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What the Industry Reads First

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Resistance is Futile: Wheeler Urges Industry to 'Make This Work'

Props to **FCC** chmn *Tom Wheeler*, who entered cable's lion's den Wed only two days after **NCTA** pres/CEO *Michael Powell* had decried the Commission's "relentless regulatory assault" on the industry. But those hoping for a clear explanation of what's driving recent actions the industry opposes might have left a bit disappointed. Yes, Wheeler noted the FCC's desire to hasten more video competition. But his more direct message was clear: Work with us or face a difficult road. "We're at a make or break point, where there's a choice," he told the **INTX** audience. "Are you going to say 'no' and do everything possible [to block FCC proposals], or are you going to say 'how are we going to make this work for consumers first in a way that we can live with'?" He punctuated that sentiment with a bit of an olive branch, noting that the FCC's proposals aren't set in stone—the FCC has its wish list, and so does cable. "Neither one of those is going to be the finished product," he said, "but there will be a finished product." Wheeler even said he can identify with the **NCTA's** lobbying arguments (Wheeler ran the **NCTA** in the late 1970s and later ran the **CTIA**), but said typical tactics are to create a "we're being persecuted" narrative and then come up with "awful conceptual things that could happen if they do this or do that... I'm now on the other side of receiving this." Wheeler also acknowledged at least one case during Powell's own tenure as chmn of the FCC "that I wish I was presenting more solutions" as a wireless lobbyist. He urged cable not to make the same mistake he did. "It's not enough just to say 'we're against this. This is awful,'" he said. "It is incumbent on both the regulator and the regulated to deal with finding solutions, not just slogans." Wheeler, however, called it "impressive" that "the cable industry has said 'wait, we're not the cable industry anymore, we're **INTX**,'" and he praised Powell and the **NCTA** for embracing competitive change. "We have the potential to be entering the best era ever for consumers, programmers and for those who deliver it," he said, noting that the regulatory challenge is "how do you ensure those alternatives come fast?... Are we going to evolve into a competitive marketplace? I think our job at the Commission is say 'how are we going to make that happen'?" After Wheeler's Q&A, Powell took the stage to remind the audience the next **INTX** in Washington, D.C., in April 2017 will take place under a new president, new Congress and new FCC. "It could be pretty interesting," he said.

Done Deal: It's official. Nearly a year after **Charter** announced its **Time Warner Cable-Bright House** transactions, the company announced on Wed that the deals have closed. The announcement came after the recent **DOJ**, **FCC** and **CA**



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PUC approvals. *Tom Rutledge* will lead the new Charter as pres/CEO and serve as chmn of the board. TWC stockholders will receive \$100 in cash and shares of common stock in new Charter, which will be called Charter Communications, for each .5409 share of legacy Charter stock. The board will have 13 directors, including 7 independent directors, 2 directors appointed by **Advance/Newhouse** and 3 selected by **Liberty Broadband**. Charter's current chmn since 2009, *Eric Zinterhofer*, will continue to serve on Charter's board and has been appointed the Lead Independent Director. Advance/Newhouse has designated *Steve Miron* and *Michael Newhouse* to serve on the board, and Liberty Broadband has designated *John Malone*, *Greg Maffei* and *Balan Nair*, all of whom currently serve. **Millicom** CEO *Mauricio Ramos* joins the board and the remaining seat will be filled soon, Charter said. On Fri, **S&P** announced Charter won't replace TWC in the S&P 500. Instead, it replaced it with **Digital Realty**. **JP Morgan** analysts said the move is likely to create pressure on Charter shares, while it doesn't change the long-term thesis or price target on Charter. Liberty Broadband has purchased, upon closing of the Charter-TWC transactions, \$4.3bln of newly issued shares of common stock of Charter at a price of \$195.70 per Charter share, which represents Charter's closing price as of May 20, 2015. Liberty also purchased \$700mln of newly issued shares of common stock of Charter at a price of \$191.33 per Charter share. At closing, Charter had around 270.4mln shares outstanding, and 310.7mln shares outstanding. "Current Bright House Networks and Time Warner Cable customers won't see many changes right away, though in the coming months they will begin to hear more from us about the Spectrum brand, and the product improvements and consumer friendly policies that come with it," Rutledge said. The new Charter will have 25mln subs in 41 states. Charter is trading on the **NASDAQ** under the ticker "CHTR."

Vanguard Send-off: Lots of laughter and some emotions during **NCTA's** Vanguards luncheon at **INTX** Wed, particularly in light of the **Charter**, **Time Warner Cable** and **Bright House** transactions officially closing. "This whole scene is a little bit surreal to me, given what has happened today... For some of us the process has been more than 3 years in the making," said **Time Warner Cable** evp/COO, residential services *John Keib*. He called for applause for all in the room involved in the merger, while also pointing out the hilarity: "So I'm here to represent a company that no longer exists." Bright House CEO *Steve Miron* also called it a surreal moment, and turned thanks over to the company. "Recognition of me is more representative of what Bright House has built since 2003," he said. And when TWC chmn/CEO *Rob Marcus* took the stage, following a standing ovation from much of the room, he thanked those who came to the event. "This is a pretty cool retirement party," he joked. "When I wrote this speech I didn't realize how emotional this day would be." The event concluded with an on-stage toast made by **NCTA** pres/CEO *Michael Powell* to some of the best-known cablers in the business and in attendance: the *Mirons*, the *Dolans* and the *Marcus* family.

From the CTOs: **INTX's** CTO panel may have been titled "transformation from chaos to opportunity," but **Comcast Cable** evp, CTO *Tony Werner* isn't sure that's exactly right. "I'm not sure there's necessarily chaos," he said. "The digital world is well upon us... but there's still a lot we can do." Comcast has focused on creating a true digital experience for consumers, Werner said, throwing out self-installation through a website and then obtaining service through an app as an example. "That's going to do great things for the customer," and it makes the experience a lot more economical for Comcast, he said. **Roku** content & services gm *Steve Shannon* believes the app-focused consumer experience will be transformative for the industry. Comcast recently announced it's partnering with Roku to bring the Xfinity TV Partner App to Roku boxes. There are about 3K apps on Roku boxes, Shannon said, and "we're expanding internationally and putting our operating



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system into television... We're at the show to partner with operators around the world." From a content provider perspective, "we see in this nothing but opportunity," said **Discovery Comm** CTO *John Honeycutt*. But at some point "we have to raise the question of advertising." Interactive advertising is "one of the biggest disruptive spaces there is," he said, due to the lack of consistency of data and methodology. Legacy systems on ad sales side are incapable of bringing us to the future, he said. It gets tricky when you're targeting audiences because not all audiences are consistent. For instance, **Investigation Discovery's** audience is consistent, but **Discovery Channel's** is very diverse. "How you get to a point where you create a meaningful and scale—that's hard," he said. "I'm struggling right now with the path." At Comcast, Werner said on X1 he's fought advertisers hard. In the beginning there were not a lot of eyeballs, but now advertisers are trying to get spots on the guide. "I've warmed up to it," he said, but he requires them to be endemic, have the same exact style of the guide and also target the right people. "Advertising has to start pivoting," Werner said. If ads aren't relevant, millennials "are not going to stick with us." As far as targeting properly, "we're in the nascent stages of continuing to get that right," said **Vubiquity** CEO *Darcy Antonellis*. One thing all panelists agreed on was the need for top talent and a company culture to foster innovation. "We've been through a multiyear transformation," said **Cox Comm** evp & CTO *Kevin Hart*. The company has mentoring, resource groups, an internal business organization and provides many opportunities for people to step up and lead. It also hosted a summit for students to show them how Cox is on the leading edge of technology. "We're changing the game and the perception... The spirit of innovation is alive and well."

Election 2016: Fresh off an appearance at **INTX** earlier in the day, *Bret Baier* led 3 hours of election-related coverage from Boston for **Fox News** Tues that ended up winning the night among cable newscasters. Fox was #1 for the KY and OR primaries coverage, delivering 2.3mln viewers and 447K adults 25-54 for the 8-11pm timeframe, according to early **Nielsen** data. Runner-up **CNN** had 1.3mln viewers/429K 25-54s, while **MSNBC** scored 1.1mln/247K.

INTX Notebook: With the upfronts well under way, there's no time like the present to talk about media measurement. At **INTX Nielsen** client solutions svp *Judi Allen* and **comScore** evp *Cathy Hetzel* said they're working toward transparency and collaboration, but it will take time. "None of these things happen quickly because when you serve an industry at the national level, and you don't think cable set top [boxes] solves all their problems, it's a complicated problem to fix," *Allen* said. The move can't come soon enough for the cable industry. "We still believe in sampling and panels, but they are coming with census level, very strong weapons and we have to start focusing on, 'how does our currency evolve to that level so we can start talking apples to apples with digital and social media?'" said *Paul Haddad*, svp/gm, advanced data analytics, **Cablevision Media**. "This is the first year we are going to see real cross-platform measurement," said *Hetzel*. "Whether it comes from Nielsen or it comes from comScore, it comes. The dollars will dictate how this changes. Last year \$3bln in ad spend went up for renewal, a lot of that based on lack of transparency. The question is, if I place this money in just digital and move out of television, where's it going?" The concern over viewability in the digital arena is driving new conversations said *Keith Kazerman*, **Discovery Comm** head of ad sales product strategy and development. "The scary part for us is how do we get to a place before the upfront next year of having that ability to transcript \$60bln-\$70bln in a futures market. Clients at some point are going to dictate how much better we need to be." -- As the mobile industry lays plans to roll out next-gen 5G services, cable continues to ponder its significance, said panelists at **INTX**. "It's way too early to tell right now," said *Kelly Williams*, **Cox Comm** vp, product strategy. "There's a lot of road to hoe, as they say, before we see where the dust is going to settle on this." One issue is that 5G contemplates using higher frequency bands, whose signals travel shorter distances and require more antennas. But those antennas can be significantly smaller. Ultimately, some combination of 4G and 5G may win the day, as it leverages the technical advantages of each, said *Manish Jindal*, vp and head of strategy development & portfolio management at **Ericsson**. "Actually one plus one is three," he said. "They complement each other so well." Even more interesting, perhaps, is that companies such as **Facebook** and **Snap**

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BUSINESS & FINANCE

chat with large portfolios of customers could make a play for wireless spectrum as well, said *Leigh Chinitz*, chief wireless strategist at **Casa Systems**.

Roots & Wings: *LeVar Burton* made an appearance at the **NAMIC** breakfast to show a sneak peek of his reimaging of “Roots,” set to air across **History, Lifetime** and **A&E** Memorial Day Weekend. Noting he was initially incredulous about the idea, “I didn’t think Roots should ever be remade,” he said he changed his mind when he realized “there is an entire generation of Americans who do not know this very important story.” Burton also appeared at **INTX**’s closing session, saying “Roots can help us set a context for how we can overcome some of these social ills in our society today.” *Maria Elena Salinas*, co-anchor of **Univision’s Noticiero**, was honored with **NAMIC**’s Mickey Leland humanitarian award. Now covering her 9th presidential race, she quipped 2 things happen during an election cycle: “Politicians discover minorities, and we in the media become public enemy No. 1... this year we’re even being accused of creating *Donald Trump*.” Named as Next Generation Leaders were *Bobby Amirshahi*, vp, PR, **Time Warner Cable**; *Sean Cohan*, pres, intl and digital media, **A+E Nets**; *Detavio Samuels*, pres, **One Solutions & Interactive One**; and *Urvashi Shivdasani*, svp, finance, **Discovery Nets Intl**.

Cablefax Daily Stockwatch

Company	05/18 Close	1-Day Ch	Company	05/18 Close	1-Day Ch			
BROADCASTERS/DBS/MMDs								
DISH:	44.90	(0.74)	HARMONIC:	2.68	0.01			
ENTRAVISION:	6.93	(0.08)	INTEL:	29.99	0.01			
GRAY TELEVISION:	10.71	(0.18)	INTERACTIVE CORP:	53.67	(0.17)			
MEDIA GENERAL:	16.98	(0.14)	LEVEL 3:	51.93	0.16			
NEXSTAR:	48.40	(0.99)	MICROSOFT:	50.81	0.30			
SINCLAIR:	29.48	(0.59)	NETFLIX:	90.50	1.87			
TEGNA:	22.28	(0.13)	NIELSEN:	51.97	(0.02)			
MSOS								
CABLE ONE:	485.83	(0.17)	SEACHANGE:	3.30	(0.02)			
CABLEVISION:	34.54	0.15	SONY:	26.78	0.86			
CHARTER:	227.41	24.05	SPRINT NEXTEL:	3.58	0.06			
COMCAST:	60.38	(0.05)	SYNACOR:	3.02	0.04			
GCI:	15.92	(0.25)	TIVO:	9.94	UNCH			
LIBERTY BROADBAND:	57.55	0.12	UNIVERSAL ELEC:	62.35	1.14			
LIBERTY GLOBAL:	36.66	(0.55)	VONAGE:	4.37	0.32			
SHAW COMM:	18.90	(0.08)	YAHOO:	37.24	(0.03)			
SHENTEL:	29.35	0.52	TELCOS					
PROGRAMMING								
21ST CENTURY FOX:	28.15	(0.54)	AT&T:	38.45	(0.66)			
AMC NETWORKS:	64.32	(0.7)	CENTURYLINK:	26.88	(0.57)			
CBS:	52.28	(1.18)	FRONTIER:	5.02	(0.12)			
DISCOVERY:	26.71	(0.74)	TDS:	27.29	(0.38)			
DISNEY:	99.00	(0.94)	VERIZON:	50.39	(0.51)			
GRUPO TELEVISA:	25.72	(0.63)	MARKET INDICES					
HSN:	48.27	(0.58)	DOW:	17526.62	(3.36)			
LIONSGATE:	19.55	(0.46)	NASDAQ:	4739.12	23.39			
MSG NETWORKS:	16.56	0.21	S&P 500:	2047.63	0.42			
SCRIPPS INT:	62.28	(2.21)						
STARZ:	26.07	(0.58)						
TIME WARNER:	71.47	(1.35)						
VIACOM:	42.10	(0.46)						
WWE:	17.17	0.10						
TECHNOLOGY								
ADVANTAGE:	1.81	0.06						
AMDOCS:	56.58	(0.27)						
AMPHENOL:	55.66	0.24						
APPLE:	94.56	1.07						
ARRIS GROUP:	21.98	0.01						
AVID TECH:	5.76	(0.06)						
BLNDER TONGUE:	0.35	UNCH						
CISCO:	26.72	0.07						
COMMSCOPE:	29.69	(0.02)						
CONCURRENT:	5.89	(0.21)						
CONVERGYS:	27.06	(0.02)						
CSG SYSTEMS:	41.00	0.01						
EHOSTAR:	39.63	(0.1)						
GOOGLE:	706.63	0.40						

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The Real Divide

Commentary by Steve Effros

Last week I talked about how some of our current regulation came about, the thought behind it, and the fact that it really is time to move on, since the issues and the technology are now so different. The regulatory theory and structure has to change with the times, too. This week, with INTX (The Cable Show) running its course in Boston, the changes and the need for change are on full display.



The government approval of the Charter merger leaves us with just a handful of very large “INTX” (Internet and Television) companies and then all the rest. The “digital divide” has never been greater. But it’s not a divide related to those with access and those without. It turns out that the largest cohort of folks who are not hooked up to broadband these days are not hooked up because they don’t want it! It’s not price or access; it’s the perception of usefulness. A very different issue...

No, the divide I’m talking about is between the massive new companies—Comcast, Charter, Altice, AT&T/ DirecTV, DISH and Verizon, with a dash of Google, and the remainder of the market which represents primarily smaller systems or larger groups but spread out over small communities that simply don’t have the scale or the technical integration or leverage to do the same things the “big guys” do.

It’s time for the regulators and legislators to appreciate that two very different realities are presenting themselves, and you can’t rationally develop one set of rules that applies to both. For instance, I don’t care how much the chairman wants to “promote” broadband in more rural areas, the financing and balance sheets to swiftly create all digital IP systems are just not there, and they won’t be for quite some time. Talking about full IP deliv-

ery and streaming video competition offerings is fascinating, but any honest engineer will tell you it can’t happen in areas that are totally dependent on “middle mile” delivery of data where the cost and the infrastructure to accomplish that are simply prohibitive and non-existent. It may not even work in urban settings. The same thing goes for the new “set top box” ideas. They’re massively expensive to roll out, require major technical changes to systems and assume IP delivery. Smaller systems can’t accomplish all that in any time frame the FCC is currently talking about.

We can all debate whether the government should step in and start financing major rebuilds in rural areas. They are trying that with some local telcos, but those telcos can’t do what the Commission is calling for either. The public financing is an issue we can talk about some other time. The reality is we now have, as we did way back when with the telephone industry, “dominant” players and others. The “dominant carriers” had to adhere to different rules than the other companies. It was just economic reality. I would suggest we are at that same place in cable/broadband regulation.

To be sure, the battles that have gone on regarding the mergers, and the questions surrounding their implications for leverage, anti-competitive capability and so on may be valid, but they don’t apply to the rest of the industry. It’s time to start developing a mind-set toward different rules for distinctly different businesses. There are, of course, lots of ways to do that. Exemptions, application of rules only to the “dominant” companies, or whatever. The time has come to recognize and acknowledge the real digital divide.

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. His views do not necessarily reflect the views of Cablefax.)

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