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RCN Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from David Joyce - Miller Tabak & Co., LLC.

David Joyce - Miller Tabak & Co., LLC

Given that you're cognizant about the regulatory environment, with the FCC looking into the cable industry channel changes in the digital conversion process, could you give some color on your experience in Chicago as you've migrated customers? Was there any short-term initial churn for example if people were confused or upset by channel changes?

Peter D. Aquino

Our experience in Chicago really gave us the confidence to do all of the other markets this year besides having the set-top waiver. Our experience has been that customers really saw this as an upgrade.

What we did in the basic tier where some of the conversation's happening is we went from 80 channels to 200, so we gave the customer more channels with the set-top box if they didn't already have it; we did not charge them for the additional set-top box so it wasn't a financial burden; and we didn't raise the rate. So the overall experience really came across as an upgrade and that's been our strategy, and it's really rolled out quite well in Boston the same exact way.

We stepped back probably three months and wrote letters. We had a lot of events that prepped the market, and then we had these town events basically where we make it easy for customers to get a set-top box if they don't already have them. If it's an MDU, we set up in the lobby and really promote the activity. So we did as much as we could to really educate and bring benefit to the customer without raising their basic rate.

Richard R. Ramlall

You're probably referring to what's been reported in the letter of inquiry that's being released by the FCC. It appears that what they're focused on is something that most of the other cable companies have done that aren't and didn't. As you'll recall with our Analog Crush, we actually made the move completely over to digital in the markets where we introduced Analog Crush.

Most of the other MSOs actually kept an analog tier in addition to introducing digital. So the question for them and it seems what the FCC's hearing is that there's a requirement in those cases that you

continue to down convert to those subscribers, and the question is what did the MSOs do to those subscribers. In our case it's really different because again we made a switch entirely over to digital.

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