

IV. CONCLUSIONS

Cable operators offer bundles or tiers of networks for several efficiency enhancing reasons. Bundling lowers transaction costs and enhances the value of the service to consumers. Bundling also reduces the technical costs associated with scrambling and descrambling devices relative to offering programs individually. There are also synergies for the operators and networks associated with selling advertising and promoting their services. Bundling reflects the economic reality that delivering programming to the viewer costs roughly the same regardless of the number of channels delivered – as long as those channels can be bundled. In sum, bundling substantially reduces per channel costs of cable programming. Forcing networks such as ESPN on to individual channels, far from benefiting viewers, would likely harm consumers, operators, and programmers.

Recent rate increases by cable operators do not signify market power and do not warrant the reintroduction of rate regulation or the delay of deregulation. Recent rate increases reflect the higher costs and improved quality of the products being offered by cable operators.

APPENDIX: EXAMPLES OF SPIKES IN VIEWERSHIP

"Hanging on the wall of Cable News Network President Tom Johnson's office...is a bright-red chart with flat lines punctuated by occasional spikes that rise and fall in an unpredictable pattern. ...[T]he peaks and valleys on the wall document CNN's simple commercial truth: News sells. Each spike represents a major event since 1985, and the bigger the spike, the bigger CNN's viewer ratings. The explosion of Pan Am Flight 103 over Scotland, the Clarence Thomas hearings and the rescue of baby Jessica from an abandoned Texas well all generated strong numbers for CNN. And while the Persian Gulf war mustered record numbers for the cablecaster, CNN has found an even juicier draw in recent months: the O.J. Simpson trial. ...[A] major event such as the Simpson trial can more than double its audience." (*U.S. World & News Report*, April 10, 1995, p. 56.)

"Speaking of peaks, MSNBC said its viewership rose to more than 621,000 when police closed in on Andrew Cunanan in Miami during prime time." (*Electronic Media*, July 28, 1997, p.3)

"As viewers flocked to coverage of Princess Diana's death, the cable-news networks drew un-accustomed kingly ratings. Cable News Network and relative newcomers Fox News Channel and MSNBC al reached ratings milestones with their Diana reportage." (*Multichannel News*, September 8, 1997, p. 19.)

"All three cable networks providing gavel-to-gavel coverage of the Simpson trial -- CNN, Court TV and E! -- say their ratings are up strongly." (*Mediaweek*, February 6, 1995, p.5.)

"After years of struggling, regional cable news networks are finding an audience and advertisers. ... 'When there's a breaking news story, whether it's severe weather in the Pacific Northwest, a pipe bursting in New York or the inauguration in Washington, RNNs can grab five times their normal ratings,' said Stuart Zuckerman, director of sales at National Cable Communications, which sells national ads for seven major market RNNs..." (*Multichannel News*, April 14, 1997, p.30A.)

"The Weather Channel and the three 24-hour local cable news outfits -- Washington's Newschannel 8, New England Cable News and New York 1 -- that covered the blizzard nonstop all reported huge ratings gains during the storm. ...[A] spokesman for Cable News network said its storm coverage caused a 20% jump in viewership on Monday, Jan. 8, over the previous Monday ratings. ...TWC set a ratings record on Jan. 7, when it averaged a 1.5 rating from 6 a.m.-midnight. The network's viewership peaked at 2.9, also the highest in its 13-and-a-half year history. In Washington, Newschannel 8 peaked at a 7 rating in its cable universe, which is about seven times its usual audience..." (*Multichannel News*, January 15, 1996, p.12.)

"Naturally, folks at the [Weather] channel are always on the lookout for a really big storm. When Hurricane Erin hit in August, viewership jumped to 1.4 million. 'Hurricanes are like the O.J. Simpson trial for us,' says [Michael] Eckert," The Weather Channel's chief executive. (*Forbes*, October 23, 1995, p.320.)

On September 6, 1995, Cal Ripken passed Lou Gehrig's record for consecutive games played. The ESPN Wednesday night game that night averaged a 6.98 rating, which is 320 percent greater than the 1995 season average of 1.66 for Wednesday night games. Following the game was coverage of "Cal Ripken Ceremonies," which attained an even higher audience--a 7.27 rating.

On January 6, 1994, Nancy Kerrigan was attacked in an ice skating arena in Detroit. On that evening, Sportscenter ESPN at 7PM averaged a 1.65 rating which is 42 percent greater than the previous day's rating, and 54 percent greater than the 1994 Sportscenter average of 1.07.

In October 1993, Michael Jordan announced his "retirement" from the NBA. Live coverage of this announcement on October 6 at 11am in a special edition of Sportscenter attained a 1.87 rating. Sportscenter at 7PM on that same day averaged a 1.61 rating, which is 45 percent greater than the previous day's rating and 30 percent greater than the 1993 season average.

Some movies on Lifetime, for example "Any Mother's Son" and "Fifteen & Pregnant," have generated ratings over three times as high as the network's average prime-time rating.

Some documentaries on Discovery, for example, "Titanic: Anatomy of a Disaster," "Raging Planet" and "Wolves at Our Door," have generated ratings at close to or over three times as high as the network's average prime-time rating.

The Comedy Central program "South Park" is currently achieving a rating four times higher than the network's average prime-time rating.

Some movies on TNT, for example "Buffalo Soldiers" and "Last Stand at Saber River," have generated ratings over three times as high as the network's average prime-time rating.

Some movies on WTBS, for example "Dumb & Dumber" and "Total Recall," have generated ratings over three times as high as the network's average prime-time rating.