

CableFAX Daily™

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What the Industry Reads First

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Usage-Based Pricing: NCTA Makes Case with Law Professor, Economist

NCTA took on critics of tier- or usage-based pricing Fri, holding a briefing with experts who said it would benefit consumers and incentivize investment in network infrastructure. The event seemed designed to counter groups like **Public Knowledge**, which have raised questions about usage-based pricing. **Comcast** joined **Time Warner Cable** and a handful of other service providers in May in switching to the usage-based pricing model. Earlier this year, **DOJ** reportedly examined cable ops' data capping practices (*Cfax*, 6/14). *Steven Wildman*, professor of telecom studies at **Michigan State University**, said "well-designed UBP (usage-based pricing) plans are likely to be beneficial, as are the effects of UBP on investments in the broadband infrastructure." For an economist, usage-based pricing is "an application to broadband of a type of differential pricing strategy that's extremely common, and largely non-controversial," he said. Other consumer benefits include making it easier for providers and consumers to deal with short-term fluctuations in user demand, citing traffic increase during events like March Madness. Wildman also said tier pricing also reduces the risk of trying broadband for new users. "Once people take it, they want more" and as they stay on the service, they are likely to take on higher tiers of service, he said. According to Wildman's study, "The Economics of Usage-based Pricing in Local Broadband Markets," tier pricing also allows suppliers an incentive to offer lower priced options they otherwise wouldn't find profitable. By contrast, "a government-mandated single-price approach to pricing broadband biases the design and pricing of service toward the interests of subscribers willing to pay the most to the detriment of low volume and low income consumers who are less likely to be offered service packages they are willing to purchase." Even the FCC seemed to back tiered pricing as the agency's net neutrality order endorses usage-based pricing in theory, said Prof *Daniel Lyons* of **Boston College Law School**. He argued that flat-rate pricing is relatively inefficient because users consuming different amounts of data pay the same price. As a result, light users subsidize heavy users. Another concern is the notion that companies use tier pricing to create "artificial scarcity." However, that would be the case only if the provider has market power, Lyons said. "Evidence suggests that the US broadband market is at least workably competitive" as excluding wireless, most of the consumers have 2 or more providers, he said. The takeaway for regulators? They should recognize that tier pricing "isn't consumer enemies," Lyons said. Having said that, regulators

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- Best Website Navigation
- Blog or Series of Blogs
- Contest/Online Games
- Digital Agency of the Year
- Digital Marketing Campaign
- Digital PR Campaign
- Editorial Excellence
- Facebook Campaign
- Mobile Marketing Campaign

- Online Community
- Online Newsroom
- Online Store/Merchandizing
- Original Content
- Podcast or Videocast
- Social Good Campaign
- Social Media Campaign
- Social Media Dream Team
- Supplemental Web Content
- Use of Facebook
- Use of Pinterest
- Use of Twitter
- Use of Video/Moving Image
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- Web Site Redesign

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- Digital Hot List
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- Cable Operator
- Official Show Website
- Regional/Local Programmers
- Technology Partners

TV Everywhere Awards

- Best Content Marketing/PR
- Best Portal Site (Distributor)
- Best Portal Site (Programmer)
- Best TV Everywhere/Authentication App (Operator)
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should also recognize that there's incentive to use tier pricing in a bad way, he said, urging providers to ensure transparency and clarity in their plans. Consumers need to know how much data they are using, he said. Meanwhile, some suggested peak pricing as an alternative. However, for that to work, regular peak is needed, Lyons said, adding that technological challenges make peak pricing difficult. Plus network congestion is a bigger problem on wireless network than on fixed network. Shifting usage to off-peak hours reduces operating costs and may make the transition to usage-based pricing easier for some subs, according to **Sandvine** pres/CEO *Dave Caputo*. Citing a recent Sandvine Internet traffic research, Caputo said the top 1% of Internet users consume 14% of all bandwidth while the top 5% use more than the bottom 80%. In addition, subs distribution across potential service tiers in North America showed 56.3% of consumers use more than 10 GB a month and a large share of the usage occurs during peak period (8:45-11:30am). **Public Knowledge** had cautioned that due to the complex nature of communications market, providers should collect and report detailed information about their offerings and how they affect consumers.

International: **Discovery Comm** agreed to purchase **ProSiebenSat.1 Group's** SBS Nordic operations for some \$1.7bln. The deal includes 12 TV nets in Norway, Sweden, Denmark and Finland, among other assets. It will add general entertainment, scripted and sports programming to its suite of services for the first time. The transaction is subject to regulatory review and is expected to close in early '13. The company also agreed to acquire a 20% stake in **TF1's** Eurosport Group (which runs the only pan-European sports channel) and 4 pay-TV channels in France for \$239.8mn as part of an expanded strategic partnership with TF1. The Eurosport relationship will allow Discovery access to European content and development opportunities (digital rollout, geographical expansion, new product launches, etc) while the alliance with pay-TV channels in France aims to improve the output of documentary, magazine and current affairs channels.

On the Hill: The opposition to the **FCC's** proposal to lift the media ownership ban is piling up. In a letter to FCC chmn Julius Genachowski, 5 Democrats on the **House Commerce Committee** joined other lawmakers calling on the FCC reconsider its plan. Reps *Anna Eshoo* (CA), *Mike Doyle* (PA), *Edolphus Towns* (NY) and *Bobby Rush* (IL) and Delegate *Donna Christensen* (VI) wrote they are "deeply concerned" with the Commission's proposal. "It is the Commission's job to protect and promote this localism and diversity in our marketplace of ideas," they wrote.

At the Portals: Groups and companies including **NCTA, ACA** and **DISH** asked the **FCC** to issue a supplemental notice seeking comment on proposals that would more equitably distribute CAF Phase I funding, they said in a joint letter. The groups also said that as the agency considers CAF Phase II and Mobility Fund issues relating to cost modeling, competitive bidding rules and other key provisions, it should ensure consumer welfare remains the focus. That can be done by maximizing the amount of support available on a competitively neutral basis to all service providers, "while avoiding mechanisms that channel funding to price cap LECs without sufficient regard for cost and efficiency considerations."

Geek Prom: According to press reports, **FCC** chmn *Julius Genachowski* spared no one at the **FCBA** Chairman's Dinner (aka geek prom) Thurs night, making jokes at the expense of FCC as well as the telecom/cable industry. It's a sign that some stakeholders interpreted as confirmation that he plans to leave the Commission soon. No mention of a potential departure by the chmn, though he did say "This will be my last chairmanship dinner," before saying it's only because of the so-called "Mayan prophecy."

Sandy Relief: The "12-12-12" concert at **Madison Square Garden** Wed night to aid victims of Hurricane Sandy drew 36.4mln viewers (P2+) and 25.8mln HHs. The 5+ hour benefit aired on 38 US channels. The average Live + same day viewership on the 15 measured nets was around 5.2mln. Online, it had more than 4.5mln streams across all platforms.

Carriage: Internet TV startup **Aereo**—sued for copyright infringement by some broadcasters—added **Bloomberg TV** to its OTT streaming and DVR service.

Launch Pad: **3net**, the 3DTV jv from **Discovery Communications, Sony** and **IMAX**, launched on PA local provider **Service Electric Cablevision** Thurs.

Programming: **AMC** greenlit pilot "Low Winter Sun." Season 1 consists of 1-, 1-hour eps. Its other pilot, "The Untitled LaGravenese & Goldwyn Project" will remain in consideration for a potential series pick-up in '13. -- **TLC** completed production on 10-part series "Welcome to Myrtle Manor," which will debut in early '13.

CableFAX Week in Review

Company	Ticker	12/14 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
DIRECTV:	DTV	49.82	(0.76%)	16.51%
DISH:	DISH	36.28	(3.71%)	27.39%
DISNEY:	DIS	48.67	(1.16%)	29.79%
GE:	GE	21.62	0.75%	20.71%
NEWS CORP:	NWS	25.17	(1.41%)	38.45%
MSOS				
CABLEVISION:	CVC	14.46	0.77%	1.69%
CHARTER:	CHTR	68.68	(2.48%)	20.62%
COMCAST:	CMCSA	36.54	(1.32%)	54.11%
COMCAST SPCL:	CMCSK	35.36	(1.67%)	50.08%
GCI:	GNCMA	8.59	1.90%	(12.26%)
LIBERTY GLOBAL:	LBTYA	60.31	0.43%	46.99%
LIBERTY INT:	LINTA	19.12	(0.16%)	17.88%
SHAW COMM:	SJR	22.40	1.91%	15.64%
TIME WARNER CABLE:	TWC	94.07	(0.86%)	47.98%
VIRGIN MEDIA:	VMED	36.07	1.43%	68.71%
WASH POST:	WPO	365.03	(1.95%)	(3.13%)

Company	Ticker	12/14 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
AMC NETWORKS:	AMCX	50.69	(3.28%)	34.89%
CBS:	CBS	34.83	(3.09%)	28.33%
CROWN:	CRWN	1.78	(2.73%)	47.11%
DISCOVERY:	DISCA	60.82	(0.44%)	48.45%
GRUPO TELEVISA:	TV	25.41	1.11%	20.66%
HSN:	HSNI	53.33	2.60%	47.08%
INTERACTIVE CORP:	IACI	45.15	0.54%	5.99%
LIONSGATE:	LGF	15.49	(0.19%)	86.18%
LODGENET:	LNET	0.14	2.79%	(93.98%)
OUTDOOR:	OUTD	7.42	(0.27%)	(0.54%)
SCRIPPS INT:	SNI	58.04	2.11%	36.82%
TIME WARNER:	TWX	46.77	(0.09%)	29.41%
VALUEVISION:	VVTV	1.65	(28.88%)	(12.23%)
VIACOM:	VIA	53.68	(0.85%)	0.66%
WWE:	WWE	8.03	(0.5%)	(13.84%)

Company	Ticker	12/14 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
ADVANTAGE:	AEY	2.05	3.02%	(2.38%)
ALCATEL LUCENT:	ALU	1.24	11.71%	(20.51%)
AMDOCS:	DOX	33.55	0.81%	17.60%
AMPHENOL:	APH	62.54	1.46%	37.78%
AOL:	AOL	30.47	(3.67%)	101.79%
APPLE:	AAPL	509.79	(4.4%)	25.88%
ARRIS GROUP:	ARRS	14.16	(0.91%)	30.87%
AVID TECH:	AVID	7.42	10.75%	(13.01%)
BLNDER TONGUE:	BDR	1.07	(3.6%)	(12.3%)
BROADCOM:	BRCM	32.06	(6.34%)	9.20%
CISCO:	CSCO	19.86	2.69%	9.85%
CLEARWIRE:	CLWR	3.37	41.00%	73.71%
CONCURRENT:	CCUR	5.54	11.47%	46.17%
CONVERGYS:	CVG	16.26	1.88%	27.33%
CSG SYSTEMS:	CSGS	17.86	(2.88%)	21.41%
ECHOSTAR:	SATS	33.57	1.08%	60.32%
GOOGLE:	GOOG	701.96	2.59%	8.68%
HARMONIC:	HLIT	4.81	5.02%	(4.56%)
INTEL:	INTC	20.53	1.82%	(15.35%)
JDSU:	JDSU	12.58	2.11%	20.50%

Company	Ticker	12/14 Close	1-Week % Chg	YTD %Chg
LEVEL 3:	LVL	21.40	8.30%	25.96%
MICROSOFT:	MSFT	26.81	1.36%	3.27%
RENTRAK:	RENT	19.53	1.61%	36.76%
SEACHANGE:	SEAC	9.64	(6.41%)	37.13%
SONY:	SNE	10.96	8.41%	(39.25%)
SPRINT NEXTEL:	S	5.55	(2.46%)	137.18%
TIVO:	TIVO	12.69	4.88%	41.47%
UNIVERSAL ELEC:	UEIC	17.07	1.85%	1.19%
VONAGE:	VG	2.40	(1.23%)	(2.04%)
YAHOO:	YHOO	19.64	2.29%	21.76%

Company	Ticker	12/14 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	34.01	0.83%	12.47%
VERIZON:	VZ	44.21	(0.45%)	10.19%

Index	Value	% Chg	% Chg
MARKET INDICES			
DOW:	DJI	13135.01	(0.15%) 7.51%
NASDAQ:	IXIC	2971.33	(0.23%) 14.06%
S&P 500:	GSPC	1413.58	(0.32%) 12.40%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. CLEARWIRE:	3.37	41.00%
2. ALCATEL LUCENT:	1.24	11.71%
3. CONCURRENT:	5.54	11.47%
4. AVID TECH:	7.42	10.75%
5. SONY:	10.96	8.41%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. VALUEVISION:	1.65	(28.88%)
2. SEACHANGE:	9.64	(6.41%)
3. BROADCOM:	32.06	(6.34%)
4. APPLE:	509.79	(4.4%)
5. DISH:	36.28	(3.71%)

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