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EX PARTE

April 20, 2012

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: *In the Matter of Amendment of the Commission's Rules Related to Retransmission
Consent*, MB Docket No. 10-71

On April 19, 2011, Melissa Newman and Daren Miller, in person, and Tiffany Smink, Susan Mohr, Joy McConnell-Couch, Mary LaFave, Glenda Weibel and Chris Lanasa, by telephone, all of CenturyLink, met with Bill Lake, Michelle Carey, Diana Sokolow, Nancy Murphy and Steven Broeckaert of the Media Bureau to discuss the above-captioned proceeding.

The attached presentation was used as the basis for the discussion.

Sincerely,

/s/ Melissa Newman

Attachment

Copy via email to:
Bill Lake
Michelle Carey
Diana Sokolow
Nancy Murphy
Steven Broeckaert

Retransmission Consent
MB 10-71
Notice of Proposed Rulemaking

FCC Meeting
April 19, 2012



CenturyLink as a MVPD

- Large telco with smaller video operation.
 - PRISM IPTV service is available in Gulf Shores, AL; Columbia and Jefferson City, MO; La Crosse, WI; Las Vegas, NV; Fort Myers, Orlando and Tallahassee, FL; and Raleigh, NC.
 - Analog cable service over traditional hybrid fiber-coax is available in Omaha, NE; Gypsum and Eagle, CO; and other areas in IA and WI.
 - Digital cable service over FTTP architectures is available in CO, AZ and UT.
- CenturyLink's entry adds much needed **consumer choice** in the facility-based video distribution market.
 - CenturyLink is generally the **only facility-based competitor to the local** cable provider in markets it enters.
 - The consumer benefits of facilities-based video provider choice include:
 - **New capabilities**
 - **Differentiated programming and pricing options**
 - **Bundled video, data and voice options**

PRISM™ Overview

What is CenturyLink™ Prism™?

- As an MVPD, CenturyLink offers Prism, one of the most advanced TV services delivered over CenturyLink's dynamic fiber-optic network. It's not cable or Satellite TV.
- CenturyLink™Prism™ TV is an interactive TV service you control. Any show. Any time. From any Prism-connected TV in your home utilizing the Whole Home DVR. And Prism TV offers a combination of advanced features that cable doesn't, such as Interactive Dashboard, warp – speed channel change, find it fast navigation and more.
- Plus the things you expect to get from your TV service like your favorite channels, Video On-Demand, and crystal clear HD.
- Prism has tons of Hollywood box office hits, award-winning original series and special events from HBO®, SHOWTIME®, Cinemax®, STARZ®/ENCORE® and The Movie Channel™ plus many international channels.
- <http://www.youtube.com/centurylink>



Broadcast Programming Costs are Increasing Exponentially

- According to the *FCC Report on Cable Industry Prices* released on February 14, 2011, for the 12 months ending in January 1, 2009, operators incurred **average increases** in monthly programming expenses per subscriber of **\$1.32 or 8% for expanded basic service, from \$16.35 in 2007 to \$17.67 in 2008.**
- The **average monthly retransmission fee** is about 33 cents per subscriber per month, as of the third quarter 2011 – **up 27%** over the same period in 2010 and **47%** over the same period in 2009, per SNL Kagan.
<http://www.mediapost.com/publications/article/167912/tv-retrans-fees-soar-27.html>
- Moody's expects retransmission **fees to triple to \$3.6 billion** by the end of 2017, mirroring a May report by cable and broadcast research giant SNL Kagan.
http://www.multichannel.com/article/477453-Broadcasters_Feel_Squeeze_and_Will_Hike_Fees.php.php
- The CenturyLink Experience

Consumers are Harmed by Increased Broadcast Programming Costs

- According to the *FCC Report on Cable Industry Prices* released on February 14, 2011, for the 12 months ending in January 1, 2009 the average monthly prices of expanded basic service for *all* communities surveyed *increased* by 5.9% compared to an increase of 0.1% for the Consumer Price Index.
- Providers are raising basic cable programming packages fees to cover increased retransmission-consent fees.
 - Cox Communication's Chesapeake, Va.-based system raised fees for basic-cable from \$18 to \$21.30 monthly on April 2, 2012. *"The rising cost of programming--not just LIN--is the single largest factor in customer price increases," Cox spokesman Todd Smith told FierceCable Friday. "These rising costs impact all our markets."*
<http://www.fiercecable.com/story/cox-raises-basic-cable-fees-18-cover-retrans-fee-hikes/2012-03-09>
 - West River Cable Television notified customers that effective March 1, 2012, *"due to hefty increases in in retransmission consent fees and programming costs" West River Cable "must raise our cable television rates"*.
<http://www.sdplains.com/files/2012%20Rate%20Increase%20for%20Bison%20pdf.pdf>

Retransmission Consent - a Broadband Issue

- Both federal and state regulators have recognized that broadband adoption increases significantly when it is offered along with video services, and that the federal goals of enhanced cable competition and rapid broadband deployment are interrelated.
- Rural providers that offer broadband along with video have broadband adoption rates that are 24 percent higher than those offering broadband alone.
- The Commission has recognized that the lack of bargaining power held by small video providers leaves them and their customers particularly vulnerable to the negative impacts of being forced to either accept whatever prices and terms are dictated by a content provider, or to forgo access to that programming.
- The Commission has been provided with ample evidence that outdated retransmission consent rules are impeding market forces in the video services sector to the detriment of consumers of both video and broadband services.

Potential Remedies to Provide Consumers with Video Choice

- **Interim Waiver of Non-Duplication and Syndicated Exclusivity Rules**
 - Protect consumer access to video content by suspending the non-duplication and syndicated exclusivity rules during unresolved or unsuccessful retransmission consent negotiations by permitting MVPDs temporary access to national duplicate programming.
- **Ensure Access to Broadcast Programming on Fair and Reasonable Terms**
 - Identify criteria that are appropriate competitive marketplace considerations such as market size, station size, and how content is available over other platforms.
 - The market definition should be broadly defined to include a dominant provider within each market;
 - The FCC should gather retransmission consent fee data from broadcasters to determine whether each market is competitive;
 - For those markets determined to be non-competitive as it relates to retransmission fees, the FCC should allow all MVPD's within a defined market to obtain the same retransmission consent fees at the same rate as the dominant MVPD in the market.