



OFFICE OF
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

September 7, 2016

The Honorable Steny H. Hoyer
U.S. House of Representatives
1705 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Hoyer:

Thank you very much for your letter sharing your views about how the Commission can better foster competition in the set-top box and navigation app marketplace. I take your input on this issue seriously and assure you that it will receive careful consideration.

Section 629 of the Communications Act, adopted by Congress in 1996, requires the Commission to promote competition. Yet, unfortunately, the statutory mandate in section 629 is not yet fulfilled. Ninety-nine percent of consumers still rent a set-top box from their pay-TV provider and one pay-TV provider alone is installing 40,000 set-top boxes per day.¹

The lack of competition in this market has meant few choices and high prices for consumers. In a recent Rasmussen Report Study, 84 percent of consumers felt their cable bill was too high. One of the main contributing factors to these high prices is the no-option, add-on fee for set-top box rental that is included on every bill, forcing consumers to spend, on average, \$231 in rental fees annually. Even worse, a recent congressional investigation found that the price of most equipment fees is determined by what the market will bear, and not the actual cost of the equipment.² With the lack of competition in this market, it should come as little surprise that fees for set-top boxes continue to rise.³ Clearly, consumers deserve better.

This February, the Commission put out for public comment a proposal that would fulfill the statutory requirement of competitive choice for consumers. This action opened a fact-finding dialog to build a record upon which to base any final decisions. Our record already contains more than 280,000 filings, the overwhelming majority of which came from individual consumers. FCC staff is actively engaged in constructive conversations with all stakeholders—content creators, minority and independent programmers, public interest and consumer groups, device manufacturers and app developers, software security developers, and pay-TV providers of

¹ Felix Gillette, *Can a Company You Hate Make a Cable Box You Love*, BLOOMBERG BUSINESSWEEK, Jun. 23, 2016, <http://www.bloomberg.com/news/articles/2016-06-23/can-a-company-you-hate-make-a-cable-box-you-love>

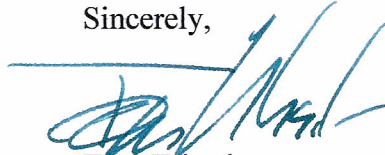
² U.S. SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS, COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS COMMITTEE, MINORITY STAFF REPORT, *INSIDE THE BOX: CUSTOMER SERVICE AND BILLING PRACTICES IN THE CABLE AND SATELLITE INDUSTRY*, 17 (Jun. 23, 2016).

³ One recent analysis found that the cost of cable set-top boxes has risen 185 percent since 1994 while the cost of computers, televisions, and mobile phones has dropped by 90 percent during that same time period.

all sizes—on how to ensure that consumers have the competition and choice they deserve. I am hopeful that these discussions will yield straight-forward, feasible, and effective rules for all.

The record we are developing will help us preserve strong privacy and copyright protections while delivering all American consumers meaningful choice and opening new opportunities for minority and independent programmers. Thank you for your engagement in this proceeding, and I look forward to continuing to work with you on this important consumer issue.

Sincerely,



Tom Wheeler