Keynote Remarks by The Hon. Meredith Attwell Baker
Commissioner, Federal Communications Commission
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This is a special night, and I am thrilled to be able to share in the celebration of Rupert Murdoch and Kyle McSlarrow, and I thank Patrick for including me in this great annual event. Rupert has been a consistent champion that "quality content is not free," and that is what I want to talk with you about for a few minutes. As you sit and listen, google "free TV shows" you'll get over 300 million hits. Next try "high-quality expensive TV programming," zero hits – more people last year watched "Dexter" and "Heroes" illegally than legally.[1] It is next to impossible to compete with free, yet this is the central challenge so many of you in the audience face today.

This year, the iPad is a remote, next year a fully functioning, extra screen; the year after that, who knows? Content providers and distributors now have four screens to develop and deliver to, to protect from theft and inquisitive children, and to monetize. The consumer and business opportunities are endless – projected to be over $5 billion annually in the next four years alone – but the final form, packaging, and pricing are very much unknown.

The current system supports a $30-billion annual wholesale programming market; where will that revenue come from to pay for high-quality programming in an online world? The only guarantee is that consumers will win with more individualized viewing options and choices. And the proper government response to these dizzying new trends? Here are four quick observations.

First, we should recognize that the next few years of innovation and experimentation will be dynamic and disruptive, but our collective video future is one best shaped outside the Beltway. Seemingly each day we will read about the next great development in cord cutting and over-the-top-video – whether it be Netflix flexing its content library muscle, a new effort from Apple or Google, or some new box to connect your TV to the Internet with a name like Boxee, Roku, or Sezmi. At the same time, traditional media – both distributor and content creator – are innovating as well. Distributors are providing expanded options to view content with TV Everywhere, as well as rolling out new innovative networking options. This evolution clearly merits our close attention, just as it does from Wall Street and Madison Avenue. Close attention and regulatory action, however, are two very different creatures.

We also need to view this issue from the perspective of an individual subscriber. The average consumer today has a $58 video bill and watches over 300 hours of content a month. We all love to complain about our cable bill, but there is a value proposition in what we receive today. It would be impossible today to recreate your service with hourly online rentals, even at Apple's new $0.99 price point, without breaking the bank with video bills in the hundreds. We should also recognize that all of these new platforms are exerting positive pressure on existing services to provide more affordable consumer-friendly options.

As we approach these issues more holistically, the government must resist a “Law & Order ripped from the headlines” pull to investigate, regulate, and pass muster on each new technological development or viewing opportunity. There are simply too many unproven platforms, untested business models, and undetermined consumer demands to pick winners and losers by regulation or merger condition today.

Second, consumers have to appreciate that theft of content online is no different than theft from Best Buy. Each new platform and screen creates another potential hole in the dike that could flood more content online without protection or compensation. Industry and government need to work proactively together to counteract digital piracy, and be blunt and forthright – this is stealing, and it will not go unpunished. This must be a public/private partnership as part of our digital literacy efforts to educate consumers that digital shoplifting is illegal and has far reaching economic consequences. Consumers must be reminded that video content – TV and movies – are one of the last great American exports – both economically and culturally, and are a vital engine of high-quality opportunities and jobs.

The government should work proactively with the video industry to encourage initiatives to present protected content in more compelling packages and formats, like buy-once, access anywhere technologies like Ultraviolet and Keychest. We should make sure any Net Neutrality rules do not chill efforts to curb illegal content online. It is in our collective interest to ensure that Hollywood has a viable compensation model safe from piracy to justify investment in high-quality content.

Third, we must remain steadfast in our bipartisan commitment to ensure that the Internet remains open with limited government intervention, as a true vehicle for free expression and opportunity. In the last year we have seen tortured semantics to try to carve broadband pipes out of the Internet within the Net Neutrality debate. Such wordplay with respect to dictating online video access will be far more difficult, and we must appreciate fully the international consequences of government supervision of speech online.

Lastly, content providers and distributors have First Amendment rights about how their content reaches their audience that must be respected. ESPN, Comcast, and DIRECTV are speakers and must remain free to create compelling programming and packages of their own choosing.

Thank you.

1. Janko Roettgers, “45% of TV Viewers Get Their Shows Online,” www.newteevee.com (Aug. 25, 2010) (referencing Ericsson ConsumerLab findings); Eriq Gardner, “‘Heroes’ Is Most-Pirated TV Show of 2009,” Hollywood Reporter (Jan. 4, 2010).