

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C 20554

In the Matter of:

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Authorizing Permissive Use of the "Next) GN Docket No. 16-142
Generation" Broadcast Television Standard)

COMMENTS OF
Midcontinent Communications (MIDCO)

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May 9, 2017

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Midco submits these comments in the above captioned rulemaking proceeding. The *Notice of Proposed Rulemaking* proposes to allow television broadcasters to use a new transmission standard (“ATSC 3.0”) on a voluntary basis.

SUMMARY

Midco has for decades been a provider of cable video services in Minnesota, North Dakota and South Dakota. In 2016, Midco added systems in Kansas to our family of communities served. The geography covered by Midco says much about the way the company operates and dictates business operations and decisions in ways unique from more urban colleagues in the industry. Without the benefit of customer density available to more urban cable video systems, Midco must not only scrutinize ongoing costs but must also anticipate future cost drivers in order to overcome threats to company success and survival.

Preventing future challenges to the viability of Midco’s video business leads to the following concerns regarding ATSC 3.0:

- Changes in technology by those supplying programming to cable video providers like Midco require equipment and engineering changes that

strain financial and human resources, as well as impose significant opportunity costs on anticipated use of broadband capacity.

- A transition by local broadcasters to ATSC 3.0 may weaken the quality of ATSC 1.0 signals currently relied upon by Midco.
- Retransmission consent agreements with local broadcast affiliates are extensively negotiated based on current technologies and market conditions. Broadcasters should not be allowed to use the retransmission consent process to force carriage of the ATSC 3.0 signal.

ACCOMMODATING ATSC 3.0 WILL IMPOSE EQUIPMENT COSTS ON MIDCO

Midco serves over 300 communities, largely in four states, and we have 31 digital and four analog headends. We estimate over 100 pieces of headend equipment, together with thousands of customer set top boxes, would need to be replaced to accommodate ATSC 3.0. And this assumes the customers make the investment in new television sets to adapt to the new technology. Further, while most of our signals from broadcast affiliates are through fiber studio links, we do receive direct off air signals in six locations. Our diverse and largely rural service areas necessitate we have various video delivery platforms of diverse vintage. Midco would have to make substantial investments in new equipment to facilitate ATSC 3.0. Another constant facing Midco is the lack of dense urban areas where customers can be found in great numbers. Long distances between pockets of customers make absorbing imposed costs like those needed for a change to ATSC 3.0 more difficult for companies like Midco.

Purchasing the necessary equipment, engineering the changes, and sequencing the transitions are all costly and time consuming tasks. While the proposal allows a new transmission standard on voluntary basis, equipment changes for cable video providers like Midco are not inexpensive and without operational disturbance. Further, ATSC 3.0 may have a benefit for broadcaster affiliates, but those benefits are not flowing to cable video providers even though increased costs may fall on companies like Midco.

ACCOMMODATING ATSC 3.0 CONSUMES SCARCE BANDWIDTH

ATSC 3.0 holds the promise of interoperability for broadcasts signals. For a broadcast signal to maintain two way communications within a cable video system the return path needed would have to be provided by the cable video system. This operational requirement needs to be fully considered given the allocation of scarce bandwidth and costs imposed on companies like Midco to provide a return path for broadcasters.

For most of the past five years, Midco has been striving to reduce bandwidth devoted to delivery of customer video in order to free up space for increased broadband speeds delivered over the same infrastructure. It is conceivable that partial, and certainly full, deployment of ATSC 3.0 would reverse this process of reallocating bandwidth resources to support DOCSIS 3.1. Midco simply does not have the system capacity across our footprint to accommodate ATSC 3.0.

ATSC 3.0 MAY COMPROMISE CURRENT SIGNALS RELIED UPON BY MIDCO

While broadcasters may voluntarily pursue and deploy ATSC 3.0 as finances and market conditions dictate, cable video providers are held in place by existing retransmission consent agreements and obligations to supply certain content to their cable video customers. No one expects ATSC 3.0 to emerge everywhere and all at once. Therefore, Midco anticipates that ATSC 1.0 will have to stay operable, and in fact be the dominant industry standard, for a significant amount of time. If broadcasters devote time and human capital to ATSC 3.0, Midco is concerned that current channels dependent on ATSC 1.0 may suffer in attention and quality. As ATSC 3.0 emerges, maintenance of ATSC 1.0 needs to be ensured and a reasonable and scheduled transition should be included in any rules. During this transition period, the ATSC 1.0 signals should be required to maintain identical content with the same time schedule as the ATSC 3.0 signal; there should be no reduction of signal quality of the existing 1.0 signal; and the 1.0 signal should cover the same service area as currently served.

**THE RETRANSMISSION CONSENT PROCESS SHOULD NOT BE
USED TO FORCE 3.0 CARRIAGE**

Midco is well educated in the difficulty of providing comprehensive and affordable video entertainment over a vast geography and diverse population. Within that process, Midco must negotiate multiple broadcast television retransmission agreements with affiliate entities large and small. Introduction of a new variable in an already complex, and increasingly difficult, contractual environment may upset the current balance of relationships. Midco is well aware that changing demographics and customer entertainment choices have already caused erosion in the legacy cable video marketplace. Ever escalating programming costs, from both network programmers and local broadcast affiliates, contribute more downward pressure on video customer numbers.

Against the backdrop of facilitating an “experimental” ATSC 3.0 standard, coupled with increasing system costs and limited system capacity, we expect that the broadcasters will use retransmission consent negotiations to require us to carry the ATSC 3.0 signal and shift the significant cost of transition to us and to our customers. As the ATSC 3.0 signal and related material content is most advantageous to the broadcaster, we believe they should bear the additional cost, not the consumer. We are simply not prepared to carry such signal and the additional equipment, short timeframe and the labor to switch to ATSC 3.0 would be a tremendous burden and, most likely, disruptive to customers.

Language related to ATSC 3.0 has already shown up in initial drafts of agreements, both clearly stated as well as vaguely embedded. Without sharp-eyed engineers and an experienced attorney, we might have unintentionally agreed to language with far-reaching and burdensome consequences. If not expressly disallowed, we expect Broadcasters will threaten to withhold consent to carry the ATSC 1.0 signal unless we agree to carry its ATSC 3.0 signal. As a smaller operator, this “take it or leave it” approach would ultimately hurt our customers. Neither agreeing to the costly and burdensome carriage of the ATSC 3.0 signal nor an impasse in negotiations to continue carrying the ATSC 1.0 signal benefits our customers.

We ask that any such requirements to carry ATSC 3.0 in order to gain consent to carry the ATSC 1.0 signal be ruled by the Commission as a violation of the broadcaster's duty to negotiate retransmission consent in good faith. In addition, we ask that the Commission require the Broadcaster to simulcast an ATSC 1.0 signal until such time that the Commission determines the transmission of 1.0 signals should end. Such ATSC 1.0 signal should be required to be of the current quality as it stands today, with no degradation, covering the same service area as currently served and with the identical content to the ATSC 3.0 signal.

Midco shares many common concerns and opinions on these issues with our cable video industry peers. However, our challenging geography and lack of dense urban communities compels unique comments from Midco that emphasize the opinions of smaller market cable video providers.

Respectfully submitted,

/s/

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