

CableFAX Daily™

Thursday — January 23, 2014

What the Industry Reads First

Volume 25 / No. 015

Reed Hastings: Netflix Eyes Pricing Change as Results Beat Estimates

In addition to *Reed Hastings'* joke that HBO CEO *Richard Plepler's* HBO Go credential is "Netflix bitch," the highlights of Netflix's 4Q conference call on Wed included the company's exploration of different pricing plans as its 4Q earnings of \$0.79 a share beat Wall Street expectations of \$0.65. During the same period a year ago, Netflix earned 13 cents a share. It ended 2013 with more than 44mln subs. Domestic net additions in 4Q of 2.33mln were a 14% YOY increase. The company launched a 4-concurrent stream \$11.99 option last Apr to begin its exploration of plan tiering. Since late last year, the company has been "testing a lot of things," including 1-stream and 3-stream variants, as well as SD/HD variations, at various price points, Hastings said. "We are probing around the edges... we are trying to figure out models of price tiers that provide flexibility for new subscribers," he said. For existing subs, they will get "generous grandfathering of their existing plans and prices," meaning no material near-term revenue increase from moving to this potential broader set of options. The goal is to offer new members "a selection of 3 simple options to fit everyone's taste," Hastings and CFO *David Wells* said in a letter to shareholders. Despite the recent court ruling that struck down key parts of the FCC's net neutrality rules, which provides legal grounds for ISPs to change the way they handle Netflix traffic, Hastings expects little alterations in the short-term. "It's very unlikely that ISPs will block us... Most likely there will be no real change," he said. And if blocking does happen, it will "fuel the fire for more regulation," something the ISPs don't want, he said. Potential cable MSO consolidations don't concern Hastings either. Even if **Charter** and **Time Warner Cable** merge, there's still **Comcast**, Hastings said. "I don't think that's a big change for us." In fact, moving forward, he envisioned traditional pay-TV ops and OTT providers working together since "our interests are very co-aligned." (We'll explore OTT partnerships in Thurs' webinar. Registration info here: http://www.cablefax.com/cfp/webinars/2014_Jan23/). Feb will see the debut of Season 2 of Netflix original "House of Cards," which will be available in 4K. Despite his optimism on the potential of 4K, Hastings acknowledged that the technology will come about slowly as currently only a small number of consumers have 4K TVs. "No tidal wave coming in the next 18 months," he said. In the long-run, 4K will be a good play for ISPs "because now there's a real need to get a 40 or 50 megabits plan... Now you have something to get people to upgrade to the faster plans," he said. Looking forward, Netflix expects the momentum to continue in 1Q with an estimated net additions of \$2.25mln. That will be a 11% YOY

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CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Sr Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Sales Mgr: Susan Kim, 301.354.2010, skim@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Prod: Jo Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group ● Scott Gentry, Dir of Bus Dev, sgentry@accessintel.com ● Group Subs: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Sub Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,599/year ● Access Intelligence, LLC, 4 Choke Cherry Road, 2nd Floor, Rockville, MD 20850

increase. The Winter Olympics might affect sub growth but in a small way, execs said. Netflix shares soared nearly 18% in after hours trading. OK, back to that HBO joke. Hastings was asked about Plepler's recent comment that he doesn't mind password sharing of HBO Go. "It was an interesting comment, I suppose," Hastings said. "So I guess Plepler, the CEO of HBO, doesn't mind me sharing his account information. So it's Plepler@HBO.com and his password is Netflix Bitch."

Sharing is Caring: NCTA is pointing the FCC toward a study from CableLabs and U of CO researchers that reiterates its argument that spectrum sharing in the 5.1 GHz band will not cause harmful interference. The Commission has initiated a proceeding to designate additional frequencies for WiFi use in the 5.1 GHz (UNII-1) band—one step in President Obama's stated commitment to find 500 MHz of new broadband spectrum. The plan has drawn the objections of mobile satellite services company Globestar, an incumbent user of UNII-1 frequencies. The CableLabs and U of Co study, using a dynamic simulation as opposed to a static study, found that "even with very conservative assumptions, commercial WiFi operations will not cause harmful interference to Globalstar feeder link operations." The study goes on to note that Globalstar uses the 100 MHz-wideband for only 4 US feeder links serving 85K duplex customers. "With such light traffic, the analysis shows that Globalstar's system can share WiFi without any customer impact," NCTA said.

Fiber: Citing stronger-than-expected demand for AT&T U-verse with GigaPower, the telco plans to expand the all-fiber network to reach twice as many Austin area HHs this year. Right now, the service offers speeds up to 300 mbps, but it plans to increase speeds to 1Gbps later this year. AT&T has asked residents to vote for the service, which launched last month, at att.com/gigapower to help influence future expansions.

WiFi: Comcast is offering complimentary access to its Xfinity WiFi hotspots during the 2014 Winter Olympics, which begin in Feb and run through Feb 24. The access will be offered in "high-traffic locations" like shopping districts, parks, train platforms and in small businesses, the MSO said. The goal is to allow both Xfinity subs and non-subs to access NBCU's authenticated TV Everywhere coverage of the games.

Digital: Good news for anyone embroiled in a Fox retrans battle. Fox Sports' streaming app FOX Sports GO will offer a live stream of the Super Bowl on Feb 2 as part of a special preview showcasing the app and its content. The preview is available from midnight Feb 2 through 3am on Feb 3. Outside of this window, it will only be available to subs of participating TV providers. Fox said it's the 1st time the Super Bowl has been streamed through an app, having previously only been offered through web browsers. Fox Sports Go will feature the English telecast as well as Fox Deportes' Spanish telecast.

The Big Chill: The polar vortex has nothing on the chill between DirecTV and Weather Channel. The network is asking DirecTV to waive its \$200-\$300 cancellation fees, saying that more than 90K subs have pledged at KeeptheWeatherChannel.com to switch providers. It took out full-page ads Wed in the NY Times, LA Times, WSJ and Washington Post to DirecTV's board asking the company to waive the fees. DirecTV said "99.9995%" of its customers are telling it a different story. "The two-way dialogue we enjoy with our customers, which is far more accurate than external surveys and focus groups, tells us they have resoundingly voted for the 24/7 news WeatherNation offers, which more completely meets their demand for dedicated weather information," DirecTV said. Well, except for the ones on DirecTV's Facebook page saying WeatherNation "sucks." To be fair, there are folks on Weather Channel's page grumbling that they show too much reality TV and that weather from local broadcasters is just as good.

At the Portals: The FCC launched H Block auction Wed, the 1st major auction in 6 years. DISH, participating as "American H Block Wireless LLC," was among 23 bidders. Proceeds will be used to fund a nationwide public safety network.

Ratings: That other kind of football is gaining popularity. NBCSN snagged more than 1mln viewers for Sun's Chelsea-Manchester United match, a record for the net and the 2nd most-watched Premier League game of all-time on US cable TV. -- Nickelodeon ended last week as the top basic cable net, leading among Kids 2-11 (2.8/909K, up +8% over last year), Kids 2-5 (3.7/465K, up +6%) and total viewers (1.7M, up +15%). Helping drive numbers was an ep of "Sam & Cat" on Sat, which drew 4.8mln total viewers and was the net's highest telecast with kids 6-11 since '12.

VOD: FEARnet said it ranked as the #1 free VOD movies net for the fall, with more than 14.7mln orders. "Insidious" was the most-ordered movie, with nearly 1.5mln orders, according to Rentrak figures.

Programming: "Betty White's Off Their Rockers" comes to Lifetime for a new 20-ep season, starting Feb 28.

BUSINESS & FINANCE

Marketing: Viacom launched Viacom Velocity, an integrated marketing and creative content service from Viacom Media Nets Music and Entertainment. The new structure merges the company's existing Music and Entertainment Integrated Marketing teams, under *Dario Spina*, with a new creative team headed by *Niels Schuurmans*, former evp, consumer marketing and exec creative dir at **Spike**. He joins as evp, Viacom Velocity Creative Content Solutions. Both Spina and Schuurmans report to *Jeff Lucas*, head of sales for Music and Entertainment.

Doing Good: ESPN's 7th "Jimmy V Week for Cancer Research" set a fundraising record of more than \$1.8mln, surpassing the previous record of \$1.59mln in '12. In its 7 years, the fundraiser has generated \$8.2mln in total contributions for The V Foundation for Cancer Research.

Honors: Kudos to **C-SPAN** vp, affil relations *Peter Kiley*, the recipient of the Univ of San Diego's Author E. Hughes Career Achievement Award for the College of Arts and Sciences. Kiley has been a part of C-SPAN for 28 years.

On the Circuit: WICT begins accepting applications for its **Betsy Magness Leadership Institute** classes 30 & 31 Thurs. Completed applications are due by 3pm ET on Feb 28. This year marks the 20th anniversary of the BMLI, which counts more than 700 graduates.

CableFAX Daily Stockwatch

Company	01/22 Close	1-Day Ch	Company	01/22 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
21ST CENTURY FOX:	32.07	0.15	GOOGLE:	1165.02	1.32
DIRECTV:	72.96	0.25	HARMONIC:	6.80	0.09
DISH:	56.63	2.53	INTEL:	25.31	(0.28)
DISNEY:	75.31	1.11	JDSU:	12.49	0.37
GE:	25.99	(0.3)	LEVEL 3:	33.70	(0.09)
MSOS					
CABLEVISION:	16.37	0.18	MICROSOFT:	35.93	(0.24)
CHARTER:	135.00	1.50	MOTOROLA MOBILITY:	15.00	0.29
COMCAST:	53.74	0.43	NIELSEN:	45.33	0.31
COMCAST SPCL:	51.85	0.38	RENTRAK:	54.75	0.86
GCI:	10.80	(0.14)	SEACHANGE:	12.24	0.03
LIBERTY GLOBAL:	87.20	0.15	SONY:	17.11	0.26
LIBERTY INT:	28.16	0.18	SPRINT NEXTEL:	9.07	0.03
SHAW COMM:	22.64	(0.05)	TIVO:	12.77	(0.17)
TIME WARNER CABLE:	134.88	0.37	UNIVERSAL ELEC:	37.40	0.50
PROGRAMMING					
AMC NETWORKS:	67.63	0.61	VONAGE:	4.52	0.75
CBS:	60.77	1.07	YAHOO:	40.18	0.66
CROWN:	3.10	0.01	TELCOS		
DISCOVERY:	80.48	(0.12)	AT&T:	33.34	(0.23)
GRUPO TELEVISA:	29.51	(0.11)	VERIZON:	47.33	(0.37)
HSN:	58.06	0.75	MARKET INDICES		
INTERACTIVE CORP:	73.11	0.43	DOW:	16373.34	(41.1)
LIONSGATE:	31.69	1.71	NASDAQ:	4243.00	17.24
MADISON SQUARE GARDEN:	56.15	(0.2)	S&P 500:	1844.86	1.06
SCRIPPS INT:	75.68	0.40			
STARZ:	29.19	0.27			
TIME WARNER:	65.76	1.21			
VALUEVISION:	6.48	0.06			
VIACOM:	84.30	1.64			
WWE:	20.38	0.77			
TECHNOLOGY					
ADVANTAGE:	3.30	-0.00			
ALCATEL LUCENT:	4.19	UNCH			
AMDOCS:	42.81	0.48			
AMPHENOL:	91.07	0.03			
AOL:	49.27	(0.74)			
APPLE:	551.51	2.44			
ARRIS GROUP:	27.53	0.47			
AVID TECH:	7.55	(0.17)			
BLNDER TONGUE:	0.98	-0.00			
BROADCOM:	30.08	0.58			
CISCO:	22.84	0.01			
CONCURRENT:	8.34	0.20			
CONVERGYS:	21.81	0.04			
CSG SYSTEMS:	32.00	0.54			
ECHOSTAR:	48.14	0.65			

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Think about that for a minute...

Bus Neutrality

Commentary by Steve Effros

It's of little surprise that some of the biggest Internet companies—Google, Facebook and the like—are part of coalitions urging the FCC to quickly adopt new regulations to enforce “net neutrality” any way they can. These same groups are in some cases the quiet financial backers of so-called “public interest” groups that are making the same demands. After all, these “edge” companies, which benefit the most from others paying the fees for the delivery of goods they are selling (advertising, for instance, in the case of Google) have a great deal right now, and they want to keep it.

There's little agreement on what “net neutrality” really means. When there's heated public discussion, or blog posts, the focus seems to be on “free speech” and preventing the big, bad broadband companies from “blocking” web sites or “telling us what news we can see and hear.” But that's not really the issue since there's virtually no evidence that any broadband company has, or has any interest in editing or blocking content. In fact, before the old “net neutrality” rules were adopted, the ones now thrown out by the Court, the FCC could find only four instances out of billions of transactions over many years that could even be remotely challenged as inappropriate, and all of those were quickly resolved without imposition or enforcement of any regulations.

The real issue, as usual, is economic. Right now the “edge” companies are perfectly happy to propose regulations that would impede the development of “two-sided” markets. “Free shipping” for instance, as I wrote about last week. Or “800 numbers.” Why, they figure, should their business plans be inhibited by competition that might include offering such inducements to their consumers if they can just block those inducements from being offered by anyone? Just make broadband a



common carrier, force everyone to be treated exactly the same, prohibit broadband “fast lane” service (although allow the biggest companies to build their own “fast lane” content distribution networks that are unavailable to the smaller, upstart competitors) and everything will be just fine!

But that's not really how they want to be treated themselves. Take a look at the fight going on in San Francisco right now about the luxury shuttle bus services offered by Google and Facebook, among others, to shuttle their employees in special buses to their work campuses outside the city. Turns out those buses not only use the public rights of way, but use the city bus stops blocking the regular-folks buses from being able to operate efficiently. In other words, in order for their employees to have a “fast lane” luxury service on public streets and ways, they are perfectly willing to slow down everyone else.

Well, the battle now apparently is not over the bus service itself, but whether the companies at the very least should be made to pay a fee to use the public bus stops. The companies have said they are willing to “work” with the city. In other words, even though those bus stops are already paid for through public (tax) revenues, the companies seem to be amenable to paying a “two sided” fee to keep their “fast lane” service, and argue it benefits everyone. They see nothing wrong with different levels of service, even though there are folks in San Francisco who say that the buses shouldn't be allowed to operate in that way at all, that Google's employees can ride the same bus as everyone else. Bus neutrality. What goes around, comes around.

Steve

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