



July 14, 2010

The Honorable Daniel R. Garodnick
Chair, Committee on Technology
The New York City Council, City Hall
New York, NY 10007

Dear Chairman Garodnick:

On behalf of our millions of viewers and thousands of employees, we are writing with regard to your July 15 hearing titled, "Stuck in the Middle: Protecting Consumers from Cable/Broadcaster Disputes." We are very concerned by two resolutions being discussed at the hearing, Resolution No. 302 offered by Council Member Fidler and a Preconsidered Resolution. These resolutions ask the City Council to support either repeal of or drastic changes to the federal policy of retransmission consent.

As broadcast stations serving New York City and the metropolitan area, we are deeply concerned about the resolutions and the impact the proposed changes to federal policy could have for New York City area residents. In addition, we wanted to present an alternative view to many of the facts being offered in support of the resolutions.

Retransmission consent was created by Congress in 1992 as a means for local broadcasters to receive fair value compensation from multi-channel video programming distributors (MVPDs), including cable companies. Congress established this system out of recognition that even in the age of hundreds of channels, free over-the-air local broadcast stations are critically important and a uniquely valuable consumer offering.

The revenues generated through retransmission consent are fundamental to the over-the-air broadcast system. They allow local broadcasters to invest in news gathering operations that keep citizens informed about local issues. They support the emergency services that alert residents to dangerous weather and provide life-saving information during public emergencies, as was demonstrated in the vital role New York City broadcasters played during the 9/11 attack on our city. Retransmission consent revenue also supports local broadcasters' ability to serve the community through our community initiatives, and allows us to continue providing good, high-paying jobs during these trying economic times.

The fees paid by cable companies to broadcasters under the retransmission consent system are not charity. Local broadcasters remain by far the most watched channels on the dial and a source of enormous economic value to cable companies. Cable companies already charge their subscribers a monthly fee for access to their local broadcast stations. Here in New York City, that monthly fee is typically around \$18 per month. Yet historically, cable companies have simply pocketed that fee as pure profit, paying nothing to local broadcasters. Recently, the emergence of competition to the cable monopoly has led to more even negotiations, including fairer division of revenues between the broadcasters which are investing in the content that viewers value and the cable company that is providing the infrastructure to bring that content to people's homes.

This fair, transparent and market-based system is working. It is, therefore, of great concern to see a resolution conclude that "negotiations between broadcast networks/affiliates and cable



systems have resulted in broadcast stations pulling their signals from cable operators for lengthy periods of time and cable bills rising for consumers.” There is no evidence to support these assertions. Since the advent of retransmission consent negotiations, thousands of such agreements have been successfully concluded with no service disruption. During the tiny handful of cases in which service was disrupted, the length of the disruption is typically very small. Indeed, a recent analysis found that American households are about 10 times more likely to experience a complete cable system outage due to technical or weather-related reasons than to be deprived of a television channel because of a retransmission consent dispute.

Moreover, there is no evidence that programming costs are the cause of rising cable bills for consumers. According to a recent analysis of Time Warner Cable, one of the leading New York City area providers, programming costs represent no more than 1/3 of their operating costs and that percentage has actually declined over the past four years. Cable companies here in New York City and around the country are enormously profitable with very high profit margins. There is not a shred of evidence to suggest that the simple fairness of sharing revenues with the broadcasters will force cable companies to hike rates on consumers. Indeed, the New York City Council should not abet the cable companies’ implied threat that absent changes to federal law they will punish viewers with higher bills.

The bottom line is that the Federal Communications Commission (FCC) reviewed the retransmission consent system and recommended no changes in a report to Congress. The FCC found that local stations and subscriber television providers negotiate on a “level playing field” and that retransmission consent has benefited all parties, and most importantly, viewers.

It is our sincere hope that the City Council will take this finding and the overwhelming factual evidence into account in its deliberations and reject both resolutions.

Sincerely,

Mr. Dave Davis
President and General Manager
ABC 7, WABC-TV

Mr. Michael Jack
President and General Manager
4 New York, WNBC-TV

Mr. Lew Leone
Vice President and General Manager
FOX5/WNYW and MY9/WWOR-TV

Mr. Peter Dunn
President, CBS Television Stations
President and General Manager
CBS 2, WCBS-TV

Mr. Ramon J. Pineda
Senior Vice President/Regional Director
Univision WXTV-41 and Telefutura WFUT-WFTY-68