

# Cablefax Daily™

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What the Industry Reads First

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## Muni Broadband: FCC Set to Vote on Proposal to Preempt State Laws

A Tom Wheeler proposal might open the door for other municipal broadband providers to fight state laws that restrict government-backed broadband networks. The proposed order, which would grant petitions by municipal broadband ops in TN and NC to preempt state laws that prevent them from expanding their services, will be circulated this week for a vote during the Commission's open meeting on Feb 26, according to a senior FCC official. While the plan specifically targets laws in these 2 states, the legal framework could be used by providers in other states with muni broadband restrictions (roughly 20 states). According to Chattanooga muni broadband provider **Electric Power Board**, the law restricts its broadband and video offerings to its electric service territory. In the City of Wilson's case, NC law prevents network expansion by imposing numerous restrictions including requiring communities to impute certain artificial costs to their networks and reflect these costs in their rates, effectively raising rates. Both providers offer 1Gbps broadband, voice and video to local residents. Granting the petitions would help bring faster broadband and more competition to both states and in general, municipal broadband can provide services in areas unserved and/or underserved by private providers, FCC officials said. Under Section 706 of the Communications Act, the FCC is authorized to promote the deployment of broadband and remove barriers to broadband investment and competition, they said. And a federal agency may preempt state laws that conflict with its regulations or policies so long as it is acting within the scope of its authority. In addition, the Constitution grants the FCC the authority to regulate interstate service, and broadband is interstate in nature, FCC officials said. While states retain authority to grant or withhold the ability of their cities and towns to enter the broadband market, FCC staffers counter that once states have granted that authority, they may not impose on community providers regulatory burdens that act as barriers to infrastructure investment and competition. Count on Wheeler's proposal to be backed by the agency's 2 other Democrats, while Republicans, within the agency and on the Hill, have blasted any notion of seeking state preemption. Cable ops, including **Mediacom**, also oppose the idea of municipal broadband, saying such projects have run into financial problems and that it's unfair to use taxpayer money to compete with private broadband providers. A coalition of state groups representing state legislators recently warned that the FCC's state preemption proposal, once approved, would trigger legal challenges.

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**Super Bowl Monday:** So, **ESPN** didn't actually air the Super Bowl... It still benefited, airing 346 hours of **NFL** programming across its nets during Super Bowl week. All told, **ESPN** said fans watched more than 7bln minutes of **NFL** programming that week. **NBC** was the big winner, with the Patriot's last-second victory over the Seahawks drawing a record 114.4mln viewers, according to **Nielsen** Fast Nationals. Few will be surprised that **Budweiser's** "Lost Dog" commercial was viewed as the top spot, based on **TiVo's** analysis of data from some 30K **TiVo** homes. **TiVo's** 2nd-place finisher was **Joyful Heart Foundation's** serious 911 delivery spot about domestic violence. Without fail, you can always count on Monday's stream of news stories to include a few horror tales of television outages during the big game. This year's round included a *Yahoo Tech* story about a **Verizon FiOS** box that rebooted with less than a minute left in the game (miraculously, the Super Bowl party still got to see the infamous interception) and 3 separate outages for broadcaster **WPSD**, the **Paxton**-owned **NBC** affiliate serving Western KY. And then, there was that **Chevy** commercial that scared everyone by faking a cable outage. How many fingers started dialing their local cable company when it began?

**DISH Auction Backlash:** **DISH's** win in the **FCC's** AWS-3 auction hasn't come without consequences. Republican com-mish **Ajit Pai** is steamed that 2 companies in which **DISH** has an 85% ownership stake (**Northstar Wireless** and **SNR Wireless**) claimed more than \$3bln in taxpayer-funded discounts when purchasing spectrum, declaring that the funding was meant to make it easier for small businesses to purchase spectrum and compete with large corporations. He is calling for chmn **Tom Wheeler** to launch an investigation of the subsidies and for the **FCC** to reform its rules for the designated entity program. **DISH** disagrees with criticism of its participating in the designated entity program, saying it fully complied with the rules. "The DE program has been successful in providing much smaller entities the ability to access stronger capital structures, which has facilitated their meaningful participation in an auction process from which they would otherwise be precluded. Our approach—publicly disclosed ahead of the auction—was based on DE investment structures that have been approved by the **FCC** in past wireless spectrum auctions, including structures used by **AT&T** and **Verizon**," the company said. **Pai's** not the only one raising questions about the 25% designated entity discount that the 2 companies associated with **DISH** received. While the entities are "clearly carefully constructed" to qualify for the discount, "it should be obvious that these entities circumvent the intent of the DE rules," said a **MoffettNathanson** research note. The report declined to speculate on whether the **FCC** will rule in favor of **DISH's** bid credit eligibility, but it did wonder if anyone could/would buy **DISH** spectrum. **Moody's** said **DISH's** win may negatively impact its credit ratings, depending upon the amount of its obligation and how it's financed. "While **Moody's** is aware of the significant asset value associated with **DISH's** amassed terrestrial spectrum, it remains unclear at this stage how will the company use its valuable spectrum portfolio going forward," the investor ratings service said. Under auction rules, **DISH** is also required to build out some portions of its spectrum holdings in coming years, which **Moody's** said could impact credit.

**What about AT&T?** **Moody's** downgraded **AT&T's** senior unsecured rating to "Baa1" from "A3" because of its higher leverage following its \$18.2bln purchase of AWS-3 spectrum licenses. It was the #1 bidder in the auction, followed by **DISH** (\$13.3bln if you include its associated entities—without them, it was at \$10bln, essentially tied with **Verizon**). **Moody's** downgrade reflects its view that the telco's multiple long-term investments will result in materially higher leverage for several years before it can be offset by organic growth. **Moody's** also said **AT&T's** core US wireless business faces margin pressure and top line weakness. How's **AT&T** going to pay for the spectrum? **Wells Fargo Securities** believes it will use the \$8.6bln of cash it had on its year-end 2014 balance sheet plus the draw-down on the \$11.2bln of term loans it recently arranged to make the final auction payments required. "However, we look for the company to be in the bond market in the next few months to pay for its pending **DirectTV** (\$14.5bln cash component) and **Nextel Mexico** (\$1.blm) acquisitions," analysts said.

**CableCARD Update:** While cable's mandate to provide set-tops with separable security ends Dec 31, the industry still has to file updates on **CableCARD** deployment. The most recent, filed with the **FCC** on Fri, shows that the top 5 operators have just under 587K **CableCARDs** deployed for use in retail devices. Add in the next 4 largest incumbents and the number is just under 620K. Operators will continue to support **CableCARDs** in retail devices, but after this year they will no longer have to deploy set-tops with integrated security (ie, **CableCARDs**). The 9 largest operators have more than 51.5mln operator-supplied set-tops with **CableCARDs** currently deployed, according to the latest report.

**Net Neutrality:** We're deeming this "draft week," with **FCC** chmn **Tom Wheeler** to release a draft of his proposed open Internet rules to fellow commissioners before the week ends. In addition to a Title II approach, *Reuters* has

# BUSINESS & FINANCE

reported that the draft is expected to expand the FCC's authority to interconnection agreements. Meanwhile, Republican members of Congress continue to work on their own net neutrality legislation. On Mon, Senate and House Commerce chmn *John Thune* (R-SD) and *Fred Upton* (R-MI) sent a letter to President Obama seeking his help on a legislative fix. "This legislation places these principles into law, without the uncertainty of litigation that Commission action would entail. Working together to craft sustainable protections will have lasting benefits for our country and Internet users alike," they wrote.

**Programming:** *Oprah* and filmmaker *Ava DuVernay* ("Selma") will create a new drama for **OWN** based on the novel "Queen Sugar." DuVernay is set to write, direct and exec produce the project, marking her 1st television drama series. Winfrey will exec produce and appear in multiple episodes in a recurring role—her 1st time acting in a series for the net.

**ESPN's Bilingual Take:** **ESPN** launched "One Nación," a bilingual webpage that integrates ESPN content relevant to US Hispanic sports fans. The page ([espn.go.com/one-nacion](http://espn.go.com/one-nacion)) collects stories of interest to a bicultural audience, giving them easy access to content from ESPN and **ESPN Deportes**. One Nación will also present original content in a mix of both languages.

## Cablefax Daily Stockwatch

Company	02/02 Close	1-Day Ch	Company	02/02 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	85.60	0.32	CONVERGYS:	19.44	0.28
DISH:	72.59	2.24	CSG SYSTEMS:	24.91	0.39
ENTRAVISION:	6.34	0.17	ECHOSTAR:	52.14	(0.03)
GRAY TELEVISION:	9.61	0.15	GOOGLE:	528.48	(6.04)
MEDIA GENERAL:	14.50	0.20	HARMONIC:	7.64	(0.01)
NEXSTAR:	49.93	0.04	INTEL:	33.65	0.61
SINCLAIR:	24.93	0.19	INTERACTIVE CORP:	62.60	1.65
<b>MSOS</b>					
CABLEVISION:	18.92	UNCH	JDSU:	12.48	0.33
CHARTER:	154.00	2.88	LEVEL 3:	50.19	0.45
COMCAST:	53.81	0.67	MICROSOFT:	41.28	0.88
COMCAST SPCL:	53.51	0.60	NETFLIX:	441.06	(0.73)
GCI:	14.86	0.18	NIELSEN:	43.72	0.16
GRAHAM HOLDING:	946.39	11.07	RENTRAK:	76.74	(0.19)
LIBERTY BROADBAND:	45.24	0.77	SEACHANGE:	7.12	0.06
LIBERTY GLOBAL:	47.35	0.63	SONY:	23.33	0.04
SHAW COMM:	23.57	0.43	SPRINT NEXTEL:	4.27	(0.03)
TIME WARNER CABLE:	137.53	1.40	TIVO:	10.68	0.22
<b>PROGRAMMING</b>					
21ST CENTURY FOX:	33.77	0.61	UNIVERSAL ELEC:	64.54	0.80
AMC NETWORKS:	67.20	0.50	VONAGE:	4.42	0.22
CBS:	55.37	0.56	YAHOO:	44.69	0.69
CROWN:	3.23	0.03	<b>TELCOS</b>		
DISCOVERY:	29.28	0.29	AT&T:	33.56	0.64
DISNEY:	91.93	0.97	CENTURYLINK:	38.22	1.05
GRUPO TELEVISIA:	33.28	0.67	TDS:	23.81	0.56
HSN:	78.29	0.85	VERIZON:	46.98	1.27
LIONSGATE:	28.29	(0.44)	<b>MARKET INDICES</b>		
MSG:	75.78	0.03	DOW:	17361.04	196.09
SCRIPPS INT:	71.75	0.66	NASDAQ:	4676.69	41.45
STARZ:	29.76	0.24	S&P 500:	2020.85	25.86
TIME WARNER:	78.59	0.66	<b>TECHNOLOGY</b>		
VIACOM:	65.45	0.61	ADVANTAGE:	2.29	(0.02)
WWE:	12.31	0.20	AMDOCS:	48.01	(0.17)
<b>MARKET INDICES</b>					
DOW:	17361.04	196.09	AMPHENOL:	54.24	0.53
NASDAQ:	4676.69	41.45	AOL:	43.79	0.54
S&P 500:	2020.85	25.86	APPLE:	118.63	1.47
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.29	(0.02)	ARRIS GROUP:	26.44	0.22
AMDOCS:	48.01	(0.17)	AVID TECH:	12.87	(0.09)
AMPHENOL:	54.24	0.53	BLNDER TONGUE:	1.85	0.18
AOL:	43.79	0.54	BROADCOM:	41.64	(0.8)
APPLE:	118.63	1.47	CISCO:	26.83	0.47
ARRIS GROUP:	26.44	0.22	COMMScope:	26.33	(0.02)
AVID TECH:	12.87	(0.09)	CONCURRENT:	6.24	(0.06)
BLNDER TONGUE:	1.85	0.18			
BROADCOM:	41.64	(0.8)			
CISCO:	26.83	0.47			
COMMScope:	26.33	(0.02)			
CONCURRENT:	6.24	(0.06)			

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## CFX TECH by Joyce Wang

### Adobe Primetime Seeks Prime Time in 2015

Nearly 2 years since it launched in Apr 2013, **Adobe** has big plans for its Primetime video publishing and monetization platform. Based on Adobe's 3Q and soon-to-be-released 4Q digital index report on video, OTT devices are the fastest growing category of digital video consumption, going from 2% a few years ago to more than 10% today, said *Campbell Foster*, dir of product marketing for Adobe Primetime in an interview. "The challenge for us is we are not on all the platforms... so the goal is to get onto 100% of the screens available today," he said. All screens especially **Roku**, **Apple TV**, **Sony's PlayStation** and **Microsoft's Xbox**, according to Foster. And depending on operators' infrastructure, the Primetime platform is expected to get multiplatform video services running in as short as 3 weeks and up to 3 months. The problem is even within the same network brand, each channel has different network infrastructure largely because some channels are built on acquisitions over the years, Foster acknowledged: "It makes deployment that much difficult." 2015 could also promise big expansion. Adobe, which already counts **Comcast**, **Time Warner Cable** and **DirecTV** as Primetime customers, is in talks with other top MVPDs including **Verizon** and **AT&T** as well as mid-sized ops including **Bright House** and **Suddenlink**. The company is also targeting digital pure play and non-traditional video companies. **Yahoo**, for example, is building its video platform through Primetime. Adobe has also talked to **Hulu**. Meanwhile, international markets like Brazil, UK, France, Germany and Japan are all "huge areas of focus" in 2015. Nonetheless, major hurdles remain for TVE around the user experience, consistency across devices and consumer awareness, said Foster. In-home automated authentication may be part of the solution, with ops reporting double digit increases in viewership when in-home authentication is in play. Adobe is teaming with **CTAM** to re-design TVE user interface across MSO and programmer platforms to enable a consistent consumer experience across platforms. Adobe

is also working with the marketing group to educate viewers that TVE is part of their cable service. Foster noted that Adobe and **Nielsen**, with which Adobe inked a deal to measure digital video, will have data participants lined up and be ready to start trials by the end of June. They are looking to go into production with some customers by the end of 4Q. The service is expected to be commercially available in late 2015 or early 2016.

**SeaChange Cuts Jobs:** As a part of a company-wide cost saving initiative, multiscreen service provider **SeaChange** has cut 10% of its global workforce and decreased its outsourcing contracts. The move is expected to result in more than \$1.3mln in restructuring and severance charges in 4Q of fiscal 2015 and beyond—but also generate approx \$11mln in savings. The company has been trying to transition into a software-focused company, leveraging advanced video platforms including **Adrenalin** and **Nucleus**. "With Adrenalin and Nucleus established in the marketplace, we can now orient our industry-leading resources toward capturing the lead in additive applications to help our core customers grow revenues and expanding our customer base into new segments such as OTT video services," CEO *Jay Samit* said in a statement.

**Intel Tackles Smart Home:** To beef up its smart home business, **Intel** agreed to acquire **Lantiq**, a broadband access and home networking company. The move is expected to enable Intel to extend its existing cable residential gateway business into the telecom residential gateway and access network markets that include DSL, fiber, retail and Internet of Things smart routers. "By 2018, we expect more than 800 million broadband connected households worldwide," said *Kirk Skaugen*, svp/gm of Intel's client computing group. The combined team looks to have a variety of connectivity products and home cloud technologies for OEMs, service providers and companies developing apps for smart homes.

Got tech news? Reach out to Cablefax Tech editor *Joyce Wang* at [jwang@accessintel.com](mailto:jwang@accessintel.com)

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