



Action Item: Expanding Broadband Through Access to Video Content

An increasing number of rural local exchange carriers (LECs) are providing video services over broadband connections in order to offer a competitive video alternative to rural consumers. Research has shown that when rural carriers offer video and broadband services together, more consumers subscribe to broadband.

When more consumers subscribe to a rural ILEC's broadband services, the business case improves for expanding broadband availability into higher-cost areas. Therefore, the entry of rural LECs into the multichannel video programming distribution (MVPD) marketplace not only increases consumer choice, it helps achieve the goal of furthering broadband deployment in rural communities. In addition to traditional cable TV, rural carriers now use a variety of technologies and delivery mediums to serve as MVPDs. These include digital subscriber line (DSL), fiber-to-the-home (FTTH), and Internet protocol television (IPTV).

However, efforts by rural LECs to provide video services using broadband technologies are hindered by a daunting business model that is largely the result of excessive prices and onerous conditions demanded by providers of video content. These barriers, in turn, impede efforts to expand broadband deployment in the rural communities served by these carriers. Consideration of the Satellite Home Viewer Extension and Reauthorization Act (SHVERA), which expires this year, presents an opportunity to introduce market-based reforms of video access rules in a manner that will accelerate broadband subscribership and deployment.

Congress should reform the rules on retransmission consent, designated market areas (DMA), and the "terrestrial loophole" to ensure that consumers can access the content they demand.

Retransmission Consent - Current retransmission consent rules were originally designed to encourage localism before the mergers of broadcast and cable networks. However, these rules are now used to extract additional revenue from MVPDs by forcing them to purchase unwanted content. Retransmission consent rules often result in mandatory "tying" arrangements that require MVPDs to purchase unwanted channels, or to place channels in specific tiers, in order to secure "must-have" content demanded by consumers. Carriers should have more flexibility to craft programming tiers that offer consumers lower-cost alternatives and that are more closely aligned to the demands of the local market.

DMA Reform - Regardless of the technology they use, all MVPDs should also be able to obtain content from broadcasters outside their DMA in order to provide more relevant and affordable programming to their communities. DMA designations may force consumers in one state to view news and public interest programming from another state. MVPDs should be permitted to engage in free-market negotiations with broadcasters in other DMAs in order to obtain relevant news and other programs at affordable rates that can be passed on to consumers.

Terrestrial Loophole - The 1992 Cable Act contains program access provisions to ensure that consumers and their video providers have access to programming that is necessary to maintain a viable service. When the Cable Act was written, nearly all programming was delivered to MVPDs via satellite, but now it is increasingly delivered via terrestrial fiber networks. However, the program access provisions in the 1992 Cable Act only apply to video provided by satellite. This “terrestrial loophole” permits some programmers to withhold programming from, or impose unreasonable conditions and charges on, small MVPDs and their customers. The FCC has found that this provides programmers that have interests in large cable systems (i.e., vertically integrated programmers) with the ability and incentive to discriminate against their competitors.

Therefore, the extension of program access rules to terrestrially-delivered, cable-affiliated programming is necessary to facilitate video competition and to reduce barriers to investment in broadband infrastructure.

Congress should ensure that rural LECs have affordable and equitable access to the Internet “backbone,” which is necessary to provide customers with adequate bandwidth to access and utilize the online content, applications, services, and devices of their choice.

The “Internet backbone” refers to the primary transmission lines that connect the various networks that collectively make up the Internet. Rural LECs must have equitable access to the Internet backbone at reasonable rates in order to offer affordable, high-quality broadband Internet access to their customers. However, there are only a handful of companies, each with significant market power, that provide wholesale access to high-capacity “backbone” facilities. Because the rates charged for backbone access are partly determined by mileage, more iso-

lated rural service areas face disproportionately higher backbone costs. Rural LECs have struggled for years to maintain adequate connections to the Internet backbone at rates that enable them to offer affordable broadband service.

The acceleration of mergers between major national carriers has raised further concerns about rural LECs’ access to the Internet backbone at reasonable rates, terms, and conditions. Most rural LECs now have access to only one backbone provider, which may also compete with rural LECs at the retail level. Congress should ensure that this does not result in impaired access to the Internet backbone for rural LECs. Maintaining affordably and equitably priced wholesale access to the Internet backbone ensures that rural consumers will be able to access and utilize the online content, applications, services, and devices of their choice, consistent with the principles of network neutrality that have been embraced by the FCC.

Congress should make extensive tax credits and accelerated depreciation available for broadband in order to help expand deployment and upgrades.

Extensive tax credits for rural LECs’ investments in broadband equipment would help facilitate broadband service deployment and upgrades in high-cost rural areas by lowering carriers’ costs. Broadband infrastructure should also be placed on an accelerated depreciation schedule to account for the fast obsolescence of high-tech equipment brought about by technological breakthroughs and consumer demands for higher connection speeds and capacity.

**Organization for the Promotion and
Advancement of Small Telecommunications Companies**

21 Dupont Circle NW, Suite 700
Washington, DC 20036
Phone: 202/659-5990; Fax: 202/659-4619

*For more information, contact: Randy Tyree, rxt@opastco.org;
Stuart Polikoff, sep@opastco.org; Steve Pastorkovich,
sfp@opastco.org; or Brian Ford, bjf@opastco.org.*

Western Telecommunications Alliance

317 Massachusetts Ave. NE, Suite 300C
Washington, DC 20002
Phone: 202/548-0202; Fax: 202/292-4057

*For more information, contact: Derrick Owens, derrick@w-t-a.org;
or Eric Keber, eric@w-t-a.org.*