

Cablefax Daily™

Thursday — June 30, 2016

What the Industry Reads First

Volume 27 / No. 125

Business Service: Cable Slams Proposed Price Reg, 5G Concerns

Cable didn't hide its frustration with the **FCC's** Business Data Services (BDS) proposal in its reply comments filed with the agency Tues. The proposal, which the agency voted to seek comment on in April, seeks to regulate the rates of any business data service providers in order to boost competition. Currently, such regulation is applied only to the incumbent local exchange carriers (ILECs) such as **Verizon, AT&T** and **CenturyLink**. In its FNPRM, the Commission said cable companies' BDS revenues have grown steadily. It noted in 2013, cable providers reported nearly \$2bln in BDS sales. Because cable BDS revenues have been growing at approx 20% a year, by the end of 2016, cable BDS revenues will be close to \$3.5bln, according to the FCC. It also noted cable companies have upgraded their HFC networks to provide significant competition for ILECs and CLECs, which supports the need for regulation. The agency suggested there could be a duopoly or jointly held market power that could facilitate collusion. "But there is not the slightest bit of evidence that cable companies and ILECs are colluding in setting BDS rates," **NCTA** said. To the contrary, they are "fiercely competing" to attract and retain business customers. "For competitors to garner market share, they must underprice the ILECs and there is no evidence in the record to suggest that this is not precisely what is taking place," the group said. In addition, cable's HFC networks, which were designed as shared networks to support primarily downstream services to residential consumers, have different capabilities than ILEC networks, and those network differences affect the usefulness of the business services offered over those networks, according to NCTA. In light of the differences, the best thing the FCC can do is to give providers the flexibility to price their services, it said. **Comcast**, which filed reply comments separately, said despite substantial investments and 20% annual growth, it remains a new entrant with limited market share and geographic reach in the BDS market compared to ILECs and several large CLECs. Before imposing drastic regulatory intervention in the BDS market, the FCC should "let any measures to remove barriers to competitive entry and investment play out," Comcast said. Meanwhile, the FCC believes BDS will play a role in the deployment of 5G, the next-gen wireless technology that could deliver gigabit mobile data speeds. However, NCTA said wireless carriers have stated that they don't need access to BDS in order profitably to deploy 5G. It noted **Verizon** said its fixed 5G deployment will be profitable at current BDS pricing. Similarly, **Sprint** CTO *John Saw* indicated that the company has low cost backhaul options for its 5G and small cell projects that don't include reliance on

Cablefax
TV Innovation Summit
Thursday, Sept. 22 | New York City

Register now to receive our
Early Bird Rate - \$150 off!
www.cablefaxtvsummit.com

THIS IS YOUR MOMENT. ARE YOU READY?

Cablefax's annual TV Innovation Summit features several intensive sessions, special Q&As and more experts ready to share vital information and spark relevant conversation that will give you and your team the necessary tools to excel in this new TV ecosystem.

Sponsored by: **Canoe** **epix** **OLYMPUSAT** **Proskauer** **viamedia**
AN AFFILIATE OF OCEAN COMMUNICATIONS, INC.

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Publisher: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Sr. Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Cablefax/Screenster Editor: Kaylee Hultgren, 646.764.8267, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Dir. of Business Dev.: Rich Hauptner, 203.899.8460, rhauptner@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Production: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com ● Group Subs: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Sub Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,699.97/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

cable plant. “Nowhere is there any discussion of the need by wireless carriers for access to cable company backhaul and certainly no suggestion that any carrier’s deployment plans for 5G are in any way contingent on the results of this proceeding,” NCTA said. Public interest groups disagreed. Without access to reasonable rates for BDS, wireless 5G deployments will “suffer the types of delays and scale reductions that could cost the United States its lead in technological capacity, job creation and economic growth,” said **Public Knowledge, Open Technology Institute at New America, Common Cause, Next Century Cities, Engine, and Schools, Health & Libraries Broadband Coalition** in a joint filing. The deployment of 5G depends heavily on wireless providers’ access to cost-effective BDS, they said. And savings from lower BDS prices can be used to invest in developing new applications and services, they said. Smaller cable ops offer BDS to all major customer segments and they are increasingly offering BDS to mobile network operators, **ACA** said in its reply comments. However, they face competition in virtually all instances. “Preserving incentives for cable and other competitive BDS providers to invest and innovate requires the FCC to eschew price regulation,” the group said.

AT&T Ready for QuickPlay: AT&T completed its acquisition of digital streaming platform **QuickPlay** media. Financial details weren’t disclosed. The telco used QuickPlay for its U-verse TVE offering and is planning to use the platform to deliver its upcoming **DirecTV** streaming video plans. **Macquarie Securities** is closely watching the services, slated to launch in 4Q. Analysts estimate total net adds could reach 1.5mIn-2mIn by the 2nd half of 2018 and “importantly serve as a Trojan horse to gain wireless net adds, as they open up the service to Verizon, T-Mobile and Sprint.” They think that rather than cannibalizing existing video subs, the streaming packages will appeal to broadband-only homes and those with MSOs “like **Mediacom** and **Cable One**” who are de-emphasizing video.

Spectrum Auction: The **FCC’s** reverse auction wrapped up on Wed, with the agency announcing clearing costs of more than \$86bln. That’s well above expectations of how much broadcasters would get to free up licensed spectrum. **UBS** analysts said the figure represents ~73% of 2017E industry EBITDA and >2x industry FCF, well in excess of its expectation for up to ~\$40B in carrier spending. That means, multiple stages with lower clearing targets are likely. The forward auction, which has to cover the \$86bln amount, is expected to begin by early Aug. “Today’s news suggests multiple stages, less spectrum re-deployed, a protracted timeline and greater likelihood of a failed auction. Less spectrum in the wireless market would put upward pressure on spectrum valuation in our opinion, a positive for holders such as **DISH** and **Ligado Networks**,” UBS said. “Multiple stages will also prolong the quiet period and dampen any near-term strategic activity across the space, as we already expected given the upcoming elections.”

Retrans and Programming Costs: Thought retrans dollars were high now? Just wait, says a new **SNL Kagan** forecast. The firm estimates that stations’ fees will hit 11.6bln by 2022, up from the expected \$7.7bln this year and up 20% from \$6.4bln in 2015. SNL Kagan’s revised retrans projections call for major station group owners to send \$2.1bln to the major networks this year, up from an estimated \$1.5bln in 2015. On a per sub basis, the firm believes the average TV station’s retrans fee per month will rise from \$1.40 in 2016 to \$2.21 by 2022. While MVPDs won’t love the numbers, here’s the Kagan stat broadcasters will cite in retrans battles: “By 2019, the projected \$10.1bln in retrans fees would represent just 18.7% of the \$53.9bln that we project US multichannel operators will pay to basic cable networks and regional sports networks that year, despite the much higher TV viewing share for the Big Four broadcast networks.” However, the forecast’s \$1.87 per month retrans fee for 2019 puts broadcasters ahead of all but 3 cable nets in affil fees. The exceptions are **ESPN** (\$9.17), **TNT** (\$2.59) and **Disney** (\$1.88). Kagan predicts 5 RSNs fees will top \$5 in 2019: **YES** (\$6.50), **FOX Sports Detroit** (\$6.41), **FOX Sports Arizona** (\$5.20), **Comcast SportsNet Philadelphia** (\$5.15), **New England Sports Network** (\$5.15) and **Time Warner Cable SportsNet/Deportes** (\$5.03).

Espial to Acquire Arris Whole Home: Canada’s **Espial** announced a deal to acquire **Arris’** Whole Home Solution platform, giving it an end-to-end, cloud-hosted video service. Financials weren’t released. Arris will continue providing media gateways, media players, support and solution delivery. The 2 companies also will establish a reseller agreement.

AdMore/Videology Deal: Programmatic TV platform **AdMore** inked an agreement with ad tech firm **Videology**, expanding Videology’s reach into programmatic television. The partnership would give Videology’s software users access to AdMore TV inventory. It would also combine AdMore’s 100+mIn TV homes with Videology’s DETV software, which allows users to plan, optimize and measure TV campaigns with greater efficiency.

BUSINESS & FINANCE

Ratings: Nice win for **Univision** last week, with the Spanish-language broadcaster ranking as the #1 broadcast net among 18-34s and 18-49s. Sun's Copa América Centenario Argentina/Chile Final was the highest-rated in history, attracting 6.2mln total viewers and 3.4mln 18-49s.

Ready to Stream: **Stingray**, which just inked a deal for **Comcast's X1** platform, now is available through Chromecast. Stingray Music mobile app users can use Chromecast to stream music channels to the TV.

On the Circuit: **Turner CEO John Martin** was named honorary co-chair for the 30th annual **NAMIC** Conference, Sept 20-21 in NYC. The event includes a breakfast recognizing **Cablefax's** Most Influential Minorities in Cable, general sessions and the Excellence in Multicultural Marketing Awards. More info at namic.com/events.

People: **Paul Ricci** will join **VH1** as svp, head of alternative programming and development, starting Aug 1. He previously was svp, dev for **MTV**. -- **Bruce Tuchman**, former **AMC Global** and **Sundance Channel Global** pres, and **David Bishop**, former **Sony Pictures Home Ent** and **MGM Home Ent** pres, join the board of **Parrot Analytics**, a data science company offering audience demand measurement. -- Former **Gemstar TV Guide** pres **Ian Aaron** was named pres of **Frequency**, a cloud-based Internet video service that aggregates and distributes video from multiple providers.

Cablefax Daily Stockwatch

Company	06/29 Close	1-Day Ch	Company	06/29 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DISH:	51.93	1.60	INTEL:	31.93	0.74			
ENTRAVISION:	6.67	0.42	INTERACTIVE CORP:	54.96	1.62			
GRAY TELEVISION:	10.90	0.35	LEVEL 3:	50.51	1.41			
MEDIA GENERAL:	17.34	0.54	MICROSOFT:	50.54	1.10			
NEXSTAR:	48.29	2.92	NETFLIX:	91.06	3.09			
SINCLAIR:	30.09	1.13	NIELSEN:	51.93	0.90			
TEGNA:	22.47	0.46	SEACHANGE:	3.22	(0.02)			
MSOS								
CABLE ONE:	498.54	9.27	SONY:	29.34	1.22			
CHARTER:	227.37	8.99	SPRINT NEXTEL:	4.48	0.15			
COMCAST:	63.94	0.87	SYNACOR:	3.09	(0.09)			
GCI:	15.41	0.40	TIVO:	9.87	0.04			
LIBERTY BROADBAND:	58.95	2.07	UNIVERSAL ELEC:	70.79	0.88			
LIBERTY GLOBAL:	29.58	0.11	VONAGE:	6.05	0.24			
SHAW COMM:	19.21	0.08	YAHOO:	36.86	0.82			
SHENTEL:	37.84	1.33	TELCOS					
PROGRAMMING								
21ST CENTURY FOX:	27.00	0.35	AT&T:	42.54	0.52			
AMC NETWORKS:	57.24	1.20	CENTURYLINK:	28.45	0.61			
CBS:	52.76	0.69	FRONTIER:	4.85	0.11			
DISCOVERY:	24.38	0.47	TDS:	28.91	0.54			
DISNEY:	96.98	0.93	VERIZON:	55.06	0.24			
GRUPO TELEVISA:	25.31	0.74	MARKET INDICES					
HSN:	48.07	1.06	DOW:	17694.68	284.96			
LIONSGATE:	20.94	0.83	NASDAQ:	4779.25	87.38			
MSG NETWORKS:	15.51	0.20	S&P 500:	2070.77	34.68			
SCRIPPS INT:	60.97	0.81						
STARZ:	28.25	0.73						
TIME WARNER:	71.68	1.53						
VIACOM:	45.23	0.40						
WWE:	18.07	0.32						
TECHNOLOGY								
ADDVANTAGE:	1.78	(0.01)						
AMDOCS:	56.74	1.15						
AMPHENOL:	56.38	0.54						
APPLE:	94.40	0.81						
ARRIS GROUP:	20.58	0.21						
AVID TECH:	5.70	(0.01)						
BLNDER TONGUE:	0.46	0.01						
CISCO:	28.26	0.47						
COMMSCOPE:	30.35	1.34						
CONCURRENT:	5.21	0.02						
CONVERGYS:	24.52	(0.04)						
CSG SYSTEMS:	39.45	0.27						
ECHOSTAR:	38.99	1.13						
GOOGLE:	684.11	4.07						
HARMONIC:	2.80	0.01						



WICT & WOMEN:
Cable's not-so-secret weapons

There's a reason nearly 10,000 professionals are **WICT** members. **WICT** helps develop talented women who are ready to lead.

The secret is out - joining **WICT** is the smart choice.

www.WICT.org

Think about that for a minute...

Innovation

Commentary by Steve Effros

Nielsen has announced that SVOD has now matched DVR in terms of penetration. Both forms of video delivery are now resident in 50 percent of American homes.



This isn't a surprise. Both are extraordinarily convenient and consumers of video like them for precisely that reason. When DVRs first entered the marketplace many of us, worried about the "blinking clock" phenomenon of the old VCR (for those of you too young to remember, that's a "videocassette recorder") were in serious hope that the technologists would finally get it right and create a product that was really, really simple to use. It took some time, but the DVR has certainly fit that bill, and now SVOD is coming on strong.

But let's go back and remind those who may not have experienced the BetaMax vs. VHS wars (competing VCR formats) what the problems were all about; ignore the fact we were dealing with tape cartridges and periodically the tape would get all wound up in the machines and the one cassette you really wanted to save got destroyed. No, the problem was much more basic. It started and ended with the fact that programming the darn things to record at the right time so you could "save" the program you wanted to watch for later viewing was a chore few wanted to take on.

Aside from just the hassle of setting the timers (what did you do if the game went long, or the program started a little out of sync with the clock?) the old VCRs were just not consumer friendly. Any brief power glitch would result in the clock on the VCR reverting to 12:00 and blinking, to let you know all memory had been lost. It was total frustration to the point

that many folks just left the darn things blinking and put a piece of masking tape over the display. One major manufacturer even included a nice piece of cardboard that fit over the display for folks who just wanted to give up using it. The original DVD player/recorders had the same issues. But then came DVRs; with internal hard drives and the capability to link to the program guides, they resulted in a revolution. It was easy to record something, easy to play it back. The clock corrected itself. The programming for what you wanted to record didn't disappear. DVR use took off. And now it's even better with "remote" DVRs, where the recording and playback is done at the server and we don't even have to really worry about a local hard drive crashing.

Then came SVOD. I'm not quite sure why it has taken a little longer for it to become a staple, but I suspect it has to do with folks not understanding, and the industry not being terribly good at explaining, what SVOD really is: prerecorded/archived video. You don't have to "set the timer" any more. You don't have to "pre" anything. No more need to "instruct" the DVR to record something, most of it is already there. All you have to do is look it up and if you were eligible to watch it, you can do so at your convenience.

We haven't done a good job of describing that, but consumers apparently are learning; navigation is the key. SVOD and DVRs are just two technological sides of the same coin, and happily, the largest purveyor and creator of both has always been us, the MVPDs. So much for the populist complaint that we don't innovate.

Steve

T:202-630-2099
steve@effros.com

(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.)

Cablefax
THE MAGAZINE

Who are cable's most powerful women and influential minorities?

Nomination Deadline: July 15 | Free to Enter

Nominate the executives you think should be included in these two annual issues of *Cablefax: The Magazine*.

Enter at www.cablefax.com/2016-nominations

Questions: Kate Schaeffer at kschaeffer@accessintel.com
Advertising Information: Rich Hauptner at rhauptner@accessintel.com

