Before the
Federal Communications Commission
Washington, D.C. 20554

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| In the Matter of | ) | |
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| Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming | ) | MB Docket No. 15-158 |
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To: The Commission

## REPLY COMMENTS OF THE NATIONAL ASSOCIATION OF BROADCASTERS

The National Association of Broadcasters (NAB)[1] submits these reply comments briefly responding to the comments of a number of multichannel video programming distributors (MVPDs) in this proceeding assessing the status of competition in the market for the delivery of video programming.[2] For many of the same reasons that NAB set forth in its initial comments and in other proceedings, we dispute the MVPDs' characterization of the pay television industry as highly competitive and their claims that the retransmission consent regime needs to be "fixed" in their favor. Given the recent and continuing massive consolidation in the MVPD industry, the Commission should take a hard look at competitive conditions in the video marketplace, including ensuring that consumers' interests are not compromised.

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[1] The National Association of Broadcasters is a nonprofit trade association that advocates on behalf of local radio and television stations and broadcast networks before Congress, the Federal Communications Commission and other federal agencies, and the courts.

[2] *Media Bureau Seeks Comment on the Status of Competition in the Market for the Delivery of Video Programming,* Public Notice, MB Docket No. 15-158, DA No. 15-748 (rel. Jul. 2, 2015) (*Notice*).

## I. Rather Than Highly Competitive, the MVPD Marketplace Is Highly And Increasingly Consolidated

Several MVPD industry commenters agree that competition is the "hallmark of the MVPD marketplace."[3] NAB wonders if these commenters are observing the same marketplace as everyone else. As NAB empirically demonstrated in its initial comments, the MVPD industry is highly consolidated at the local, regional and national levels and only continues to become more concentrated through mergers, such as the recent AT&T/DIRECTV merger and the proposed Charter/Time Warner Cable (TWC)/Bright House merger.[4]

According to the most recent SNL Kagan data, TWC alone – even before any merger – controls over 40 percent of the *total* MVPD market in 30 different DMAs, ranging from the top-25 (*e.g.*, Cleveland, OH) to among the smallest (*e.g.*, Presque Isle, ME).[5] In eight DMAs, TWC's share of the entire MVPD market exceeds 60 percent.[6] Standing alone, Charter controls over 40 percent of the MVPD market in ten more DMAs, ranging from the mid-sized (*e.g.*, Madison, WI) to the very small (*e.g.*, Helena, MT), and in several additional DMAs, the merger of TWC and Charter will give the combined entity control of more than 40 percent of the MVPD market.[7]

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[3] Comments of the National Cable & Telecommunications Association (NCTA), MB Docket No. 15-158, at 2 (Aug. 21, 2015); *accord* Comments of Verizon, MB Docket No. 15-158, at 11, 16 (Aug. 21, 2015) (characterizing video marketplace as "competitive" and "increasingly competitive"); Comments of AT&T Services, Inc., MB Docket No. 15-158, at 1, 15 (asserting that "competition for the delivery of video programming has never been stronger" and that the combined AT&T/DIRECTV "will stimulate even greater competition" going forward).

[4] *See* Comments of NAB, MB Docket No. 15-158, at 16-21 (Aug. 21, 2015) (citing data on MVPD dominance in individual DMAs and nationwide).

[5] SNL Kagan, Media Census estimates, Q2 2015.

[6] *Id*. These DMAs are Honolulu, HI (77.9%); Utica, NY (74.7%); Rochester, NY (69.2%); Albany, NY (67.4%); Watertown, NY (65.7%); Syracuse, NY (65.4%); Portland, ME (60.4%); and Laredo, TX (60.3%).

[7] In Charlotte, NC, Green Bay, WI and Lincoln, NE, the combined TWC/Charter will surpass the 40% market share threshold, and in other markets (e.g., Wilmington, NC and Milwaukee, WI) the combination with Charter will increase TWC's already 40%-plus market share to over 50%. The merger

By any standards, the combined Charter/TWC/Bright House will have market power in a significant number of DMAs (as do other MVPDs in other markets),[8] and will be increasingly consolidated on a regional basis.[9] The Commission should not continue to ignore MVPD concentration at the regional and local levels.[10] As NAB previously explained, economic studies have found that large, clustered cable companies charge consumers higher prices than smaller, unclustered cable operators, as clustering discourages the entry of overbuilders into local markets.[11] Unsurprisingly, the FCC's Chief Economist, David Waterman, on multiple occasions has identified "horizontal market power at the MSO level" as the "fundamental source" of potential "anticompetitive behavior" in the marketplace.[12]

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also gives the combined entity a dominant presence in large Florida markets, as Bright House standing alone controls over 50% of the MVPD market in both the Orlando and Tampa DMAs.

[8] Even without accounting for any recently-approved or pending mergers, NAB reported 96 DMAs in which a single MVPD possessed a market share of 40% or higher (including 49 DMAs in which a single MVPD enjoyed a 50% or higher share of the entire MVPD market). NAB Comments at 19-20.

[9] FCC, Public Notice, *Commission Accepts for Filing Applications of Charter Communications, Inc., Time Warner Cable, Inc., and Advance/Newhouse Partnership for Consent to Transfer Control of Licenses and Authorizations*, MB Docket No. 15-149, DA 15-856, at 6 (July 27, 2015) (noting that proposed merger would give the combined company "denser geographic coverage" and "increasing density within multiple regions").

[10] *See* NAB Comments at 17-19.

[11] *See* NAB Comments at 17-18 & nn. 89-90, citing Philip Reny and Michael Williams, *The Deterrent Effect of Cable System Clustering on Overbuilders*, 35 Economics Bulletin 519 (Mar. 2015); Hal J. Singer, *Does Clustering by Incumbent Cable MSOs Deter Entry by Overbuilders?* (2003), available at http://ssrn.com/abstract=403720

[12] David Waterman, *Vertical Integration and Program Access in the Cable Television Industry*, 47 Fed. Comm. L.J. 511, 531 (1995) (also explaining that an "individual local cable system may have bargaining leverage over local or regional program suppliers, whether that system is affiliated with a large MSO or not"). *See also* David Waterman and Sujin Choi, *Non-Discrimination Rules for ISPs and Vertical Integration: Lessons from Cable Television*, 35 Telecommunications Policy 970 (2011) (concluding that the "long history of the cable industry and the short history of the broadband Internet industry" demonstrate that the "fundamental policy concerns from an economic perspective" stem from "the presence of horizontal market power at the MSO or ISP level," and that "[b]oth local and national market shares of ISPs . . . influence this market power"); David Waterman and Andrew Weiss, Vertical Integration in Cable Television, The MIT Press and The AEI Press, at 141 (1997) ("horizontal market power, especially at the cable system operator level, is the basic ingredient for successful foreclosure of other MVPDs").

In addition, an analysis last month from Multichannel News concluded that "consolidation creates a top-heavy list of [the] 25 largest MVPDs" nationally, and that "there is no doubt that that further consolidation is coming."[13] Indeed, further consolidation has already come, as just last week Altice, the owner of Suddenlink Communications, announced its acquisition of Cablevision, resulting in the combination of the seventh and eighth largest MVPDs.[14] According to media analysists, the "Cablevision deal is likely to trigger a fresh round of consolidation that could roll up the last independent standouts among midsize to large U.S. cable companies."[15]

Even before this most recent announced merger and expected additional ones in the future, Multichannel News identified the top 25 MVPDs in 1985, 1995, 2000 and 2015, revealing extraordinary consolidation during the past 30 years. For example, in 1985, the four largest MVPDs had only 9.9 million subscribers, which rose to 30 million in 1995, 43.54 million in 2000, and 79.7 million today, assuming the Charter/TWC/Bright House merger is approved.[16] Tellingly, the subscribership of the largest MVPD, the combined AT&T/DIRECTV, now exceeds by more than two million the subscribership of the top 25 MVPDs *combined* in 1985.[17] SNL Kagan confirms that, if the Charter/TWC/Bright House merger is approved, then the top four MVPDs will control 79 percent of the nationwide MVPD market (measured in terms of subscribers),[18] and the top *three* alone "will control two-thirds of the video delivery

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[13] Mike Farrell, *Eat or Be Eaten*, Multichannel News (Aug. 17, 2015) (attached hereto).

[14] *See* M.J. de la Merced and A.R. Sorkin, *Altice in Deal to Take Over Cablevision*, The New York Times (Sept. 17, 2015).

[15] Kyle Daly, *Analysts: Cablevision Deal Signals Next Phase in Consolidation*, SNL Kagan (Sept. 17, 2015).

[16] *See Eat or Be Eaten*, at 8-10.

[17] *See* NAB Comments at 17, citing *Eat or Be Eaten*, at 8-9.

[18] SNL Kagan, Media Census estimates, Q2 2015.

universe."[19] In contrast, the FCC found that in 2002 the four largest MVPDs controlled 50.5 percent of the MVPD market nationally.[20]

While NAB readily acknowledges that cable is no longer the only type of multichannel video provider,[21] that fact does not automatically translate into robust competition in the video marketplace. As NAB previously explained, in years past, multiple cable systems typically operated within DMAs, each serving some fraction of the market. Now, as the result of local and regional consolidation, there are often only one or two dominant cable systems, each serving a high proportion of television households in many local markets.[22] One therefore must analyze the concentration of MVPDs nationally and in specific local and regional markets to make determinations about competition, rather than rely on the truism that there are different types of MVPDs today. And it is undisputable that the MVPD marketplace is much more concentrated now than in the past, given that "horizontal integration in the cable industry" – and now the MVPD industry as a whole – has "never shown any serious inclination to reverse or even stabilize."[23]

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[19] Tony Lenoir, *AT&T, Comcast pro forma Charter control 66% of US video market based on MediaCensus Q2'15 data*, SNL Kagan (Sept. 1, 2015).

[20] *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming*, Ninth Report, 17 FCC Rcd 26901, 26958 (2002).

[21] *See* NCTA Comments at 2; AT&T at 6.

[22] *See* NAB Reply Comments, MB Docket No. 10-71, at 12-15 (June 27, 2011); NAB Supplemental Comments, MB Docket No. 10-71, at 11 (May 29, 2013); *see also supra*, p. 2; NAB Comments at 19-20 (setting forth the high MVPD market shares of individual cable operators in many DMAs).

[23] Patrick Parsons, *Horizontal Integration in the Cable Television Industry: History and Context*, 16 J. Med. Econ. 23, 38 (2003). Small rural MVPDs in this proceeding made clear the difficulties they have in competing against other video providers with greater "scale and scope." Comments of NTCA-The Rural Broadband Association, MB Docket No. 15-158, at 2 (Aug. 21, 2015) (reporting that 67% of its members "identified the difficulty of competing with other video providers as a major impediment" to their provision of video services); *accord* Comments of WTA-Advocates for Rural Broadband, MB Docket No. 15-158, at 2 (Aug. 21, 2015) (remarking that its members "compete" with DISH and the conbined AT&T/DIRECTV) (quote marks in original).

## II. Particularly In Light of MVPD Consolidation, The Commission Should Reject MPVDs' Call For Tilting The Retransmission Consent Marketplace In Their Favor

Several MVPD commenters in this proceeding made their usual complaints about the supposedly "broken" retransmission consent system and how the Commission should intervene in the retransmission consent marketplace established by Congress to "fix" it, no doubt in a way that gives them increased leverage in retransmission negotiations.[24] NAB has refuted these, and similar complaints and proposals for altering the retransmission consent system, in numerous prior submissions.[25] NAB will not repeat these arguments here, but we note that unmeritorious, if not flatly unlawful, proposals for changing retransmission consent do not improve with age or repetition.[26]

Given the rapid and continuing consolidation in the MVPD industry, NAB also observes the irony of the largest MVPDs in the land complaining about retransmission consent and the

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[24] *See, e.g.*, Comments of Verizon, at 6-9 (noting the FCC's "obligation to prohibit a *broadcast* station from failing to negotiate in good faith" but ignoring the reciprocal obligation on MVPDs, and calling for myriad changes to retransmission consent process, including "a mandatory standstill" and forced "interim carriage") (emphasis added); AT&T Comments at 14-15 (calling on FCC to "thoroughly revamp the retransmission consent regime," and referring to its proposals made in previous proceedings); WTA Comments at 2, 10 (asserting that its members are "required" to pay "often discriminatory prices" for broadcast and cable programming, and calling on FCC to become involved in program pricing to prevent all programmers from "demand[ing] unreasonable increases" in fees); NTCA Comments at 6, 15 (supporting FCC involvement in program pricing to ensure that small MVPDs are given "affordable" or "favorable" prices and other terms and conditions).

[25] *See, e.g.*, NAB Comments, MB Docket No. 10-71 (May 27, 2011); NAB Reply Comments, MB Docket No. 10-71 (June 27, 2011); NAB *Ex Parte* Communication, MB Docket No. 10-71 (Nov. 15, 2013); NAB *Ex Parte* Communication, MB Docket No. 10-17 (Dec. 5, 2013).

[26] For example, the Commission still lacks authority under the Communications Act to allow MVPDs to carry broadcast signals, on an "interim" or long-term basis, without the broadcasters' consent. *See* 47 U.S.C. § 325(b)(1) (no cable system or other MVPD "shall retransmit the signal of a broadcasting station," "except with the express authority" of the station). Similarly, the Act expressly provides that it is not a failure of a broadcaster's duty to negotiate retransmission consent in good faith if a "station enters into retransmission consent agreements containing different terms and conditions, including price terms, with different" MVPDs. 47 U.S.C. § 325(b)(3)(C).

fees they pay to broadcasters.[27] Retransmission consent is not "broken" merely because broadcasters are now receiving greater retransmission consent fees than in the past, particularly given the ratings earned by broadcast programming. As NAB and independent analysts have long pointed out, many cable networks for years have received fees well beyond those paid to broadcasters on a per-viewer basis.[28] Complaints about "skyrocketing" retransmission consent fees[29] continue to ring hollow, given SNL Kagan's estimate that in 2014 total broadcast retransmission consent fees were *less* than the programming fees paid to regional sports networks and reached only 10.8 percent of the programming fees paid to basic cable and regional sports networks combined.[30] Interestingly, the large MVPDs complaining about the fees paid to broadcasters make no reference to the high costs of any *non*-broadcast programming. In every other context, moreover, these large MVPDs argue for the Commission to take a hands-off approach, and eschew regulatory solutions in favor of the marketplace.

In examining competition in the video marketplace generally or the alleged need to intervene in the retransmission consent marketplace specifically, the Commission should keep in mind the sheer size and scope of the leading MVPDs. Broadcast television station groups are dwarfed by the telcos and cable/satellite operators, with the market capitalization

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[27] *See* AT&T Comments at 13-14 (calling for remedies for "exploding" and "skyrocketing" retransmission consent fees); Verizon Comments at 9 (complaining about "exorbitant" and "skyrocketing" fees).

[28] *See, e.g.*, NAB Reply Comments, MB Docket No. 10-71, at 15-18 (June 27, 2011); Diana Marszalek, *Ryvicker: Stations Losing $10.4B in Retrans*, TV NewsCheck (Sept. 18, 2013) (quoting Wells Fargo analyst Marci Ryvicker as saying that broadcast TV stations "capture[] 35% of the audience" but receive just "7% of programming fees").

[29] AT&T Comments at 13; Verizon Comments at 9.

[30] SNL Kagan, *Broadcast Retransmission Fees vs. Basic Cable and RSN Programming Fees* (June 2015).

of AT&T/DIRECTV, for example, being *200 times* larger than the market cap of even sizable broadcast television companies.[31]

Despite protestations to the contrary,[32] today's MVPD behemoths do not need the FCC's interference in retransmission consent negotiations to level the playing field for them. Local broadcasters are the ones that often must negotiate retransmission consent with a dominant MVPD possessing significant negotiating leverage, particularly in the many DMAs where a single pay TV provider controls a high percentage of the MVPD market.[33] And while the Commission has allowed unprecedented consolidation in the MVPD industry, the FCC's rules still prevent the common ownership of two broadcast TV stations in most DMAs and even prohibit most agreements between two same-market stations for the joint sale of advertising time. This regulatory disparity has produced an increasingly severe competitive disparity, as local stations are prevented from achieving the economies of scale and scope that their MVPD competitors enjoy.[34] Ultimately, consumers that rely upon broadcast TV services, especially in smaller markets, will be the ones harmed by these disparities in the video marketplace.

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[31] According to Yahoo Finance, as of September 2, 2015, AT&T/DIRECTV had a market cap of $201 billion, Verizon had a market cap of $182 billion, Comcast, $142 billion, and TWC/Charter combined, $72 billion. In contrast, TV station group owners such as Media General, Scripps and Nexstar had market caps of $1 billion.

[32] *See, e.g.*, Verizon at 1, 8 (advocating for a host of changes to retransmission consent system to "restore balance" to negotiations and enable broadcasters and MVPDs "to negotiate on a more equal footing"); AT&T Comments at 14 (contending that retransmission consent process needs "re-balancing").

[33] MVPDs do not need to be the size of AT&T/DIRECTV or Charter/TWC to possess a dominant share of the total MVPD market in individuals DMAs. For example, Suddenlink controls 60.1% of the entire MVPD market in Parkersburg, WV, 59.9% in Victoria, TX, and between 40-50% in a number of other DMAs. SNL Kagan, Media Census estimates, Q2 2015.

[34] See, e.g., NAB Comments at 23-27; NAB Comments, MB Docket No. 14-50, at 38-58 (Aug. 6, 2014).

## III. The Consolidated MVPD Marketplace Contributes To Widespread Consumer Dissatisfaction

As NAB documented in a recent submission,[35] MVPD subscribers express clear dissatisfaction with their MVPD services. A recent Consumer Reports survey on telecommunications services found that "consumers continue[] to express dissatisfaction with their TV and internet providers, giving most poor reviews."[36] Indeed, Consumer Reports concluded that "lousy cable service seems to be one of life's certainties," "[a]long with death and taxes."[37]

These negative consumer attitudes are unsurprising. The FCC's own reports on cable industry prices have shown that over the 19-year period from 1995-2014, expanded basic cable prices increased at a compound average annual rate of 5.9 percent, compared to a 2.4 percent compound average rate of growth in the Consumer Price Index.[38] In a truly competitive MVPD market, price increases notably above the rate of inflation could not be sustained for nearly two decades, and complaints about customer service and support would not be so consistent and nearly universal.[39]

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[35] *See* Opposition of NAB to Petition for Rulemaking by Mediacom Comm. Corp., RM-11752, at 2, 10-12 (Aug. 14, 2015).

[36] Consumer Reports, *Cable-TV and Internet Subscribers Remain Unhappy Customers* (May 29, 2015).

[37] *Id*.

[38] *Report on Cable Industry Prices*, DA 14-1829, at ¶ 28 (Med. Bur. Dec. 15, 2014). NAB observes, again, that the MVPD industry cannot attribute these consistent increases in consumer prices to retransmission consent fees, as those price increases began years before cable operators started providing cash compensation to broadcasters. As late as 2005, the FCC found that "cash still has not emerged as a principal form of consideration for retransmission consent" and that "virtually all retransmission consent agreements" involve "in-kind compensation." FCC, *Retransmission Consent and Exclusivity Rules: Report to Congress Pursuant to Section 208 of the Satellite Home Viewer Extension and Reauthorization Act of 2004* (Sept. 2005).

[39] See Opposition of NAB to Petition for Rulemaking by Mediacom Comm. Corp., RM-11752, at 10-12 (Aug. 14, 2015); Consumer Reports, *Cable-TV and Internet Subscribers Remain Unhappy Customers* (May 29, 2015).

## IV. Conclusion

Beyond reforming outdated ownership rules so that local TV stations can compete and serve consumers effectively, NAB recently argued that the Commission should do more to help consumers disadvantaged in their dealings with large MVPDs.[40] In light of the rapid consolidation in the pay TV industry documented in this proceeding, and continuing consumer dissatisfaction with MVPD services, we repeat our call for the Commission to exercise its authority under Section 632 of the Communications Act, or under other provisions of the Act, to adopt and enforce updated customer service standards for MVPDs.[41]

Respectfully submitted,


**NATIONAL ASSOCIATION OF BROADCASTERS**
1771 N Street, NW
Washington, DC 20036
(202) 429-5430

Jerianne Timmerman
________________________________
Rick Kaplan
Jerianne Timmerman


September 21, 2015

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[40] *See* Opposition of NAB to Petition for Rulemaking by Mediacom Comm. Corp., RM-11752, at 12-13 (Aug. 14, 2015).

[41] *Id*.

# Eat or Be Eaten

## CONSOLIDATION CREATES A TOP-HEAVY LIST OF 25 LARGEST MVPDs BY MIKE FARRELL

The cable universe is shrinking.

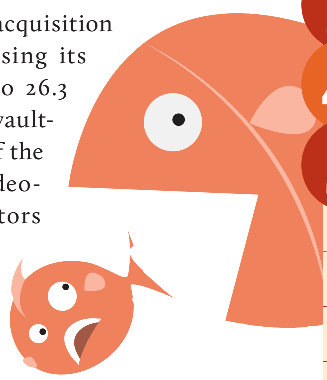
Consolidation, competition and new viewing habits are irrevocably changing the pay TV landscape, with more contraction expected as larger deals close and smaller cable systems are snapped up by their larger peers.

But unlike years past, when deals were driven by a desire to cluster operations more efficiently, the coming consolidation wave seems sparked purely by a need to get bigger — bulking up to roll out new services more effectively and cheaply across a broader base, and to help keep rising programming costs in check.

Cable operators aren't the only ones looking for scale. AT&T completed its $48.5 billion acquisition of DirecTV in July, raising its video-subscriber tally to 26.3 million customers and vaulting the telco to the top of the list of multichannel video-programming distributors (MVPDs). Comcast, which abandoned its $67 billion pursuit of Time Warner Cable in April when it determined regulators would not sign off on the deal, is still a solid No. 2 with 22.3 million subscribers.

**TAKEAWAY**

Consolidation has created a wide disparity between the top and bottom of the list of Top 20 pay TV providers.



Charter Communications, which started the whole consolidation wave in 2014 when it began a dogged pursuit of Time Warner Cable, finally won that prize with its May agreement to purchase the 10.8 million-subscriber TWC for $78.7 billion. That deal is expected to close by the end of the year, and with Charter's $10 billion purchase of Bright House Networks — also expected to close in December — the Stamford, Conn.-based operator will have 17.2 million customers with which to spread the operating acumen of CEO Tom Rutledge.

### CATCHING THE WAVE

Charter is expected to at least look at other potential acquisitions, but others are not sitting idly by. European telecom giant Altice agreed to purchase a 70% interest in Suddenlink Communications for $9.1 billion, and has said it will use the midsized St. Louis-based cable company as a vehicle to expand its U.S. presence.

Already, Altice chairman Patrick Drahi has named Cox Communications and Cablevision Systems as potential targets. And though Cox has insisted it isn't for sale — and there is some doubt as to whether Altice could pay Cablevision's price — there is no doubt that further consolidation is coming.

In a recent report, MoffettNathanson principal and senior analyst Craig Moffett said possible acquisition targets could include some of the larger operators at the lower end of the top 10 — Mediacom Communications, Cable One or WideOpenWest.

"It would be foolish to dismiss the idea that any or all of them might be acquired," Moffett wrote.

And the cable industry has a long history of acquisition. For example, only three of the Top 25 MSOs of 1985 still exist today (Cox, Cablevision and Comcast); the rest have been assumed by other entities. Five of the Top 25 of 1995 are in business today — Time Warner Cable, Comcast, Cox, Cablevision and Charter — with TWC expected to be swallowed by Charter by year-end.

Cable operators stopped growing their basic-video subscriber rolls more than

## Top 25 MVPDs (2015)

With the recently completed, $48.5 billion AT&T-DirecTV merger, the multichannel video-programming distributor (MVPD) industry has a new leader. With 26.4 million video customers, the post-merger AT&T has the potential to bring high-speed Internet, voice and video services to underserved markets across the United States.

| NAME | SUBSCRIBERS |
|---|---|
| 1. AT&T (including DirecTV) | 26.3 million |
| 2. Comcast | 22.3 million |
| 3. Charter-Time Warner Cable-Bright House * | 17.2 million |
| 4. Dish Network | 13.9 million |
| 5. Verizon Communications (FiOS) | 5.8 million |
| 6. Cox Communications | 4.1 million |
| 7. Cablevision Systems | 2.7 million |
| 8. Suddenlink Communications/Altice | 1.1 million |
| 9. Mediacom Communications | 879,000 |
| 10. WideOpenWest | 606,500 |
| 11. Frontier Communications/FiOS | 570,000 |
| 12. Wave Broadband | 415,000 |
| 13. Cable One | 399,000 |
| 14. Service Electric | 290,000 |
| 15. RCN | 289,000 |
| 16. CenturyLink/Prism | 258,000 |
| 17. Atlantic Broadband (Cogeco)** | 247,000 |
| 18. Armstrong Cable | 245,000 |
| 19. Midcontinent Communications | 229,000 |
| 20. MetroCast/Harron Communications | 200,000 |
| 21. Blue Ridge Communications | 170,000 |
| 22. Rural Broadband Investments (GTCR) | 150,000 |
| 23. Telephone & Data Systems | 137,000 |
| 24. Vyve Broadband | 120,000 |
| 25. General Communication Inc. | 113,000 |

*Pending transaction **Pending Metrocast-Conn. purchase

**SOURCES:** SNL Kagan, MoffettNathanson, company reports and *MCN* estimates

## Top 25 MSOs (1985)

Thirty years ago, when the cable-television industry was growing rapidly, there was no single dominant force: TCI was the top provider and Comcast stood at No. 18.

| NAME | SUBSCRIBERS |
|---|---|
| **1.** Tele-Communications Inc. | 3.7 million |
| **2.** American Television and Communications Group | 2.5 million |
| **3.** Group W Cable | 2.2 million |
| **4.** Storer Cable Communications | 1.5 million |
| **5.** Cox Cable Communications | 1.48 million |
| **6.** Warner Amex Cable Communications | 1.2 million |
| **7.** Continental Cablevision | 1.1 million |
| **8.** Times-Mirror Cable Television | 997,000 |
| **9.** United Cable TV | 949,000 |
| **10.** Newhouse Broadcasting | 927,000 |
| **11.** Viacom Cablevision | 820,000 |
| **12.** UA Cablesystems Corp. | 711,000 |
| **13.** Sammons Cumunications | 665,000 |
| **14.** Cablevision Co. | 592,000 |
| **15.** Rogers Cablesystems | 587,000 |
| **16.** Heritage Communications | 585,000 |
| **17.** Jones Intercable | 573,000 |
| **18.** Comcast Cable | 506,000 |
| **19.** Telecable Corp. | 445,000 |
| **20.** McCaw Communications | 382,000 |
| **21.** Capital Cities Cable | 376,000 |
| **22.** Prime Cable | 331,000 |
| **23.** American Cable Systems | 312,000 |
| **24.** Wometco Cable TV | 308,000 |
| **25.** Centel Cable Television Co. | 304,000 |

**SOURCE:** The Barco Library, The Cable Center

## Top 25 MSOs (1995)

The impact of consolidation is apparent just 10 years later: TCI is still the leader, with 13.3 million customers, and Comcast Cable has leaped 15 spots from No. 18 in 1985 to No. 3 with 3.4 million customers.

| NAME | SUBSCRIBERS |
|---|---|
| **1.** Tele-Communications Inc. | 13.3 million |
| **2.** Time Warner Cable | 10.1 million |
| **3.** Comcast Cable | 3.4 million |
| **4.** Cox Cable | 3.2 million |
| **5.** Continental Cablevision | 3.1 million |
| **6.** Cablevision Systems | 2.8 million |
| **7.** Adelphia Communications | 1.6 million |
| **8.** Cablevision Industries | 1.4 million |
| **9.** Jones Intercable | 1.35 million |
| **10.** Viacom Cable | 1.2 million |
| **11.** Falcon Cable TV | 1.1 million |
| **12.** Sammons Communications | 1.09 million |
| **13.** Century Communications | 962,000 |
| **14.** Colony Communications | 814,000 |
| **15.** Charter Communications | 791,000 |
| **16.** Scripps-Howard Communications | 751,000 |
| **17.** Lenfest Group | 743,000 |
| **18.** Prime Cable | 648,000 |
| **19.** TKR Cable | 638,000 |
| **20.** Marcus Cable | 561,000 |
| **21.** InterMedia Partners | 560,000 |
| **22.** Southern Multimedia Comm. (MediaOne) | 512,000 |
| **23.** TCA Cable TV | 511,000 |
| **24.** Post-Newsweek Cable | 506,000 |
| **25.** DirecTV | 500,000 |

**SOURCE:** The Barco Library, The Cable Center a decade ago. The industry peaked at about 66.9 million total subscribers in 2001, and in 2014, it finished the year with a total of about 54 million subscribers, according to the National Cable & Telecommunications Association. Broadband, for years the profit center of the business, emerged as the subscriber leader last year — the first year that cable broadband customers exceeded video subscribers.

While that had been anticipated — and in some cases, encouraged — for years, cable operators are beginning to turn the corner on basic-video subscriber growth. The four top cable service providers have drastically reduced their customer losses over

## Top 25 MVPDs (2000)

**Just five years later, the cable picture shifted yet again, with AT&T's purchase of TCI and satellite-TV providers DirecTV and EchoStar Communications cracking the Top 10.**

| NAME | SUBSCRIBERS |
|---|---|
| **1.** AT&T Broadband | 16.4 million |
| **2.** Time Warner Inc. | 12.7 million |
| **3.** DirecTV | 8.3 million |
| **4.** Charter Communications | 6.14 million |
| **5.** Cox Communications | 6.1 million |
| **6.** Comcast Cable | 5.7 million |
| **7.** Adelphia Communications | 5 million |
| **8.** EchoStar Communications | 3.9 million |
| **9.** Cablevision Systems | 3.1 million |
| **10.** Insight Communications | 1.4 million |
| **11.** Mediacom Communications | 747,000 |
| **12.** Cable One | 741,000 |
| **13.** Classic Communications | 413,000 |
| **14.** Service Electric | 294,000 |
| **15.** RCN | 292,000 |
| **16.** Ameritech | 280,000 |
| **17.** Tele-Media | 267,000 |
| **18.** Northland Communications | 261,000 |
| **19.** Midcontinent Communications | 215,000 |
| **20.** Armstrong Cable | 205,000 |
| **21.** Susquehanna Communications | 189,000 |
| **22.** Millennium Digital | 175,000 |
| **23.** Blue Ridge Communications | 167,000 |
| **24.** Buckeye Cable | 162,000 |
| **25.** U.S. Cable | 140,000 |

**SOURCES:** Individual companies; *Multichannel News*, *B&C* estimates

the past three years; Comcast alone has cut losses by nearly 75% since 2010.

Telcos, which had been engines of video-subscriber growth for more than a decade, began reporting losses for the first time in the second quarter. AT&T said it lost about 22,000 U-verse TV customers in the most recent quarter, while Verizon Communications saw its growth cool considerably, adding 26,000 FiOS TV customers in the period compared to 100,000 additions in the prior year.

At the same time, satellite subscriber growth has stalled — DirecTV lost 133,000 net subscribers in the second quarter, well below the 60,000 additions in the first three months of the year. No. 2 satellite company Dish Network lost 81,000 net subscribers in the second quarter, almost twice the 44,000 it lost during the previous year.


REUTERS/MIKE SEGAR

Time Warner Cable is in line to be the next big cable brand to fall by the wayside in the wake of cable consolidation.

Dish Network lost about 79,000 net subscribers in 2014, compared to a gain of 1,000 in 2013.

### DISRUPTING THE DISRUPTOR

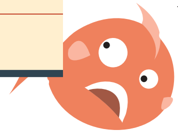
As satellite- and telco-TV service stagnates, a new distribution model is disrupting TV's early disruptor — cable operators. Over-the-top services like Sling TV, HBO Now and Sony's PlayStation Vue have burst onto the scene with much fanfare, and pay TV operators who may have dismissed those services in the past are now scrambling to come up with their own solutions.

In the second quarter, pay TV lost its traditional growth engines — satellite TV was down 284,000 customers while telco TV providers lost 2,000 subscribers — and perennial loss leader cable cut its losses almost in half to 280,000 from 534,000 a year ago.

Indeed, pay TV subscriber growth dipped to a record low of -0.7% in the past 12 months, according to Moffett. The pay TV industry lost 566,000 subscribers in the second quarter, 76% worse than the 321,000 it lost during the same period in 2014.

With more OTT services slated to launch later this year — Verizon is expected to debut its "mobile-only" Go90 service in the late summer and other programmers are considering launching their own direct-to-consumer services — cord-cutting will likely get worse. And cable operators will likely meet the challenge by trying to add scale.

But just how many customers will migrate over remains to be seen. Years of consolidation have narrowed the number of large available properties. While there are about 660 cable operators and 5,208 cable systems in the United States, more than 80% of the nation's 116 million TV households are represented by the top eight MVPDs.



And unlike other years when an MVPD could buy the operator below it on the list and move up several spots on the list, today the fifth-largest provider (Verizon) could could buy the next three largest distributors below it and still be stuck at No. 5 with 13.7 million customers, behind Dish Network's 13.9 million subscribers.