

Questions to Mr. Michael Palkovic following the hearing entitled “Reauthorization of the Satellite Television Extension and Localism Act”

The Honorable Greg Walden

Please describe the difference, if any, between the operation and impact of MVPD “interconnects” mentioned in your testimony and broadcaster JSAs. Please detail both the impact on buyers of local advertising as well as the impact on competitors in the sale of local advertising.

DIRECTV is a very small player in the local advertising market. Local-level advertising is a very small portion of DIRECTV’s revenue, and DIRECTV’s local advertising revenue is a small fraction of 1% of the total market for such advertising. Nonetheless, we understand the value of local advertising to communities and consumers, and we want to provide it. Through interconnects, we essentially outsource the marketing of local ads to entities that market such ads on behalf of us and other MVPDs. Given its size, though, we don’t believe that this sale of local ads has any material impact on competition for either the purchase or sale of local advertising.

The Honorable Anna Eshoo

I hear from my constituents regularly about their frustrations with the seemingly ever higher rates they pay for their video programming. In 1992, the monthly cost of cable was only around \$20, and since then consumer’s monthly bills have increased to well over \$90. Will any of the proposals in the discussion draft reduce the monthly cost of service or give consumers greater flexibility to choose a programming package that bests meets their needs?

We share your frustration with rising pay-TV bills. In recent years our programming costs, which are by far our largest cost, are growing at 8%-10% a year. Because we are in such a fiercely competitive market, we do all we can to avoid passing that cost along to our consumers – we seek every efficiency to keep costs down – but nonetheless, we had to raise our prices by 4% this year. The largest driver of these cost increases is retransmission consent, and we are grateful for your efforts to reform that regime.

One provision of the draft, if enacted, would provide some measure of incremental relief. The provision that prohibits broadcasters, in the same designated market area, from jointly negotiating retransmission consent agreements will provide some modest relief with respect to the upward pressure on programming costs.

We hope that, in the near future, Congress will enact more sweeping reform of retransmission consent. Your legislation, the Video CHOICE Act, would provide more comprehensive relief by, among other things, preventing blackouts and giving customers more control over the programming that they purchase. If enacted, the Video CHOICE Act would have a meaningful and positive impact on the broken and outdated retransmission consent regime. We support that legislation, and we thank you for your leadership.