

Cablefax Daily™

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What the Industry Reads First

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4 to 1: FCC Commish Pai Explains Vote Against Charter-TWC

The FCC released its order Tues approving Charter's \$55.1bn acquisition of Time Warner Cable and \$10.4bn acquisition of Bright House, with frequent agency contrarian Ajit Pai the only commissioner to dissent to the deal (fellow Republican Michael O'Rielly dissented in part, concurred in part and approved in part, while Mignon Clyburn approved in part and concurred in part). The FCC voted 4-1 to approve the deal May 5, but released the more than 300-page document Tues. Pai's dissent wasn't so much about the transaction, but the conditions that were put on it. He complained that the FCC does not really believe the deal is in the public interest based on the "100 pages detailing the harms that would allegedly result from the transaction." He argued that the FCC approved the deal because it has turned it into a vehicle to advance its agenda to "micromanage the Internet economy," pointing to the 7-year ban on usage-based pricing and mandate for settlement-free interconnection. Like others, he believes the order sets the stage for the FCC to target paid peering and usage-based pricing industry wide. "A company shooting its own foot becomes extremely problematic to me if it leads to the Commission taking the gun and inflicting similar wounds on other companies," O'Rielly said, declaring he can't support conditions that are not transaction related. Clyburn, on the other hand, would have preferred more conditions—specifically one requiring the addition of independent nets not affiliated with new Charter. She also would have liked to have seen outstanding franchise agreements addressed and a condition requiring a standalone broadband offering, though she acknowledged Charter has said it would work expeditiously on the franchises and has said it has no intention of eliminating its current standalone broadband offering. Pai questioned the variances in some of the FCC's recent actions. While Charter is required to offer a 30Mbps broadband service for \$14.99/month to qualifying low-income HHs, AT&T was required last year in the DirecTV deal to offer a 10Mbps service for \$10/month. And this year, the FCC decided that Lifeline should support only 10Mbps services. In justifying the conditions, the FCC order said the new Charter would have greater incentives to harm online video distributors, saying that the company may be more inclined to use data caps or UBP to curb OVD consumption. For instance, a redacted portion of the order said Charter's internal documents appear to show the company's position on usage-based pricing is subject to change (it currently argues there's a strong business case for not implementing caps). As for why the FCC put the conditions for UBP at 7 years instead of the 3 Charter agreed upon, the order said

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- Regional Program
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Questions: Contact Mary-Lou French at mfrench@accessintel.com or (301) 354-1851.
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that period of time will allow the “edge provider market room to become more mature and better positioned to withstand attempts by New Charter to impose data caps and UBP at levels” that could “blunt their competitiveness.” Read the entire FCC order [here](#). The **CA PUC** is slated to vote on the Charter transaction Thurs, the last regulatory hurdle before closing.

Disney Earnings: Before **Disney's** 2Q earnings call late Tues, the company announced its **ESPN** unit and **Verizon** reached a settlement in their lawsuit filed in the NY Supreme Court in April, 2015. “We have a long-standing relationship with Verizon. We look forward to working with them to provide great content to consumers for years to come,” said *Sean Breen*, svp of affiliate sales, Disney and ESPN Media Networks. “ESPN is an important partner of ours. We look forward to further collaborating with them to deliver customers content across all of our platforms,” said *Terry Denson*, vp of content strategy and acquisition at Verizon. The lawsuit stems from Verizon’s Custom TV bundle launched a year ago. ESPN claimed the offering violated its contractual terms. Meanwhile, Disney posted 2Q earnings of \$2.1bln, an increase of \$35mln over the prior-year period. Cable net revenues for the quarter decreased 2% YOY, while operating income increased 12% because of an increase at ESPN, partially offset by lower equity income from **A&E**. The increase at ESPN was driven by the benefit of lower programming costs and higher affil revenues, partially offset by a decrease in advertising revenue. Lower equity income from A&E was due to a decrease in advertising revenue, higher programming costs and a negative impact from the conversion of the H2 channel to **Viceland** as Viceland is in a start-up phase.

Service Outage: Due to multiple fiber cuts on **Level 3** networks, outages hit **Time Warner Cable** and **Cox** subs in NY, CT, RI and parts of MA Mon. Services are now restored. Both TWC and Cox are Level 3 customers. In a statement, Level 3 blamed “a fiber cut caused by third-party construction. Our technicians are on site and working to restore service.”

Amazon Video Direct: **Amazon** is taking on **YouTube** with its Amazon Video Direct (AVD), which allows users to upload videos, make them available to Amazon customers and earn money through viewer engagement. The program provides flexible self-service options for distributing content, which can be included in Prime Video at no additional charge to Prime members, as an add-on subscription through the Amazon Streaming Partners Program, or as a one-time rental or purchase price. The company also launched the AVD Stars program, which gives video creators a share of \$1mln per month based on customer engagement with their title. Amazon will distribute to creators a monthly bonus from a \$1mln monthly fund, based on the Top 100 AVD titles in Prime Video, in addition to any other revenue earned. The monthly fund will make its 1st bonus distributions based on streaming activity from June 1 to June 30. AVD launch partners include: **Conde Nast Entertainment, HowStuffWorks, Samuel Goldwyn Films, The Guardian, Mashable, Mattel, StyleHaul, Kin Community, Jash, Business Insider, Machinima, TYT Network, Baby Einstein, CJ Entertainment America, Xive TV, Synergetic Distribution, Kino Nation, Journeyman Pictures, and Pro Guitar Lessons.**

Privacy on the Hill: One day ahead of Wed’s **Sen Judiciary** subcmte hearing on the **FCC’s** proposed privacy rules, **NCTA, ACA, CTIA** and other assns have written to the leadership to argue that the FCC’s primary objective should be to closely harmonize any ISP privacy rules it adopts with the existing **FTC** opt-out framework. “The FCC framework, however, would make opt-in the default consent mechanism for virtually all uses of customer data. This would lead to absurd results, such as restricting an ISP’s ability to market accessories that work with a consumer’s device. It also would make it difficult for consumers to have access to discounted offers from their providers,” the groups wrote. Wed’s hearing will include FCC chmn *Tom Wheeler*, FTC chairwoman *Edith Ramirez*, FCC commish *Ajit Pai* and FTC commish *Maureen Ohlhausen*.

WWE: More than 2 years after **WWE Network** launched, the streaming service has reached 1.82mln total subs as of April 4. It averaged 1.29mln paid subs during 1Q, a 39% increase YOY. WWE Network revenue increased 34% to \$38.2mln. An anticipated decline in PPV revenue partly offset WWE Network growth. WWE continues to expand distribution of the streaming net, which was made available during 1Q to Germany, Austria, Switzerland, Japan, Thailand and the Philippines. The Company is also working on launch plans for China. The net had 362K total international subs at quarter’s end and 434K as of April 4. During the quarter, overall revenue grew 135 YOY to \$171.1mln. Net income increased to \$13.9mln from \$9.8mln in the year-ago quarter. WWE’s YouTube channel reached 11mln subs, scoring 10bln views over the last year.

Viacom Rating: **Moody’s** said **Viacom’s** steady stream of cable fees should allow it to sustain its investment-grade rating (Baa2 stable), but it will likely need to boost its investments in programming and pay down debt. Viacom has scored some recent carriage deals, including with **DISH**, that the firm believes suggests that its programming is still a compelling

BUSINESS & FINANCE

offering for MVPDs. “We don’t expect rampant cord-cutting or drastic declines in cable subscribers to occur anytime soon,” said *Neil Begley*, a svp at Moody’s. “The effects of growth in online-video consumption will be gradual and increases in affiliate fees will outpace decline in the number of subscribers.”

AT&T’s Fiber Expansion: AT&T

deepened its fiber penetration as it launched 1Gbps speeds on its Business Fiber network in San Francisco, Chicago, Dallas and Miami with more markets to come. It also launched its residential GigaPower service in Oklahoma City and greater Canadian and Cleveland counties, as well as expansions in parts of the existing Atlanta, Kansas City, and LA markets, with plans to expand in parts of 35 more metro areas. With the latest launch, AT&T GigaPower is now available to more than 1.6mln locations across 21 metro areas. The goal is to reach more than 14mln customer locations.

People: MPAA named *Matt Bennett*, previously of PR firm **Racepoint Global**, as evp, corp communications. He replaces *Laura Nichols*, who became svp, chief communications officer at **Nat Geo Partners** in Feb. -- **TBS** and **TNT** upped *Melissa Chambless* to svp of brand marketing, and *Peter Sherman* to svp of marketing strategy, respectively. Both Sherman and Chambless will report to *Michael Engleman*, evp of entertainment marketing and brand innovation.

Cablefax Daily Stockwatch

Company	05/10 Close	1-Day Ch	Company	05/10 Close	1-Day Ch
BROADCASTERS/DBS/MMDs					
DISH:	47.54	(0.13)	HARMONIC:	3.33	0.01
ENTRAVISION:	7.71	(0.23)	INTEL:	30.14	0.34
GRAY TELEVISION:	12.25	(0.09)	INTERACTIVE CORP:	55.52	1.62
MEDIA GENERAL:	17.68	0.08	LEVEL 3:	52.90	1.54
NEXSTAR:	53.60	0.38	MICROSOFT:	51.02	0.95
SINCLAIR:	32.67	0.58	NETFLIX:	92.89	2.35
TEGNA:	23.01	0.20	NIELSEN:	52.39	0.69
MSOS					
CABLE ONE:	495.75	7.08	SEACHANGE:	3.48	0.07
CABLEVISION:	34.64	0.04	SONY:	24.77	0.84
CHARTER:	216.49	3.01	SPRINT NEXTEL:	3.50	0.10
COMCAST:	62.64	1.22	SYNACOR:	3.22	0.07
GCI:	17.50	0.09	TIVO:	9.83	0.08
LIBERTY BROADBAND:	59.68	1.19	UNIVERSAL ELEC:	64.31	0.45
LIBERTY GLOBAL:	37.52	0.16	VONAGE:	4.02	(0.05)
SHAW COMM:	18.48	0.17	YAHOO:	37.44	0.26
SHENTEL:	30.61	0.32	TELCOS		
TIME WARNER CABLE:	216.12	2.33	AT&T:	39.31	0.45
PROGRAMMING					
21ST CENTURY FOX:	29.76	0.35	CENTURYLINK:	28.73	0.52
AMC NETWORKS:	69.55	1.64	FRONTIER:	5.43	0.18
CBS:	56.96	0.96	TDS:	28.04	0.47
DISCOVERY:	29.31	1.16	VERIZON:	51.54	0.46
DISNEY:	106.60	1.26	MARKET INDICES		
GRUPO TELEVISA:	26.98	0.38	DOW:	17928.35	222.44
HSN:	50.74	0.35	NASDAQ:	4809.88	59.67
LIONSGATE:	21.33	0.30	S&P 500:	2084.39	25.70
MSG NETWORKS:	17.10	(0.18)			
SCRIPPS INT:	66.45	1.37			
STARZ:	27.64	0.25			
TIME WARNER:	74.80	0.64			
VIACOM:	44.12	0.77			
WWE:	17.43	0.37			
TECHNOLOGY					
ADVANTAGE:	1.75	(0.05)			
AMDOCS:	58.35	0.19			
AMPHENOL:	56.47	0.30			
APPLE:	93.42	0.63			
ARRIS GROUP:	23.42	0.03			
AVID TECH:	5.38	(0.24)			
CISCO:	27.03	0.52			
COMMSCOPE:	29.80	0.24			
CONCURRENT:	6.21	(0.05)			
CONVERGYS:	27.83	1.03			
CSG SYSTEMS:	42.72	0.60			
ECHOSTAR:	41.09	1.51			
GOOGLE:	723.18	10.28			

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