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Legacy Ending: Cablevision Ending Grandfathered Video Packages

Back in March 2012, **Cablevision** introduced a series of new Optimum video packages with more channels, and gave customers the option of remaining on a legacy package or taking one of the new offerings. More than 1mln have signed up for a new package. But for those who didn't, the legacy train ride is ending and a potential price hike is coming. Cablevision has notified the CT Public Utilities Regulatory Authority that it will begin eliminating the grandfathered packages on June 3. "In early 2012, we introduced new Optimum TV packages that more closely reflect customer needs and preferences. Now, more than one year later, we have begun the process of eliminating the old legacy TV packages in an effort to bring more value to our customers," Cablevision said in a statement. "We are notifying legacy package customers of this change and working with them to transition to the Optimum TV package of their choice." Customers on promotions for legacy video packages that are being eliminated will be migrated at the end of the promotion, keeping the discount through the end of the promotional period. Legacy customers will see a rate increase with the new packages, but will gain between 6-23 linear nets and/or premium channels, along with enhancements and additional VOD, the MSO told regulators. Customers can opt for any package, thus avoiding a rate hike. If they do nothing, they'll be migrated to the most comparable package. Some examples of the changes… For those in the legacy Family Cable package, the most comparable offering would be "Optimum Value" at $6 more per month. It includes additional channels, such as **Bloomberg TV, H2** and **Reelz Channel**. The iO Gold (without SVODs) package migrates to Optimum Gold, where customers pay an additional $7 month but get 17 additional channels, including **ESPN Classic, Gol TV, NHL Net** and **Outdoor Channel**. The iO Package + Family customers would go to the Optimum Preferred package ($4.05/month increase), with subs gaining **NFL Net** and the slate of **Encore** channels. CVC said in many cases, the rate change is significantly less than the price of the additional channels and services. Case in point: if purchased on an a la carte basis, it would cost $16.90 to add those 8 Encore channels to the legacy package iO Package + Family. Customers are being notified through bill message, inserts or letters at least 30 days in advance. "Legacy customers will not lose any channels they are currently receiving and, like all Cablevision customers, are allowed to change their level of service or disconnect without fee or penalty," the MSO said.

TWC Triple Talk: **Time Warner Cable** has not abandoned the triple-play. That was the word from COO *Rob Marcus* at the **Nomura** Global Media & Telecom Conference Wed. The triple play is "still probably the most prominently featured package in marketing," with the MSO's goal to just better match customer demand with products, he said. That means not giving customers with no use for phone a cheap triple-play package that would result in them canceling phone as the promotion ends. Instead, Marcus argued for finding double- and single-play customers who actually value phone and add it on, making them much more likely to stick with the service. In NY, TWC has been approved

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for subsidized lifeline phone service, allowing it compete at the low-end with telcos, Marcus said. He also touted "soft phone" features, which allows a customer to use a IOS or Android device to access their home phone wherever they are (ie, make calls in Hong Kong using home phone and Internet). By the way, Marcus said telco pricing remains aggressive. Other tidbits: A cloud-based guide will launch later this year (it's in employee homes now). The COO suggested TWC might be able to take advantage of an **Aereo** legal victory, although it sounds like it's wait-and-see. And lastly, Marcus seemed pleased that former **Cox Business** head *Phil Meeks* joins the MSO next week. He noted that Meeks doubled revenue in his 5 years at Cox, which has a much higher business services penetration than TWC.

Conference Notebook: Sen *John McCain*'s (R-AZ) a la carte video bill has "no co-sponsors" and is "going nowhere," **Viacom** pres/CEO *Philippe Dauman* said at the **Nomura** Global Media Summit Wed. Viacom is the subject of an antitrust lawsuit brought by **Cablevision**, which tries to compel the programmer to unbundle its networks at the wholesale level. As for McCain's bill, Dauman reiterated the old argument that consumers would "get fewer channels without saving any money." Meanwhile, Dauman said he's "extremely confident" that OTT represents a growth opportunity. The company's licensing deal with **Netflix** expires at the end of the week, but he was mum on the status. The programmer is talking to "a number of players, including Netflix," Dauman said. Financially, the company generates solid cash flow, but Dauman said "we don't need to strategically make acquisitions to grow," although he'd look at international opps. Domestically, he cited mobile as a sweet spot for youth-oriented Viacom. Channel apps like the **Nickelodeon** app "can be the method by which you get TV Everywhere," he said, noting MTV will soon launch a program streaming app. -- **AT&T** hasn't seen any cord-cutting in any "material way," said *Jeff Weber*, head of content and ad sales, **AT&T** Home Solutions, also speaking at the summit Wed. He called OTT services "so far complementary" but "exclusivity versus non-exclusivity has materially different value for our customers, and I think we would want that reflected." He said a la carte won't happen any time soon, but AT&T is "very open" to the model. The exec also shed some light on the company's RSN strategy. Citing AT&T's decision not to carry **Comcast SportsNet Houston**, Weber said "it's very clear that the viewership in that particular market was low," based on AT&T's measurement data. By contrast, viewership for college sports was "dramatically higher, which is why AT&T agreed to distribute soon-to-launch SEC net (Aug '14), a partnership between **SEC** and **ESPN.**

Technology: **Hillcrest Labs** said it is the first motion control technology provider to license the Reference Design Kit software stack from **Comcast**. -- Lots of interesting stats in **Cisco**'s annual Visual Networking Index, including that global Internet users will hit 3.6bln by 2017, about half the world's projected population. In the US, internet video traffic will be 72% of all Internet traffic in the US, up from 62% last year. -- **Comcast** added voice control feature to its X1 Remote iPhone app, allowing subs to access and navigate the guide using voice commands. -- **DISH** launched its Hopper social app, which provides contextually-relevant social feeds. Accessible via DISH's "quick launch" bar, subs can link up to 4 Twitter and 4 Facebook accounts to the app.

Retrans: **CBS** is losing an institution, with *Marty Franks* to retire Sept 30 after 25 years with the company. Cable is quite familiar with Franks for reasons highlighted in a memo from CBS CEO *Les Moonves* announcing the departure of the evp of planning, policy govt affairs. "He was instrumental in enacting retransmission consent, and then

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helped turn it into what is now a fast-growing, nine-figure revenue source for our company," wrote Moonves, who called Franks a "great friend."

Brokaw on Brokaw: Legendary TV news anchor *Tom Brokaw* arrives at **Military Channel** Thurs evening (10pm) with "The Brokaw Files." The 5-part series is a chance to provide more in-depth coverage of stories taken from **NBC's** archival footage, from the inner workings of the USS Stennis Aircraft Carrier, which Brokaw visited two years after 9/11, to *Ronald Reagan*'s final interview before leaving office. On what he'll bring to the show, Brokaw told ***CableFAX*** he imagines that he still has "some standing out there." For instance, his best-selling book *The Greatest Generation* has been out for 15 years, and yet he still can't walk down the street without being approached. "A lot of young people in their late 30s and early 40s say, 'I never understood my father until I read that book.' So I gather I have some resonance with the audience when it comes to these kinds of issues," he said. In the first ep he covers a 48-hour visit on the USS Stennis, an exposé he considers relevant today. "It's still a very exciting piece of documentary journalism, because we were just ramping up at that point to the war in Afghanistan," he said. For more from Brokaw, including his take of the state of TV journalism today, go to ***CableFAX.com.***

CableFAX Daily Stockwatch

Company	05/29 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	63.42	(0.38)
DISH:	39.25	(0.89)
DISNEY:	66.26	(0.43)
GE:	23.64	0.04
NEWS CORP:	32.97	(0.4)
MSOS		
CABLEVISION:	15.35	(0.15)
CHARTER:	112.65	(1.45)
COMCAST:	40.79	(1.03)
COMCAST SPCL:	39.32	(0.54)
GCI:	8.73	(0.23)
LIBERTY GLOBAL:	75.01	(0.57)
LIBERTY INT:	22.74	(0.45)
SHAW COMM:	22.97	0.19
TIME WARNER CABLE:	96.02	0.40
VIRGIN MEDIA:	50.15	(0.23)
WASH POST:	479.35	(3.1)
PROGRAMMING		
AMC NETWORKS:	66.81	(0.6)
CBS:	50.45	(0.85)
CROWN:	2.06	(0.01)
DISCOVERY:	79.30	(1.5)
GRUPO TELEVISA:	26.04	0.29
HSN:	56.53	(1.4)
INTERACTIVE CORP:	49.49	(1.19)
LIONSGATE:	28.44	(0.51)
SCRIPPS INT:	68.73	(1.13)
STARZ:	23.33	(0.11)
TIME WARNER:	59.20	(0.8)
VALUEVISION:	4.85	0.11
VIACOM:	69.42	(0.81)
WWE:	9.52	0.04
TECHNOLOGY		
ADDVANTAGE:	2.24	(0.08)
ALCATEL LUCENT:	1.58	UNCH
AMDOCS:	36.11	(0.08)
AMPHENOL:	78.23	(0.42)
AOL:	34.15	(1.08)
APPLE:	444.95	3.51
ARRIS GROUP:	15.21	(0.23)
AVID TECH:	6.42	(0.26)
BLNDER TONGUE:	1.05	0.03
BROADCOM:	36.01	0.04
CISCO:	24.12	0.23
CLEARWIRE:	3.48	0.05
CONCURRENT:	7.45	(0.03)
CONVERGYS:	18.25	(0.29)
CSG SYSTEMS:	21.57	(0.16)
ECHOSTAR:	39.60	0.39
GOOGLE:	868.31	(12.96)
HARMONIC:	6.23	(0.02)
INTEL:	24.27	0.19
JDSU:	13.56	0.19
LEVEL 3:	20.90	(0.67)
MICROSOFT:	34.88	(0.14)
RENTRAK:	23.53	(0.39)
SEACHANGE:	10.98	(0.15)
SONY:	20.10	(0.57)
SPRINT NEXTEL:	7.28	0.01
TIVO:	13.00	(0.2)
UNIVERSAL ELEC:	26.24	(1.25)
VONAGE:	2.71	UNCH
YAHOO:	25.81	(0.26)
TELCOS		
AT&T:	35.91	(0.27)
VERIZON:	49.57	(1.25)
MARKET INDICES		
DOW:	15302.80	(106.59)
NASDAQ:	3467.52	(21.37)
S&P 500:	1648.36	(11.7)

Think about that for a minute...

Game – Set – Match?

Commentary by Steve Effros

"In restricting the editorial discretion of video programming distributors, the FCC cannot continue to implement a regulatory model premised on a 1990s snapshot of the cable market."

When a judge on the DC Court of Appeals says something like this, it's time for the FCC to listen. That's a quote from the concurring opinion of Judge Brett Kavanaugh, as part of the unanimous decision just released in the appeal Comcast filed against the FCC's attempt to force Comcast to carry the Tennis Channel in an equal manner to other "sports" channels. The Court made it very clear (3-0) that the FCC's thinking was wrong.

This shouldn't come as much of a surprise. Many of us analyzing what the FCC did, have said for months that they had gone too far, that what Comcast did was purely a business decision and that they have every right to carry different channels on different tiers even if some of those channels are owned by Comcast and others are not. The fact that Comcast chose, for whatever legitimate business reason (including that they were not benefitting enough from doing it any other way) to carry The Tennis Channel on a "sports tier," or indeed, carry it at all, was not discrimination on the basis of affiliation, or, as Judge Kavanaugh pointed out, "unreasonable restraint."

The Court as a whole took a very moderate approach of saying that the alleged discrimination was not proved. At that point they needn't say any more. But two judges filed additional concurring comments, one saying the complaint by The Tennis Channel was filed way too late, and he would throw out the complaint right there, and the other, Judge Kavanaugh, delving into the "term of art" implications of the antitrust language "unreasonably restrain" and the First Amendment implications as well.

It's that last point that should be looked at closely by the FCC. To be sure, it's just one judge, and it's a concurring opinion. But he sent some very strong messages that I think the FCC should heed. In particular, read that quote at the top of this column again. "The FCC cannot continue to implement a regulatory model premised on a 1990s snapshot of the cable market."

That's a very important concept, and it should gain a lot of traction in the courts if the FCC continues to refuse to acknowledge that the statute and rules written in the early 1990s are no longer an accurate reflection of the market. Of course the Commission can't simply get rid of the statute. Congress has to do that. But as the "expert" regulatory agency, it can certainly "sunset" rules, or recognize changed circumstances that would allow it far more flexibility to stop enforcing anachronistic provisions or modify those rules. The Commission could even take a page from Kavanaugh's comments on the First Amendment implications of the current rules. They were created when "the cable bottleneck" could theoretically be defined, when we didn't have DBS or OTT or FiOS or Google Fiber. Those days are over, as the judge noted:

"In today's highly competitive market, neither Comcast nor any other video programming distributor possesses market power in the national video programming distribution market."

Recognition of that is a game changer. That's true both in antitrust and First Amendment analysis. The FCC can accept that change and lead, or the courts will. It's not "game, set, match" yet, but I hope this decision points in the realistic direction the game is going.

Steve

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