Advocates for Rural Broadband

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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, August 2, 2016, the undersigned, Derrick Owens, and Gerry Duffy representing WTA – Advocates for Rural Broadband ("WTA") met with Marc Paul, legal adviser to Commissioner Jessica Rosenworcel 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 small rural telecommunications companies.

WTA stated that its members have increasingly explored innovative ways to deliver MVPD services to their customers, including upgrading legacy analog and digital cable systems, launching IPTV systems using copper or fiber infrastructure, and deployment of TVEverywhere and similar services that increasingly allow consumers to watch MVPD content on the device of their choice. WTA noted that despite such investments, video services offered by its members are largely loss-leaders due to high and increasing content costs but are offered as a triple play service to meet the full scope of consumer needs. Because many rural consumers are located beyond the reach of off-air digital broadcast signals, small rural MVPDs often provide the only avenue for rural consumers to obtain broadcast affiliate and network content beyond one of two national DBS providers.

WTA described the cost implications for small MVPDs associated with the Information Flows approach contained in the Notice of Proposed Rulemaking[1] and the alternative HTML5 Application proposal ("Apps Approach") filed in the record by large MVPDs. Given the substantial burden that compliance with either proposal would place on already struggling small MVPDs, WTA expressed support for a permanent exemption from the proposed rules for small MVPDs. Requiring small MVPDs to redesign their video distribution systems is only likely to divert resources away from additional broadband deployment and hasten the exit of small MVPDs from the marketplace, further decreasing choices for rural consumers.

Regarding the Information Flows proposal, WTA noted that development of a standard or set of standards for information flow delivery will undoubtedly require individualized changes to MVPD networks given the vast disparity in network design and equipment currently in the marketplace. Given

[1] Expanding Consumers' Video Navigation Choices, MB Docket No. 16-42, Commercial Availability of Navigation Devices, CS Docket No. 97-80, Notice of Proposed Rulemaking and Memorandum Option and Order, FCC 16-18 (rel. Feb. 18, 2016).

the lack of clarity of the Information Flows proposal it is difficult to determine with certainty the costs that would be involved, but likely costs include gateway and security system costs, licensing of hardware and software, middle-mile infrastructure changes, and systems integration and testing. WTA also noted the likely potential for non-equipment related costs such as increased demands on small MVPD customer service and technical staff for customers that use third-party navigation devices. WTA members have found that customers virtually always call them when any problem arises 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. Some WTA members have had success in reducing the costs associated with truck rolls by using set-top boxes and middleware that allow for remote troubleshooting. However, if a substantial number of customers begin purchasing untested set-top boxes off-the-shelf, this progress will be stymied as customers ultimately will rely upon the video provider as their first resort for resolving technical issues and for bearing the blame for any 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.

Regarding the Apps Approach, WTA explained that requiring distribution via an HTML5 application will likewise be unduly burdensome for small MVPDs that are already struggling to break even in their provision of MVPD services. WTA members and other small MVPDs lack the research and development teams necessary to create their own applications and will need to license such applications from third-parties. WTA also noted the substantial investment in equipment that would be necessary to transcode all video content into IP to enable delivery through an application. Because transcoders are capacity limited and redundancy must be taken into account, the transcoder costs could very likely exceed hundreds of thousands if not millions of dollars per system.[2] Small MVPDs and their subscribers simply cannot bear such additional costs. Small MVPDs also have substantial bandwidth challenges and would likely need to divert additional bandwidth from their broadband Internet access services ("BIAS") to MVPD services. WTA also noted the difficulty that some of its members have had in attempting to secure the rights to distribute broadcast content through existing TVEverywhere services or other new applications or services.

Because nothing in Section 629 requires that regulations apply to all MVPDs and providing an exemption for small MVPDs will allow them the flexibility to continue innovating based on customer demand when the business case to do so arises, WTA urged that the Commission provide a permanent exemption for all small MVPDs from rules adopted in this proceeding. Small MVPDs simply cannot afford to undertake comprehensive, system-wide changes to their video networks and if they are so required, many will likely cease providing MVPD service, leaving rural consumers with fewer—not more—options. Finally, WTA noted that requiring additional investment to comply with the Information Flows or Apps Approach will divert substantial resources away from broadband deployment in areas that need it most, contrary to the Commission's Section 706 goals to ensure availability of advanced telecommunications services to all Americans.

[2] WTA estimates that transcoders with a capacity to process 20 or fewer HD channels costs a minimum of approximately $20,000 and a maximum of $100,000 each for higher quality equipment. If small MVPDs are required to distribute all of their programming via an application, it would be prohibitively expensive and the burden would be further exacerbated by tying demands from broadcast stations and cable networks that increasingly demand carriage of additional networks. For example, a cable system delivering a line-up of 100 networks would need to purchase and install at least 5 transcoders at a minimum cost of $100,000 and a potential maximum cost of $500,000 for transcoders alone. This cost does not include licensing and set-up fees for the application itself.

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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cc: Marc Paul (via email)