



July 19, 2010

The Honorable Steve Israel
2457 Rayburn House Office Building
U.S. House of Representatives
Washington, DC 20515

The Honorable Peter King
339 Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Representatives Israel and King:

We are writing in response to your July 15 letter to your House colleagues regarding the issue of television carriage rules and the retransmission consent process.

On behalf of our millions of viewers and thousands of employees in New York, we want to share our very strong concerns with your assertion that these rules are outdated, that they lead to higher subscription rates, and that the government should somehow intervene. Your call for changes to this longstanding and effective federal policy will have serious consequences to not only New York City viewers and the New York economy, but nationwide as well. With broadcast stations serving New York City and the metropolitan area, we want to present an alternative view to many of the facts being offered in support of an agency letter.

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 and to meet the evolving needs of minority communities. 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 and around your districts. 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, 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 your Dear Colleague letter state that viewers "either lose access to broadcast programming or must bear the increased costs of such programming in the form of higher cable and satellite rates." 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 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 Congress should not abet the cable companies' implied threat that absent a federal bailout, 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 you will take these findings and facts into account and reconsider your call for changes to what has been an effective and successful federal policy.

Sincerely,

Richard Bates
Senior Vice President
Government Relations
The Walt Disney Company

John S. Orlando
Senior Vice President, Washington
CBS Corporation

Michael Regan
Executive Vice President
Government Relations
News Corporation

Bob Okun
Vice President
NBC Universal Washington

Bert Gomez
Vice President
Government Relations
Univision Communications Inc.

Laurie Knight
Executive Vice President
Government Relations
National Association of Broadcasters