

Testimony of Benjamin N. Pyne

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Thank you, Chairman Walden and other members of the Subcommittee. My name is Ben Pyne, I am President, Global Distribution, Disney Media Networks.

I appreciate the invitation to return to this subcommittee. I had the opportunity to appear before you six years ago at a hearing entitled the “Future of Video.” With the rapid rate of change in the digital age, six years can seem like eons. Indeed the last six years has brought many exciting new breakthroughs that benefit consumers of video.

Despite these changes, the principles underlying Disney’s approach to new technology – which I espoused at that hearing in 2007 – remain the same today. At that hearing, I said: “At Disney, we believe the greatest danger to our future business would be to cling to a model based on scared ‘old’ thinking. We recognize that technology has empowered the consumer more than ever before, and we use technology to deliver quality content in the most convenient and timely way possible, to every screen within reach and at a price that makes it a genuine value.”

At that hearing, I talked about the efforts we were making to reach our viewers in ways that were new at the time, but may seem old hat by now: iTunes downloads, streaming on ABC.com, and video on demand, etc. I promised “we will continue to find ways to get our content to any screen consumers use: computers, PDAs, mobile phones, iPods, and of course, television.” You may have noticed that I did not use the word iPad in 2007. It was introduced three years after that hearing.

Well, I am proud to tell you today that we continue our commitment to developing and using new technology to improve the consumer experience. In cooperation with our MVPDs – for example,

cable, satellite, and telco distributors – we now make live streaming of many of our channels available to subscribers on their tablets and smart phones. ESPN’s award-winning WatchESPN app was the first smart phone application to provide live-streaming of a cable channel to viewers. WatchESPN has been downloaded more than 18 million times. Likewise, our line of WatchDisney apps – downloaded 15 million times - offers the same convenience to subscribers of the Disney Channel, Disney Junior, and Disney XD. We will soon be launching our Watch technology internationally – beginning in Singapore.

Just last month, in keeping with Disney’s tradition of being a pioneer in the delivery of video to consumers, we were the first broadcaster to launch a streaming service in New York and Philadelphia. Our WatchABC service allows users to watch their local ABC stations online, on smart phones, and on tablets in their home towns. We will offer these services employing the same business model that underlies our other Watch services. The industry calls this “TV Everywhere.” We plan to rollout our Watch ABC service in our other home town markets over the summer. And one of our affiliated station groups , Hearst, already has plans to launch the Watch ABC service in their home town markets as well. We hope the service will soon be available in home town markets across the country and that all of our MVPDs will join with us and our broadcast affiliates to enable that to happen.

In addition to our Watch services, Disney has recognized the value of using online distributors to reach consumers who want to enjoy our content. We are a part owner of Hulu, a service that allows viewers to watch content online, including current and past ABC television shows. We also have negotiated agreements to distribute our content on a host of other online platforms, including Netflix, Amazon, Streampix, and even X-box.

While all of these new forms of distribution are critical to our future, we continue to place a very high value on distributing content through our MVPDs. We believe that monthly video subscriptions purchased by the overwhelming majority of American households continue to be a tremendous value.

We remain committed to delivering outstanding programming to these viewers. As evidence of that, in the last few years, we have reached long-term deals with many of the largest MVPDs.

The common thread that runs through our use of all of these technologies – old and new - is that each allows us to provide additional value to consumers, and in turn, each allows us to achieve a return on our investment in quality programming that enables further program development. As creators of content, we take significant risk by investing in a product for which there is no guarantee of success. Quality content is expensive to produce. Last year, we spent approximately \$3 billion producing programming for ABC and our owned stations. As a policy matter, given the significant risk and expense inherent in producing great content, it is critical that we continue to be permitted to freely negotiate for compensation for the distribution of our content.

In this context, we believe the current regime requiring MVPDs to negotiate for the right to carry a broadcast signal – the process known as retransmission consent – is working well. Ultimately, this is a process that ensures that MVPDs compensate broadcasters for the value inherent in the carriage of that signal. Over the years thousands of privately negotiated agreements for retransmission consent have been reached with extremely few interruptions of service.

The model of compensating local broadcasters for carriage on MVPDs is working for American consumers. The lion's share of the most watched programs on television are consistently found on broadcast television. Local stations are also able to provide outstanding local news and coverage of emergency events. In the past year alone, WABC in New York and WPVI in Philadelphia provided 24/7 coverage of Hurricane Sandy. Our ABC affiliates covering tornadoes in Oklahoma and other natural disasters in other areas of the country have similarly provided emergency coverage when it was most needed.

Our local stations and our ABC affiliates offer MVPD s compelling content that is highly viewed and sought after by their MVPD customers. With the launch of our Watch ABC services, we will be working with our broadcast affiliates to offer even more value for MVPDs to make available to their customers. We are working collaboratively with our affiliates and MVPD s to bring Watch ABC to all Americans as quickly as possible.

I recognize that this committee has heard pleas for changes to retransmission consent. We believe the current system provides the appropriate incentives to reach agreements. We want our network programming carried by our cable, satellite, and telco distributors. They want to carry our programming because their customers see value in paying for it – and because these same customers often purchase additional services like broadband. These mutual incentives encourage the successful resolution of negotiations in almost all cases without interruption.

Finally, I would like to turn to the satellite legislation that this Committee has begun to examine. Satellite television is an important means by which we are able to reach our viewers. The original satellite legislation adopted by Congress was important, because it eased the way for the technology available at that time to be used to distribute distant network programming to many households – especially in rural areas – that would otherwise not be able to receive network programming at all.

To their credit, the satellite companies have made significant investments in their technology and today, they are able to deliver local broadcast stations to more local households than ever. As a result, the necessity of the satellite legislation to ensure the availability of network programming in rural areas is simply not as great as it once was. In fact, we believe the Congress could give serious consideration to letting the satellite legislation sunset.

We realize, however, that you may be concerned by uncertainty regarding what would happen to rural viewers if the legislation was not reauthorized. In the face of that uncertainty, we understand if you choose to extend it, but would ask you to do so by simply extending the current expiration date.

Every five years there are some who want to use any effort to renew the existing satellite legislation to tack on provisions that are unrelated to satellite television. Someone will present an idea about how to make that government mandate just a little bit broader in scope. We urge you to resist those efforts.

This time, you will hear from parties who want you to change the retransmission consent process as well. We urge you not to do so. Any changes would be irrelevant to the underlying legislation and unnecessary in today's vibrant marketplace. If you ultimately conclude that the legislation must be renewed, we ask you to do so by simply extending the current date.

Thank you.