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Cablefax Daily™

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Set-top Proposal: FCC vs Future of TV Coalition

The war is on. On Thurs, **FCC** chmn *Tom Wheeler* is set to circulate an NPRM designed to pave the way for software, devices and other solutions to compete with traditional set-tops. The proposal will be voted on Feb 18 during the agency's Open Meeting, senior FCC officials said during a background briefing Wed. Then the agency will open the item up for comments. Shortly after the proposal was unveiled, cable responded with the launch of the **Future of TV Coalition** consisting of 47 founding members including **NCTA**, **ACA**, major and mid-sized pay-TV ops, as well as programmers and civic groups. The group, led by co-chairs *Alfred Liggins,* CEO of **TV One,** and *Nomi Bergman*, pres of *Bright House*, seeks to "celebrate and promote the thriving innovation" that already exists in the pay-TV space. It said a few tech companies (including **Google** and **TiVo**), want the FCC to replace innovation with government regulation, often referred to as "AllVid." One of the several proposals made by the FCC's **Downloadable Security Technology Advisory Committee**, AllVid allows consumers to use a device other than a set-top to access video services. Consumers groups like **Public Knowledge** also back this approach. "AllVid would force programmers and TV providers to dismantle their shows and services for these companies to repackage, reuse, and exploit without negotiating for the rights like everybody else in the market does today," the Future of TV coalition said. Moreover, it would increase the equipment in consumer homes by requiring a new "AllVid" adapter in the home to deliver programming to a set-top box or video device purchased at retail, further escalating consumer costs. Cable, in general, prefers a hands-off, app-based approach that would allow ops to provide their own apps and user interfaces. Wheeler is framing his proposal as consumer friendly and not a huge blow to the pay-TV industry. The goal, according to a proposal summary, is to "unlock the set-top box." Nothing in the proposal changes an MVPD's ability to bundle and price its programming, senior FCC officials said during a press briefing. It also doesn't require consumers to purchase any new devices if they are satisfied with their pay-TV provided set-tops, they said. The proposal identifies 3 main information streams that must pass from MVPDs to the creators of competitive devices or apps. They are Service Discovery, information about what programming is available to the consumer like channel listing and VOD lineup; Entitlements, information about what a device is allowed to do with content such as recording; and Content Delivery, which is the video programming itself. In terms of standards for these 3 information flows, Wheeler's proposal recommends they

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be made available to the creators of competitive devices using any "published, transparent format that conforms to specifications set by an independent, open standard body." Since there is little technical difficulty, standards can be developed in a short time frame, meaning devices and apps can hit the market soon, senior FCC officials said. The agency said the average charge for a set-top box is $7.43 per month, an increase of 185% since 1994—more than three times the increase in the Consumer Price Index (CPI) over that same period. While it's still too early to estimate potential cost savings, the proposal seeks to provide options with a variety of price points for consumers, senior FCC officials said.

More on Set-top Proposal: *Tom Wheeler*'s plan may not propose a mandated security system, but **ACA** remains "especially troubled by the agency's one-size-fits-all approach that will disproportionately burden smaller cable operators," the group's pres/CEO *Matt Polka* said in a statement. "Incidentally, many ACA members have responded to the new media environment rich with apps and devices by deploying TiVo set-tops boxes, which integrate **Netflix** and other popular OTT services that consumers can access from a single remote." **TiVo**, on the other hand, said the proposal would enable consumers to purchase competitive retail devices to get their cable programming. "More capable user interfaces allowing consumers to move seamlessly between traditional television channels and new streaming services will benefit consumers as well as the television ecosystem (including cable operators) by increasing satisfaction with the pay TV bundle as well as expanding opportunities for minority and independent voices," said *Matthew Zinn,* svp/general counsel of TiVo.

Sinclair Buying Tennis Channel: The months-long rumor that **Sinclair** was in serious talks for **Tennis Channel** proved true Wed when the broadcaster announced it will purchase the network for $350mln. What's more, Sinclair said it had already negotiated agreements with various MVPDs to increase Tennis' carriage from 30mln homes to 50mln once the deal closes. On a conference call to reporters Sinclair Broadcast Group evp *Barry Faber* called Tennis "tremendously underdistributed" despite its quality and value—and therefore an opportunity. It looked like something was up this past summer when Sinclair stations went dark on **DISH**. The DBS provider complained then that Sinclair was attempting to gain leverage for carriage of an unrelated cable channel it hopes to acquire, but didn't yet own. The blackout lasted less than 24 hours, begging the question to whether DISH agreed to broader distribution of Tennis. Faber declined to name which MVPDs Sinclair has made agreements with for an additional 20 mln homes. It has been including the distribution of Tennis as part of its retrans discussions and has a couple of "very major ones" left, he said. "Based on past performance I am confident that we'll reach increased distribution with all of them." The 20 mln homes already negotiated will take a rollout of about over a year, Faber said. Regarding Tennis' litigation with Comcast, Solomon said the deal "doesn't change anything… Comcast is one of our largest distributors right now… it's a legal process… We have been doing great business," despite the disagreement on its "level of penetration." Sinclair said it would benefit from more than $200 million of Tennis net operating losses that it will be able to carry forward to reduce future tax payments, the present value of which Sinclair estimates to be worth approx $65 million. Tennis Channel chmn/CEO *Ken Solomon* will continue to be involved with the channel, Sinclair said. The deal is expected to close this quarter. **LionTree Advisors** acted as financial adviser to Tennis Channel in connection with the transaction. **Evolution Media Capital** also acted as an adviser to Tennis Channel.

CPUC-Charter: Reports have Tues night's **CA PUC** hearing over **Charter's** plan to buy **Time Warner Cable** and **Charter** lasting about 4 hours. *The L.A. Times* reported more than 100 people spoke during the hearing *(**CFX**, 1/27),* including a rep of the **Writers Guild of America, West** (opposes the deal) and the head of **Smart Education** (supports the deal). While the PUC isn't expected to vote on the deal until June, Charter has been hoping to expedite the process.

AT&T 4Q: **AT&T** is early in the process of rolling out converged offerings following its **DirecTV** acquisition, chmn/CEO *Randall Stephenson* said during the company's earnings conference call late Tues. "The sales channel is just really starting to get their legs underneath them on how to attach satellite and mobility together... We are doing some things to shore up the U-verse base because we are focused on the satellite product, and so as a result you're seeing U-verse churn up," he said. The DirecTV purchase is "really accelerating our introduction of next-generation TV" as the new company creates entertainment packages that hit "essentially any mobile device," he said. The telco launched an unlimited mobile data plan for new and existing TV subs earlier this month. "This is only our first move. You're going to see the offers and the customer experience continue to get better and better as we move through 2016," Stephenson said.

Aereo's Kanojia's Back: On Wed, **Aereo** founder *Chet Kanojia* announced the launch of **Starry**, which will sell wireless equipment and deliver wireless Internet speeds using millimeter wave band active phased array technology. The plan is

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to offer a nationwide fixed wireless broadband network capable of delivering speeds of up to 1 gigabit. Investors include **FirstMark Capital, Tiger Global, IAC, KKR, HLVP** and **Quantum Strategic Partners**. It launches in beta in the Boston area this summer.

Broadcast Soap Opera: The love triangle has ended, with **Meredith** agreeing to pack up and bid adieu to its merger with **Media General**. That clears the way for **Nexstar** to pay more than $2.1bln for Media General. But Meredith is keeping a $60mln cash break-up fee. Meredith also scored the right to negotiate to buy certain broadcast and digital assets currently owned by Media General.

GLAAD Nominations: Plenty of cable shows represented in the **GLAAD** Media Awards nominations. Reality nominees are: **E!'s** "I Am Cait," **TLC's** "I Am Jazz," **Discovery Life's** "New Girls on the Block," **Oxygen's** "The Prancing Elites Project" and **Fuse's** "Transcendent." Other cable contenders in various categories include **MTV's** "Faking It," **Pivot's** "Please Like Me," **HBO's** "Looking," **ABC Family's** "The Fosters," **Starz's** "Black Sails," **Showtime's** "Shameless," **BBC America's** "Orphan Black" and **Logo's** "Cucumber."

FCC Meeting: Thurs' **FCC** open meeting was bumped to 1pm from 10:30am. We're guessing the blizzard's to blame, though the notice only said "the prompt and orderly conduct of the Commission's business requires this change."

Cablefax Daily Stockwatch

Company	01/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DISH:	47.09	(1.27)
ENTRAVISION:	7.33	(0.25)
GRAY TELEVISION:	13.30	(0.11)
MEDIA GENERAL:	16.19	0.06
NEXSTAR:	46.89	(2.25)
SINCLAIR:	31.24	0.52
TEGNA:	23.53	0.05
MSOS		
CABLE ONE:	418.93	(1.64)
CABLEVISION:	31.03	(0.24)
CHARTER:	165.29	(6.88)
COMCAST:	54.12	(0.72)
GCI:	17.73	(0.28)
LIBERTY BROADBAND:	46.25	(1.07)
LIBERTY GLOBAL:	34.31	(0.37)
SHAW COMM:	16.75	(0.12)
SHENTEL:	22.08	(0.11)
TIME WARNER CABLE:	175.64	(3.53)
PROGRAMMING		
21ST CENTURY FOX:	26.58	(0.33)
AMC NETWORKS:	71.81	(1.41)
CBS:	47.34	(0.17)
CROWN:	4.32	(0.03)
DISCOVERY:	27.10	(0.32)
DISNEY:	94.32	(1.95)
GRUPO TELEVISA:	26.00	(0.48)
HSN:	46.25	(2.97)
LIONSGATE:	27.10	(0.09)
MSG NETWORKS:	17.45	0.52
SCRIPPS INT:	60.05	(0.55)
STARZ:	29.19	(0.92)
TIME WARNER:	70.95	(1.04)
VIACOM:	46.58	(0.19)
WWE:	17.57	(0.43)
TECHNOLOGY		
ADDVANTAGE:	1.83	(0.03)
AMDOCS:	52.43	(0.77)
AMPHENOL:	48.39	(0.19)
APPLE:	93.42	(6.57)
ARRIS GROUP:	26.14	(1.28)
AVID TECH:	6.95	(0.1)
BROADCOM:	54.37	(0.1)
CISCO:	23.43	(0.29)
COMMSCOPE:	21.51	(0.84)
CONCURRENT:	5.19	UNCH
CONVERGYS:	23.21	(0.48)
CSG SYSTEMS:	34.26	(0.99)
ECHOSTAR:	34.07	(0.57)
GOOGLE:	699.99	(13.05)
HARMONIC:	3.31	(0.13)
INTEL:	29.81	(0.13)
INTERACTIVE CORP:	51.50	(0.19)
LEVEL 3:	47.64	(0.17)
MICROSOFT:	51.22	(0.95)
NETFLIX:	91.15	(6.68)
NIELSEN:	45.91	0.34
RENTRAK:	45.30	(4.05)
SEACHANGE:	5.96	(0.09)
SONY:	21.04	(0.19)
SPRINT NEXTEL:	2.92	(0.07)
TIVO:	7.70	(0.01)
UNIVERSAL ELEC:	47.47	(1.14)
VONAGE:	5.07	(0.1)
YAHOO:	29.69	(0.29)
TELCOS		
AT&T:	35.48	0.08
CENTURYLINK:	24.63	0.07
FRONTIER :	4.45	0.03
TDS:	22.57	(0.09)
VERIZON:	49.03	0.78
MARKET INDICES		
DOW:	15944.46	(222.77)
NASDAQ:	4468.17	(99.51)
S&P 500:	1882.95	(20.68)

Think about that for a minute...

More On Competition

Commentary by Steve Effros

Last week I mused about those who insist competition is the only remedy to the alleged unfairness, poor service, high prices and general malfeasance they see in the video delivery/broadband market today. Ironically, as soon as we actually got competition and the industry started to vocally confirm it intended to respond to that competition, those same folks started complaining such responses might be unfair and even illegal! They want multiple competitors as well as government regulation and industrial policy, but apparently not competitiveness.

Once again, the underlying issue is "what is our business?" In legal terms, if we were to analyze all this through the lens of antitrust law, the terminology would be "what's the relevant market?" The issue would be "market dominance." But unfortunately we are not in well-established and understood antitrust analysis, we are in a very undefined "policy" world where the FCC seems to have free rein to define and redefine what the policy goals and definitions are. As is often said, they seem to "move the goalposts" whenever they want to maintain regulatory authority.

That's what's happening this month as the newest report on broadband competition comes out with recently changed "benchmark" numbers, now 25Mbps down 3Mbps up rather than the older, lower "standards." By the new measurement, the FCC says, things are not moving fast enough, there is not enough competition or uptake, and therefore, surprise (!) the Commission has to retain regulatory control and look for new ways to mandate the policy objectives they have set. There is little use complaining about this gambit. It's an old one at the Commission, and so long as Congress doesn't step in (and they won't right now... they're busy chewing gum, can't do two things at once!) the only restraint on the Commission might be the Courts, but only if they stop giving "deference" to an alleged "expert agency."

So what is that "expert" hearing? Well, for one thing it's being told that wired and wireless broadband offerings don't compete. Now you have to be from another planet to believe that in some contexts. All you need to do is look at all the studies of the "millennial" generation and the fact that they no longer use wireline phones—they rely totally on their wireless phones—to know that there appears to be direct competition! The same is true of the studies showing that a majority of broadband inquiries, for instance, are initiated from wireless devices these days.

But no, they are told by the consumer lobbyists that wired and wireless are different because in some cases one is better for use in certain instances than the other... so they are different! Well, of course. Just as the articles in the *New York Times* are different from the ones in the *Wall Street Journal*, and therefore sometimes I read one or the other. That's what competition leads to: emphasizing differences, offering alternatives, being better at one thing or another. The Corvette is different from the pickup truck, but they compete for someone's attention and dollars when using a vehicle. The same is true for wired and wireless communications. To suggest they don't compete for the same dollars is an excuse to maintain the notion that regulation is needed to promote policy objectives. Big video screens are better for some things, smaller for others. But they're both screens!

I have no illusion that this is going to change, I just thought it useful to point out how disingenuous it is.

Steve

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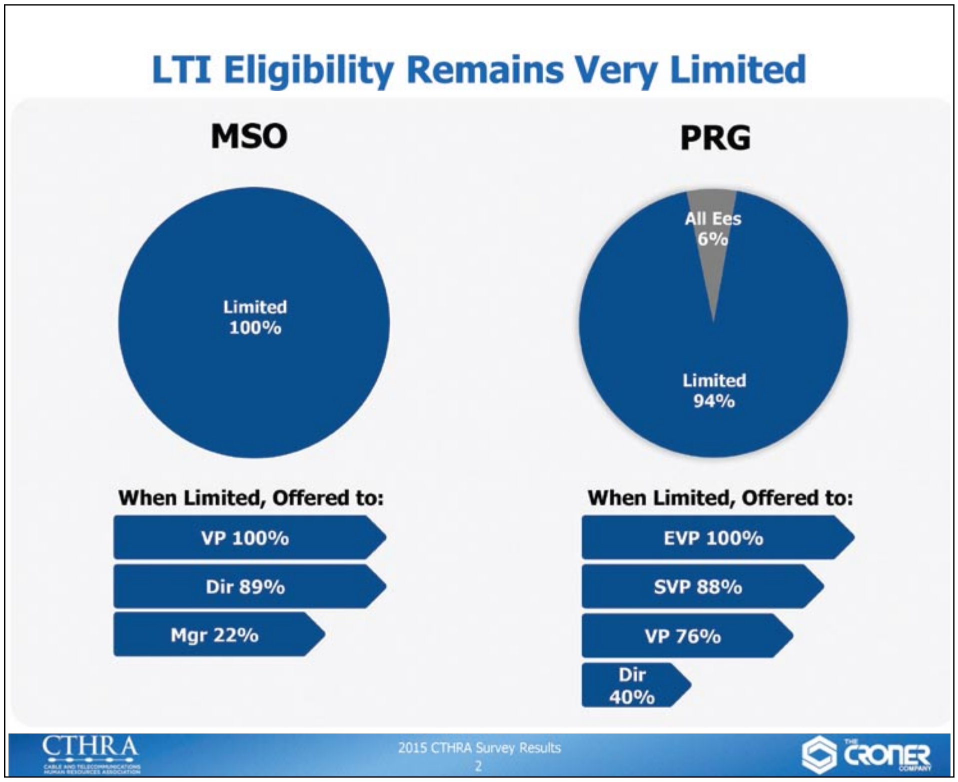
A Deeper Look at CTHRA's Compensation Survey

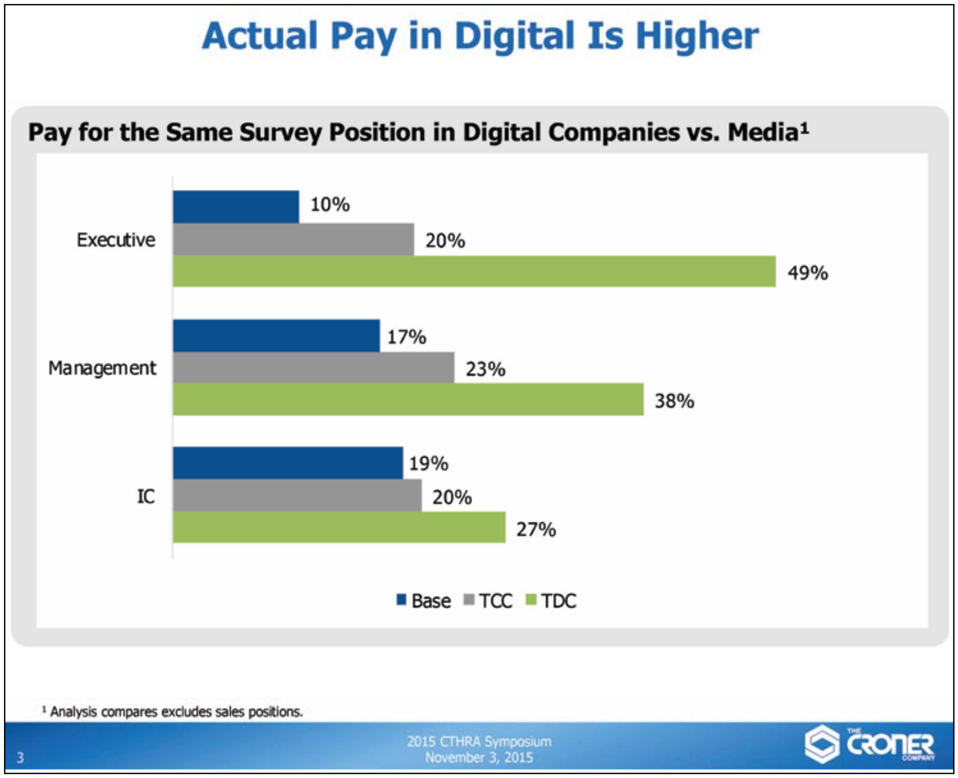


As the lines between traditional media companies and digital companies blur, some substantial differences between the two remain when it comes to compensation. Take long-term incentives, such as stock options, shares and long-term cash awards. None of the MSOs who participated in The **Cable and Telecommunications Human Resources Association's** 2015 compensation survey extended long-term incentive eligibility to all employees, and only 6% of programmers did. However, 45% of digital employers surveyed offered equity incentives to everyone. MSO and programmers are much more likely to offer bonuses and other short-term incentives deep in the company, with 64% of MSOs extending bonus eligibility to all employees, and programmers extending them to 50% of the workforce.

"What has become such a big theme across all the cable companies is that the programmers need to compete digitally so they need to compete for digital talent, whereas they used to just be able to stay in the media sector and hire people in the media sector. Now they have a bigger group of competitors for that talent, and they need to adapt to that," said *Hali Croner*, pres/CEO of **The Croner Company**, which CTHRA commissioned for the survey. She added that the same is true for operators, particularly in technology and software engineering.

"For sure the digital companies pay more, but they're not necessarily always the better places to work," Croner said. "You can't go head to head with pay, but you can start to go head-to-head with culture… It's the type of experience you can offer to employees at the company. Access to top management, transparency about information, engagement with the products and content that they have. Just ways to make people feel really connected to the companies."

Ann Carlsen of **Carlsen Resources** cautions against assuming that traditional media always pays less than digital. "Our experience is that only some digital companies pay more than traditional media, but it isn't across the board by any measurement. Some of the companies allow employees more flexibility in how the employee takes their compensation.



Base – is Base Salary
TCC – Total Cash Compensation (base salary + short term incentive bonus received in 12 month period)
TDC – Total Direct Compensation (base salary, short-term incentive awards and the annualized value of LTI awards)
IC – Individual Contributor

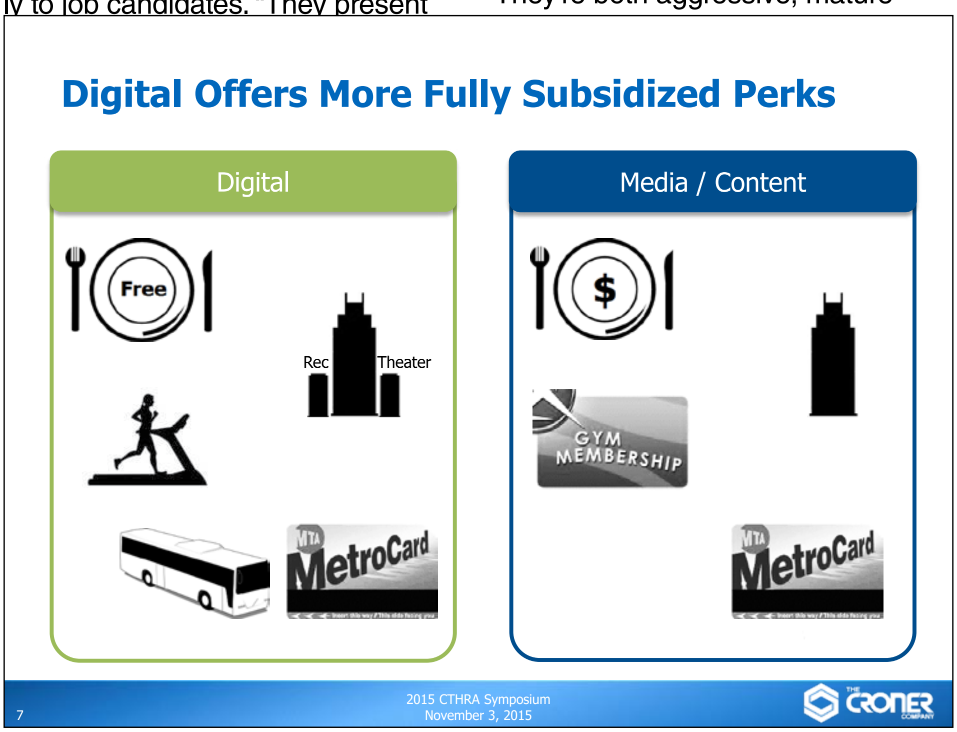
For example, they can choose to take more in stock or vacation," she said. Cultural fit, learning and mentoring, and growth potential can all be more important than money, she said.

The good news is cable hasn't buried its head in the sand. CTHRA found that individuals with digital and technical skills saw the highest salary increases last year. In addition, the group's compensation survey has expanded into new categories and included more digital companies for comparison. This year's participants included **Amazon, Hulu** and **RedBull Media House**. Survey co-chair and pres/CEO of **greenlightjobs** *Lisa Kaye* said it has taken traditional media companies—particularly programmers—a little while to see the importance of including digital. "There's been an ah-ha realization that not only are they in our space, but they're recruiting people from our companies," Kaye said. That's led to new jobs being added to the survey. CTHRA's 2015 survey for programmers included 8 new job families: digital journalist, digital anchor and digital coordinator, as well as research, marketing strategy, participation and residuals, government relations and anti-piracy. The MSO Survey included two new job families: workforce management and national enterprise commercial sales.

Culture is the big buzz word coming from CTHRA's findings. "One of the things I've seen having worked for **Facebook**, Oculus VR and other digital media companies is that a lot is given to creating that environment—that workplace that is much more open and collaborative and transparent in allowing people to have more flexibility in work-life balance issues," Kaye said, suggesting companies look for more creative ways to attract and retain talent, rather than running the traditional 9-5/5-day-per-week schedule.

As a headhunter, Carlsen said she can't emphasize the importance of culture enough, noting that digital companies sell themselves differently to job candidates. "They present an alluring and compelling vision of their organizations that is futuristic, and the feeling is that if you don't jump onboard you will miss something big. There is a strong pull in individuals to be part of a picture like that," she said. "Digital companies also appeal to the entrepreneurial spirit by comparing their place in the industry lifecycle to that of the cable industry when it was fresh, new, young and beaming with possibility. That is very appealing to a vast majority of people in the traditional cable space today."

At the same time, Carlsen gives many companies within the cable industry credit for changing to better compete in the digital age. "This industry was built by innovators, and it will continue to adapt to change and stay disruptive," she said. "It all depends on the size and scale of the companies we're discussing. Certainly an employee looking at a top tier cable company versus a mid-size early stage digital company would have very different expectations about what each of those environments can offer. But deciding whether to work at Amazon versus **Comcast** would not be a stretch. They're both aggressive, mature companies with multiple offerings, cultures of innovation, and matrix' d environments."



CTHRA's survey also delved into amenities and culture for the first time. The findings? Digital and high-tech competitors are much more likely to offer up fully stocked free pantries or basketball and ping pong tables. "They've nailed the free food. They've nailed this kind of campus environment, particularly that really resonates with younger employees that has to do with an overall setting that's more fun to be in," Croner said. "There's a little bit more of gym facilities offered. But media companies tend to subsidize health as well."

Carlsen cautions against getting too caught up in the lure of free Greek yogurts and cereal in the office. "I would put perks as very nice window dressing or nice-to-have, but nothing compares to the culture of a company in the long run," she said. "Companies would do well to use marketing principles to create a culture that's unique and attractive to the kind of executive they want to hire. Start by identifying what kind of dynamics will lead to the results you're trying to achieve, clearly articulate them, and then work to cultivate them."

CTHRA will continue its compensation survey next year, adding an analytics job family to the research. "I think that is another movement forward in the digital era, with Web and mobile usage," Croner said. The group also is constantly on the hunt for new digital company participants, with invitations extended to companies like **Netflix** and **Vudu**, she said. "It's very important to have a good sense of the external marketplace for people. We take into account benchmarking data a lot," said *Dave Crossen*, svp, HR for **NBC** Broadcasting and Distribution and survey co-chair. "For us in our industry, CTHRA is the go-to resource."

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