

CableFAX Daily™

Monday — July 22, 2013

What the Industry Reads First

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FCC Friday: Full Agenda Includes E-Rate Reform, Video Competition Report

It was a long FCC meeting Fri that covered a lot of ground, including the release of the 15th video competition report, the launch of E-rate reform and an update on the implementation of the 21st Century Communications and Video Accessibility Act. As of Fri afternoon, the Commission had not released to the public the actual report to Congress on video competition for '11 and '12, instead describing it as showing continued deployment of digital technology, sustained consumer demand for anytime/anywhere programming and an increased number of HHs with access to 4 MVPDs. The number of MVPD subs grew to 101mln from 100.8mln between year-end '10 and June '12, with cable's share falling to 55.7% from 59.3%. DBS' share rose to 33.6% from 33.1% during that period, while telco video rose to 8.4% from 6.9%. Over-the-air broadcast-only homes remained steady at 11.1mln. Not much on online video distributors other than they continue to expand, with the FCC pointing to an **SNL Kagan** stat estimating the number of Internet-connected TV HHs at 35.4% of all TV HHs at the end of 2012. FCC acting commish *Mignon Clyburn* called the report a "useful snapshot" of the video marketplace, but expressed concern that rural consumers aren't realizing all the benefits. "Nearly 3 out of 10 rural Americans do not have access to high-speed Internet that is sufficient to receive online video distributors' services," she said. "I sincerely hope these consumers are not forgotten as these services become more popular." She also paused to praise broadcast TV as one of the most affordable sources of entertainment and news, noting multicasting brings consumers more programming, including content aimed at minorities and niche audiences. **Free Press** bashed the report, with policy dir *Matt Wood* saying "until we break apart the forced channel bundles and get rid of unnecessary online data caps, we'll never see more than baby-step innovations and skyrocketing prices." The Commission's vote to begin updating of E-rate for broadband in schools and libraries drew praise from Sen Commerce chmn *Jay Rockefeller* (D-WV), who has made the issue a priority for his last term in office. His former staffer turned-Commissioner *Jessica Rosenworcel* urged the FCC to make setting capacity goals (the Administration wants 100Mbps broadband per 1K students by '15 and 1GB per student by decade's end) and simplifying the application process a priority. It's possible the FCC will increase the \$2.3bln in annual funding for the program, but **Stifel Nicolaus** analysts think such a move would only have "modest fallout" on cable ops and telcos. "An increased E-rate focus on next-generation broadband could invite greater cable participation while pressuring telcos to upgrade some of their trunk lines serving communities/neighborhoods, which might facilitate upgrades for nearby homes," said a Stifel research note. In a statement, **NCTA** said it welcomed the opportunity to work with the FCC on E-rate reform and noted its work with the FCC and other organizations on **Connect2Compete**. **ACA** applauded a serious review of E-rate, with pres/CEO *Matt Polka* declaring that "we now need to address flaws in the program and reorient it to deliver today's essential high-speed broadband service." Lastly, the Commission recognized the 23rd anniversary of the Americans with Disabilities Act by highlighting its efforts to implement the 21st Century Communications and Video Accessibility Act, which includes a multi-year phase-in of captioning for Internet-delivered video. The

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meeting saw a video presentation of someone watching CBS's "Big Bang Theory" online with captions and a demo of Web search for people with vision impairments. Under the Act, the top 4 broadcast affils in top 25 DMAs and MVPDs with more than 50K subs are currently required to provide video descriptions (top 4 broadcasters in the top 60 DMAs have until July 1, '15). Covered MVPDs also must provide 50 hours per Q for **USA, Disney, Nick, TBS and TNT**.

Retrans: CBS's Thurs night warning (*Cfax*, 7/19) of a possible blackout with **Time Warner Cable** "proves CBS means business," **Wells Fargo** analysts wrote in research note Fri, saying the broadcaster doesn't normally "ruffle any feathers" when it comes to retrans negotiations. "We don't know of a single time that CBS went dark in a retrans dispute," the note said. Come July 24, there are around 3.5mln homes that might lose CBS owned-and-operated stations, which include NYC, Dallas and L.A., representing some 29% of TWC's video subs "but just 10% of CBS's total footprint," according to the analysts. TWC also could lose **Showtime** channels and **Smithsonian Network**. **CBS Sports** is also part of the negotiations. A TWC spokesperson said the MSO doesn't believe it represents a good value. While Wells Fargo gave CBS the upper hand, citing solid ratings and the return of **NFL** in Aug, **BTIG's Richard Greenfield** disagreed and positioned it as possibly **Aereo's** first big retrans assist. The dispute could be "the perfect opportunity for TWC to take a hard stand against CBS to change the future of retrans" thanks in part to Aereo, he wrote in a blog post. Aereo now covers the entire NY DMA and provides a 1-month free trial, which may be a way to remove CBS' biggest leverage. If the OTA streaming service launches in Dallas before CBS' fall TV season starts in late-Sept, "it could be a major benefit" to TWC in the negotiation, according to Greenfield, also noting the broadcaster is in the midst of summer programming. Greenfield said he wouldn't be surprised if CBS settles before the Wed night deadline. If not, "this could be a very long, ugly battle."

Rumor Mill: **Time Warner Cable** stock was up more than 2% at closing Fri, following press reports that *John Malone*-backed **Charter** hired **Goldman Sachs** to prepare for a combination. Charter stocks were up nearly 4% at close.

On the Hill: **Senate Commerce** will have a busy Thurs. The committee will hold a hearing in the morning on the state of wireline communications, followed by a cybersecurity hearing in the afternoon to look at public-private partnership opportunities to promote cybersecurity standards and best practices. -- Sens *Marco Rubio* (R-FL) and *Mark Warner* (D-VA) sent a letter to NTIA head *Larry Strickling* this week, following a **GAO** study that suggested the agency lacks the ability to ensure efficient use of federal spectrum. The senators want to know what steps NTIA will take over the next year to free up more govt spectrum. They also asked how the agency will ensure accurate assessment of existing federal spectrum use.

Sports: **NHL** and the **NHL Players' Association** reached a deal with the **International Ice Hockey Federation** and the **International Olympic Committee** to participate in the '14 Winter **Olympics** from Feb 7-23 in Sochi, Russia. Olympic rights holder **NBCU** will cover the event. As a result, the league's 1230-game schedule will pause from Feb 9-25, after which the NHL season will resume with a slate of 4 games. "The decision to participate in the XXII Olympic Winter Games in Sochi was in many ways a difficult one, but one that we know will be well received by our Players and, most importantly, by the vast majority of our fans and sports fans everywhere," NHL commish *Gary Bettman* said in a statement.

Howdy Neighbor: Had to chuckle at a *Washington Post* story this week about **Google** expanding its DC presence, signing a lease in a building just blocks from the US Capitol. The address of Google's new digs was very familiar—25 Massachusetts Ave, the same building as **NCTA**. Good fences make good neighbors, so we hear.

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CableFAX Week in Review

Company	Ticker	7/19 Close	1-Week % Chg	YTD %Chg
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BROADCASTERS/DBS/MMDS

DIRECTV:	DTV	65.20	0.45%	29.98%
DISH:	DISH	45.54	5.61%	25.11%
DISNEY:	DIS	65.16	(2.72%)	30.87%
GE:	GE	24.72	4.04%	17.77%
NEWS CORP:	FOXA	30.68	1.62%	0.00%

MSOS

CABLEVISION:	CVC	18.96	0.80%	26.91%
CHARTER:	CHTR	128.31	2.92%	68.30%
COMCAST:	CMCSA	44.57	(0.25%)	19.30%
COMCAST SPCL:	CMCSK	42.79	0.16%	19.13%
GCI:	GNCMA	9.21	(0.75%)	(3.96%)
LIBERTY GLOBAL:	LBTYA	81.19	2.49%	28.95%
LIBERTY INT:	LINTA	24.37	(0.53%)	23.83%
SHAW COMM:	SJR	24.75	0.53%	7.70%
TIME WARNER CABLE:	TWC	116.47	1.14%	19.84%
WASH POST:	WPO	518.16	0.55%	41.88%

PROGRAMMING

AMC NETWORKS:	AMCX	69.27	0.98%	39.94%
CBS:	CBS	52.50	(0.74%)	37.98%
CROWN:	CRWN	2.62	6.07%	41.62%
DISCOVERY:	DISCA	84.31	(0.89%)	32.81%
GRUPO TELEVISIA:	TV	25.56	2.90%	(3.84%)
HSN:	HSNI	58.28	0.71%	5.81%
INTERACTIVE CORP:	IACI	52.20	2.29%	10.50%
LIONSGATE:	LGF	32.63	(0.79%)	98.96%
SCRIPPS INT:	SNI	72.29	(0.55%)	24.81%
STARZ:	STRZA	23.72	(0.71%)	0.00%
TIME WARNER:	TWX	61.77	0.11%	29.14%
VALUEVISION:	VVTV	5.99	7.35%	232.78%
VIACOM:	VIA	74.78	3.27%	37.79%
WWE:	WWE	11.16	1.36%	41.44%

TECHNOLOGY

ADDVANTAGE:	AEY	2.39	5.29%	20.10%
ALCATEL LUCENT:	ALU	2.12	16.48%	52.52%
AMDOCS:	DOX	38.82	1.07%	14.21%
AMPHENOL:	APH	76.78	(10.07%)	18.67%
AOL:	AOL	37.29	(1.61%)	25.94%
APPLE:	AAPL	424.95	(0.37%)	(20.15%)
ARRIS GROUP:	ARRS	15.37	(0.84%)	2.88%
AVID TECH:	AVID	6.13	4.25%	(19.13%)
BLNDER TONGUE:	BDR	0.97	(1.52%)	(15.22%)
BROADCOM:	BRCM	33.69	(3.27%)	1.45%
CISCO:	CSCO	25.82	(0.46%)	31.40%
CONCURRENT:	CCUR	7.78	(1.27%)	35.54%
CONVERGYS:	CVG	19.27	0.78%	17.43%
CSG SYSTEMS:	CSGS	23.65	0.21%	30.09%
ECHOSTAR:	SATS	41.08	0.22%	20.05%
GOOGLE:	GOOG	896.60	(2.86%)	26.75%
HARMONIC:	HLIT	6.99	1.45%	37.87%
INTEL:	INTC	23.04	(3.6%)	11.74%
JDSU:	JDSU	15.18	0.23%	12.41%
LEVEL 3:	LVT	21.58	(0.78%)	(6.62%)
MICROSOFT:	MSFT	31.40	(9.12%)	17.56%
RENTRAK:	RENT	21.41	4.24%	9.85%

Company	Ticker	7/19 Close	1-Week % Chg	YTD %Chg
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SEACHANGE:	SEAC	12.32	3.01%	27.40%
SONY:	SNE	22.11	(0.36%)	97.41%
SPRINT NEXTEL:	S	6.07	(5.89%)	7.05%
TIVO:	TIVO	11.59	(0.26%)	(5.85%)
UNIVERSAL ELEC:	UEIC	30.23	(1.34%)	56.23%
VONAGE:	VG	3.25	5.52%	37.13%
YAHOO:	YHOO	29.11	6.90%	46.28%

TELCOS

AT&T:	T	35.81	0.00%	6.23%
VERIZON:	VZ	49.95	(0.91%)	15.44%

MARKET INDICES

DOW:	DJI	15543.74	0.51%	18.62%
NASDAQ:	IXIC	3600.08	3.47%	19.23%
S&P 500:	GSPC	1692.09	0.71%	18.64%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. ALCATEL LUCENT:	2.12	16.48%
2. VALUEVISION:	5.99	7.35%
3. YAHOO:	29.11	6.90%
4. CROWN:	2.62	6.07%
5. DISH:	45.54	5.61%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. AMPHENOL:	76.78	(10.07%)
2. MICROSOFT:	31.40	(9.12%)
3. SPRINT NEXTEL:	6.07	(5.89%)
4. INTEL:	23.04	(3.6%)
5. BROADCOM:	33.69	(3.27%)

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