

CableFAX Daily™

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What the Industry Reads First

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Comcast Execs: Netflix Not Priority, More TVE Distribution Planned

Netflix probably isn't coming to set-top boxes any time soon—at least not Comcast's boxes, said Comcast Cable pres/CEO *Neil Smit*. "Our customers can receive Netflix in a number of ways, so it's not really a high priority for us," Smit said during the company's 3Q earnings call Wed. "We're open to putting apps on our X1 platform. We have, for example, **Facebook** and **Pandora** there now. But at this point, we don't really have anything to report on the Netflix front." Meanwhile, by the end of 3Q, Comcast had expanded X1 to 90% of its footprint. "You will see us accelerate the pace of deployment to the customer," chmn/CEO *Brian Roberts* said. Roberts said Comcast has scheduled rollout of the next-gen interactive platform X2 by year-end and will beef up its marketing efforts in early '14. Smit said several MSOs are interested in licensing the X1 product. "We are considering the opportunity" because "the benefit of scale is that we can invest in products like this and continue to refine them," he said. The MSO posted mixed results in Q3: While revenue on Comcast's cable side was up 5.2% YOY to \$10.5bln, its basic video sub losses also climbed slightly to 129K. While the MSO signed up fewer video subs, it scored a healthy 2.9% video revenue growth rate YOY thanks to rate increases and more subs taking advanced services. Comcast also added 70K advanced service subs during the Q to reach 12.1mln HD and/or DVR subs (56% of entire video sub base). Also a bright spot was broadband, with the MSO gaining 297K HSD subs, 10K more than it gained in the year-ago quarter. Unlike its telco competitors losing wireline voice subs, Comcast added 169K new voice subs, up 46K from last year. Meanwhile, the number of hours per month subs spend on the Xfinity TV Player app has increased to 6mln, with Comcast still inking deals with programmers to include more TVE and VOD distribution. Comcast is "working well with our programming partners to target each segment," Smit said. Meanwhile, Smit shed more light on the termination of *Verizon Wireless'* joint venture with a group of cable MSOs, including Comcast: "We didn't need a formal structure to innovate and develop technology," he said, citing apps that allow Verizon Wireless subs to view preloaded video and the Xfinity app on Verizon Wireless devices, all of which drive data usage for the telco and sub growth for Comcast. Combined Comcast-NBCU revenue was down 2.9% YOY to \$16.2bln, partly due to rough comparisons to the prior year, which included revenue from the London Olympics. Excluding the \$1.2bln in Olympics revenue, NBCU's revenue would have increased 3.9% YOY in the quarter. Calling Comcast a "well-oiled machine," *Craig Moffett* with **MoffettNathanson** wrote in a research note that Comcast's cable operations are "the very picture of consistency" with better-than-year-ago sub metrics, solid margins and stable growth.

Aereo: NBCU CEO *Steve Burke* called **Aereo's** service "a clear violation of the law" as he reminded investors during Comcast-NBCU's 3Q earnings call that NBCU remains a party in the lawsuit against the company. In addition, "any content company that has multiple assets is going to look at that technology and someone circumventing the need to pay for retransmission consent in a negative way," Burke said. Aereo, which just announced its plan to launch in the

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Denver metro area, is reportedly talking to ISPs as it looks to grow. According to the *Wall Street Journal*, Aereo would offer a “wholesale discount” to ISPs that package it with their wireline or wireless broadband service.

On the Hill: House Commerce’s telecom subcmte’s hearing on 5 Ghz spectrum, which was postponed because of the government shutdown, is now scheduled for the week of Nov 12. Cable ops like **Comcast** see the spectrum as the ideal band for deployment of next generation WiFi.

Standards: CableLabs completed development of the DOCSIS 3.1 specification, which supports up to 10 Gbps down and 1 Gbps upstream. It is expected to significantly reduce any potential network bottlenecks as data traffic grows and improve responsiveness for online gaming and other apps through Active Queue Management. The standard also aims to transmit up to 50% more data over the same spectrum on existing HFC networks. Enhancements to the DOCSIS protocols are expected to increase cable modem energy efficiency. The spec is designed to co-exist with older versions to enable flexible migration. CableLabs completed the development of the new standard 40% faster than previous DOCSIS projects, said pres/CEO *Phil McKinney*. The group streamlined its development process to allow both silicon and product vendors to accelerate development and testing. It will begin interoperability testing as soon as prototypes are available.

Arris: Arris, which closed its acquisition of Motorola Home from **Google** in April, posted 3Q revenue of \$1.07bln compared to \$357.4mln a year ago, according to preliminary results.

Press Clippings: Intel’s attempt to enter the TV business may be winding down. According to **AllThingsD**, Intel is in “advanced negotiations” with **Verizon** for a potential sale of its Intel Media streaming service. Intel reportedly had trouble securing programming deals for a commercial launch, which was originally scheduled for the end of the year.

Ratings: The **NBA** ’13-’14 season opener between Miami Heat and Chicago Bulls on **TNT** Oct 29 drew 5.4mln viewers and averaged a 3.3 US HH rating, making it the 2nd highest-rated and most-viewed opening game in network history. That was behind only the ’10 Miami-Boston telecast that averaged 7.4mln viewers.

Programming: Spike TV inked a deal with **Open Road Films** for a movie package that includes the 1st window broadcast premiere of the company’s titles *Killer Elite*, *The Grey*, *End of Watch*, *Machete Kills* and *Homefront*. While “Killer Elite” debuts on Nov 11, other titles are scheduled between ’13 and ’16. -- Combining the celebration of the 54th anniversary of the goalie mask in the **NHL** and the Halloween spirit, you get the “Masked Men” from **MSG Network**. The marathon of programming dedicated to goaltenders and their masks was scheduled to debut on Thurs. -- **GSN** will honor *Marcia Wallace* with a special marathon on Fri (8am-noon ET) of her appearances on numerous game shows throughout the ’70s and ’80s. Wallace, best known for her work on “The *Bob Newhart Show*,” passed away Fri.-- **NUVOtv** announced its 1st emerging Latino filmmaker showcase, providing filmmakers with a platform for national exposure. It’s accepting features, docs and shorts now through Nov 15. Selected works will be featured as part of a 3-hour “Nu Point of View” showcase in Mar. -- **VH1** announced a docu-series for next year following musician *Linda Perry’s* (4 Non Blondes) journey as she re-launches her own record label and mentors a group of rising musicians. -- **History** debuts its new series “American Jungle” Nov 10. -- **Universal Sports Network** on Wed was scheduled to debut “Countdown to Sochi,” a weekly show featuring compelling stories leading up to the Sochi Games. -- Action series “Strike Back,” which



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BUSINESS & FINANCE

wrapped its 3rd season this month, will return to **Cinemax** next year for a 4th and final season of 10 eps.

Digital: With 72.7mln unique visitors, **ESPN Digital Media** set a record in the sports category across platforms in Sept. According to **com-Score's** multiplatform data, the net accounted for 30% of all sports category usage across digital platforms last month, more than the #2 and #3 sports properties combined.

Public Affairs: Nice to see svp, corp comm *Misty Skedgell* and **Turner** being honored this week by **Posse Atlanta** for advocacy of education and youth. The Posse Foundation identifies, recruits and trains outstanding urban high school seniors and sends them to top colleges and universities in multicultural, supportive teams, or "posses," of 10 students. Posse Atlanta opened in '07 and has identified 237 students who have won more than \$29mln in scholarships.

People: **Ovation** named media marketing professional *Randy Rovegno* as vp, content distribution marketing. -- **WEtv** appointed *Cheryl Bloch* as its 1st svp, scripted programming, effective immediately. The Emmy and Golden Globe Award winning producer reports to pres/gm *Marc Juris*.

Editor's Note: We're not kidding. Fri is the deadline for the **CableFAX Tech Awards**. To enter, go to: <http://www.cablefax.com/cfp/events/cable-faxtechawards/>

CableFAX Daily Stockwatch

Company	10/30 Close	1-Day Ch	Company	10/30 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
21ST CENTURY FOX:	33.94	(0.89)	ECHOSTAR:	46.99	(0.92)
DIRECTV:	62.57	(0.17)	GOOGLE:	1030.42	(5.82)
DISH:	47.88	(0.55)	HARMONIC:	7.24	(0.31)
DISNEY:	68.47	(0.45)	INTEL:	24.50	(0.03)
GE:	26.37	0.16	JDSU:	14.75	(0.42)
MSOS					
CABLEVISION:	15.65	(0.26)	LEVEL 3:	29.46	2.44
CHARTER:	135.02	(2.21)	MICROSOFT:	35.54	0.02
COMCAST:	47.09	(0.62)	NIELSEN:	39.09	(0.41)
COMCAST SPCL:	45.98	(0.45)	RENTRAK:	37.30	0.16
GCI:	9.84	(0.22)	SEACHANGE:	14.24	(0.39)
LIBERTY GLOBAL:	77.99	(1.72)	SONY:	19.42	(0.06)
LIBERTY INT:	27.11	0.16	SPRINT NEXTEL:	6.93	0.25
SHAW COMM:	23.83	(0.32)	TIVO:	13.33	(0.25)
TIME WARNER CABLE:	116.88	(1.26)	UNIVERSAL ELEC:	39.02	(0.77)
WASH POST:	649.10	(21.9)	VONAGE:	3.64	(0.05)
PROGRAMMING					
AMC NETWORKS:	68.25	(1.42)	YAHOO:	32.57	(0.6)
CBS:	58.62	(0.8)	TELCOS		
CROWN:	3.30	(0.03)	AT&T:	36.26	(0.01)
DISCOVERY:	84.36	(1.04)	VERIZON:	50.53	(0.56)
GRUPO TELEVISIA:	30.63	0.12	MARKET INDICES		
HSN:	53.20	(0.47)	DOW:	15618.76	(61.59)
INTERACTIVE CORP:	52.99	(4.91)	NASDAQ:	3930.62	(21.72)
LIONSGATE:	34.18	(0.08)	S&P 500:	1763.31	(8.64)
MADISON SQUARE GARDEN:	60.65	(0.59)			
SCRIPPS INT:	80.10	(0.68)			
STARZ:	29.98	(0.44)			
TIME WARNER:	68.54	(1.53)			
VALUEVISION:	5.15	(0.27)			
VIACOM:	83.76	(1.17)			
WWE:	11.84	(0.21)			
TECHNOLOGY					
ADDVANTAGE:	2.74	0.12			
ALCATEL LUCENT:	3.30	0.01			
AMDOCS:	38.66	0.19			
AMPHENOL:	80.42	(0.52)			
AOL:	36.18	(1.17)			
APPLE:	524.90	8.22			
ARRIS GROUP:	16.49	(0.1)			
AVID TECH:	7.21	0.44			
BLNDER TONGUE:	0.91	0.01			
BROADCOM:	27.46	(0.2)			
CISCO:	22.70	(0.12)			
CONCURRENT:	7.42	0.04			
CONVERGYS:	20.04	(0.15)			
CSG SYSTEMS:	27.59	0.45			



November 11 & 12

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Experimentation

Commentary by Steve Effros

For those of us who make a living reading and responding to the questions that come up regarding this crazy business of ours, the one enduring reality is that nobody seems to believe we don't know exactly where it's going, and what's going to happen all the time.

I learned that many years ago, after being involved in writing the FCC's original rules on cable where the Commission adopted a 15-year limit on the length of franchises. John Malone asked me a few years later where the number 15 came from, and I explained that we figured it would take around 7 years to amortize whatever equipment was being used for the original cable business plan and that a maximum of two cycles seemed reasonable. He laughed



and exclaimed "...7 years? What made you think we know what's going to happen three years from now!" He was right. Folks don't seem to understand that's still the case.

We can't even define what "the industry" is any more, and several of the major players clearly have different views as to what their "primary" business is today. Yet if you read the consumer press or the blogs, you get the impression that "the industry" has been consciously manipulating the course of telecommunications history with omniscient forethought and, of course, from some points of view, malice. Forget it. Not true.

People don't like to hear the answer "...I don't know," but it's the only honest one when it comes to our business. Will consumers still want bundles after they find out what the true cost will be of a la carte programming? We don't know. Will programmers be able to survive (except for the biggest ones) the shake-out that would come in a world where all programming, or maybe we should say individual programs, are accessed directly

via broadband connections? Will fragmentation of the audience result in entirely new forms of compensation that will support the continued production of high quality product, or will we witness an ironic spiraling down to the least common denominator "vast wasteland" of mass programming? We just don't know. That's always the challenge of this industry. It's never static, never really predictable and always in flux.

Remember, also, that no matter how fast the news now flashes constantly in front of you, businesses and consumers do not, and cannot, change that fast. If we're going, for instance, to an all-IP "over the top" world it won't, can't happen over night. It will take at least a generation, not just to change consumer habits, but also to embed new equipment in a vast majority of homes to take advantage of that new technology and to get comfortable using it. And, of course, the one thing it's pretty safe to say that we do know is that when that happens, there will already be something even newer either on the horizon or already out of the labs that will force us to reassess again.

That's just the way it goes. The experimentation we are seeing today, with "cord cutters" and "over the top" and new antenna gimmicks or direct subscriber/programmer relationships are all part and parcel of a business world that doesn't necessarily know where it's going, or where it will wind up, but knows it has to keep moving. There's no guarantee that any of these experiments will succeed. Many won't. There's a dictionary full of acronyms from SMATV to MMDS (and maybe MVPD?) that attest to one immutable fact: we don't know. Get used to it.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)

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