

Transitioning to Digital TV

Television stations are transitioning to digital broadcast in February 2009 so that the FCC can relocate portions of the current broadcast spectrum. How will this affect private cable operators and their customers? Will PCOs be faced with unanticipated costs or with dissatisfied customers who don't want to buy set-top boxes? In a session called *Strategies for Digital Video Communities*, service providers discussed how they were preparing for the transition.

Bill Revell of Comcast noted that the 2009 digital deadline affects cable providers only indirectly. MSOs (video franchise operators) and PCOs can still provide analog channels to subscribers; only the broadcast analog channels will disappear. Customers with analog TV

box adds value to the subscription. But the company is gradually moving what it calls "niche channels" to the digital tier. Of course, one subscriber's niche channel is essential to another subscriber, so that as channels migrate to the digital tier (and as more customers buy HD television sets) customers will gradually migrate with them.

In individual-service environments, Revell said, Comcast is marketing bundles including digital converter boxes, and more than half of subscribers are taking the box. In bulk services environments, Comcast is negotiating with owners to move channels to the digital tier. "You need to communicate to customers the value of what the digital box brings you," Revell explained. "There's

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sets who don't subscribe to cable or satellite services will have to purchase digital-to-analog converter cards in order to get broadcast TV. Because they will have to take some action and incur some expense in any case, many of these non-subscribers are now likely to switch to cable or satellite.

But while PCOs aren't on the same hard deadline as are the broadcasters, they are also moving toward digital service anyway – in order to accommodate more high-definition channels and interactive services. In MDU communities where they provide bulk services, they are sometimes doing mass deployments of digital service.

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the interactive programming guide, the base-level digital music channels, the free VoD content – that's programming they haven't had before. We need to talk more about the added benefits from the set-top box or CableCARD."

Revell also said that digital service could generate ancillary revenue – for

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example, from gaming in student housing. In senior housing, where ancillary revenue tends to be lower, a higher base price might be required. But for owners, Revell said, the primary goal was not cost but reliability – keeping the resident out of the leasing office. "They're happier to pay a couple of extra bucks for a good product on the other end," he said.

Adding Digital Services

Suddenlink is also adding more digital services, said the company's MDU Director, Nathan Geick. For individual subscribers, the company is offering as many new services as it can, while for bulk services the choice is the owner's; HBO and pay-per-view are among the most popular digital services.

Suddenlink recently completed a large bulk rollout of digital services in

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student housing where the tenants, rather than the owners, took financial responsibility for the set-top boxes. "What do you do with set-top boxes in the August heat in Texas?" Geick said. "It's better to have the students come in. They knew what to do with them." Students had an incentive to pick up their set-top boxes and sign for them since they could not otherwise receive HBO, which was included in the bulk services deal.

Joe Ott, Multifamily Director for Time Warner Cable, said some of TWC's bulk services customers are switching all tenants to digital, and requiring them to use set-top boxes. The price differential is usually less than \$10 per month, per tenant. Methods of distribution vary; student MDUs, for example, might hold a several-day-long event to distribute the boxes. Ott said TWC hadn't experienced any negative consumer response.

Like the other companies on the panel, DirecPath is pushing customers in the direction of digital but not eliminating the analog tier entirely. DirecPath VP Bob Toombs said that, in addition to "watering down" the analog offering, DirecPath has priced its bundles to give customers a strong incentive to upgrade to digital. The analog tier costs \$40,

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while the analog-plus-digital offering is a much better value for only \$50.

In some developments, Toombs said, DirecPath has organized mass upgrades to digital equipment. In Post Midtown Square, an upscale development in Houston, the company held a 10-day conversion event, notifying all tenants in advance, taking over an empty office

next to the leasing office for the occasion, and using contract labor for installation and sales. The conversion went smoothly, according to Toombs.

At the Platina Condos in Boynton Beach, Florida, a predominantly senior development with more than 50,000 units, tenants arrived in groups and wanted to sit and chat, so the transition took somewhat longer. Because Platina has multiple homeowner associations, DirecPath worked on one section at a time, using multiple trucks and staging areas with a command-and-control center in a rented van.

Deposits

Ian Davis, the attorney from Munsch Hardt Kopf & Harr who moderated the panel, noted that in some states, owners could increase the tenant's deposit

to cover equipment like set-top boxes and cable modems as an alternative to making tenants take financial responsibility for the equipment. If tenants were not responsible either to the property owner or to the PCO, equipment sometimes disappeared along with the tenant at the end of the lease.

Security devices are also available, but most panelists agreed that the risk of loss was probably not great enough to warrant physically securing the set-top boxes. The cost of the security devices and the damage done by prying the boxes loose are likely to exceed the value of any lost equipment. Also offsetting the risk of equipment loss

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