

CableFAX Daily™

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What the Industry Reads First

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Staying the Course: TWC Will Continue to Take it to the Maxx

While it is full-steam ahead on the planned **Comcast** merger, **Time Warner Cable** is sticking to the improvement plan it outlined during its 4Q earnings call at the end of Jan. On Mon, sr mgmt met and went through all the operating projects in the plan and “at 99%, we’re executing on everything in the plan. There are some things around the edges we’ll delay or possibly not proceed with... All the operating elements of the Maxx plan we will implement this year,” CFO *Artie Minson* told the crowd at **Morgan Stanley**’s investor conference Wed. Some of the things that might not happen include rebranding the plan something other than TWC Maxx. New COO *Dinni Jain* will be a big part of what’s ahead, with Minson revealing that *Bill Goetz*, evp and COO of residential services, will step down this month as Jain takes a more direct role in the residential business. The CFO also rattled off some positive stats for the start of ’14: For 1Q to date, TWC has added 75K customer relationships (65K residential and 10K business services). It has lost 50K video subs, but Minson said the last 4 weeks have been positive. Connects are up 5% in Feb, while disconnects are down double digits. He attributed some of the momentum to having reorgs and rate increases in the past. This whole improvement plan is “really just a change in how we do business. It’s not just a project, but a mindset change...” the exec said. “People on the ground know what it is they need to execute.” There were plenty of comments during the session on the Comcast deal, but not a lot of new ground covered. Minson reiterated that \$1.5bln synergy figure and the confidence in a deal getting done (hence no break-up fee/reverse break-up fee). On Tues, Comcast CFO *Michael Angelakis* talked up the business services boon the combo could create. TWC’s commercial services segment is at a \$2.5bln run rate, with a goal of \$5bln by ’18. The merged company would have a “meaningful opportunity” to work with regional providers who now wouldn’t have to deal with multiple carrier in some instances, Minson said. He added it also should accelerate innovation and the product set.

Investor Conference: *James Murdoch*, deputy COO of **21st Century Fox**, is so excited about OTT video that he used the word “exciting” at least 3 times to characterize the opportunities it presents during his appearance at the **Morgan Stanley** investor conference Wed. “It’s super exciting... It’s clear that there will be higher speed broadband services and better access for video on mobile devices,” he said. “It’s a great opportunity to distribute our programming”

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either through 3rd parties or on the company's TVE platforms as **Sky Deutschland, BSkyB and Sky Italia** have done, he said. OTT development is "very healthy," he said. Meanwhile, he said the **DISH/Disney** deal, which entails disabling the DISH Hopper ad-skipping feature for 3 days for programs on **ABC**, is "a positive step forward." However, "it's just a step," Murdoch said, adding that "when we get into affiliate agreements, they are much more complex than they used to be." His take on the **Comcast/Time Warner Cable** deal? Companies like Comcast and TWC "thrive on scale. You can clearly see the rationale of the consolidation." Nonetheless, he said 21CF will be watching the deal closely. Murdoch expects regulators to look at things like the combined broadband market share, access to content and rates for consumers. When it comes to the battle against **Aereo**, the exec simply said he's looking forward to some clarity as the Supreme Court is set to hear the case in a few months. Financially, the company saw some weaker-than-expected results in recent quarters due to some "headwinds," including ratings and foreign exchange headwinds. However, thanks to potential upside from the new **Fox Sports 1** and international channels, the company, particularly its network business, is on track to reach its annual \$9bln operating cash flow goal in the next few years. As much as the company "loves the sports business," it will be disciplined in investments in sports property, Murdoch said. He was referring to the **Champions League** soccer rights in Italy and the **LA Dodgers** rights, both of which exceeded the value that Fox was willing to pay. However, Fox Sports 1 is "in good shape" and the company's recent deal to boost its stake in **Yes Network** to 80% are big growth opportunities, he said. **CBS'** recent rights win to air **NFL** games on Thurs nights doesn't bother Murdoch: "I don't think it really changes how we approach those nights and how we program." -- **HBO CEO Richard Plepler** was very clear: if there's a need for broadband-only distribution at some point, HBO is ready. "We will not be caught without the ability to pivot should we decide that pivoting is the right thing to do," he said. However, Plepler stressed that the traditional model is working quite well now, with the net pulling record subscriber gains in 2013. He acknowledged the strength of HBO's original series, but he also warned investors not to discount theatricals (40% of subs watch only movies) and other original offerings, including boxing, documentaries and original movies. "We're looking to build addicts," he said. Considering that the first question from the finance crowd was "Who is the Yellow King," HBO appears to be well on its way. (Sorry, "True Detective" fans, no spoilers)

On the Hill: The **House Communications** subcmte hearing on STELA has been rebooked for Wed, Mar 12. Snow postponed the hearing this week. **NCTA's Michael Powell** and **DirecTV's Mike Palkovic** are among the witnesses.

At the Portals: With the **FCC** expected to soon vote on attributing broadcasters' joint sales agreements to media ownership, Republican commish **Ajit Pai** is making a case for the arrangements. He detailed a recent meeting with African-American owned station **WLOO** (owned by Tougaloo College) and how a JSA has made it possible for it to broadcast in HD and launch locally originated programming. "Tougaloo and [GM **Pervis**] **Parker** are independent innovators whose JSA gives them the breathing space to create something where nothing would exist otherwise," Pai said in a statement. "Moreover, the record before the Commission clearly establishes that JSAs like this one facilitate new entry into the broadcast industry, enhance ownership diversity, and allow stations to serve the local community better."

Cable WiFi: Cable's WiFi expansion isn't just for residential customers. **Cable One** has launched WiFi services for small businesses. The offering aims to allow businesses to reduce mobile phone data charges by switching from cellular data plans to unlimited on-site WiFi.

Carriage: **beIN Sports** scored a carriage deal with **Cablevision**. Both beIN Sports and **beIN Sports en Español** will launch in preview mode Mar 20-23. After the preview, beIN Sports will be available to customers with either Optimum Gold or the Optimum Sports and Entertainment package. Further, beIN SPORTS en Español will be available to customers who subscribe to the Optimum en Español Spanish-language programming package. -- **Hawaiian Telcom** launched One World Sports on Mar 1, under a multi-year, multiplatform pact. It's being carried on the Advantage Plus package, which a majority of the overbuilder's customers subscribe to.

Roku: Roku is taking on **Google** with its new Roku Streaming Stick (HDMI version). Much like **Google's Chromecast**, the tiny player plugs into an HDMI port to allow users to access Roku platform. Priced at \$49.99, the device is slightly more expensive than Chromecast but unlike Google's dongle, the Roku offering comes with a remote control which can be used to access Roku's user interface. The dongle is available for pre-order now and will arrive in retail stores in Apr.

BUSINESS & FINANCE

Programming: VH1 greenlit several new original series, starting with its next entry into the scripted arena "Hindsight." Also on tap: "I Nick Carter," "Untitled K.Michelle Project," "Swab Stories," "Walk Of Shame Shuttle," "This Is HOT 97" and "White Girls Of Rap." -- **AMC** premieres its new drama series "Halt and Catch Fire" on June 1. -- **Golf Channel** announced 1 of its most ambitious projects ever, "Arnie," a 3-part series on the life of *Arnold Palmer*. It will debut on Apr 13, 10pm ET, following the net's live coverage of The Masters that evening. The net spent the year traveling with Palmer, collecting interviews from more than 100 people. -- **TLC** booked reality series starring actress *Leah Remini* and her family. The 12 half-hour eps of the untitled project is scheduled to debut this summer.

On the Circuit: The **SCTE Foundation** is accepting applications for the Catherine Oakes Memorial Leadership Scholarship for Women, created in memory of SCTE's svp, ops who passed away suddenly last fall. The Foundation will award an initial grant of \$3,500 to be used toward registration in an industry leadership development or exec education program, such as the SCTE-Tuck Executive Leadership Program. The deadline is Apr 4. -- **NAMIC Mid-Atlantic** will hold a general membership mixer Mar 27 at Sirius XM's office in DC. It's free for members and non-members. Register [here](#).

CableFAX Daily Stockwatch

Company	03/05 Close	1-Day Ch	Company	03/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/MMDS			GOOGLE:	1218.26	3.35
21ST CENTURY FOX:	33.94	0.15	HARMONIC:	6.72	0.03
DIRECTV:	78.10	0.15	INTEL:	24.50	(0.11)
DISH:	60.48	0.92	JDSU:	13.91	(0.06)
DISNEY:	82.68	0.97	LEVEL 3:	36.96	(0.48)
GE:	25.93	0.28	MICROSOFT:	38.11	(0.3)
MSOS					
CABLEVISION:	17.99	0.02	NIELSEN:	46.25	(0.71)
CHARTER:	127.41	(0.81)	RENTRAK:	65.80	0.42
COMCAST:	51.89	0.53	SEACHANGE:	10.68	0.08
COMCAST SPCL:	50.36	0.53	SONY:	17.48	0.12
GCI:	10.92	0.04	SPRINT NEXTEL:	9.12	(0.07)
LIBERTY GLOBAL:	43.28	(0.04)	TIVO:	13.43	(0.32)
LIBERTY INT:	29.24	0.03	UNIVERSAL ELEC:	43.87	0.23
SHAW COMM:	23.58	0.47	VONAGE:	4.59	(0.03)
TIME WARNER CABLE:	141.10	1.01	YAHOO:	39.50	(0.13)
PROGRAMMING					
AMC NETWORKS:	76.57	0.19	TELCOS		
CBS:	67.38	(0.04)	AT&T:	32.13	(0.02)
CROWN:	3.59	0.02	VERIZON:	47.38	(0.52)
DISCOVERY:	84.72	0.75	MARKET INDICES		
GRUPO TELEVISA:	31.44	0.08	DOW:	16360.18	(35.7)
HSN:	57.46	(0.29)	NASDAQ:	4357.97	6.00
INTERACTIVE CORP:	79.86	1.51	S&P 500:	1873.81	(0.1)
LIONSGATE:	31.92	2.11			
MADISON SQUARE GARDEN:	56.29	(0.55)			
SCRIPPS INT:	81.58	0.27			
STARZ:	32.97	0.31			
TIME WARNER:	68.48	1.50			
VALUEVISION:	5.75	0.09			
VIACOM:	87.21	0.16			
WWE:	27.10	0.86			
TECHNOLOGY					
ADDVANTAGE:	3.10	(0.05)			
ALCATEL LUCENT:	4.23	(0.02)			
AMDOCS:	44.78	0.01			
AMPHENOL:	89.30	(0.68)			
AOL:	44.73	(0.1)			
APPLE:	532.36	1.12			
ARRIS GROUP:	29.17	(0.02)			
AVID TECH:	6.65	(0.11)			
BLNDER TONGUE:	0.96	(0.04)			
BROADCOM:	30.23	0.11			
CISCO:	21.87	0.05			
CONCURRENT:	8.58	0.07			
CONVERGYS:	20.53	(0.16)			
CSG SYSTEMS:	28.22	(0.02)			
ECHOSTAR:	49.84	0.03			

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Think about that for a minute...

If You Only Read One

Commentary by Steve Effros

Those of us deep in the legal weeds of the Aereo case are reading all of the “Friend of the Court” briefs that were filed this week at the Supreme Court in the Aereo case. But if you only read one of them, I strongly suggest you read the one written by the United States Solicitor General’s office. Google it. These are the guys who represent the federal government. They don’t have to file in a case they’re not a part of, but they did this time, and it’s a doozy.

I usually criticize lawyers for getting too tied up in knots over arcane language and alternative legal theories. This time, however, the SG’s attorneys did a brilliant job of writing, in English, and explaining the basis for the current copyright laws and why Aereo falls squarely within them. In other words, they tell the Court, Aereo does have to get a copyright license to provide the service they are offering to the public.

It’s that last point that a lot of folks seem to misunderstand when they take a deep dive into the weeds of the legal language surrounding “performance” and “transmission.” That’s language interpreted by just one Court years ago to explain why “remote” DVRs were not a violation of the copyright law. It was that complicated decision’s language that a lot of folks seem to think is critical and must be adhered to. It doesn’t. The decision is right. Remote DVRs are legal, as is “cloud computing.” The issue, however, is not one of independent transmissions, drives and microsecond delays. It’s much simpler than that. The question is whether the person employing those devices already has the proper rights to use (record or whatever) the content, and whether they are using it only for personal use. If the answer to both of those is “yes” then the remote DVR or “cloud computing” is not subject to any more



copyright liability. If, however, the content has not been properly licensed in the first place, then THAT’s the issue... not the technology.

And that’s the issue in the Aereo case, as the SG makes very clear. One Wall Street analyst came out with a blog post after reading the SG brief saying he just couldn’t understand how remote DVRs could be legal but Aereo’s “remote antenna” attached to a remote DVR wasn’t. Hopefully, he’s a better business analyst than he is a legal scholar. The answer, as the SG made clear, is simple: the 1976 Copyright Act was specifically written to overturn prior Supreme Court cases allowing cable systems to operate without having copyright liability. The law was intentionally written VERY broadly, not talking about one antenna, but saying any process, any technology, known then or in the future, that interposed a third party, a business, like Aereo, empowering the reception of the broadcast product and being offered “to the public” as Aereo’s services are, is subject to that copyright liability. This is not confusing. It’s not that hard to understand, and you never have to get to the questions surrounding individuals, recordings, or separate servers or independent transmissions. The inquiry stops when Aereo fits the definition, and it does. Precisely. All the rest of that stuff, as the SG notes, can be left alone. No threat to RS DVRs as long as the content has already been properly paid for, no threat to cloud computing.

It’s really a well written, understandable brief. I’m pretty sure the Supreme Court will agree.

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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