



**Advocates for Rural Broadband**

Paul Kelly  
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March 6, 2017

**FILED VIA ECFS**

Ms. Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554

**RE: Notice of Ex Parte Communication in MB Docket Nos. 15-216; 16-41; 16-142**

Dear Ms. Dortch:

On March 2, 2016 the undersigned, Derrick Owens and Gerry Duffy representing WTA – Advocates for Rural Broadband (“WTA”) met with Alison Nemeth, acting Media Advisor to Chairman Ajit Pai to discuss the obstacles faced by small multichannel video programming distributors (“MVPDs”) in providing affordable and competitive video services to their customers. WTA explained that the biggest challenges for small MVPDs in today’s video marketplace are: (1) the rapidly increasing costs of programming; (2) bundling or tying of multiple program channels by large content providers; and (3) minimum penetration requirements. WTA noted that due to these challenges, several of its members have terminated their video services or are actively assessing an exit strategy.

WTA explained that its members and other small MVPDs have been facing escalating per-subscriber retransmission consent fees and satellite video programming rates, with no end in sight. Small rural MVPDs are increasingly caught in a squeeze between what their rural customers can afford to pay for video service and the rapidly increasing costs of programming that they must bear. As a result of these programming costs, the fortunate WTA members break even on their video services, while more and more operate at increasing losses and are considering how much longer they can afford to offer video services.

The situation regarding retransmission consent has worsened considerably after the DTV transition. Retransmission consent fee increases are exacerbated by the fact that the DTV transition dramatically reduced the coverage areas of over-the-air television signals and has required many rural MVPDs to bear the substantial additional expense of paying third parties to transport the DTV signals to their head-ends. In addition, because WTA members and other small rural MVPDs operate on the sparsely populated peripheries of television markets and generally serve well less than one percent (1.0%) of the households in such markets, they are in a vastly inferior bargaining position vis-à-vis most network affiliates. As a result, most rural MVPD-network affiliate retransmission consent negotiations are not true negotiations at all, rather they occur largely on a “take it or leave it” basis in which the network affiliate proposes a substantial per-subscriber rate increase and other terms and conditions which the MVPD has little choice but to accept.

WTA next expressed concerns regarding the practice of bundling (or tying) less popular programming networks with more popular networks in both retransmission consent and satellite video programming agreements. WTA explained that many small MVPDs have maxed out channel capacity as a result of bundling suites of

programming by large content providers. WTA noted that local broadcast stations increasingly use retransmission consent agreements to require carriage of yet-to-be launched multicast and cable networks. In addition to per-subscriber fees for each additional network that must be paid, carriage of each additional network requires new investment in network equipment and modifications at the MVPD's head-end to carry an additional network(s). For example, MVPDs incur expenses for additional receivers, encoding gear, head-end chassis equipment and new receiver dishes. In addition to equipment costs, man-hours are required to procure, receive, install and turn-up each device plus several hours are required for system integration for the new equipment. Ultimately these costs are borne by the subscribers of small MVPDs, regardless of whether they watch or want to subscribe to the additional network(s). Such demands for carriage also take up limited capacity that could otherwise be used to provide more relevant programming to their rural consumers and constrain the capacity the MVPD can make available for broadband services. At a time in which consumers demand more and more bandwidth for broadband, many small rural MVPDs cannot afford to allocate more and more bandwidth to traditional MVPD services.

WTA then discussed minimum penetration requirements that directly result in "bloated bundles" of hundreds of networks that many rural MVPD customers simply do not demand and do not want to pay for. As a condition of the grant of retransmission consent or a satellite video programming agreement, MVPDs are often required to place certain networks on their most widely subscribed tier or an offering that otherwise meet a threshold (for example, 80%) of an MVPD's subscribers. These requirements drive up the cost of basic MVPD services for all consumers and prevent small MVPDs from offering tailored and more affordable service offerings that meet the real needs of their customers.

WTA acknowledged the Notice of Proposed Rulemaking regarding voluntary use of ATSC 3.0 by local broadcast stations and concerns regarding the impact on small MVPDs. WTA explained that additional bandwidth will likely need to be allocated to video services as programmers move toward 4K and other high-bandwidth distribution technologies. WTA also expressed concerns regarding network investments (for example, at the cable head-end) that may be necessary for small MVPDs to make in order to receive and redistribute ATSC 3.0 signals. WTA explained that requiring additional network investment – either through Commission action or through retransmission consent agreements – may be the "straw that broke the camel's back" that forces many rural MVPDs already struggling with rising content costs to get out of the video business.

Finally, WTA discussed possible ways to slow the rise in increasing retransmission consent fees and other programming costs and increasing consumer choice such as through adoption of a la carte pricing and injection of true market forces into MVPD market.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS.

Sincerely,  
/s/ Patricia Cave  
Patricia Cave  
Director, Government Affairs

cc: Alison Nemeth