Advocates for Rural Broadband
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March 26, 2014

Filed Via ECFS
Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: MB Docket Nos. 10-71 and 14-16.

Dear Ms Dortch:

On Monday, March 24, 2014, Derrick Owens, Noah Cherry and Gerry Duffy representing WTA - Advocates for Rural Broadband ("WTA") met with Adonis Hoffman, Chief of Staff and Senior Legal Advisor- Media to Commissioner Mignon Clyburn to discuss the nature and role of WTA in the telecommunications and video industries and to identify some of the multi-channel video distribution issues of interest to WTA's members.

WTA is a national trade association that represents more than 250 rural local exchange carriers ("RLECs"). Whereas WTA was formed to represent small RLECs in the isolated and sparsely populated areas of the 24 states located west of the Mississippi River (including Alaska and Hawaii), it now welcomes members from the rural portions of the Eastern states as well. WTA's members are small carriers (generally serving from several hundred to 3,000 customers) that are evolving from voice service providers to broadband service providers. They or their affiliates are increasingly offering multi-channel video distribution services, including traditional cable television service and Internet Protocol ("IP") video service, as well as access to various types of streaming and over-the-top video services.

The high and constantly increasing price of video content – both the price of retransmission consent for off-air network television stations and the price of carriage rights for popular satellite sports, entertainment and news channels – is the major problem facing WTA members and other small video service providers. Very few small multi-channel video distribution operations are profitable. Rather, most WTA members offer video on a break-even basis or at a loss as part of "triple play" voice, data and video packages because that is what their customers want. They believe that they pay much more, on a per-subscriber basis, for retransmission consent and for satellite channels than larger, multi-system cable operators and direct broadcast satellite services.

WTA members believe that they have no effective bargaining power against network television stations or popular satellite channels. Because the small rural companies need the video content more than the national or regional content providers need their several hundred rural customers, WTA members generally feel that they have little choice but to accept the prices, terms and conditions offered on an effective "take it or leave it" basis by the content providers. In addition to high and increasing content prices, WTA members are also faced with: (a) tying issues, where they are forced by certain content providers to purchase and carry new or unpopular channels in order to be able to obtain the popular channels that their customers want; and (b) tiering problems,

where they are required by certain content providers to place video channels on particular tiers, or to pay higher prices if the tier on which a channel is placed does not generate a certain number or percentage of viewers.

Some WTA members have recently encountered a new problem wherein entities have been signing up as agents for two or more network television stations in a market, and then negotiating retransmission consent agreements jointly and at much higher requested compensation levels with rural video service providers. Whereas a rural multi-channel video service provider may be able to drop a single network affiliate if it makes unreasonable demands for increased retransmission consent compensation, it generally cannot afford to lose two or more network affiliates and can be forced to give in to this new tactic unless the Commission moves to prohibit or regulate it. WTA supports Chairman Wheeler's announced efforts to end joint negotiation of retransmission consent agreements, and believes the Commission should explore methods of preventing the incidental anticompetitive effects of some joint service agreements and shared sales agreements, without eliminating those arrangements that serve to solely benefit viewers and small independently owned broadcast stations by lowering operating costs.

Some types of Commission actions that would help alleviate these rural problems are: (a) requiring the pricing and terms of all retransmission consent agreements and satellite channel agreements to be transparent and available for review by other potential content purchasers; (b) requiring uniform per-subscriber prices for retransmission consent agreements and satellite channel agreements, or at least limiting the amount by which a content provider's highest per-subscriber price can exceed its lowest; (c) adopting additional requirements or best practices for good faith negotiation of video content agreements, particularly agreements with small entities lacking comparable bargaining power; and/or (d) adopting streamlined procedures that permit multi-channel video service providers to change their Designated Market Area ("DMA") readily in response to the desires and circumstances of their customers.

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 proceedings.

Respectfully submitted,

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