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National Cable Television Association

Daniel L. Brenner
Vice President for Law &
Regulatory Policy

1724 Massachusetts Avenue, Northwest
Washington, D.C. 20036-1969
202 775-3664 Fax: 202 775-3603

September 29, 1994

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Delivered by Hand

Ms. Meredith Jones
Chief, Cable Services Bureau
Federal Communications Commission
2033 M Street, N.W., Room 918
Washington, D.C. 20554

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SEP 29 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Going Forward Policy
MM Dkt. No. 92-266

Dear Ms Jones:

One of the issues raised by commenters in the above-captioned proceeding regarding the going forward rules is the need to obtain greater guidance as to the factors identified in the Commission's Second Order on Reconsideration¹ in assessing when an unregulated "a la carte" package enhances consumer choice and does not constitute an evasion of rate regulation.

One of the factors mentioned in the Order is whether "the package price is so deeply discounted when compared to the price of an individual channel or the sum of the prices of the individual channels that it does not constitute a realistic set of service choice because subscribers will not have any realistic options other than subscribing to the package."² The Order goes on to state that to determine the degree of acceptable discounting, "we may look to the industry's traditional discounting practices."³

The attached charts review pricing practices of operators in different regions of the country with regard to a la carte and package prices for a la carte services. These examples are from the premium channel context, where the industry has traditionally offered consumers the option of both a la carte and package prices.

¹ MM Docket 92-266 (released March 30, 1994).

² Id. ¶196.

³ Id. n.268.

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As the attached chart indicates, among subscribers who elect to purchase premium channels, there are substantial numbers of consumers purchasing the package arrangement as well as substantial numbers of consumers who choose to buy one or more channels individually. Bear in mind that in these instances pay services are subject to affirmative marketing by the operator both on an a la carte and a package arrangement. And as a result, the numbers here demonstrate that packages of varying discounts from 27% to 54% result in actual purchases both of packages and of individual channels.

The additional chart updates an earlier filing, attached to this letter, as to discount pricing practices by home satellite dish program providers. These numbers, consistent with the earlier filing, indicate discounts as high as 57% if one elects the package price as opposed to purchasing the programming on an a la carte basis. We are not in possession of the actual buy rates of the individual channels sold by the home satellite dish program providers. But it is worth observing that the decision to offer services a la carte as well as in a package by home satellite dish operators is made without regard to any regulatory consequences of doing so. Thus it is reasonable to presume that the a la carte offering, as well as the package offering, meet demand by consumers in the home satellite dish market place.

Furthermore, it is reasonable to assume that systems offering a higher discount (50% or higher) could still be offering customers a "realistic option" to purchase on a channel by channel basis. The fact that consumers may choose to purchase the package instead of the individual channels may not necessarily mean that the opportunity is not realistic. Rather, given the choice between the package and channel by channel purchases, the package may be more desirable because it eliminates the necessity of making a choice, provides greater diversity for slightly greater cost, and offers an opportunity to sample program services that the operator believes are worth providing over its system.

The numbers drawn from the studies come from Form 1215's filed with the Commission as well as with additional information supplied by the operators on the chart.

If you have any questions regarding this data, please do not hesitate to call.

Sincerely,



Daniel L. Brenner

DLB:tkb

Attachments

cc: William F. Caton, Secretary

**Selected Comparisons of Prices of Multi-Pay
Services Offered in Packages and *a la Carte***

Company/Package/Programming	Package Price	Price if Programming Purchased <i>a la Carte</i>	Percentage Difference	# Subs Purchasing Particular Package	# Subs Purchasing Services <i>a la carte</i> at full rate - <i>a la carte</i> rate
Comcast Cable Trenton, MI Disney/HBO/TMC/Prism	\$36.59	\$51.96	29.6%	585	Disney - 656 - \$12.99 HBO - 7,821 - \$12.99 TMC - 1,330 - \$12.99 Prism - 1,500 - \$12.99
Comcast Cable Howard County, MD HBO/Showtime/Cinemax/TMC	\$22.90	\$50.20	54.4%	73	HBO - 6,149 - \$13.35 Showtime - 411 - \$11.95 Cinemax - 261 - \$12.95 TMC - 173 - \$11.95
Continental Cablevision St. Paul, MN "Big Picture" Package includes: HBO, Cinemax, Showtime, HBO2, Cinemax-2, Showtime 2	\$18.95	\$29.85	36.5%*	11,713	HBO - 2,995 - \$9.95 Cinemax - 841 - \$9.95 Showtime - 727 - \$9.95
* multiplexed services are only available with Big Picture Package and are not available <i>a la carte</i> . If multiplexed services were available <i>a la carte</i> , the multi-pay discount would be even be greater than 36.5%					
Continental Cablevision Westchester, NY 3 pay package	\$21.95	\$33.00-36.75	33.5%-40.3%*	2,610	HBO - 11,622 - \$11.00 Cinemax - 258 - \$11.00 Showtime - 243 - \$11.00 Disney - 744 - \$11.00 SportsChannel - 513 - \$14.75 TMC - 133 - \$11.00
* Given that one <i>a la carte</i> rate differs from the others, the amount of discount may vary with services purchase.					
Continental Cablevision Cambridge, MA "Take 2" package (subscriber selects 2 of the following premium services: HBO, Showtime, Disney)	\$15.95	\$21.90	27.2%	1,594	HBO - 5,438 - \$10.95 Showtime - 2,982 - \$10.95 Disney - 1,369 - \$10.95

Company/Package/Programming	Package Price	Price if Programming Purchased <i>a la Carte</i>	Percentage Difference	# Subs Purchasing Particular Package	# Subs Purchasing Services <i>a la carte</i> at full rate - <i>a la carte</i> rate
Continental Cablevision Wilmington, MA "Take 2" package	\$16.95	\$21.90-\$23.90	22.6-29.1%	149	HBO - 594 - \$11.95 Showtime - 65 - \$11.95 Disney - 268 - \$9.95
* Given that one <i>a la carte</i> rate differs from the others, the amount of discount may vary with services purchase.					
Bresnan Communications Company Midland, MI HBO/Showtime/TMC/Encore	\$18.95	\$31.85	40.5%	174	HBO - 664 - \$9.95 Showtime - 49 - \$9.95 TMC - 0 - \$9.95 Encore - 73 - \$2.00
Bresnan Communications Company Sault Ste. Marie, MI Showtime/TMC/Encore	\$11.95	\$21.50	44.4%	355	Showtime - 59 - \$10.00 TMC - 9 - \$10.00 Encore - 19 - \$1.50
Bresnan Communications Company Bay City, MI Showtime/TMC/Encore	\$11.95	\$21.90	45.4%	372	Showtime - 44 - \$9.95 TMC - 4 - \$9.95 Encore - 57 - \$2.00
Cox Cable Pensacola Escambia County, FL 4 Pay Package (HBO, Showtime, Cinemax & Disney)	\$32.00	\$44.00	27.3%	484	HBO - 10,870 - \$11.00 Showtime - 1,300 - \$11.00 Cinemax - 478 - \$11.00 Disney - 846 - \$11.00
Southwestern Cable TV (Time Warner) San Diego, CA 5 Pay Package (HBO, Cinemax, Showtime, Playboy, Disney)	\$54.34	\$73.25	25.8%	91	HBO - 27,660 - \$14.65 Cinemax - 764 - \$14.65 Showtime - 452 - \$14.65 Playboy - 491 - \$14.65 Disney - 3,147 - \$14.65

Company/Package/Programming	Package Price	Price if Programming Purchased <i>a la Carte</i>	Percentage Difference	# Subs Purchasing Particular Package	# Subs Purchasing Services <i>a la carte</i> at full rate - <i>a la carte</i> rate
Comcast Cable Baltimore, MD HBO/Cinemax/Showtime	\$34.47	\$46.47	25.8%	3,351	HBO - 22,571 - \$15.49 Cinemax - 2,484 - \$15.49 Showtime - 2,369 - \$15.49
Comcast Cable West Palm Beach, FL HBO/Cinemax/Showtime/TMC/ Disney	\$41.72	\$61.75	32.4%	267	HBO - 5,657 - \$13.95 Cinemax - 635 - \$11.95 Showtime - 1,614 - \$11.95 TMC - 1,149 - \$11.95 Disney - 2,049 - \$11.95
Comcast Cable Charleston, SC 6 Pay Package (HBO, Cinemax, Showtime, TMC, Disney, Playboy)	\$41.00	\$68.75	40.4%	62	HBO - 16,816 - \$12.95 Cinemax - 2,876 - \$11.45 Showtime - 607 - \$10.45 TMC - 1,161 - \$10.45 Disney - 3,011 - \$10.45 Playboy - 65 - \$13.00
Comcast Cable Florence, AL HBO/Showtime/Cinemax	\$29.50	\$42.00	29.8%	248	HBO - 1,190 - \$14.00 Showtime - 313 - \$14.00 Cinemax - 382 - \$14.00
Comcast Cable Mobile, AL HBO/Cinemax	\$17.57	\$25.24	30.4%	7,172	HBO - 5,703 - \$12.62 Cinemax - 1,957 - \$12.62

Selected Comparisons of Prices of Programming Services Offered in Packages and *a la Carte* by Superstar Connection

Package/Programming	Package Price ¹	Price if Programming Purchased <i>a la Carte</i> ²	Percentage Difference
SuperView WGN/WPIX/KTLA/KTVT/WTBS/USA Network/CNBC/ESPN/CNN/Headline News/AMC/Bravo/Family Channel/ Prime Network/Discovery/Lifetime/A&E/Country Music Television/TNN/Cartoon Network/ Comedy Central/ESPN2/Nickelodeon/Turner Classic Movie	\$17.95	\$42.00	57%
SuperView plus HBO or Cinemax, or Showtime or TMC	\$23.00	\$51.00	55%
SuperView plus PrimeTime 24	\$20.95	\$47.00	55%
Sports Pack (WGN/WPIX/KTLA/KTVT/WTBS/WWOR/ WSBK/Satellite Sports Networks/ESPN/ ESPN2) Plus Denver 5	\$22.00	\$26.75	18%
Sports Pack Plus Denver 5 and PrimeTime 24	\$23.25	\$31.75	27%
Superstar "Magnificent" 7 Pack WGN/WPIX/KTLA/KTVT/WTBS/WWOR/ WSBK	\$7.70	\$9.00	14%

1) Monthly retail price.

2) Full, *a la carte* monthly retail prices. Some discounts from the full *a la carte* price may be applicable if a certain number of services are purchased, if some programming services are bought in combinations, or if services are bought on other than a monthly basis.

Source: Rate cards of Superstar Connection, dated 10/1/94.