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What the Industry Reads First

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Art of the Deal: MoffettNathanson Summit Further Stokes Consolidation Talk

No matter what deal scenario is being floated these days, **Charter** is usually a part of it. So, it's always interesting to hear what CEO *Tom Rutledge* has to say, even if he's rather coy about what's to come. Rumbblings continue about whether Charter is still talking to **Bright House**, what sort of financing it's lining up for **Time Warner Cable**, and so on. "Obviously, we've had ambitions and they were thwarted with this last deal," Rutledge said at **MoffettNathanson's** media summit Wed. He reminded analyst *Craig Moffett* that back when Charter originally pursued TWC, he had said he wasn't worried about **Comcast** because he "didn't think they could do this deal." As for Charter, it's a very different regulatory animal, Rutledge said, noting it doesn't have the vertical integration, broadband and video share would be "substantially less" than Comcast-TWC, and penetration of big DMAs wouldn't change much. Rutledge didn't offer any insight into the MSO's plans but said he doesn't think it matters whether there's a deal on the table for Time Warner Cable and Bright House at the same time because his understanding is that regulators view them at one entity for purposes of attribution of customers. Asked if he was comfortable with leverage going beyond 5x if Charter doesn't get Bright House for the additional leverage for a transaction, Rutledge said "any long term operation above 5x would be too much." He reiterated that he didn't believe a Charter-TWC deal meaningfully changes programming costs but said it might change the kind of product investments and scale of R&D. As for **Cablevision** CEO *Jim Dolan* last week suggesting a consolidation of the NY market, Rutledge thinks it's a good idea. And a familiar one for Cablevision employees. "When you work at Cablevision, every 6 months or so there's a rumor going around that you're going to be sold," the former Cablevision COO said. He laughed and said you learn to mostly disregard it, but strategically, it makes sense. The same conference featured Comcast's *Brian Roberts* and Time Warner Cable's *Rob Marcus*, who stuck with familiar refrains. For Roberts, that's 'there's no rush to go out and do a deal.' For Marcus, it's 'we're going to do what's in the best interest of shareholder value.' One upshot of the Comcast merger breakup: programmers who haven't talked to TWC in the 14 months while it was pending can expect to get re-acquainted. "To be candid it's been awhile since we sat down with any programming partners. We're back in the game now," Marcus said. **Other noteworthy moments:** Both Rutledge and Marcus said they expect to grow video subs this year, even as some (including Moffett) raise concern over cord-cutting headwinds. -- Roberts said customer enter-

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prise is still possible for Comcast without the TWC deal. It may mean it partners with operators it doesn't have facilities in to offer integrated products. -- Rutledge is "pretty comfortable" putting **Netflix** in its user interface if he can find the right way. It's more of a business issue than a technical problem. -- Marcus sees some benefits in consolidation but doesn't think it's inevitable and doubts that the entire industry is going to shake out into 1 or 2 camps.

Net Neutrality: **NCTA, ACA** and several other ISPs and groups joined forces again as they asked the DC Circuit to stay the **FCC's** Title II net neutrality order, slated to take effect on June 12. The cable pair's petition came after the agency denied similar requests by the 2 groups and others filed with the Commission. If the court denies a stay, it should move on to hear the challenge, the petition said. To be clear, the latest challenge aims at the Title II reclassification provision of the order, as well as things like the general conduct rule. The groups and companies aren't challenging rules that ban paid prioritization, throttling and blocking. "In seeking this relief, we are mindful that a stay need not upset the FCC's net-neutrality rules that prohibit Internet blocking, throttling and paid prioritization. We hope that the court will move swiftly to grant effective relief, and that Congress will soon act to provide clear authority and needed direction as to the scope of appropriate open Internet protections," NCTA head *Michael Powell* said in a statement. Other challengers include **USTelecom, CTIA, CenturyLink, AT&T** and the **Wireless Internet Service Providers Association**. Meanwhile, **Free Press** and **COMPTTEL** have filed petitions with the court to intervene on behalf of the FCC.

Cox Sues AT&T: **Cox** is suing **AT&T U-verse** over patents related to IPTV systems. The lawsuit filed with the District Court for the Northern District of GA alleges AT&T is infringing on 3 patents used in its U-verse TV services. The patents are "Method and System for Multicast Using Multiple Transport Streams," "Generating a personalized video mosaic in a cable services network," and "Access system and method for providing interactive access to an information source through a television distribution system." AT&T had no comment Wed.

AT&T/Hulu Deal: Following its deal with **Cablevision, Mediacom** and a few smaller MVPDs, **Hulu** signed a deal with **AT&T** to offer its streaming service to the telco's subs through AT&T websites and mobile applications starting later this year. The companies are looking to launch a Hulu app to TV.

'Effective Competition': As Sen *Al Franken* (D-MN) and some of his colleagues slam the **FCC's** proposal to update the "effective competition" provision of the 92 Cable Act (**CFX, 5/13**), other lawmakers like the idea. Rep *Anna Eshoo* (D-CA) and *Steve Scalise* (R-LA) in a letter to the FCC Wed said they support a presumption of effective competition. "By adopting a rebuttable presumption, cable operators will not have to engage in long and costly proceedings to offer subscribers more flexible packaging options or engage in pro-consumer pricing practices, such as offering certain discounts and they will incur fewer costs that will ultimately be passed on to consumers," they said. On the other hand, Rep *Frank Pallone* (D-NJ) urged the FCC to look at the potential impact of reversing the presumption, he said in a letter on the same day. The FCC is supposed to act on the issue under directives from Congress in the satellite reauthorization bill by June 2.

ESPN Reshuffling: **ESPN** announced several promotions in its programming and production division. *Burke Magnus* advanced from svp, programming acquisitions to evp, programming & scheduling. *Rosalyn Durant*, vp, college sports programming was upped to svp, college networks and will move to Charlotte to oversee the **SEC** and **Longhorn Networks & ESPN**. She and *Justin Connolly*, who were recently promoted to oversee **Disney** and **ESPN Media Nets** domestic affil sales and marketing team, will work together on transition responsibility for the **SEC** and **Longhorn Nets**. *Tina Thornton*, who became vp of production and multimedia sponsorship integration and management operations last year, will continue to oversee that group, with added focus on digital opportunities as svp, production and multimedia sponsorship integration and management operations. Meanwhile, **ESPN** realigned several content functions. SVP of SportsCenter and News *Rob King* will take on 2 new roles in his area: "Outside the Lines" will be part of **ESPN's** journalism efforts under *Craig Bengtson*, vp and managing editor, news and reporting; The division's social media efforts will be part of senior coordinating producer *Glenn Jacobs'* responsibilities. In addition, *Connor Schell*, who oversees development and production of **ESPN Films** and digital storytelling franchises, becomes svp and exec producer for the division. **ESPN's** content development initiatives will move under Donoghue and Schell, in collaboration with *Burke Magnus* and the programming department. *Libby Geist* was promoted to vp, **ESPN Films** and original projects. *John Dahl* will continue to serve as vp and exec producer, **ESPN Films** and original content. Geist and Dahl

BUSINESS & FINANCE

will continue to report to Connor.

Turner Upfront: Turner announced that it's partnering with data management platforms to develop Turner Data Cloud, an advanced data management platform designed to power digital and linear advertising campaigns across the company's portfolio. The idea is to enable advertisers to address custom audiences directly and programmatically. On the programming side, **TBS** and **TNT** pres *Kevin Reilly* promised major changes ahead. TNT will shift its focus and tone with originals, "some of which will not appeal to all our current viewers, but will be a lightning rod to attract new viewers," he said. With *Sarah Aubrey* in place as evp, original programming, TNT announced an 8-part psychological thriller based on *Caleb Carr's* novel "The Alienist," and a *Craig Pearce* pilot about a young *William Shakespeare*. At TBS, the directive is more original content, with the net expanding to more than 15 scripted and unscripted series over the next 2 years. The 1st wave will hit in 4Q and includes *Steve and Nancy Carell's* "Angie Tribeca." The net's also gearing up for an issues-oriented series to be headlined by former "The Daily Show" correspondent *Samantha Bee*. New projects announced include "The Group," a comedy pilot about alien abductees from exec producer *Conan O'Brien* and "The Office" producer *Greg Daniels*.

Cablefax Daily Stockwatch

Company	05/13 Close	1-Day Ch	Company	05/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	90.90	0.29	COMMSCOPE:	26.15	0.12
DISH:	65.92	UNCH	CONCURRENT:	6.45	(0.12)
ENTRAVISION:	6.45	0.06	CONVERGYS:	24.40	0.36
GRAY TELEVISION:	13.87	(0.14)	CSG SYSTEMS:	30.12	(0.23)
MEDIA GENERAL:	15.24	(0.25)	ECHOSTAR:	49.13	(0.36)
NEXSTAR:	54.29	(0.66)	GOOGLE:	529.62	0.58
SINCLAIR:	28.67	(0.12)	HARMONIC:	6.90	(0.23)
MSOS					
CABLEVISION:	20.05	0.13	INTEL:	32.64	0.39
CHARTER:	177.41	0.07	INTERACTIVE CORP:	72.32	(0.57)
COMCAST:	56.28	(1.05)	JDSU:	12.50	0.13
COMCAST SPCL:	55.95	(1.16)	LEVEL 3:	54.92	(0.89)
GCI:	16.04	(0.09)	MICROSOFT:	47.63	0.28
GRAHAM HOLDING:	987.37	5.88	NETFLIX:	580.11	(3.53)
LIBERTY BROADBAND:	51.99	0.36	NIELSEN:	44.34	(0.11)
LIBERTY GLOBAL:	50.23	(0.13)	RENTRAK:	61.76	10.65
SHAW COMM:	22.27	(0.12)	SEACHANGE:	7.00	(0.01)
SHENTEL:	31.19	(0.27)	SONY:	32.00	0.49
SHENTEL:	31.19	(0.27)	SPRINT NEXTEL:	4.67	0.01
TIME WARNER CABLE:	152.82	(2.05)	TIVO:	10.78	(0.02)
PROGRAMMING					
21ST CENTURY FOX:	32.92	0.31	UNIVERSAL ELEC:	50.30	1.44
AMC NETWORKS:	74.70	(0.25)	VONAGE:	4.56	(0.02)
CBS:	59.72	UNCH	YAHOO:	44.40	0.56
CROWN:	3.91	UNCH	TELCOS		
DISCOVERY:	31.44	(0.58)	AT&T:	33.90	0.24
DISNEY:	109.19	(0.05)	CENTURYLINK:	34.35	(0.65)
GRUPO TELEVISIA:	36.18	UNCH	TDS:	29.86	0.08
HSN:	67.41	(0.06)	VERIZON:	49.73	0.11
LIONSGATE:	30.50	0.19	MARKET INDICES		
MSG:	82.49	(0.32)	DOW:	18060.49	(7.74)
SCRIPPS INT:	66.51	(0.2)	NASDAQ:	4981.69	5.50
STARZ:	38.21	0.40	S&P 500:	2098.48	(0.64)
TIME WARNER:	83.41	0.18			
VIACOM:	64.51	(0.23)			
WWE:	13.66	0.09			
TECHNOLOGY					
ADVANTAGE:	2.32	(0.02)			
AMDOCS:	54.08	0.67			
AMPHENOL:	56.95	0.18			
AOL:	50.77	0.25			
APPLE:	126.01	0.15			
ARRIS GROUP:	33.70	(0.1)			
AVID TECH:	15.80	0.24			
BLNDER TONGUE:	0.76	0.02			
BROADCOM:	46.66	0.67			
CISCO:	29.35	0.12			



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Cable Telecommunications

Commentary by Steve Effros

In November 1993, the Community Antenna Television Association changed its name to the Cable Telecommunications Association. We kept CATA as the acronym (the CA came from Cable). The reason was simple, as I explained as President of the Association then; "We've known for some time that what's been called the cable television industry was about to experience a dramatic evolution. The convergence of telecommunications technologies and companies is a harbinger of that development."



We recognized that "cable television" was only one of the many services we were about to help develop and deliver to American homes; internet data transmission and telephone were clearly coming as well as many other things, and the companies that created the cable infrastructure were going to be a vital part of delivering all that varied telecommunications to our customers. We represented companies that "cabled" the country, whether it was with coax, fiber, or HFC. Our members were "telecommunications" companies. To be sure, we would later add the option of mobile distribution, but the core of our identity was cable-delivered telecommunications of any form.

Twenty-two years later we're going through another reconsideration of what and who we are. It's more difficult now. CATA merged with the NCTA in 1999, and that organization later changed its name to The National Cable & Telecommunications Association. (I never understood why there was a separation). NCTA had cable programmers as members as well as cable operators. The term "cable" got even more diffused as we moved into a dominant position delivering broadband, and finally, this year, NCTA changed the "Cable Show," rebranding it "INTX," the Internet and Television Exposition. I explained their reasoning behind that—to attract more and different folks—last week. It was worth a try.

It had mixed results. To me, the Show lost its identity. There was a strange mix of "geeks," Internet and traditional programmers, equipment manufacturers and "cable operators" speaking very different languages. None were quite sure why they or the others were attending. There was lots of talk about video going "mobile" and about targeted advertising. Verizon reportedly bought AOL this week primarily for the advertising technology they developed, along with its digital video content. Our industry already has lots of experience developing quality content, and there's no question targeted ads are increasingly important. But I'm not sure an industry based on building extremely expensive delivery infrastructure that does not, and cannot "change" overnight needs to hyperventilate about its future every time a new wrinkle or use of our infrastructure (like "OTT," Periscope, or YouTube) arrives on the scene. After all, our primary job is to respond to our customers and deliver whatever it is they want, however they want it, with a core focus on what we have already built and own. "Mobile" operators, "Internet" and "television" have their own representation, as they should.

We deliver "cable television," "cable programming," "cable broadband," telephone, security, targeted advertising and probably a lot more in the future. But we're not just "video" companies, "television" "Internet" or simply "broadband" as the FCC Chairman seems to want to pigeonhole (and regulate) us. We're more than that. Does our name give us trouble sometimes because of bad anecdotes about billing disputes or service? Yes. But changing our name won't change that. You don't run from something, you run to something. No one has suggested any more accurate new description of who we are and what we do. I like "cable," and I think "Cable Telecommunications" is what we do better than anyone else.

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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