



Testimony of

Paul Misener

Vice President for Global Public Policy, Amazon.com

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Hearing on

“The Emergence of Online Video: Is it the Future?”

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Good morning, Chairman Rockefeller, Ranking Member Hutchison, and members of the Committee. My name is Paul Misener, and I am Amazon.com’s Vice President for Global Public Policy. On behalf of our company and customers, thank you for inviting me to testify about the emergence and future of online video.

Exactly a quarter century ago this year, the FCC set out to establish rules for so-called “advanced television,” the first significant update to consumer video quality since the introduction of color TV in the early 1950s. The Commission established a private sector advisory committee to evaluate the technology, and I had the honor of assisting that committee’s chairman, Richard Wiley. He and his committee can be thanked for the beautiful, theater-quality video that we now take for granted when we watch a movie or football game on an HDTV.

But much more emerged from Chairman Wiley’s committee than pretty pictures. Already in the mid-1980s, digital video capture and compression had come of age; but in the early 1990s, his

committee also oversaw the emergence of digital *transmission* of digital video data bits. The future of video was to be *digital* – all the way from camera to display.

Two other crucial developments occurred at the same time. First, the World Wide Web was invented, forever transforming the Internet into a graphic-rich, easily accessible medium. In stark contrast to previous media, such as newspapers, magazines, radio, and television, the Web is a “pull” – not “push” – medium, in which consumers choose what content they want, and when. “On demand” is essentially baked into the Web.

The second crucial development was that Congress overhauled U.S. communications law. Although the 1996 Act maintained some legacy distinctions among broadcasting, cable, satellite, telephone, and mobile services, it also presciently codified the concept of information service.

It was into this era that Amazon.com was born. Amazon opened on the World Wide Web in July 1995 as an online bookstore and quickly grew to offer other media products, including music CDs, VHS video tapes, and DVDs – all of which require physical delivery. One day back in 2005, when my eldest son, Jay, was three years old, he sat on my lap as we ordered him a DVD from Amazon. When I clicked to place the order, he hopped off my lap and ran to the front door to wait for “the brown truck.” Amazon endeavors to provide excellent service to our customers, but this particular customer really wanted *instant delivery*, which wasn’t yet available, but is now.

Today, the “Amazon Instant Video” service offers customers throughout the United States, whether in populous or rural areas, the ability to buy, rent, or subscribe to a huge catalog of videos, delivered instantly, 24 hours a day. Amazon Instant Video is available on PCs and Macs and other Internet-capable devices, including PlayStation3 consoles, and connected TVs and other living room-based consumer electronics components such as Blu-ray players and Roku boxes.

Amazon Instant Video currently offers more than 120,000 movies and commercial-free television episodes for purchase or rental, including the latest hit movies like *The Descendants*, *Girl with the Dragon Tattoo*, and *War Horse*, and popular television series like *Mad Men*, *Vampire Diaries*, and *Justified*. Many TV episodes are available to rent or buy within 24 hours after the episode first airs on broadcast or cable television. And about 25,000 titles are available in high definition.

In February 2011 Amazon introduced “Prime Instant Video” as a subscription service. As many of you know, “Amazon Prime” is a membership program where, for \$79 a year, you can receive unlimited free two-day shipping on millions of physical products. But there are other benefits to Prime membership, including access to Prime Instant Video, through which Amazon Prime members can watch instantly – and for no additional cost – more than 17,000 video titles selected from the Amazon Instant Video library. This gives our customers an easy opportunity to explore new video content.

Although we recognize that our customers want to watch a variety of high quality video content at affordable prices from the comfort of their homes, we also realize that they are on the move, and thus they want access to digital video not just *anytime*, but also *anywhere*. To support that demand, last September Amazon introduced the “Kindle Fire,” which is a fully functioning tablet that allows customers to access the Internet, read books, play games and, importantly, watch high quality video. In addition to being fully integrated with Amazon’s content offerings, Kindle Fire users have a wide range of popular applications available for download, including apps that enable access to content from Netflix, Hulu Plus, Pandora, and more.

Kindle Fire includes “Whispersync” technology to remember for you the point at which you pause any video you are watching. This means that if you pause a movie or television episode on your Kindle Fire, you can easily pick up where you left off on another device such as your laptop computer or your Internet-connected television at home. Device memory is not a constraint because Amazon digital

content is always accessible from “Your Video Library,” where digital content owned or rented by customers is stored and accessed via the Internet. And, if our customers have any questions about our online video services, our customer service team – including specialists at our Huntington, WV, facility – are standing by to help.

So, Mr. Chairman, to answer the question posed in this hearing’s title, online video has emerged, and undoubtedly will be a key medium of future video delivery. Consumers already have a wide array of opportunities to stream, rent, or buy online video programming, including from Amazon. With continued growth of broadband Internet access service, we believe consumer demand and choice will cause continued growth of online video services for an even brighter future.

This assumes, of course, that the Internet will remain a non-discriminatory, open platform. The open Internet encourages innovation and allows consumers to decide whether a particular product or service succeeds or fails. Any specialized services offered by network operators should not harm the delivery of content via broadband Internet access service, nor impede its growth, nor be offered on unequal terms (that is, bits are bits). And this openness is particularly crucial in rural areas of the country, where other choices are more limited than elsewhere.

The online video services we offer today are only the latest examples of benefits to consumers resulting from the open Internet functioning as a platform for rapid innovation and vigorous competition. The FCC has pledged to monitor the potential for anticompetitive or otherwise harmful effects from specialized services, but I ask that your Committee remain vigilant on this and other issues of Internet openness. For example, consumer data caps instituted by some network operators merit such vigilance. Although Internet subscribers should pay for the bandwidth they use, immutable or unrealistically priced data caps could hinder or prevent competitive products and services made possible by online video. Consumer choice, without impairment, must be preserved.

Amazon would be happy to assist the Committee in any way we can be helpful, including if the Committee were to undertake a review of the 1996 Act. As the testimony delivered this morning indicates, the lines between the communications services separately addressed in that legislation continue to blur, and how consumers – especially young people – now think of television does not match longstanding legal and regulatory conventions. Your hearing today already has drawn important attention to that fact.

In conclusion, Mr. Chairman, Amazon.com believes that the future of online video is very bright for consumers, and we look forward to working with the Committee to preserve consumer choice. Thank you again for the opportunity to testify. I look forward to your questions.

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