

Cablefax Daily™

Wednesday — February 4, 2015

What the Industry Reads First

Volume 26 / No. 022

Getting Edged Out? Small Operators Make Case for Title II Carve Out

The notion that FCC chmn *Tom Wheeler's* open Internet draft may include oversight of ISPs' agreements with edge providers such as **Netflix** doesn't make a lot of sense to **ACA** members. Some spoke Tues about how difficult it was to become a part of Netflix's Open Connect content delivery network even though they really wanted that help. "There was a threshold to achieve 5GB of data being pushed before they would work with you on their Open Connect program and put the caching servers in. We were pushing about 2GB. Through multiple contacts and begging and pleading, we were able to put that on our network," **Jackson Energy Authority's** svp, telecom *Ben Lovins* told reporters during the ACA briefing. The concern was that JEA customers would miss out on 4K content without Open Connect, and then there were the backhaul savings it provided, with Lovins explaining that Netflix accounted for nearly 50% of JEA's backhaul bandwidth that was purchased every month. "We're not the ones causing Netflix's problems. It's just the opposite," he said. **Cedar Falls Utilities** was thrilled when it got traffic to a level to join Open Connect. "We approached them, they did not approach us," said Cedar Falls' marketing manager *Betty Zeman*. "It's going to save us over \$2mln of backhaul expense over the next 10 years. It's very desirable for providers like us to work with the edge providers, both from a financial standpoint and because it makes the customer's connection work better." While she doesn't know what will be in the FCC's order, she said reports that it could include a review of interconnection deals would be costly while not changing anything, as these operators want to work with edge providers. Now JEA wants a Netflix app on set-tops, but Lovins said the company's struggling to get attention. He's not alone. "I've been working, trying to get Netflix to return my call for 6 months," said **Shentel's** industry affairs and regulatory vp *Chris Kyle*. "We have their servers on the backhaul side. We have **Arris** boxes and in trying to get their app on our set-top box for an approved user experience, we cannot get their attention." Tues' press call was part of ACA's last-ditch effort to exempt its members from Title II regulations. While JEA and Shentel do have Open Connect agreements, ACA govt affairs svp *Ross Lieberman* said many smaller ACA members "cannot get Netflix to extend them an invitation to participate" in the program. ACA pres/CEO *Matt Polka* complained the Commission just isn't looking at the impact on smaller businesses vs larger

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businesses. "We would first like the FCC to listen, and right now they're not," he said. Last week, ACA members and Lieberman met with FCC staffers to make their case that small operators lack the incentive/ability to harm Internet openness and would be hurt financially by Title II regulation. ACA's other Title II concerns include the possibility of paying higher telecom pole attachment rates (vs cable's rates). "I saw something the other day where I think it was **AT&T, Verizon and Time Warner Cable** sent a letter to the FCC complaining about the impact of Title II on their business. That's a stretch considering the 3 members that are on the call today and the impact on their businesses compared to [them]," Polka said. Larger ISPs, arguing they would be hurt as well by Title II, are sure to mount a legal challenge. Will ACA do the same? "All of our options are on the table," Polka said.

Turner Reorganization: Turner is looking to significantly ramp up its original programming slate. As part of the initiative, **TBS/TNT** pres and chief creative officer of **Turner Ent Kevin Reilly** has split the nets' original programming team into 2 units. New leadership overseeing original programs at both nets include *Sandra Dewey, Sarah Aubrey, and Brett Weitz*. Dewey was upped to pres, TNT and TBS productions and business affairs, and will manage the expanded in-hour production arm supplying the 2 nets. Producer Aubrey will serve as evp of original programming for TNT, while Weitz was promoted to evp of original programming for TBS. All 3 execs report to Reilly. "Over the next couple of years, we will continue to sharpen and evolve our brands by doubling down on original programming and being tenacious about our networks' value proposition," said Reilly in a release. Reilly's strategy for TNT is to aim at a younger, more dual-gendered audience that "expands the network's presence in the cultural conversation." For TBS, Reilly wants to transform the brand into a place marked by "a bold sensibility and a network that's more digital and more socially driven."

SCTE Energy 2020: Between 73% and 83% of cable's overall energy consumption is by hubs and headends, as well as the access network power supplies powering the active equipment on the HFC network, according to a report released at an **SCTE Energy 2020** session on Tues. That means the best opportunity for energy cost savings in cable networks is in the HFC plant from the headend or hub to the home, according to the report, which analyzed usage of a cross section of major ops. It also noted that data centers and national distribution centers represent 3-7% of the industry's power usage, despite the presence of servers, video processing equipment, routers and other higher-consumption equipment. Backbone and co-location sites (1-2%) and administrative offices (10-21%) represent the remainder.

Mickey's Earnings: **Disney** posted solid earnings per share (diluted) for 4Q of \$1.27, up 23% YOY. Media networks revenue for the period increased 11% to \$5.9bln and segment operating income increased 3% to \$1.5bln. However, operating income at cable nets was down 2% to \$1.3bln because of a decrease at **ESPN**, partially offset by increases at the worldwide **Disney Channels** and **ABC Family**. The company attributed the decrease at the sports net to higher programming and production costs. Higher marketing, general and administrative and technical costs and lower advertising revenue also caused the reduction. Programming cost increases were primarily due to a "contractual rate increase" for **NFL** programming and rights costs related to the **SEC Network**, according to Disney. It acknowledged that ESPN's ad sales decreased because of lower ratings for certain programs. Meanwhile, higher affiliate rates for the domestic channels and higher international ad revenue boosted revenue at Disney Channels. That said, programming costs rose, driven by higher pilot write-offs and costs for a newly launched channel in Germany. At ABC Family, higher rates and ad revenue helped drive overall revenue growth.

DISH Rate Hike: **DISH**'s new rates took effect Feb 1, with several packages jumping \$2-\$5/month. The America's Top 120 package increased 9% to \$59.99/month, while the Top 250 package rose 6% to \$84.99. The Latino Basico, Clasico and Plus are the only packages that didn't see a hike. Customers paying the everyday package price will see hikes of \$2 to \$5 per month on English programming packages and \$5 per month on select Spanish programming packages. Customers on a promotional discount won't be affected. The Multi-Sport Pack will increase \$2, going to \$13 per month with a qualifying package.

TWC Opens Data Center: **Time Warner Cable** opened its National Data Center in CO, the company said in a blog post. The move is part of TWC's initiative to centralize its data network to offer digital video and IP-based services for residential and business products. The company launched National Data Center East in NC in

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2012, followed by the National Data Center West near Denver in Dec. Together, the data centers aim to support customer services including email, billing records, WiFi, high speed data, phone, IP video and smart home services.

4K Transition: Imagine Communications, which provides video infrastructure and workflow management services, joined **Sony's** networked media interface initiative that looks to better manage the distribution of 4K signals in the network infrastructure. Studio cameras often use one HD-SDI cable to carry a single uncompressed baseband signal that may require speeds of up to 3 Gbps. Since 4K provides substantial improvements compared to HD, the increased bandwidth for 4K would normally require 4 HD-SDI cables. Replicating the cabling increase throughout the network creates "impossible logistical challenges," Imagine said. The initiative seeks to provide low latency transport of 4K video, audio, reference, metadata and control data.

People: NBCU tapped **Tom Winarski** as evp, ad sales planning & monetization. He has oversight across the company's broadcast, cable and digital properties. He will report to **Linda Yaccarino**, chmn, ad sales and client partnerships. The 20-year industry vet has held multiple roles at **Turner**.

Cablefax Daily Stockwatch

Company	02/03 Close	1-Day Ch	Company	02/03 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	87.03	1.43	COMMSCOPE:	26.34	0.01
DISH:	75.49	2.90	CONCURRENT:	5.94	(0.3)
ENTRAVISION:	6.54	0.20	CONVERGYS:	20.17	0.73
GRAY TELEVISION:	9.93	0.32	CSG SYSTEMS:	25.31	0.40
MEDIA GENERAL:	14.90	0.40	ECHOSTAR:	53.37	1.23
NEXSTAR:	51.39	1.46	GOOGLE:	529.24	0.76
SINCLAIR:	25.53	0.60	HARMONIC:	7.78	0.14
MSOS					
CABLEVISION:	19.60	0.68	INTEL:	33.70	0.05
CHARTER:	157.97	3.97	INTERACTIVE CORP:	64.06	1.46
COMCAST:	55.41	1.60	JDSU:	12.56	0.08
COMCAST SPCL:	55.01	1.50	LEVEL 3:	51.39	1.20
GCI:	15.10	0.24	MICROSOFT:	41.60	0.32
GRAHAM HOLDING:	966.99	20.60	NETFLIX:	456.92	15.86
LIBERTY BROADBAND:	47.03	1.79	NIELSEN:	44.15	0.43
LIBERTY GLOBAL:	48.68	1.33	RENTRAK:	78.68	1.94
SHAW COMM:	23.91	0.34	SEACHANGE:	7.28	0.16
SHENTEL:	29.04	0.54	SONY:	23.39	0.06
SHENTEL:	29.04	0.54	SPRINT NEXTEL:	4.49	0.22
TIME WARNER CABLE:	142.81	5.28	TIVO:	10.82	0.14
PROGRAMMING					
21ST CENTURY FOX:	34.60	0.83	UNIVERSAL ELEC:	64.82	0.28
AMC NETWORKS:	68.18	0.98	VONAGE:	4.48	0.06
CBS:	56.92	1.55	YAHOO:	44.70	0.01
CROWN:	3.35	0.12	TELCOS		
DISCOVERY:	29.57	0.29	AT&T:	34.34	0.78
DISNEY:	94.10	2.17	CENTURYLINK:	39.59	1.37
GRUPO TELEVISIA:	33.61	0.33	TDS:	24.68	0.87
HSN:	77.60	(0.69)	VERIZON:	47.83	0.85
LIONSGATE:	28.88	0.59	MARKET INDICES		
MSG:	77.08	1.30	DOW:	17666.40	305.36
SCRIPPS INT:	73.60	1.85	NASDAQ:	4727.74	51.05
STARZ:	30.05	0.29	S&P 500:	2050.03	29.18
TIME WARNER:	80.33	1.74			
VIACOM:	67.13	1.68			
WWE:	12.41	0.10			
TECHNOLOGY					
ADVANTAGE:	2.30	0.01			
AMDOCS:	48.88	0.88			
AMPHENOL:	54.58	0.34			
AOL:	44.77	0.98			
APPLE:	118.65	0.02			
ARRIS GROUP:	26.79	0.34			
AVID TECH:	13.02	0.15			
BLNDER TONGUE:	1.77	(0.08)			
BROADCOM:	42.58	0.94			
CISCO:	27.12	0.29			

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