

C-SPAN

A PUBLIC SERVICE CREATED
BY AMERICA'S CABLE
TELEVISION COMPANIES

October 28, 1997

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OCT 29 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BY COURIER

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

**Re: Amendment of the Commission's Rules to Update Cable
Television Regulations and Freeze Existing Cable
Television Rates of 1996; RM-9167**

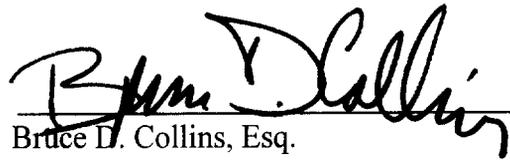
Dear Mr. Caton:

Enclosed are 11 copies of National Cable Satellite Corporation's
comments in the above-referenced proceeding.

Respectfully Submitted,

NATIONAL CABLE SATELLITE CORP.

By:



Bruce D. Collins, Esq.
Corporate Vice President and
General Counsel

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PROPOSAL TO FREEZE
EXISTING CABLE TELEVISION RATES

Before the
FEDERAL COMMUNICATIONS COMMISSION
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OPPOSITION of the C-SPAN Networks
(National Cable Satellite Corporation)

Bruce D. Collins, Esq.
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400 North Capitol Street, N.W.
Washington, D.C. 20001
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October 30, 1997

**PROPOSAL TO FREEZE
EXISTING CABLE TELEVISION RATES**

**Before the
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**OPPOSITION of the C-SPAN Networks
(National Cable Satellite Corporation)**

National Cable Satellite Corporation ("NCSC") submits these comments in opposition to the above-captioned petition for a rulemaking filed by Consumers Union and the Consumer Federation of America ("Petitioners") in which the Petitioners seek, among other things, a freeze of existing cable television rates.

Introduction

The C-SPAN Networks are full-time satellite delivered public affairs television programming services created by and available primarily via cable television distributors. The Networks are devoted entirely to information and public affairs, including the live gavel-to-gavel coverage of the proceedings of the U.S. House of Representatives (on C-SPAN), the U.S. Senate (on C-SPAN 2) and a variety of other events at public forums around the country

and the world. A recent addition to the C-SPAN Networks is a third programming service now known as C-SPAN Extra. It began national satellite distribution as a part-time digital service on September 15, 1997. In addition to their event coverage, the C-SPAN Networks also distribute original public affairs programming such as the daily *Washington Journal*, the weekly *Booknotes*, and *America and the Courts*, *Road to the White House*, and several others.

The C-SPAN Networks are owned, produced and distributed by NCSC, a non-profit and tax-exempt District of Columbia corporation.

Comments in Opposition

There are many substantial legal, policy and market oriented reasons the Commission should reject Petitioner's proposals for a freeze of cable rates and for other changes to the regulatory scheme of the cable industry. Those arguments will be made by cable operators and their representatives. Here, the C-SPAN Networks speaks from our experience and position as a programmer to oppose Petitioner's rate freeze proposal as a thoroughly bad idea.

In 1993 our public service programming efforts were held hostage by the 120-day rate freeze imposed by the Commission prior to the imposition of rate regulation. While the circumstances of the 1993 freeze bear no relationship to those of today, the effect on us then was significant and it will be so again if another rate freeze is imposed.

The C-SPAN Networks in 1993, like many other cable programmers, were positioning themselves for a digital future that included the promise of expanded channel capacity. A key part of that positioning was the approval by NCSC's board of directors of a plan called C-SPAN 2000 which set out a schedule of the cable industry's investment in the C-SPAN Networks for the remainder of the century. The centerpiece of the plan was a sequence of

increases in affiliation fees which would fund improvements in programming and facilities, including digital technology. The plan also contemplated the launch of additional programming services (tentatively called C-SPAN 3, C-SPAN 4 and C-SPAN 5) that would meet cable operators' expected needs for more programming in the digital age.

Unfortunately, the C-SPAN 2000 plan was undertaken against the backdrop of an impending rate freeze and the certainty of rate re-regulation. Immediately, the momentum we had for cable industry investment in programming and facilities disappeared for the C-SPAN Networks, as indeed it did for many other programming services. The 120-day rate freeze became an absolute freeze of the C-SPAN 2000 plan.

The consequences of the eventual thaw are still being felt today in 1997. For example, the original plan called for the launch of all three of the additional services by the end of 1995, but only C-SPAN Extra (formerly called C-SPAN 3) is now being distributed via satellite and only since September of this year. The other services are still only contemplated.

The 1993 rate freeze did not turn out to be the sole explanation for the entire lag in the implementation of the C-SPAN 2000 plan (particularly in light of the not fully realized expectations for a rapid conversion of cable systems to digital technology), but it was the initial explanation and its effects on our public service programming were immediate and measurable. In addition to the delays in the launches of the additional services, there was a delay in the cable industry's investment in the C-SPAN Networks overall as the scheduled affiliation fee increases were dragged out into the future. This delay led in turn to reduced resources available for improvements to C-SPAN and C-SPAN 2. In other words, the

C-SPAN Networks suffered from the same industry-wide pullback from capital investment in programming as did other programmers in the wake of the Commission's 1993 rate freeze.

As sure as night follows day, another freeze of cable rates will have the same across-the-board effect on programmers. In particular, the C-SPAN Networks will be harmed in direct and measurable ways. First, as cable operator investment in facilities stalls or drops, we will find it more difficult to achieve parity between our two lead services C-SPAN and C-SPAN 2. Currently, C-SPAN's gavel-to-gavel coverage of the U.S. House of Representatives is available to 71.8 million households via cable and direct to home satellite; but only 48.4 million households have that same access to the proceedings of the U.S. Senate. Second, as cable operators make rational economic decisions to increase revenue from programmers rather than from subscribers, the C-SPAN Networks suffer a greater competitive disadvantage with the other programming services that return advertising revenue and advertising time to local cable systems. As a result, C-SPAN 2 and C-SPAN Extra will have more difficulty finding channel capacity for their no-advertising formats.¹ Third, the launches of C-SPAN 4 and C-SPAN 5 will be put off well into the next century, even if the promised digital environment actually evolves.

Conclusion

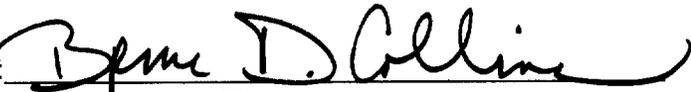
The proposed rate freeze would not serve the public interest and should therefore be denied. In addition to the many legal, regulatory and telecommunications policy arguments advanced by the cable television industry against such a freeze, there is one argument most

¹ The C-SPAN Networks remain among the decreasing number of programming services that depend largely upon cable operator license fees to produce revenue. Indeed, the C-SPAN Networks are probably the *only* nationally satellite delivered programming services to depend *entirely* on license fees.

compelling to the C-SPAN Networks: a rate freeze would throw up a significant obstacle to the C-SPAN Networks as we seek to fulfill our private sector mission of providing as much public affairs information to as many Americans as possible.

Respectfully submitted,

**NATIONAL CABLE SATELLITE CORPORATION,
d/b/a C-SPAN**

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