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What the Industry Reads First

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FCC Meeting: JSA Rule Vacated, Ownership Draft Promised

It's a good day for broadcasters as the 3rd Circuit Court of Appeals vacated the FCC's decision to make some joint sales agreements (JSAs) attributable as ownership interests, saying the agency "improperly" enacted the rule. The court also chastised the Commission for not completing its quadrennial review of media ownership rules and concluded the FCC had "unreasonably delayed" action on defining an "eligible entity," which is key for the development of minority and female media ownership. They ruled that the FCC expanded the "reach of the ownership rules without first justifying their pre-existing scope through a Quadrennial Review." They noted the last review was done in 2006 and that the 2010 and 2014 reviews are still pending. The JSA ruling "put the cart before the horse," the judges said. The FCC voted in 2014 to ban JSAs, arguing they allow companies to control more than 2 TV stations in a market. At a press conference following the FCC's Open Meeting Wed, chmn *Tom Wheeler* said he intends to put together a media ownership proposal by the end of June. "It's a full process. But I intend to meet that (end of June) goal," Wheeler said. He noted the court didn't rule on the JSA rule itself. "The court didn't say the JSA rule doesn't make sense... They said it needs to be based on rules that themselves haven't been reviewed," said Wheeler. The court rejected a request by broadcasters to throw out all the ownership rules, saying the request was "the administrative law equivalent of burning down the house to roast the pig." However, "this remedy, while extreme, might be justified in the future if the Commission does not act quickly," the court said. Republican FCC commish *Ajit Pai*, an opponent of the agency's position on JSAs, was happy about the ruling. "When the Commission adopted this arbitrary rule two years ago, I warned that any attempt to change our treatment of joint sales agreements without also completing our statutorily mandated review of the local television ownership rule would violate the law," he said in a statement. **NAB** couldn't be more pleased. "At long last, this opinion directs the FCC to do its job and adopt broadcast ownership rules that reflect the modern world," evp of communications *Dennis Wharton* said in a statement. And the broadcast group is particularly "delighted the court highlights the irrationality of a rule that bars broadcast/newspaper combinations in the same market... And finally, we're pleased the court strikes down the FCC's punitive joint sales agreement order. JSAs are clearly in the public interest—as Congress has decided—and allow free and local broadcasters a chance to compete against national pay TV conglomerates," Wharton said. **Wells Fargo** analysts saw the

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court order as “a very positive step for the broadcast industry,” especially for **Nexstar** and **Sinclair**, which have the greatest number of JSAs among the peer group.

NJ Regs Approves Altice-Cablevision: On Wed, the **NJ Board of Public Utilities** approved the merger of **Altice** and **Cablevision** with a stipulated settlement that provides protections and improved services for customers. Conditions in the agreement include upgrading service to all existing customers to 300Mbps by the end of 2017 and the offering of a broadband product without data caps for 3 years. Cablevision also agreed to not reduce customer-facing jobs, including those at customer service centers and the Newark call center, for 2 years. The MSO also must offer low-income HHs broadband service of at least 30Mbps for \$14.99/month within 15 months of the deal closing. Cablevision will increase the speed on its existing \$24.95 low-cost broadband service offering from 5Mbps download /1Mbps upload to 10Mbps/1Mbps within 120 days of closing and will continue to offer for 2 years. There are also conditions to ensure the transfer of ownership doesn't wreck customers' service. If repair and service calls per customer exceed the service quality by 10% or more in the prior 12 months, Cablevision shall be required to invest up to \$250K per quarter to improve customer service. Cablevision serves approx 783,058 subscribers in NJ. The deal is nearing the finish line with the NY PSC slated to vote on the transaction June 16. Altice said it's pleased with the NJ approval, adding that the deal is on track to close in 2Q.

More from FCC Meeting: A group of 58 tech companies, including **Reddit**, **Yelp** and **Vimeo**, asked the **FCC** to lead a public discussion around the zero-rating practice. “Giving ISPs the power to favor some sites or services over others would let ISPs pick winners and losers online,” their joint letter said. During a press conference following the agency's open meeting, chmn *Tom Wheeler* said he has seen the letter and that the FCC's inquiry on the practice continues. However, the Commission is waiting for the DC Circuit's decision on the net neutrality rules. Would the ruling affect the FCC's handling of zero-rating practices? Wheeler said he won't comment on anything hypothetical. Fielding a question regarding cable's complaint about the agency's heavy-handed approach on issues like set-tops and business services, Wheeler said the set-top proposal was put out in late Jan, and now it's almost June. “It's fair to say there has been a full discussion,” which will continue, he said. As for revamping the business service market, it's been discussed and debated for over a decade, he said. -- During the meeting, the agency adopted an item to create rules for an auction aimed at expanding rural broadband services to unserved areas in 20 states where the price cap carriers declined last year's Connect America Fund offer. Among key requirements for participating in the auction are tech-neutral service standards including a minimum performance tier requiring bidders to provide speeds of at least 10Mbps down and 1 Mbps up, and offer at least 150GB of monthly usage, and a gigabit performance tier requiring bidders to provide at least 1 Gbps down and 500 Mbps up speeds with unlimited usage allowance. -- The agency proposed to eliminate 2 public inspection file rules. These rules currently require cable ops to maintain and allow public inspection of the location of a cable system's principal headend. They also require commercial television and radio broadcast stations to retain, and make available to the public, copies of correspondence from viewers and listeners.

FCC's ECFS Delays: About those delays with the **FCC's** electronic comment filing system... The FCC released a notice this week acknowledging that there were some delays in posting comments from late Apr and early May due to a “surge” in of comments. While there's been a push by some, including **Protect Internet Freedom**, to delay filing deadlines for the broadband privacy NPRM, the FCC said it's not necessary and that already planned upgrades to the ECFS will limit the likelihood of such delays happening again. Comments are due Fri in the FCC's broadband privacy proceeding.

House Funding Bill: The **House Financial Services** subcmte marked up a funding bill Wed that prohibits the **FCC** from implementing its Open Internet Order pending a decision by the DC Circuit and requires the agency to make all proposed regulations publicly available 21 days before a Commission vote. It contains \$315mln for the FCC—a cut of \$69mln below the fiscal year 2016 enacted level and \$43mln below the request. Other provisions prohibit the FCC from regulating broadband rates and from further activity on the set-top box proposal until **GAO** study is complete.

Charter Check-in: **Charter** is keeping mum on people moves, even as reports emerge that former **MSG Media** pres *Mike Bair* has been tapped to head up its sports and news channels, including the **Dodgers** RSN. *Sports Business Daily* said a formal deal has yet to be signed, and Charter declined comment. While Charter isn't talking personnel, names of hires continue to trickle out. **Time Warner Cable's** *David Gray* has officially joined Charter as group vp, field marketing. While some TWC corporate communications execs are parting ways (*Ellen East* and *Anthony Surratt*), a few

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others, including *Maureen Huff* and *Rich Ruggiero*, are joining Charter. The MSO also hired TWC diversity & inclusion dir *Rahman Khan* to head up corporate social responsibility communications.

The Gracies: Congrats to all the Gracies winners who gathered in Beverly Hills Tues night for the **Alliance for Women in Media's** annual celebration of female content creators. **CNN** foreign correspondent *Arwa Damon*, who won for her hard-hitting reports from war zones, said she always had a knack for telling stories but "after 9/11, I realized that ability became an obligation." *Aunjanue Ellis*, recognized for her acting on **BET's** "Book of Negroes," thanked mentors "heavily afflicted with belief in me" for her success and vowed to take the award "not as a pat on the back but as a kick in the butt" to pay it forward. Taking home the Lifetime Achievement award was the original "Wonder Woman" *Lynda Carter*, who said it makes her happy if she has inspired women since her stint on TV in the 1970s. She recounted that back then execs were skeptical a woman could carry a primetime show and even hired a male stunt double. "He had hairy legs, and we had to put tights on him," she said. "It was ridiculous." The show finally hired a female stuntwoman, who ended up being one of the first on TV. Check out all the Gracies winners at allwomeninmedia.org and head over to **Cablefax.com** for photos from the event.

Cablefax Daily Stockwatch

Company	05/25 Close	1-Day Ch	Company	05/25 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	47.81	1.10	INTEL:	31.39	0.33
ENTRAVISION:	7.07	(0.01)	INTERACTIVE CORP:	55.30	0.11
GRAY TELEVISION:	11.40	(0.35)	LEVEL 3:	52.71	(0.34)
MEDIA GENERAL:	17.53	0.07	MICROSOFT:	52.12	0.53
NEXSTAR:	51.78	0.33	NETFLIX:	100.20	2.31
SINCLAIR:	30.62	0.10	NIELSEN:	52.95	(0.06)
TEGNA:	22.52	(0.06)	SEACHANGE:	3.56	0.24
MSOS					
CABLE ONE:	484.11	0.04	SONY:	27.90	0.06
CABLEVISION:	34.64	0.03	SPRINT NEXTEL:	3.53	0.02
CHARTER:	225.60	(2.78)	SYNACOR:	3.04	(0.04)
COMCAST:	62.60	0.16	TIVO:	9.95	(0.04)
GCI:	14.90	(0.37)	UNIVERSAL ELEC:	64.50	0.07
LIBERTY BROADBAND:	58.19	(0.78)	VONAGE:	4.37	0.04
LIBERTY GLOBAL:	36.57	0.27	YAHOO:	35.59	(1.94)
SHAW COMM:	19.10	0.12	TELCOS		
SHENTEL:	31.10	0.63	AT&T:	38.62	0.12
PROGRAMMING					
21ST CENTURY FOX:	28.90	0.33	CENTURYLINK:	27.18	(0.02)
AMC NETWORKS:	62.36	0.03	FRONTIER:	5.22	0.13
CBS:	53.93	0.56	TDS:	28.02	0.35
DISCOVERY:	27.00	0.47	VERIZON:	49.85	0.27
DISNEY:	99.86	0.35	MARKET INDICES		
GRUPO TELEVISA:	27.09	0.19	DOW:	17851.51	145.46
HSN:	50.53	0.43	NASDAQ:	4894.89	33.84
LIONSGATE:	19.76	0.04	S&P 500:	2090.54	14.48
MSG NETWORKS:	16.71	(0.11)			
SCRIPPS INT:	62.88	(0.16)			
STARZ:	25.64	(0.85)			
TIME WARNER:	73.36	0.23			
VIACOM:	45.37	0.49			
WWE:	17.30	0.18			
TECHNOLOGY					
ADVANTAGE:	1.71	0.03			
AMDOCS:	57.14	(0.09)			
AMPHENOL:	57.66	0.04			
APPLE:	99.62	1.72			
ARRIS GROUP:	23.11	(0.11)			
AVID TECH:	5.80	0.03			
CISCO:	28.92	0.45			
COMMSCOPE:	30.99	0.43			
CONCURRENT:	6.56	0.18			
CONVERGYS:	27.82	(0.17)			
CSG SYSTEMS:	42.27	(0.17)			
ECHOSTAR:	40.53	0.14			
GOOGLE:	725.27	5.18			
HARMONIC:	2.89	0.19			



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Think about that for a minute...

The Endgame

Commentary by Steve Effros

We've been talking about "convergence" for many years. When were the computers and televisions in our homes going to meld into one device? Well, it turns out it's even more of a convergence than we thought, it includes smartphones and tablets, any form of screen and any "connected" device, and it's all starting to merge. The "endgame" for telecommunications convergence has begun, and it's both exhilarating and scary.



Ironically, none of the "players" we thought were going to be at the forefront of this merger are going to prove to be the most important. The cable/broadband and "wireless" folks will dominate the delivery, the consumer electronics manufacturers will continue to make the screens of whatever size, whether mobile or plugged in, televisions, game consoles, smartphones and the like, but the real power will be in the control of navigation among all these moving parts. Google has just had its yearly conference outlining its future plans. You better take note.

As many of you know, I've been a big fan of the Amazon Echo device. I can talk to it and it responds by providing me with music, news, control of my lights, my calendar appointments, the weather, and even simple Wikipedia information just for the asking. It's great. But Google just announced it's going to enter that market too, with a major difference; they're going to merge their AI engine, the thing that is at the heart of "Google Search," with all its capabilities to that in-home hub device. In other words, the capability and "smarts" of that device is going to get exponentially greater. It's neat and exciting. I want to use it, but it's also a very sobering development.

Google does a great job. They demonstrated the new device by showing a child asking a question, then a follow-up question (the device "understood" the context)

and it gave the answer not only aurally, but on the home TV screen as well.

Now think about that. AI linking the computer capabilities of Google Search with in-home video and audio and the capability to understand contextual references. Awesome. Sure, Amazon, Apple, Microsoft and a few others like Facebook are racing to do the same thing, but Google has a lot more experience and depth of data to use at this point, and they certainly aren't going to slow down. The "Network effect" may be overpowering.

Now you know, for instance, why they want the FCC "set top box" rules so badly. It's not because of the boxes, it's so they can respond to requests to display on the screen whatever is asked for...in this case without having to worry about getting permission, or pay the folks who created or deliver that information.

I do have to admit, as a user, this is a truly great thing on the horizon. Star Trek here we come. Scotty could have been saying "OK Google" to the computers on the Enterprise instead of "compuuuter" and we all would understand. The "convergence" is not simply the screens, it's the navigation of information, data, video and audio on those screens and speakers and other sensors in the home and in your pocket all responding to spoken commands. To do that all the information and data has to be free-floating and accessible. Maybe that's good, but it will change the economic and creative relationships of lots of different parts of the various providers. No matter how exciting this convergence may sound, it also threatens many unintended consequences. That's the problem with "endgames."

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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