NON-CONFIDENTIAL



Repackaging of CBL's Business TV 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 TV offers for enterprise customers. 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. CBL has submitted a separate request for changes to its residential TV plans. The proposed changes to the enterprise plans follow the same approach with new 'add ons' being created to cater to specific segments in the market, allowing continued access to valued channels while reducing content costs.

The proposed changes to the enterprise TV line up can be summarised as follows:

- 1. The content costs of CBL's Business TV plans will be reduced by removing some 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. These 'add ons' are identical to the ones presented for the residential repackaging.

These changes are described in more detail in this submission.

CBL proposes to introduce the above repackaging on the same date as the new residential plans, once approved.

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 Business TV 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 services¹. 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*² (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.



¹ URCA, ECS14/2014, 2 December 2014.

² 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 Business TV Enterprise offers are summarised as follows.

Figure 1 – CBL's Business TV offers³

Plan	Number of incremental channels	Price	
Prime Business	72	\$64	
Prime Business Extra ⁴	69	\$75	
Prime Sports	5	\$50	

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

The targeted customer segment is CBL's enterprise or business TV customers.

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

CBL proposes to introduce these changes on the same date as the new residential plans, once approved. 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 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)

Relevant existing prices for CBL's TV services for business customers are presented in Figure 1.

³ Various a la carte international channels are not included in the table, these remain unchanged.

⁴ This plan is to be grandfathered in light of the low take up.

REVTV Rhythms

REVTV Sports

REVTV Lifestyle Extra

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.

Plan	Number of incremental channels	Price
REVTV Prime Business	68	\$64
REVTV PRO	30	\$20
REVTV Kids	7	\$10
REVTV News & Science	10	\$10

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The definition of the above plans Prime, Kids, News & Science, Rhythms, Lifestyle Extra and Sports is identical to the residential plans.

\$10

\$20

\$50

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 North America and the Caribbean in particular. 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)

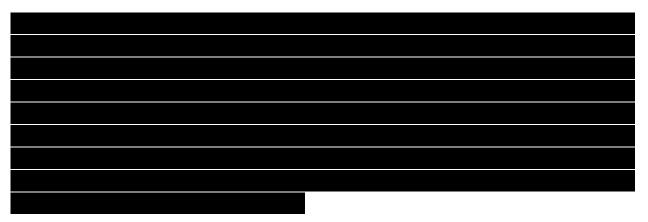
CBL's standard terms and conditions apply.

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.

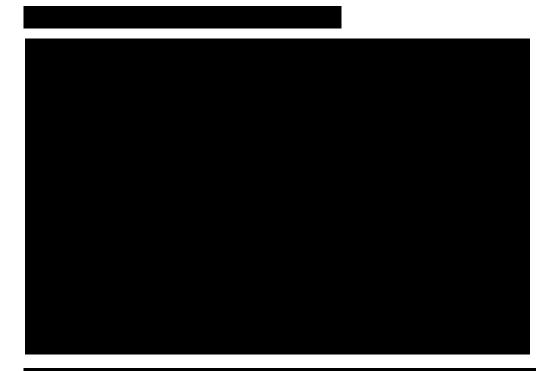
2.8 Pricing principle applied in developing the proposed price (Paragraph 19.8)

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)

⁵ EBIT or Earnings Before Interest and Taxes



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

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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 business 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