Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of:)
Charter Communications, Inc.	CSR No. 5545-Z
AT&T Broadband, L.L.C.	CSR No. 5548-Z
Insight Communications Company, L.P.	CSR No. 5558-Z
Cox Communications, Inc.	CSR No. 5561-Z
GCI Cable, Inc.	CSR No. 5564-Z
Cablevision Systems Corp.) CSR No. 5566-Z
Adelphia Communications Corp.	CSR No. 5567-Z
MediaCom Communications Corp.	CSR No. 5569-Z
CableAmerica Corp.	CSR No. 5570-Z
Time Warner Cable	CSR No. 5572-Z
Petition for Waiver of the Requirement To Provide Point of Deployment Modules Contained in Section 76.1204 of the Commission's Rules))))

MEMORANDUM OPINION AND ORDER

Adopted: August 14, 2000 Released: August 15, 2000

By the Deputy Chief, Cable Services Bureau:

I. INTRODUCTION

1. On June 11, 1998, the Commission adopted *Implementation of Section 304 of the Telecommunications Act of 1996, Commercial Availability of Navigation Devices*, to implement the congressional mandate expressed in Section 629 of the Communications Act.¹ Included in the rules adopted in the order is Section 76.1204 of the Commission's rules, which requires that multichannel video

¹ See Implementation of Section 304 of the Telecommunications Act of 1996, Commercial Availability of Navigation Devices, Report and Order, 13 FCC Rcd 14775 (1998) ("Navigation Devices Report and Order").

programming distributors ("MVPDs") make available modular security components, also called point of deployment modules ("PODs") by July 1, 2000.² The cable operators listed above request a waiver of Section 76.1204.

II. BACKGROUND

- 2. Section 629 requires the Commission to assure that navigation devices, or customer premises equipment are available for commercial retail purchase.³ The Commission concluded that the best means to foster a competitive market for navigation devices without jeopardizing system security was to require MVPDs to unbundle security from the other functions of the navigation device and by July 1, 2000, make available PODs to perform this function.⁴ This requirement is intended to enable an MVPD subscriber to obtain a set-top box without the security features (a "host device") from retailers. The subscriber remains reliant upon the MVPD to provide a POD for security functionality.⁵ Subsequently, on reconsideration, the Commission excluded from the POD requirement equipment that employs only an analog conditional access function. ⁶ The Commission did not apply this exclusion to hybrid navigation devices (*i.e.*, equipment that performs conditional access for both analog and digital scrambled services).⁷
- 3. We have before us the above-captioned petitions filed by cable operators seeking a waiver of Section 76.1204 for some of their cable systems that utilize hybrid navigation devices. The petitioners indicate that they would be in violation of the Commission's rules for systems that require a hybrid set-top box in order to receive all the services provided unless the waiver is granted. The petitions were placed on public notice and a time frame was established for filing comments and reply comments. Petitioners were also given the opportunity to supplement their petitions. Initially, petitioners filed waivers for 228 separate cable systems. Subsequently, petitions for 95 systems were withdrawn. The Bureau issued an order forgoing enforcement of the Section 76.1204 requirements for 45 days with regard to the systems designated in the petition in order to have the opportunity to review the additional information that arrived after the July 1, 2000 implementation date. 9
- 4. *Waiver Standard*. In analyzing the petitions, we consider the well-established legal standard for waiver of the Commission's rules. The Commission will adhere strictly to its rules unless a party can demonstrate that "in the public interest the rule should be waived." Furthermore, the

² 47 C.F.R. § 76.1204.

³ 47 U.S.C. § 549.

⁴ Navigation Devices Report and Order, 13 FCC Rcd at 14793.

⁵ The POD requirement is intended permit portability among set-top boxes, which will increase the market base and facilitate volume production and market costs. *Navigation Devices Report and Order*, 13 FCC Rcd at ¶ 49.

⁶ Implementation of Section 304 of the Telecommunications Act of 1996, Commercial Availability of Navigation Devices, Order on Reconsideration, 14 FCC Rcd 7596 (1999).

⁷ *Id.* at 7602.

⁸ Comments in support of the petitions were filed by the National Cable Television Association ("NCTA"). Comments in opposition were filed by Circuit City Stores, Inc. ("Circuit City") and the Consumer Electronics Associaton ("CEA").

⁹ Charter Communications et al., Order, DA 00-1483 (Cable Service Bureau June 30, 2000).

¹⁰ FPC v. Texaco Inc., 377 U.S. 33, 39 (1964).

Commission may only waive a provision of its rules for good cause. ¹¹ The Commission must take a "hard look" at applications for waiver ¹² and must consider all relevant factors when determining if good cause exists. ¹³

III. DISCUSSION

- 5. Although ten cable operators, with different attributes to their physical cable plants have filed waiver petitions, several common assertions run throughout the petitions. In the systems for which waivers are sought, the cable operator has launched, or is about to launch digital programming tiers in order to provide an immediate expansion of program service offerings. ¹⁴ In these systems, the operator provides hybrid set-top boxes performing both analog and digital decoding to customers subscribing to both the scrambled analog channels and the optional digital tier. Petitioners seek a waiver of the requirement that it provide PODs that are capable of both analog and digital decoding.
- 6. Petitioners claim that they considered various strategies for meeting Section 76.1204 in lieu of petitioning for a waiver, but none are viable. In most cases, petitioners claim that they would offer analog PODS, but there is no manufacturer serving this market and no analog PODs were available before the July 1, 2000 deadline or are likely to be available in the foreseeable future. Petitioners claim that the most reasonable solution to comply with Section 76.1204 is dual carriage of scrambled analog programming in the digital tier. Under this scenario, a consumer purchasing a digital set-top box at retail would be able to access all of a cable operator's service offerings via the digital tier. Petitioners claim that in most circumstances their systems currently lack capacity to duplicate, and therefore seek a waiver until system rebuilds are complete. Petitioners claim that once a system rebuild is complete, they will generally comply with the POD requirement in the systems covered by the waiver request by duplicating their scrambled analog video programming on a digital tier so that their customers will not need to utilize the analog descrambling capabilities of the hybrid converter. 16
- 7. One means to free bandwidth to accommodate duplication is to drop carriage of video channels. Petitioners believe, however, that deleting existing services from a digital tier in order to create bandwidth space to duplicate scrambled analog programming would confuse and frustrate customers.¹⁷ Petitioners argue that allowing them to maintain new and diverse video and non-video services that they have already launched on their digital tiers is consistent with the waiver standard.¹⁸ Petitioners argue that dual carriage of the scrambled analog channels on the digital band of the non-rebuilt systems is technically feasible, but doing so would consume the bandwidth they are using now to provide new services.

¹² Pikes Peak Broadcasting v. FCC, 422 F2d 671, 682 (D.C.Cir 1969).

¹¹ 47 C.F.R. § 1.3.

¹³ Citizens to Preserve Overton Park, Inc. v. Volpe, 401 U.S. 402, 416 (1971).

¹⁴ See e.g., Charter Petition at 2

¹⁵ In support of this contention, NCTA cites the responses to a CableLabs request for information to which no company indicated an intention to build analog PODs or host hybrid devices for analog PODs. NCTA Comments at 8.

¹⁶ See e.g., AT&T Petition at 5; Adelphia Petition at 4; Cox Petition at 1.

¹⁷ AT&T Petition at 8: Charter Petition at 2.

¹⁸ See e.g., AT&T Petition at 9.

- 8. In other circumstances, petitioners contend that they are consolidating headends, and argue that a waiver would allow them avoid the purchase of superfluous equipment that will no longer be needed once a headend is eliminated. All petitioners assert that they are seeking a waiver for a small percentage of their subscribers, and that the grant of their waiver will have a minimal impact on the retail market.¹⁹
- 9. Commenters CEA and Circuit City oppose the waiver requests. CEA maintains that technology is available which would have allowed cable operators to make separable analog security modules available by July 1, 2000. Circuit City claims that the cable industry does not react to product availability, but in actuality controls it. Accordingly, argues Circuit City, petitioners should be held responsible for non-compliance with the Commission's rules. Circuit City and CEA further argue that petitioners fail to show that a waiver is appropriate. Circuit City argues that it is more vital that consumers receive the benefits of competition in the navigation device market than the new services that petitioners suggest the waiver should protect. CEA argues that, even assuming that analog PODS were not available by July 1, 2000 petitioners acknowledge that alternatives exist to a waiver. CEA contends that petitioners should not be excused from complying with the Commission's rules simply because a waiver provides them with the easiest solution to a temporary problem that could be cured by exercising other alternatives. CEA recommends that if waivers are granted, their duration should be limited to one year and affect no more than one percent of an operator's total subscribership. Circuit City argues that granting the waivers as requested will require subscribers to wait as long as two years before they will be able to enjoy the benefits of a competitive navigation device marketplace.
- 10. We agree with petitioners that duplication of scrambled analog programming on the digital tier is a reasonable means to comply with the separate security requirement for those operators that offer hybrid boxes. Duplication allows a consumer purchasing a set-top box at retail and obtaining a POD performing digital descrambling from the cable operator to have access to the same video programming

²⁶ Circuit City Comments at 8. We note Circuit City's concern that the Commission's rules may not provide enough incentives for cable operators to meet regulatory requirements. This proceeding, however, is not the proper forum to change the rules implemented to achieve commercial availability of navigation devices. In the *Navigation Devices Report and Order*, we stated that we would monitor the progress of industry participants to ensure that satisfactory progress was being made toward the goals of this proceeding. *Navigation Devices Report and Order*, 13 FCC Rcd at 14781. To that end, the cable industry has been periodically reporting on the status of the OpenCable project, which is developing interface standards for security modules and host devices. Further, we stated our intent to evaluate the status of the market once PODS became available to assess whether our time frame for the phase-out of integrated boxes is appropriate. *Id.* at 14803. The efforts of the cable industry regarding its commitment to developing interface standards, as well as the commitment of manufacturers and retailers in offering host devices, will be part of that evaluation.

¹⁹ For example, Adelphia claims only 1.6% of subscribers use hybrid equipment. Adelphia Petition at 5. Cox argues it is seeking a waiver for less than 1% of its subscribers. Cox Petition at 3.

²⁰ CEA cites the specification for a National Renewal Security System, developed by the Joint Engineering Committee, as a viable means for analog host and POD devices to satisfy the hybrid box separation requirement. CEA Comments at 4.

²¹ Circuit City Comments at 4.

²² CEA Comments at 6; Circuit City Comments at 7.

²³ Circuit City Comments at 9.

²⁴ CEA Comments at 5.

²⁵ *Id.* at 5.

received by subscribers who use an operator-supplied hybrid box. There are other means by which a system can come into compliance with Section 76.1204. Descrambling analog channels and moving them to the basic service tier ("BST") may be a means to alleviate the need to provide analog PODs. We acknowledge, however, that such action could affect the rate structure of the cable system. Similarly, trapping signals permits compliance with Section 76.1204. We also acknowledge that trapping is labor intensive, degrades signals throughout the system, and is generally considered vulnerable to theft. We also agree with petitioners that in the majority of cases it would not be in the public interest for cable operators to drop a large number of video channels on full systems to duplicate scrambled analog channels in the digital tier. At the same time, we note that some operators, with full knowledge of the July 1, 2000 requirement and a possible need to duplicate channels, recently added some channels not offered on the analog tier.

- 11. The circumstances involved in each of the requested waivers have been individually reviewed and the actions taken with respect to each are set forth in Appendix A. We set forth below the considerations that individually or in combination persuade us that the actions set forth in Appendix A are warranted. We believe that by December 31, 2001 significant developments in the retail market will have taken place. Accordingly, we grant no waiver beyond December 31, 2001. Section 76.1204 was adopted in July of 1998 so that there should be adequate time to resolve compliance issues by December 31, 2001 except for unique systems. Nothing in the materials filed with these waiver requests demonstrates that the systems involved have unique problems that were not considered when the rules were adopted. We recognize that all of the systems involved will require some time to organize the technical changes needed to come into compliance. Except in the extraordinary case where major system reconstruction is involved or large numbers of channels must be converted for digital distribution, we believe these changes should be completed on the dates requested but no later than March 31, 2001.
- 12. The Bureau's engineering staff analyzed each system separately to determine whether the operator submitted sufficient evidence demonstrating that a particular system could not currently accommodate duplication of scrambled analog channels without significant service disruption. We also examined what events the operator suggested would occur during the waiver period to bring the system into compliance at the end. Because petitioners claimed that they were able to come into compliance with Section 76.1204 for most of their systems, we evaluated the specific information provided to determine why these systems are distinguishable from the rest of the cable industry.²⁷ We applied the evaluation criteria consistently across systems. Due to the large number of systems seeking a waiver, the determination for each system is listed in Appendix A.
- 13. One factor in our analysis is whether the operator demonstrated that the current system lacks capacity to accommodate the channels requiring duplication. The potential for disruption to customers caused by duplication depends on the amount of bandwidth required for duplication, which in turn is dependent on the number of scrambled analog channels, as well as the amount of free bandwidth on a system. Generally, the smaller the bandwidth of the system, the more likely we are to grant a waiver because the system is at full capacity. Duplication would require cable operators to drop channels in order to free up capacity for duplication. As explained above, we do not believe that it would be in the public interest for subscribers to lose a significant number of channels at this time to accommodate duplicate programming. On the other hand, vacant channels or unactivated bandwidth were considered an indication that a system had capacity to add additional channels and comply with our rules. To calculate the amount of bandwidth needed to accommodate duplication, the scrambled analog channels on a system's lineup were

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²⁷ For example, Mediacom claimed only 7 of its 420 systems could not comply with Section 76.1204. Mediacom Petition at 3.

counted. In many cases, several of the scrambled analog channels were already being carried on the digital tier, and were not included in the count. Systems that scrambled the cable programming service tier ("CPST") had a high number of channels requiring duplication and those systems' waiver petitions generally are granted, whereas systems with the same bandwidth but no scrambled CPST might be granted a limited time to come into compliance. The greater the capacity of a system, the greater the burden facing the operator to prove the difficulty of duplication, especially for systems with capacity of 750 MHz and above. Many operators sought waivers until the system is upgraded to 750 MHz in order to have capacity to duplicate. Thus, systems that already have such high capacity are not given as long as was requested to come into compliance unless other compelling reasons unrelated to capacity are demonstrated.

- 14. Another factor considered is whether the operator demonstrated that the system's channel lineup could not be easily reconfigured to accommodate duplication. Most petitioners use multiplexed digital satellite packages such as Headend in the Sky ("HITS") to provide digital programming.²⁹ This technology allows cable operators to provide more channels without a physical upgrade to a system. Many of the analog channels that petitioners scramble such as HBO, Showtime, and Cinemax can be put on a cable system in digital form through these packages. In other cases, operators face a more difficult situation in duplicating because they offer scrambled analog programming that is not available in a format comparable with their digital tier. In these situations, an operator would be required to obtain a real time encoder and a headend multiplexer in order to convert its feed of an analog channel to digital and insert it into its digital lineup.
- 15. The staff compared the offerings of the digital program supplier used by a system with its scrambled analog and digital channels. In some instances, our evaluation of a system's channel lineup indicates that a cable operator could accommodate duplicates of all scrambled analog programming and add new digital channels under existing bandwidth if an alternative digital satellite programming package had been selected. Some channel lineups indicate operators are using equipment such as "cherry pickers" to insert or substitute channels into the digital packages. Having this equipment, which could be used to add the channels not available in digital, already located in the headend makes it more likely that a system is currently able to accommodate duplication. Given that there was a two-year period between the adoption of Section 76.1204 and the July 1, 2000 deadline, we are not sympathetic to operators that chose to develop a channel lineup in a manner that deliberately did not comply with the rules.
- 16. An additional factor considered was whether the operator demonstrated that allowing duplication at a later date would preclude the need to purchase unnecessary equipment. Some operators submitted detailed information regarding headends that are being consolidated. For those systems, only one suite of duplication equipment is need at the remaining headend. We note that avoidance of duplicative

 29 For example HITS offers packages of digitally compressed video signals to allow as many as 12 video services into a 6 MHz analog channel www.hits.com>. The HITS service is used by most of the waiver systems that currently offer a digital tier.

²⁸ See e.g., Time Warner Petition, Cox Petition.

³⁰ For example, a system that needs to duplicate HBO, Showtime and Cinemax could get these channels and nine other as one package in a digital format from HITS Package 9. *See* HITS 5-17-00 Digital Programming Lineup.

 $^{^{31}}$ A "cherry picker" is a type of equipment used in the headend to insert or remove programming from a downlinked digital package of programming prior to distribution over the cable system.

³² In some cases, operators were removing digital duplicates of scrambled analog channels and replacing them with other channels.

equipment is a different situation from one where operators asked for a waiver because they wanted to put off the purchase of equipment to a later date due to a small number of digital subscribers. We do not agree that delaying equipment purchases is a compelling justification for waiver if the physical system is not changing. In order to fulfill the mandate of Section 629, an operator will have to come into compliance with Section 76.1204 for all of its systems.

17. In their supplemental filings, most petitioners indicated that they had planned that the first digital channels offered would bring their system(s) into compliance with Section 76.1204. The waivers provided herein are expressly conditioned that the first digital channels added to any rebuilt or newly built sections of the petitioners' plant duplicate existing analog service offerings so as to bring those sections into compliance with Section 76.1204 as quickly as possible, but in no event later than the expiration of the waiver granted herein. As a cable operator rebuilds or expands a system, new channels are added to those areas, rather than adding new channels all at once at the completion of the entire system upgrade. We expect that the cable operator will plan and operate the new system with this condition in mind.

IV. ORDERING CLAUSES

- 18. Accordingly, IT IS ORDERED that the petitions for special relief by Charter Communications, Inc., AT&T Broadband, L.L.C., Insight Communications Company, L.P., Cox Communications, Inc., GCI Cable, Inc., Cablevision Systems Corp., Adelphia Communications Corp., MediaCom Communications Corp., CableAmerica Corp., and Time Warner Cable ARE GRANTED TO THE EXTENT DISCUSSED HEREIN.
- 19. To the extent the petitioners have requested information be accorded confidential treatment, their request is hereby GRANTED.
- 20. This action is taken pursuant to authority delegated by Section 0.321 of the Commission's rules.³³

FEDERAL COMMUNICATIONS COMMISSION

William H. Johnson Deputy Chief, Cable Services Bureau

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³³ 47 C.F.R. § 0.321.

APPENDIX A

Granted

Operator	System	Compliance Date
Charter	Marksville, LA	6/1/01
	La Fourche, LA	6/1/01
	Clearfield, PA	1/1/01
	Pt. Pleasant, WV	4/1/01
	Maryville, IL	3/1/01
	Middletown, DE	3/31/01
	Clarksville, TN	12/31/00
AT&T	St. Charles, MO	10/31/00
	Centralia, WA	12/31/00
	Chehalis, WA	12/31/00
	Seattle, WA	3/31/01
	Denver, CO	6/30/01
	The Colony, TX	9/1/00
	Foster City, CA	12/31/00
	Los Banos, CA	12/31/00
	Merced, CA	12/31/00
	Sonora, CA	12/31/00
	Tuolumne, CA	12/31/00
	Vacaville, CA	12/31/00
	Patterson, CA	12/31/00
	Glenview, IL	12/31/00
	Daly City, CA	12/31/00
	Pacifica, CA	12/31/00
	Pinole, CA	12/31/00
	Chicago, IL (MDUs only)	12/31/01
	Champaign, IL	3/31/01
	Hickory Hills, IL	3/31/01
	Midlothian, IL	3/31/01
	Walled Lake, IL	3/31/01
Insight	Jasper, IN	9/30/00
J	Lebanon, IN	9/30/00
	Anderson, IN	3/31/01
	Martinsville, IN	7/1/01
	Monroe Co., IN	7/1/01
Cox	Abilene, TX	12/31/00
	Tye, TX	12/31/00
	Dyess AFB, TX	12/31/00
	Bossier City, LA	6/30/01
	Barksdale, AFB, LA	6/30/01
	Bossier Parish, LA	6/30/01
	Fillmore, LA	6/30/01
	Haughton, LA	6/30/01

Operator	System	Compliance Date
	Princeton, LA	6/30/01
Cablevision	Boston, MA	7/1/01
	Braintree, MA	7/1/01
	Fitchburg, MA	7/1/01
	Framingham, MA	7/1/01
	Gardner, MA	7/1/01
	Lexington, MA	7/1/01
	Maynard, MA	7/1/01
	Peabody, MA	7/1/01
	Westford, MA	7/1/01
Adelphia	North Adams, MA	12/31/00
	Dover, NJ	12/31/00
	Amelia, OH	12/31/01
	Ashtabula, OH	12/31/00
	Collinsville, OH	12/31/01
	Conneaut, OH	12/31/00
	Fairfield, OH	12/31/01
	Geneva-Madison, OH	12/31/00
	Lake County, OH	12/31/00
	Liberty, OH	12/31/01
	Morrow, OH	12/31/01
	Turtle Creek, OH	12/31/01
	Harbor Creek, PA	12/1/00
	Radnor, PA	12/1/00
	Plymouth, MA	3/31/01
	Lewiston, ME	3/31/01
Mediacom	Okoboji (Spirit Lake), IA	10/1/00
	Huntsville, AL	3/31/01
	Gulf Breeze, FL	3/31/01
	Hendersonville, NC	3/31/01
CableAmerica	Waynesville, MO	12/31/01
Time Warner	Kingston, NY	12/31/01
	Rhinebeck, NY	12/31/01
	Poughkeepsie, NY	12/31/00
	Dayton, OH	12/31/01
	Houston, TX	10/15/00
	Laredo, TX	1/31/01
	Dallas, TX	1/31/01

Granted in Part, Denied in Part

Operator	System	Compliance Date
Charter	St. Louis (Olivette), MO	12/31/01
	Jefferson Co., MO	12/31/01
	Park Hills, M0	12/31/01
	Warrensburg, MO	12/31/01
	Osage Beach, MO	12/31/01
	Hesperia, CA	12/31/01
	Cape Girardeau, MO	3/31/01
	Slidell, LA	3/31/01
	St. Landry, LA	3/31/01
	Parkersburg, WV	3/31/01
	Grants Pass, OR	3/31/01
	Camp Lejeune, NC	3/31/01
	Ft. Worth, TX	3/31/01
	Alhambra, CA	3/31/01
Insight	Henderson, KY	3/31/01
	Bowling Green, KY	3/31/01
Cox	San Angelo, TX	12/31/01
	Goodfellow AFB, TX	12/31/01
	Claremore, OK	12/31/01
	Tyler, TX	3/31/01
	Whitehouse, TX	3/31/01
	Smith Co., TX	3/31/01
	Salina, KS	3/31/01
	Saline Co., KS	3/31/01
GCI	Anchorage, AK	12/31/01
Cablevision	Haverhill, MA	3/31/01
Adelphia	Redlands, CA	12/31/01
Пастрина	Arcadia, CA	3/31/01
	Beaumont, CA	3/31/01
	Colton, CA	3/31/01
	E. San Fernando Valley, CA	3/31/01
	Glendora-Monrovia, CA	3/31/01
	Hacienda Heights, CA	3/31/01
	Moreno Valley, CA	3/31/01
	Perris, CA	3/31/01
	Redondo Beach, CA	3/31/01
	Rialto, CA	3/31/01
	South Whittier, CA	3/31/01
	Amesbury, MA	3/31/01
	Falmouth, MA	3/31/01
	,	3/31/01
	Gloucester, MA Marshfield/Duxbury, MA	
	•	3/31/01
	Merrimack, NH	3/31/01
	Buffalo, NY	3/31/01

	Loudoun County, VA	3/31/01
Mediacom	Chillicothe, IL	3/31/01
	Robinson, IL	3/31/01
	Kendallville, IN	3/31/01
	Knox, IN	3/31/01
CableAmerica	Mesa, AZ	3/31/01
Time Warner	Racine, WI	12/31/01
	Portland (Moody), ME	3/31/01
	Warren, OH	3/31/01