

***NON-CONFIDENTIAL***



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*technology*  *unleashed*

**Repackaging of CBL's REVTV offers**

**Submitted to the**

**Utilities Regulation and Competition Authority**

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**Filed by**

**Cable Bahamas Ltd.**



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## 1.0 INTRODUCTION

With this Application, Cable Bahamas Ltd. ("CBL" or the "Company") is seeking approval from the Utilities Regulation and Competition Authority ("URCA") to introduce structural changes to its REVTV offers. As URCA is aware, viewing habits of consumers around the world are changing rapidly, with customers requiring access to content when and where they desire. This puts pressure on the traditional broadcasting model, resulting in reductions in TV subscriptions and viewing hours of linear TV. [REDACTED]

CBL has recently conducted an extensive review of the viewing habits of its TV customers and this has been supplemented with primary research to understand the value and use of its TV services. This review has revealed that a significant number of TV channels currently offered by CBL are only viewed by a limited number of customers, resulting in high content costs per view. This is particularly relevant to CBL's REVTV Prime offer, where CBL pays for content per subscriber irrespective of whether the channels are watched by that subscriber. [REDACTED]

In response to these challenges, CBL could apply for a price increase for its REVTV Prime plan and keep the general structure of its TV offers the same. However, it does not seem to be in the interest of CBL's customers if such a price increase is used to pay for content that does not contribute to the satisfaction of customers with CBL's TV services.

CBL has therefore explored an alternative approach, where the REVTV offers are brought more in line with viewing habits, while leaving the price point for REVTV Prime unchanged. This repackaging strategy has the following core elements:

1. The content costs of CBL's REVTV plans will be reduced by removing channels with low value to customers.
2. Some of the more popular channels will be replaced with cheaper content – in line with the Hallmark approach successfully piloted by OUR TV last year.



3. A number of 'add ons' have been designed to create tailored options for customers. The existing plans REVTV Premium, REVTV Prestige and REVSportsPrime will be replaced by add-ons as part of this repackaging exercise. Customers currently on REV TV Prestige will be moved to the newly created REVTV Lifestyle Extra. Existing customers on REVTV Premium, will be 'grandfathered' on their plans, with migration happening over time as these customers take the new options. Existing REVSportsPrime customers will be migrated to the new REVTV Sports plan.
4. REVTV PRO is currently a very low margin service and the proposal is to increase the price for this plan from \$43.95 to \$48.00. However, significant new content will be added to this plan and customers will no longer be required to subscribe to REVTV PRO in order to subscribe to the add ons, i.e. REVTV PRO is no longer the 'gateway' to the add ons.

These changes are described in more detail in this submission.

CBL proposes to introduce the above repackaging on 31 January 2021.

The proposed changes are based on CBL's current expectations of the outcome of detailed contract negotiations with its content suppliers. These negotiations are made more complex because changes to CBL's REVTV offers are subject to URCA's approvals. In addition, content suppliers have significant bargaining power over a small independent buyer of TV channels like CBL and it may therefore be necessary to change the proposed plans at short notice depending on the outcome of the discussions. CBL will immediately inform URCA in writing of any such changes and CBL would kindly request for URCA to address these changes as quickly as possible in order to ensure the implementation of the repackaging plans is not delayed.

According to the Significant Market Power ("SMP") assessment completed in 2014, URCA determined that CBL possesses SMP in the provision of TV services<sup>1</sup>. Consequently, CBL understands that the above services are price-regulated services and URCA approvals are therefore required prior to their launch. URCA's *Regulation of Retail Prices for SMP Operators – Rules*<sup>2</sup> (the "Price Regulation Rules") set out the approval requirements for the proposed introduction of single services under Part E. The following sections of this Application address each of the stipulated requirements to provide the required rationale and supporting evidence for the Proposal.

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<sup>1</sup> URCA, ECS14/2014, 2 December 2014.

<sup>2</sup> URCA, ECS06/2014, 16 April 2014.



## 2.0 SUPPORTING INFORMATION FOR THE APPLICATION

### 2.1 A description of the product or service for which the price change is being requested (Paragraph 19.1)

CBL's existing REVTV Offers are summarised as follows.

Figure 1 – CBL's REVTV offers

Plan	Number of incremental channels	Price	
REVTV Prime	72	\$38.00	
REVTV PRO <sup>3</sup>	30	\$43.95	
REVTV Premium <sup>4</sup>	20	\$10.00	
REVTV Prestige <sup>5</sup>	26	\$9.00	
REVSportsPrime	10	\$10.00	

The full lists of channels for each of these plans are presented in CBL's website on <https://www.rev.bs/tv/>.

### 2.2 A description of the targeted customer segment (Paragraph 19.2)

The targeted customer segment is CBL's residential TV customers.

### 2.3 Proposed effective date for commencing the price change (Paragraph 19.3)

CBL proposes to introduce these changes on 31 January 2021. Customers will be notified a month in advance as per the consumer protection regulations in force. In light of the quite substantial changes planned, CBL will conduct an extensive wider communications program using social media and other channels, as well as direct communications to ensure customers

<sup>3</sup> Recently rebranded from Prime Select

<sup>4</sup> Recently rebranded from Prime Plus

<sup>5</sup> Recently rebranded from Prime Extra



are made aware of the planned changes to their services and the options available under the new line up.

## **2.4 A detailed description of current prices for the service(s) in question (Paragraph 19.4)**

Existing prices for CBL's TV services are presented in Figure 1.

## **2.5 A detailed description of the proposed prices for the service(s) in question (Paragraph 19.5)**

The number of channels, prices and customer numbers for the new line-up are presented in the below Figure.

**Figure 2 – CBL's new TV line-up**

Plan	Number of incremental channels	Price
RETV Prime	68	\$38.00
RETV PRO	30	\$10.00
RETV Kids	7	\$5.00
RETV News & Science	10	\$5.00
RETV Rhythms	10	\$5.00
RETV Lifestyle Extra	19	\$10.00
RETV Sports	16	\$15.00

As noted previously, the price of the RETV Prime plan remains the same.

The full list of channels for each of these plans and their movement between the plans is presented in the spreadsheet provided with this application titled 'Content Strategy v5 cross check channels v12 201020 Website CONFIDENTIAL'.

CBL's aim is to transform the existing cable television service into a media and entertainment offer and to provide its new and existing customers with products and services that are in line



with industry trends for the Caribbean and the wider North American market. It is our intention to reward customer loyalty and flexibility to a new generation of streamers and cord cutters. Based on audience insights, our customers indicated that their preference is to have simplified packages that would make it easy to find the content they want to watch, when and on which device. In order to deliver on customers' demands while balancing our contractual obligations to our content providers we have developed packages that are simple and affordable. We continue to add new content as well as replace content which may have been discontinued by the programmer. It is important to note that CBL have not changed or modified the channel line-up in ten years, while viewing habits have transformed. Another noteworthy point is that CBL enlisted a third-party group to conduct extensive and research and analysis to create the proposed packages.

**2.6 Any proposed changes to the applicable terms and conditions (Paragraph 19.6)**

CBL's standard terms and conditions apply.

**2.7 A description of the commercial rationale for making the proposed change (Paragraph 19.7)**

The proposed changes are essential to protect the long-term viability of CBL's TV offers. Rather than go down the route of applying significant price increases, CBL believes that a more customer-focused approach requires a closer alignment of the plans with observed consumer behaviour, resulting in more effective acquisition of content costs.

**2.8 Pricing principle applied in developing the proposed price (Paragraph 19.8)**

The pricing principles applied are customer orientation, efficient content acquisition and the lifecycle extension of a service in decline.

**2.9 Data relevant to the proposed change (Paragraph 19.9)**


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<sup>6</sup> EBIT or Earnings Before Interest and Taxes



[REDACTED]

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[REDACTED]

## 2.9 Declaration (Paragraph 19.10)

Paragraph 19.10 of the Price Regulation Rules states that an applicant must submit a declaration signed by an authorised officer confirming that its application complies with the Price Regulation Rules, the Communications Act, its operating licence, the Sector Policy and any other relevant documents. The Price Regulation Rules further indicate that the signed declaration must state that the proposed changes are not anti-competitive and, in particular, that they:

- a. do not result in margin squeeze (if at least one alternative operator provides competing services using a wholesale input provided by the SMP operator) or predatory pricing (if the SMP operator does not provide a wholesale service that an alternative operator uses to provide a competing retail service to that which is under consideration), and
- b. will not result in undue discrimination.

CBL hereby declares that these proposed changes do not result in margin squeeze (there is no wholesale TV service available) and will not result in undue discrimination.

The declaration in Paragraph 19.10 should be supported with evidence that satisfies the requirements set out in the Rules, specifically in Annexes 1 and 2. CBL presents this evidence in the sections below.



**2.9.1 Details of the test for the assessment of predatory/margin squeeze prices (Annex 1)**

CBL submits that this Application raises no concerns relating to either technical or economic replicability because competitors can freely acquire or develop similar services at a reasonable margin.

CBL notes that Annex 1 of Price Regulation Rules outline two further tests relating to potential predation or margin squeeze.

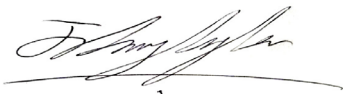
First, CBL notes that there is no predatory pricing issue raised by its Proposal as generally the aim of the changes is to improve margins and to raise profitability levels of CBL's TV service.

Second, CBL notes that the margin squeeze test noted in Annex 1 is not relevant in the case at hand. CBL is not required to provide wholesale facilities related to its TV services.

**2.9.2 Assessment of undue Discrimination (Annex 2)**

CBL can hereby confirm that its new TV offers presented are available to all residential customers in The Bahamas. There is therefore no risk of undue discrimination relating to this Proposal.

Yours sincerely,



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Johnny Ingle  
Director, REV Residential

