raise the rate. Mr. Byrd stated that they could raise it now but only under FCC guidelines. Councilman Benson stated that he was not ready to vote; that he needed more information because this seemed to be removing protection of our citizens.

Councilman McGary asked Mr. Byrd if they had a timeline? He responded that they did not and it was fine if the Council needed more time to review this; that they would provide information; that they met the criteria in (2) and (3), and this was something for the City to approve.

Councilman Gilbert asked if it were a fact that Comcast could not lower prices and their competition could? Mr. Byrd stated that this was not the issue here; that Anti-Trust laws do not allow them to lower the cost.

Councilman Benson stated that he needed more information. Chairman Scott asked him what information he needed?

Councilman Rico stated that he thought it would scare our citizens to think that Comcast could raise their basic rates.

Councilman Gilbert questioned if another company like EPB could “lowball” and get a contract for one to two years and Comcast wanted to be on a level field in order to lower their prices. Mr. Byrd responded that they were not looking to changing the rate; that EPB creates the lowest tier of rates; that changing to more is not the issue—that the issue is the City regulates the rates of Comcast but not EPB. Councilman Gilbert asked him if we regulated EPB if he would be satisfied? Mr. Byrd stated that this would be denied.

Chairman Scott asked if it were true that if the City could not support this, that Comcast could apply to FCC? Mr. Byrd responded “yes”, but they would prefer to do it with the City of Chattanooga; that they had sat down with the Attorney’s office and had also discussed this with Signal Mountain and Chickamauga earlier. He stated that they would be willing to provide as much information as possible; that they wanted to be open and honest.

Councilman Benson stated that he was beginning to get a better picture and asked if we do de-regulate, if it would be good for our citizens? Mr. Byrd responded that he would have to think about this. Councilman Benson noted that they would be getting into the free market. Mr. Byrd agreed that the market establishes pricing and fair charges. Councilman Benson asked how they would be able to better service at fair price? Mr. Byrd stated that there were four regulated areas—that this would make the rate consistent across the footprint and puts everyone in the same position.

Chairman Scott again asked what additional information was needed?

Councilman Benson stated that this was beginning to make sense. Councilman Rico stated that it might not be too popular with lower income people; that we needed to help people.

Chairman Scott thanked Mr. Byrd for coming to talk about the franchise and the fee and asked him to give the Council two weeks and then come back. Mr. Byrd expressed his appreciation for this opportunity and stated he could be reached by phone or e-mails.

The meeting adjourned at 4:40 p.m.

