

**REMARKS OF FCC COMMISSIONER AJIT PAI
TO THE POLICY ROUNDTABLE OF THE 2015 CONVENTION
OF THE CABLE AND SATELLITE BROADCASTING ASSOCIATION OF ASIA**

HONG KONG, CHINA

OCTOBER 26, 2015

This afternoon, I'm here wearing two hats. For not only am I a communications regulator from the United States, I'm also a participant in the Asian over-the-top video market. That's because I regularly upload videos of my two young children to YouTube so that my family members in India can see them. To be sure, I doubt that Ditto TV and Eros Now, two innovative Indian over-the-top providers, consider the videos I shoot with my smartphone to be a competitive threat. But at least for my relatives, they are must-see TV.

At this roundtable, I've been asked to speak about the American perspective on the regulation of over-the-top video services. In the United States, that phrase—over-the-top video—encompasses an amazing array of content and business models. When it comes to Internet-delivered video, we have an incredibly dynamic and diverse industry, one that is constantly giving American consumers new choices and better programming. This success, moreover, has been brought to us by the free market. The U.S. government has taken a hands-off approach to the regulation of over-the-top video. And I believe that our restraint has yielded terrific results.

Innovation and competition are the hallmarks of our nation's over-the-top video market. Subscription video-on-demand (SVOD) companies like Netflix have revolutionized the video marketplace. One new phenomenon that they have given birth to is "binge watching," or watching multiple episodes of the same show in the same sitting. (As somebody who has sacrificed precious hours of sleep to binge-watch several hour-long episodes of "Game of Thrones" and "Breaking Bad," I can attest firsthand that this phenomenon is not limited to the young.) Netflix's online streaming service is less than a decade old, but today it has over 43 million subscribers in the United States, which is far more than any U.S. cable or satellite company. The company has also made a splash by producing a wide range of original content. Many of those programs have been critically acclaimed, and the company is now a serious competitor to broadcast networks and cable channels. It's even getting into the feature film business, releasing its first movie earlier this month.

Netflix is not alone. Other subscription on-demand services are creating original shows and movies. Hulu offers popular TV shows and recently picked up a comedy that had been canceled by a major U.S. television broadcast network. And Amazon is producing award-winning original programs, too.

The success of subscription video-on-demand platforms has led broadcasters and cable companies to compete by making stand-alone over-the-top plays. For example, consumers can watch their favorite HBO shows through HBO Now or Showtime programs on the stand-alone service launched earlier this year. And CBS, a major U.S. broadcaster, offers an over-the-top service where you can watch the network's current hits, classic TV shows, and live broadcasts from the network's local stations.

Other subscription services focus on offering customers bundles of linear programming networks rather than video-on-demand. PlayStation Vue, for example, carries over 80 networks such as FOX, TBS, and Comedy Central. Sling TV, which is owned by satellite provider DISH, offers about 75 networks including ESPN, CNN, and AMC. And Spanish speakers can subscribe to more than 50 networks through YipTV for about \$15 a month.

But consumers have options beyond SVOD. They can also purchase movies and television shows *à la carte* through services such as iTunes, Google Play, and M-GO. And ad-supported on-

demand services are becoming increasingly popular. Platforms like Crackle and PopcornFlix allow consumers to watch over-the-top content for free. It is telling that enormously popular comedian Jerry Seinfeld chooses to air his new series, *Comedians in Cars Getting Coffee*, on Crackle. (I've binge-watched that show, too, and highly recommend it.)

And then, of course, there are user-generated platforms, like YouTube, which allow individuals like me to distribute their own content. Over 300 hours of video are uploaded to YouTube each minute. And some of the material is professionally produced. For example, DreamWorks Animation is the majority owner of AwesomenessTV, a multi-channel network producing high-end content with popular characters like Shrek and Kung Fu Panda.

Notably, facilities-based video providers in the United States are increasingly responding to all of this over-the-top competition. Cable operators like Time Warner Cable are offering subscribers live TV and recent programs no matter where they are or what device they are using. Through its acquisition of AOL, Verizon has created an online, on-demand, ad-supported platform called go90. And our nation's largest cable operator, Comcast, is launching its Xfinity Stream service, offering HBO and the major broadcast networks online for just \$15 a month.

So: many different companies, of many different sizes, are offering many different choices at many different prices.

Who benefits from all of this innovation? The American video consumer. When I was growing up in a small, rural town in the 1970s and 1980s, I had only three broadcast channels from which to choose. I had to watch those channels on my family's television set. And I could only watch the programs I liked at the time the networks chose to air them. The only thing over-the-top about the experience was when I had to hold the rabbit ears above the TV to get a better signal.

Contrast that to today. Now, Americans watch what they want to watch, when they want to watch it, and on the device, at the location, and over the platform of their choice. Indeed, 78% of all U.S. adults now use the Internet to watch or download videos according to one recent study. 75% of 18-29 years old use their smartphones to watch videos during the course of a week. And to my four-year old son, "television" means pulling up a video app on our tablet.

Recently, Oscar winner and Hollywood legend Dustin Hoffman said: "[R]ight now television is the best that it's ever been." And I agree that we are now living in the golden age of TV. These days I rarely hear people complaining that there's nothing good on television to watch. Instead, Americans, including myself, now bemoan that they don't have enough time to watch all of the programs they want to see. And with many more distribution outlets than ever before, innovative programming geared to niche audiences that couldn't have survived in prior decades is now able to thrive.

Taking a step back, I believe that it is important to recognize that all of this success is not the product of government regulation. Rather, it has been delivered by the free market.

In the United States, many parts of the video market are heavily regulated, or at least too heavily regulated for my taste. There is one large set of rules that apply to cable operators and satellite providers as a group. On top of that, there are specialized regulations that apply to cable and satellite companies separately. And then there is one large set of rules that apply to television broadcasters.

But so far, U.S. regulators have largely left Internet-based video alone. We don't regulate the content that over-the-top providers offer. We don't regulate prices. And we don't regulate business models. We leave those decisions to the market—to the aggregated choices of millions of Internet-savvy consumers. And that, in my view, has been a tremendously wise approach. Almost every day, it seems, there is another market-driven, privately negotiated over-the-top deal that benefits online providers, content creators, and most importantly, consumers.

Just look at headlines from the past month alone. NBC Universal announced the launch of an over-the-top video subscription service focusing on comedy. The BBC is set to launch an over-the-top programming service in the United States. Sling TV, which I mentioned earlier, is expanding its college sports programming. And Amazon and CBS agreed to another exclusive streaming deal. All of this, it must be emphasized, is occurring without government intervention.

Now, in the interest of full disclosure, not all U.S. regulators agree with my perspective. Some have proposed extending to over-the-top providers many of the rules that currently apply to cable operators and satellite providers, regulations that in many cases are over two decades old.

I strongly oppose this idea. Given the remarkable success of the over-the-top video industry—success driven in part by regulatory restraint—I don't believe we should change our regulatory approach. A leading over-the-top provider, Amazon, put it well when it told U.S. regulators, "There has been no indication that additional regulation is needed to enable this new industry to grow and bring consumers even more benefits."

This view is shared by many across the political spectrum in the United States. For example, I happen to be a Republican. But recently, Congressman Frank Pallone, the top Democrat on the U.S. House of Representatives committee that oversees my agency, spoke out against additional regulation of online video providers. He said: "When it comes to adopting new policies, we all must ask ourselves whether new polices actually make people better off. In the case of defining online video providers as cable companies, I do not think we can say yes." I couldn't agree more.

For me as a regulator and an online video consumer, the way forward is simple. There is no market failure. There is no problem to be solved. Therefore, there is no need for the U.S. government to impose regulations designed for markets and technologies as they existed over 20 years ago.

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Thank you very much for inviting me to participate in this roundtable. I look forward to learning from the perspectives of my international counterparts and participating in the discussion that will follow.