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STELA Hearing: First Draft Won't be Last

With a somewhat controversial first draft and witnesses butting heads, the House Communications subcmte hearing on reauthorization of the Satellite Television Extension and Localism Act Wed was anything but a smooth ride. Throw in a bunch of Democrats unhappy with the current language, and it is clear that there is a long road ahead. Several provisions of the draft, including the elimination of the set-top integration ban and limiting **FCC** action on JSAs, "do not embody the bipartisan values that have been cornerstones of previous reauthorizations," said ranking member *Anna Eshoo* (D-CA). She urged the subcmte to drop or redraft the provisions. "We can do better than this," she said. "I am not prepared to support the bill in its current form," fellow CA Democrat *Henry Waxman* said. Though there could be compromises, the provision that would undercut the FCC's effort to restrict JSAs is difficult to reconcile, he said. The goal of STELA is to "set against the backdrop of our larger effort to update the Communications Act…" said bill sponsor *Greg Walden* (R-OR), who's also leading the Comm Act update effort with House Commerce head *Fred Upton* (R-MI). By "putting the JSA cart before the media ownership horse," the FCC "frustrates me," Walden said. The agency has "consistently failed to follow the law. If a licensee of the FCC failed to follow the law, it would lose its license or suffer some severe penalty," he said. Meanwhile, broadcasters and pay-TV providers exchanged plenty of jabs. If legislators were to look at coordinated retrans negotiations among TV stations, they should also review the non-broadcast side of the business, said *Marci Burdick,* **NAB** TV board chair. She was referring to negotiations with **ACA** operator members in which they said they needed to run a deal by the association's lawyers. She claimed sharing agreements have resulted in job creation and better service. However, "one person's synergies was another's layoff," **Free Press** policy dir *Matt Wood* said. Though Wood opposed the draft's JSA provision, he agreed with Walden that the FCC should and is obligated by law to complete its media ownership review. **NCTA** pres/CEO *Michael Powell* noted DOJ has voiced concerns about coordinated retrans negotiations as they provide more leverage for stations to obtain better deals and eliminate competitive rivalry between stations. As a result, JSAs result in higher prices and less choice for consumers, he said. That's why NCTA supports reforms proposed in the draft. Burdick countered that there's no evidence supporting DOJ's concerns and that the agency failed to recognize cable

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as competition for local advertising. **TiVo** svp and general counsel *Matt Zinn* fired shots at cable on the set-top integration issue: "Certain interests within the cable industry are trying to undermine competition and choice…The NCTA has been characterizing the repeal of the integration ban as a minor change," he said. "The reality is much different." He claimed the bill would free cable ops from using new security technology but leave retail devices using legacy technology that they have little incentive to support. Powell promised that cable would continue support CableCARDs even without the integration ban, while lifting the ban would allow lower-cost and more energy efficient solutions. Subcmte members also seemed interested in getting more info on the impact of eliminating must-buy requirement, what the draft bill means for blackouts and consumer's TV bills. It's clear from the hearing that moving the bill forward requires changes.

Investor Conference: The proposed **Comcast/Time Warner Cable** merger is on track and the companies are still targeting a year-end close, chmn/CEO *Rob Marcus* said at the Deutsche Bank investors conference Wed. Until then, TWC is working to improve its business, which includes rate increases. Though the exec didn't detail the rate hike particulars, he said the MSO intends to raise subscribers' bill once a year instead of multiple times for different services every year. "It's more customer friendly and it's easier for us to manage," he said.

BCAP: More details on **CTAM**'s initiative to put forth some industry standards related to TV Everywhere, including a potentially new name that could be used to nationally brand all the various network and operator TVE apps. The association is hoping to have some concrete plans to unveil by the Cable Show in late April, CEO *John Lansing* told attendees at the Broadband Cable Association of PA's annual Cable Academy. CTAM's research found only 17% of those surveyed were familiar with the TVE rights their cable subscriptions afford them. Lansing believes a lack of consistent messaging is to blame. Among those familiar with TVE offerings, 75% rated the service very highly. CTAM's goal is to move that 17% awareness number to 50% by the end of the year, Lansing said. Look for it to take a similar tact as CTAM did with VOD, launching the "Movies On Demand" branding campaign, which includes VOD listings in national publications. -- Also speaking at the regional show was **ACA** pres/CEO *Matt Polka,* who detailed the independent operator association's viewpoint on a number of regulatory issues, including the legal challenge of Aereo's streaming service. "We believe they've made a good case and should win," he said, adding that ACA is likely to file an ex parte with the Supreme Court supporting Aereo. "If it's not Aereo, it will be someone else. Technological disruptive change is here."

Retrans: With all this talk about negotiating retrans for other stations in a market, here's an example. Kansas TV stations are warning **Cox** subs they may lose **KSNT (NBC), KTMJ (Fox), KTKA (ABC)** and if a new deal isn't reached by 4pm CT on Fri. **Lin Media** owns the NBC and Fox affils in Topeka, but also handles retrans for Vaughn Media-owned KTKA. At its Mar open meeting, the FCC plans to vote on a report and order that would prohibit 2 or more separately owned top 4 broadcast stations in the same market from jointly negotiating retrans. Cox is negotiating retrans rights in 6 Lin markets all together, including Providence; Hartford; Springfield, MA; Norfolk and Pensacola. "We are aware that Shared Service Agreements can offer benefits when it comes to operating stations and providing news. However, we are pleased that the Commission has articulated support for limiting them for purposes of joint retransmission consent negotiations," Cox said. "We believe SSAs that include joint retransmission negotiations lead to higher prices for consumers and should not be allowed."

M&A: Following its recent acquisition of 2 fiber network providers, **WaveDivision Holdings** agreed to acquire **Capacity Provisioning Incorporated**, a regional fiber-based Metro Ethernet provider. The deal would add business customers to Wave's footprint. Wave serves some 420K business and residential customers in parts of WA, OR and CA.

Vanguard Awards: *Neil Smit,* pres/CEO of **Comcast Cable,** and **SuddenLink** chief programmer *Patty McCaskill* are the 2014 recipients of **NCTA**'s Vanguard for Distinguished Leadership. In this 50th year, the Vanguard Awards will be presented on April 30 during the Cable Show in L.A. Other Vanguard honorees: **Time Warner Cable**'s *Phil Meeks* and **Mediacom**'s *John Pascarelli* (cable ops mgmt), **Showtime**'s *David Nevins* (programmers), **Cablevision**'s *Yvette Kanouff* (science & tech), **Viacom**'s DeDe Lea (govt relations), **Turner**'s *Coleman Breland* (marketing), **WICT**'s *Maria Brennan* (assns and affils) and **Comcast**'s *Maggie McLean Suniewick* (young leadership).

BUSINESS & FINANCE

On the Circuit: All 40 spots for **WICT's** Senior Executive Summit, presented with the Stanford Graduate School of Business (Mar 16-20, Palo Alto), are filled. Pretty good considering this is only the 2nd year for the summit. "Following the positive evaluations from the inaugural class of the Senior Executive Summit, we spent the past year working with the Stanford faculty and our SES planning committee to build on the solid foundation we established," said WICT chief Maria Brennan. "We view this sold out program as a good indication that we are meeting the continuing education needs of cable's top women leaders."

Programming: The dad from Growing Pains is getting a reality show. **TVGN** is launching "Unusually Thicke" (premieres Apr 16, 10pm), which follows *Alan Thicke* and his wife Tanya and 16-year-old son Carter. Pop star/son *Robin Thicke* will make an appearance during the 14-ep run, as well as other celebs. -- **History** ordered 8-hour miniseries, "Texas Rising" for next year. -- **Ovation** will air the 1-hour doc "Susan Boyle: Her Secret Struggle" on April 9.

People: **Discovery Comm** upped John Honeycutt to CTO, a newly created position. He will lead the company's consolidated IT, media technology, production and operations functions globally.

CableFAX Daily Stockwatch

Company	03/12 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
21ST CENTURY FOX:	32.69	(0.28)
DIRECTV:	78.49	(0.46)
DISH:	62.04	0.26
DISNEY:	81.38	0.33
GE:	25.76	(0.14)
MSOS		
CABLEVISION:	17.27	(0.17)
CHARTER:	127.27	(0.47)
COMCAST:	50.98	(0.24)
COMCAST SPCL:	49.82	(0.24)
GCI:	10.63	0.29
LIBERTY GLOBAL:	44.31	0.27
LIBERTY INT:	29.22	0.09
SHAW COMM:	23.39	0.02
TIME WARNER CABLE:	138.56	(0.94)
PROGRAMMING		
AMC NETWORKS:	75.50	0.21
CBS:	65.90	(0.19)
CROWN:	3.90	0.03
DISCOVERY:	84.89	0.24
GRUPO TELEVISA:	31.26	0.10
HSN:	60.02	(0.5)
INTERACTIVE CORP:	76.24	0.56
LIONSGATE:	33.26	0.32
MADISON SQUARE GARDEN:	57.71	0.09
SCRIPPS INT:	79.71	(0.4)
STARZ:	32.33	0.25
TIME WARNER:	67.26	(0.42)
VALUEVISION:	5.67	0.04
VIACOM:	88.08	(0.31)
WWE:	29.67	(0.13)
TECHNOLOGY		
ADDVANTAGE:	3.04	(0.02)
ALCATEL LUCENT:	4.08	UNCH
AMDOCS:	45.22	0.22
AMPHENOL:	90.56	0.72
AOL:	42.94	0.57
APPLE:	536.61	0.52
ARRIS GROUP:	29.09	0.50
AVID TECH:	6.79	(0.02)
BLNDER TONGUE:	0.95	(0.01)
BROADCOM:	30.61	0.18
CISCO:	21.82	0.21
CONCURRENT:	8.42	(0.3)
CONVERGYS:	20.70	(0.06)
CSG SYSTEMS:	27.92	(0.09)
ECHOSTAR:	49.95	(0.01)
GOOGLE:	1207.30	7.31
HARMONIC:	6.63	0.04
INTEL:	24.76	0.03
JDSU:	14.01	0.72
LEVEL 3:	37.97	(0.22)
MICROSOFT:	38.27	0.25
NIELSEN:	45.09	(1.1)
RENTRAK:	64.53	1.01
SEACHANGE:	10.20	0.13
SONY:	17.84	(0.01)
SPRINT NEXTEL:	8.78	UNCH
TIVO:	12.95	0.01
UNIVERSAL ELEC:	42.22	(0.22)
VONAGE:	4.43	0.02
YAHOO:	37.50	(0.06)
TELCOS		
AT&T:	32.38	0.15
VERIZON:	46.36	(0.34)
MARKET INDICES		
DOW:	16340.08	(11.17)
NASDAQ:	4323.33	16.14
S&P 500:	1868.20	0.57

Think about that for a minute...

Cloudburst

Commentary by Steve Effros

What happened "streaming" the Oscars, WWE's debut and HBO's "True Detective" season finale recently were as instructive as you could get regarding the true capability of "the cloud" when it comes to "OTT" delivery of video. The "cloud" burst. Almost everyone trying to watch that way got soaked. The engineers and technicians have made it very clear that the inundation was not caused by local ISP capabilities, but rather by an inherent inability of the servers, routers, authentication and the basic infrastructure of "the cloud" to deal with the flood of demand.

Before any of the Google cheerleaders start their "gigabit fiber to the home" chants, that wouldn't have helped, either. There was no evidence of slowing down the video feed at the receiving end. There wasn't any nefarious anticompetitive ISP "throttling." This wasn't simply a bandwidth issue, fixable by building more. Instead the problems relating to high-volume video events came about because the servers, interconnects, processing and routers needed at the originating and core distribution parts of the Internet simply aren't designed for it. And given the decentralized nature of the web, it's not likely they will be any time soon.

"Streaming, over the top" delivery of video is successful so long as not too many folks try to do it at the same time. It's terribly inefficient. Sure, it will work for maybe a half-million feeds at the same time, or maybe 1 or 2 million. Especially if demand is spaced out a little bit. But when you get a "live" feed of something like the Oscars, you are talking about many multiples of those numbers, simultaneously, and the technology is just not designed for that. More importantly, there are real questions as to whether it should be.

Yes, lots of money could be invested and the thousands of servers, routers and interconnects could be upgraded to handle the flood. But it's not clear that there is any economic reason why. As I said, it's terribly inefficient and there are other methods of delivering such programming that are not only far more efficient and much less expensive, but they already exist! The broadcast, cable and satellite distribution networks already in place routinely handle those larger audience events every day. They are designed to. They do it well, and have been doing it for quite some time now.

To be sure, a one-to-one distribution network for prime time video program events could be built as opposed to the current one-to-many infrastructures that are already in place. But why? This is similar to the question now being raised about spending lots of money to build fiber to the home "gigabit" systems, which ultimately are going to be used in precisely the same way existing "DOCSIS 3.1" cable broadband systems will be. They both will have essentially the same capabilities when actually needed. Suggesting, as some advocates are, that the government should step in, either at the local or national level, and invest lots of public money to build a new infrastructure now—just because it's "new"—makes little or no sense. The littered remains of numerous bankrupt municipally owned cable systems should be a cautionary tale for those who make such arguments.

Nevertheless, we will continue to hear about "cord cutting" and OTT, and broadband superseding cable/broadcast distribution. It mainly comes from those who haven't looked carefully at the reasons why those systems were built, technically and financially, the way they were in the first place. The smart money is to stay out of the rain.

Steve

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