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Viacom's View: We Are Young & Virtual MVPDs Could Set the World on Fire

Sony's planned cloud-based TV service got some street cred Wed with the announcement of a deal with **Viacom** to carry 22 networks at launch. The agreement, Viacom's 1st-ever for Internet-based live TV, includes the programmer's VOD package. "For us, it was a great innovation. We worked with them. We're the 1st announced programmer. We're the 1st ones to talk to them," Viacom CEO *Philippe Dauman* said at **Goldman Sachs**' annual Communacopia conference Wed. "This category, virtual MVPD… is another innovative, exciting delivery service which will give consumers more of what they want and will benefit the whole industry in that other existing players will feel we need to do better in giving consumers what they want." Dauman knew some of the details, like potential price points, but said he'd let Sony announce the service. At CES, Sony said it would begin testing the service this year. It doesn't hurt that Sony's service could appeal to the same younger audience that watches **MTV**, **Nick** and other nets in the portfolio. "They have a large network of gaming devices and smart TVs. They view that using cloud-based delivery as the end part for delivery," Dauman said. "When you look at where young audiences are spending a lot of time, they're spending a lot of time with gaming devices. So to be able to offer this content on devices they already enjoy is another exciting part of doing this with Sony." Those 22 linear nets include flagship channels as well as nets that some distributors have complained are ancillary, such as **Palladia** and **MTV Hits**. No surprise that Dauman scoffed at that notion, declaring that MTV2 is "not just MTV also," with its own original programming and record ratings. "We're investing in these channels and creating more value," he said. Cablevision has filed an antitrust lawsuit against the programmer, claiming it illegally ties the brand extensions to its must-have networks. "We have always offered channels individually. Obviously, if you take more channels, you get a discount. It's like any other product," Dauman said. "The proportion of affiliate spending we get is still in the single digits despite this double-digit growth we've had in overall revenues. We provide great value for what we deliver." Not everyone agrees with **Cable One** and some smaller **NCTC** members opting to drop the Viacom nets earlier this year. Dauman said he doesn't think the drops portend much of anything, saying that Viacom actually exceeded its target number of subs with the new NCTC deal. "We got out of that deal over 4.6mln subs at much enhanced terms," he said.

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Investor Conference Notebook: When it comes to alternative distribution models, **Disney** "looks at technology as a friend and not an enemy… The status quo can't be a business plan," senior evp and CFO *Jay Rasulo* said at **Goldman Sachs**' investor conference Wed. Disney has been quick to embrace new models, such as putting **ABC** shows on **iTunes** for download, working with **Netflix** on SVOD and signing on to **DISH**'s forthcoming personal subscription service. That said, being first isn't everything. "It's not worth sacrificing quality to be first into the market," Rasulo said, explaining that Disney could have entered the market earlier with TVE Watch products of lesser quality but chose to ensure they were consumer friendly from the outset. On OTT and SVOD: "We try to use technology both to enhance the ecosystem that we're a big part of—the MVPD ecosystem… but at the same time try to move our media and our brands and our products into new delivery systems." The CFO said DISH's planned OTT service is targeted at those who have not entered the ecosystem due to economic reasons and will act as more of an "on ramp" for new customers. "We see it as an opportunity for people to sample" the content that brings value to the cable subscription, Rasulo said—and that includes live sports content, which "essentially really is the driver" behind the system. "You're not going to buy SVOD for sports." -- If you were looking for **Comcast** to provide evidence of a tailwind in housing and the economy, we're sorry to disappoint. *Jason Armstrong*, svp of investor relations, said that capital expenditures on line extensions have "rebounded off the bottom" but are still less than half the levels of 2007. He described it as "sort of minor improvements." Competitively, Comcast is seeing the same type of promotional offers in Q3 as Q4. -- **Charter** CEO *Tom Rutledge* said Charter's Comcast-**Time Warner Cable** related transactions would probably close about 45 days after the Comcast-TWC deal. The regulatory process is "moving along nicely," he said, noting he'd met with **Comcast Cable** chief *Neil Smit* and other Comcast execs earlier in the day to work on transition service agreements that have to happen before the companies can hand over customers to one another.

Bewkes on Fox: With **Time Warner**'s growth focused on reinvigorating programming at *Turner* (including doubling its original programming over the next couple of years), a robust demand in both TV programming and a strong film pipeline from **Warner**, and **HBO**'s global growth and new distribution methods, the company simply "didn't think it made sense to interrupt and put at risk what we have as plans, which are so good, for the kind of risks inherent in undertaking that," said TWX CEO *Jeff Bewkes* at the **Goldman Sachs** 23rd Annual Communacopia Conference Wed. "We studied that and took it very seriously… we're very confident about the growth prospects… What we've got that's going to happen in the next few years is pretty big. We don't think there's a lot of risk to what we're setting out to do. And we do think there was a fair amount of risk in undertaking that kind of a large combination."

Vocal on Local Choice: Sens *Deb Fischer* (R-NE) and *Richard Blumenthal* (D-CT) fired off a letter to **CBS** pres/CEO *Les Moonves* Wed, asking for more info on reports that CBS refused to run **ATVA** radio ads in support of the Local Choice proposal. Among other things, they want to know if CBS provided ATVA with a reason for not airing the ads and whether CBS would consider denying ads by political committees and other entities whose policy views it disagrees with. Local Choice was dropped from the draft of **Sen Commerce**'s version of STELA as the cmte needs to make sure the satellite bill passes out of committee in the next week. It sounds like the issue isn't dead, with Sens *Jay Rockefeller* (D-WV) and *John Thune* (R-SD) pledging to continue discussion on the proposal. ACA noted that the Sen Commerce draft—Satellite Television Access and Viewer Rights Act (STAVRA)—continues to contain some retrans reform-friendly provisions. For example, it directs the FCC to conduct a rulemaking to consider ways to revise its good-faith bargaining rules and bans separately owned TV stations from collectively negotiating retrans consent. **NAB** applauded the removal of Local Choice from the legislation, but said it remains seriously concerned with a number of provisions in STAVRA.

RSN Lawsuit: **Comcast, DirecTV** and **YES** told a federal judge this week that they would join **MLB**'s appeal of the court's ruling that the baseball antitrust exemption does not apply to a subject not central to baseball—in other words, it doesn't apply to TV broadcasting rights. Fans of MLB and NHL have sued the providers and their RSNs over being forced to pay high out-of-market fees to watch games.

Emergency Reminder: The **FCC** issued a notice Wed reminding distributors of their obligation to make emergency info accessible to persons who are deaf, hard of hearing, blind or visually impaired. The agency stressed that the need to comply isn't always limited to the immediate geographic areas affected by the emergency. For example, when Hurricane Sandy struck, there was a need to comply with the rule in areas where evacuees were temporarily relocated, the FCC said.

Energy Savers: **SCTE** and **CableLabs** are linking up to provide the industry with end-to-end strategies that can reduce

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energy consumption and costs in facilities, plants and fleet, as well as in the home. The increased cooperation includes greater sharing of information and resources, as well as cross-representation that assures that activities undertaken by either organization are aligned with the needs of the other. The 2 will highlight the approach via exhibits at Cable-Tec Expo this month.

Grande Gigabit: Overbuilder **Grande** is now offering its 1 GB Internet service to customers in Buda, TX. Grande was the 1st ISP to offer 1 gig in Austin in Feb. The service carries a $65/month price tag.

Programming: **E!** greenlit "*Christina Milian* Turned Up," a docusoap following the singer and actress. It debuts early 2015. – This fall **AXS TV** will bow country music doc series "Discovering Lucy Angel," which follows the mother-daughter trio as they work to launch their music career. -- There's 104 more days 'til Christmas and 49 days until the kickoff of **Hallmark Channel**'s annual "Countdown to Christmas." This year's more than 1300 hours of Christmas-themed content kicks off on Oct 31 with "A Princess for Christmas." The 1st new movie of the season, "One Starry Christmas," bows Nov 1.

DISH Board: *Afshin Mohebbi* was appointed to **DISH**'s board on Mon. He's a private investor and adviser to public and private companies, serving as senior adviser to **TPG Capital** since March 2003. Prior to that, he was pres/COO of **Qwest**.

CableFAX Daily Stockwatch

Company	09/10 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	86.65	0.03
DISH:	65.76	(0.12)
ENTRAVISION:	4.67	0.26
GRAY TELEVISION:	9.19	(0.11)
MEDIA GENERAL:	15.09	(0.37)
NEXSTAR:	44.45	(0.01)
SINCLAIR:	28.15	0.15
MSOS		
CABLEVISION:	18.92	(0.18)
CHARTER:	157.63	1.11
COMCAST:	56.91	0.30
COMCAST SPCL:	56.61	0.30
GCI:	11.02	0.02
GRAHAM HOLDING:	708.80	3.45
LIBERTY GLOBAL:	42.11	0.48
LIBERTY INT:	29.41	(0.16)
SHAW COMM:	25.23	0.01
TIME WARNER CABLE:	153.51	0.89
PROGRAMMING		
21ST CENTURY FOX:	35.55	(0.12)
AMC NETWORKS:	62.69	(0.71)
CBS:	57.64	(0.22)
CROWN:	3.33	UNCH
DISCOVERY:	40.97	0.06
DISNEY:	89.52	(0.08)
GRUPO TELEVISA:	36.14	0.22
HSN:	60.06	(0.11)
LIONSGATE:	33.34	0.44
MSG:	65.72	0.31
SCRIPPS INT:	78.63	0.22
STARZ:	31.24	(0.11)
TIME WARNER:	75.93	(0.46)
VALUEVISION:	5.13	0.06
VIACOM:	80.24	0.91
WWE:	14.74	0.12
TECHNOLOGY		
ADDVANTAGE:	2.33	UNCH
AMDOCS:	47.93	(0.13)
AMPHENOL:	103.40	(0.04)
AOL:	42.03	(0.26)
APPLE:	101.00	3.01
ARRIS GROUP:	30.49	1.05
AVID TECH:	9.05	0.13
BLNDER TONGUE:	1.47	(0.01)
BROADCOM:	40.62	0.42
CISCO:	24.93	0.07
CONCURRENT:	7.91	0.04
CONVERGYS:	18.59	0.31
CSG SYSTEMS:	27.10	0.28
ECHOSTAR:	51.25	0.21
GOOGLE:	583.10	2.09
HARMONIC:	6.93	0.03
INTEL:	35.02	0.11
INTERACTIVE CORP:	71.64	(0.3)
JDSU:	12.11	0.40
LEVEL 3:	45.18	(0.19)
MICROSOFT:	46.84	0.08
NIELSEN:	45.77	(0.3)
RENTRAK:	52.40	0.72
SEACHANGE:	7.69	(0.19)
SONY:	19.50	0.30
SPRINT NEXTEL:	6.15	0.38
TIVO:	13.10	(0.09)
UNIVERSAL ELEC:	54.60	UNCH
VONAGE:	3.50	0.03
YAHOO:	41.14	0.36
TELCOS		
AT&T:	34.70	0.04
CENTURYLINK:	39.69	(0.3)
TDS:	26.18	(0.01)
VERIZON:	48.75	(0.15)
MARKET INDICES		
DOW:	17068.71	54.84
NASDAQ:	4586.52	34.24
S&P 500:	1995.69	7.25

Facts and Data

Commentary by Steve Effros

Periodic pleas for regulations based solely on facts and data have been consistent across administrations, parties and battling points of view for many years. Recently we heard uniform complaints that the FCC's Chairman was basing actions purely on ideological positions rather than data and facts. When Chairman Genachowski took office, he assured everyone he would change that, but he was soon accused of the same malady. Enter Chairman Tom Wheeler, with promises, once again, to focus on "fact based" decision making.

That was cheered by those who characterize themselves as the "public interest" lobby. They claim to represent "the public" or "consumers" and it comes as no surprise, all of us being "consumers" and "the public" regarding something, that we always want more, better and cheaper. Hey, "free" would be even better! So the fact that these groups are always convinced of the mean-spirited, greedy, nefarious nature of the suppliers of the goods and services that they want more of, at better quality, for less cost should not come as a surprise.

What has caught them a little off-guard, however, is this "data" and "fact" thing they have championed for so long. In the context of broadband delivery, they've been having a real problem. You see the calls for "Title II" regulation are predicated on the idea that there is a serious and dangerous problem with broadband delivery of the Internet. The fears they articulate are vivid: blocking web sites the ISP doesn't want you to see; charging "edge" providers for access or speed, thus disadvantaging others; intentionally maintaining an inadequate infrastructure; charging excessive rates. All of these things make up the mantra that results in the conclusion that the government must both regulate more and become more involved in the construction and ownership of the infrastructure.

But there's a big problem with this endlessly repeated screed. There are virtually no facts or data to back it up. When the allegations about "blocking" and "intentionally slowing down" competitors got to court, only four examples out of hundreds of millions of transactions could be pointed to by the government and the "public interest" advocates of more regulation. Indeed, the industry had no problem with reasonable regulatory language regarding either subject, and never has. The same thing is true of access. So the loud and long harangues and hand wringing are based more on the personal anxieties and biases of those doing the hand wringing rather than any facts and data supporting their pot-banging.

As to speed and "prioritization," the US has faster, more ubiquitous broadband delivery to a larger area and population than any other nation in the world. The EU, which adopted the more regulatory approach being called for here, has now concluded they should convert to the American model. As to "prioritization," the charge is that it will "slow down" the "regular" lanes of Internet delivery, but Express Mail, UPS Tiered service and HOV lanes all have proved, with data, that's simply not true. In fact, it's the opposite!

So what to do if you're a "true believer"? Simple: create new data! They can't prove we are "slowing down" the Internet, because we're not, and "prioritization" won't either, so they have to do it themselves and claim that has some meaning! Have artificial "slow down" demonstrations, pump in 60 percent of the filings to the FCC as form letters from folks who have no idea what "Title II" even means. Then claim that's why the Commission should act. So much for facts and data.

Steve

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