



Highlights of [GAO-03-742T](#), testimony before the Committee on Commerce, Science, and Transportation, U.S. Senate.

Why GAO Did This Study

Over 65 percent of American households currently subscribe to cable television service. There has been increasing concern that cable television rates have been rising faster than the rate of inflation for the last few years.

As required, on a yearly basis, FCC prepares a report on cable rates in areas that face and those that do not face effective competition—a term defined by statute. For information used in this report, FCC maintains information on the competitive status of cable franchises and annually surveys a sample of cable franchises.

At the request of this committee, GAO examined (1) the reliability of information that cable companies provided to FCC in its annual survey regarding cost factors underlying cable rate increases and (2) FCC's process for updating and revising cable franchise classifications as to whether they face effective competition.

What GAO Recommends

GAO is continuing to evaluate these and other issues and may include recommendations in a final report to be issued in October 2003.

www.gao.gov/cgi-bin/getrpt?GAO-03-742T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact William B. Shear at (202) 512-4325 or shearw@gao.gov.

TELECOMMUNICATIONS

Data Gathering Weaknesses In FCC's Survey Of Information on Factors Underlying Cable Rate Changes

What GAO Found

Based on interviews with 100 randomly sampled cable franchises that completed FCC's 2002 survey, GAO's preliminary analysis indicates that FCC's survey may not be a reliable source of information on the cost factors underlying cable rate increases. Because of the following problems, GAO found that there are inconsistencies in how companies completed the survey.

- FCC provided minimal instructions or examples on how the portion of the survey covering the cost factors underlying rate increases should be completed. It appears that cable companies made varying assumptions on how to complete the survey.
- FCC's survey required that cable companies fully allocate their reported annual rate increase to various cost and non-cost factors. Our preliminary findings indicate that there was inadequate guidance on how to achieve this requisite balance, and cable companies approached the question in varying ways.

Based on preliminary work, GAO found that FCC's classification of cable franchises as to whether they face effective competition might not accurately reflect current conditions. GAO found instances where information in the survey responses of some franchises would suggest that the criteria for an effective competition finding that was made in the past might no longer be present. However, a finding of effective competition is only changed if a formal process is instituted. GAO found only two instances where a petition was filed that resulted in a reversal of an effective competition finding.