

CableFAX Daily™

Thursday — April 3, 2014

What the Industry Reads First

Volume 25 / No. 064

ACA Summit: Indie Ops Getting Friendly with Aereo

Aereo may have once touted itself as a cable killer, but that hasn't stopped **ACA** from getting cozy with the streaming service. Of course, this friendship is all about the r-word. Aereo CEO *Chet Kanojia* got a warm reception from retrans-battered indie ops at the **ACA Summit** in DC Wed, telling the crowd it's "ludicrous" how much money broadcasters are making from retrans and vowing to keep fighting its legal battle against broadcasters. ACA pres/CEO *Matt Polka* told Kanojia that small ops are eager to work with the company, with the assn this week filing an amicus brief supporting Aereo's court fight. The Supreme Court will hear the case on Apr 22, with a decision expected this summer. The friendship doesn't stop there: *Colleen Abdoulah*, chairwoman of the ACA board and **WOW!** chair, said her company is in talks with Aereo about a potential "strategic partnership." "We are absolutely as a company talking to them about what their plans are with the markets we currently serve," she said during a press lunch. "I support their efforts...I don't know what the structure would be like. We just started our conversation with them, but if we can have them and help consumers have a choice, we would be happy to do that," she said. Despite the pending litigation, Aereo is open to possibly working together, she noted. On Wed, **IAC** chief *Barry Diller* appeared on **Bloomberg TV**, saying he believes if Aereo loses the Supreme Court Case it will be the end of the company. The potential cable-killing effect of Aereo (broadband users can live-stream broadcast programming across platforms and DVR programs for later viewing) didn't bother Abdoulah too much. "It depends on the provider," she said, suggesting it might be more worrisome for those who depend more on video. **WOW!** has more broadband subs than video, she said. And using caching and other technologies, which many indie ops do, means ensuring quality of service shouldn't be a problem if they were to offer Aereo, said *Bob Gessner*, pres of **MCTV** and vice chmn of ACA.

Wheeler's Strong Reception: Even more popular than **Aereo** among independent operators these days is **FCC** chmn *Tom Wheeler*, thanks to his recent actions preventing coordinated retrans efforts and restricting JSAs. He spoke at ACA's Summit Wed, sticking primarily to plans to tackle net neutrality. He said the FCC will stick to the basic principles of transparency, non-blocking and non-discrimination, meaning interconnection deals such as the **Comcast/Netflix** agreement won't be part of the Open Internet discussion. As for the agency's action on broadcasters, Wheeler said "the concept of competition and diversity and localism was being undone by legal legerdemain." In addition, "there's a set of rules, a set of concepts that have been hallowed in communications law. We are trying to stick to those concepts and say how do those apply in this world," he said.

Summit Notebook: "This is not a copyright case. This is a business case. This is a bundling case," **Aereo** CEO *Chet Kanojia* told the ACA crowd, going as far as to cite the hundreds of millions of dollars top execs at the major broadcast companies collectively make in compensation. "When people are making that much money, they lose the sense of right and wrong," he said. Kanojia said retrans costs and their effects on cable rates make it even harder to convince the next

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generation to buy cable service. "There's not a single person under 30 running around saying I want to have a cable connection," he said. He also noted that Aereo always expected tough opposition from incumbent broadcasters. "We understood this would be a difficult, controversial road," he said. "This is not for the faint of heart." In a separate session, Rep *Anna Eshoo* (D-CA) called retrans fees "a racket" as ACA members applauded (some stood), noting 12 retrans blackouts in '11 compared to 127 in '13. "This isn't something that's going away," she said. "It's growing... The consumer is really screwed and tattooed in this." In addition to retrans, Rep *Peter Welch* (D-VT) targeted high sports costs in a speech to indie ops, telling them that "they'll do it because they can" and can offload customer complaints to the distributors. While he sympathized with indie ops, he urged "restraint" on price increases. "They'll pay," he said of customers. "They'll pay a fair price. But let's not break their back." -- **MCTV** pres *Bob Gessner* will become ACA's new chair at the **Independent Show** in July. Outgoing chair *Colleen Abdoulah* revealed the change up in a speech Wed. She'll move to past chair. Tues marked her last day as **WOW!**'s CEO, turning responsibilities over to *Steven Cochran*. She continues as **WOW!**'s chair. -- As for the **Comcast-Time Warner Cable** merger, Abdoulah said independent operators "are concerned about it, but we are also pragmatic and realistic" about consolidation." Similar to ACA board's approach on the Comcast/NBCU deal, the board "will probably not go down the path of trying to fight the merger," she said. Instead, it will "be thoughtful about it" and hopes potential merger conditions would give some protection and fairness in the market, she said. That said, the merger means the combined company will have "huge" leverages and bargaining power, especially on the programming side. "That's absolutely a concern" but "we will navigate through that," she said.

Vying with Viacom: **NCTC** and **Viacom** kept negotiating past their contract's midnight deadline, reaching a renewal agreement around 8pm ET Tues that keeps the channels available to the co-op's more than 800 member companies. No details were announced, but both sides were conciliatory. NCTC evp programming *Judy Meyka* said the group is pleased to have reached a deal that provides opportunities to provide Viacom content over multiple platforms, while Viacom distribution head *Denise Denson* commended NCTC for collaborating to "reach a fair deal that puts viewers first." After inking the deal, Viacom turned its attention to **Cable One**. "This is Cable One's second blackout of a major cable programmer in six months. Cable One is the only major cable operator in the United States not to provide its customers with video on demand. It also does not provide its customers with TV Everywhere," read a Viacom statement issued late Tues. "Unsurprisingly, Cable One has lost at least 25,000 customers since its most recent blackout and more than 80,000 customers in the past two years." Cable One opted out of the NCTC contract with Viacom and lost the 15 nets, including **Nick** and **BET** at 12:01am Tues. The MSO has said it will add new channels that customers want, including **BBC America** and **Sundance**. The programmer also bristled at Cable One's claims that viewing is down for 12 of Viacom's nets, some as much as 30%, since '10. "In the quarter ended March 31, ratings at 13 of our 15 networks carried by Cable One were up on a year-over-year basis," it said.

Carriage: The chance of **Weather Channel** returning to **DirecTV** looks cloudier, with the satellite provider announcing a multi-year deal with **WeatherNation**. DirecTV launched the channel in Dec as an alternative to Weather, which it dropped in Jan because of a disagreement over renewal price. While DirecTVPromise.com still has a tab about the dispute, KeepWeatherChannel.com is no longer running.

Amazon Fired Up: **Amazon** ditched the dongle and went with a set-top, although a very slim one (0.7 inches thick) for

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BUSINESS & FINANCE

its Fire TV device. The device started shipping Wed at a price tag of \$99. It has **Netflix, Prime Instant Video, Hulu Plus, Showtime Anytime**, etc. What sets it apart is its gaming offerings. It launched with 100 games, including Minecraft and Monsters University, with more to come. Amazon pegs the avg game price at \$1.85.

PBS Peabody King: With a dozen nods, **PBS** easily has the most Peabody Awards this year. But cable and **Netflix** also were well represented. **HBO** received 3 awards, including 1 for doc "Six by Sondheim." **Al Jazeera America** received 2 for stories about Haiti and Bangladesh. Netflix nabbed honors for "House of Cards" and "Orange is the New Black," while **BBC America's** "Orphan Black" and "Broadchurch" were both recognized. Other cable nets honored include **CNN, AMC, FX, Comedy Central, ESPN, Sundance** and **TCM**.

RBI Closes Muni Deal: **Rural Broadband Investments** closed its acquisition of **City Cable** from the city of Poplar Bluff, MO. RBI recently made an investment in **NewWave** and bought **Cable Management Assoc** and the **McDonald Cable/Cablevision** systems. RBI now serves more than 150K customers and passes 430K homes in IL, IN, MO, AR, LA, MS, TX and NV. RBI is a portfolio company of private equity firm **GTCR**, and is owned by GTCR and RBI management. **RBC Capital Markets** acted as exclusive financial advisor to RBI and GTCR.

CableFAX Daily Stockwatch

Company	04/02 Close	1-Day Ch	Company	04/02 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/MMDS			GOOGLE:	1135.10	0.21
21ST CENTURY FOX:	33.59	0.55	HARMONIC:	7.27	0.05
DIRECTV:	77.98	0.26	INTEL:	25.89	(0.1)
DISH:	64.07	0.17	JDSU:	14.30	(0.05)
DISNEY:	81.67	0.10	LEVEL 3:	41.10	0.35
GE:	26.04	0.17	MICROSOFT:	41.35	(0.07)
MSOS					
CABLEVISION:	16.86	0.29	NIELSEN:	45.45	0.26
CHARTER:	126.50	0.86	RENTRAK:	60.84	(0.26)
COMCAST:	50.90	0.97	SEACHANGE:	10.57	0.08
COMCAST SPCL:	49.78	0.92	SONY:	19.29	(0.15)
GCI:	11.41	(0.08)	SPRINT NEXTEL:	9.39	(0.18)
GRAHAM HOLDING:	725.36	(2.86)	TIVO:	13.25	(0.05)
LIBERTY GLOBAL:	41.40	(0.05)	UNIVERSAL ELEC:	40.25	1.14
LIBERTY INT:	30.28	0.45	VONAGE:	4.39	0.02
SHAW COMM:	24.22	0.17	YAHOO:	36.64	0.15
TIME WARNER CABLE:	140.55	3.00	TELCOS		
PROGRAMMING					
AMC NETWORKS:	75.57	1.22	AT&T:	35.37	0.28
CBS:	63.35	0.16	VERIZON:	47.82	0.07
CROWN:	3.91	(0.01)	MARKET INDICES		
DISCOVERY:	84.20	0.39	DOW:	16583.00	40.39
GRUPO TELEVISA:	34.42	0.75	NASDAQ:	4276.46	8.42
HSN:	60.07	(0.05)	S&P 500:	1890.90	5.38
INTERACTIVE CORP:	72.40	(0.19)			
LIONSGATE:	27.91	(0.32)			
MADISON SQUARE GARDEN:	56.23	(0.99)			
SCRIPPS INT:	76.34	(1.32)			
STARZ:	33.36	(0.01)			
TIME WARNER:	67.06	1.03			
VALUEVISION:	5.00	0.07			
VIACOM:	87.48	0.66			
WWE:	29.04	(0.56)			
TECHNOLOGY					
ADVANTAGE:	3.38	(0.02)			
ALCATEL LUCENT:	4.16	0.11			
AMDOCS:	46.51	0.02			
AMPHENOL:	94.00	1.78			
AOL:	44.02	(0.27)			
APPLE:	542.55	0.90			
ARRIS GROUP:	28.35	(0.03)			
AVID TECH:	6.30	0.20			
BROADCOM:	31.23	(0.29)			
CISCO:	22.99	(0.11)			
CONCURRENT:	8.27	(0.01)			
CONVERGYS:	22.08	(0.25)			
CSG SYSTEMS:	26.57	0.27			
ECHOSTAR:	48.63	0.41			

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Think about that for a minute...

The Paradox of Choice

Commentary by Steve Effros

A decade ago Professor Barry Schwartz wrote a book entitled "The Paradox of Choice." It's still worth reading, but you can watch a 20-minute highly successful TED presentation (TED.com) and get the gist of what has become almost standard thinking in the psychology community. The bottom line: while some choice is good, too much choice does not lead to "freedom of action" it leads to paralysis.

The concept is fascinating, and has been hotly debated, especially lately, as the number of choices for just about everything has skyrocketed. From the number of salad dressings available in the supermarket to the number of options for new health care insurance the choices keep multiplying. Schwartz argues that this is not beneficial, but instead leads to less action and less satisfaction even when a decision is made. I strongly recommend you take a look at his presentation, then read the update recently done on PBS (PBS.org) because I suspect this theory is going to have a direct effect on what we do.

The policy debates surrounding cable television and broadband have always been grounded on the premise that "more is better." More channels, more bandwidth, more speed, more choice. More and faster have long been the bedrocks of policy proposals running from the number of channels to how fast (or how much bandwidth) our new broadband systems should have. I've written a lot about my skepticism of the organized promotion of "1 Gig" systems, questioning how consumers would really benefit, but now there appears to be an even bigger question if the "Paradox of Choice" is reaffirmed.

We may be doing the exact opposite of creating consumer benefit by listening to those promoting systems



that have "unlimited choice." This goes directly to the underlying issue of the benefit of the Internet. Is the "fire hose" of information everyone is now being inundated with a good or a bad thing? Is the quite natural reaction of limiting the flow of information to that which you "trust" the most, or already agree with, resulting in a myopic view of the world rather than an expansive one? Is that good? These are tremendously important questions, and ones that I think are well worth considering carefully. The industry we created, and are the leaders of, after all, has enabled most of this new choice and speed. It now may be time for us to also look at the longer-term implications of what we have created and possibly help navigate the unintended results.

That's not to say I'm against choice, or that the Internet and broadband, and indeed cable haven't led to lots of good things including a welcome diversity of voices and views. But if the premise of the Paradox of Choice is even close to correct then we are clearly getting to the point where too much choice will lead to unforeseen negative results. This is true for the creative community if the business basis for the distribution of their product is destroyed; a notion I have long pointed out in the "a la carte" debate as the potential result is less diversity, not more. Satisfaction with any choice made apparently goes down. It's also true in civil discourse. We react so quickly to the articulated options presented by any "news" that the expectations of what people, or officials, or companies or countries can do become totally unrealistic or inevitably disappointing, as Schwartz suggests, simply because the paradox of too much choice produces that effect.

It's something to think about.

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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