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What the Industry Reads First

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Commerce Report: As Broadband Speeds Increase, Competition Suffers

ISPs might not like the conclusions of a **Commerce Dept** report, which found that “far more” competition exists at slower speeds than at higher speeds. Specifically, at download speeds of 3 Mbps, 98% of the US population can choose between at least 2 mobile ISPs, and 88% can access 2 or more fixed ISPs. However, when multiple household members use video streaming services, music streaming and online games, 3 Mbps can “quickly become inadequate,” said the report by the agency’s **Economics and Statistics Administration**. At somewhat higher speeds such as 10 Mbps, users typically can choose among 2 fixed ISPs and 3 mobile ISPs. At speeds greater than 10 Mbps, the number of providers decreases further. For example, the report said only 37% of the population has a choice of 2 or more fixed-service providers at speeds of 25 Mbps or greater, and only 9% had 3 or more choices. In addition, the report found 4 out of 10 Americans don’t live where “very-high-speed” broadband service (100 Mbps or faster) is available. Of those with access to fixed broadband service at this speed, 8% had 2 or more choices, and only 1% had access to 3 or more. Around 3% of the population had access to 1 Gbps or greater speeds, and none had 2 or more ISPs at that speed. That said, numerous major ISPs, including **Cox, Charter, Bright House** and **AT&T**, have launched major initiatives this year to offer their residential customers gigabit broadband service. And as many ISPs noted in their recent earnings reports, consumers are migrating from lower speeds to higher tiers. The report seems to echo **FCC** chmn **Tom Wheeler’s** call for new definition of broadband, from 4 Mbps to 10 Mbps, and even 25 Mbps. “We know that competition typically drives down prices. And we also know that increasingly, higher Internet speeds are required for optimal functionality of popular, high-bandwidth computing applications. As more and more commerce and information move online, we risk further widening the digital divide if access to affordable, higher speed Internet doesn’t keep pace,” Commerce’s chief economist **Sue Helper** said in a blog post. “All else being equal, having fewer competitors at a given speed is likely to drive up prices. As a result, some consumers will decide not to adopt Internet at all, some will choose a slower speed and some will economize in other ways,” the post said. **Scott Cleland**, head of **NetCompetition**, a pro-competition e-forum backed by broadband companies, told us



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he thinks the report seeks to “undermine the state of broadband competition in America” to justify *President Obama’s* call for Title II regulation, and Cleland argued that “America enjoys more robust facilities-based broadband competition than most any country in the world.”

DISH Adds Netflix: Netflix continues to strengthen its ties with pay-TV providers, inking an agreement with DISH to integrate the Netflix app, following its move earlier this year to launch on 3 smaller companies through an app on TiVo platform. Available on DISH’s 2nd-generation Hopper, the DISH-Netflix app would allow DISH customers who are also Netflix subs to stream Netflix content. The app is expected to offer the same Netflix user interface found on most other platforms. DISH plans to roll out the app to other set-top platforms, including Joey, Super Joey and Wireless Joey. In addition, titles available on Netflix could be integrated into the search feature across live, recorded and VOD programs for both the Hopper and DISH’s to-be-launched OTT service.

TV One Names Pres: TV One tapped UP vice chmn *Bradley Siegel* as its new president. He’ll report to chmn/CEO *Alfred Liggins*. Siegel co-founded UP with current UP CEO *Charley Humbar* and announced his departure from the net in Oct. Prior to UP, Siegel was president of **Turner Entertainment Networks for Turner Broadcasting System.**

O’Rielly Confirmation: FCC Republican commish *Michael O’Rielly*, whom *President Obama* nominated to a full term earlier this year, was confirmed by the Senate late Tues for a 5-year term.

Vessel Update: Former Hulu CEO *Jason Kilar* is ready to launch his potential YouTube competitor **Vessel** early next year. In a blog post Wed, he said users will be able to gain early access to premium content on Vessel for \$2.99 a month. The service will also offer a free, ad-supported version, in which videos become available after the early access period. Kilar wrote that the venture’s business model—subscription plus advertising—is expected to net creators approx \$50 per 1K views. After the early access period, creators can continue to monetize their content through distribution of their videos. “Free, ad-supported distribution plays an important role in the future of video, and we do not see that changing. Vessel was created to serve as a critical, missing piece of the puzzle for content creators, with Vessel playing one part among many that collectively help creators achieve their dreams,” Kilar said. Most creators and content owners today put their work on the free, ad-supported Web hoping to create a sustainable business, but Kilar said “they often only earn low, single-digit dollars for every thousand views their videos generate.” At this level of monetization, it’s “extremely challenging—if not impossible—for most creators and content owners to realize their creative and professional ambitions if this is the sole manner in which they release their content,” he said.

New Cuba Policy: *President Obama’s* new Cuba policy could benefit the telecom sector as tech sales to the country would be allowed. “I’ve authorized increased telecommunications connections between the United States and Cuba... Businesses will be able to sell goods that enable Cubans to communicate with the United States and other countries,” the President said in a release. **CEA** is pleased with the move. “We welcome and are particularly excited about the new measures allowing the commercial export and sales of consumer communications devices, software hardware and services. These efforts will provide exciting new market opportunities for our members and parallel our advocacy for expanded free trade globally. More, these measures will increase Cubans’ access to the benefits consumer communications technology brings to the world—eliminating the borders of time and geographic location to bridge global communities, democratize access to information and entertainment content, and provide new hope for promoting democracy and human rights,” pres *Gary Shapiro* said in a statement.

Airport CNN: **CNN Airport Network** inked a deal to add service at the San Diego International Airport and renewed contracts in 22 airports across the country, including Reagan International Airport and Dulles International Airport, and George Bush Intercontinental Airport and William P. Hobby Airport in Houston. The net is also beefing up its programming lineup by adding CNN content such as “*Anthony Bourdain: Parts Unknown*,” and **truTV’s** “*The Carbonaro Effect*.”

Cable Rates Report: We reported this week that the latest **FCC** media bureau report found the average monthly price of expanded basic service has increased by 3.1% in 2013 from 2012. The agency bases the percentage increase on published rates, or standard rates. No discounts or promotional rates are factored in.

BUSINESS & FINANCE

Programming: Lifetime premieres original movie "Beautiful & Twisted," which explores a couple's relationship that ends in one of the most notorious cold-blooded murders in recent history, on Jan 31. -- On Christmas morning, **SEC Net** looks to warm up your living room with a virtual fireplace featuring a burning blaze. The Yule Log will be accompanied by a playlist of SEC college fight songs and holiday music. -- **FX** will launch its new late-night animation programming block on Jan 22, featuring new eps of "Lucas Bros. Moving Co." and Stone Quackers." Following the official launch, the animation block will air on Thurs at midnight.

People: Starz promoted *Scott Barton*, *Amy Kline*, and *Eric Neal* to svps in the Denver-based Starz Program Planning department. Barton was promoted to the newly created position of svp of branded digital content and products, while 18-year Starz vet Kline was upped to the newly created position of svp, programming operations/quality control. Neal was promoted to the newly created position of svp, program planning. -- **Syfy** tapped *Chris Regina*, the mastermind behind *Sharknado*, to svp, program strategy for Syfy and **Chiller**. He will report to *Dave Howe*, pres of Syfy and Chiller.

Editor's Note: Tick, tock... Don't forget that the **Cablefax** Digital Awards deadline is this Fri. More info: www.cablefax.com

CableFAX Daily Stockwatch

Company	12/17 Close	1-Day Ch	Company	12/17 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	83.21	0.65	CONVERGYS:	20.05	0.36
DISH:	69.72	1.24	CSG SYSTEMS:	25.00	0.56
ENTRAVISION:	7.12	UNCH	ECHOSTAR:	50.07	0.95
GRAY TELEVISION:	10.76	0.41	GOOGLE:	504.89	9.50
MEDIA GENERAL:	17.70	0.76	HARMONIC:	6.67	0.12
NEXSTAR:	50.88	0.69	INTEL:	36.24	0.68
SINCLAIR:	26.50	0.99	INTERACTIVE CORP:	60.70	0.62
MSOS					
CABLEVISION:	19.85	0.49	JDSU:	13.69	0.16
CHARTER:	162.25	1.66	LEVEL 3:	47.94	0.55
COMCAST:	55.34	0.53	MICROSOFT:	45.74	0.58
COMCAST SPCL:	55.01	0.48	NETFLIX:	333.65	17.21
GCI:	12.70	0.08	NIELSEN:	43.80	0.31
GRAHAM HOLDING:	891.57	3.77	RENTRAK:	70.22	0.50
LIBERTY BROADBAND:	48.05	0.30	SEACHANGE:	6.45	0.10
LIBERTY GLOBAL:	48.39	0.80	SONY:	20.39	0.67
SHAW COMM:	26.87	0.39	SPRINT NEXTEL:	3.97	0.16
TIME WARNER CABLE:	144.04	0.94	TIVO:	11.72	UNCH
PROGRAMMING					
21ST CENTURY FOX:	37.23	1.02	UNIVERSAL ELEC:	62.04	1.69
AMC NETWORKS:	60.10	0.95	VONAGE:	3.43	0.07
CBS:	53.30	1.19	YAHOO:	50.12	1.27
CROWN:	3.60	0.11	TELCOS		
DISCOVERY:	34.22	1.03	AT&T:	32.67	0.53
DISNEY:	91.38	1.21	CENTURYLINK:	38.69	0.80
GRUPO TELEvisa:	32.49	0.61	TDS:	23.86	0.71
HSN:	75.80	1.76	VERIZON:	46.44	0.91
LIONSGATE:	31.87	1.06	MARKET INDICES		
MSG:	71.44	0.63	DOW:	17356.87	288.00
SCRIPPS INT:	77.85	1.60	NASDAQ:	4644.31	96.48
STARZ:	27.82	(0.03)	S&P 500:	2012.89	40.15
TIME WARNER:	82.28	1.72	TECHNOLOGY		
VIACOM:	73.73	1.31	ADVANTAGE:	2.54	UNCH
WWE:	11.02	0.13	AMDOCS:	46.32	0.54
TECHNOLOGY					
AMPHENOL:	52.64	1.01	AMPHENOL:	52.64	1.01
AOL:	43.40	1.10	AOL:	43.40	1.10
APPLE:	109.41	2.67	APPLE:	109.41	2.67
ARRIS GROUP:	28.14	0.74	ARRIS GROUP:	28.14	0.74
AVID TECH:	13.72	0.13	AVID TECH:	13.72	0.13
BLNDER TONGUE:	2.26	(0.1)	BLNDER TONGUE:	2.26	(0.1)
BROADCOM:	42.23	0.62	BROADCOM:	42.23	0.62
CISCO:	26.81	0.23	CISCO:	26.81	0.23
COMMScope:	25.59	0.01	COMMScope:	25.59	0.01
CONCURRENT:	6.92	0.16	CONCURRENT:	6.92	0.16

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Think about that for a minute...

The Elephant's Trunk

Commentary by Steve Effros

We've all heard the parable of the blind men and the elephant. Each touches just one part of the elephant and they all then totally fail attempting to describe the beast. Only by listening to each other's varying descriptions of reality can they get some appreciation of the elephant. That seems to be what's happening with the net neutrality debate. The advocates are arguing from such different perspectives, and the urge to report one "gotcha" argument after another has inevitably resulted in a completely stilted view of the various issues.

A good example of that just took place with the "debate" over both whether regulating broadband under Title II will lead to more taxes and fees, and whether such a regulatory move would have significant adverse impact on the public policies surrounding broadband.

Let's take the last one first. The "gotcha" articles and blogs of the past few days are full of indignation and bluster regarding the statements of ISP financial officers at a meeting last week acknowledging that Title II regulation would not likely have a major impact on their businesses. "Ah Ha" said the bloggers and even the Chairman of the FCC. "See, we told you so... even the big companies admit that Title II wouldn't be so bad!... They've been lying all along in their pleadings to avoid that regulatory approach!"

But that whole set of arguments and perceptions is skewed by not carefully noting what is actually being said. It's something that was noted in this column months ago; Title II regulation will not necessarily be so bad for existing infrastructure owners. Indeed, it might be very good. That, however, doesn't mean it's good for the public, or is good public policy. Why? Because as those very companies have noted, Title II regulation is likely to severely slow



down investment of any other facilities based competitor. Thus, for the incumbent it may be a very good thing... less competition... but for a public policy that aims to promote competitive facilities based infrastructures, it is 180 degrees from what they should be doing.

The gloaters are only looking at the trunk of the elephant and even forgetting their own oft-stated objective of promoting more broadband. To be sure, a declaration of Title II regulation will cause a temporary decline in stock prices for those public companies, but it will also lead to years of delay and uncertainty as the decision is debated in Court and in Congress. Throughout that time the incumbent wins, but the public policy is sidetracked. A pyrrhic victory at best.

And what about those taxes and fees? Another "gotcha" press release went out saying that since Congress extended the ban on taxes for Internet sales, all the publicity surrounding the suggestions that Title II regulation would cause more taxes and fees to flow onto the consumer bill were wrong. But they're not. Even the most outspoken "public advocate" group has acknowledged that maybe \$4 billion in new fees, for things like the Universal Service Fund, would be likely. Can you imagine if the ISPs said they were "only" going to raise their fees by \$4 billion next year, or announced a 16% rate increase? Those USF fees will hit broadband bills regardless of the extension of the Congressional ban. So will new treatment for property taxes and the like.

Reporters, regrettably, are just writing about one "ah ha" at a time. They are the blind men so long as they refuse to listen, and equally report the perceptions of all the participants.

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