



National Cable & Telecommunications Association
25 Massachusetts Avenue, NW
Suite 100
Washington, DC 20001-1431
(202) 222-2300

Kyle E. McSlarrow
President and Chief Executive Officer

(202) 222-2500
(202) 222-2514 Fax

November 6, 2008

The Honorable Daniel K. Inouye
Chairman
Senate Committee on Commerce, Science and Transportation
722 Hart Senate Office Building
Washington, DC 20510

The Honorable Kay Bailey Hutchison
Ranking Member
Senate Committee on Commerce, Science and Transportation
284 Russell Senate Office Building
Washington, DC 20510

Dear Chairman Inouye and Ranking Member Hutchison:

You recently received a letter from Consumers Union arguing that some cable operators “have begun moving cable programming to a digital-only tier” and charging consumers a fee for a digital cable box to receive this programming. Consumers Union suggests that this is simply a way for cable operators to increase the fees that they receive from their customers, and that to undertake these changes at the same time as broadcasters are implementing their own digital migration is somehow misleading or deceptive.

Consumers Union regrettably ignores the broader context in which these changes are taking place. In fact, cable operators have been open about their multi-year transition from analog to digital programming. That transition has and will continue to enhance the value of cable service to the vast majority of cable customers. The cable industry is committed to providing high quality service to all of our customers during cable’s transition to digital technology.

First, let’s make a clear distinction between the “digital *broadcast* transition” – with the Congressionally-mandated “hard date” of February 17, 2009, after which all analog broadcasting must cease – and the digital migration that the *cable* industry is undertaking. The cable digital migration has been underway for many years, wholly separate and apart from the broadcasters’ digital transition. Alone among multichannel video offerings, cable began as an analog service. In the 1990s, however, cable operators foresaw a huge consumer demand for digital video and audio – and especially high definition programming. They have spent more than \$130 billion to upgrade their networks to digital, an investment that also enabled them to provide broadband to more than 90 percent of all households and offer vigorous facilities-based choice in telephone service.

To meet the increasing demand for digital services and higher-speed broadband, and to remain competitive in a vibrant broadband marketplace, cable operators must reclaim bandwidth currently used for analog services. Devoting a large number of channels to bandwidth-intensive analog signals when digital programming – even HD programming – can be provided using much less capacity frustrates cable’s ability to keep up with evolving technology and introduce improvements in its broadband and voice services. Cable operators also need to improve the efficiency of their networks in order to advance the bipartisan goal of universal access to broadband.

It is true that as cable programming moves from analog to digital format, subscribers with analog televisions will need a set top box to view channels that are no longer transmitted in analog. Cable operators recognize that these changes can be disruptive to some customers, and they have instituted a variety of programs designed to ease the transition. Some cable operators are providing these boxes at no charge, at least for the first year after signals have been changed from analog to digital. To suggest, as Consumers Union does, that the transition to digital services is simply a ploy to charge more for the same or fewer services ignores these efforts and the larger context in which the transition is occurring. Our goal is the opposite – to provide consumers with the fullest possible range of choices and the greatest number of opportunities for more savings on video, broadband, and phone services.

Given their legacy of analog service, cable operators have implemented their digital migration gradually. Consumers Union neglects to mention that cable operators continue to offer a large, diverse array of programming in analog format. That programming remains available to consumers without the need for a set top box or a digital television. In many cases, operators are even simulcasting programming in *both* analog *and* standard definition digital format, maximizing the options available to customers with analog sets.

Moreover, in order to facilitate and ease the broadcasters’ transition, cable – *and only cable* – will be carrying *both* analog and HDTV versions of most broadcast channels, even though broadcasters themselves are only transmitting a single signal. Most operators also continue to offer a low-cost analog lifeline service consisting of broadcast signals and other programming, which can be received without any additional equipment. By contrast, cable’s competitors, including direct broadcast satellite (DBS) and telephone companies, provide service only in digital format, requiring *all* DBS and telephone customers with analog television sets (and in some cases even customers with digital televisions) to obtain and pay for digital set-top boxes to receive *any* programming from these providers.

It’s clear that an increasing number of cable customers recognize the value offered by cable’s digital services. More than 60 percent of all cable homes subscribe to digital service. These customers have access to tiers of exciting digital programming, including HDTV signals, video-on-demand, and digital video recorders. Cable operators are also offering attractive digital service bundles of television, telephone and Internet services. Customers who choose to purchase the “Triple Play” of such bundled services pay 31% *less* today, on an inflation-adjusted basis, than they paid for the three services 12 years ago – and the quality of all three services is significantly better.

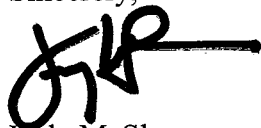
Even a gradual transition to digital requires some readjustment and disruption for some customers (though not in as abrupt a way as the broadcasters' transition imposes on over-the-air viewers). But Consumers Union is off-base in suggesting that cable's digital migration is "deceptive" or "misleading." We do not, we should not, and we will not portray the digital migration as something that is required by the broadcasters' digital transition – and if anyone has, they should be called on it. The fact is that cable operators have taken extensive steps to make sure that consumers are fully informed of both, and have provided advance notice of service changes as required by FCC rules.

Consumers Union also criticizes the deployment by some cable operators of a technology known as "switched digital" because it prevents some consumers from receiving programming over television sets that are not equipped for interactive services. In fact, switched digital technology makes it possible for cable operators to provide more and enhanced services to the vast majority of cable subscribers. Switched digital technology expands cable system capacity by transmitting channels to subscribers on an as-needed, on-demand basis rather than delivering all channels at all times to all subscribers. The bandwidth savings associated with switched digital enables cable operators to increase the amount of high definition programming they offer; introduce other diverse content, including Spanish-language programming; boost broadband speeds; and, perhaps most significantly, meet their obligation to carry broadcast signals in analog and digital formats ensuring that cable customers have a seamless transition. Because these service enhancements typically are not accompanied by any price increase, their effect is the *opposite* of what Consumers Union asserts: switched digital allows cable operators to deliver more programming, improved services, and better value to the vast majority of their subscribers.

There is a special irony in the suggestion that cable's actions with respect to the broadcasters' digital transition is in any way "misleading." No industry has done more – *voluntarily* – to make sure that the public knows and understands how the *broadcasters'* digital transition will – or won't – affect them. NCTA and its member companies have voluntarily spent more than \$200 million on a massive campaign to educate the public about what they need to do to continue being able to watch broadcast television stations when the transition is completed. *All of that money was spent not to encourage consumers to subscribe to cable service, but specifically to inform them about the government's converter box and coupon program that would enable consumers to view broadcast signals without signing up for cable.*

The cable industry is committed to cutting costs, rolling out more efficient and more innovative digital technology, and delivering the products and services consumers want. We're also committed to keeping our customers fully informed of the changing and increasing options available to them. We look forward to continuing to work with you to ensure that *both* digital transitions go as smoothly for consumers as possible.

Sincerely,



Kyle McSlarrow