



October 2, 2006

The Honorable Kevin Martin, Chairman
The Honorable Deborah Taylor Tate
The Honorable Robert McDowell
The Honorable Michael Copps
The Honorable Jonathan Adelstein

Federal Communications Commission
445 12th Street, SW
Washington, DC 20554
June 8, 2006

Re: Requests for Waiver of the Set-Top Box Integration-Ban Rule

Dear Commissioners:

The undersigned organizations would like to express our support for pending waiver requests of the so-called “integration ban” rule that requires certain video providers to implement costly “security card” technology in their leased set-top boxes.

This unnecessary regulation will result in a \$2 per month increased fee for affected video service subscribers, imposed by government fiat. The subscribers receive no benefit from this expense and, furthermore, new, consumer driven technology improvements will likely render “security cards” obsolete in the near future.

It has been estimated that the FCC’s integration ban rule would cost video providers approximately \$600 million per year to re-engineer their set-top boxes and systems to comply with the rule. Since the regulations permit the passage of these additional costs on to subscribers, the FCC rule could cost video subscribers an additional \$2 per box per month even at FCC-regulated prices. Worse yet, the “security card” technology would provide no additional benefit or services for consumers who lease their set-top boxes

from their providers since those boxes are returned to the provider when the consumer moves – defeating the purpose of using security cards in equipment. In sum, the FCC integration ban amounts to an unnecessary set-top box charge on video-service subscribers. We strongly oppose that requirement.

Moreover, it is widely anticipated that the existing “security card” technology will soon be replaced by a less expensive, more efficient and more consumer-friendly downloadable security technology. It only seems logical to wait for that technology to be available rather than enforce a regulatory regime on a soon-to-be obsolete technology that saddles consumers with additional and unnecessary costs.

We understand that a number of organizations from disparate industries have asked for deferral of the integration ban requirement until the new technology is available in the near future. We urge the Commission to grant all of those waiver or deferral requests.

We understand the FCC’s theory that video provider use of CableCARDS in their set-top boxes might spur the emergence of a retail market for set-top boxes or other video-service equipment which also have to use “security cards.” If the rule were costless to consumers that argument might make sense. But it isn’t. Moreover, it seems unlikely that a competitive market for set-top boxes will develop when consumers can lease a box from their video provider at FCC-regulated prices and can return that box when it breaks or becomes out-dated rather than buy a box at a retail store which they cannot “trade-in” when it becomes obsolete. On the other hand, the market for more expensive “cable ready” television sets is growing and we understand that about 200,000 “security cards” have been made available to consumers who use those devices and the number is growing daily. We’re also told that video providers are already required by FCC rules to make sure those cards work in that “cable ready” equipment consumers buy at retail stores, therefore it seems unnecessary and excessive that the FCC would impose yet another regulatory burden on video providers and their customers.

Granting waivers and deferrals in these matters would be a welcome signal that the Commission is adopting forward-looking strategies which promote technological innovation rather than the backward-looking regulations that serve neither producers nor consumers.

We strongly urge the Commission to grant any and all waivers requested by video service providers relating to the integration ban on set-top boxes.

Sincerely,

Grover Glenn Norquist
President
Americans for Tax Reform

John Berthoud
President
National Taxpayers Union

Tim Phillips
President
Americans for Prosperity

Geoffrey Segal
Director of Government Reform
Reason Foundation

Jason Wright
President
Institute for Liberty

Tom Schatz
President
Council for Citizens Against
Government Waste