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Making OTT Pay: Telcos Looking for Money from Web Content

With OTT here to stay, much of the focus of **TelcoTV** centered on how to make money by finding and presenting content from the Internet. Content creation outside of traditional channels "is the single biggest threat to the current pay TV model. As young talent starts to put content out there, you still have to put business models around it," said **AT&T U-Verse** and video strategy vp *Jeff Weber* during the conference's keynote late Tues. Panelists batted around the idea of operators charging $5/month for subscribers to access OTT content, but **Diffusion Group** sr partner *Colin Dixon* warned of a short window of opportunity for charging. "If you were to charge $5 for multiscreen today, we think a lot of people would follow through. The problem is as we look out at competition online, [video] is part of the platform," he said. "You don't pay extra. Even a year from today it will become increasingly difficult [to charge]." Other ways to monetize multi-screen: advertising on myriad devices and charging for advanced search and aggregation. "There are sizable amounts of money pointed at original content online. With all this extra content coming into our lives, there is a huge opportunity to help us find stuff and organize it," Dixon said. "Some things are directly monetizable; things like guides. We are seeing a lot of activity in this area of discovery." Set-top maker **Amino** has created a hybrid box for **Telecom Italia** (available at retail) that aggregates Web content, with icons on the user interface allowing subs to connect with **Ted, YouTube, LiveTV, MeeGenius**, etc. In the cable space, operators, including **Suddenlink** and **Charter**, have given users access to some extent to 3rd party apps through deals with **TiVo** Premiere. "You can get a great OTT experience purely without owning any content," said Amino CEO *Andrew Burke*. "Content is king. If you try to license as much content as you need to keep your customers happy, you're going to kill yourself."

Lifeline: Turns out **Sprint** hasn't left **Clearwire** for dead after all. After earlier this month announcing it will rely on **LightSquared** to meet its spectrum needs through '15, Sprint and CLWR signed a non-binding pact to "work together on the technical specifications of the Clearwire LTE network and to ensure a superb customer experience for Sprint customers on the Clearwire LTE network," said CEO *Dan Hesse* during a Wed earnings call. Clearwire shares spiked 19.51% on the news. "Abandoning Clearwire was never realistic given the huge percentage of Sprint's customer base on the Clearwire network," said **Sanford Bernstein**'s *Craig Moffett*. "We have no idea what will

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emerge from those talks, but the two companies seem locked in a dance of mutually assured destruction. Working together seems the only sane policy." Moffett noted improvements in Sprint's 3Q results, and **S&P** maintained its 'buy' opinion on S shares due in part to expectations of 4Q success with the iPhone.

TelcoTV Notebook: Telcos are busy this week celebrating their IP capabilities, and for good reason. By '15, 184mln Americans will regularly use at least 2 IP devices and have access to 7, predicted **Verizon** vp, prod mgmt *Eric Bruno*. "The viewing experience is going to fragment. I think that's intuitively obvious to a lot of us," he said. "The good news is that it's promoting engagement with pure, traditional linear TV." Further good news is that those 2nd, 3rd and 4th screens aren't cannibalizing—although there are different pricing models for them, said *Matt O'Grady*, **Nielsen**'s evp, media audience measurement. Bruno said TV is basically becoming an app, something that people want to access on any of their devices, and providers need to ensure consistency of the experience. Speaking of apps, Verizon has so many it recently created an umbrella app—MY FiOS—to manage "application proliferation." It provides Verizon FiOS customers with a single point of access for services, where they can manage their DVR, watch a movie with Flex View, or view a live camera feed from Verizon's new Home Monitoring & Control service. One benefit of all the connected IP devices is Verizon can use interactivity on its set-tops to "self-help" whether customers need to program a remote control for a new TV or reboot the box. It also gives Verizon a chance to upsell.

Fox-DirecTV: Dueling analyst notes on **Fox-DirecTV**. **Collins Stewart**'s *Thomas Eagan* believes the DBS provider has leverage over Fox for now, while **BTIG**'s *Rich Greenfield* doesn't think DirecTV has any pull. Eagan isn't too worried now about churn if the channels go dark Nov 1 because DirecTV's Sun Ticket subs would be reluctant to churn mid-season and the current NBA lockout reduces the impact of dropped RSNs. However, he notes things could change and that the Fox affil fee increase will likely be above its estimates. Greenfield's note said DirecTV would be making a mistake to lose college football and **NHL** on RSNs, alongside several niche sports nets and the wide reach of **FX** programming (Looks like it has another hit on its hands with "American Horror Story").

In the States: **New Wave** expects to close on the purchase of **Comcast Cablevision** assets in IL's Perry and Franklin counties by Dec 15, the *Du Quoin (IL) Evening Call* reports.

Apps: **DirecTV** juiced up its **iPad** app to include in-home live viewing of nearly 40 channels including **TNT**, **USA**, **FX**, **Discovery Channel** and **NFL Net**. The app is customizable and allows the device to double as a remote, and users can "throw" the content their watching to the TV screen with a flick of a finger. -- **MSG Varsity** intro'd a free app for the iPhone, iPad and iPod Touch offering high school sports coverage including scores and game highlights, while **Optimum Online** customers can receive a live stream of the net.

OTT: **Amazon** CFO *Thomas Szkutak* said in a 3Q earnings call that the company's pleased with its traction on streaming service **Amazon Prime**, and that "we will be certainly purchasing content for our US business, which includes a paid piece, and a Prime instant video, which will be an unpaid piece, free as long as you're a Prime member." Szkutak noted "a lot more" Prime members have come aboard in the last year.

Online: It appears usage is not among **Netflix**'s recent woes. The service alone represents 32.7% of peak downstream traffic in the US, marking a relative increase of more than 10% since summer, according to **Sandvine**. Overall, real-time ent apps account for three-fifths of peak downstream traffic, said the firm, adding that in the new "Post-PC Era" 55% of traffic volume is flowing to game consoles, set-tops, smart TVs and mobile devices. -- *Michael Eisner*'s **Vuguru** partnered with *Stan Lee*'s **POW! Ent** to produce original digital content including films and episodic series.

Advertising: The **4A's** is recommending standardized best practices in non-discrimination vendor policies and procedures as part of a policy framework that includes consideration of a vendor complaint review process. **FCC** commish *Robert McDowell* said the new framework " is yet another example of the private sector resolving an industry-wide concern without a government mandate to do so."

Programming: During select segments of **Golf Channel**'s Sat coverage of the Nationwide Tour Championship, on-course Tweets from 2 **GolfChannel.com** writers will air over live pictures and sounds to replace play-by-play commentary from the broadcast team. The posts will feature the writers' personal takes on what's transpiring. -- **Viacom** countered **UFC**'s move to the **Fox** family (***Cfax***, *8/19*) by purchasing a stake in **Bellator Fighting Championships**,

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from which MMA fights will hit **Spike** in Jan '13 or sooner. The net's deal for new UFC content expires in Dec. -- **Showtime** picked up a 2nd season of "Homeland." -- **Tennis Channel** extended with the **WTA** through '16 its programming deal that includes at least 12 top-level tourneys/season.

People: **Oxygen** named *Joel Savitt* vp, production and ops. -- **Epix** upped *Ross Bernard* to vp, live events and specials. -- **Liberty Media** tapped *Christopher Shean* as svp/CFO and *David Flowers* as svp/managing dir, alternative investments. -- **Disney/ABC TV Group** named *Mirian Arias* vp, daytime comm.

On the Circuit: Kudos to **NCTA**'s "Cable is Not Evil" trivia team for besting **Free Press** and others to reign at *Politico Pro*'s trivia night Tues. -- **The Futures of Entertainment** conference kicks off Nov 11-12 at MIT, with **Viacom Media Networks** serving as one of the sponsors of the 5th annual event. Media, entertainment and marketing thought leaders will gather alongside media studies scholars in Cambridge. Details at: http://convergenceculture.org/futuresofentertainment/2011/. -- **SCTE** and the Germany-based **ANGA Cable Show** agreed to mutually promote, enhance and support their respective congress and events in order to better serve the global cable industry.

CableFAX Daily Stockwatch

Company	10/26 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	47.32	0.30
DISH:	25.98	0.16
DISNEY:	35.05	0.54
GE:	16.35	0.13
NEWS CORP:	17.17	0.02
MSOS		
CABLEVISION:	17.51	0.02
CHARTER:	50.22	0.58
COMCAST:	24.80	0.59
COMCAST SPCL:	24.34	0.49
GCI:	9.42	0.69
KNOLOGY:	13.93	0.20
LIBERTY CAPITAL:	77.12	0.86
LIBERTY GLOBAL:	41.85	0.47
LIBERTY INT:	16.11	0.35
SHAW COMM:	19.93	0.44
TIME WARNER CABLE:	70.63	0.32
VIRGIN MEDIA:	27.89	0.33
WASH POST:	350.21	4.99
PROGRAMMING		
AMC NETWORKS:	33.35	0.27
CBS:	25.20	0.57
CROWN:	1.50	0.01
DISCOVERY:	42.05	(0.1)
GRUPO TELEVISA:	21.34	0.58
HSN:	36.13	0.30
INTERACTIVE CORP:	40.66	(0.59)
LIBERTY STARZ:	67.16	0.64
LIONSGATE:	7.59	0.24
LODGENET:	2.10	0.05
OUTDOOR:	7.03	0.43
SCRIPPS INT:	42.20	0.06
TIME WARNER:	34.64	0.63
VALUEVISION:	3.34	0.15
VIACOM:	53.20	0.75
WWE:	10.51	0.12
TECHNOLOGY		
ADDVANTAGE:	2.20	0.07
ALCATEL LUCENT:	2.73	0.04
AMDOCS:	30.39	0.49
AMPHENOL:	47.30	1.18
AOL:	14.34	0.30
APPLE:	400.60	2.83
ARRIS GROUP:	10.92	(0.26)
AVID TECH:	7.38	0.13
BIGBAND:	2.25	0.01
BLNDER TONGUE:	1.25	(0.05)

Company	10/26 Close	1-Day Ch
BROADCOM:	35.75	(0.05)
CISCO:	17.61	(0.01)
CLEARWIRE:	1.96	0.32
CONCURRENT:	4.29	UNCH
CONVERGYS:	10.46	0.30
CSG SYSTEMS:	13.97	0.01
ECHOSTAR:	25.85	UNCH
GOOGLE:	586.31	3.15
HARMONIC:	4.79	0.01
INTEL:	24.70	0.07
JDSU:	10.62	0.34
LEVEL 3:	25.82	1.46
MICROSOFT:	26.59	(0.22)
MOTOROLA MOBILITY:	38.90	0.09
RENTRAK:	13.45	0.15
SEACHANGE:	8.14	0.33
SONY:	20.61	0.40
SPRINT NEXTEL:	2.51	(0.19)
THOMAS & BETTS:	49.24	1.40
TIVO:	9.99	0.21
UNIVERSAL ELEC:	18.82	0.92
VONAGE:	3.29	0.12
YAHOO:	16.30	0.06
TELCOS		
AT&T:	28.75	0.34
VERIZON:	36.81	0.62
MARKET INDICES		
DOW:	11869.04	162.42
NASDAQ:	2650.67	12.25
S&P 500:	1242.00	12.95

Think about that for a minute...

Retranstenna Redux

Commentary by Steve Effros

At a NAMIC/DC event in Washington a few weeks ago, one of the NAB's most articulate spokesmen, Marcellus Alexander, was explaining why the current retransmission consent regime works just fine. After all, he noted, over 98% of all the negotiations are successful! I couldn't let that go. From the audience I paraphrased ACA President Matt Polka's classic retort; "Claiming the system works because a deal got done or because no one complained is akin to a con artist saying extortion works because no one called the police."

It's pretty clear to those of us being extorted by the purveyors of "Free TV" that the system is not working well at all. They're going to get decidedly worse this year. It's going to get ugly, particularly for the smaller operators who have absolutely no leverage in a governmentally skewed "negotiation."

So what can be done? Well, aside from simply eliminating both must carry and retransmission consent rules and conceding that cable deserves credit for properly delivering their signals to customers at no cost to the broadcasters, who then clearly benefit from that delivery, there may be some other alternatives. We need them because elimination is not in the political cards.

But we have a whole lot of politicians, in both parties, claiming to value the "marketplace" and "fair and open competition." That's exactly what's missing from the "market" for carriage of broadcast stations. I understand that the broadcasters face a new business reality. Because of video alternatives available today, they cannot rely solely on advertising anymore. I also understand that politicians still value "local" stations, for both local news and for political reasons.

OK, but let's introduce the broadcasters to competition so they don't abuse a government granted total monopoly in their "market"—a notion, by the way, that is also antiquated. We get our "local" weather alerts, for instance, via satellite from The Weather Channel.

Anyway, how do you introduce competition? First, get rid of both the "nonduplication protection" and the "syndicated exclusivity" rules. Assure that cable operators can negotiate for network feeds from other markets. That will establish the true market value of "local" news, instead of the current one-sided negotiation. But that will take legislative changes.

Here's a way I suggested back in 2006 that wouldn't: cable operators should start offering antennas to their customers for local (they are, after all, digital these days) television signals. Plug those signals right into the back of the television set or converter. Include, in the program guide, the information on what is on the channels, and program the box to switch back and forth (different inputs, an "A/B" switch) automatically when the channel is tuned. The consumer would not see any difference.

Do that, and there is no "retransmission." No need for "retransmission consent," and "Free TV" becomes free again. I called it a "retranstenna" the last time. Still like the name. Operators could do this today. Only one thing that makes it difficult to do immediately; there would have to be a "flash cut" over to the new system in every home in the community at the same time under current FCC interpretation of its rules. But it doesn't have to be that way. The Commission could reinterpret the rules to allow consumers to choose, or allow the operator to "migrate" to the new "retranstenna" approach over a reasonable period of time.

If operators started to adopt retranstenna technology, I bet the broadcasters would begin to understand what the "free market" is all about. Then "negotiations" really would work.

Steve

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