Advocates for Rural Broadband
Paul Kelly
President
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June 16, 2016

Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: ***Expanding Consumers' Video Navigation Choices*, MB Docket No. 16-42; and *Commercial Availability of Navigation Devices*, CS Docket No. 97-80**

Dear Ms. Dortch:

On Tuesday, June 14, 2016, Bob Johnson of Dickey Rural Networks ("DRN") in North Dakota; Dave and Marilyn Osborn of the VTX1 Companies ("VTX1") in Texas; Rick Vitzthum and Michor Hodgen of the Tenino and Kalama Telephone Companies in Washington; and Derrick Owens (via telephone), Patricia Cave and Gerry Duffy representing WTA – Advocates for Rural Broadband ("WTA") met with Kathy Berthot, Steven Broeckaert, Matthew Collins, Lyle Elder, Martha Heller, Junie Khang, Bill Lake, Nancy Murphy, Brendan Murray, Calisha Myers, Anne Russeu, Susan Singer, Sam Weber and Sean Yun to discuss the impact of the Commission's proposed video navigation device rules on the cable television and Internet Protocol ("IP") video operations of WTA members and other rural telecommunications companies.

Mr. Johnson indicated that DRN offers video via radio frequency ("RF") overlay on its fiber-to-the-home ("FTTH") network. He stated that the service is not profitable due to high and increasing content costs, but has been offered as a triple play service to satisfy some of its cooperative members. He indicated that DRN had tried to hold its prices steady for the previous three years, but finally had to impose a $7.00 per month video rate increase this year, much to the dissatisfaction of some members. Mr. Johnson does not know how much longer DRN can continue offering a video service. He noted that a satellite service had attempted to enter his local market but had left because of its small size. The only video alternatives to DRN's video service would appear to be the two national satellite networks.

Mr. Osborn indicated that VTX1 offers IP video service in its cooperative and competitive local exchange carrier ("CLEC") service areas in rural South Texas. Portions of his video service areas are located in four different Designated Market Areas ("DMAs"), but he has found the network affiliates to be equally focused upon increasing their retransmission consent rates. VTX1 must also carry and pay for far more channels of satellite programming from suppliers like Home Box Office, ESPN and Disney than its customers really want. Content costs are increasing at such a steady and substantial pace that VTX1's IP video operation has far surpassed the subscriber level at which its initial business plan had indicated it would become profitable, and is still losing money. It has remained in the business to date because many of its customers are located more than 100 miles from an off-air television tower. It has been exploring over-the-top alternatives to its IP video service, but thus far has not gotten much cooperation from the DMA television stations.

Both DRN and VTX1 support an exemption from the proposed video navigation device rules for rural telephone companies and other small providers. Such a rule is only likely to become a technology mandate that would be unduly burdensome for small providers which will have little, if any, ability to influence the final outcome. Like many other WTA members, DRN and VTX1 have been continuing for some time to provide video services rendered unprofitable by retransmission consent and satellite programming price increases and tying practices that have increased costs well beyond the ability for their customers to pay. They, like many other WTA members, have become increasingly concerned that video service will never become profitable and have been considering the discontinuation of their cable television and IP video services.[1]

Mr. Johnson, Mr. Osborn and WTA all indicated that contemplated set top box rules are likely to be the straw that breaks the camel's back. They constitute substantial additional costs – for the devices themselves, for licensing and installation of new software and hardware, for system integration and testing, for employee training, for dealing with vendors and security issues, and for assisting customers to use them. WTA members are well aware that customers call them when something is wrong with their service, and that they frequently have to send their maintenance trucks on 50-mile or greater round trips to determine whether the source of video service problems is the company's network, a set top box or a television set. Such exercises are only likely to increase if a substantial number of customers begin purchasing untested set-top boxes off-the-shelf while ultimately relying on the MVPD as a first resort for resolving technical issues and placing blame for malfunctions. Not only will this result be costly for providers in terms of unnecessary truck rolls and employee time but also this will likely cause damage to the perception of an MVPD's quality of service.

Mr. Osborn indicated that a single, standard set-top box could help to reduce the operating costs of some small video providers. However, that is the opposite of the competitive market that the Commission is seeking to promote. Whereas a large selection of different set-top boxes may produce competitive and innovation benefits in some urban areas, it will drive up the costs and increase the operating complexities of small service providers who will no have technicians capable of working with five, ten or more different makes and models of set top boxes. Furthermore, a single standard will undoubtedly require individualized changes to MVPD networks given the vast disparity in network design and equipment currently in the marketplace.

Although WTA has not formulated its own specific exemption proposals, it supports those of others in the record that would exempt video service providers of small size. WTA also noted that the Commission already has several definitions of what constitutes "small" in the MVPD context and suggested, for consistency, that the Commission could adopt its existing definition which includes companies serving fewer than 400,000 video subscribers.[2]

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[1] WTA notes that several of its members have discontinued providing MVPD services in the past two years.

[2] *See* 47 C.F.R. § 76.901(e). WTA notes, however, that the Commission's proposed will most likely require substantial resources to implement for MVPDs of all sizes.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceeding.

Respectfully submitted,

/s/ Patricia Cave

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/s/ Gerard J. Duffy

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