

Annual Assessment of Competition in the Market for the Delivery of Video Programming

The Commission Friday released its eleventh annual report (*2004 Report*) to Congress on the status of competition in the market for the delivery of video programming. Following is a summary of the Commission's findings:

In its *2003 Report*, the Commission reported that cable held a 74% share of MVPD subscribers. In its more recent report, the Commission found that, while the number of subscribers to cable television increased slightly (up to 66.1 million from 66.05 million) since the *2003 Report*, cable's share of the market declined with cable operators now serving approximately 72 percent of all MVPD subscribers. In contrast, DBS subscribership continues to increase at nearly double-digit rates of growth, and its share of the marketplace is increasing. The Commission found that between June, 2003 and June, 2004, DBS's share increased from 22.7 percent of MVPD subscribers in June 2003, to 25.1 percent of MVPD subscribers in June 2004.

A total of 89.8 million households subscribed to multichannel video programming services as of June 2003, compared to 92.3 million households subscribing to MVPDs in June 2004, an increase of about 2.8 percent. Cable accounts for 66.1 million (up from 66.05) while non-cable MVPDs account for 26.2 million (up from 22.3 million). DBS accounts for the lion's share of these subscribers and grew from approximately 20.4 million households to approximately 23.2 million households. The Commission found that DBS's continued growth was due, at least in part to the continued increase in the number of markets providing local-into local broadcast television stations distribution.

The Commission found that almost 91% of cable plant has been upgraded to 750 MHz capacity or higher, permitting cable operators to offer increased channels and new advanced services, including video-on-demand and home networking, in addition to advanced services such as high-speed Internet access and telephony. Cable continues to perform well in the Internet access sector. The Commission found a 4.8 million increase in cable modem subscribership – up from 13.7 million as of June 30, 2003, to 18.5 million as of June 30, 2004.

The Commission noted that the provision of video over the Internet, though still not of broadcast quality and not yet a direct competitor to traditional video services, grew over the past

year “and promises to become an increasingly strong product in the market for the delivery of video programming.” The Commission also discussed the apparent reentry of local exchange carriers into the video distribution business, pointing to SBC and Verizon’s recent announcements (and the award of cable franchises to Verizon) to provide video service over fiber-to-the-home networks. The Commission also discussed the provision of video service over existing telephone lines, pointing to Qwest Communications’ offering of video service, high-speed Internet access, and telephone service in several markets using existing copper telephone lines and very high-speed digital subscriber line (VDSL) technology.

The foregoing is just a brief summary of the Commission’s 2004 Report. Please let us know if you have any questions or if you would like a copy of the Report.

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