

Title: Annual Cable Price Survey and Supplemental Questions

SUPPORTING STATEMENT

A. Justification:

1. *The Cable Television Consumer Protection and Competition Act of 1992* (“Cable Act”) requires the Commission to publish annually a report on average rates for basic cable service, cable programming service, and equipment. The report must compare the prices charged by cable operators subject to effective competition¹ and those that are not subject to effective competition. The Annual Cable Industry Price Survey (“Price Survey”) is intended to collect the data needed to prepare that report.

Each year, in order to implement this congressional mandate, the Media Bureau releases an *Order*, which directs certain randomly selected cable operators to respond to a price survey questionnaire. The survey is designed to solicit information concerning rates for basic and expanded basic cable programming services and equipment used to receive those services.

OMB approved the 2006 Price Survey questionnaire on February 7, 2006, for a three-year period with an expiration date of February 28, 2009. OMB also approved a supplemental questionnaire to the 2006 survey on August 7, 2006, with an expiration date of August 31, 2009. Under those approvals, we mailed the 2007/2008 Survey to cable operators on January 25, 2008. The 2007/2008 Survey is essentially the same as the survey which was approved by OMB for 2006, except that the dates were changed, the main survey and the supplemental questions were combined into one document, and questions for the years 2007 and 2008 also were combined to form a single questionnaire covering both years. OMB approved the combined survey as a non-substantial change request on February 28, 2008.

Subsequently, we determined that a small number of additional questions related to the cable industry’s carriage of digital broadcast signals would be needed to complete the report that will be prepared later this year based on the findings from the survey. Answers to these additional questions are needed to support the statutorily mandated transition to digital television broadcasting, a transition that must be completed by February 17, 2009. These questions make up a brief (one-and-one-half page) stand-alone questionnaire entitled “Supplemental Questions to the 2007/2008 Survey of Cable Industry Prices” (“Supplemental Questions”). These **Supplemental Questions** are being submitted herewith for OMB approval.

- These additional questions will be mailed to the same respondents who received the 2007/2008 Survey, and the results from this supplemental questionnaire will be combined with the results from that Survey in a single report which will be prepared later this year.
- The Supplemental Questions cover such issues as whether the local broadcast stations carried by the cable operator can be viewed by cable subscribers in analog or digital format and the type of converter -- digital or analog -- the cable operator makes available to its subscribers. There are 20 supplemental questions. Some of these questions (questions 1-5) are for identification purposes only and are repeated from the earlier Survey.
- In subsequent annual cable industry price surveys these supplemental questions will be incorporated into the main survey questionnaire.

As noted on the OMB Form 83-i, this information collection does not affect individuals or households; thus, there are no impacts under the Privacy Act.

¹ Under the Cable Act, a cable operator may obtain a finding of effective competition for a community that meets one of four tests. These tests are specified in 47 C.F.R. Section 76.905(b).

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Statutory authority for this collection of information is contained in Sections 4(i) and 623(k) of the Communications Act of 1934, as amended.

2. Each year, the Price Survey questionnaire is distributed to randomly selected groups of cable operators that face effective competition and that do not face effective competition. The data collected are used by the Commission to monitor cable prices consistent with the goals of the Cable Act. The survey results are published in an annual report on cable industry prices. The information obtained from the Supplemental Questions is needed to complete that report.

3. The Commission makes this survey available in computer spreadsheet format, using typical industry standard software such as Excel. Recipients of the survey are encouraged to respond via the Internet. Paper versions of the survey are furnished by the Commission to respondents who do not have access to a computer. For the last survey that was conducted, 98% of the survey questionnaires were returned in electronic format via the Internet. The Supplemental Questions also will be made available in computer spreadsheet format, as well as in paper format for respondents who do not have a computer.

4. The statute requires that a new survey be conducted each year. The results of this survey constitute the only statistically valid data set that can be used to comply with the statutory requirement to publish annually a report that compares the prices charged by cable operators that face effective competition with those charged by operators that do not face such competition.

5. Although small cable operators will be included among the sample of respondents, this collection of information does not have a significant impact on a substantial number of small businesses. The information to be collected is readily available to all cable operators, regardless of size, in the normal course of business. The number of small cable operators from whom we request a survey is substantially smaller than the number of large cable operators from whom we request a survey.

6. If this collection of information were not conducted, neither the Commission nor Congress would have available data that would enable them to assess the reasonableness of cable rates charged by cable operators who do not face effective competition in comparison with the prices charged by cable operators subject to effective competition. Also, the Commission would not be in compliance with Section 623(k) of the Communications Act of 1934, as amended.

7. There are no special circumstances associated with this collection of information.

8. The Commission published a Notice in the Federal Register (71 FR 52793) on September 7, 2006 seeking public comments for the information collections. No comments were received. The Commission also published another Federal Register Notice seeking additional public comments (73 FR 16858) on March 31, 2008 this public comment period will end on April 30, 2008.

9. There will be no payments or gifts to the respondents.

10. If individual respondents to this survey wish to request confidential treatment of any data provided in connection with this survey, they can do so upon written request, in accordance with Sections 0.457 and 0.459 of the Commission's rules. To receive confidential treatment of their data, respondents need only describe the specific information they wish to protect and provide an explanation of why such confidential treatment is appropriate.

11. This information collection does not address matters of a sensitive nature.

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12. The Commission’s Annual Cable Industry Price Survey is a filing requirement imposed on a small percentage of cable operators. The survey requests data from about 790 of the 33,000 cable communities nationwide. Since it is based on a randomly selected sample, it is likely that we will not survey the same communities in succeeding years. However, because we want our survey to reflect population distribution nationwide, a larger community has a higher chance of being selected in succeeding years than a smaller community. Furthermore, cable systems facing effective competition have a higher probability of being selected than cable systems not facing effective competition because there are relatively fewer cable systems facing effective competition. Some cable operators own and operate more than one cable system. These operators are called “multiple system operators” or MSOs. Large MSOs, for efficiency reasons, usually respond on behalf of all cable systems included in the random sample that are part of their operation. Those MSOs submit multiple survey questionnaires, one for each of their communities surveyed. For the purpose of this survey, we consider each questionnaire submitted as an individual response.

The Commission estimates that the average burden to respondents for gathering the data, completing one questionnaire, and filing a survey will take 10.0 hours to complete the main Survey which was mailed on January 25, 2008, and 2.0 hours to complete the Supplemental Questions (**for which we are currently seeking OMB approval**). In subsequent years, the main Survey and the Supplemental Questions will be combined to form a single questionnaire.

We will send the Supplemental Questions to the same operators that received the main Survey earlier this year, that is, to 790 cable community units. Based on the response rate for previous surveys, we estimate that approximately 96% of the recipients will respond, giving us a total of approximately 758 responses and respondents.

Total Number of Annual Respondents:

96% of 790 respondents = **758 Cable Operators**

Total Number of Annual Responses:	758	Cable Industry Price Surveys (main Survey)
	758	Supplemental Questions
	1,516	Responses

Total Annual Burden Hours:

758 Cable Industry Price Surveys x 10.0 hrs/main Survey	= 7,580 hrs. ²
758 Supplemental Questions x 2.0 hrs/Supplemental Questions	= <u>1,516 hrs.</u> ³
	9,096 hrs.

Total Annual In-House Costs: We believe cable operators will use in-house professional staff, paid at an average wage of \$45 (equivalent to GS-13, Step 5) per hour to prepare the cable price surveys and the

² OMB approval has been received for this questionnaire.

³ The supplemental questionnaire adds an additional burden of 1,516 hours to this information collection and OMB approval is needed.

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supplemental questions.

758 Cable Industry Price Surveys x 10.0 hrs/survey x \$45.05 per hour =	\$341,479.00
758 Supplemental Questions x 2.0 hrs/supplemental questions x \$45.05 per hour =	\$ 68,295.80
	\$409,774.80

13. Annual Cost Burden:

- a. Total capital and start-up costs: None.
- b. Total operation and maintenance costs: None.
- c. Total annualized cost requested: **None.**

14. Cost to the Federal Government:

Cost to key-enter survey responses not received electronically:	
Para-professional (GS-9, Step 5) @ \$26.13 per hour x 5 hours ⁴	= \$ 130.65
Cost of analyzing survey results:	
Professional staff (GS-15, Step 5) @ \$62.62 per hour x 520 hours ⁵	= \$ 32,562.40
	\$ 32,693.05
	+30% overhead = 9,807.92
Total Cost to the Federal Government:	\$ 42,500.97

15. The Commission is reporting a program change of +1,516 hours to the total annual burden hours. This change is due to the added burden of 2 hours per response that the Commission’s stand-alone supplemental questionnaire entitled “Supplemental Questions to the 2007/2008 Survey of Cable Industry Prices” added to this information collection. There are no adjustments to this information collection.

16. The Commission will publish a report based on the results of this survey. This report will combine the results from the main Survey and the Supplemental Questions. Section 623(k) of the Communications Act, as amended, requires the Commission to publish the report. The data gathered from the Supplemental Questions are needed to complete the report. The report will be published in the Federal Register, will be available on the Commission’s web site, and also will be available in hard-copy form upon request.

17. The expiration date will be displayed on the document.

18. In the 60 day Federal Register Notice (Notice),⁶ the Commission reported the total number of respondents as “780,” the estimated time per response as “8 hours,” and the total annual burden hours as “6,240 hours.” The Commission revises these numbers to read as: the total number of respondents – 758, estimated time per response – 2 to 10 hours, and lastly the total annual burden hours as 9,096 hours. Lastly, the obligation to respond is “mandatory” instead of “required to obtain or retain benefits.” There are no other exceptions to the Certification Statement in Item 19.

⁴ This number represents the total staff hours required to fulfill the task by Commission staff.

⁵ This number represents the total staff hours required to fulfill the task by Commission staff.

⁶ See 71 FR 52793.

Title: Annual Cable Price Survey and Supplemental Questions**B. Collections of Information Employing Statistical Methods:**

1. There is a potential respondent universe of approximately 33,000 cable community units. This survey will be sent to the cable operators serving a randomly selected sample of these cable community units to obtain information at the community level. To determine the number of observations needed for statistical precision in our samples, we applied a standard statistical formula. Sample-size formulas require the user to choose a limit in terms of how much it is expected that the sample results might randomly fluctuate from the actual averages of the prices being measured. Larger sample sizes lead to less fluctuation but also increase the cost of the survey. We chose a sample size that strikes a reasonable balance between benefit and cost. We limited the allowable error to within 50 cents of actual price with a 95 percent probability. In other words, if we were to take repeated random samples, the results would fall within 50 cents of the actual values in 95 out of 100 samples.

Taking these factors into account along with the statistical variance found in previous surveys, we applied a standard statistical formula in order to calculate the size of the sample that would be required to maintain the desired statistical confidence level. We applied this formula to two groups of cable operators: (1) those subject to effective competition, as determined by the Commission, in accordance with the statutory definitions of effective competition; and (2) those not subject to effective competition, which make up the balance of cable operators.

Before selecting the sample for operators facing effective competition, in order to make sure that our sample is representative, we stratified that group by the test used to determine effective competition and selected a portion of the sample from each stratum. We stratified the non-effective-competition group by separating it into small, medium, and large operators (in terms of number of subscribers) and selected a portion of the sample from each stratum. For both the effective competition and the non-effective-competition groups, larger operators had a higher chance of being selected than smaller operators. This not only made our sample more representative of all cable subscribers, but also reduced the burden on smaller cable operators.

2. Because this is a mandatory information collection, the Commission expects a very high response rate. Based on the response rate to previous surveys, we estimate that the response rate to the main Survey will be 96%. We expect the same response rate for the Supplemental Questions.

3. We make the questionnaire available to respondents via the Commission's Internet site and receive completed questionnaires from respondents via the Internet. In order to obtain the highest possible response rate with useable data, we make follow-up telephone calls to all recipients who fail to respond in a timely manner and to respondents who provide incomplete data or data with apparent inaccuracies.

4. The Commission has built on experience gained in conducting previous surveys of this type. After each survey, we review the consistency of responses in terms of apparent understanding of the questions and adjust future questions accordingly. The Supplemental Questions will be combined into the main Survey to form a single questionnaire in subsequent years of the three-year OMB approval cycle.

5. John Scott, industry economist in the Media Bureau, designed this and previous surveys of cable industry prices. He is responsible for analyzing the data received from respondents. He can be reached at (202) 418-2330.