

CableFAX Daily™

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What the Industry Reads First

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AT&T-DirecTV: Is Wireless-Pay-TV Combo Cable's Biggest Threat?

Remember **DISH's** failed bid for **Sprint Nextel** a year ago to converge wireless and pay-TV services? Here's another attempt... Following weeks of speculation, **AT&T** and **DirecTV** made it official late Sun as the telco proposed a \$48.5bn stock-and-cash acquisition of the satellite company. That means the combined company would be the 2nd largest pay-TV provider with 26mln subs, just behind the combined **Comcast-Time Warner Cable**. However, the telco's nationwide 4G wireless footprint means the combined company will reach well beyond TV markets. "Not only will we be able to market DirecTV service into AT&T's 70mln customer locations but also across their nationwide 4G LTE wireless network and their nearly 100 million subscribers," DirecTV CEO *Mike White* said on a conference call Mon. The deal "allows us to more effectively bundle our premier service with a more robust and wide-ranging broadband offering to combat the current dominance of cable in the bundled space," he said. As soon as the deal closes (expected in 12 months), new bundles of TV, phone, broadband and mobile services, or quad play, will be "right out of the gate," AT&T chief *Randall Stephenson* said. He made it clear that being able to offer video over the company's wireless network was "a key rationale for trying to do something with DirecTV." There's more for cable to worry about: In addition to traditional pay-TV, the distribution scale would enable the combined company to offer online video services like **Netflix** or **Hulu** streamed over mobile or fixed broadband, or a combination of viewing preferences on any screen, Stephenson said. "Mobile video and over-the-top... could potentially be big win-wins not only for us and our customers but also for our programming partners," White said. "There is not another company that will have a nationwide mobile footprint, a nationwide video footprint, a broadband footprint as extensive as this one," Stephenson said. Regarding Sunday Ticket, both AT&T and DirecTV are in active negotiations with the **NFL** (AT&T has the right to back out of the deal if Sunday Ticket isn't renewed). White said he's confident that an agreement could be reached with the league before year-end. Meanwhile, as part of the deal, AT&T is expanding broadband to 15mln households (mostly rural) where it doesn't offer service today. And that comes as the telco nears completion of its existing Project VIP broadband expansion plan. But despite a bigger broadband footprint and AT&T as a "more formidable competitor," cable will still have the upper hand in all markets upgraded with DOCSIS 3.0, *Craig Moffett* with **MoffettNathanson** wrote. Now that DirecTV is getting intimate with AT&T, **DISH** is reportedly in talks with **Verizon**

June 10, 2014 | Awards Breakfast | 8:30 – 10:30 am | Grand Hyatt in NYC

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for a potential tie-up. Although Verizon just spent \$130bln to buy **Vodafone's Verizon Wireless** stake, a DISH/Verizon marriage is still possible given how much *Charlie Ergen* loves wireless. While the cable industry “does a really good job in your home and the current wireless industry does a really good job outside your home,” there’s no company on a national scale that puts it all together, Ergen said at the time of DISH’s Sprint bid. Watch out cable...

Deal's Regulatory Outlook: Timing of the **AT&T-DirecTV** deal is interesting given the pending **Comcast-Time Warner Cable** regulatory review. “While we don’t believe these transactions are apples-to-apples, we do think multiple deals in front of the govt could slow the processes down a bit. That said, we don’t see any material impact on either,” **Wells Fargo** analysts wrote. DirecTV CEO *Mike White* said the companies have talked on and off for years. Execs from both firms said they were confident the deal would get approved as both companies are limited competitors because of DirecTV’s lack of a broadband service. To eliminate regulatory concerns, the bigger AT&T will offer a 3-year price guarantee on standalone broadband service where it offers high-speed IP broadband today. “Customers will also see more competitive pricing as we roll out the market’s most extensive bundle of top quality video, broadband and mobile services,” White said. In addition, there will be continued commitment for 3 years after closing to the **FCC’s** Open Internet rules created in 2010, irrespective of whether the FCC creates new guidelines following the court’s decision to vacate those rules. DirecTV agreed to a \$1.4bln breakup fee. However, there’s no reverse breakup fee meaning AT&T won’t have to pay if the deal fails. As expected, the proposed deal drew waves of opposition. **ACA** is troubled by the “consolidation wave within the video subscription marketplace...” pres/CEO *Matt Polka* said in a statement. He urged legislators to re-examine the video rules. Sen *Al Franken* (D-MN), a vocal opponent of the Comcast-TWC deal, is “skeptical that this deal is in consumers’ best interest. I’m going to press regulators to scrutinize this deal, and I want to see hearings in Congress as well.” Among backers is the **Communications Workers of America**, which supported AT&T’s failed bid of **T-Mobile** in 2011. The deal “will provide better employment opportunities for tens of thousands of employees at both companies,” the group said. Another supporter is **One America News Net**, one of the few nets chiming in on the deal Mon. It recently inked carriage deals with AT&T and **Verizon**.

EST Sale: From Tues through next Mon, **Comcast** will offer nearly 100 movies, including “The Lego Movie” 4 weeks before its DVD release, for purchase for under \$10. What’s more, the Xfinity Digital Store will “unlock” 1 movie title per day for 99-cent purchase. The movies will work on a customer’s TV, online or through the Xfinity On Demand Purchases app. Owned content can also be downloaded directly to customer’s devices.

Still Pinned: **WWE** shares closed down nearly 3% Mon, with a company conference call failing to reduce the downward slide. It was nowhere near as bad as Fri’s more than 43% loss. WWE chmn/CEO *Vince McMahon* acknowledged on Mon’s business outlook call that the company was “a little disappointed” in the just-announced renewal with **NBCU** for “Mon Night Raw” and “Fri Night Smackdown.” But he said all of the TV deals combined (intl territories) resulted in nearly double revenue to the tune of \$200mln.

New Retrans Regime in June: The **FCC’s** rules prohibiting joint negotiation of retrans consent by stations not commonly owned was published in the Federal Register on Mon. That means the rules will take effect on June 18. The rules prohibit 2 or more separately owned top 4 broadcast stations in the same market from jointly negotiating retrans. No word yet on whether **NAB** will challenge the rules.

#CommActUpdate—Competition: **House Commerce** chair *Fred Upton* (R-MI) and Communications Tech subcmte chmn *Greg Walden* (R-OR) asked a series of competition policy questions in their latest white paper related to a Communications Act update. The questions are fairly broad—how should Congress define competition in the modern communications marketplace and how should we define competition among edge providers. The lawmakers also probe whether the FCC should transition into an enforcement agency, similar to the **FTC**, rather than using broad rulemaking authority. Responses are due by June 13.

Summer on the Shore: **Comcast** said it has upgraded almost 500 miles of infrastructure serving homes in Jersey Shore areas. This is in addition to the 144 miles replaced last year following Hurricane Sandy. The MSO is beefing up staff for the summer season, even opening up customer service centers for the first time on Sun and Mon of Memorial Day weekend.

Research: Fewer than 20% of broadband professionals consider measurement a multiplatform challenge while 43% cited “consistency across devices” as the major hurdle, according to a survey just released by **Cablefax**. Sur-

BUSINESS & FINANCE

vey findings will be revealed and discussed at the **Cablefax Digital & Tech Summit** on Wed in NYC. Register at cablefaxdigitasummit.com.

-- **Leichtman Research** found the 13 largest MVPDs in the US added approx 260K net video subs in 1Q vs approx 230K adds in 1Q13. The top 9 cable ops lost about 50K subs (the fewest losses since 1Q01), while DBS added 57K and telcos added 258K (**Verizon FiOS** net adds were the fewest in any Q since 2Q06).

Programming: SundanceTV will bring "Dream School" back for a 6-ep, sophomore season this fall. -- **AMC** will make new drama "Halt and Catch Fire" available through a 2-week full-ep sneak preview on **Tumblr**, via VOD and TVE and on **AMC.com**. It's the 1st-ever premiere of a TV series on Tumblr. The series makes its linear debut June 1, 10pm. -- **Universal Sports** will have live and digital coverage of all 3 USA Rugby upcoming summer test matches, beginning June 7 at 8pm ET.

People: Turner moved *Jeremy Legg* to the role of head of tech strategy and product monetization. He reports to *Dan Darling*, svp and CIO. Legg previously served as svp, business development and multiplatform distribution for Turner. -- **TVGN** named *Melissa Stone Mangham* as vp, marketing and brand strategy and *Rich Browd* as vp, creative dir.

CableFAX Daily Stockwatch

Company	05/19 Close	1-Day Ch	Company	05/19 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	84.65	(1.53)	CONCURRENT:	8.06	(0.01)
DISH:	59.36	(0.59)	CONVERGYS:	22.13	0.08
ENTRAVISION:	5.30	UNCH	CSG SYSTEMS:	25.36	0.12
GRAY TELEVISION:	10.69	0.42	ECHOSTAR:	50.52	0.82
MEDIA GENERAL:	17.10	0.28	GOOGLE:	528.86	8.23
NEXSTAR:	43.41	1.30	HARMONIC:	7.38	0.08
SINCLAIR:	29.33	0.26	INTEL:	26.04	0.22
MSOS					
CABLEVISION:	17.46	0.31	INTERACTIVE CORP:	62.99	0.18
CHARTER:	138.68	1.22	JDSU:	11.05	0.21
COMCAST:	50.90	0.71	LEVEL 3:	44.09	0.34
COMCAST SPCL:	50.25	0.57	MICROSOFT:	39.75	(0.08)
GCI:	11.39	0.14	NIELSEN:	47.28	0.62
GRAHAM HOLDING:	680.05	16.51	RENTRAK:	50.09	(1.27)
LIBERTY GLOBAL:	43.94	0.11	SEACHANGE:	9.51	0.33
LIBERTY INT:	28.43	(0.02)	SONY:	16.32	(0.06)
SHAW COMM:	24.97	0.11	SPRINT NEXTEL:	9.12	0.11
TIME WARNER CABLE:	138.43	1.75	TIVO:	12.08	0.24
PROGRAMMING					
21ST CENTURY FOX:	34.12	0.05	UNIVERSAL ELEC:	40.52	0.70
AMC NETWORKS:	60.00	0.48	VONAGE:	3.70	0.20
CBS:	57.36	0.33	YAHOO:	33.89	0.48
CROWN:	3.46	(0.01)	TELCOS		
DISCOVERY:	73.67	(0.05)	AT&T:	36.38	(0.36)
DISNEY:	81.05	0.66	CENTURYLINK:	37.97	(0.21)
GRUPO TELEVISIA:	33.75	0.15	TDS:	26.66	(0.17)
HSN:	55.15	0.51	VERIZON:	49.15	0.08
LIONSGATE:	26.32	(0.06)	MARKET INDICES		
MADISON SQUARE GARDEN:	50.83	0.66	DOW:	16511.86	20.55
SCRIPPS INT:	75.69	0.53	NASDAQ:	4125.81	35.23
STARZ:	29.69	0.04	S&P 500:	1885.08	7.22
TIME WARNER:	70.11	1.22	TECHNOLOGY		
VALUEVISION:	5.24	0.34	ADDVANTAGE:	2.57	(0.06)
VIACOM:	84.37	0.41	ALCATEL LUCENT:	3.86	0.04
WWE:	10.96	(0.31)	AMDOCS:	47.36	0.37
MARKET INDICES					
DOW: 16511.86 20.55					
NASDAQ: 4125.81 35.23					
S&P 500: 1885.08 7.22					

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CableFAX TECH by Amy Maclean

Cox to Market Security to Businesses

For years, the industry has touted the upside of both business services and home security/automation. But what happens when you combine the two? **Cox** is about to find out. The operator is planning a trial of home security “very soon” within the commercial unit, Cox Business svp *Steve Rowley* told us. “With small businesses being our sweet spot, this is an extension of building and selling wider and deeper with those small businesses,” he said. “I think this is going to be a robust product for us.” Part of his enthusiasm comes from the existing relationships Cox Business has built with SMB customers, which haven’t experienced much churn. Security is one of those areas almost all businesses need, so Cox is hoping that its current reputation will get its foot in the door. “I think we’ll be competing with the largest players out there, but I think we’ll have a product that quite frankly has some great offerings,” Rowley said. The trial is slated for this year, but he declined to offer any specifics. The expansion to business services goes beyond simply security, but to control—thermostats and lighting, etc. “Small businesses are definitely within the next layer of segments we’re looking at,” said *Kristine Faulkner*, Cox’s gm/vp of home security and automation. “We’re developing the action plans.” Cox has been in the home security/automation space for about 3 years now. One of the things that could help it stand out, beyond existing relationships, is that its baseline package includes what are extras for some other companies. For example, emails and texts as events occur. Interestingly, almost 2/3 of residential customers coming in are purchasing Cox’s higher-end package, which includes cameras as well as thermostat and lighting controls, Faulkner said. It’s not clear if that will hold for Cox Business clients—part of the reason for the trial. On the resi-

dential side, 60% of new home security/automation connects are people who have never been in the category.

Twitch-ing for Gaming: Media companies continue to look at ways to get the attention of gamers. First came the news that **Comcast** is looking at streaming **EA** games. Now multiple reports have **Google** considering buying video game streaming site **Twitch**, which features live streams in which video gamers watch each other. The site has steadily gained in popularity, with Sandvine reporting that it now generates more traffic than **HBO Go** on US networks. *Variety*, quoting those familiar with the deal, has Google’s **YouTube** paying more than \$1bln for Twitch.

Smart TVs on Rise: Some 42mln US households, or 35% of TV HHs, are expected to have a smart TV by the end of the year, says research from **Parks Associates**. The firm expects 70% of HHs to have the sets by 2018.

Google Fiber Check: The 34 cities targeted by **Google Fiber** for potential service to their communities had to submit responses to Google’s checklist earlier this month. Now, Google is in the process of evaluating completion of those items, with the goal of deciding who will get Google Fiber by year-end. **Bernstein Research** analysts believe there’s a good chance the company will expand to a large portion of those cities. “If Google succeeds in deploying in many of the 34 cities it is currently considering, we believe it could expand Google Fiber to pass 25 million US locations within 6-8 years,” said a Bernstein Research note, citing analysts’ belief that Google will likely build its network in cost-efficient clusters. Read more on Google Fiber [here](#).

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