Advocates for Rural Broadband
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April 2, 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 Tuesday, April 1, 2014, Derrick Owens, Noah Cherry and Gerry Duffy representing WTA - Advocates for Rural Broadband ("WTA") met with Matthew Berry, Chief of Staff to Commissioner Ajit Pai 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 having 10 to 12 employees and serving several hundred to 3,000 customers) that are evolving from voice service providers to broadband voice, data and video 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.

Video is very important to RLEC broadband service providers because it is one of the principal factors encouraging consumers to subscribe to broadband service. In addition, whereas most WTA members and other RLECs are currently breaking even or losing money on video, it is hoped that someday video might generate sufficient profits to enable RLECs to reduce their reliance upon federal high-cost support.

At the present time, the very high and constantly increasing prices 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. 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 have found 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 find 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.

WTA is pleased with the Commission's recent action prohibiting joint negotiation of retransmission consent agreements on behalf of television stations that are ranked within the top four stations (by audience share) in the same market. This will help control one practice that recently has been driving up retransmission consent costs.

Other types of Commission actions that would help alleviate video content pricing 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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