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What the Industry Reads First

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TWC CFO: Netflix Deal Still Possible

When it comes to potentially romancing OTT players like **Netflix**, apparently nothing is off the table for **Time Warner Cable**. “We are always open to different conversations,” especially if it can enhance video experience for subs, said CFO *Artie Minson* at the **Morgan Stanley** Technology, Media & Telecom Conference Wed. The goal is to get content distributed to as many platforms as possible, he said. Speculation on a potential Netflix/cable bundle have lasted for weeks, and the streaming service is reportedly in talks with major MSOs like **Comcast**. It already scored deals with EU ops like **Virgin Media** to integrate the service into set tops. TWC seemed less flirty about the idea of potential consolidation with companies like **Charter**. “We are very deliberate... We want to make sure in any hypothetical transaction that it makes sense for our shareholders,” Minson said. The key moving forward is discipline, he said. Perhaps a reason for TWC’s caution on M&A is the uncertainty of the benefits of scale. Despite a challenging environment regarding programming negotiations, it’s “unclear” that increased scale itself can change the dynamic in the short term, Minson said. And instead of exploring new technologies like **Aereo** to potentially boost leverage in negotiations, TWC will focus on continuing to “negotiate hard,” he said. Charter, on the other hand, has been active in the M&A space and will continue to evaluate M&A opportunities, CFO *Chris Winfrey* said at the same conference. Charter’s biggest consideration on acquisition is the ability to operate the asset at a faster growth rate, he said. Despite a depressing 3Q in terms of sub growth, which was impacted by retrans disputes, TWC saw a 100% YOY increase in wideband subs (customers who take 30, 50, 75 and 100 Mbps tiers), Minson noted. “That’s an opportunity obviously as people consume more, they are willing to pay more,” he said. Another growth opportunity is the “single-play” sub segment, the 5.5mln customers who only subscribe to video or broadband. “I look at the entire group of single plays as an area that we can go back and market to and upsell,” Minson said. As for the roughly 2.5mln broadband-only subs, they tend to live in multi-dwelling units that typically house a younger, more mobile sub base, he said. TWC’s commercial business, led by *Phil Meeks*, shined in 3Q with more than 20% YOY revenue growth. “There’s really a \$20 billion opportunity for us in the SMB marketplace,” Minson said. To achieve that, TWC will invest in sales forces on the telecom side, expand wireless backhaul services, standardize its services and connect more commercial buildings, he said.

Investor Conference: Charter, which has a 4% market overlap with **Verizon FiOS** and 30% overlap with **AT&T U-verse**, isn’t worried about broadband competition from the telcos, CFO *Chris Winfrey* said at the **Morgan Stanley** investor conference Wed. U-verse might be upping its speeds, but Charter is “well-positioned to significantly increase its speeds” as it works to transition to an all-digital system, he said. Charter differentiates by its ability to deliver at least the advertised speed, he said: “We are pretty confident on what we can do on the Internet side.” He said **Google** Fiber won’t be a threat to Charter either, as Google has a lot of cash but an uncertain business



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model. In terms of M&A opportunities on the commercial side, Charter has been “disciplined.” Winfrey acknowledged that it has been difficult to find the perfect asset.

At the Portals: FCC chmn *Tom Wheeler* plans to name Rear Admiral *David Simpson* as chief of the agency’s public safety and homeland security bureau. Admiral Simpson was most recently vice dir of the Defense Information Systems Agency, leading efforts to develop interoperable global communications for the defense community. In addition, *David Turetsky*, head of the public safety and homeland security bureau, will be the coordinator of the Commission’s informal task force on responses to international disasters such as Typhoon Haiyan. -- In a blog post this week, Wheeler suggested a Jan order to advance the telecom transition to IP-based networks, including through possible market trials pushed by **AT&T** and other experiments. The telco petitioned the agency to start the proceeding a year ago and “with the Commission now at full force, it is time to act with dispatch,” Wheeler wrote. A pair of House Republicans welcomed the move. In a joint statement, commerce committee chmn *Fred Upton* (R-MI) and communications sbcmte head *Greg Walden* (R-OR) noted questions about the transition that will “merit thorough evaluation, including how to ensure that emergency communications are supported” and what the transition means for business and government users.

Retrans: Following **Media General** and **DISH**’s retrans agreement last weekend, the 2 asked the **FCC** to dismiss their complaints against each other. DISH filed its complaint with the agency against the broadcaster over violations of good faith negotiation principles earlier.

Googlism: **Google Fiber** upped its marketing game in Kansas City, offering new customers who order its 1 Gbps Internet and video service by Dec 22 a free Nexus 7 tablet. “The tablet will eventually double as your Google Fiber remote, but we bet that you’ll be able to find some other useful things to do with it in the meantime,” *Rachel Hack*, Google Fiber Kansas City community manager, wrote in a blog post. She noted Google may not be able to install the service in new homes till spring.

Online: **Amazon** is busy catching up with **Netflix**, inking exclusive streaming deals with content providers such as **PBS**. Following an earlier deal that made Amazon the exclusive streaming home of “Downtown Abbey,” Amazon gained exclusive rights to “Mr. Selfridge” from the broadcast net. Prime Instant Video subs can access the 1st season of the drama starting immediately. -- **Hulu** renewed its docu-series “Behind The Mask” for a 10-ep 2nd season. The series features people working as sports mascots.

M&A: **Gray TV**, in conjunction with **Excalibur Broadcasting**, agreed to acquire 17 affil stations in 7 markets from **Hoak Media**, **Parker Broadcasting** and **Prime Cities Broadcasting**, for \$342.5mln. The stations include 4 **ABC** affils, 8 **NBC** affils, 2 **CBS** affils and 3 **FOX** affils. Gray TV will reach more than 7% of the US TV HHs post-transaction.

Public Affairs: Ahead of World AIDS Day (Dec 1), the cast of **MTV**’s “Girl Code” will call on young people to “GYT” (Get Yourself Tested) for HIV and other STDs during an ep airing Wed.

Honors: **MSNBC** Anchor *Thomas Roberts* will be honored Fri by the **Natl Gay & Lesbian Chamber of Commerce** for his commitment to promoting equality for gay, lesbian, bisexual and transgender people. -- **NY Junior Tennis & Learning**, the largest provider of tennis and education services in the nation, will honor **Tennis**



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Channel chmn/CEO Ken Solomon Thurs. NYJTL said Solomon and Tennis Channel represent the benefits of the sport from the professional to everyday player.

Digital: CNN Digital Network maintained its desktop traffic lead over its peers for Oct with 70mln uniques and 1.8bln page views. Its mobile platforms posted the net's biggest month in history in Sept, scoring more than 32mln users.

Programming: Destination America is expanding its "Buying" series: It booked a 2nd season of "Buying The Bayou" and is prepping the 3rd installment, "Buying Hawaii" for premiere on Dec 2. -- **HGTV** ordered 6 additional eps of "Cousins Undercover." The series debuted last month, and features a cousin renovation duo rallying communities in support of home renovation projects for an unsuspecting neighbor.

People: The Scripps Networks Interactive (SNI) Home Category upped *Julie Taylor* and *Cindy Brown* to svp, program planning, and vp, programming planning, respectively. -- **Harmonic** tapped *Frank Montalto* as regional vp for North American cable and telco and named *Spencer Hodson* as vp, sales strategy, ops and enablement. Both most recently worked at **Cisco**. -- **Arris** upped *Sandy Howe* to svp, global marketing.

CableFAX Daily Stockwatch

Company	11/20 Close	1-Day Ch	Company	11/20 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
21ST CENTURY FOX:	33.12	(0.14)	ECHOSTAR:	49.78	0.20
DIRECTV:	63.45	(2.02)	GOOGLE:	1022.31	(2.89)
DISH:	49.29	(0.35)	HARMONIC:	7.27	0.01
DISNEY:	69.23	0.11	INTEL:	24.56	(0.14)
GE:	26.96	(0.07)	JDSU:	12.00	(0.02)
MSOS					
CABLEVISION:	14.83	(0.11)	LEVEL 3:	28.71	(0.46)
CHARTER:	126.96	(2.11)	MICROSOFT:	37.08	0.34
COMCAST:	46.85	(0.61)	MOTOROLA MOBILITY:	13.82	0.34
COMCAST SPCL:	45.85	(0.51)	NIELSEN:	40.49	(0.21)
GCI:	9.44	(0.13)	RENTRAK:	35.73	0.23
LIBERTY GLOBAL:	78.65	(0.61)	SEACHANGE:	13.80	0.10
LIBERTY INT:	27.61	(0.31)	SONY:	18.53	(0.17)
SHAW COMM:	23.21	0.04	SPRINT NEXTEL:	7.35	(0.14)
TIME WARNER CABLE:	120.05	(2.21)	TIVO:	13.21	0.04
WASH POST:	647.85	3.71	UNIVERSAL ELEC:	36.80	0.51
PROGRAMMING					
AMC NETWORKS:	62.61	(0.69)	VONAGE:	3.15	(0.03)
CBS:	58.20	(0.68)	YAHOO:	35.62	0.99
CROWN:	3.13	0.01	TELCOS		
DISCOVERY:	85.23	UNCH	AT&T:	35.40	(0.32)
GRUPO TELEVISIA:	29.12	(0.36)	VERIZON:	50.40	(0.38)
HSN:	57.49	(0.01)	MARKET INDICES		
INTERACTIVE CORP:	55.67	(0.21)	DOW:	15900.82	(66.21)
LIONSGATE:	32.49	0.03	NASDAQ:	3921.27	(10.28)
MADISON SQUARE GARDEN:	55.79	(0.23)	S&P 500:	1781.37	(6.5)
SCRIPPS INT:	74.47	(0.33)			
STARZ:	26.98	(0.8)			
TIME WARNER:	65.72	(0.56)			
VALUEVISION:	5.25	UNCH			
VIACOM:	80.07	0.42			
WWE:	14.20	0.77			
TECHNOLOGY					
ADVANTAGE:	2.61	(0.02)			
ALCATEL LUCENT:	3.92	0.12			
AMDOCS:	40.54	UNCH			
AMPHENOL:	84.91	0.27			
AOL:	45.11	(0.56)			
APPLE:	515.00	(4.55)			
ARRIS GROUP:	18.92	0.09			
AVID TECH:	8.29	0.01			
BLNDER TONGUE:	0.97	(0.01)			
BROADCOM:	26.16	(0.24)			
CISCO:	21.23	(0.19)			
CONCURRENT:	7.70	0.32			
CONVERGYS:	19.97	(0.03)			
CSG SYSTEMS:	27.95	(0.17)			

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Wireless Cable

Commentary by Steve Effros

I'm not talking about MMDS here (multichannel multi-point distribution service), the original "wireless cable." That didn't work out too well. The microwave frequencies and the paucity of channel capacity made MMDS a reasonably good bet to fail in the long run. But the idea was good; figure out a way, in areas where true broadband capacity could not be economically delivered by cable, to still be able to deliver reasonable multichannel service to the public.



Cable, or broadband if you prefer, or HFC or Fiber, whatever term you prefer, is the best way to deliver large amounts of bandwidth. And most folks have broadband cable available to them. But some don't, and lots of legislators, regulators and consumer advocates

would like to see more competition and options in broadband delivery.

Well, it's arriving, and it's coming from a direction I, and a lot of other commentators tended to ignore for a long time; satellite. Yes, of course, DBS has been a strong competitor for some time now in the delivery of linear video channels. But two-way broadband? The Internet? I always thought that the pure physics of the situation would preclude satellite from delivering broadband in a competitive manner. And that's still the case, in so far as the physics are concerned. The signal still has to go to a satellite 25,000 miles up, then down to the user, and responses have the same long trek, so there is an inevitable time delay that is never going to go away. Hence, for competitive game players using MMOG (I love that acronym, it stands for massive multi-user online gaming) the one using a satellite broadband connection will always be at a disadvantage.

But as with most things, technology continues to ad-

vance, and it turns out that may be especially true when it comes to satellite delivery of broadband. New satellites are being built (scheduled to launch in 2016) that substantially increase the bandwidth available via satellite. And as we are all becoming aware, the definition of what good broadband service is tends to change. We have been fixated on using speed as the measure, but speed, it turns out, is just a proxy for bandwidth, lack of contention and the ability to deal with latency (that delay I was mentioning earlier). The new satellite technology reportedly has addressed a lot of those issues. There's lots more bandwidth, and the "speed" calculations are now pretty much in line with what the average cable system delivers. The latency is still there, but it's a lot less, and some suggest it now isn't noticed by the average user.

No, we're not talking about 50 or 100Mb/s or 1Gig service, but we are talking about 10 or 15, guaranteed, today. And consumers are going to find out sooner or later that, again, without dealing with the "power users" or the MMOG gamers, a consistent 15Mb speed from a standard Internet connection will work just fine for most folks, even if they download a movie or two. So it makes all sorts of sense to start looking at satellite delivery of broadband as a serious and viable alternative in some situations.

This is both good and bad for "the cable guy." It's bad because we have yet another competitor. But it's good in that cooperative agreements could be worked out to be the "provider on the ground" wherever you are, offering wired service where it makes sense and wireless, satellite service where it doesn't. It's a new opportunity not to be ignored.

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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