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July 29, 2008

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

**Re: Notice of *Ex Parte* Presentation
CSR-7902-Z
CS Docket No. 97-80**

Dear Ms. Dortch:

On July 28, 2008, Tom Might, President and Chief Executive Officer, Cable One, Inc. ("Cable ONE"), Patrick Butler, Senior Vice President, The Washington Post Company, and the undersigned met with Nancy Murphy, MaryBeth Murphy, Steve Broeckaert and Brendan Murray of the Media Bureau. They discussed matters related to the comments filed by Cable ONE on June 16, 2008 in support of the above-referenced waiver request submitted by Evolution Broadband, LLC, and as summarized on the attached. Mr. Might also followed-up with an email to the meeting participants from the Media Bureau, the text of which is attached.

Very truly yours,

A handwritten signature in cursive script that reads 'Arthur H. Harding'.

Arthur H. Harding
Counsel for Cable One, Inc.

cc: Nancy Murphy
MaryBeth Murphy
Steve Broeckaert
Brendan Murray

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**AN HISTORIC OPPORTUNITY
FOR HDTV**

Cable ONE

July 2008

CABLE ONE

- Small MSO with only 700,000 subscribers
 - Less than 1% of the MVPD subscriber base
- Focus on smaller, mostly rural markets
 - Average franchise community of 2,000 subscribers
 - Average system size of 17,000 subscribers
- Full-service competitive provider to smaller markets
 - 99% availability of high-speed internet
 - 93% availability of cable phone service
- Extraordinary customer satisfaction
 - Same day service guaranteed
 - Video price freezes in 2003, 2005 and 2007

PUBLIC INTEREST IS SHIFTING

- The 1992 Cable Act was written for an analog-only TV world. There was no digital cable, no satellite TV, no IPTV, not even the Internet.
- The subsequent 15 years of FCC rulemaking carefully interpreted the law to suit the public interest during a long era of hybrid technology - basic analog services with advanced digital services.
- As the nation transitions to an all-digital HDTV future, the public interest is shifting again and FCC policy on settops should lead the way.

THE EMERGING PUBLIC INTEREST

- We believe the emerging public interest to be:
 - The maximum deployment of HDTV
 - At the lowest price
 - To the greatest number of consumers
 - At the earliest possible date
- Unfortunately, certain outdated hybrid era rules serve to indirectly, but emphatically, block this result as cable migrates to All-Digital.
- The FCC has an historic opportunity, and the requisite authority, to maximize consumer access to HDTV in this country.

HD IS NO LONGER “ADVANCED”

- Characterizing HD functionality as advanced and limiting “low cost, limited functionality” waivers to non-HD boxes may have been appropriate when the 2005 Deferral Order was written. There were only 20 HD networks; there were very few HDTVs in homes; and HD settop technology was rather exotic and expensive.
- Today, however, virtually every network is available in HD, virtually every new TV purchased is HD-capable, and a simple HD settop does not have to be expensive.
- In light of this evolution, ensuring a successful HD deployment is the most important TV transition since the advent of color TV.

AFFORDABLE HD FOR CONSUMERS

- The least expensive HD-capable settop available from Motorola costs \$300.
- So even when companies like Cable ONE offer HD programming for free to anyone receiving the analog version, HD is not an affordable option for many subscribers due to the cost of the settop box.
- Evolution Systems and other CE companies can make an HD-capable device with a wholesale cost of as little as \$50 by 2009. We could lease this box to subscribers for as little as \$1/month.
- Enabling cable operators to offer customers affordable access to HD content serves the public interest.

VIEWERS DEMAND MORE HD

- In 2002 and in the public interest, the FCC wisely required that all new TVs include a digital tuner by 2007, even though only 13% of those over-the-air tuners would ever be used to receive HD programming.
- In contrast, hybrid era regulations prevent HD tuners from being included in affordable cable settops, which is how the vast majority of TV viewing will be done in the decade ahead, with cable settops and not over-the-air.
- Encouraging or requiring HD tuners in all new digital cable settops would be in the emerging public interest.

DCT700 WAIVERS

- The Commission has granted waivers for certain integrated boxes, such as the Motorola DCT700, to systems committing to go All-Digital by February 17, 2009.
- Cable ONE did not purchase Motorola DCT700 settops, nor have we asked for a waiver to allow such purchases in the future, because the DCT700 does not process HD signals.
- Encouraging cable operators to deploy non-HD settops, just as the consumer's interest in HDTV is exploding, is not in the public interest going forward.

RECLAIMING ANALOG WITHOUT HD

- Starting this year, without HD-enabled low-function settop waivers, the cable industry will buy 75-125 million inexpensive non-HD Digital-To-Analog (DTA) devices to reclaim cable's analog spectrum.
- These DTAs deliberately omit HD and conditional access to fall outside the settop integration ban.
- For very little additional cost, these 75-125 million cable TV outlets could/would/should have been HDTV-ready outlets.
- By allowing a massive quantity of new non-HD devices to be deployed, the FCC would be missing a golden opportunity to facilitate viewers' ability to receive HD programming.

RECOMMENDATION #1:

Grant Blanket Waiver For Low-Cost, Limited Functionality
HD Settops Under 2005 Deferral Order

- The FCC should act decisively to grant waivers for low cost, limited functionality HD-capable settops in order to promote the public interest in:
 - the maximum possible deployment of HD
 - at the lowest price
 - to the greatest number of consumers
 - at the earliest possible date
- A simple update of the FCC's low cost, low function waiver standard can accomplish this without upsetting the progress made on the commercial availability of high-function equipment.
- The logic is compelling, the facts are real, and the decision would be an historic leap forward for HDTV.

LOW-FUNCTION HD SETTOP

- The low function HD All-Digital Device (ADD) that the FCC should encourage would:
 - Not be two-way or have broadband access
 - Not contain an EPG, DVR or multiple tuner
 - Not do VOD or SDV
- It would be comparable in price and size to the government subsidized broadcast DTV over-the-air device.
- The HD ADD proposed by Cable ONE uses open standards and can be made by any CE manufacturer.
- The HD ADD will not endanger the competitive marketplace for CE devices because cable operators will still have to support CableCARDS for leased and purchased high-end devices, which will still be in great demand.

GOALS OF 2005 DEFERRAL ORDER

- The proposed waiver is entirely consistent with the goals of the 2005 Deferral Order.

“The availability of low-cost boxes will further the cable industry’s migration to all-digital networks, thereby freeing up spectrum and increasing service offerings such as high-definition television. Accordingly, as cable systems migrate to all-digital networks, we will also consider whether low-cost, limited capability boxes should be subject to the integration ban or whether cable operators should be permitted to offer such low-cost, limited capability boxes on an integrated basis.”

RURAL DIGITAL DIVIDE RISK

- Allowing deployment of a low cost, low function HD-capable device will also address a second important public interest – the rural digital divide.
- Smaller and more rural cable systems have less bandwidth (channel capacity) than urban systems.

| NOMINAL BANDWIDTH | 6 MHz CHANNELS |
|-------------------|----------------|
| 450 MHz | 65 |
| 550 MHz | 82 |
| 750 MHz | 115 |
| 860 MHz | 133 |
| 1 GHz | 157 |

Rural Cable Systems

Urban Cable Systems

- 60% of Cable ONE's customers are served by only 550 MHz.

ALL-DIGITAL BRIDGES THE DIVIDE

- The rapidly growing consumer demand for HD video networks and faster high speed internet pipes has exhausted our more limited channel capacity.
- Without an economical solution to this problem in the near future rural cable customers, like ours, will start to have far fewer HD networks and far slower internet speeds than their urban cable counterparts.
- Converting our hybrid analog-digital plants to All-Digital HD plants can convincingly solve this pending new form of rural digital divide.

| | |
|-------------------------------------------------|---------------------|
| 55 <u>analog</u> channels @ 6 MHz = 330.0 MHz | Savings = 302.5 MHz |
| 55 <u>digital</u> channels @ 0.5 MHz = 27.5 MHz | |

LOW COST HD DEVICE IS KEY

- However, the economics only work for Cable ONE and its customers if a low-cost, low-function HD device is allowed by the FCC, because Cable ONE needs 1.7 million such devices.

| | |
|-----------|------------------------------------------------------|
| 700,000 | Cable ONE video homes |
| x 3 | Average TVs per home |
| 2,100,000 | Total TVs connected to Cable ONE Plant |
| -400,000 | Digital set-tops already deployed |
| 1,700,000 | TVs requiring a digital device to enable All-Digital |

- At \$300 per HD settop, the total cost would be \$495 million versus only \$85 million at \$50 per HD ADD.

RECOMMENDATION #2:

Limit Lost-Cost, Limited Functionality HD Settop Waivers To Smaller Operators

- If, for some reason, recommendation #1 cannot be implemented in the near future for all cable systems, then it should be adopted for all smaller, mostly rural cable systems with limited bandwidth. We suggest low cost, limited function HD boxes be permitted for systems:
 - That have less than 750 MHz bandwidth;
 - AND**
 - That are operated by companies with fewer than 1% of MVPD universe.
- If necessary, this small-rural exemption could also be limited to systems committing to go All-Digital. We suggest:
 - A 12-month time frame from the date of the waiver grant.
 - On a system-by-system basis.
- To enhance consumer benefits, waiver recipients could be required to lease these boxes for \$1 or less per month, and should be encouraged to provide them for free.

I failed to bring enough business cards to our meeting yesterday. My details are below. Please contact me in the months ahead if I can provide any more information.

Thank you for giving me so much time yesterday to describe the "Historic" HD opportunity that we see slipping by. To underline that point, Comcast announced yesterday that they are extending support for their non-HD DTA to the HITS platform as well. If/when I obtain a copy of last week's CTAM research report that claims only 41% of households with HDTVs are subscribing to HD programming, I will pass it along. What a shame, since most cable operators don't charge for it. In the meantime, the quote from CableFAX is attached, since it was not included in the deck of slides that I left behind.

Sneak Peek: CTAM Looks at Consumer Usage of All Things Cable

It's July. It's hot. It must be time for **CTAM Summit**. But wait! The marketing association took mercy on us and moved its

big conference to Nov 9-11 in Boston. Still, some may feel like something's missing. July with no Summit? So, CTAM held

a free Webcast Tues to tease us with new research. On the HD front, it was good to see that 45% of those surveyed in

CTAM's Co-Op study said they make it a point to watch HD programs most of the time. The bad news?

Of the 35% of respondents

with HDTVs, only 41% subscribed to HD programming.