

Cablefax Daily™

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What the Industry Reads First

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Internet of Things: Senators Talk Light Touch Regs, But Want Assurances

Let's face it. It's fun to talk about the Internet of Things. Be it a Jetson-like smart car or a toothbrush that reports how good of a job you're doing on those bicuspid (Sen Commerce chmn *John Thune's* staffer has one and swears by it). So, not surprisingly, members of the Sen Commerce committee had a lot to say at Wed's hearing on the connected world. For the most part, the senators seemed to support light touch regulation—even several Dems, with Sen Communications ranking member *Brian Schatz* (D-HI), calling for public-private partnerships. Thune encouraged policymakers to “resist the urge to jump headfirst into regulation,” letting consumers and entrepreneurs decide where IoT goes. But there were some worry lines over privacy and security issues. “It's one thing for my refrigerator to tell me I need more milk. It's another thing for my refrigerator to tell the grocery store,” said Sen *Bill Nelson* (D-FL), referencing “Animal Farm” and “Big Brother.” The Commerce ranking member also voiced concerns about **Verizon** using a supercookie that could relay smartphone info to 3rd parties (he and other lawmakers last week asked the **FCC** and **FTC** to examine the issue). Sen *Ed Markey* (D-MA) has made safe cars his priority, releasing a report Mon about how vehicles may be vulnerable to hackers (“60 Minutes” did a story this week). He plans to introduce a bill to safeguard drivers' security and privacy. “Thieves no longer need a crowbar to break into your car. They just need a smart phone,” Markey said. Witnesses at the 2-hour plus hearing called for a measured approach, with **George Mason** research fellow *Adam Thierer* advising members to avoid decisions based on “hypothetical, worst-case outcomes.” “We must not overregulate and stifle innovation,” said *Michael Abbott*, general partner for **Kleiner Perkins Caufield & Byers**. Intel's *Doug Davis*, vp and gm of its worldwide IoT Group, said Intel is integrating security into devices at the outset. He's confident the US can lead the Internet of Things transformation with continuous open dialogue. Davis told the committee that IoT is about more than smart watches, pointing to the industrial and commercial applications (he talked up IoT for the trucking industry, suggesting it could help reduce its use of an estimated 50bln gallons of fuel each year). Offering more examples of IoT from a business perspective was *Lance Donny*, CEO of **OnFarm**, which provides data and analytics software for farmers. One of the issues, however, is access to broadband in rural areas. In addition to exploring more options for moving data to the cloud, Donny called for incen-



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tives to help farmers adopt costly technology. Sounding the alarm from the witness table was **Center for Democracy & Technology's Justin Brookman**. "As a consumer advocate, I'm excited about the potential, but if the Internet of things is going to be realized, there are challenges we need to confront," he said, adding that everything from baby monitors to smart toasters have been hacked. Brookman and several committee members referenced a story from last week where it was revealed **Samsung's** privacy policy appeared to reserve the right to collect any voice communication in proximity to its Smart TVs, where it could then send that info to an unnamed voice recognition service provider (Samsung posted a blog this week assuring customers that their TVs aren't monitoring their conversations). There was a general sense at the hearing that all of this connectivity is cool, but it needs to be clear what consumers are trading in the long-run. Schatz suggested something like a Good Housekeeping seal of approval indicating which devices consumers should feel safe using.

Lionsgate-Starz Stock Exchange: Lionsgate will issue new equity equating to 3.43% of its pro forma outstanding shares in exchange for **Starz** Series A and B shares held by *John Malone* and his affiliates, representing approx 4.51% of Starz common stock outstanding and 14.5% of the total voting power of Starz common stock. Lionsgate and Starz shares closed up 9.2% and 3.5%, respectively. Malone will still be Starz's largest voting shareholder, but he'll also get a seat on Lionsgate's board once the transaction closes (he's not on Starz's board). "We view this as a positive for both companies. Lionsgate gets incremental leadership and perspective by adding Malone to the board, and possibly gets a stronger content-buying client," said **ISI Media** analysts. "Perhaps there can be some synergies in time with Lionsgate's other premium movie channel investment partnership, 31%-owned **EPIX** (with Viacom and **MGM Studios**). Starz possibly gains more content access and evolving platform insight, as well as potential new international exposure given Lionsgate's platform."

TWX Earnings: **Time Warner** shares closed up 0.25% after reporting 4Q earnings of \$718mln, down from \$983mln a year ago. Revenue fell 1% to \$7.53 (primarily due to a drop in rev at **Warner Bros** movie studio businesses). **HBO** rev was up 6% to \$1.3bln on higher subscription and content rev, while **Turner** rev was up 2%. "If there are any cracks in the armor, it is on the affiliate fee side. Turner affiliate fees grew +5% in the quarter (compared to sell-side consensus of +8.2%) and 7% for the year, less than the (average) double digits expected for FY13-18," said a **Bernstein Research** note. There was an impact from the **DISH** blackout, but posting "only" +7% this year drags down the average (even when normalized for the DISH blackout), the firm said, putting the blame on lower domestic subscribers. The good news, it said, is that Turner is one of the few network groups included in Sling TV, which could help with the lost conventional pay TV subs. Another plus, noted by **MoffettNathanson**: domestic advertising wasn't as negatively impacted by weak 4Q ratings as the analysts had predicted. Turner ad rev was down 1% in 4Q.

Cablevision-Discovery Deal: **Discovery Comm** announced a new long-term distribution agreement with **Cablevision** incorporating TV Everywhere rights as well as continued access to its 13 US nets. Over the past few months, Discovery has announced similar long-term agreements with **Suddenlink** and **NCTC**. Discovery has a deal expiring this summer with **Comcast**, which has been under the microscope since Discovery raised concerns at the **FCC** over the proposed Comcast-**Time Warner Cable** merger. Comcast claimed the programmer is using the deal to demand unwarranted business concessions (Discovery disputed it, natch).

Not Ready for Primetime: **DISH's** OTT service **Sling TV** had some kinks in its first few days online, with customers reporting issues with buffering and error messages. "We addressed issues impacting some of you yesterday... Up all night to ensure you don't see this going forward," Sling wrote on its **Twitter** account Wed. Kinda makes you wonder if the folks there are ready for the crush of "Walking Dead" fans when **AMC** joins the lineup in a few weeks. On the other hand, the fact there's already enough interest that a hiccup creates a social media splash could be a promising sign for the service.

Programming: Forget Dinovember. **Discovery Family Channel** has declared March Dino Madness month, with back-to-back eps of "Walking with Dinosaurs" starting Mar 2. The month also includes the premiere of "Dinosaurs: The Untold Story" on Mar 16.

Iowa Speeding with Mediacom: **Iowa Speedway** renewed its partnership with **Mediacom Business**, with the

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motorsports facility transitioning from legacy hardware to the Mediacom Business framework. "We'll have experienced, local technicians on hand before and during races to ensure maximum connectivity to our network by members of the media," said Mediacom Business svp *Dan Templin*.

Bodenheimer Recognition: Former ESPN exec chmn and pres *George Bodenheimer* will receive the Lifetime Achievement Award for Sports at the 36th annual **Sports Emmy Awards** ceremony in NYC on May 5. "Working his way up from the mailroom, George Bodenheimer became its longest-tenured President while leading ESPN to an unprecedented period of global growth. His guiding hand in a multiplicity of new networks and platforms has made ESPN synonymous with sports content 'anytime and anywhere,'" said **Natl Academy of TV Arts and Sciences** pres *Bob Mauro*.

STEM to Story: Time Warner Cable and literacy nonprofit **826 National** have launched a STEM and writing curriculum dubbed "STEM to Story: Enthralling and Effective Lesson Plans for Grades 5-8." This book, designed for teachers, after-school providers, and parents, is the culmination of a 3-year partnership made possible by the **Clinton Global Initiative**. As part of 826 National and TWC's efforts to scale inventive and creative best practices for STEM education, TWC also announced that it is donating the book to 1000 YMCAs.

Cablefax Daily Stockwatch

Company	02/11 Close	1-Day Ch	Company	02/11 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	87.34	(0.48)	COMMSCOPE:	26.07	0.09
DISH:	76.16	(0.78)	CONCURRENT:	5.83	(0.07)
ENTRAVISION:	6.99	0.21	CONVERGYS:	20.74	(0.09)
GRAY TELEVISION:	9.93	0.03	CSG SYSTEMS:	29.99	0.23
MEDIA GENERAL:	15.15	UNCH	ECHOSTAR:	53.75	0.04
NEXSTAR:	52.31	0.16	GOOGLE:	535.97	(0.97)
SINCLAIR:	25.18	(0.28)	HARMONIC:	7.77	0.02
MSOS					
CABLEVISION:	19.92	(0.03)	INTEL:	33.55	(0.15)
CHARTER:	175.29	(0.6)	INTERACTIVE CORP:	61.68	1.43
COMCAST:	57.78	0.37	JDSU:	13.01	0.07
COMCAST SPCL:	57.40	0.40	LEVEL 3:	53.69	0.14
GCI:	14.53	(0.04)	MICROSOFT:	42.38	(0.22)
GRAHAM HOLDING:	959.99	4.19	NETFLIX:	454.89	0.94
LIBERTY BROADBAND:	49.37	(0.56)	NIELSEN:	43.71	(0.16)
LIBERTY GLOBAL:	49.35	0.47	RENTRAK:	59.66	5.02
SHAW COMM:	23.41	(0.2)	SEACHANGE:	7.20	UNCH
SHENTEL:	29.64	(0.1)	SONY:	26.10	0.04
SHENTEL:	29.64	(0.1)	SPRINT NEXTEL:	5.03	0.11
TIME WARNER CABLE:	146.21	0.35	TIVO:	10.72	(0.04)
PROGRAMMING					
21ST CENTURY FOX:	34.81	0.35	UNIVERSAL ELEC:	64.72	0.21
AMC NETWORKS:	67.50	(0.81)	VONAGE:	4.22	(0.1)
CBS:	56.75	(0.25)	YAHOO:	42.96	(0.11)
CROWN:	3.21	(0.13)	TELCOS		
DISCOVERY:	30.59	(0.24)	AT&T:	34.39	(0.46)
DISNEY:	101.87	(0.05)	CENTURYLINK:	40.52	0.34
GRUPO TELEVISA:	33.00	(0.67)	TDS:	26.36	0.11
HSN:	65.24	UNCH	VERIZON:	49.81	0.30
LIONSGATE:	32.42	2.73	MARKET INDICES		
MSG:	77.33	(1.25)	DOW:	17862.14	(6.62)
SCRIPPS INT:	73.66	(0.21)	NASDAQ:	4801.18	13.54
STARZ:	31.76	1.06	S&P 500:	2068.53	(0.06)
TIME WARNER:	81.01	0.20			
VIACOM:	67.27	(0.99)			
WWE:	13.37	0.24			
TECHNOLOGY					
ADVANTAGE:	2.47	0.01			
AMDOCS:	49.84	0.07			
AMPHENOL:	55.55	(0.19)			
AOL:	40.22	(4.61)			
APPLE:	124.88	2.86			
ARRIS GROUP:	26.00	(0.6)			
AVID TECH:	13.24	(0.05)			
BLNDER TONGUE:	1.82	0.04			
BROADCOM:	44.52	(0.15)			
CISCO:	26.93	(0.56)			



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Role Reversals

Commentary by Steve Effros

Remember when, for however long it's been that we've been caterwauling about "net neutrality," that the industry loudly complained that those seeking new regulations were doing so based on fear, not on facts? There's certainly a lot to that argument. While it's true companies providing broadband service have gotten very big, and the Internet has become a vital part of many lives, there has been no showing, anywhere, anytime of significant abuses of the "free, open Internet." Yet those calling for regulation stood firm saying that there was legitimate fear that those "big" companies could "take over" the Internet, or somehow "capture" it... they had to be stopped. The engine for their apparent lobbying success was fear.

Now that they seem to be on the brink of an initial significant change in the government's position—at least as to what powers the FCC can use, and in what ways, to regulate broadband—it's the industry that has adopted the "fear" mantra. It's fear of rate regulation, fear of stifling paperwork, fear of massive governmental intrusion that will result in constrained venture capital and so on. In other words, we have just changed places with the folks who loudly said we were wrong when we accused them of trading on fear!

Now the FCC Chairman says not to worry, that rate regulation is off the table, that much of the paperwork will not apply, that the only real provisions being invoked are those which guarantee transparency, no blocking, no throttling, no "paid prioritization" and the like, which are concepts the industry has not had any problem with for a long time. To be sure, the theoretical power to act will change, but, says he, our fears are unfounded, because, just like we said before, while the power may in some way be there, there is no evidence it has been used in



any inappropriate or injurious way, so stop trading on fear!

Quite a role reversal. Just like the one we witness when the same folks who are now calling for significant federal power over the Internet because they fear the power of big companies also scream loudly about big government (NSA, for instance) interference in the freedom and privacy of the Internet! It all comes down to the question of "who do you trust?" And obviously, the associated question, trust for what?

Frankly, I'm not sure I trust either side! I have seen the warping effect the stock market has had on corporate decision making. I've also seen the excesses of government regulation resulting in the exact opposite of "the public interest," even when good intentioned folks were trying to do "the right thing." I guess the major difference is that when the corporate heads make decisions that allegedly violate "the public interest," they are doing it intending to benefit another "public," their stockholders. When, in most cases, the government bureaucrats, regulators and politicians do it, they usually fall into the trap of "unintended consequences" of excess action spurred by excess power. Neither is a good outcome.

But for now, the rhetorical roles are reversing. The "fear factor" moves from the "public interest" advocates fearing the power of bigness to the industry fear of government excess. We have to watch out for both, but in reality, right now, even with the FCC's imminent moves, the "fear" is mostly just that, "fear." Nothing much has really changed. The big ISPs will still be big, and get bigger, and the government will get more powerful. We should probably fear both.

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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