# Before the Federal Communications Commission Washington, D.C. 20554

In the Matter of	)	
Implementation of Section 103 of the STELA Reauthorization Act of 2014	) ) )	MB Docket No. 15-216
Totality of the Circumstances Test	)	

### **Reply Comments of WTA – Advocates for Rural Broadband**

#### WTA – Advocates for Rural Broadband

By: <u>/s/ Derrick B. Owens</u> Derrick B. Owens Vice President of Government Affairs 400 7<sup>th</sup> Street NW, Ste. 406 Washington, DC 20004 (202) 548-0202

By: <u>/s/ Patricia Cave</u> Patricia Cave Director of Government Affairs 400 7<sup>th</sup> Street NW, Ste. 406 Washington, DC 20004 (202) 548-0202

By: <u>/s/ Gerard J. Duffy</u> Gerard J. Duffy, Regulatory Counsel Blooston, Mordkofsky, Dickens, Duffy & Prendergast, LLP 2120 L Street NW, Suite 300 Washington, DC 20037 (202) 659-0830

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## **TABLE OF CONTENTS**

EXECUTIVE	SUMMARYiii
I.	The Commission Has a Statutory Duty to Review the Market for Retransmission Consent and Adopt Rules to Ensure that Negotiations Occur in Good Faith2
II.	The Record Demonstrates the Need for Transparency and Additional Guidance for Industry on "Good Faith" Under the Totality of the Circumstances to Protect Consumers and Competition Among MVPDs, Particularly in Rural Markets
a.	The Commission's Rules Should Expressly Regard Negotiating Power and Size of the Negotiating Entities As Relevant in a "Good Faith" Analysis6
b.	Lack of Access to Free Over-the-air Broadcast Signals in Rural America Should Factor Into Whether Rates and Terms are Proposed in "Good Faith"
c.	Bundling and Tiering Demands That Consistently Increase the Cost of MVPD Services Harm Consumers and Require Additional Scrutiny9
d.	The Record Demonstrates the Need to Provide Industry, the Commission, and Consumers Additional Insight into the Reality of Retransmission Consent Negotiations, Including Rates Charged by Broadcasters for Retransmission Consent
III.	Conclusion13

#### EXECUTIVE SUMMARY

Since the retransmission consent regime was adopted in 1992, the landscape for distribution of video programming has changed dramatically. As described in WTA's initial comments, the Commission should act to ensure that its rules appropriately reflect these changes. The Commission has authority and an obligation to conduct a proceeding to simultaneously investigate broadcasters' exercise of retransmission consent rights and adopt reforms to its retransmission consent rules to ensure the protection of consumers from blackouts and unreasonable basic service rate increases.

The record in this proceeding clearly demonstrates that, at a minimum, the marketplace requires substantial increases in transparency and additional illustrative guidance from the Commission on factors considered in determining whether negotiations have occurred in good faith under the totality of the circumstances. The Commission should take all necessary steps under its current authority to ensure that retransmission consent negotiations and broadcast station operations serve the public interest, including limiting retransmission consent compensation to areas where broadcast signals are available using commercially available antennae and requiring that retransmission consent agreements be submitted to the Commission and be made available to the public. If the Commission believes it lacks the authority to adopt meaningful, substantive reforms as proposed in the record, the Commission should request explicit direction from Congress to adopt proposals that would address the issues raised in this proceeding in order to ensure that its rules appropriately reflect current marketplace dynamics.

iii

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WTA-Advocates for Rural Broadband ("WTA")<sup>1</sup> hereby submits these comments in response to the Notice of Proposed Rulemaking ("NPRM")<sup>2</sup> and comments in the record regarding whether a party to a retransmission consent negotiation has bargained in "good faith" as directed by the STELA Reauthorization Act of 2014 ("STELAR Act").<sup>3</sup> Contrary to assertions in the record by broadcasters, the Commission is well within its legislative authority to conduct a comprehensive and thorough examination to its retransmission consent rules, including the authority to adopt any such rules to govern the grant of retransmission consent that it believes are necessary to protect consumers. The Commission should use this opportunity to take steps to achieve much needed transparency in the market and additional reforms to its rules governing retransmission consent in order to protect consumers from frustrating blackouts and

<sup>&</sup>lt;sup>1</sup> WTA – Advocates for Rural Broadband is a national trade association representing more than 300 rural telecommunications providers offering voice, broadband and video-related services in rural America. WTA members serve some of the most rural and hard-to-serve communities in the country and are providers of last resort to those communities.

<sup>&</sup>lt;sup>2</sup> Implementation of Section 103 of the STELA Reauthorization Act of 2014; Totality of the Circumstances Test, FCC 15-109, MB Docket No. 15-216 (rel. Sept. 2, 2015) ("Totality of the Circumstances NPRM").

<sup>&</sup>lt;sup>3</sup> Pub. L. No. 113-200, § 103(c), 128 Stat. 2059, 2062.

unreasonable retransmission consent compensation increases that harm competition and consumers.

### I. The Commission Has a Statutory Duty to Review the Market for Retransmission Consent and Adopt Rules to Ensure that Negotiations Occur in Good Faith.

Some commenting parties incorrectly assert that this congressional directive instructs the Commission to "do nothing more than 'review' only one of two components of its test for good faith negotiation of retransmission consent"<sup>4</sup> and that the Commission has fulfilled its responsibility simply by issuing a notice of proposed rulemaking.<sup>5</sup> They argue that the Commission has exceeded the authority delegated by Congress and has unreasonably "barreled headlong into a wide-ranging review of the entire retransmission consent system—and beyond."<sup>6</sup> CBS Corporation points to a previous attempt by the Commission to develop video description obligations pursuant to Sections 713(f) and (g) of the Communications Act to support its position.<sup>7</sup> However, that case is distinguishable because the statute specifically directed the Commission solely to prepare a report to Congress on the use of video descriptions (i.e., aural descriptions of a television program's key visual elements that are inserted during pauses in dialogue) in video programming, and did not authorize or mention the adoption of regulatory obligations with respect to such video descriptions.<sup>8</sup> In stark contrast, Section 103(c) of the STELAR Act expressly directed the Commission to "commence a rulemaking" to assess its totality of the circumstances test for good faith in retransmission consent negotiations as opposed

<sup>&</sup>lt;sup>4</sup> Comments of E.W. Scripps Co., MB Docket No. 15-216 at 9 (fil. Dec. 1, 2015).

<sup>&</sup>lt;sup>5</sup> Comments of CBS Corp., MB Docket No. 15-216 at 3 (fil. Dec. 1, 2015).

<sup>&</sup>lt;sup>6</sup> Comments of 21<sup>st</sup> Century Fox, MB Docket No. 15-216 at 2 (fil. Dec 1, 2015).

<sup>&</sup>lt;sup>7</sup> Comments of CBS Corp. at 2.

<sup>&</sup>lt;sup>8</sup> See Motion Picture Assoc. of Amer. v. FCC, 309 F.3d 796, 807 (D.C. Cir. 2002).

to simply conducting an inquiry and submitting a report to Congress.<sup>9</sup> Indeed, Congress directed the Commission to develop several reports on issues in the STELAR Act, including a directive regarding designated market areas in Section 109. Directing the Commission to "commence a rulemaking" can more than reasonably be interpreted as directing the Commission to make additional rules or reform existing rules as it sees fit upon compilation of a full and complete record. Furthermore, as Public Knowledge correctly notes, the Supreme Court has long recognized that the Commission's public interest authority under Sections 303(r) and 4(i) of the Communications Act provide the Commission with more than sufficient ancillary authority to take action here.<sup>10</sup>

Broadcasters also allege that the Commission has "no justification to arbitrarily decide that broadcasters, alone among all programmers distributed by pay TV companies, should be subject to a different, more restrictive standard" than cable networks.<sup>11</sup> Broadcast Affiliates argue that "provision for channel placement and tier position are common substantive terms in all program carriage agreements, not only retransmission consent agreements."<sup>12</sup> Likewise, Gray Television Group argues that because none of the proposals in the NPRM would touch cable networks, "[r]egulatory imbalance would place broadcasters at a significant disadvantage to their cable network competitors when negotiating their fair share of programming fees."<sup>13</sup> However, these cries of unfair treatment warrant no attention for, as the Commission and broadcasts know well, the statutory option of choosing must carry or retransmission consent was a major benefit

<sup>&</sup>lt;sup>9</sup> Notably, Section 103(c) does not require the Commission to report to Congress on the outcome of its rulemaking and review.

<sup>&</sup>lt;sup>10</sup> Comments of Public Knowledge, MB Docket No. 15-216 at 19 (fil. Dec. 31, 2015).

<sup>&</sup>lt;sup>11</sup> Comments of National Association of Broadcasters ("NAB"), MB Docket No. 15-216 at 30, n. 80 (fil. Dec. 1, 2015)

<sup>&</sup>lt;sup>12</sup> Comments of Broadcast Affiliates, MB Docket No. 15-216 at 20 (fil. Dec. 1, 2015).

<sup>&</sup>lt;sup>13</sup> Comments of Gray Television Group, Inc., MB Docket No. 15-216 at 18 (fil. Dec. 1, 2015).

bestowed upon commercial television broadcasters in the 1992 Act, and gave them a substantial and continuing competitive advantage over both other programming suppliers and cable operators. Fourteen years later, this initial statutory option does not preclude or limit the Commission from exercising its obligations to protect consumers of video and other communications services as well as to ensure that local television broadcast stations operate on the public airwaves in the public interest.<sup>14</sup>

Some broadcasters assert that regulating rates charged for retransmission consent would be "well beyond" the Commission's jurisdiction in the Communications Act's retransmission consent regime.<sup>15</sup> Although the Commission previously declined to exercise authority over retransmission consent rates directly citing the ability for the cable rate regulation proceeding to address the issue,<sup>16</sup> changes in the regulatory landscape and in the marketplace (including adoption of the Commission of a nationwide presumption of effective competition) warrant the Commission revisiting its prior decision to refrain from regulating rates charged for retransmission consent.<sup>17</sup> At a minimum, it is fully within the Commission's authority to take all

 $<sup>^{14}</sup>$  On determining whether to grant a license application, the Commission "shall determine, . . . whether the public interest, convenience, and necessity will be served by the granting of such application[.]" 47 U.S.C. § 309(a)

<sup>&</sup>lt;sup>15</sup> Comments of News-Press & Gazette, MB Docket No. 15-216 at 11 (fil. Dec. 1, 2015). *See also* Comments of E.W. Scripps Co. at 11 (stating that "[t]here is no need—and no authority, given the plain language of the statute—for the Commission to implement what would amount to a good-faith-based 'uniform pricing' rule, all to MVPDs' negotiating advantage."); Comments of Meredith Corp., MB Docket No. 15-216 at 4 (fil. Dec. 1, 2015) (arguing that "Congress has granted the FCC limited authority to regulate rates that cable operators charge for cable service").

<sup>&</sup>lt;sup>16</sup> See Implementation of the Cable Television Consumer Protection and Competition Act of 1992: Broadcast Signal Carriage Issues, Report and Order, 8 FCC Rcd 2965, ¶ 178 (1993) ("Broadcast Signal Carriage Order").

<sup>&</sup>lt;sup>17</sup> See Comments of Hearst Television, MB Docket No. 15-216 at 3-4 (fil. Dec. 1, 2015) (admitting that "the Commission has a justifiable concern over the rates paid by consumers for subscription video services."). See also Comments of WTA-Advocates for Rural Broadband, MB Docket No. 15-216 at 20-21 (fil. Dec. 1, 2015).

necessary steps to obtain an accurate understanding of the rates charged for retransmission consent and their effect on rates charged for basic service.

#### II. The Record Demonstrates the Need for Transparency and Additional Guidance for Industry on "Good Faith" Under the Totality of the Circumstances to Protect Consumers and Competition Among MVPDs, Particularly in Rural Markets.

A thorough review of the comments in the record of this proceeding reveals, if nothing else, the urgent need for additional transparency in the marketplace for retransmission consent. Broadcasters and MVPDs present opposing narratives regarding their experiences negotiating for retransmission consent in the marketplace since adoption of the regime in 1992. For example, broadcasters claim that if MVPDs truly felt abused in retransmission consent negotiations they would have "inundated the Commission with complaints" because "[c]ertainly the pay TV industry has the resources to file and pursue good faith complaints."<sup>18</sup> However, the majority of small MVPDs operate on a break-even basis (or at a loss) and have neither the resources to hire attorneys and consultants to prepare formal complaints before the Commission, nor the ability to have their customers go weeks or months without a local network affiliate while such complaints are adjudicated. Accordingly, the appropriate policy step for the Commission at this juncture would be to simultaneously provide additional guidance regarding acceptable negotiation tactics and proposals as well as taking steps to increase transparency so that the Commission has a full and accurate picture of the market.

<sup>&</sup>lt;sup>18</sup> Comments of NAB at 24. *See also* Comments of Broadcast Affiliates at 15-16 (stating that "both small and large consolidated MVPD companies have ample resources and strong financial incentives to file good faith complaints where the facts even arguably warrant them, but the reality is complaints are actually few and far between); Comments of CBS Corp. at 10 ("The rarity in which the FCC has had to resolve claims involving the totality test demonstrates that both broadcasters and MVPDs routinely fulfill their obligations to negotiate for retransmission consent in good faith."); Comments of Hearst Television at 8.

# a. The Commission's Rules Should Expressly Regard Negotiating Power and Size of the Negotiating Entities As Relevant in a "Good Faith" Analysis.

The National Association of Broadcasters ("NAB") in its comments correctly notes that the top four MVPDs control approximately 79 percent of the video delivery market.<sup>19</sup> NAB alleges that these large providers "can easily afford to spread their costs among markets and if playing hardball in a negotiation causes them to drop a broadcast signal during a dispute, then so be it."<sup>20</sup> NAB also asserts that the average TV station group is "tiny" by comparison to the biggest broadcast groups and major telephone and cable/satellite companies.<sup>21</sup> Likewise, pointing to market capitalizations of the largest MVPDs, Saga Broadcasting argues that "any insinuation that the extremely well-heeled MVPDs are somehow being mistreated at the hands of local television stations must be dismissed out of hand."<sup>22</sup> Similarly, Walt Disney Company alleges that because MVPDs' subscribers are the true "must-have" input for broadcasters, MVPDs exercise significant bargaining power.<sup>23</sup> News Press-Gazette likewise alleges that "[b]roadcasters are penalized financially by any loss of viewer access to their programming (and the advertisements that go along with it)."<sup>24</sup>

It is telling that comments submitted by broadcasters focus on behavior of the largest MVPDs in the marketplace. Their narrow-sighted view of the marketplace entirely disregards

<sup>20</sup> *Id*.

<sup>&</sup>lt;sup>19</sup> Comments of NAB at 2.

<sup>&</sup>lt;sup>21</sup> It is worth noting that "the dramatic growth in size of many MVPDs that has occurred since adoption of the retransmission consent negotiation structure" highlighted by CBS Corporation is due primarily to the fact that MVPDs need increased scale in order to obtain volume-based discounts from programmers, including broadcast programmers. Comments of CBS Corp. at 5. *See also* Comments of CenturyLink, MB Docket No. 15-216 at 4 (fil. Dec. 1, 2015) (stating that "CenturyLink is aware from our negotiations with broadcasters that in many cases larger MVPDs pay less for carriage based on 'scale."").

<sup>&</sup>lt;sup>22</sup> Comments of Saga Broadcasting, MB Docket No. 15-216 at 9 (fil. Dec. 1, 2015).

<sup>&</sup>lt;sup>23</sup> Comments of Walt Disney Co., MB Docket No. 15-216 at 8 (fil. Dec. 1, 2015).

<sup>&</sup>lt;sup>24</sup> Comments of News-Press & Gazette at 6.

the fact that nearly 20 percent of pay TV subscribers obtain video services from the many other hundreds of MVPDs that do not have the nationwide, or even regional, footprints among which to spread their costs. Many of these latter MVPDs are small rural telephone and cable operators that provide service well beyond the coverage contours of commercial television stations. WTA agrees with Public Knowledge that "[p]resumptions that ignore the bargaining power of particular actors and treat all MVPDs or all broadcasters alike are counterproductive."<sup>25</sup> Moreover, not only do small rural MVPDs lack the ability to spread their costs among large numbers of customers and markets, they do both commercial broadcast television stations and consumers a favor by extending broadcast signals into areas that otherwise would not receive the signals, thereby increasing their potential advertising revenues. Public Knowledge correctly points out that "neither competition nor the public interest are served when rising programming costs force smaller MVPDs to exit the market or to be acquired, or when limited consumer choice in the MVPD marketplace gives those companies greater control over program carriage."<sup>26</sup> WTA therefore urges the Commission to make explicit in its rules that the relative size and negotiating power of the entities as measured by customer reach and size of market is a relevant factor in determining whether negotiations occur in good faith.

#### b. Lack of Access to Free Over-the-air Broadcast Signals in Rural America Should Factor Into Whether Rates and Terms are Proposed in "Good Faith."

Public Knowledge highlights in its comments the fact that public access to free local programming "is the central quid pro quo required of the broadcast industry in exchange for an annual multi-billion dollar subsidy of virtually free use of some of the most economically

<sup>&</sup>lt;sup>25</sup> Comments of Public Knowledge at 8.

 $<sup>^{26}</sup>$  *Id.* at 2-3.

valuable bands of public spectrum.<sup>27</sup> A common refrain among broadcasters in the record is that "[b]roadcast signals are always available over the air for free<sup>28</sup> even for subscribers to an MVPD that is in a retransmission dispute with a broadcast station, and that broadcast programming is likely to be available via several other platforms, including over-builder cable systems and two national DBS providers.<sup>29</sup> However, there are several flaws to relying on the fact that broadcast signals are available to the public over-the-air or via another in-market MVPD.<sup>30</sup>

Contrary to assertions on the record, broadcast signals are not available, in many rural areas. Some of WTA's members serve areas of the country where up to 90 percent of their rural customers cannot receive broadcast signals using an "off-the-shelf" antenna due to distance from the broadcast station, topographic issues and other factors that impede the broadcast signal's reach. Under the current retransmission consent regime, broadcasters have a perverse incentive to avoid expanding their broadcast signal coverage footprint because the greater the number of people who can receive a broadcast signal over-the-air, the less leverage they have in negotiations with MVPDs. When a rural MVPD and a local broadcast station cannot reach an agreement, the only true option for that MVPD's customers is to break their existing service contract and obtain service from another MVPD (which is most likely to be a national DBS

<sup>&</sup>lt;sup>27</sup> *Id.* at 5.

<sup>&</sup>lt;sup>28</sup> Comments of Broadcast Affiliates at 13. *See also* Comments of News-Press & Gazette at 21 (stating that broadcast programming "always remains available to the viewing public free over the air"); Comments of E.W. Scripps Co. at 13 ("Local broadcast signals are never 'blacked out.' They remain available free over-the-air to all viewers in the marketplace (as well as from competing MVPDs in the local market)."); Comments of Hearst Television at 4 (stating that "broadcaster services area always available on a free, over-the-air basis");

<sup>&</sup>lt;sup>29</sup> See Comments of CBS Corp. at 12.

<sup>&</sup>lt;sup>30</sup> See Comments of Public Knowledge at 12 ("Unless a consumer has set up an over-the-air antenna, and lives in an area that still receives over-the-air broadcast signals, they are unable to enjoy events of national interest.").

provider). Broadcasters' attention to their public interest obligations, including whether broadcasters have taken steps to extend their signals throughout their license area, should factor into the Commission's retransmission consent regime.<sup>31</sup> As discussed in WTA's initial comments, the Commission could only permit broadcasters to demand monetary compensation as a condition of granting retransmission consent in circumstances in which consumers are able to receive broadcast signals over-the-air.<sup>32</sup>

# c. Bundling and Tiering Demands That Consistently Increase the Cost of MVPD Services Harm Consumers and Require Additional Scrutiny.

The record also demonstrates that forced bundling and tiering of broadcast networks and cable networks lead to substantial increases in rates charged for the basic service tier.<sup>33</sup> The fact of the matter is that such demands by broadcasters ultimately require that MVPDs carry and require their customers to pay for additional channels they would not otherwise purchase. ATVA correctly points out that labor law precedent regarding non-mandatory subjects of bargaining provides an appropriate guide for the Commission in this instance with respect to demanding carriage of non-broadcast networks.<sup>34</sup> When broadcasters demand that MVPDs agree to carry (and pay for) non-broadcast networks as a condition of granting retransmission consent, a presumption that such demands occurred not in good faith should follow.

<sup>&</sup>lt;sup>31</sup> *Id.* 16-17.

<sup>&</sup>lt;sup>32</sup> Comments of WTA – Advocates for Rural Broadband at 15-16.

<sup>&</sup>lt;sup>33</sup> Comments of Cablevision, MB Docket No. 15-216 at 7-8 (fil. Dec. 1, 2015) ("Requiring a 'must buy' tier thus harms the public interest by forcing consumers to purchase broadcast programming whether or not they want it. It also undermines Congress' intent that MVPDs have flexibility to tailor programming packages where effective competition ensures that market forces cause providers to respond to consumer preferences. . . . This 'tier placement' practice forces popular programming packages to become ever larger and significant increase the cost of such packages.").

<sup>&</sup>lt;sup>34</sup> Comments of ATVA at 54.

Broadcast Affiliate representatives claim that there is no reason to revisit the

Commission's prior determination that demands for minimum subscriber penetration levels should be left to the market.<sup>35</sup> However, because minimum penetration levels lead to bloated basic service tiers—and as a result force consumers to pay higher monthly rates for channels that they do not want—broadcasters should not be able to require all of an MVPD's customers to pay for networks they otherwise would not purchase in order to obtain access to content that would be available for free if only those customers were within receivable range of a broadcaster's signal. Because the increasing prevalence of such demands harms consumers by increasing the rates they pay for basic MVPD services the Commission should prohibit this practice.<sup>36</sup>

#### d. The Record Demonstrates the Need to Provide Industry, the Commission, and Consumers Additional Insight into the Reality of Retransmission Consent Negotiations, Including Rates Charged by Broadcasters for Retransmission Consent.

In describing transparency in retransmission consent negotiations Saga Broadcasting correctly notes that "[t]he deck is stacked in favor of national MVPDs, such as Dish Network and DirecTV, as they already know the prices that they are paying to each local station in a given market, whereas local stations have to guess as to what the "market rate" actually is.<sup>37</sup> WTA's members share the same concern. Large regional and national MVPDs are at a distinct

<sup>&</sup>lt;sup>35</sup> Comments of Broadcast Affiliates at 44.

<sup>&</sup>lt;sup>36</sup> Nexstar Broadcasting argues that "[i]f the Commission is truly concerned about 'bundling' programing increasing consumer costs it should first require that MVPDs unbundle their consumer offerings such that non-sports subscribers are not required to pay for the ESPN suite and the regional sports network suite; or those who do not have children and do not wish to subscribe to Disney's or Nickelodeon's channels need not do so." Comments of Nexstar Broadcasting, MB Docket No. 15-216 at 23 (fil. Dec. 1, 2015). Similarly to the structure of minimum penetration and tiering requirements are included in retransmission consent agreements, carriage agreements with cable network programmers also include similar provisions that tie MVPDs' hands in being able to develop customized programming packages similar to what Nexstar illustrates. WTA's members would be willing to take full advantage of the ability to unbundle both the broadcast and cable networks carried on their systems but are prevented from doing so under current rules and norms in the marketplace.

<sup>&</sup>lt;sup>37</sup> Comments of Saga Broadcasting at 7.

advantage in the retransmission consent marketplace as a result of engaging in agreements with broadcast stations in many (or all) of the United States' 210 television markets. When combining the fact that broadcast stations provide discounts to large MVPDs based on their number of subscribers, the disparity and competitive advantage are even more pronounced. However, in the current marketplace there is no way for small MVPDs (or the Commission, for that matter) to challenge the validity of volume-based discount practices due to the secrecy of retransmission consent agreements.

In order to facilitate the ability for negotiators to reach an agreement that both parties find acceptable, Cox Communications proposes a "Fair Path" mandatory, non-binding mediation regime that would allow either party to elect mediation prior to expiration of an existing agreement.<sup>38</sup> Although such a regime would allow for valuable increased transparency for all stakeholders (including negotiating parties, the Commission and the public), WTA is concerned about the practical utility and costs of such a proposal. This proposal leaves the potential for broadcast stations to thrust small MVPDs into costly mediation proceedings simply because the MVPD (and, by extension, its customers) cannot afford to accept proposals for increased retransmission consent fees. The only proposed safe-guard from such abuse would be the fact that refusal to agree to the mediator's findings could be taken into account by the Commission in considering whether the refusing party has negotiated in good faith.<sup>39</sup> However, it is highly likely that limited availability of resources could result in a small MVPD mediation "loss" and a subsequent refusal to abide by the mediator's decision would factor against it before the Commission were either party to file a formal complaint. Accordingly, this provision could

<sup>&</sup>lt;sup>38</sup> Comments of Cox Communications at 4.

<sup>&</sup>lt;sup>39</sup> *Id.* at 7.

exacerbate the problem of mandatory but non-binding mediation for small MVPDs rather than serve as a safe-guard from abuse.

Small MVPDs such as those represented by WTA typically handle retransmission consent negotiations in-house and without attorneys due to the "take-it-or-leave-it" nature of modern retransmission consent negotiations. Mediation is a costly proposition for these companies. In addition to splitting the cost of the mediator (or potentially footing the whole bill), small MVPDs would be required to retain legal counsel to prepare for and participate in mediation. The cost of mediation could greatly exceed the increase in retransmission consent fees demanded in that negotiation. Such an outcome would leave small MVPDs needing to spread these additional costs over their limited subscriber bases, resulting in the same financial strain that increased retransmission consent fees is placing on rural MVPDs and their customers. Cox' Fair Path proposal would be just as costly (if not more) than the current regime that allows parties to file formal complaints with the Commission.<sup>40</sup>

Graham Media alleges that even if the Commission adopts reforms in this proceeding urged by MVPDs "[t]here is no evidence that MVPDs will lower subscriber rates if they are able to depress retransmission consent rates payable to broadcasters."<sup>41</sup> However, if MVPDs are able to curtail the rising tide of retransmission consent rates, that will very likely prevent MVPDs from having to raise their basic service rates to cover the additional retransmission consent costs as they continue to have to do. For example, some WTA members have reported increases in their basic service rates for 2016, nearly one-third of which is attributable to increases in

<sup>&</sup>lt;sup>40</sup> As discussed above, the dearth of formal complaints by MVPDs is not due to a lack of actions or demands that could be considered good faith as alleged by broadcasters in their comments, but rather results from the fact that small MVPDs most likely to be subjected to bad faith negotiating tactics and demands lack the resources to pursue complaints before the Commission in a formal manner.

<sup>&</sup>lt;sup>41</sup> Comments of Graham Media, MB Docket No. 15-216 at 7 (fil. Dec. 1, 2015).

retransmission consent fees. If MVPDs are able to stem the rising tide of retransmission consent fees, they will no longer be forced to pass along cost increases attributable to retransmission consent to their customers by way of increased basic service rates or broadcast fees added to customer bills. Indeed competition will also spur MVPDs to pass along savings from avoiding future increases because "[i]f MVPDs competing within a single market are paying a similar rate, in order to compete effectively, they will be incentivized to push any cost savings in retransmission fees to customers in the form of lower rates."<sup>42</sup>

The public interest, therefore, would be best served if the Commission takes immediate steps to achieve transparency, such as by requiring retransmission consent agreements and rates to be disclosed to the Commission and the public. Achieving transparency in this manner would benefit the public interest by "enabl[ing] the Commission to more closely monitor changes in retransmission rates, facilitating the Commission's statutory duty to evaluate the effect of retransmission fees on cable rates, and to encourage broadcasters' compliance with the non-discrimination provisions of Section 325(b)(3)(C)(ii)."<sup>43</sup>

#### III. Conclusion

The Commission has sufficient authority and a statutory obligation to conduct a rulemaking to simultaneously investigate broadcasters' exercise of retransmission consent rights and adopt reforms to its retransmission consent rules to ensure the protection of consumers from blackouts and unreasonable basic service rate increases. The record in this proceeding clearly demonstrates that, at a minimum, the marketplace requires substantial increases in transparency and additional illustrative guidance from the Commission on factors considered in determining whether negotiations have occurred in good faith under the totality of the circumstances. The

<sup>&</sup>lt;sup>42</sup> Comments of Charter Communications, Inc., MB Docket No. 15-216 at 7 (fil. Dec. 1, 2015).

<sup>&</sup>lt;sup>43</sup> Charter at 8.

Commission should take all necessary steps under its current authority to ensure that retransmission consent negotiations and broadcast station operations serve the public interest, including limiting retransmission consent compensation to areas where broadcast signals are available using commercially available antennae and requiring that retransmission consent agreements be submitted to the Commission and be made available to the public. If the Commission believes it lacks the authority to adopt meaningful, substantive reforms as proposed in the record, the Commission should request explicit direction from Congress to adopt proposals that would address the issues raised in this proceeding in order to ensure that its rules appropriately reflect current marketplace dynamics.

Respectfully Submitted,

#### WTA – Advocates for Rural Broadband

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By: <u>/s/ Patricia Cave</u> Patricia Cave Director of Government Affairs 400 7<sup>th</sup> Street NW, Ste. 406 Washington, DC 20004 (202) 548-0202

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Dated: January 14, 2016