FCC to study rules on cable-broadcast negotiations

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(AP) -- Federal regulators want to do more to avoid TV signal blackouts caused by disputes over programming fees that pit broadcast television stations against cable companies and other pay TV operators.

The Federal Communications Commission is set to vote Thursday to launch a review of the federal rules that govern negotiations over the fees that cable, satellite and other video services pay TV stations to carry their signals in channel lineups. To supplement advertising revenue, broadcasters have begun demanding cash for signals they used to give away for free, and that contributes to rising cable bills.

The FCC's actions follow a series of high-profile standoffs that left some consumers without their local stations.

In October, a breakdown in negotiations between Cablevision Systems Corp. and News Corp.'s Fox network left 3 million Cablevision subscribers in the New York area without Fox programming for 15 days - including through two World Series games - after the broadcaster pulled its signal.

A similar dispute caused Cablevision subscribers to miss the first 15 minutes of last year's Oscars when the ABC station in New York yanked its signal. Other standoffs have pitted Time Warner Cable Inc. against Fox; Mediacom Communications Corp. against Sinclair Broadcast Group Inc.; and Time Warner Cable against Sinclair. Another battle is now brewing between Dish Network Corp. and Lin TV Corp.

Last year, a coalition of pay TV providers including Cablevision, Time Warner Cable, DirecTV Inc., Dish Network and Verizon Communications Inc. filed a petition with the FCC seeking new rules that would give them more clout in negotiations with broadcasters.

They argue that the current "retransmission consent" rules are tipped against them because the ability to pull popular programming gives broadcasters the advantage.

They want the FCC to prohibit broadcasters from interrupting signals during negotiations - particularly right before marquee events - and to mandate binding arbitration in disputes.

The FCC maintains that it does not have authority under current law to do those things. But it wants to examine its existing rules to determine if there are other ways to prevent impasses by ensuring that both sides negotiate in good faith.

Among other things, the FCC will consider making it easier for a pay TV provider to bring in broadcast programming from other cities when it cannot reach an agreement with the local broadcaster. That tactic significantly undermines broadcasters' leverage in bargaining. Indeed, Time Warner Cable threatened to do just that in its most recent dispute with Sinclair, which was settled last month.

The FCC will also examine whether the broadcast networks should be involved in negotiations that were originally intended to be between a local cable company and the local broadcast affiliate. Broadcast networks such as ABC, Fox and CBS have been taking a cut of the retransmission fees collected by their affiliates. That has led TV stations to demand bigger cash payments from pay TV providers, making negotiations more difficult.

In addition, the FCC wants to ensure that consumers have adequate notice - and enough time to switch pay-TV providers - before a stalemate results in a broadcast blackout.

Matt Polka, president of the American Cable Association, which represents small cable companies, said he is pleased to see the FCC examining its retransmission consent rules. He argues that the existing rules, which were established by a 1992 law, have not kept up with today's market.

But Dennis Wharton, executive vice president of communications for the National Association of Broadcasters, insists the FCC should leave the current system in place because the government should not be involved in "private, free-market negotiations" between broadcasters and pay-TV providers.

If subscription TV providers believe the government will step in, he added, they will have even less incentive to negotiate in good faith - which could lead to even more service disruptions for consumers.