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April 7, 2000

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
The Portals
Washington, DC 20554

Re: *Ex Parte* Presentation
CS Docket No. 98-120

Dear Ms. Salas:

Pursuant to Section 1.1206 of the Commission's rules, this letter is submitted, in duplicate, to advise the Commission that the undersigned and Kenneth Salomon, Dow, Lohnes & Albertson met on April 6, 2000 with Rick Chessen, Senior Legal Advisor to Commissioner Gloria Tristani to present the attached Discussion Paper of Paxson Communications Corporation regarding digital must carry.

Please direct any questions on this matter to the undersigned.

Very truly yours,

John R. Feore, Jr.

JRF/ls
Enclosure
cc w/: Rick Chessen, Esquire

DISCUSSION PAPER

RE: PAX DTV Must Carry Proposal

DATE: April 6, 2000

The Communications Act currently provides for must carry for analog television stations, at their election, and upon completion of the DTV transition, also provides a must carry election for the free programming services of digital television stations. During the digital transition years, PAX TV urges the Commission to provide mandatory carriage for either a station's analog or digital channel at the election of the station. This procedure, which would not apply to those stations seeking retransmission consent, would work as follows:

CARRIAGE RIGHTS

Analog Carriage. Those stations choosing analog carriage would continue to have their existing television signal carried by cable systems until the DTV transition is completed. However, prior to the completion of the DTV conversion process, these stations could elect to have their analog signal replaced by their digital signal(s) by making such an election within 90 days of commencing DTV operations and there would be a yearly election opportunity each January 1st.

Digital Carriage. Television stations could elect to have their analog signal removed from the cable systems and replaced with their digital signal(s).

A station broadcasting a single digital signal and electing digital must carry would have its HDTV signal converted to analog and carried at the same channel location and on the same basic service tier as the existing analog signal. When a cable operator's digital set-top box penetration reaches ____% of its subscribers, the system would also begin to carry the digital signal in the system's digital tier.

Stations broadcasting multiple DTV signals would have their primary digital signal replace their primary analog signal on cable systems at the same channel location and on the same basic tier of service as their existing analog signal. This primary digital signal requires approximately 1.0 to 1.2 MHz of the station's 6 MHz digital signal but will utilize a full 6 MHz of a cable analog channel. The remaining portion of the station's digital signal would be used to deliver four to five or more additional channels of free programming services to the cable system

that would be carried on the digital portion of the cable system served by the set-top digital box. For a cable system that employs efficient digital modulation technology, this would only require 2 to 3 MHz on the cable system. (See the Spectrum Usage discussion below.) For a cable system using less efficient digital modulation technology, this approach would still leave some of the 6 MHz available for the cable system's high speed Internet and telephony services.

The cable channel mapping protocol (PSIP) would permit the multi-cast channels to appear in sequence with the station's primary channel (i.e. if the primary channel is 20, then the multi-cast channels would be 201, 202, 203, and 204). A cable subscriber without a set-top box would simply surf the existing channel line-up from channel 19 to 20 to channel 21 and so on. A cable subscriber with a set-top box would go from channel 19 to channel 20, then to channels 201, 202, 203, 204, before moving on to channel 21.

CARRIAGE LIMITATIONS AND REQUIREMENTS

The digital must carry plan outlined above would be implemented as follows:

- This must carry election would be applicable to cable systems with at least 440 MHz of capacity provided that the systems have installed digital headends and have begun to install digital set-top boxes. Cable operators could be under a FCC mandate to complete the roll-out of digital set-top boxes and digital headends and deploy the most efficient modulation technology by 2004 by adding at least 25% box penetration per year, or some comparable roll-out timeframe. At the present time there are approximately 5 million set-top boxes installed and 4 million of these boxes can handle this multi-cast proposal. All of the new set-top boxes that are now being manufactured and installed are also able to hand the multi-cast must carry.

- This must carry option would be available on a first-come, first-served basis within the existing 33% cap on the use of cable systems' usable activated channels for must carry purposes. The number of usable activated channels in a system would include the analog and digital tiers (where the cable operator can utilize 10 or more channels per 6 MHz of spectrum).

- Complaints regarding compliance with the must carry obligations would be directed to the full Commission for resolution for the first six months and thereafter to the Cable Services Bureau assuming no new or novel issues are raised.

- There could be no perceptible signal degradation of either the primary or multi-cast signals. This standard should be established using an equivalent picture quality standard for other signals carried on both the analog and digital portions of the cable system.

- Three pieces of equipment will be required at the cable headend in order to accommodate mandatory carriage of digital signals: a demodulator (to convert the primary digital channel to baseband digital) an MDR (to separate the primary signal from all of the other signals) and a QAM modulator (the cable headend already has this device) to convert the digital baseband signal from 8VSB to QAM and to place it into the assigned channel slot. The approximate cost per headend per station is

$12,000. If the digital box penetration is less than [10] % for the system, then the broadcast station would pay for the equipment. If the digital box penetration is above [10]% for the system then the cable operator would pay for the equipment.

- Cable systems with less than 300 subscribers or fewer than 36 usable activated channels will not be required to comply with these must carry requirements.

- The cable system would not be required to carry multi-cast signals duplicating the programming of the primary signal with program duplication defined as the simultaneous broadcast of identical programming, although time-shifted programming would be entitled to must carry.

- It is the station's obligation to provide a good quality signal to the cable headend and if the station's analog signal is of sufficient quality at the headend then it will be the cable operator's obligation to accept the station's digital signal either over-the-air or by other commercial means.

SPECTRUM USAGE

At the present time cable operators place 10 to 12 cable channel signals within 6 MHz of digital spectrum by transporting those signals, via satellite, to a distant operations center where the signals are compressed and then transmitted, via satellite, to the cable headends to be placed on the digital tier of the cable system to be delivered to the subscribers with set-top boxes. The same compression could be accomplished for local broadcast stations except that the broadcast signals would need to be transported to a distant operations center via satellite and the television stations would lose their ability to insert local programming and commercial matter. To accomplish the same level of signal compression at the cable headend would involve prohibitively expensive equipment at today's prices but this option should be available to the cable operator at its expense.

A cable system employing the most efficient modulation scheme (requiring a digital cable headend and digital set top boxes) has the capability of carrying the full digital load of a station in less than 6 MHz—perhaps as little a 2 MHz. PAX TV understands that all digital set top boxes shipped over the past 18 months employ the most efficient modulation scheme. PAX TV also understands that approximately 1,100 digital cable headends have been deployed that probably cover over 75% of cable households. As a result, these cable operators have the ability to carry two or three broadcasters in the 6 MHz presently used to carry a single analog signal. In short, by employing the most efficient modulation scheme available today, cable operators can generate usable bandwidth while carrying the full digital loads of stations serving their franchise areas.

PUBLIC INTEREST BENEFITS

The PAX DTV Must Carry proposal provides a market-based incentive for broadcasters to build their digital facilities as quickly as possible since the must carry rights are on a first-come, first-served basis after DTV construction.

Providing television stations with the option of digital must carry for their free programming services at this time will encourage program diversity, provide a higher and better

use of the broadcast spectrum and encourage broadcasters to transition to their digital facilities and, perhaps, free up the existing analog spectrum more quickly. Of the 96 stations recently identified by the FCC as being impacted by the auction of the channel 60-69 spectrum, PAX TV has 17 of those stations and would consider entering into agreements with the auction winners to speed the implementation of new services if there were in place a digital must carry scheme similar to this proposal.

Under the PAX DTV proposal, cable operators will not be faced with carrying duplicative analog and digital signals of a television station and the cost of the cable headend equipment will be tied to the digital box penetration. Cable operators will not be required to carry duplicate programming or utilize more than 33% of their activated channels for local broadcast signals and it will be up to the broadcasters to seek cable carriage once they have constructed their digital facilities.

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