

# CableFAX Daily™

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What the Industry Reads First

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## Video Hearing: Senate Commerce Dems Grill Comcast, AT&T on Mergers

Reports that **Fox** made a failed bid for **Time Warner** added a few more sparks to Senate Commerce's hearing on the video market Wed. The reported transaction suggested that "we are in an arms race," said *Gene Kimmelman*, pres/CEO of **Public Knowledge**. It's "no surprise that content companies bulk up," he said. Operators like **Comcast** and **AT&T** "started the ball rolling, and as we've seen from today's stories, we don't know where it's going to end," he told the panel. As expected, Comcast and AT&T execs faced another (3-hour) grilling by Democratic lawmakers over their respectively proposed mergers. Among committee chmn *John Rockefeller's* biggest concerns was whether the mergers would prevent access to content. "Does your company, and will it, enter any competitive contracts to prevent content companies from selling content to online video companies... Is there evidence that companies are locking up content?" he asked Comcast evp *David Cohen* and AT&T senior evp *John Stankey*. While it's a "No" from both, Cohen added that Comcast, through its **NBCU** unit, has made dozens of deals selling "vast amount of highly popular content" to OTT providers like **Netflix** and **Amazon**. Netflix CEO *Reed Hastings* was invited to testify but didn't make it. **DISH**, a vocal Comcast-TWC opponent, said its digital video service could be threatened by a bigger Comcast. "Comcast doesn't necessarily want us to succeed because we're competitors," said deputy general counsel *Jeffrey Blum*. "We are very concerned that a combined Comcast and Time Warner Cable will have an incentive and ability to stifle our service." Cohen shot back. "If we start blocking or degrading content then we're going to lose customers. So it's not in our interest to do so." Among other potential merger implications, *Richard Blumenthal* (D-CT) was again especially worried that a bigger Comcast, which would own 16 RSNs (5 from TWC) plus 16 local sports channels, will have enormous market power on sports programming. "Why not commit to offering all RSNs on an a la carte basis?" he asked Cohen. The problem is RSN programming is by definition local and negotiated market by market, so it doesn't make a difference owning 1 or 30 RSNs, the exec said. Using TWC's **LA Dodgers** net as an example, he said a bigger Comcast won't have any more market power than TWC currently has. And based on independent studies, mandatory a la carte would result in less consumer choice, less diverse programming and higher prices, Cohen said. "A la carte isn't the solution." Kimmelman, of course, disagreed. While MVPDs claim consumers have sufficient choice, the issue isn't whether services are available, he said. "You can't get a lot of the individual channels

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you want without paying a high price... What we don't have is a broader individualized selection driven by consumers... That's our problem." Aside from the usual debate on the mergers' impact on the broadband market, *Ed Markey* (D-MA) asked whether Comcast and AT&T oppose municipal broadband as a 3rd option, referencing Comcast's claim that most communities have at least 2 broadband providers. "I think it's a mistake to do to it, and so we will advocate at the municipal government level that we think this is a mistake," Cohen said. Clearly Markey wasn't satisfied. "More competition is the answer to all of these problems... My basic philosophy... is that Darwinian, eye-watering, bone-chilling competition is the answer to all regulation. The smaller the number of competitors, the more regulation you need." The bottom line, according to Cohen, is "taxpayer subsidy of poorly-run and ultimately bankrupt municipal broadband networks don't benefit anyone."

**Senate Schedules STELA:** Senate Commerce won't take up STELA reauthorization (sunsets year-end) before Aug recess. The panel will work on the legislation in the Sept work period, *John Rockefeller* (D-WV), head of the committee, and ranking member *John Thune* (R-SD), said in a joint statement. "We look forward to continuing the productive bipartisan work of the committee and collaborating with our fellow members." House Judiciary approved a clean version of bill last week.

**Deal of the Day:** The *NY Times* broke the news Wed that **21st Century Fox** made an \$80bln bid for **Time Warner** last month, but was turned down. Shares of TWX soared up more than 17% Wed, while 21CF shares closed down 4.6%. Time Warner said its board deemed the \$32.42 in cash per share proposal not in the best interest of the company or shareholders. "The Board is confident that continuing to execute its strategic plan will create significantly more value for the Company and its stockholders and is superior to any proposal that Twenty-First Century Fox is in a position to offer," Time Warner said. Given the high profile distribution mergers, there has been increasing talk of potential content M&A deals. What happens next? "It is more about the sector than this specific deal," **Bernstein Research** analysts said. "The urgency to find a 'dance partner' will increase across the sector. Nobody wants to be the company that gets left out of the consolidation wave, and companies would rather control their own destinies." The firm believes all media stocks will benefit, though it sees smaller, pure-plays such as **AMC Networks**, **Scripps Networks** and **Lionsgate** as the most likely takeover candidates.

**Comcast + TiVo:** At least one lawmaker likes **Comcast** and **TiVo's** agreement to work on a 2-way, non-CableCARD solution that will let retail devices access the full Comcast lineup of linear and VOD programming. "For millions of consumers, renting a cable box from their cable provider isn't a choice. It's a pre-requisite for cable programming," Rep *Anna Eshoo* (D-CA) said. With this announcement, "the companies are opening the door to a more innovative, consumer-friendly set-top box marketplace, one in which consumers can decide the best device for their needs and where innovators can aspire to deliver even more cutting-edge technology." The companies revealed the work in an **FCC** filing this week, with Comcast saying it will make such a solution available to other cable operators on commercially reasonable terms.

**SEC Net Watch:** **ESPN** inked deals with **LUS Fiber**, **Wilkes Telephone** and **PTC Communications** to launch **SEC Network** on Aug 14. Other promising news: a **WOW!** gm told *al.com* that the provider is "nearing the final process" of an agreement for the net. Disney also inked a multi-year distribution agreement with the **National Telco Television Consortium**, which includes SEC Net, authenticated Watch TVE services and **Longhorn Net**.

**Panthers on TWC:** One more thing for critics of a **Comcast-Time Warner Cable** combo to complain about... **TWC SportsChannel** in Charlotte inked what it says is 1 of the largest-ever multi-year programming agreements developed by an NFL team with a regional channel. The net will be the exclusive cable home of the Carolina Panthers. Starting this month, the Panthers will produce 250+ hours of programming annually for the net that airs throughout NC and SC on TWC. Content includes preseason NFL games, post-game shows and behind-the-scenes series.

**New Kid Boss on the Block:** **Turner** has filled the vacancy in the kid-side of the house that has existed since *Stu Snyder* resigned in March as pres/COO of animation, young adults and kids media. On Wed, Turner announced *Christina Miller* as the pres, gm for **Cartoon**, **Adult Swim** and **Boomerang**, as well as their digital brand extensions. Miller most recently served as gm, **NBA Digital** and svp, Turner Sports Strategy/Marketing/Programming, but she has previously spent time as svp, Cartoon Network Enterprises. And before joining Turner, she was svp, brand licensing for **HIT Entertainment**, responsible for brand strategy and licensing for "The Wiggles," "Bob the Builder" and other preschool series.

**ESPN's Ball Game:** Through 42 games, viewership of **MLB** is up on **ESPN**, with the net averaging 1.2mln total viewers this season (up 11% from last year). "Sunday Night Baseball" averages 1.98mln viewers—up 9% from 2013.

# BUSINESS & FINANCE

**Netflix Speed Index:** Verizon FiOS used to do well in Netflix's ISP speed index but the telco's speeds have fallen since Jan, according to the streaming company, which has blamed the telco for streaming issues. The average speed of Netflix streams watched by FiOS subs fell to 1.58 Mbps in June, down from 1.8 Mbps in May. Placing 12th on the list, Verizon's fiber-based connection was even behind DSL services from **Frontier, Windstream and Centurylink**. Cablevision's Optimum service was #1 on the list with 3.1 Mbps, followed by **Cox** at 2.99 Mbps and **Suddenlink's** 2.86 Mbps. **Cablevision** also averaged 2.86 Mbps, followed by **Comcast** at 2.61 Mbps and **Time Warner Cable** at 2.14 Mbps.

**People:** Lots of promotions over at **A+E Networks** as it establishes a new integrated division called the A+E Research & Analytics Team to be composed of 4 units: brand research, digital analytics & CRM, multiplatform analytics and revenue research. The team will report to svp, research *Don Robert*. As part of this new structure, *Marcela Tabares* will be promoted to svp, revenue research and *Tom Pellegrino* will be upped to svp, brand research. *Lee Boykoff* will take on the expanded role of vp, digital analytics and CRM, and *Julya Fridman* also takes on an expanded role, as vp, multiplatform & distribution analytics. -- *Lauren Skowronski* was promoted to vp, corp comm for **NBCU**, effective Aug 11.

## CableFAX Daily Stockwatch

Company	07/16 Close	1-Day Ch	Company	07/16 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	86.86	0.37	CONCURRENT:	7.32	UNCH
DISH:	65.51	0.18	CONVERGYS:	20.63	(0.14)
ENTRAVISION:	6.00	0.08	CSG SYSTEMS:	26.78	(0.09)
GRAY TELEVISION:	12.69	(0.04)	ECHOSTAR:	51.88	0.16
MEDIA GENERAL:	22.48	(0.12)	GOOGLE:	582.66	(2.12)
NEXSTAR:	48.47	(0.41)	HARMONIC:	6.01	0.03
SINCLAIR:	32.95	(0.15)	INTEL:	34.65	2.94
<b>MSOS</b>					
CABLEVISION:	18.54	0.34	INTERACTIVE CORP:	65.80	(0.69)
CHARTER:	163.98	0.84	JDSU:	12.02	(0.01)
COMCAST:	55.05	0.16	LEVEL 3:	46.61	1.29
COMCAST SPCL:	54.68	0.12	MICROSOFT:	44.08	1.63
GCI:	11.01	0.05	NIELSEN:	48.50	(0.03)
GRAHAM HOLDING:	695.62	(1.08)	RENTRAK:	55.16	1.65
LIBERTY GLOBAL:	44.47	0.05	SEACHANGE:	7.92	(0.07)
LIBERTY INT:	28.72	0.10	SONY:	16.76	0.23
SHAW COMM:	25.76	0.10	SPRINT NEXTEL:	8.14	0.03
TIME WARNER CABLE:	149.28	(0.03)	TIVO:	13.49	0.23
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	33.00	(2.19)	UNIVERSAL ELEC:	49.83	(0.65)
AMC NETWORKS:	63.61	2.73	VONAGE:	3.48	(0.05)
CBS:	60.85	1.35	YAHOO:	33.79	(1.82)
CROWN:	3.53	0.01	<b>TELCOS</b>		
DISCOVERY:	83.50	4.96	AT&T:	36.45	0.21
DISNEY:	85.35	(0.8)	CENTURYLINK:	37.12	0.13
GRUPO TELEVISIA:	35.03	0.11	TDS:	25.69	0.42
HSN:	56.01	0.02	VERIZON:	50.96	0.25
LIONSGATE:	31.11	1.44	<b>MARKET INDICES</b>		
MADISON SQUARE GARDEN:	61.96	1.20	DOW:	17138.20	77.52
SCRIPPS INT:	84.78	3.89	NASDAQ:	4425.97	9.58
STARZ:	28.95	0.46	S&P 500:	1981.57	8.29
TIME WARNER:	83.13	12.12	<b>TECHNOLOGY</b>		
VALUEVISION:	4.61	UNCH	ADDVANTAGE:	2.56	0.01
VIACOM:	87.57	2.90	ALCATEL LUCENT:	3.53	0.03
WWE:	11.88	(0.05)	AMDOCS:	47.46	(0.55)
<b>TECHNOLOGY</b>					
ADDVANTAGE:	2.56	0.01	AMPHENOL:	96.50	UNCH
ALCATEL LUCENT:	3.53	0.03	AOL:	38.57	(2.1)
AMDOCS:	47.46	(0.55)	APPLE:	94.78	(0.54)
AMPHENOL:	96.50	UNCH	ARRIS GROUP:	32.50	0.75
AOL:	38.57	(2.1)	AVID TECH:	7.58	(0.02)
APPLE:	94.78	(0.54)	BLNDER TONGUE:	0.98	0.05
ARRIS GROUP:	32.50	0.75	BROADCOM:	38.38	0.62
AVID TECH:	7.58	(0.02)	CISCO:	25.98	0.31
BLNDER TONGUE:	0.98	0.05			
BROADCOM:	38.38	0.62			
CISCO:	25.98	0.31			

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## Think about that for a minute...

### Never Mind

Commentary by Steve Effros

It's almost been an article of faith recently that "fiber to the home" was going to be the dominant, revolutionary telecommunications infrastructure of the future. After all, Blair Levin said so in the FCC's Broadband Report, and he's been promoting "1 Gig" fiber installation ever since. So has Susan Crawford, who thinks that local governments should jump into the business of building all new, magic, fiber systems because the federal government is not likely to do it (her preferred course) given that it would likely cost about \$300 billion to "fiber" the country the way she thinks it should be.



And these two "thinkers" have some pretty strong back-up. There's "Google Fiber," after all, which while it advertises itself as a "1 Gig" platform doesn't really deliver that speed, but hey... who's going to really know or care? There are a few other speedy experiments out there as well, and they are all anchored in the notion that the infrastructure already in place just won't cut it, that we need more, newer, better.

Well, a funny thing just happened. The folks at Bell Labs (now Alcatel-Lucent owned) have announced that they've figured out and done preliminary tests on a broadband delivery platform that works ten times faster than those "1-Gig" slowpokes. TEN TIMES faster! And guess what; the system uses copper wire! FTTP? Ooops. Never mind.

To be sure, it's experimental, and the 10-Gig speed has only been proved over 30-meter distances on the copper wire. That would mean that fiber to the home could be replaced by a hybrid fiber-to-the-node coax system and would really be the "infrastructure of the future." Hey, wait a minute, that's what the industry has already built!

Now I have no idea what the future holds, or whether even a 1, let alone a 10-Gig system makes any sense

whatsoever with regard to home broadband usage. That's not the point. What this latest scientific development proves without any doubt, however, is that those who promote government mandated solutions for the technology that they might think is "the best" at any given moment are almost guaranteed to be wrong in the long run. Guessing where science and technology are going to go is a losing proposition, and "betting" public money, or requiring the expenditure of private money on the latest fad is just bad policy for both the government and private enterprise.

I've said repeatedly over the years that what we're experiencing in the telecommunications space is an evolution, not a revolution. Yes, it can have revolutionary results. The effects of new technology have certainly changed the world. But those changes happen over time, and the technology constantly evolves. The "Fiber Miracle" phase should hopefully be just about over. The hype was way over the top, to borrow a phrase. Well before the "Google Fiber" PR machine arrived, the cable industry had started developing DOCSIS 3.1 back in 1999. It has "1-Gig" capability and always anticipated working on hybrid systems. Now it looks like the copper wires already in place around the nation may some day have capabilities ten times what was envisioned, and don't be surprised if it winds up being more.

I'm in no way saying here that fiber is bad. It's not, it's good technology. But grabbing on to the latest technological craze is not the way to develop good policy, and it's certainly not the way government should go about deciding that it has to spur "revolutionary" growth. That's a formula for expensive excess. Let the evolution begin.

*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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