TABLE C-5

Top 20 Programming Services by Subscribership

Rank	Programming Network	Number of Subscribers (Millions)*	Ownership Interest in Network
1	Discovery Channel	90.1	Cox, Advance/Newhouse, Liberty Media
2	ESPN	90.0	Disney, Hearst
4	CNN	89.6	Time Warner
4	TNT	89.6	Time Warner
6	USA Network	89.4	NBC-Universal
6	C-SPAN	89.4	National Cable Satellite Corporation **
9	TBS	89.3	Time Warner
9	Spike TV	89.3	Viacom
9	Nickelodeon	89.3	Viacom
11	A&E	89.2	Disney, Hearst, NBC-Universal
11	Lifetime Television	89.2	Disney, Hearst
13	The Weather Channel	89.0	Landmark
13	ESPN2	89.0	Disney, Hearst
15	QVC	88.9	
15	TLC	88.9	Cox, Advance/Newhouse, Liberty Media
18	MTV	88.6	Viacom
18	Home & Garden TV	88.6	
18	Headline News	88.6	Time Warner
20	ABC Family Channel	88.5	Disney
20	Home Shopping Network	88.5	

Note:
* - In addition to cable systems, other MVPDs such as DBS (direct broadcast satellite) systems, wireless cable (or MMDS) systems, PCOs (private cable operators or SMATV) services, and HSD (home satellite dish) program providers may distribute these signals. Subscriber figures may include these noncable services.
** - The National Cable Satellite Corporation (C-SPAN) derives 97 percent of its revenues from affiliate fees (*i.e.*, subscriber fees from MVPDs). The remaining three percent is provided by various investments.

Source:
Kagan Research, LLC, *Network Census: July 31*, Cable Program Investor, August 31, 2005, at 14.

TABLE C-6

Top 15 Programming Services by Prime Time Rating

Rank	Programming Service	Ownership Interest in Network
1	Nickelodeon	Viacom
2	TNT	Time Warner
3	Nick at Nite	Viacom
4	USA Network	NBC-Universal
5	Disney	Disney
6	Lifetime	Disney, Hearst
7	Toon Disney	Disney
8	TBS	Time Warner
9	Spike TV	Viacom
10	Fox News Channel	News Corp.
11	History Channel	Disney, Hearst, NBC-Universal
12	ESPN	Disney, Hearst
13	MTV	Viacom
14	Discovery Channel	Cox, Advance/Newhouse, Liberty Media
15	Sci Fi Channel	NBC-Universal

Source:
Kagan Research, LLC., *Prime Time Ratings Averages: April*, CABLE PROGRAM INVESTOR, June 29, 2005, at 16.

STATEMENT OF
CHAIRMAN KEVIN J. MARTIN

Re: Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, MB Docket No. 05-255

In enacting the Cable Television Consumer Protection and Competition Act of 1992, Congress sought to promote video competition. Competition in the market for video programming serves to improve quality and customer service, increase consumer choice, decrease prices, and promote innovation.

As this year's report reflects, we are seeing wired competitors to cable trying to enter the market. The Commission should facilitate this entry, not only because it furthers video competition, but also because it promotes the deployment of the broadband networks over which the video services are provided. The widespread deployment of these networks is critical to the United States' international competitiveness. Further, it will help improve Americans' lives through applications such as distance learning and remote medical diagnostics.

Given all of the benefits that additional competition offers for consumers, we will continue to closely monitor the progress of all new entrants and seek to eliminate any unreasonable barriers to entry and to address other issues that we find impede such progress.

STATEMENT OF
COMMISSIONER MICHAEL J. COPPS

Re: *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*

I commend Chairman Martin for holding this Commission meeting outside of Washington. This is something I have long advocated us doing. We can learn so much more from getting outside the Beltway to hear directly from those on the ground who are working to make video competition a reality. Yesterday and this morning, we have had the opportunity to see and learn first-hand about a whole new range of video services that are becoming reality for America's consumers. These visits in Texas will help us make better decisions as we go about our work in Washington. Equally important, hearings like this bring the FCC to the American people, giving them a closer look at issues that inevitably affect them. I look forward to more such meetings in communities across the country that can provide greater perspective and information as we address the complex and difficult issues in front of us. I believe, in fact, that a regulatory commission like ours has an obligation to do regularly what we are doing here this week.

Today's report grows out of our duty to report to Congress annually on the status of competition in the market for the delivery of video programming. Here, as throughout the Communications Act, Congress recognized and emphasized that competition in the delivery of services is the surest road for bringing significant benefits to consumers. When people have more options, they reap big rewards—better services, higher technology, lower prices and more varied content.

Today's report shows an enormous potential for increased competition in the video programming market. We are seeing large investments not only from existing participants in the market, but also from telephone companies and others that are expanding their efforts to deliver video programming. Cable and telephone companies are beginning to compete to offer consumers the much-heralded triple play—bundles of telephone, video and Internet services. The erosion of old industry boundaries can give way to a more consumer-friendly future, but arriving at that future will demand not only creative entrepreneurship and considerable investment, but also FCC policy founded foursquare on advancing the public interest—our primary charge from Congress.

I am happy that this year's report is more rigorous than some of its predecessors. For example, we admit the limitations of the data we have received and we go in search of additional comment. We also build on the discussion in last year's report by, for example, considering what is happening in certain other countries and including a separate section that focuses specifically on video program distribution in rural areas. But we must always look for ways to improve these reports to provide a more solid foundation for Commission and Congressional actions. For our next report, I hope we will undertake more pro-active and comprehensive information gathering efforts in order to obtain independent, verified data. I also believe we need to conduct some audits of the data we receive because we need to be sure of its accuracy.

This is an especially important report this year because it delves into issues relevant to numerous other pending Commission proceedings. These include horizontal and vertical cable ownership rules, an area where Commission action is overdue.

I note with concern that last year—and this seems to be an annual story—cable rates rose again, out-stripping inflation by a significant margin. Different interests cite different reasons for these never-ending consumer cost increases. I know two things. First, consumers are feeling the pain and paying the cost and not liking it. And, secondly, we need to better understand what's going on here. We need to determine which factors are primarily responsible for these escalating consumer bills, and I would like to see us get a handle on this important issue in time for the next annual report on cable rates.

In another area still requiring work, we need to nail down the percentage of U.S. households which receive their programming from cable. Congress instructed us in the statute to be attentive to this because of our obligation to ensure diversity of information sources. Finally, in the months ahead, I believe we need to understand more clearly how such things as program access, retransmission consent, and vertical and horizontal integration affect the state of video competition. Congress seems to be turning its attention to these interactions and it is important for us to develop the data and analysis Congress needs for its consideration and that the Commission requires for its proceedings.

So this is a major report and we need to ensure that we use it well in the months ahead because it can help us in so many other proceedings. The world of program delivery is going through such wide-ranging, even staggering, changes that the Commission cannot afford to miss a beat as we attempt to exercise our responsibilities.

My thanks to the Bureau for this report and for its many improvements, and I look forward to being able to cite next year's annual report as even better than this year's.

STATEMENT OF
COMMISSIONER JONATHAN S. ADELSTEIN

Re: Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming

I want to thank Chairman Martin for taking this meeting outside of Washington, D.C. I have been attending hearings across the country over the past three years and I have learned that nothing tops the experience of getting out into the public and meeting with local officials, company employees, and consumers to hear their thoughts about media and telecommunications. Today, we are getting a better sense of what is happening on the ground with video competition. The effort by some of the Nation's largest telecommunications companies to provide a competitive alternative for video services is one that deserves our attention and encouragement, and we are giving it both through our visit to Texas as a Commission.

I vote to approve this twelfth annual report on the state of competition in the video marketplace because it is a promising improvement over previous years. It attempts, albeit in a limited fashion, to provide at least more of a semblance of analysis that the Commission should provide Congress.

While this *Report* continues to simply recite information submitted by private parties rather than conduct its own in-depth analysis of the state of competition, it is commendable that, in one significant respect, we seek comment on whether the criteria set forth in section 612(g) of the Communications Act (generally referred to as the "70-70 test") has been met and, if so, whether the Commission should promulgate additional rules to achieve the statutory goal of providing diversity of information sources in video programming. I welcome this inquiry and look forward to working on it with my colleagues to fulfill the goals of competition, diversity and localism in U.S. media markets.

As the Report shows, competition in video distribution and programming markets is intensifying. From 2001 to 2005, the number of cable subscribers, as a share of total MVPD subscribers, has decreased from 77 percent to 69 percent. Commensurately, DBS subscribership has increased from 18 percent to 27 percent. Local exchange carriers, electric and gas utilities, and cellular phone companies have all announced plans to upgrade their systems to offer video services and, in some cases, are already offering multimedia programming. Moreover, while 14 percent of U.S. television households continue to rely solely on over-the-air broadcast signals, the sale of digital television sets has skyrocketed, a trend certain to continue as prices are steadily decreasing. The digital television transition is also supported by the fact that more than 1,537 stations nationwide are broadcasting digitally.

Of particular significance is the entry of some of the largest local exchange companies into the video marketplace. LECs are upgrading their facilities to fiber-based platforms in many areas across the country so that these carriers can offer a suite of video, voice and data services. This investment could bring the most substantial new competition into the video marketplace that this country has ever seen. Equally significant is the potential for this new revenue stream to drive broadband deployment, which can benefit consumers and the free flow of information beyond the video marketplace.

Consumers will benefit not only from more choice, better service and lower prices, but also stand to gain from a more robust exchange in the marketplace of ideas. I have long expressed grave concerns about the negative effects of media consolidation in this country, and have focused on the problems raised by growing vertical integration of programming and distribution. Vast new distribution networks promise to limit the ability of any vertically integrated conglomerates from imposing an economic, cultural or political agenda on a public with few alternative choices. I truly believe the benefits of this new competition extend beyond the normal ones that accrue to consumers, and can actually improve the health of our overall democracy.

Nothwithstanding these healthy competitive indicators, the Report highlights areas of serious concern that will likely require our careful examination and possible action. While the competitive presence of DBS has reduced cable's dominance, concentration remains a concern: the top four MVPDs serve 63 percent of all MVPD subscribers, up five percent from 2004. Vertical integration and program access are also areas of growing concern. Of the 96 regional networks providing local sports and news, almost half are vertically integrated with at least one MSO. Several commenters, particularly small and rural cable operators and LECs, have raised concerns about securing access to programming at competitive, nondiscriminatory terms and rates.

The findings discussed in this Report should serve as the factual foundation to inform future Commission decision as well as providing Congress with information that can inform the national policy debate.

STATEMENT OF
COMMISSIONER DEBORAH TAYLOR TATE

Re: Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, MB Docket No. 05-255

First, I would like to applaud the Chairman for holding this meeting in Keller, Texas. I also wish to thank Mayor Tandy and Mayor Moncrief for not only participating in our open meeting but also their leadership in championing competition and consumer choice. I want to specifically acknowledge Commissioner Barry Smitherman from the Texas Public Utilities Commission, my friend and former colleague, for joining us. I look forward to our continuing relationship with state and local officials on these issues which are crucial not only to our nation, but to communities like Fort Worth and Keller. Finally, thank you for the warmth and hospitality that has been shown to us while we've been here in the Great State of Texas.

As stated by the Chairman, I feel it is important for the Commission to take opportunities such as this to travel outside of Washington, D.C. Sometimes getting out into wide open spaces just helps put the issues into perspective; to talk with real people about the innovative products and services that are transforming the way they work, live, and play. And, also, to see areas which may not have access to exciting new services like those we've seen on this trip. I believe that it is critical that we, as policymakers, do not lose touch with how communications technology, and the decisions we make in this arena, affect the lives of all Americans, impact both the local and global economies, and influence investment decisions in the communications marketplace.

And so I am delighted to be here, not simply to talk about video competition in the abstract, but to actually see first-hand the efforts of new entrants into this market and to hear from consumers, local government representatives, and the entities actually providing such services. For example, yesterday we saw a working demonstration of Broadband over Power Line (BPL) in a neighborhood in Dallas. Current Communications Group, LLC and TXU are using this innovative new technology both to provide broadband and to help the electric grid work smarter and more efficiently. At their model home I was able to talk to my assistant, Teri, using a Voice over Internet Protocol (VoIP) phone while watching high-quality video streamed over the Internet. All the while, the electric company is able to use that same technology to monitor exactly how much electricity is being used and identify immediately when and where the power goes out.

This beautiful, new community center in which we are meeting provides more than just a wonderful setting for our open meeting; it also serves as an excellent example of the concept of "bundling." Here, under one roof, the citizens of Keller can enjoy a variety of sports and exercise options, games, a swimming pool, and childcare – all in a family friendly atmosphere. In a similar vein, we are here today to discuss the fact that an increasing number of entities are providing a bundle of communications services that can include voice, data, video, and even wireless. And just as is the case with this community center, many of us would like to enjoy those bundles – the so-called "triple play" and "grand slam" –in a family friendly atmosphere.

Tennesseans are used to hearing me say this, but since I find myself today in Texas, I will say it again: I am a strong supporter of competition. Efficiently operating competitive markets do a much better job of ensuring that the needs of consumers are met than we could ever hope to accomplish through unnecessary regulatory intervention. Competitive markets force rivals to be more responsive to the needs of consumers; to provide lower prices; to innovate; to offer more choices; and to provide better customer service. To summarize: whatever the concern may be, robust competition is, in virtually every case, the preferred solution to government regulation.

The marketplace for the delivery of video programming provides a perfect example of this point. The significance of video competition cannot be overstated – because it has the ability to play a critical role in a number of high-priority areas:

Cable TV Prices: Competition from Direct Broadcast Satellite (DBS) operators and, as we have witnessed here in Texas, and now traditional phone companies will continue to drive down prices for consumers.

Indecency: In a fully competitive marketplace, there is every reason to be confident that consumers' concerns about the programming that enters their homes would be met. Unfortunately, however, the video programming marketplace – while much more competitive today than when the 1992 Cable Act was passed, as this year's Video Competition Report makes plain – so far has been unable to adequately address this issue. But as the number of competitors increases, we are beginning to see signs of progress in this area. Indeed, the recent announcements by cable operators and DBS providers regarding the offering of family tiers, as well as the public statements by AT&T and EchoStar indicating an interest in providing their customers with programming on an a la carte basis, could well represent the initial steps in that very process. But they are only that – initial first steps.

Competition should be not only about more choices, but about **better** choices for our families. I am hopeful that, as competition continues to expand, parents – and concerned viewers generally – will be able to choose from a range of programming options that they find appropriate. In that regard, I am encouraged by the ability of the video delivery platforms we have seen on this trip to provide video programming in customized packages *based on what customers want*. This new technology will eliminate any technical hurdles that may have been asserted in the past as a reason not to allow customer choice.

Broadband Deployment: Greater video competition also can play an important role in ensuring that the benefits that broadband can offer are made available to **all** Americans. Modern telecommunications networks are capable of providing the so-called "triple play" of voice, data, and video – and, when bundled with wireless offerings, the "grand slam." As a result, the ability to offer video programming services holds the promise of an additional revenue stream from which the substantial capital investment required for broadband deployment can be recovered. In many cases, including in rural and higher cost areas the additional revenue provided by video programming hopefully will provide the extra push needed to justify the decision to deploy broadband facilities.

* * *

So it seems clear that full and vibrant competition in the delivery of video programming can provide a wide range of benefits. This leads logically to two follow-up questions: (1) how competitive is the multichannel video programming distribution market today, not only here in Texas but throughout the United States?, and (2) what can we do to make it even more competitive?

This year's video competition report describes the current state of the MVPD marketplace. I commend Bureau Chief Gregg and Ms. Glauberman and their colleagues in the Media Bureau's Industry Analysis Division for their good work. We must rely upon your expertise along with real-world experience – like we are obtaining here today – in order to make the best possible decisions. And based upon this report, it appears that although incumbent cable operators remain the leading provider of multichannel video programming, their market shares continue gradually to decline. And while I applaud the DBS providers for the competitive inroads they have made, particularly in rural areas not served by cable, I believe that wireline competition should be encouraged as well.

Which leads me to my second question: what can policymakers do to foster greater video competition envisioned by Congress? Here in Texas, legislation passed last year to facilitate the entry of new providers established a streamlined process by which new entrants can obtain state-issued certificates of franchising authority. Other states are considering enacting similar laws, and franchising reform also is being considered at the federal level. Representative Marsha Blackburn from my home state of Tennessee last June introduced the Video Choice Act of 2005, which would have eliminated cable franchise requirements for companies already authorized to access public rights-of-way.

Meanwhile, the FCC initiated an investigation into the local cable franchising process for competitive entrants last November, prior to my arrival. This Section 621 rulemaking seeks to determine whether the franchising process serves as an unreasonable barrier to entry for new providers and, if so, what remedial steps the Commission might take. Comments are due on Monday, February 13th. I look forward to working with my fellow Commissioners on this proceeding in the months ahead. I also look forward to hearing from consumers and others here today, and interested parties everywhere, regarding what we can do to increase investment, innovation, and deployment of multi-use broadband networks throughout the United States.

Thank you.