

and Interoperability Council (Council) under its charter renewed as of January 6, 2001.

DATES: Wednesday, February 27, 2001 at 2 p.m. to 4 p.m.

ADDRESSES: Federal Communications Commission, 445 12th St. SW., Room TW-C305, Washington, DC.

FOR FURTHER INFORMATION CONTACT: Kent R. Nilsson at 202-418-0845 or TTY 202-418-2989.

SUPPLEMENTARY INFORMATION: The Council was established by the Federal Communications Commission to bring together leaders of the telecommunications industry and telecommunications experts from academic, consumer and other organizations to explore and recommend measures that would enhance network reliability.

The Council will receive reports on and discuss the progress of its three focus groups: Y2K, Network Reliability, and Interoperability. The Council may also discuss such other matters as come before it at the meeting. Members of the general public may attend the meeting. The Federal Communications Commission will attempt to accommodate as many people as possible. Admittance, however, will be limited to the seating available. The public may submit written comments before the meeting to Kent Nilsson, the Commission's Designated Federal Officer for the Network Reliability and Interoperability Council, by email (KNILSSON@FCC.GOV) or U.S. mail (7-B452, 445 12th St. SW., Washington, DC 20554). Real Audio and streaming video Access to the meeting will be available at <http://www.fcc.gov/>.

Federal Communications Commission.

William F. Caton,

Deputy, Secretary.

[FR Doc. 01-2284 Filed 1-25-01; 8:45 am]

BILLING CODE 6712-01-P

FEDERAL COMMUNICATIONS COMMISSION

[CS Docket No. 00-132, FCC 01-1]

Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming

AGENCY: Federal Communications Commission.

ACTION: Notice.

SUMMARY: This document is in compliance with the Communications Act of 1934, as amended, which requires the Commission to report annually to Congress on the status of

competition in the market for the delivery of video programming. On January 2, 2001, the Commission adopted its seventh annual report ("2000 Report"). The 2000 Report contains data and information that summarize the status of competition in markets for the delivery of video programming and updates the Commission's prior reports.

FOR FURTHER INFORMATION CONTACT: Marcia Glauberman, Cable Services Bureau, (202) 418-7200, TTY (202) 418-7172.

SUPPLEMENTARY INFORMATION: This is a synopsis of the Commission's 2000 Report in CS Docket No. 00-132, FCC 01-1, adopted January 2, 2001, and released January 8, 2001. The complete text of the 2000 Report is available for inspection and copying during normal business hours in the FCC Reference Center, 445 12th Street, SW., Washington, DC, 20554, and may also be purchased from the Commission's copy contractor, International Transcription Service ("ITS, Inc."), (202) 857-3800, 1231 20th Street, NW., Washington, DC 20036. In addition, the complete text of the 2000 Report is available on the Internet at <http://www.fcc.gov/csb/csrtptg.html>.

Synopsis of the 2000 Report

1. The Commission's 2000 Report to Congress provides information about the cable television industry and other multichannel video programming distributors ("MVPDs"), including direct broadcast satellite ("DBS") service, home satellite dishes ("HSDs"), wireless cable systems using frequencies in the multichannel multipoint distribution service ("MMDS") and instructional television fixed service ("ITFS"), private cable or satellite master antenna television ("SMATV") systems, as well as broadcast television service. The Commission also considers several other existing and potential distribution technologies for video programming, including the Internet, home video sales and rentals, local exchange telephone carriers ("LECs"), and electric and gas utilities.

2. The Commission also examines the market structure and competition. We evaluate horizontal concentration in the multichannel video marketplace and vertical integration between cable television systems and programming services. In addition, the 2000 Report addresses competitors serving multiple dwelling unit buildings ("MDUs"), programming issues, technical advances, and examines a limited number of cases where consumers have a choice between an incumbent cable

operator and another MVPD in a specific market. The 2000 Report is based on publicly available data, filings in various Commission rulemaking proceedings, and information submitted by commenters in response to a Notice of Inquiry (65 FR 49804) in this docket.

3. In the 2000 Report, the Commission finds that competitive alternatives and consumer choices continue to develop. Cable television still is the dominant technology for the delivery of video programming to consumers in the MVPD marketplace, although its market share continues to decline. As of June 2000, 80 percent of all MVPD subscribers received their video programming from a local franchised cable operator, compared to 82 percent a year earlier. There has been an increase in the total number of subscribers to non-cable MVPDs over the last year, which is primarily attributable to the growth of DBS service. However, generally, there have been declines in the number of subscribers and market shares of MVPDs using other distribution technologies. Significant competition from local telephone companies has not generally developed even though the Telecommunications Act of 1996 ("1996 Act") removed some barriers to LEC entry into the video marketplace.

4. Key Findings:

- **Industry Growth:** A total of 84.4 million households subscribed to multichannel video programming services as of June 2000, up 4.4 percent over the 80.9 million households subscribing to MVPDs in June 1999. This subscriber growth accompanied a 2.4 percentage point increase in multichannel video programming distributors' penetration of television households to 83.8 percent as of June 2000. The number of cable subscribers continued to grow, reaching 67.7 million as of June 2000, up about 1.5 percent over the 66.7 million cable subscribers in June 1999. The total number of non-cable MVPD households grew from 14.2 million as of June 1999 to 16.7 million homes as of June 2000, an increase of almost 18 percent. The growth of non-cable MVPD subscribers continues to be primarily attributable to the growth of DBS. Between June 1999 and June 2000, the number of DBS subscribers grew from 10.1 million households to almost 13 million households, which is nearly three times the cable subscriber growth rate. DBS subscribers now represent 15.4 percent of all MVPD subscribers, up from 12.5 percent a year earlier.

- **Convergence of Cable and Other Services:** The 1996 Act removed barriers to LEC entry into the video marketplace

in order to facilitate competition between incumbent cable operators and telephone companies. It was expected that local exchange telephone carriers would begin to compete in video delivery markets, and cable operators would begin to provide local telephone exchange service. The Commission previously reported that there had been an increase in the amount of video programming provided to consumers by telephone companies, although the expected technological convergence that would permit use of telephone facilities for video service had not yet occurred. This year, we find that the rate of entry by LECs appears to be slowing even by the most aggressive telephone companies, and several LECs have reduced or eliminated their MVPD efforts. Alternatively, only a limited number of cable operators have begun to offer telephone service and their strategies for deployment remain varied, with some companies deploying traditional circuit-switched telephone service and others either offering cable-delivered telephony on a limited basis, waiting until Internet Protocol ("IP") technology becomes available, or continuing to test such service. The most significant convergence of service offerings continues to be the pairing of Internet service with other services. There is evidence that a wide variety of companies throughout the communications industries are attempting to become providers of multiple services, including data access.

- *Promotion of Entry and Competition:* Noncable MVPDs continue to report that regulatory and other barriers to entry limit their ability to compete with incumbent cable operators and to thereby provide consumers with additional choices. Non-cable MVPDs also continue to experience some difficulties in obtaining programming from both vertically integrated cable programmers and unaffiliated programmers who continue to make exclusive agreements with cable operators. In multiple dwelling units ("MDUs"), potential entry may be discouraged or limited because an incumbent video programming distributor has a long-term and/or exclusive contract. Other issues also remain with respect to how, and under what circumstances, existing inside wiring in MDUs may be made available to alternative video service providers. Consumers historically reported that their inability to receive local signals from DBS operators negatively affected their decision as to whether to subscribe to DBS. This year's significant increase in DBS

subscribership has been attributed, at least in part, to the authority granted to DBS providers to distribute local broadcast television stations in their local markets by the Satellite Home Viewer Improvement Act of 1999 ("SHVIA") enacted on November 29, 1999. Under SHVIA, DBS operators can offer a programming package more comparable to and competitive with the services offered by cable operators.

- *Horizontal Concentration:* Consolidations within the cable industry continue as cable operators acquire and trade systems. The ten largest operators now serve close to 90 percent of all U.S. cable subscribers. In terms of one traditional economic measure, the Herfindahl-Hirschman Index or HHI, national concentration among the top MVPDs has increased since last year, although it remains below the levels reported in earlier years. DBS operators DirecTV and EchoStar rank among the ten largest MVPDs in terms of nationwide subscribership along with eight cable multiple system operators ("MSOs"). As a result of acquisitions and trades, cable MSOs have continued to increase the extent to which their systems form regional clusters. Currently, 44 million of the nation's cable subscribers are served by systems that are included in regional clusters. By clustering their systems, cable operators may be able to achieve efficiencies that facilitate the provision of cable and other services, such as telephony.

- *Vertical Integration:* The number of satellite-delivered programming networks has decreased by two from 283 in 1999 to 281 in 2000. Vertical integration of national programming services between cable operators and programmers, measured in terms of the total number of services in operation, declined from last year's total of 37 percent to 35 percent this year, continuing a five year trend. In 2000, one or more of the top five cable MSOs held an ownership interest in each of 99 vertically integrated national programming services. The 2000 Report also identifies 75 regional networks, 27 of which are sports channels, many owned at least in part by MSOs, and 30 regional and local news networks that compete with local broadcast stations and national cable networks (e.g., CNN).

- *Technological Advances:* Cable operators and other MVPDs continue to develop and deploy advanced technologies, especially digital compression techniques, to increase the capacities and to enhance the capabilities of their transmission platforms. These technologies allow MVPDs to deliver additional video

options and other services (e.g., data access, telephony, and interactive services) to their subscribers. To access these wide ranging services, consumers use "navigation devices." The Commission adopted rules that required MVPDs to unbundle security from other functions of digital set-top boxes by July 1, 2000. The cable industry reports that cable operators have met this deadline to have digital separate security modules available for consumers. Interface requirements and a certification process for the high-speed cable modems needed to access data services have also been developed. Cable modems are now for sale in selected markets. The Commission expects these developments to increase competition in the market for equipment used by subscribers. In addition, in the last year, interactive television ("ITV") services are beginning to be offered through cable, satellite, and terrestrial technologies. ITV provides or has the potential to provide a wide range of services, including video on demand ("VOD"), e-mail, TV-based commerce, Internet access, and program-related content, using digital set-top boxes and other devices that interface with television receivers (e.g., WebTV).

Ordering Clauses

5. This 2000 Report is issued pursuant to authority contained in sections 4(i), 4(j), 403, and 628(g) of the Communications Act of 1934, as amended, 47 U.S.C. 154(i), 154(j), 403, and 548(g).

6. The Office of Legislative and Intergovernmental Affairs shall send copies of the 2000 Report to the appropriate committees and subcommittees of the United States House of Representatives and United States Senate.

7. The proceeding in CS Docket No. 00-132 IS TERMINATED.

Federal Communications Commission.

Magalie Roman Salas,

Secretary.

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FEDERAL COMMUNICATIONS COMMISSION

[CS DOCKET NO. 01-7, FCC 01-15]

Nondiscrimination in the Distribution of Interactive Television Services Over Cable

AGENCY: Federal Communications Commission.

ACTION: Notice of inquiry.