June 6, 2016

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

Re: Written *Ex Parte* Communication, MB Docket Nos. 14-50, 09-182

Dear Ms. Dortch:

This May, the Commission blessed the merger of Suddenlink Communications and Cablevision, two of the ten largest pay TV providers, and just days later, the even larger combination of Charter Communications, Time Warner Cable (TWC) and Bright House Networks.[1] But while the Commission continues to permit mega-mergers to create pay TV behemoths like the new Charter and AT&T/DirecTV, television broadcasters remain subject to rules forbidding the combination of two local television stations in most markets and banning or limiting the common ownership of TV stations with other media in local markets. Particularly in light of the still increasing consolidation in the pay TV industry, the Commission must fulfill its statutory mandate in the pending quadrennial reviews and repeal or modify the asymmetric broadcast ownership restrictions that tilt the competitive playing field against local TV stations. Without the ability to achieve vital economies of scale and scope, local broadcasters cannot compete effectively in today's fragmented video programming market against multichannel and online providers unrestricted by FCC ownership limits. Recent economic analysis of the video programming market and data on the advertising market both reconfirm the unprecedented level of competition facing TV stations for both viewers and advertisers and the consequent declines in broadcasters' competitive position.

In numerous previous filings, NAB has documented the high and increasing levels of consolidation among multichannel video programming distributors (MVPDs) at the national, regional and local levels.[2] Remarkably, the subscribership of the largest MVPD today, the

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[1] *See* Memorandum Opinion and Order, WC Docket No. 15-257 (May 3, 2016); Memorandum Opinion and Order, MB Docket No. 15-149 (May 10, 2016).

[2] *See, e.g.*, Comments of NAB, MB Docket No. 15-216, at 15-22 (Dec. 1, 2015); Petition to Hold in Abeyance of NAB, MB Docket No. 15-149, at 5-11 (Oct. 12, 2015). We hereby incorporate these NAB submissions into the

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combined AT&T/DirecTV, exceeds by more than two million the subscribership of the top 25 MVPDs combined in 1985.[3] With the consummation of the Charter/TWC/Bright House merger, the top 10 MVPDs control a whopping 94 percent of the nationwide MVPD market (measured in terms of subscribers), the four largest MVPDs control 79 percent of the market,[4] and the top three alone "control two-thirds of the video delivery universe."[5] While the FCC in 2014 effectively prohibited one TV station from selling more than 15 percent of another same-market TV station's advertising time,[6] the Commission has approved numerous MVPD mergers despite the companies' high shares of the entire MVPD marketplace in numerous local markets. For example, in the Charter/TWC/Bright House merger, the Department of Justice specifically noted that those companies' market shares "exceed 50 percent in many local markets in which they operate."[7]

Broadcast TV stations struggle to compete in a video marketplace dominated by consolidated pay TV providers that dwarf in scale and scope even the largest local broadcast television companies. As of last fall, according to Yahoo Finance and shown below, AT&T/DirecTV had a market capitalization of $201 billion and Verizon had a market cap of $182 billion, while TV station group owners such as Media General, Scripps and Nexstar had market caps of $1 billion each. Aside from the giant telcos, the largest cable operator (Comcast) had a market cap 142 times larger than these broadcasters, and the combined Charter/TWC/Bright House an estimated market cap 72 times larger.

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above-captioned dockets. A 2016 economic study also concluded that the MVPD marketplace is "highly concentrated, with little scope for competitive entry." Kevin W. Caves and Bruce M. Owen, *Bundling in Retransmission Consent Negotiations: A Reply to Riordan*, at 20 (Feb. 2016) (Caves/Owen Study), attached to NAB Written *Ex parte* Communication, MB Docket Nos. 15-216, 10-71 (Feb. 16, 2016). We hereby incorporate this study into the above-captioned dockets.

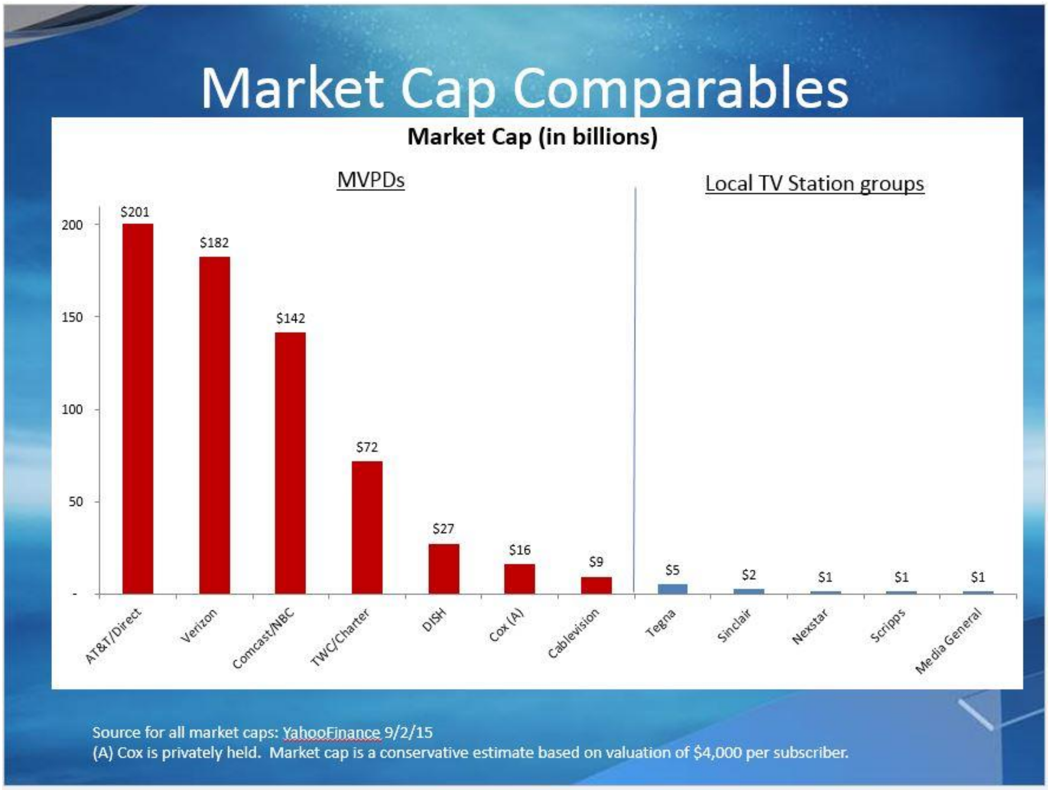
[3] See Attachment A, Mike Farrell, *Eat or Be Eaten: Consolidation Creates a Top-Heavy List of 25 Largest MVPDs*, Multichannel News (Aug. 17, 2015).

[4] SNL Kagan, Media Census estimates, Q2 2015. These figures do not take the merger of Suddenlink and Cablevision into account.

[5] 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).

[6] *See 2014 Quadrennial Regulatory Review*, Further Notice of Proposed Rulemaking and Report and Order, 29 FCC Rcd 4371, 4527 (2014) (2014 Quadrennial FNPRM). On May 25, the Third Circuit Court of Appeals vacated the FCC's decision to attribute most TV JSAs. *See Prometheus Radio Project v. FCC*, Nos. 15-3863, 15-3864, 15-3865 & 15-3866 (3d Cir. May 25, 2016).

[7] Department of Justice, Competitive Impact Statement, at 5, *U.S.A. v. Charter Communications, Inc., Time Warner Cable Inc., Advance/Newhouse Partnership, and Bright House Networks, LLC*, Civil Action No. 1:16-cv-00759 (RCL) (D.D.C. May 10, 2016) (stating that "incumbent cable companies are often the largest video distribution provider in their respective local territories"). Last fall, NAB pointed out that, following approval of the Charter merger, a single MVPD would control 40 percent or more of the entire MVPD market in 112 DMAs – or 53 percent of all DMAs in the country. *See* Petition to Hold in Abeyance of NAB, MB Docket No. 15-149, at 7 (Oct. 12, 2015). These figures do not take into account the merger of Suddenlink and Cablevision.




The vast gulf between local TV stations and MVPDs has resulted from the FCC's approval of numerous major transactions involving the combination of pay TV/Internet providers since 1999, while at the same time refusing to reform outdated ownership restrictions on local TV broadcasters, despite the mandate of Section 202(h) of the 1996 Telecommunications Act.[8] This gross regulatory disparity has produced an increasingly severe competitive disparity, as local stations are prevented from achieving even a fraction of the economies of scale and scope that their MVPD competitors enjoy. In fact, the broadcast television industry today is so diffusely owned that many stations – especially those in smaller markets – struggle to compete effectively and continue to serve their audiences.[9]

Current ownership rules severely constrain the ability of broadcast stations to compete for viewers, advertising dollars and investment capital. Local television ownership combinations and shared services agreements are vital in today's competitive marketplace to maintain stations' financial viability and their concomitant ability to provide high-quality, high-cost

[8] *See* Attachment A, Farrell, *Eat or Be Eaten* (discussing the MVPD "consolidation wave" and quoting analysts' opinions that "there is no doubt that further consolidation is coming").

[9] In numerous earlier submissions, NAB discussed and provided extensive data documenting the financial and competitive challenges faced by TV stations in smaller markets, where the FCC's local TV rule prevents the ownership of more than a single station. *See, e.g.*, Comments of NAB, MB Docket Nos. 14-50, *et al.*, at 56-58 & Att. D (Aug. 6, 2014) (NAB 2014 Comments); *Ex Parte* Submission of NAB, MB Docket Nos. 09-182, 07-294 and 04-256, at 6-10 & Att. B (Mar. 21, 2014); Reply Comments of NAB, MB Docket No. 09-182, at 10-13 and Att. A, Mark R. Fratrik, Ph.D., BIA/Kelsey, *Reforming Local Ownership Rules: Station and Market Analyses* (Apr. 17, 2012); Comments of NAB, MB Docket No. 09-182, at 16-18, Att. B & Att. D (Mar. 5, 2012).

programming, including local news, sports, weather and emergency information,[10] especially as the high cost of producing local news continues to rise.[11]

This is the case because, as multiple economists have explained in submissions to the Commission, television broadcasting generally, and local news production specifically, are "subject to strong economies of both scale and scope."[12] Placing undue limitations on broadcasters' ability to achieve economies of scale and scope "result[s] in higher costs, lower revenues, reduced returns on invested capital, lower output and, potentially, fewer firms," as well as "significantly reducing the output of news programming."[13] More specifically, "allow[ing] broadcasters, especially in small markets," to realize economies of scale and scope through local combinations and sharing arrangements will "reduce their fixed costs" and enable them to continue "operat[ing] where it would otherwise be uneconomic to do so."[14] The Commission's failure to reform its broadcast-only ownership restrictions deprives local stations of these important scale and scope economies, impedes their competitiveness against entities able to achieve those economies and harms the public's free local television service.[15]

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[10] *See, e.g.*, Comments of NAB, MB Docket No. 15-158, at 23-27 (Aug. 21, 2015); *Ex Parte* Submission of NAB, MB Docket No. 09-182, *et al*., at 3-10 (Mar. 21, 2014); Comments of NAB, MB Docket No. 09-182, at 4-5; 12-22 (Mar. 5, 2012).

[11] The largest expense for the average U.S. television station is news production. According to the most recent available data, the average station spends $3.2 million per year producing local news – representing 24.3 percent of a station's expenses, on average. *See NAB Television Financial Report* (2015), at 3, Table 1 (reporting 2014 financial data). News related expenditures vary widely across markets, however, as the average news production expense for large stations in the top 10 markets exceeds $17 million. *Id*. at 39, Table 19. The cost of producing local news is on the rise, up 25 percent since 2010. *See NAB Television Financial Report* (2011). NAB previously submitted detailed information about the costs of local news production and the difficulties that stations with fewer resources face in maintaining viable news operations. *See, e.g.*, Written *Ex Parte* Submission of NAB, MB Docket Nos. 09-182, *et al*., at 6-10 & Att. A (Mar. 21, 2014); *The Economic Realities of Local Television News—2010: A Report for the Nat'l Ass'n of Broadcasters*, Attachment B to Comments of NAB, MB Docket No. 09-182 (July 12, 2010).

[12] Jeffrey A. Eisenach & Kevin W. Caves, *The Effects of Regulation on Economies of Scale and Scope in TV Broadcasting*, at 1-2 (2011) (Economies of Scale Report), Attachment A to Reply Declaration of Jeffrey A. Eisenach and Kevin W. Caves (Reply Decl.), NAB Reply Comments at Appendix A, MB Docket No. 10-71 (June 27, 2011). *Accord* Declaration of Mark Israel and Allan Shampine, NAB Comments, MB Docket No. 10-71, at Appendix B ¶¶ 49-51 (June 26, 2014) (finding that economies of scale and scope exist in television broadcasting and that both lead "to increased investment in news programming"). NAB discussed the Economies of Scale Report in earlier ownership submissions and specifically incorporated that study into the record in MB Docket No. 09-182. *See* Comments of NAB, MB Docket No. 09-182 at 4-5 (Mar. 5, 2012).

[13] Economies of Scale Report at 2-3.

[14] Reply Decl. at ¶ 26 (also concluding that "depriving stations, especially smaller ones, of the ability to engage" in joint arrangements and combinations could significantly impact "both the production of local news" and "stations' ultimate financial viability").

[15] As NAB previously explained, FCC restrictions on the ability of local TV broadcasters to jointly sell advertising time place them at a competitive disadvantage in the advertising marketplace, given that MVPDs, including the largest, face no FCC restrictions in their ability to jointly sell advertising time through interconnects. Local stations directly compete with MVPD interconnects for sales and frequently lose sales to jointly sold interconnect advertising. *See Ex Parte* Submission of NAB, MB Docket Nos. 09-182, 07-294 and 04-256, at 5-6 (Mar. 21, 2014); Comments of NAB, MB Docket No. 15-158, at 21-23 (Aug. 21, 2015).

In addition, continuing to refuse to reform the local ownership rules impacting TV stations cannot be reconciled with the FCC's obligation under Section 202(h) to "repeal or modify" those rules no longer necessary as the result of competition. In earlier submissions in the above-captioned proceedings, NAB demonstrated that the rapid growth of online and multichannel options has fundamentally changed how consumers access information and entertainment, and resulted in both consumers and advertising dollars moving away traditional outlets.[16]

These trends have only accelerated since the FCC requested comment in the pending 2014 quadrennial review. Today, 51 percent of the U.S. population ages 12 and older have a subscription to Netflix, Amazon Prime and/or Hulu[17] – online video services that did not exist when the FCC last reformed the local TV ownership and the radio/television cross-ownership rules. According to recent research, 65 percent of U.S. television households now have at least one Internet-connected TV, up from 44 percent in 2014 and only 24 percent in 2010. In fact, there are now more Internet-connected TV devices in U.S. households than there are pay-TV set-top boxes.[18]

Recent economic studies and previous NAB submissions also have documented the increasing competitiveness of and fragmentation in the video programming market and the consequent weakening of broadcasters' competitive position.[19] As shown below, FX Networks Research reported in 2015 that consumers could choose from a record number (409, later updated to 412) of scripted series on television (counting broadcast, cable and online), almost double the number in 2009.[20]

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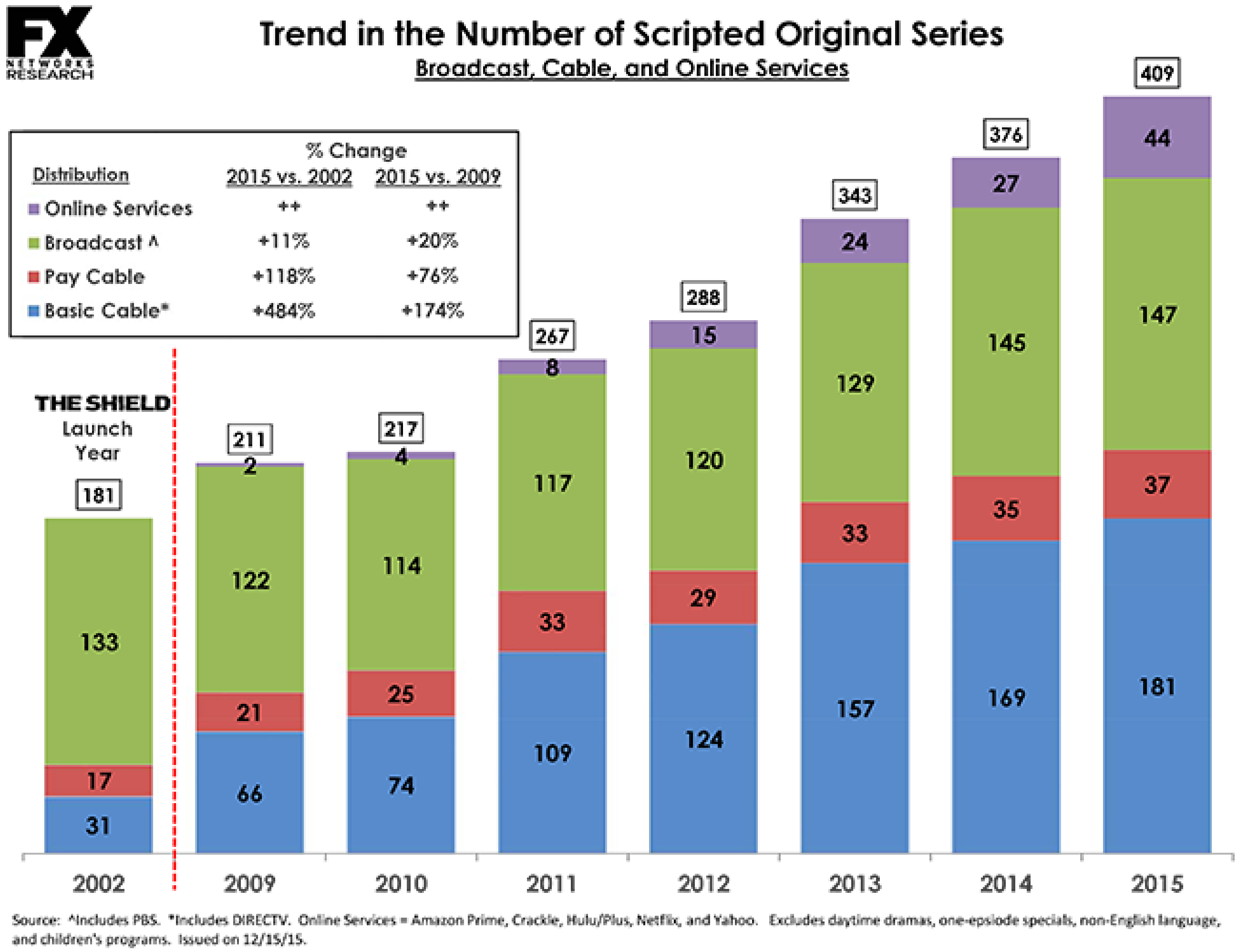
[16] *See, e.g.,* NAB 2014 Comments at 18-38; 41-50.

[17] Edison Research and Triton Digital, *The Infinite Dial 2016*, http://www.edisonresearch.com/the-infinite-dial-2016/

[18] Leichtman Research Group, Press Release, *65% of U.S. TV Households Have a Connected TV* (Apr. 22, 2016), http://www.leichtmanresearch.com/press/042216release.html

[19] *See* Caves/Owen Study at 13-19 (documenting the fragmented, unconcentrated nature of the video content marketplace and broadcast television's loss of viewership in this market); *see also* NAB 2014 Comments at 45-50; Comments of NAB, MB Docket No. 15-216, at 8-15 (Dec. 1, 2015).

[20] *See* Michael Malone, *The Labor Pains of Peak TV*, Broadcasting & Cable, at 10 (Apr. 25, 2016); Caves/Owen Study at 18-19. This number of series does not include news, sports, made-for-television movies, specials, daytime, children's programming or reality shows.




These data demonstrate the astounding growth in competition to broadcasters in the video marketplace. In 2002, only 181 scripted series vied for consumers' time and attention, 133 of which (or more than 73 percent) were on broadcast TV. By 2015, broadcast TV accounted for less than 36 percent of original scripted series in the video marketplace. The Commission can no longer reasonably cling to its 2014 assertion that competition from MVPD and online sources of video programming "is currently of limited relevance" to consideration of the local TV ownership rule.[21] Indeed, as shown below, broadcast viewership levels have declined dramatically due to competition from cable networks alone.

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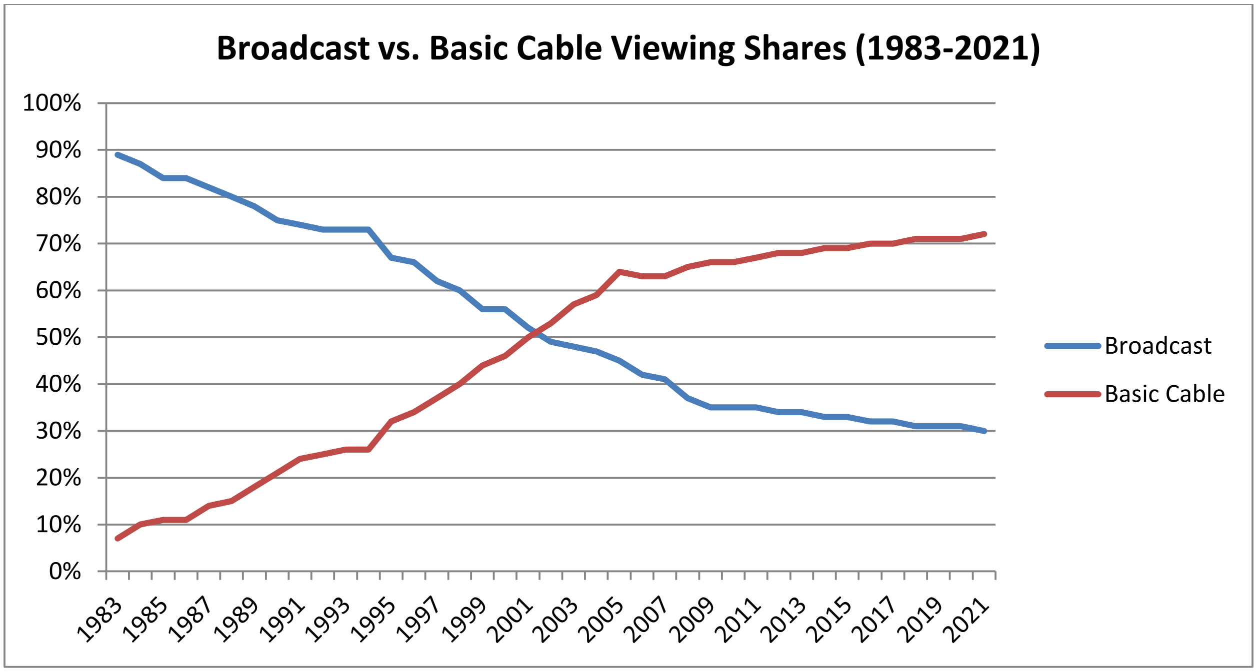
[21] 2014 Quadrennial FNPRM, 29 FCC Rcd at 4381. As NAB previously explained, the intense competition from online outlets and MVPDs cannot be ignored by simply asserting that these video programming alternatives are "largely" national. *Id.* The competitive impact on local TV stations from other video outlets and programming options – whether local, regional, national or international – is the same: they divert viewers from broadcast programming and local broadcast outlets to non-broadcast sources. NAB 2014 Comments at 15-16; 46-47. The Commission therefore must take all these other platforms and outlets into account when conducting its required quadrennial reviews of the local TV ownership restrictions. *See* NAB 2014 Comments at 9-17 (explaining that to fulfill its obligations under Section 202(h), the FCC must address the actual competitive environment in which




Source SNL Kagan, Cable/Broadcast TV Advertising Billings Database (2012). Post-2012 data are projections.

Unsurprisingly in light of this increased competition for viewers, recent data reconfirm the continuing shift of advertising dollars to online, mobile and multichannel platforms and away from broadcast outlets.[22] In a report last December, SNL Kagan identified the "big news" in the advertising market in 2015 as the continuing shift of advertising away from traditional media to digital platforms, and concluded that mobile and Internet ads "rule."[23] Even more bluntly, SNL Kagan observed that most advertising sectors it follows are declining and will continue to experience negative growth as "digital eats their analog lunch."[24]

Overall, in the decade from 2006-2015, digital (Internet and mobile) advertising revenue grew at a compound annual growth rate (CAGR) of 14.7 percent and cable TV grew at a CAGR of 5.2 percent. In contrast, broadcast TV stations' advertising revenue declined, with a negative CAGR of (2.4) percent.[25] As a result of its consistently high growth rates, in 2015 digital had the largest share of the overall advertising market (25.1%), outpacing all other sectors.[26] Notably, digital dominates local advertising as well, having enjoyed a remarkable 16.6

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local broadcast stations operate and not artificially limit its competition analysis to only one or two types of outlets).

[22] NAB's earlier comments discussed these changes in the advertising market in detail. *See* NAB 2014 Comments at 34-38; 47-50.

[23] Derek Baine, *Local ad revenue up 3.4% in 2015 to $74.97B; mobile, Internet ads rule*, SNL Kagan (Dec. 15, 2015) (SNL Kagan 2015 Ad Revenue Report).

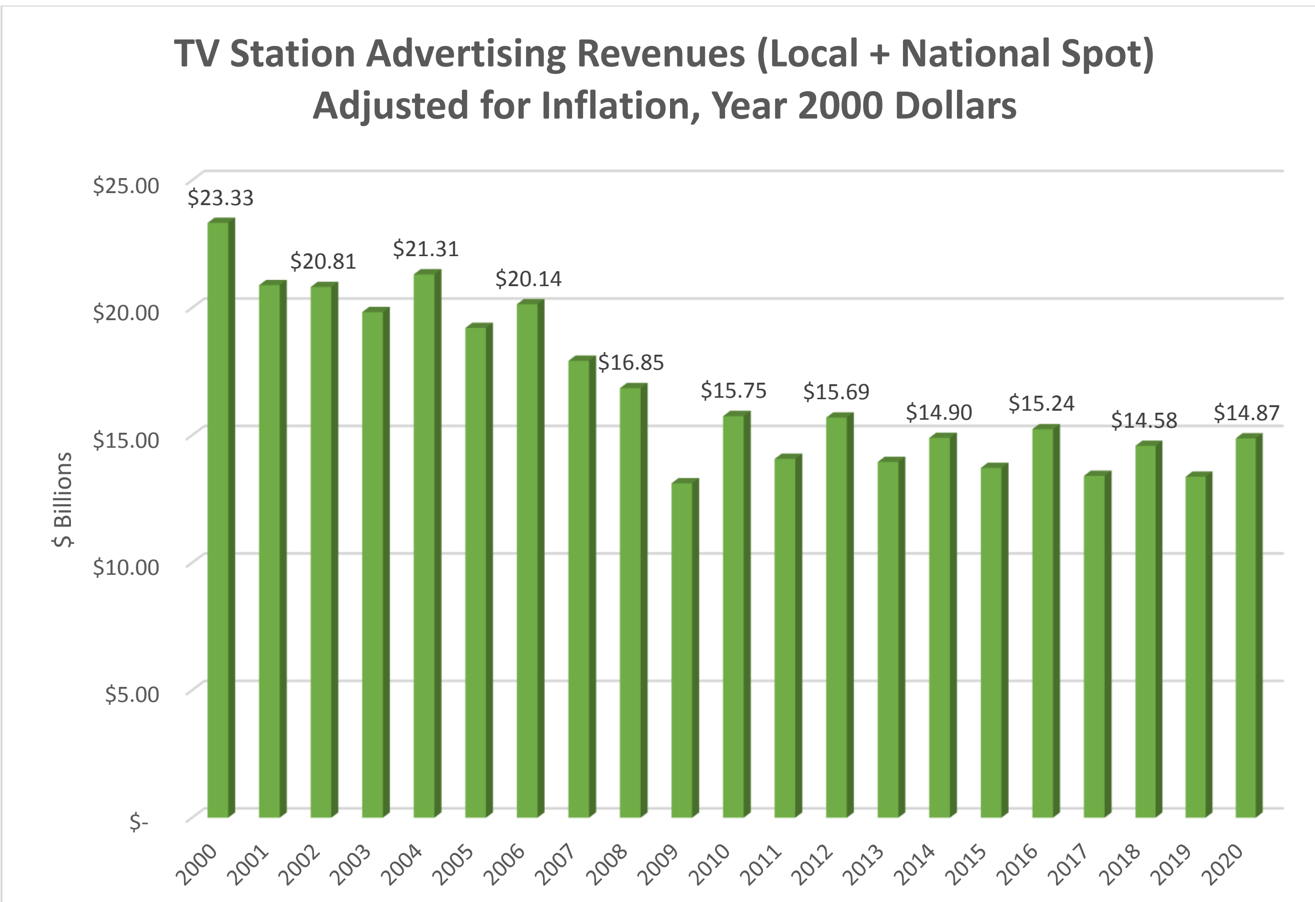
[24] *Id.*

[25] *Id.*

[26] *Id.*

percent CAGR in local ad revenue from 2006-2015 to claim a 31.5 percent share of total local advertising revenue by 2015. SNL Kagan expects these trends to continue through 2025.[27]

Looking specifically at station advertising revenue since the last reform of the local TV ownership rule, the data show a significant decline in the competitive position of local TV stations in the advertising market. Adjusted for inflation using Year 2000 dollars, TV station advertising revenue declined by over 41 percent ($23.33 billion to $13.72 billion) from 2000 to 2015.[28] SNL Kagan does not expect a recovery in TV station advertising revenue, as it predicts a CAGR of zero (0.0) in TV station ad revenues from 2016 through 2025.[29]




*Source: NAB analysis of SNL Kagan and Bureau of Labor Statistics, CPI Index data. Estimates from 2016-2020 based on 2% inflation rate.*

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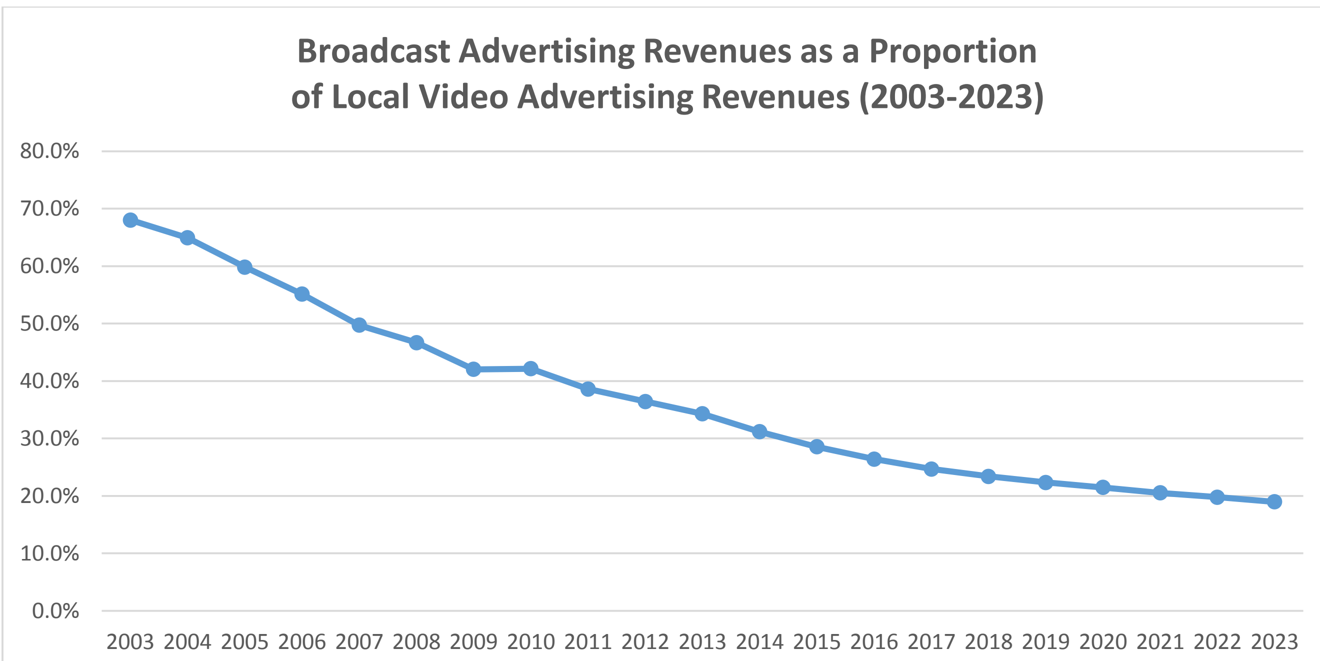
[27] Over the next decade, SNL Kagan predicts digital to grow more than other advertising sectors such that, by 2025, digital will have a 37.6 share of overall U.S. advertising revenue, followed by cable TV with 20.5 percent. Digital is predicted to become even more dominant in local advertising, with SNL Kagan estimating that digital will have nearly half (49.3 percent) of total local advertising revenue by 2025. *Id.*

[28] Without adjusting for the effects of inflation, TV station advertising revenues declined from $23.33 billion to $18.88 billion (19.1 percent) between 2000 and 2015, according to SNL Kagan data.

[29] SNL Kagan 2015 Ad Revenue Report.

Moreover, it cannot be reasonably disputed that competition from online, mobile and MVPD sources has caused this serious erosion in local TV stations' advertising revenues. The figure below shows the significant decline in broadcast TV station ad revenues as a proportion of all local video advertising revenues, taking into account cable, telco, digital (Internet and mobile) and regional sports networks. The FCC's previous assertion that "non-broadcast video programmers are not yet meaningful substitutes" for advertisers in local markets is clearly belied by the facts.[30] SNL Kagan's recent analysis reconfirms the study by Economists Incorporated submitted by NAB in 2014, which found "no empirical evidence" supporting the position that local broadcast TV stations compete only with other TV stations for advertising and concluded that a "properly defined" market would include non-broadcast alternatives such as cable.[31]




*Source: SNL Kagan; Local Advertising Revenue by Sector. Includes: broadcasting/cable/telco/digital/RSN.*

Given the unprecedented competition for viewers and advertisers in today's video marketplace, including from consolidated MVPDs and online services and outlets, the Commission is obligated under Section 202(h) to repeal or significantly relax its local ownership restrictions impacting broadcast TV stations. Indeed, the Commission has consistently recognized in contexts other than broadcast ownership that the "Internet is

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[30] 2014 Quadrennial FNPRM, 29 FCC Rcd at 4381.

[31] Kevin Caves and Hal Singer, Economists Incorporated, *Competition in Local Broadcast Television Advertising Markets*, at 3-4 (Aug. 6, 2014), Attachment A to NAB 2014 Comments.

America's most important platform for economic growth, innovation [and] competition. . . ."[32] The Commission has no legal or public policy basis for ignoring the "most important" competitive platform in the U.S. economy and retaining asymmetric regulations competitively disfavoring local broadcast TV stations and their video services offered free to all consumers.

Respectfully submitted,

Rick Kaplan
General Counsel and Executive Vice President
Legal and Regulatory Affairs

Jerianne Timmerman
Senior Vice President and Deputy General Counsel
Legal and Regulatory Affairs

cc: William Lake, Mary Beth Murphy, Susan Singer, Brendan Holland, Benjamin Arden, Chad Guo, Julie Salovaara

[32] *Protecting and Policing the Open Internet*, Notice of Proposed Rulemaking, 29 FCC Rcd 5561, 5563 (2014).

# Attachment A

# Eat or Be Eaten

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

The cable universe is shrinking.

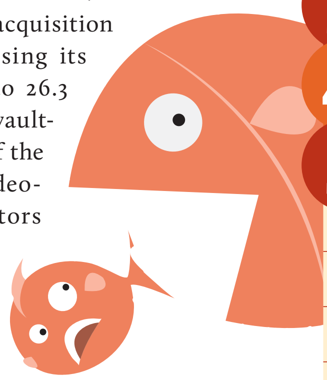
Consolidation, competition and new viewing habits are irrevocably changing the pay TV landscape, with more contraction expected as larger deals close and smaller cable systems are snapped up by their larger peers.

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 Comunications | 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 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.

## 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


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

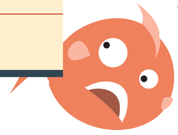
As satellite- and telco-TV service stagnates, a new distribution model is disrupting TV's early disruptor — cable operators. Over-the-top services like Sling TV, HBO Now and Sony's PlayStation Vue have burst onto the scene with much fanfare, and pay TV operators who may have dismissed those services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