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Wheeler in Vegas: CES Chat Features Spectrum, Captioning & Baby Clothes

Tom Wheeler had his first **CES** appearance as **FCC** chmn Wed, settling in for a one-on-one chat with **CEA** chair *Gary Shapiro.* He quickly got to the business of spectrum auctions, which he called "a great model of government in multiple iterations and industry working together to solve the spectrum crunch." The three auctions coming in the next 18 months—the Jan. 22 H block auction, the 1755, 1780, 2155 and 2180 blocks coming in the fall, and the incentive auction slated for mid-2015—are the first conducted since 2008. Calling the incentive auction "a massive nontrivial undertaking," Wheeler described the incentive auction as a Rubik's Cube, with its three dials. "One dial is a reverse auction where *Gordon Smith*'s [**NAB**] members need to decide what they want to do with their spectrum so we have to buy it. Then there is a forward auction where that spectrum gets sold, presumably to wireless providers. Then there's the middle row of the Rubik's Cube, where his team has to rebrand what's coming in so you know what's going out, and preserving what's going on in the existing television market. It's never been tried before in the world." Asked by Shapiro how he'll measure success as FCC chair, Wheeler quipped, "I've only been here 3 months and already you want me to be figuring out what it looks like at the end?" Here's his short list: Progress in 21st Century educational opportunities; the spectrum auction and getting more spectrum out; making sure there are opportunities for individuals with disabilities addressed through new opportunities created by an all-IP network. "We also need to be thinking about the quality of closed captioning—captioning for video clips, captioning on the Internet. I am a proud Buckeye, and at Ohio State on the big jumbotron there is closed captioning. If it can be done there, it can be done anywhere," he said. As for plans to update the Communications Act, he said the move "will force a discussion about what our digital world is really like. There is an awful lot of analog thinking that remains in Washington. If they can have hearings talking about this digital issue and that digital issue, the tide is lifted for all boats." While the discussion itself may be good, he cautioned against regulation for regulation's sake. "Competition is better than even the wisest, most well-intentioned policy makers," Wheeler said, pointing to **Aereo**'s success, which includes raising more than $50mln in venture capital. What was his favorite innovation on the CES show floor? "I saw a baby's onesie that can tell you when the baby moves, when the baby rolls over," the grandfather of 7-month-old twins said, calling the idea "first-rate." *Cathy Applefeld Olson*

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CES Day 2: Knowing the customer remains the key to monetizing content in a multiplatform and data-driven world, said several execs at CES on Wed. "More companies are getting smart about the data," said **Time Warner Cable Media** pres *Joan Gillman*, arguing that "the folks who are going to solve this are not the traditional ones." *Greg Rivera*, senior director, **Microsoft**'s Xbox Live Advertising, agreed that traditional measurement companies like **Nielsen** may not get there first but said attitudes among advertisers remains the larger issue. "We need to have a change of their mindset to have this solved, and I don't see that happening for a while," he said. Of course, age-old privacy concerns continue to rear their heads, with execs arguing that consumers are increasingly more comfortable with extensive data mining—as long as it benefits them. "If I've got to see ads, I'd rather see ads that are targeted to me," said **TiVo** svp/gm, content and media sales *Tara Maitra*. Said *Ty Roberts*, co-founder, svp and CTO at metadata firm **Gracenote**: "There has to be profiling. There's no other way." But he said it's an open question what entity will ultimately use that data to control the customer experience. "The battle's going on right now," he said, arguing that no one should assume MSOs will necessarily win out. **Akamai** chief strategist *Kris Alexander* said control of customer data holds all the power, "and nobody wants to give that up… Everyone realizes that that is the control point to the customer." Amplifying that power is the connected home, which was a big part of this year's CES and envisions a world in which customer data can fuel advertising beyond screens typically associated with entertainment content. "You have a marketing opportunity there," said Gillman. "Could the refrigerator screen have the opportunity to promote a different milk brand or a different ice cream brand?"

TWC Talk: **Time Warner Cable** investors concerned about the MSO's 3Q sub losses after its retrans dispute with **CBS** can rest assured that things are getting better, CFO Artie Minson told attendees at a **Citi** investor conference Wed. That said, there was a flow-through impact in 4Q from the dispute: TWC lost 215K video subs, worse than **Wells Fargo** analysts' 125K expectation but an improvement from the 306K loss in 3Q. It gained 40K HSD subs and had flat voice subs. In Dec, the company added 60K HSD and 17K phone subs, both much better than year-ago numbers. "We have our mojo back on the subscriber side," Minson said. Looking ahead, TWC's new packaging plan and dedicated customer retention centers should help reduce churn this year, he said. Nothing new to report on the M&A front as the exec reiterated that TWC will continue to be "disciplined." The company did look at a few opportunities, but he said any potential deals would need to be "better than the value we could create on our own, which is a pretty high bar." And chances are TWC will continue its share buyback initiative despite the surge in its stock price amid consolidation chatter. During a separate Citi session late Tues, **Liberty Media** CEO *Greg Maffei* said consolidation isn't the only answer to growth. "Some of that is from consolidation and some of that is from confederation and working together more closely," he said. Responding a question on when a formal **Charter** bid for TWC might occur, the exec said "I wish it were yesterday just like you." He noted there's an opportunity to run TWC better since it hasn't performed as well as Comcast and Charter. Back to TWC. Minson wasn't concerned about **Verizon FiOS**'s pilot project in NYC to expand fiber in the city. The telco expects to deploy fiber to all parts of the 5 boroughs by mid-year. Verizon might take some market share initially as it gets into buildings in the city, but signups would slow down once the telco is in the buildings, many of which are served by multiple providers in the area, Minson said. Calling **Google Fiber** an overbuilder, he said he sees no material impact of the network on TWC.

Citi Notebook: Not a lot of new ground covered in **DirecTV** CFO *Pat Doyle*'s appearance at **Citi**'s investor conference. Yup, he still expects the satcaster to retain **NFL** Sun Ticket rights and the company is still very keen on the potential of home security *(**Cfax**, 12/13)*. Doyle did mention that DirecTV's contract with **Disney** is up at the end of next year. DirecTV predicts programming costs will rise 7-9% annually, and that figure includes a Sun Ticket and Disney renewal. One interesting tidbit from his talk is the future of **GSN**, which is owned by DirecTV and **Sony Pictures Ent**. By next year, 1 of the 2 companies is likely to be the outright owner.

In the Courts: Still no **DISH** and **Disney** programming contract. Last month, a federal court postponed a Dec 18 settlement conference between the 2 on DISH's Autohop feature because of ongoing discussions to resolve the case. Those talks include potential resolution of the retrans/carriage deals. Per court order, the companies advised Judge *Kevin Fox* on Tues of some dates in Feb when they could attend a settlement conference. However, they are requesting that the settlement conference be continued to Apr as discussions are still ongoing.

Carriage: **TheBlaze** scored a deal with **Buckeye CableSystem**, making the 24/7 news, opinion and entertainment net available on 50 TV providers nationwide, including 6 of the top 30.

BUSINESS & FINANCE

Inside the Beltway: **House Commerce** head *Fred Upton* (R-MI) and tech subcmte chmn *Greg Walden* (R-OR) are seeking public input on what should the updated Communications Act look like and what provisions should be retained from the current legislation. The committee released a white paper Wed asking, among other things, whether **FCC** jurisdiction needs a change. Responses are due Jan 31. -- **NCTA** asked the **Office of Management and Budget** on Wed to reject portions of the **FCC**'s special access data collection, saying it violates the Paperwork Reduction Act. Special access services are telecom services that provide a dedicated connection between 2 or more locations, and are purchased almost exclusively by businesses. The trade group said the FCC has underestimated the burden of collection by hundreds of thousands of hours and tens of millions of dollars.

Digital: **NBCOlympics.com** will deliver digital-only programming for the Sochi Games, including whip-around competition coverage from "Gold Zone," a video channel on the site and NBC Sports Live Extra app. NBCU also will have an online studio show, "Olympic Ice," that will give authenticated viewers figure skating news and highlights (5:30pm most days during the Games). For unauthenticated visitors, "Olympic News Desk" updates will stream periodically throughout the day.

CableFAX Daily Stockwatch

Company	01/08 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
21ST CENTURY FOX:	34.39	(0.58)
DIRECTV:	69.28	(0.64)
DISH:	57.96	1.03
DISNEY:	75.22	(1.12)
GE:	27.21	(0.08)
MSOS		
CABLEVISION:	16.85	0.10
CHARTER:	136.09	(1.99)
COMCAST:	52.75	(0.08)
COMCAST SPCL:	50.89	0.08
GCI:	11.62	0.17
LIBERTY GLOBAL:	89.34	(0.43)
LIBERTY INT:	28.96	(0.2)
SHAW COMM:	23.47	(0.13)
TIME WARNER CABLE:	132.55	(2.35)
PROGRAMMING		
AMC NETWORKS:	67.54	0.67
CBS:	62.74	(0.64)
CROWN:	3.40	(0.03)
DISCOVERY:	84.61	(2.33)
GRUPO TELEVISA:	30.26	(0.11)
HSN:	60.36	(1.46)
INTERACTIVE CORP:	70.33	(0.36)
LIONSGATE:	30.40	(0.69)
MADISON SQUARE GARDEN:	56.74	(0.37)
SCRIPPS INT:	82.43	(2.13)
STARZ:	29.71	(0.29)
TIME WARNER:	66.76	(0.74)
VALUEVISION:	6.74	0.02
VIACOM:	86.84	0.24
WWE:	16.22	0.40
TECHNOLOGY		
ADDVANTAGE:	2.95	-0.00
ALCATEL LUCENT:	4.61	0.07
AMDOCS:	41.28	0.48
AMPHENOL:	88.33	0.49
AOL:	45.97	(0.21)
APPLE:	543.46	3.42
ARRIS GROUP:	25.15	0.13
AVID TECH:	7.32	(0.97)
BLNDER TONGUE:	0.99	UNCH
BROADCOM:	29.51	0.31
CISCO:	22.29	(0.02)
CONCURRENT:	7.94	(0.19)
CONVERGYS:	21.97	(0.42)
CSG SYSTEMS:	29.03	0.04
ECHOSTAR:	51.61	1.27

Company	01/08 Close	1-Day Ch
GOOGLE:	1141.23	2.37
HARMONIC:	7.44	0.15
INTEL:	25.43	(0.15)
JDSU:	13.16	0.15
LEVEL 3:	34.43	0.62
MICROSOFT:	35.76	(0.65)
MOTOROLA MOBILITY:	14.49	0.61
NIELSEN:	44.87	(0.16)
RENTRAK:	37.12	0.13
SEACHANGE:	12.19	(0.13)
SONY:	18.25	0.93
SPRINT NEXTEL:	9.98	0.11
TIVO:	13.27	(0.17)
UNIVERSAL ELEC:	38.34	2.03
VONAGE:	3.30	0.02
YAHOO:	41.02	0.10
TELCOS		
AT&T:	34.24	(0.71)
VERIZON:	48.50	(0.8)
MARKET INDICES		
DOW:	16462.74	(68.2)
NASDAQ:	4165.61	12.43
S&P 500:	1837.49	(0.39)

Think about that for a minute...

Cheer

Commentary by Steve Effros

AT&T announced a new program for some of their cell services at CES. It's a totally rational plan that is modeled after a lot of other pricing plans in various services we all use. Predictably, the "public interest" folks immediately went bonkers about the idea and denounced it as yet another plan to destroy the egalitarian Internet. Nonsense.

First, the plan; AT&T is proposing that various companies using the Internet to deliver their wares, particularly ones that use a lot of bandwidth, "sponsor" that use. As an example, if the NFL wants folks to watch the NFL on their cell phones, for whatever business reason, then the NFL can pay AT&T for the customer's usage so that the customer doesn't have to. In other words, free shipping. Amazon has done this in the physical shipping world and it's been very successful.

The concept of "free shipping" is not new. Either the consumer pays for shipping of the item just purchased from the vendor, or the vendor says, no, it will pay to get that package to you as part of the price. It's routinely done both on phone orders as well as on the Internet.

Right now cellular users, as a general proposition, pay for a certain amount of use of their phone or smartphone. They have a "bucket" of minutes that they pay for, and can choose to pay for a larger or smaller bucket depending on their volume of use. Now, with video streaming, those buckets get emptied out a lot faster, because video requires a lot of "minutes" or, measured a different way, bandwidth. Usage based pricing has been the norm in cellular service for years, and it's now also becoming the norm in broadband. Why? Because the provider has to keep paying to upgrade the infrastructure as more use is made of it, and those who use more, pay more to make that possible.

So AT&T's proposal is that it's a valid business proposition for the seller of data, if it wants, to pay for delivery instead of taking it out of the consumer's use "bucket." The consumer wins, the sellers, presumably (as Amazon did with free shipping) think there is a business benefit for them, and the infrastructure provider continues to be able to finance new construction.

AT&T has made clear that it won't provide any "faster" service, or special benefit for those companies choosing this approach. This has nothing to do with "net neutrality," despite all the immediate yelling and screaming that it does. This is 800 numbers on phones, this is "free shipping" from sellers, it's not any form of "discrimination" unless you argue that anyone, using any form of competitive business offer on the Internet, is "discriminating" against those who could, but choose not to. But that's absurd. That would be the equivalent of freezing ever-evolving technology and business plans, of suggesting that all providers of broadband delivery platforms should be required to provide flat-rate, unlimited use. In other words, they want to prohibit "data caps," and usage-based pricing. That's the real argument, not "net neutrality." The only beneficiaries are some "edge" providers, who would prefer not having to compete in new ways.

Delivery providers have to constantly deal with "upgrading" because successful ones have ever-increasing usage. That's good. The price for service volume tends to decrease, or the quality (speed) of service increases. That's good too. Devising new alternatives for paying for that use which reduce the ultimate costs to consumers is something we should cheer, not jeer.

Steve

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