

# Cablefax Daily™

Friday — October 17, 2014

What the Industry Reads First

Volume 24 / No. 202

## Full Stream Ahead: CBS Joins the OTT Party

Remember the battle between **CBS** and **Time Warner Cable** last year—and how it was digital video rights, not price, that was the major sticking point? We might have a better idea at what was at stake with CBS' announcement Thurs that it has launched a \$5.99/month digital subscription service straight to consumers. Dubbed "CBS All Access," it will offer subs thousands of eps to stream from current season shows as well as previous seasons and classic shows on demand. Subs in CBS' 14 O&O markets have access to live streaming of CBS stations—that includes a simulcast of sports, except for **NFL**. CBS will try and do deals with affiliates for more live streaming, with those discussions already underway. It doesn't seem to be something that MVPDs can bundle for subs at this time. According to a CBS spokesman, "All Access is not tied to any distributors at this time. It's a direct to consumer offering." With CBS' announcement coming just 1 day after **Time Warner** revealed it's planning to offer a standalone **HBO** service next year, some are questioning whether the unbundling floodgates have been opened. There's pretty big difference though between a premium net going over-the-top and a free, over-the-air broadcaster charging to go over-the-top (no surprise to see **ACA** staffers on **Twitter** suggesting CBS has revived **Sen Commerce** leaders' Local Choice proposal, which would have consumers pay broadcasters directly for channels instead of their MVPD negotiating carriage). Distributors we contacted didn't seem too concerned. Time Warner's OTT move isn't as "disruptive" as some people might think, **Mediacom** group vp, legal and public affairs *Tom Larsen* said. "Having high quality video product online can make broadband more valuable for consumers." But **DirectTV's** statement seemed a bit more cautionary: "DIRECTV embraces more choice and access to content, and understands consumers are looking for OTT options. The challenge for providers and programmers alike is to adapt to changes in consumer demand in a way that keeps the ecosystem in balance or risk losing meaningful advertising and affiliate revenue streams that could drive our collective businesses backwards." Of course, there are a lot of questions to be answered about all of this... Does this help operators in retrans blackouts? What sort of support do CBS and HBO have in place to handle billing, customer service, etc? What happens if lots of people try to stream an ep at the same time and crash the service a la last season's "Game of Thrones" on HBO Go? **MoffettNathanson** analysts want to know if regulation will impair cable operators' ability to respond to OTT video through the re-pricing of broadband. "While it seems likely that usage-based pricing will not be statutorily

# Corporate Licenses

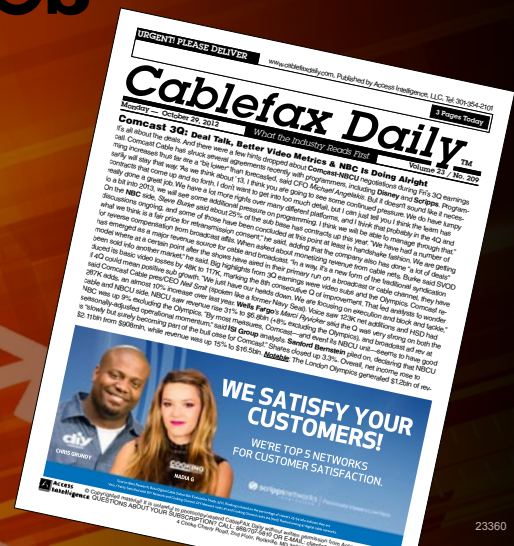
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blocked, it is likely to be off-limits from a practical point of view,” they wrote in a blog post. “If **Comcast** were to emerge from the current regulatory process [for TWC] with a relatively clean bill of health and then shortly thereafter begin to enforce strict usage caps and to charge for incremental usage, the company would almost certainly be dragged back into the FCC for yet another round of punishment.” **Bernstein** analysts are more focused on what sort of risks these offerings present programmers, not distributors. “The first sign of cannibalism won’t be a drop in pay-tv subs. The first sign of cannibalism will be a decrease in the usage of pay-tv, i.e. lower aggregate ratings. That is happening, with an especially alarming drop in Q3.” For 3Q, 18-49 C3 ratings were down 8% for cable and 2% for broadcast, according to MoffettNathanson’s analysis. CBS All Access is already up and running at CBS.com, offering consumers a free 1 week trial. It’s also available through the CBS app for IOS and Android, with other devices to be added in the coming months. “This new subscription service will deliver the most of CBS to our biggest fans while being additive to the overall ecosystem,” CBS pres/CEO *Les Moonves* said in a statement. “Across the board, we continue to capitalize on technological advances that help consumers engage with our world-class programming, and we look forward to serving our viewers in this new and exciting way.”

**Stock Meltdown:** It’s been a real brutal month on Wall Street. The stock market selloff that started last month has only accelerated in Oct, with the S&P 500 Index down around 8% from its all-time high in Sept. The Dow Jones Industrial Average plunged as much as 460 points Wed. Pay-TV providers’ stocks weren’t immune to the meltdown. **Charter**, which saw its share price go above \$162 last month, ended Thurs just above \$140. **Comcast** shares featured a similar down trend, going from around \$57 last month to below \$51 this week. **Time Warner Cable** and **DISH** shares were both down more than 10% over the previous month. Programmers? Similar situation. **AMC Nets** and **Disney** shares were both down around 10% over Sept. **Time Warner** shares, which went up Wed thanks to the OTT announcement, were down around 5% over the same period last month.

**Pai Speaks:** Republican **FCC** commish *Ajit Pai* worried the agency might go down the Title II path, which ISPs are strongly against. To make his point, Pai cited former President *Ronald Reagan*, who said that the “government’s view of the economy could be summed up in a few short phrases: If it moves, tax it. If it keeps moving, regulate it. And if it stops moving, subsidize it.” “Unfortunately, I am worried that’s where the FCC might be headed when it comes to the Internet,” Pai said in a speech at the **Wireless Internet Service Providers Association** conference in Las Vegas this week. By imposing Title II regulation, universal service charges would be added to consumers’ broadband bills and “onerous” new regulations would be placed on service providers, he said. In addition, WiFi, which is used mainly as a customer retention tool by MSOs, could generate additional revenue stream for cable.

**Moody’s Take on Cable:** Due to the maturing video business, cable’s cash flow margins are expected to decline, said a report by **Moody’s**. Cash flow growth is expected to be around 2-3%, compared to the 4% growth rate expected this year. That said, thanks to potentially continuous growth from broadband and enterprise services, profit margins would be steady in the near-term. “It’s the broadband business now, and speed upgrades make it cable’s game to win,” the rating service said. When it comes to enterprise service, Moody’s analysts expect cable to continue to grow, partly thanks to consolidation. For example, a bigger Comcast could serve larger customers in major metro areas. Moody’s predicts 7-10% annual revenue and cash flow growth for cable’s enterprise unit for the next few years.

**More from Netflix:** **Netflix** is looking to continue, if not accelerate, its international expansion. The company has been extremely consistent in terms of its long-term international strategy, saying that “we are going to take all of our profits and put them into international expansion, because we see it as such a big opportunity,” CEO *Reed Hastings* said during the company’s earnings conference call late Wed. “There’s a lot of our content choices that have proven to be extremely global, starting with all of our original series” such as “Orange is the New Black” and “House of Cards,” chief content officer *Ted Sarandos* said. These buys bode well for future expansion in all territories, he said. In addition, “we have hit kind of a financial tipping point where we can move forward on buying up more territories than we are currently operating in versus playing catch-up, which we had been doing...” he said.

**Frontier’s AT&T Deal OK’d:** The **CT Public Utilities Regulatory Authority** gave Frontier final approval for its \$2bln purchase of **AT&T’s** landline and U-verse business in the state. The deal is set to close next Fri. The approval followed a 10-month process in which Frontier presented detailed info about its products, capital investment and workforce management in the state. *Paul Quick* will lead Frontier’s CT operations as svp, gm and will be based in Hartford.

# BUSINESS & FINANCE

**Race Ratings:** NBCU is feeling pretty good about its upcoming presentation of the US Grand Prix on Nov 2. **NBC Sports Net** has averaged 377K for its first 11 races, up 93% vs last year and on-pace for the best-ever F1 season for a cable net since 2002. Viewership is up about 39% compared to **Speed's** F1 coverage in 2012.

**Public Affairs:** **BBC World Services** has launched an Ebola information app in West Africa that includes public health info and breaking news in English and French. It's also featuring a new, daily 10-minute Ebola bulletin on BBC World News TV.

**On the Circuit:** **NAMIC** launched Class XIV of its Executive Leadership Development Program on Sept 30. The class, a collaboration with the University of Virginia Darden School of Business, comprises of 4 sessions that run from Dec to April.

**People:** **Pam Bertino** was named svp, content distribution for **TVGN** (which rebrands as POP next year). She most recently served as svp, content distribution at **Ovation**.  
 -- **Sarah Davies** was named vp, production and development at **Discovery Family** (formerly The Hub) in **Tom Cosgrove's** 1st executive appointment since taking the helm of the channel. She previously was vp, production and factual development for **Discovery Nets Intl.** -- **David Phillips** was promoted to vp, brand marketing and creative at **Spike**.

## CableFAX Daily Stockwatch

Company	10/16 Close	1-Day Ch	Company	10/16 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	83.88	0.25	CONVERGYS:	18.04	(0.02)
DISH:	57.96	(0.9)	CSG SYSTEMS:	25.66	0.44
ENTRAVISION:	4.54	0.06	ECHOSTAR:	44.50	0.33
GRAY TELEVISION:	8.50	0.51	GOOGLE:	524.51	(5.52)
MEDIA GENERAL:	14.11	0.44	HARMONIC:	6.04	(0.07)
NEXSTAR:	40.87	0.90	INTEL:	30.85	(0.42)
SINCLAIR:	27.16	1.01	INTERACTIVE CORP:	58.48	(0.43)
<b>MSOS</b>					
CABLEVISION:	17.29	(0.14)	JDSU:	11.84	0.09
CHARTER:	140.25	(2.2)	LEVEL 3:	39.88	0.17
COMCAST:	49.59	(1.26)	MICROSOFT:	42.74	(0.48)
COMCAST SPCL:	49.52	(1.24)	NIELSEN:	41.59	(0.23)
GCI:	11.01	(0.1)	RENTRAK:	72.90	(1)
GRAHAM HOLDING:	689.00	(1)	SEACHANGE:	7.33	(0.17)
LIBERTY GLOBAL:	41.75	0.46	SONY:	16.89	0.15
SHAW COMM:	24.05	UNCH	SPRINT NEXTEL:	5.94	(0.17)
TIME WARNER CABLE:	131.88	(4.26)	TIVO:	12.71	0.34
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	32.50	0.73	UNIVERSAL ELEC:	51.56	(0.1)
AMC NETWORKS:	55.32	0.32	VONAGE:	3.29	(0.1)
CBS:	51.18	0.43	YAHOO:	38.12	0.29
CROWN:	3.24	UNCH	<b>TELCOS</b>		
DISCOVERY:	34.19	(0.26)	AT&T:	33.64	(0.23)
DISNEY:	81.74	(0.34)	CENTURYLINK:	38.30	(0.31)
GRUPO TELEvisa:	33.03	(0.52)	TDS:	23.40	0.20
HSN:	60.62	(0.34)	VERIZON:	47.67	(0.25)
LIONSGATE:	30.17	0.11	<b>MARKET INDICES</b>		
MSG:	62.02	0.30	DOW:	16117.24	(24.5)
SCRIPPS INT:	71.61	(1.89)	NASDAQ:	4217.39	2.07
STARZ:	30.16	(0.57)	S&P 500:	1862.76	0.27
TIME WARNER:	75.41	3.20			
VALUEVISION:	5.07	0.04			
VIACOM:	68.30	0.05			
WWE:	13.99	(0.04)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.36	0.05			
AMDOCS:	44.43	(0.58)			
AMPHENOL:	47.20	0.13			
AOL:	38.64	0.19			
APPLE:	96.26	(1.28)			
ARRIS GROUP:	24.81	0.15			
AVID TECH:	9.60	0.20			
BLNDER TONGUE:	1.10	0.05			
BROADCOM:	35.31	(0.15)			
CISCO:	22.82	(0.14)			
COMMSCOPE:	24.79	0.04			
CONCURRENT:	7.12	0.18			

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# PROGRAMMER'S PAGE

## Context Matters...

With a dizzying amount of video content now available on multiple platforms, busting through the noise with a one-fits-all sledgehammer to promote shows hardly cuts it anymore. These days, programmers want consumers to find them more organically. And when it comes to entertainment discovery, that may require a higher level of contextual intelligence. "The time to act is now to better compete with emerging threats... and more importantly drive revenue," said **IDC** research director *Greg Ireland* during **Cablefax's** webinar on Thurs, sponsored by **Rovi**. For consumers, context could mean the difference between finding a show (and falling in love with it) and simply getting lost in the clutter. And in the end, the more consumers that find content they want, when they want it, the higher the ratings and ad revenue. Let's say someone searches for "financial crisis" within a navigation menu. Does that call up movies like *Margin Call* and *Too Big Too Fail* (probably what they were looking for) or does it just call up everything with "financial crisis" in its title or description? The former is of course preferable. *Daren Gill*, Rovi product vp, advanced search and recommendations, urged operators to "optimize for very different situations" by combining metadata, Big Data about the consumer and, of course, contextual elements such as time of day or device used. "Understanding that context allows you to add a level of dynamic and a level of intelligence to the user experience," he said. Social media can play a big role here, with Rovi's own extensive field tests suggesting that recommendations based on what consumers have recently posted on **Facebook** and **Twitter** has a "much higher engagement in terms of clicks and what was watched" than basing them on what their friends are watching or discussing online. In the end, it seems context matters. And really, is that any surprise? To listen to a recording of the entire webinar, click [here](#). – *Michael Grebb*

**Reviews:** "Private Violence," Mon, 9p, **HBO**. By telling the stories of a survivor and an advocate, this compelling documentary touches many salient issues surrounding violence against women. Chief among them is the guilt that often invades women who have been battered, physically and mentally. Despite a tremendous beating by her spouse, *Deanna Walters* insists initially, "I feel like it's my fault." Fortunately advocate *Kit Gruelle* is an experienced hand, helping Walters regain confidence and training police to spot signs of abusive relationships, particularly when fear and unjustified guilt silence female victims. -- "30 for 30: When The Garden Was Eden," Tues, 9p, **ESPN**. This excellent doc series often examines sports through a social lens or focusses on a particular athlete, season or game. "Eden" instead pens a love letter to a team, the N.Y. Knicks, and several great seasons of the early 1970s, when its diverse roster included future Hall of Famers, a senator, a basketball commissioner and a bench player who'd become the winningest coach of all time, *Phil Jackson*. While many themes could have been treated more deeply, Eden in the end is a nostalgic tribute to a very special team. -- "American Dad!" premiere, Mon, 10p, **TBS**. The dysfunctional Smiths move to TBS from **Fox**. They're not the Griffins, but new eps provide plenty of grins. - *Seth Arenstein*

Basic Cable Rankings (10/06/14-10/12/14)			
Mon-Sun Prime			
1	ESPN	2.5	2335
2	TBSC	1.7	1626
3	AMC	1.5	1415
4	FOXN	1.4	1360
4	USA	1.4	1350
6	DSNY	1.3	1243
7	FS1	1.2	1063
8	FX	1.1	1050
9	HGTV	1.0	942
10	HIST	0.9	892
11	ADSM	0.8	806
11	FAM	0.8	775
11	LIFE	0.8	743
11	DISC	0.8	734
11	TNT	0.8	731
11	DSE	0.8	54
17	SYFY	0.7	675
17	TLC	0.7	667
17	A&E	0.7	664
17	FOOD	0.7	652
17	NAN	0.7	635
17	ID	0.7	580
23	BRAV	0.6	588
23	SPK	0.6	561
23	ESP2	0.6	524
23	HALL	0.6	518
23	DSJR	0.6	455
23	NFLN	0.6	408
29	CMDY	0.5	464
29	TVLD	0.5	449
29	OWN	0.5	386
29	HMM	0.5	290
33	MSNB	0.4	409
33	MTV	0.4	405
33	CNN	0.4	397
33	APL	0.4	395
33	VH1	0.4	382
33	WETV	0.4	354
33	DXD	0.4	353
33	NGC	0.4	339
33	TRU	0.4	330
33	BET	0.4	326
33	LMN	0.4	300
33	NKJR	0.4	271
33	H2	0.4	268
46	EN	0.3	317

\*Nielsen data supplied by ABC/Disney



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