



# ARMSTRONG®

April 15, 2005

Ms. Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**RE: American Cable Association Petition for Rulemaking, RM-11203**

Dear Ms. Dortch:

I write to express Armstrong's strongest support for ACA's petition for rulemaking on retransmission consent. I am president of an independent cable company serving customers in smaller, rural areas. I have reviewed the petition, and I can verify that it accurately describes the present and upcoming retransmission consent crisis. Broadcasters, including those in our markets, have made it clear that they will demand cash for carriage, and these demands will force us to increase our rates possibly as high as \$5 per subscriber per month for basic cable. ACA's solution to this problem is pro-competition, pro-consumer, and deregulatory. It will benefit the consumers served by our company and will help keep down the costs of basic cable.

Provided below is information about our company and why we think the Commission needs to grant ACA's petition.

### **Company background**

Our company, a family owned and operated business, began offering cable service in 1963. We are owned and operated by the same family that founded our parent company in 1946.

Armstrong currently operates in Pennsylvania, Ohio, Maryland, West Virginia and Kentucky. Our markets tend to be suburban and rural with an average density of less than 50 homes per mile of cable plant. This is far below densities seen at larger more urban cable companies. Armstrong provides cable TV services to over 227,000 customers. We have, over the years, rebuilt our systems many times, making improvements in service and expanding channels, all at our own cost with no public money. Our most recent upgrades have taken our systems to a minimum of 750 MHz, enabling us to offer our customers a wide variety of services, including advanced video services, Internet and soon telephone. Armstrong currently provides broadband Internet service to over 100,000 customers. Armstrong's broadband Internet is available to all of our customers (over 300,000 homes), and many of these customers live in rural communities with densities less than 15 homes per mile of cable plant.

**ARMSTRONG UTILITIES, INC.**

ONE ARMSTRONG PLACE ■ BUTLER, PA 16001  
724-283-0925 ■ FAX 724-283-9655

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In each of the prior rounds of retransmission consent, broadcasters have required (by using the actual or implicit threat of not granting consent and requiring Armstrong to not offer the broadcaster's service) Armstrong to add cable channels and cost to our line up. Many of the TV stations we deal with are now owned by large media companies such as Viacom, NBC Universal and Disney. Some of the added channels were of little or marginal value to our customers, but have always increased our costs. The ability to use the exclusivity regulations and contracts to prevent us from considering lower cost alternatives gives these broadcasters an unfair advantage in any negotiation.

Many of our retransmission agreements expire at the end of 2005 and thus negotiations have begun. This time, broadcasters want us to pay them cash. Additionally, many are asking for additional fees for their HD signals as well as giving them multi-casting rights. We have received cash demands as high as \$.50 per basic subscriber per month for the right to carry both the analog and HD signals of the subject broadcaster, even though only a small percentage of our basic subscribers have HD capable TV sets. In one of our markets we carry 16 network broadcasters. If each were to demand \$.50 per month per subscriber the impact on our business and our customers would be catastrophic. We have a minimum of six broadcast stations in each of our markets. If we are to pay \$.25 to \$.50 per broadcaster, we will have no choice but to pass those costs on to the consumer.

### **Why we support ACA's Petition**

All that ACA asks for is a right for cable operators to be permitted to seek alternatives to local broadcasters when a local broadcaster demands a price for retransmission consent. In Armstrong's markets, I know this will work to lower the cost of retransmission consent for our customers.

First, I know that we could obtain network programming at a lower cost from other broadcasters. We can do this by receiving signals from neighboring markets.

Second, if the broadcasters in our markets know alternatives exist, I am confident we will be able to negotiate a lower price. That works in every type of transaction, and it will work in retransmission consent.

As stated in the petition, the problem is not that broadcasters demand a "price" for retransmission consent. The problem is that they block our ability to find lower-cost alternatives. The petition shows how this problem will conservatively cost consumers and smaller cable operators approximately \$1 billion next year.

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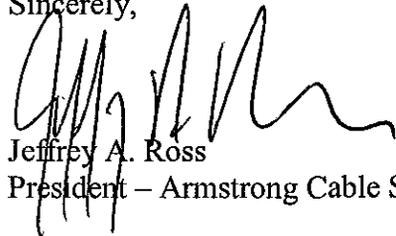
By making the limited changes requested by ACA, the Commission will bring some market discipline to retransmission consent "pricing." This will help to keep our costs down and will benefit our consumers.

**Our concern for localism**

As a final point, I want the Commission to know that we support localism and prefer to carry local broadcasters. We currently provide many hours per week of original local programming on our cable systems, along with thousands of hours per week of local broadcast programming. We understand the importance of local programming, but we also understand how much our customers are willing to pay for it. In part, as we see the problem, the stations demanding higher prices are based in corporate headquarters hundreds or thousands of miles away and do not appreciate the constraints placed on rural cable operators and our customers.

While Armstrong supports a fair exchange of value for carriage of local broadcast signals, we believe that the regulatory system applicable to retransmission consent must be designed to allow market forces, not large entities vested with one-sided leverage, to set prices. The regulatory changes requested in ACA's petition will allow for market forces to set prices. Time is of the essence in this matter since many cable operators have already started to negotiate retransmission consent agreements.

Sincerely,



Jeffrey A. Ross  
President – Armstrong Cable Services

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