THEDIRECTVGROUP

March 8, 2006

BY HAND DELIVERY

Commissioner Deborah Taylor Tate
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Regional Sports Network Pricing and the Adelphia Transactions*
MB Docket No 05-192

Dear Commissioner Tate:

Thank you for taking the time to meet with us to discuss our concerns with the proposed Adelphia transactions. We wanted to follow up on your request for more information on the cost of regional sports networks ("RSNs") and how any increases in those costs by cable-affiliated RSNs impact our customers.

In 2006, RSN programming accounted for an astounding 14.1% of the programming costs associated with our Total Choice package, although RSNs generally represented only one or two of the over 155 channels offered in a market. Thus, when cable companies create regional monopolies, acquire the rights to the sports teams and charge inordinately high rates for their RSN, DIRECTV customers are the ones that pay the price. If we don't carry the RSN, two things happen: First, our subscribers lose the right to watch their home team. Second, those subscribers that want to watch their home team are forced to subscribe to cable and lose their ability to choose among video providers. And, if DIRECTV succumbs and pays the high rates, **all our customers pay more** because of our national pricing structure. Either way: cable wins, and consumers lose.

This is not mere conjecture. For example, soon after Comcast acquired AT&T's cable systems – and a dominant market position – in Chicago, it obtained the rights to the Bulls, Blackhawks, Cubs and White Sox and launched its own sports network, CSN Chicago. When DIRECTV sought carriage of this critical programming, Comcast made it available to DIRECTV – but at double the price DIRECTV would have been paying under its prior contract to carry these same games. Unwilling to forego this must-have programming, DIRECTV had no choice but to accede to Comcast's demands. And to Comcast, the inflated payments are simply a transfer of money from one division of Comcast Corporation to another.[1]

[1] As explained by CSN Chicago's Vice President and General Manager when asked about the RSN's high rate, "What differentiates us and gives us an advantage is our owner is the largest distributor in the market, and with

Similarly, in Sacramento and San Francisco, Comcast was able to establish a regional monopoly when it purchased AT&T's cable systems. And, as in Chicago, it soon created its own Sacramento RSN, CSN West, with rights to only one professional team, the Sacramento Kings. Typically, RSNs only offer their programming in the territory established for the team by its league. But this is not the case for CSN West. Comcast has mandated a service area for CSN West much larger than the area in which the NBA permits CSN-West to carry Kings games. And, under Comcast's pricing scheme, DIRECTV must pay for subscribers to whom it can't even show the Kings games. In fact, approximately 60% of the subscribers DIRECTV pays for can't watch the games. These customers account for one-third of the total license fees paid for the network. Cable operators, with much smaller service areas, do not face this dilemma.

Even more recently, while this merger was pending, Time Warner and Comcast obtained an ownership interest in SportsNet New York, the new Mets channel. SportsNet New York wants to charge DIRECTV a higher price on a per professional game/per subscriber basis than that charged by the YES Network, which carries the Yankees. This is an astronomical rate given that that the ratings for the Mets games have historically been about one-third of the ratings for the Yankees games, and the Yankees post-game show had higher ratings than the actual Mets games last year.

These rates clearly are not being determined by marketplace negotiations, but rather by these cable companies exerting their market power in these areas. The end result: higher prices and less choice for consumers. Accordingly, in order to ensure fair competition for the benefit of consumers, we have asked that the following conditions be imposed on the merger:

- Neither Comcast nor Time Warner may enter into or continue to maintain an exclusive agreement (including a "cable only" exclusive) with an RSN in a regional market where the transaction will create or enhance market power, nor may they directly or indirectly cause an RSN to refuse to deal with a rival MVPD.

- If negotiations fail to produce a mutually acceptable set of price, terms and conditions for carriage of an RSN in which Comcast or Time Warner holds an attributable interest, an MVPD may choose to submit the dispute to commercial arbitration (with RSN carriage required during the arbitration process).

We are happy to answer any additional questions you may have and discuss these issues with you further.

Sincerely,

/s/

Stacy R. Fuller
Vice President, Regulatory Affairs

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that they established what the rest of the market will pay." *See* "Taking Their Best Shots," Multichannel News (Aug. 9, 2004) (available at www.multichannel.com/index.asp?layout=articlePrint&articleid=CA443439).

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