

September 14, 2017

**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***

Dear Ms. Dortch:

On Tuesday, September 12, 2017, Derrick Owens, Gerry Duffy, and the undersigned representing WTA – Advocates for Rural Broadband, and Mark Gailey of Totah Communications, Inc. met with Nirali Patel, Media Advisor to Commissioner Brendan Carr, to introduce her to the work of WTA and its rural local exchange carrier (“RLEC”) members as well as discuss their experience with rising programming costs, retransmission consent, and the impact that the ATSC 3.0 Next Generation broadcast standard transition can have on the continued viability of RLEC video services..

As a matter of introduction, WTA gave Ms. Patel a brief history of its trade association, which was founded in 2004 and today represents more than 340 rural telecommunications providers offering voice, broadband, and video related services in rural America. Its members serve some of the most rural and hard-to-serve communities in the country and are providers of last resort to those communities.

WTA explained that video programming costs have exploded in recent years to the extent that it is no longer profitable for most RLECs to offer video services. Mr. Gailey stated that Totah Communications had twice offered video services and on both occasions was forced to stop due to financial losses. WTA asserted that in the past year, five (5) of its members had shut down their video services. In most cases, the monthly video service rates necessary to recover rising content costs have reached the limits of affordability for rural customers. With no end or solution in sight, further content price increases and other regulatory cost increases are forcing more and more RLECs to consider leaving the video business.

Due to their relative small size and scale, WTA members lack the bargaining power to effectively negotiate retransmission consent agreements or other video-related content matters with commercial network affiliates and other substantial video content providers. This results in members receiving “take it or leave it” offers that include significant price hikes and other unfavorable carriage terms. Specifically, an agreement may force the member to offer another channel that the network owns and/or force the member to offer it as part of a specific service tier. This not only results in increasing the cost of popular service tiers, but also reduces the opportunity for members with limited carriage capacity to offer niche programming that would

be valued by their customers. WTA noted that increasing numbers of rural and other video customers appear to want to purchase video service on an “a la carte” basis so that they can choose the channels they pay for.

WTA also raised issues with retransmission consent, and its effect on the upcoming transition to ATSC 3.0. It explained that WTA members are already experiencing problems receiving the signals of commercial network affiliates in the markets to which they are assigned. WTA shared a story of one of its members where the member determined that it would cost the company \$1 million dollars per Designated Market Area (“DMA”) to construct dedicated fiber lines to broadcast station facilities.<sup>1</sup> WTA pointed out that after the digital transition, the distance broadcast signals traveled diminished, and that many members are now paying to transmit broadcast signals to rural customers who would otherwise not receive them.

WTA stressed that although the transition to ATSC 3.0 will technically be “voluntary,” its members are concerned that retransmission consent agreements are likely to be used as backdoors to force them to transition to the new standard anyway. Of note, WTA members have already received retransmission consent proposals containing language that would require them to transmit any “compliant ATSC standard.”

WTA also asserted that a forced transition to the ATSC 3.0 standard would be disastrous for video service in rural communities. Right now, much is unknown about the cost of transitioning, but there is little doubt that it will require substantial investments. For example, the cost of updating set top boxes alone is estimated to cost at least \$160-240 per unit. One WTA member has stated the full transition would cost the company \$400,000, and the cost would either be passed to customers or taken as a loss.<sup>2</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 proceeding.

Respectfully submitted,

/s/ Bill Durdach

Bill Durdach  
Director, Government Affairs

cc: Nirali Patel

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<sup>1</sup> See Ex parte Letter of WTA-Advocates for Rural Broadband at 1 (filed on June 23, 2017).

<sup>2</sup> Id. at 2.