

memorandum

DATE: February 8, 2006

TO: Donald Stockdale

FROM: Donna Gregg

SUBJECT: Peer Review of *Further Report on the Packaging and Sale of Video Programming Services to the Public*

On December 21, 2005, I requested that you review the FCC Media Bureau staff study entitled *Further Report on the Packaging and Sale of Video Programming Services to the Public* ("Further Report"). Pursuant to your review, you stated that you found "no mistakes or incorrect economic assertions" in the Further Report. Moreover, you stated that you found the Further Report "to present sound economic criticism" of the Bureau's *Report on the Packaging and Sale of Video Programming Services to the Public* (November 2004) ("First Report").

Your review stated that "[a]lthough the Further Report's discussion of the BAH Study might be made more accessible by including a more detailed explanation of the study's assumptions and methodology, the criticisms of the BAH Study appear well grounded."¹ In response to your suggestion that additional detail about the BAH Study would make the Further Report more accessible, you will find some additional text in the section discussing that Study. In particular, the Bureau has added language discussing the mistakes that Booz Allen Hamilton made in its calculations, pursuant to information that Booz Allen Hamilton subsequently provided. While we agree with your suggestion that still further detail regarding the BAH Study's assumptions and methodology could provide additional background for the reader, we continue to believe that the Study contains errors and relies on unsupported assumptions and that accordingly any further discussion thereof should not be the focus of the Further Report. We note that the full BAH Study can be found in the Commission's record.

Thank you for your careful review. We look forward to working with you further.

¹ The BAH Study refers to a report produced by Booz Allen Hamilton, which was heavily relied upon in the First Report. See Booz Allen Hamilton, *The a la Carte Paradox: Higher Consumer Costs and Reduced Programming Diversity, An Economic Analysis of the Implications of a la Carte Pricing on Cable Customers* (July 2004).