

Minnesota Public Radio: Marketplace Morning Report

Friday, November 19, 2004

Analysis: Cable subscribers paying for channels they don't watch but they get them because they're part of a package

KAI RYSSDAL, anchor: One thing cable subscribers complain about is paying for channels they don't watch but they get them because they're part of a package. Today, the FCC will report to Congress on channel bundling as it's known. MARKETPLACE commentators Frick and Frack square off on the issue.

BARRY NALEBUFF: Ian, I want choice on my cable, and I'm not getting it.

IAN AYRES: You've got plenty of choice. There are 30 channels now for 25 bucks a month.

NALEBUFF: Yeah, but they're making me pay for the Yankees and I'm a Red Sox fan. That just isn't cool.

AYRES: Boo-hoo. Stop focusing on the channels you don't like and focus on the fact your kids get to watch the Disney Channel for a bargain. Under your system, say goodbye to the Golf network.

NALEBUFF: Why? Where is it going?

AYRES: It's going to go into the tank.

NALEBUFF: Maybe golf's boring and it deserves to die.

AYRES: Plenty of people would be happy to watch it two or three times a year.

NALEBUFF: Wait a second. Where's the ad revenue going, ads based on total number of eyeballs? As long as the total number of viewers stays the same, ad revenue isn't going anywhere.

AYRES: Look, there are tons of fixed costs to producing a TV show.

NALEBUFF: Yeah.

AYRES: Once the show's in the can, everybody should be able to watch it for...

NALEBUFF: Yeah, you take that view. People said the same thing about music in terms of you had to buy the whole album.

AYRES: Yeah, but...

NALEBUFF: Nowadays, you can buy a song that you want on iTunes, 99 cents. That's all I want for cable, pick and choose.

AYRES: This isn't going to be 99 cents, Barry. It's going to be five or 10 bucks a month for each channel. You're going to end up paying the same amount for just four or five channels.

NALEBUFF: OK. How about doing it this way? I still have to buy 30 channels but I get to pick and choose which 30 they are.

AYRES: It still sounds like a bundle. How's that an improvement?

NALEBUFF: Well, it is like a bundle but it's more like the restaurant, fixed price. I get to pick which of three appetizers, which of four

entrees and which of two desserts.

AYRES: So I could say that I actually want to see The Weather Channel but give up MTV.

NALEBUFF: Exactly, and if you want HBO, maybe it's a premium price there.

AYRES: OK. So there's a possibility that we can have consumer choice inside of a bundle.

NALEBUFF: In New Haven, this is a bundle of Barry Nalebuff.

AYRES: ...and Ian Ayres for MARKETPLACE.

RYSSDAL: Barry Nalebuff and Ian Ayres teach at Yale University. They are the co-authors of "Why Not? How to Use Everyday Ingenuity to Solve Problems Big and Small."