

I. KEY QUESTIONS ABOUT THE FORMAL PROCESS

1. Does it end negotiations? No. The parties can negotiate and the City is willing and ready to negotiate.

2. Does state law prevent Cox from providing PEG channels and support in Tucson? No. Cox can agree to provide any number of channels and any amount of support so long as a new franchise term commences before June 30, 2007. The formal process is designed to conclude before that date.

II. KEY QUESTIONS ANSWERED BY THE NEEDS ASSESSMENT

1. How good is the cable system? *Immediate improvements are needed, according to Columbia Telecommunications System, an independent engineering firm.*

- *The system needs to be upgraded so that it has greater capacity. This can be accomplished within two years.*
- *The system needs to add facilities and equipment to offer services on-demand. This can be accomplished in six months.*

2. Do PEG channels need to be dropped to provide more high definition channels, or additional services? *The answer is no, and claims to the contrary are red herrings.*

- *CTC concluded, first that dropping PEG channels was not necessary, particularly if the system is upgraded and on-demand services added.*
- *CTC also was told by Cox that contract disputes prevented it from carrying high definition channels – not capacity shortages.*

3. How highly does the public value PEG channels? *The public values PEG highly, according to a statistically valid phone survey conducted by FMR Associates, Inc, and focus groups and interviews conducted by Hansen Consulting. The vast majority of the public and current subscribers believe current levels of support for PEG are about right.*

- *A statistically valid telephone survey showed that a majority of the public, and 63% of current cable subscribers, say that PEG channels are important or very important. Focus groups with community leaders and local non-profits showed an even higher level of support for each of the PEG channels.*
- *The telephone survey showed that over three-quarters of the public and current subscribers believe that the support now provided to PEG is about right.*

4. How many PEG channels are needed to meet the needs and interests of the community? *Based on the focus groups, on interviews and on an analysis of channel usage, at least seven PEG channels should be provided to subscribers, in addition to "on-demand" capacity when Cox begins providing on demand services.*

- *Hansen found that if certain capital improvements are made, the two PCC channels could be consolidated.*
- *CTC found that it would be reasonable to expect Cox to provide 2000 hours of on-demand capacity for PEG initially.*

5. Is it important for PEG channels to be available to all subscribers, without additional cost? *According to the focus groups and surveys, yes.*

- *The Hansen focus groups and interviews found that the channels would be less valuable if it cost more to receive them. Respondent raised concerns that if PEG channels are not available to all, a digital divide will develop between those who have access to community information and those that do not.*
- *PEG channels are now provided as part of basic service, which costs about \$20; expanded basic costs about \$40. If PEG channels were moved to a digital tier, a basic sub would pay \$30/mo more to receive them, based current Cox prices. Expanded basic subs would pay \$10/mo increase. The cost to receive PEG would increase by millions.*
- *Free service to schools and public buildings is also important.*

6. Is Cox in compliance with its franchise? *No, according to an independent audit by the firm of Ashpaugh & Sculco, through September 2005 Cox underpaid license and PEG fees by about \$1.75 million.*
