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What the Industry Reads First

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Wheeler at CES: Sections of Title II May Loom for Cable

With a few months under his belt to digest *President Obama's* assertion the **FCC** should reclassify broadband service as Title II to protect net neutrality, FCC chmn *Tom Wheeler* strongly intimated at CES that the Commission will retain only sections 201, 202 and 208 of the regulation. In a conversation with **CEA** chair *Gary Shapiro* that included a question about whether Wheeler LOL'd at *John Oliver's* viral mockery of the debate surrounding net neutrality (Wheeler dodged it), the FCC chair said he'd been focusing on the regulatory model for the wireless industry. "My aha moment came when I said, wait, section 332 [of the Communications Act] says wireless will be regulated under Title II as a common carrier, and that industry [is regulated] under sections 201 and 202, and 208. For the past 20 years the wireless industry has been monumentally successful as a Title II regulated company. So there is a way to do Title II right." The challenge, he said, is how does the government determine a set of goals that deliver "just and reasonable" provisions and "make sure we're creating an environment that incentivizes carriers and ISPs to want to continue to build?" He said 80% of Americans have access to speeds of 25mbps down and 3mbps up, but only three-quarters of those have a choice in provider. "Fewer than 25 percent have any kind of choice, for everybody else you have one provider. Hopefully we can overcome that." Noting that smaller carriers have come out in favor of Title II (prompting Shapiro to ask whether they'd read the entire section), Wheeler noted: "Interestingly enough, after the President said what he said on Title II, we still had record bidding for spectrum from ISPs and continued announcements about new gigabit plants going out." Speaking of spectrum, Wheeler said the Commission is "on course" for holding incentive auctions early 2016, although "obviously it's been disappointing the way the broadcasters have slowed things down by filing lawsuits." What does the record-setting success of the just-completed auctions mean for the next round? "One, they whet the appetite of broadcasters. What they're sitting on is of immense value that they can realize and have once in a lifetime opportunity to participate in an incentive auction without losing the business they're already in," Wheeler said. Secondly, "It identifies the importance to the industry and consumers of having additional spectrum."

Ted Talks: The Interview continues to have legs, and don't bet against seeing it on **Netflix** one day. While Netflix content chief *Ted Sarandos* didn't want to talk about the controversial film, feisty **TCA** critics broke him Wed morning. Sara-



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ndos praised the film as the most successful on-demand theatrical ever and said it's "a great example of what happens when you give people distribution choices... it's eye-opening for the industry." He said that the holidays impinged on Netflix making a deal for the movie as "nobody was in the country" 2 days before Christmas. Later, in the scrum, Sarandos hedged when pushed about discussions being held for the film to be distributed on Netflix. "Every discussion about distribution of anything involves Netflix," he said. On other topics, Sarandos batted back critics' questions about Netflix's reluctance to reveal ratings. There is too much talk about "Orange is the New Black" and "House of Cards" to think people aren't watching, Sarandos said. Those 2 series also do well in China, he noted. In addition, "for us, as a global property, people watching at 3am are as important as people watching" in primetime, he said. "We'll stay away" from ratings "as long as we can," although a series is a success on Netflix "when people watch the show." He said net subscriber growth is what the company tracks. How do people watch series on Netflix? Few binge watch for 13 hours, he said, but "most will watch more than one hour." Netflix has found people opt to view a few hours of a series in a sitting and finish the season over the next few nights before moving on to another show. This is unlike series on linear TV in which some episodes aren't watched much, Sarandos said. It also breaks the pattern of pre-on-demand days, he said, in that viewers typically had a favorite "Monday night show" and a "Tuesday night show" etc. Netflix will churn out 320 hours of original programming this year and will be "opportunistic" in resurrecting series canceled by cable and broadcast networks, he said. -- **Best Line:** *Tina Fey* on being able to push the boundaries on standards and practices on her upcoming Netflix series "Unbreakable Kimmy Schmidt" (Mar 6), "All of Season 2 will be shower sex scenes."

Charter + Cisco: Charter and Cisco used CES to announce a cloud-based initiative that will power Charter's next-generation video platform. Charter expects to launch its new cloud-based user interface dubbed "Spectrum Guide" on Worldboxes, a hybrid IP/QAM video platform featuring downloadable security and enhanced user interface, CEO *Tom Rutledge* said during a reception late Tues. Worldbox also features advanced search ad discovery capabilities. A major advantage of the new cloud-based platform over others is that it's backward-compatible and doesn't require a hardware upgrade, eliminating the need to buy millions of new set-tops, Rutledge told us. The new platform is expected to be rolled out to Charter's existing subs as well as new subs it would gain as part of the proposed **Comcast-Time Warner Cable** merger, he said. Rutledge said cloud video tech firm **ActiveVideo** is supporting the new platform. "Our new user interface, using technology provided by ActiveVideo, allows us to deploy this guide on every set-top box... The capability of this guide platform is that every user essentially has their own stream, their own unicast stream, so it's completely customizable. We can take any kind of device and turn it into a sophisticated device." ActiveVideo essentially processes the program guide on the network and sends the video content and the interface in an MPEG stream, *Sachin Sathaye*, vp of strategy & product marketing told us at the event. The processing technology lets Charter render its new user interface across platforms, he said. The former Cisco exec noted that Charter has already rolled out the platform to 25K subs in Fort Worth, TX, as part of a trial.

Retrans Watch: Capitol Broadcasting stations in NC returned to DISH's lineup Tues night, with the 2 reaching a new retrans consent pact. The channels, **WRAL (CBS, Raleigh)**, **WRAZ (Fox, Raleigh)** and **WILM (CBS, Wilmington)** had been dark on DISH since Dec 22. -- **Cox** lost 6 **Gray TV** stations at 12:01am Wed, including Topeka's **WIBW (CBS)**, **WOWT (NBC affil in Omaha)** and **WJHG (NBC affil in Destin/Walton County, FL)**. Cox claims Gray is seeking an exorbitant price hike, while the broadcaster says it has completed every other cable deal (250 in all) over the past 3 months.

Citi Conference: Liberty Media pres/CEO *Greg Maffei* mused aloud Wed about why **DISH** changed up its much delayed OTT service, opting for a narrower sports-based product without broadcast channels at a lower price point than expected. It suggests that *Charlie Ergen* is targeting someone very different than traditional cable customers and also possibly is looking at the upsell potential of packages such as kids and sports, he said. Maffei warned of continued pressure on the video bundle, whether from **Netflix**, DISH, sports programming or more devices. He also said RSN failures pressure the bundle, citing **CSN Houston** and arguing that the **Dodgers** RSN has "some risk of being a large bust."

Paid Prioritization Bill, Take 2: Ahead of the **FCC's** planned Feb net neutrality vote, Sen *Patrick Leahy* (D-VT) and Rep *Doris Matsui* (D-CA) reintroduced their bill to require the Commission to ban paid prioritization agreements between an ISP and content provider. Several providers, including Comcast, have said they don't believe in paid prioritization, but advocates are concerned views will change if regulations are not put in place. With no Republican co-sponsors, it doesn't look like the bill will get very far.

CES Notebook: **CNBC's** pulling out of **Nielsen** for daytime might signal the need to capture a broader audience (**CFX, 1/7**), but don't look for major changes to happen any time soon. That was the consensus at a **CES** panel Wed. "Getting out of traditional business models will take a long time," with technology always ahead of business models, said *Robin Wilson*, vp of business development at Swiss-based digital TV firm **Nagra**. Advertisers need to be part of the transition to IP video, said *Ian Greenblatt*, vp of strategy & biz development at **Arris**. Nielsen is the primary commodity, and a major transition isn't likely to happen until advertisers accept another currency for TV ratings, he said. Nielsen needs to step up because it's falling behind, several speakers said. Meanwhile, as cool as 4K TV is and despite the fast expansion of the latest TV tech among SVOD players like Netflix and **Amazon**, service providers have major barriers to overcome. With bigger video comes with bigger capacity needs. **Comcast**, which recently launched its 4K streaming service, is expected to deploy significantly enhanced speeds, Greenblatt said. And with tens of millions of concurrent streams, any sort of live 4K delivery puts "huge strain" on providers' networks, Wilson said.

Stream Survey: Sunday is the most popular day to stream video to a mobile device, and "The Walking Dead" is the most-streamed primetime show, according to **TiVo's** 2nd tablet and smartphone streaming survey. **NFL** was the #1 streamed programming overall, followed by **AMC's** zombie series, college football and **CBS' "The Big Bang Theory."** TiVo Research's analysis is based on aggregated, anonymous, second-by-second audience measurement data from a sample of 39K anonymous households with TiVo service. A comparison of streaming in July 2014 to November 2014, finds that the average number of streaming sessions per user has increased 22 percent, from 15.9 sessions in July to 19.4 sessions in Nov.

TVE at TCA: In an unusual **TCA** twist, TV critics got a TV Everywhere tutorial of sorts on Wed, complete with live demos and an industry panel, as **CTAM** continues its efforts to broaden TVE awareness and ultimately usage. "What you're seeing is a shift in what television is in our society," said *Brad Dancer*, svp, programming planning and research at **National Geographic Channels**. Critics' questions focused largely on how increased online streaming will affect the TV ecosystem—especially when it comes to continued lack of uniform measurement across platforms. Panelists said that remains the most vexing issue, with **A+E Networks** svp, distribution *Mark Garner* calling it "harmful, quite frankly, to this business" and Dancer saying its "irregular, choppy" nature "is lagging to the point in which it's becoming frustrating." Dancer predicted uniform measurement across platforms could happen within 12 months. One encouraging sign: The increasing availability of TVE content has given consumers fewer reasons to pirate content. "People are willing to pay for stuff," Garner said. "It's when we make it hard for them to pay for it that there's piracy." But panelists acknowledged that too many consumers are still confused about whether TVE is an add-on to their pay-TV subscription or something extra they need to pay for. And ease of use, while improving, is "clearly an issue," said *Erik Flannigan*, evp, multiplatform strategy & development at **Viacom Entertainment Group**. "We're all aware of that friction and anyone who doesn't think that's friction is kidding themselves." He predicted a more seamless experience over the next 2 years as devices learn to automatically detect users, especially within the home.

Where's the Media Hub? Execs debated the future of the connected television as the media hub at **CES** Wed, with **Time Inc** video svp *J.R. McCabe* noting that 22-25% of 18-34-year-olds don't have a cable package. "Anything they can watch something on is a hub for them. So every screen is the first screen for our consumers," he said, citing **DISH's** new \$20 OTT service Sling TV. "**ESPN** is their anchor network, and when a business has one of the largest sports vehicles in the world as their anchor, it's a very big deal." *Dan Goodman*, co-founder of **Believe Entertainment Group**, said TV will remain the hub no matter how programming is delivered. "Television, and connected TVs, are still going to be the big driver for larger dollars and for higher-quality programming and the lice sing business vs. the mobile devices," he said.

Video Description Requirements: MVPDs serving 50K or more subs must provide 50 hours of video description per calendar quarter during primetime or children's programming on each of the top 5 non-broadcast nets. That top 5 list updates at 3-year intervals with the 1st update coming July 1. Right now, the net's that are subject to video description requirements are **USA, Disney, TNT, Nick** and **TBS**. Nets in the running for the next round based on 2013-2014 Nielsen data are: USA, **ESPN, TNT, TBS, History, Disney, Fox News, Nick, A&E** and **FX**. If a network believes it should be excluded from the list because it does not air at least 50 hours of prime programming that's exempt from the rules (ie, live or near-live programming is exempt), it must seek an exemption within the next 30 days.

NCTC Carriage Deal: **NCTC** and **Discovery Comm** signed a new multi-year distribution pact that includes TV Everywhere rights. As part of the agreement, NCTC member customers will continue to have access to **Discovery, TLC, Animal Planet, Investigation Discovery, Science, OWN, Discovery Family, American Heroes Channel, Discovery Fit & Health** (to become **Discovery Life** on Jan 15), **Discovery en Español, Discovery Familia, Velocity** and **Destination America**.

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Suddenlink's Rovi Deal: Suddenlink will deploy Rovi DTA Guides to subs with HD digital terminal adapters. The Rovi guide includes TV listings by time, program info and multiple language settings as well as scaled video so viewers can continue watching a channel while navigating the guide.

News Neighborhooding, Take 37: The news neighborhooding condition in Comcast's NBCU transaction is one of those issues that just seems to never go away. On Wed, the FCC Media Bureau granted Bloomberg's request to have Comcast place Bloomberg TV in a channel slot near CNBC, but outside an existing news neighborhood. As a refresher, the NBCU condition says that if Comcast carries news and business channels in a neighborhood (ie, channels grouped together), they it must carry all indie news and business channels in that neighborhood. Bloomberg filed a complaint at the FCC a couple years ago, alleging that Comcast wasn't doing that in all markets and now the MSO complies. However, there are some markets where CNBC isn't in an existing news neighborhood, and Bloomberg would prefer to be near the rival business channel. Comcast filed comments in support of Bloomberg's request, no one opposed it, and now the waiver has been granted. Case finally closed?

Oops: David Baldwin's title is evp, program planning for Starz.

CableFAX Daily Stockwatch

Company	01/07 Close	1-Day Ch	Company	01/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	85.56	0.42	CONVERGYS:	19.97	0.35
DISH:	68.46	(0.21)	CSG SYSTEMS:	24.30	0.43
ENTRAVISION:	5.91	(0.07)	ECHOSTAR:	49.36	(0.58)
GRAY TELEVISION:	10.22	0.01	GOOGLE:	501.10	(0.86)
MEDIA GENERAL:	15.39	0.05	HARMONIC:	6.78	0.03
NEXSTAR:	47.58	0.40	INTEL:	36.02	0.74
SINCLAIR:	25.47	(0.15)	INTERACTIVE CORP:	60.06	(0.11)
MSOS					
CABLEVISION:	19.45	0.14	JDSU:	13.56	0.21
CHARTER:	156.79	0.48	LEVEL 3:	47.02	UNCH
COMCAST:	55.18	(0.05)	MICROSOFT:	46.23	0.58
COMCAST SPCL:	54.73	(0.14)	NETFLIX:	327.20	1.69
GCI:	14.01	0.25	NIELSEN:	42.79	0.14
GRAHAM HOLDING:	843.01	(0.05)	RENTRAK:	69.92	1.64
LIBERTY BROADBAND:	47.68	0.15	SEACHANGE:	6.19	(0.01)
LIBERTY GLOBAL:	47.59	0.01	SONY:	21.53	1.28
SHAW COMM:	26.19	(0.05)	SPRINT NEXTEL:	4.22	0.03
TIME WARNER CABLE:	145.02	0.02	TIVO:	10.89	(0.21)
PROGRAMMING					
21ST CENTURY FOX:	35.31	(1.3)	UNIVERSAL ELEC:	63.71	0.60
AMC NETWORKS:	61.24	(0.41)	VONAGE:	3.89	0.07
CBS:	53.11	(0.08)	YAHOO:	48.59	(0.62)
CROWN:	3.41	0.01	TELCOS		
DISCOVERY:	32.21	0.23	AT&T:	33.17	0.04
DISNEY:	92.83	0.94	CENTURYLINK:	38.47	0.20
GRUPO TELEVISIA:	33.13	0.39	TDS:	23.75	0.06
HSN:	75.64	1.87	VERIZON:	46.19	(0.3)
LIONSGATE:	30.40	0.31	MARKET INDICES		
MSG:	74.07	0.12	DOW:	17584.52	212.88
SCRIPPS INT:	72.48	(0.27)	NASDAQ:	4650.47	57.73
STARZ:	28.24	(0.54)	S&P 500:	2025.90	23.29
TIME WARNER:	83.17	0.87			
VIACOM:	71.42	(0.59)			
WWE:	11.35	(0.49)			
TECHNOLOGY					
ADVANTAGE:	2.40	0.02			
AMDOCS:	46.31	0.28			
AMPHENOL:	52.88	0.89			
AOL:	46.12	(0.13)			
APPLE:	107.75	1.49			
ARRIS GROUP:	28.87	0.04			
AVID TECH:	14.02	(0.06)			
BLNDER TONGUE:	2.35	UNCH			
BROADCOM:	41.35	0.23			
CISCO:	27.30	0.25			
COMMSCOPE:	25.67	0.10			
CONCURRENT:	7.15	0.08			

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Think about that for a minute...

Same Old, Same Old

Commentary by Steve Effros

Yes, it's the start of a new year. No, I haven't written long-winded columns about what happened last year (you already know that) or what "the new year will bring." Why? Because there's no reason to think that just because the calendar flipped from December to January the things we have been chewing over, arguing about, lobbying, cajoling or fearful of are going to be any different. Hint: they're not. All of those "end of year" pieces or "looking forward" columns are just a way to fill up space. Life goes on.

The FCC is still spiraling down the road toward "net neutrality/Title II" confusion. Whatever they decide (allegedly late in Feb) will be challenged in court. There won't be any resolution to all this hoo-hah about "protecting the Internet" (which has been doing very well on its own, thank you) for a long time and in the meantime the existing major players will be secured as the major players. No likely new competitors during this mess! Forget revolution. As usual, we're in the process of evolution, and that's not only good, it's normal.

The press will still be writing silly stuff. A great example; all the headlines about ESPN essentially going "a la carte," for \$20 per month. Well, let's clarify that. The Washington Post, for instance, as usual, seems to have lost the art of fact checking. Their front page article compared that fee with the "average" cable bill of about \$95! That's not apples to oranges, that's an apple or two to an (average 150 channel double-play) apple tree! The ESPN deal with Dish has been known for months. The only question was the price. So now we know; ESPN with an 11 channel side of a little Disney (if you want all of it you have to pay extra) CNN and TNT will cost \$20, for now. But viewing of



the NFL games will have limitations, and you can only watch one channel at a time. Want to use two TV's in the house at the same time? Two full fees. Imagine if cable had done that! And of course that doesn't include the cost of broadband delivery, another thing most of the articles left out. Then there's \$8 or \$12 for Netflix, more for Vudu or Hulu, and \$6 for CBS (and ABC, NBC and Fox?) and we haven't gotten to HBO, Comedy Central, Fox News or USA. Well, as has been said here for a long time; do the math.

Does that mean we'll always be the same? No. Folks are going to watch video in new ways. They'll buy channels in different ways. Maybe not individual channels, but at least networks of channels will be offered in packages. Marketing will change. Screens will proliferate, but it's still "TV"! Advertising will morph with the screens and addressability. There will be lots of change. There always has been. But the world is not turning upside down and the products are not going to be "revolutionized" just because the date has changed.

We're going to be "sold" on the idea of "OTT," "streaming," "a la carte," and "cutting the cable." But by the end of the year most folks will still watch the networks in a cable bundle, find that it's less expensive than "a la carte," and continue to watch linearly. And "cutting the cable" for most folks would also cut their best Internet connection. Not going to happen. Welcome to the "same old," real 2015.

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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