



Advocates for Rural Broadband

Jerry Piper  
President  
Kelly Worthington  
Executive Director

April 12, 2018

**Filed via ECFS**

Marlene Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

RE: *Authorizing Permissive Use of the Next Generation Broadcast Television Standard*, GN Docket No. 16-142; *Annual Assessment on the Status of Competition in the Market for Delivery of Video Programming*, MB Docket No. 17-214

Dear Ms. Dortch:

On Tuesday, April 10, 2018, Deborah Rand and David Shipley of USConnect; Robert Johnson and Troy Radermacher of Dickey Rural Networks; and Derrick Owens, Bill Durdach and Gerry Duffy representing WTA – Advocates for Rural Broadband (WTA) met with Amber Barreda, Kathy Berthot, Steven Broeckaert, Martha Heller, Raelynn Remy, and Diane Sokolow of the Media Bureau to discuss the issues small MVPDs face in the video marketplace including rising programming costs, retransmission consent, and the ATSC 3.0 Next Generation broadcast standard transition.

WTA stated that small MVPDs are facing increasing pressure in the video marketplace where most are losing money or at best breaking even. WTA noted that this is leading many small MVPDs to leave the video marketplace adding that several of its members quit offering video in the last year. WTA argued that the video environment has reached a tipping point and that any additional difficulties may push many more small MVPDs to end their video service.

Mr. Johnson described the recent and costly upgrade that Dickey Rural Networks undertook to upgrade its video system to an all-digital network and added that the company looks forward to offering video into the future. However, he stated that offering video service has become extremely difficult due to ever-rising programming costs that have resulted in large increases in customers' bills. Mr. Johnson noted that due to the company's small size, it has much less flexibility in customer pricing – often to the frustration of its customers. Ms. Rand argued that this is entirely due to the fact that small MVPDs have little to no bargaining power in retransmission consent negotiations, where these providers are often simply given a price for programming that they have no choice but to pay if their customers are to receive basic channels. She added that no large programmers are willing to truly negotiate a fair rate that will help limit those costs. Ms. Rand also noted that for many low-income rural customers, WTA members are the only affordable video option. This is especially true for those who cannot receive signals over-the-air because in some instances, the customer may be unlikely to pass a credit check in order to attain video service from a DBS provider. Mr. Shipley echoed the complaints about programming prices noting that one USConnect company has faced a 1,100% increase in retransmission consent fees from 2011 to 2018. Mr. Shipley also raised concerns that his company has now been forced to pay retransmission consent fees for the secondary multicast broadcast signals in order to access a more popular network signal. Mr. Shipley also expressed frustration with the futility of most favored nation contract clauses

because even if they are inserted into agreements, it is near impossible to find out what the benchmark rate is since it is not disclosed what larger companies pay. WTA added that it does not cost the programmer any additional money for a small MVPD to retransmit a signal versus when a larger provider does, which makes it insensible to charge a small MVPD more.

WTA also raised the fact that the current retransmission consent regime is especially troubling due to the reality that a large number of rural Americans are unable to receive broadcast signals over-the-air. For example, Mr. Shipley estimated that more than half of the customers in USConnect's Colorado exchange are unable to receive broadcast signals. Despite these difficulties, WTA members and other rural MVPDs are forced to pay retransmission consent fees for their subscribers to have the out-of-range signals. This means that not only is the broadcast station now able to claim an extra viewer for advertising purposes, it is also receives a retransmission consent fee. As a result, WTA members are penalized for performing a public service by helping ensure that rural Americans, especially senior citizens, are able to stay connected with important local news and weather.

WTA also notified the Bureau that it continues to monitor the television market since the Commission approved the ATSC 3.0 transition in November 2017. WTA remains concerned that without protections in retransmission consent negotiations its members will be forced to make an ill-timed transition, which will cause many to consider leaving the marketplace. As WTA has stated previously, much is still unknown about how much a transition will cost, but because the technology is not backwards compatible, it is expected to be cost prohibitive for small MVPDs as it will likely require a total overhaul of their systems. WTA added that some members have already seen language that requires small MVPDs to retransmit "any ATSC compliant standard." WTA noted that though it did not file a Petition for Reconsideration in the proceeding (GN Docket No., 16-142), it is supportive of the reconsiderations filed by the American Television Alliance and NCTA - The Internet & Television Association. WTA added that at the very least, the Commission should continue to monitor the market to make sure the transition is voluntary for distributors. WTA reminded the Bureau of Commissioner Michael O'Rielly's statement that "attempts to make this transition involuntary could violate the obligation for broadcasters to negotiate in good faith" and that the Commission "may need to revisit as there becomes concrete examples to examine."<sup>1</sup>

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 proceedings.

Respectfully submitted,

/s/ Bill Durdach

Bill Durdach  
 Director of Government Affairs  
 WTA – Advocates for Rural Broadband  
 400 Seventh Street, NW, Suite 406  
 Washington, DC 20004  
 (202) 548-0202

---

<sup>1</sup> Statement of Commissioner Michael O'Rielly, MB Docket No. 16-142, released Nov. 20, 2017, [https://apps.fcc.gov/edocs\\_public/attachmatch/FCC-17-158A4.pdf](https://apps.fcc.gov/edocs_public/attachmatch/FCC-17-158A4.pdf).

cc: Amber Barreda  
Kathy Berthot  
Steven Broeckaert  
Martha Heller  
Diane Sokolow  
Raelynn Remy