



August 26, 2016

Chairman Tom Wheeler
Commissioner Mignon Clyburn
Commissioner Michael O'Rielly
Commissioner Ajit Pai
Commissioner Jessica Rosenworcel
Federal Communications Commission
445 12th Street SW
Washington DC, 20554

Dear Chairman Wheeler and Commissioners Clyburn, O'Rielly, Pai, and Rosenworcel:

Service Electric Cablevision, Inc., incorporated in early 1991, is one of several successor corporations to a community antenna television (now called cable television) business started by John and Margaret Walson in the spring of 1948. The late John Walson was recognized by the U.S. Congress and the National Cable Television Association as the founder of the cable television industry. Today, Service Electric Cablevision, Inc. is still a private, family owned cable tv, internet and phone business serving over one-hundred thousand (100,000) subscribers, providing local service, state of the art technology and employing over 225 people in good paying jobs in the Central and Eastern Pennsylvania communities we serve.

We are writing today because we are greatly concerned that the Federal Communications Commission's (Commission) proposed Navigation Device rules (MB Docket No. 16-42/CS Docket No. 97-80) and other potential substitute rules would impose such substantial implementation costs that it would harm our company's ability to serve our customers. Consequently, we urge you to provide relief for smaller MVPDs.

The pay-tv business is more challenging than ever for smaller MVPDs. We are caught between ever-increasing programming fees and obligations to carry unwanted programming on the one hand and significant competition both from much larger traditional pay-tv providers and from over-the-top services on the other. As a result, margins for our video business are small and getting smaller every year. Nonetheless, video services remain an important component of our overall customer offering, and consumers continue to respond positively to our efforts to provide innovative services at an affordable price. We already provide every household we serve with 2 free set-top box devices. We provide better local customer service, require no long term commitments, and provide numerous packages of discounted services.



Because the Commission's navigation device proposal is estimated to cost at least \$1 million per system,¹ our company cannot afford to comply with this proposal or any other proposal that incurs such substantial cost. Should the Commission mandate that small providers comply with such rules, we would be forced to divert resources from upgrading our broadband networks which are necessary to meet our customers' increasing demands for greater speeds. Compounding these problems, our current lenders could consider such a costly obligation to be a material change in our business which could impact our existing loans, and impact our ability to borrow money in the future or increase our costs to borrow.

Just as with the cable industries over two-decade long migration from analog to digital, smaller providers have incentives to seek out opportunities to continue to upgrade their network's video technology to better serve customers and face the competition in the market. For example, many in the industry are evaluating how to offer their services in all-IP. Thus, the Commission should recognize that we have every reason to adopt affordable, market-ready solutions that enable us to offer service in a format, such as all-IP, that allows our customers to receive our service using third party devices.

Unfortunately, a viable path to implement the proposed Navigation Device rules or other unduly costly proposals does not exist, and due to our small size, we have no control over how and when the industry will develop solutions, let alone those that work within our resource constraints.² For this reason, the Commission should not impose these proposals on smaller MVPDs. Even if the Commission were to delay compliance by a small provider, because no one knows if and when a sufficiently low cost solution will materialize, our company will need to start reserving money based

¹ See Comments of the American Cable Association, MB Docket No. 16-42, CS Docket No. 97-80 at 40-54 (Apr. 22, 2016). As the American Cable Association has explained "the Commission's proposal is more a framework with many elements still to be defined and fleshed out. ACA, therefore, cannot determine all the costs of the Commission's proposal nor can it determine whether proposal is technologically feasible nor can it determine, should there be solutions, when they will be developed." Letter from Thomas Cohen, Counsel to the American Cable Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, MB Docket No. 16-42, CS Docket No. 97-80, at 2, n.4 (Aug. 12, 2016). Therefore, the \$ 1 million estimate includes only those costs that can be determined at present, and assumes that MVPDs will utilize the lowest cost technology available to meet those requirements that can be identified (*i.e.*, by deploying a gateway device in the customers' homes using third party devices). However, because many larger cable operators are transitioning to an all-IP format already, there is no guarantee that the gateway technology necessary to implement the Commission's proposal over a non-IP system will materialize in the marketplace. In that event, implementing the Commission's proposal could require small and mid-sized operators to make the same investments to transition to an all-IP format, which would significantly increase the cost of compliance.

² In the past year, a few small companies and vendors have ventured into this space with trial offerings; however, these trials highlight that there are many issues yet to work out before viable solutions are available.



on the cost incurred by larger operators and the impact will be felt by our customers immediately and for years to come.

For these reasons, the Commission should not apply any Navigation Device regulation to small providers, and instead should work with us to facilitate the development of market solutions that allow us to offer our services in all-IP and enable our customers to attach third party devices. Thank you for your consideration.

Sincerely,

Robert M. Wieand
Controller
Service Electric Cablevision, Inc.

Cc: Senator Pat Toomey
Senator Bob Casey
Congressman Lou Barletta
Congressman Tom Marino
Congressman Ryan Costello
Congressman Pat Meehan