

FACT SHEET: CHAIRMAN WHEELER'S PROPOSAL TO INCREASE CONSUMER CHOICE & INNOVATION IN THE VIDEO MARKETPLACE

Ninety-nine percent of pay-TV subscribers currently rent set-top boxes because there aren't meaningful alternatives. Lack of competition has meant few choices and high prices for consumers – \$231 in rental fees annually for the average American household. Altogether, U.S. consumers spend \$20 billion a year to lease these devices.

Congress recognized the importance of a competitive marketplace and directed the Commission to adopt rules that will ensure consumers will be able to use the device they prefer for accessing programming they've paid for. The new rules, if adopted, simplify the Commission's original proposal to finally provide consumers with choice in how they access pay-TV service while satisfying Congress' mandate.

Following constructive engagement from a wide range of stakeholders, the proposed final rules will allow consumers to access their pay-TV content via free apps on a variety of devices so they no longer have to pay monthly rental fees, enable integrated search, and protect content and privacy. The Commission will vote on these simplified consumer-first, app-driven rules at its next open meeting on September 29, 2016. If adopted, the largest pay-TV providers, who serve 95% of pay-TV subscribers, will have two years to comply with the rules.

Unlocking the box: Free apps will give consumers choice to access content on a variety of devices

- **Apps will liberate consumers from set-top boxes:** The new rules will require pay-TV providers to offer to consumers a free app, controlled by the pay-TV provider, to access all the programming they pay for on a variety of devices, including tablets, smartphones, gaming systems, streaming devices or smart TVs.
- **Consumers will no longer have to pay monthly rental fees for a box:** While consumers will still pay their monthly subscription fees for the service, they will be able to download an app to devices they purchase or already own to access pay-TV service, so they are no longer forced to rent boxes from their pay-TV provider. Of course, a consumer may choose to keep their set-top box and enjoy their pay-TV programming as they do today.
- **Availability for innovators:** Pay-TV providers must provide their apps to widely deployed platforms, such as Roku, Apple iOS, Windows and Android. Doing so will spur competition in the marketplace to develop new competitive products like next-generation streaming devices, smart TVs and tablets.

Integrated Search: Consumers will be able to search across all pay-TV content

- **Real cross-platform search:** Pay-TV providers must enable consumers' ability to search the content in their service, both linear and on-demand, alongside other video services accessible through the device. This means consumers will be able to search their programming options in one place whether from their pay-TV provider, an over-the-top service or a programmer's standalone app.
- **No discrimination in search:** Pay-TV providers may not require a platform or device to promote the pay-TV app over other sources of programming in the search function.
- **Ease of access:** Pay-TV providers must provide consumers with an equivalent ability to access content via the pay-TV app as they have in the set-top box. Pay-TV providers must also make it as easy for a subscriber to access programming inside a programmer's app, including authentication of the subscriber, as it is to reach programming inside the pay-TV app.

- **Independent and minority programming:** Smaller and independent programmers will be better able to reach broad audiences under the new rules, even if they are not carried by cable or satellite, because their content will be easily searchable on the same device as pay-TV content. For those programmers already on a pay-TV system, their channel position, advertising and contracts remain in place, since the pay-TV provider will control the content end-to-end.

Protecting Copyrights & Contracts: Honoring the sanctity of contracts through pay-TV control of the app and related software

Pay-TV content will only be opened by the pay-TV app, thus using the robust security protocols already built in to pay-TV apps. In addition, programming will continue to be controlled by the pay-TV provider from end-to-end, protecting content and maintaining all contracts and agreements currently in place. The pay-TV’s software will manage the full suite of linear and on-demand programming licensed by the pay-TV provider.

- **Maintains strong protections for copyrighted content:** Copyrights and licensing agreements will remain in place. The proposed final rules maintain important aspects of the traditional video distribution regime by leaving the control of the app and related software in the hands of the pay-TV providers.
- **Existing content distribution deals, licensing terms and conditions are unchanged.** Since the pay-TV provider controls its own app, deals made between pay-TV providers and content providers are not affected by this proposal. As pay-TV providers continue to oversee the delivery of content to consumers, all arrangements regarding channel lineups, advertising and distribution remain intact. Pay-TV companies retain their customers and will still receive a monthly subscription fee for the content they provide – consumers will simply have new ways to access that content.
- **Standard License:** The proposed final rules require the development of a standard license governing the process for placing an app on a device or platform. A standard license will give device manufacturers the certainty required to bring innovative products to market. Programmers will have a seat at the table to ensure that content remains protected. The license will not affect the underlying contracts between programmers and pay-TV providers. The FCC will serve as a backstop to ensure that nothing in the standard license will harm the marketplace for competitive devices.

Technology-Neutral Standards: Removing barriers to innovation, speeding products to market

- **Open standards:** The proposed rules do not mandate a specific standard for app development. Rather, the rules would require pay-TV providers to make software available on all widely deployed platforms, such as Roku, Apple iOS, Windows and Android. Pay-TV providers can provide the software for their apps to these platforms in a variety of manners, including HTML5 or native apps. Consumers should get to choose from a wide range of devices to access the content for which they’ve paid, and apps on common consumer devices will enable this choice.
- **Flexibility, not mandates:** Pay-TV providers will have flexibility in how they comply with the rules. They may choose to develop apps themselves or provide the necessary code to a third-party developer to develop an app on behalf of the pay-TV provider.
- **Enforceable timeframe:** Large providers will have two years to fully implement the new requirements, medium sized providers will have an additional two years to comply.
- **Limiting burdens on smaller providers:** Smaller operators (those with fewer than 400,000 subscribers) will not have to comply with the requirements, but may provide apps or software as appropriate for their business.

Consumer Protection: Emergency alerts, privacy and accessibility

The proposal seeks to ensure that important consumer protections like emergency alerting, privacy and accessibility will apply by requiring compliance as a condition of the license and requiring third parties to make pledges to consumers to enable enforcement by the Federal Trade Commission and State Attorneys General.

- **Emergency Alert System (EAS):** Because the service from the pay-TV provider is unaltered, consumers will have the same access to EAS alerts that they would using a rented set-top box and third-party devices will be prohibited from blocking the alerts
- **Privacy:** The FCC has a long history of protecting the privacy of consumers of communications services. Following the Federal Trade Commission's input, the proposed rules would require that the privacy protections that exist today for consumers of pay-TV providers will be preserved no matter what device is used.
- **Accessibility:** Pay-TV apps must provide at least the same accessibility functions for people with disabilities that a set-top box provides. Third party devices may not block such functions and must adhere to the Commission's accessibility rules.