

Cablefax Daily™

Monday — October 3, 2016

What the Industry Reads First

Volume 27 / No. 190

Bundle Up: A Lot's Changed Since FCC Last Examined Bundling

There's long been grumbling in the industry over the number of channels that are bundled with so-called must-have programming. While it's an issue that pops up frequently, not a lot has happened in the regulatory space. **Cablevision** sued **Viacom** over wholesale bundling, claiming it violated federal antitrust laws back in 2013. That never made it to court, with Cablevision and Viacom settling their litigation ahead of the **Altice** acquisition closing. The **FCC** has delved into the issue a few times, most notably in 2008 when then-FCC chmn *Kevin Martin* looked at wholesale unbundling as a way to take pressure off cable rates. Forced bundling was a hot topic at this year's **Independent Show**, where FCC commish *Mignon Clyburn* appeared. She signaled at the show that an NPRM could be coming on the independent program Notice of Inquiry she had pushed for, and that came to fruition last week with the FCC voting 3-2 for a proposal that would ban unconditional MFNs and unreasonable alternative distribution method clauses in indie programmer contracts. Importantly, the NPRM also seeks comment on bundling. Some of the questions in the notice include: Is bundling by large programmers as widespread as some in the record suggest? Do programmers insist on bundling even with respect to capacity constrained MVPDs or do they provide relief for such systems? How does bundling impact consumer costs, choice and access to diverse programming? "We're very happy that now as part of an NPRM these questions that we've raised with the Commission for years will finally be reviewed. It's no guarantee or indicator of what the FCC may do about it, but the fact that the FCC recognizes that these are important issues that have an effect on consumers' choices and members' ability to provide more choices to consumers is really important," ACA chief *Matt Polka* said in an interview. It is interesting to see the FCC dive into these waters again, because a lot has changed in those 8 years since Martin broached the issue. Just look at the growing number of skinny bundles in the marketplace. Back in 2008, ACA was recommending genre tiers and smaller bundles. "At that time, pretty much what we were talking about was deemed to be heresy," Polka said. "Now 8 years later, you have **Comcast** and others that are talking about the bundle. And certainly when you see what's happened with online video, **Sling** and so many other choices, it's an issue that I think we were right on way back then and we're still right on today." The set-top proposal, which is still being reworked, will be the main headline grabber, but we'll see if this NPRM results in some potential regulatory proposals. Comments are due 60 days after it's published in the Federal Register.

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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

3Q Ratings: It wasn't even close. **Fox News** was the clear prime winner in 3Q, averaging 2.47mln total viewers from June 27 until the quarter ended Sept 25. The closest cable net was **USA**, with 1.62mln viewers, followed by **TNT** (1.55mln), **HGTV** (1.54mln) and **ESPN** (1.42). The 3 most-watched programs of the quarter were Mon Night Football on ESPN (the highest average 1.3mln total viewers), with **Fox News'** RNC coverage rounding accounting for spots 4 and 5. Fox News also won 3Q in total day (1.41mln P2+), with **Nick** taking 2nd place (1.23mln). However, Nick has won total day among kids 2-5 and 2-11 for 5 straight quarters. It's being helped by "The Thundermans," "The Loud House" and "SpongeBob SquarePants," the top 3 shows on TV for the 2-11 set. Other cablers celebrating include **NBCSN**, which had its 3Q in total day ever, thanks largely to Rio. The net averaged 286K total day viewers, up 49% vs last year. It also was 33% better than the 215K the net averaged for the Sochi Olympics in 1Q14. 3Q marked **OWN's** highest-rated, most-watched and highest-ranked quarter in network history, with new shows "Greenleaf" and "Queen Sugar" ranking as 2 of the top 3 new scripted cable series for women this year. In prime, OWN averaged a 0.43 rating in its key W25-54 demo (up +39% vs. last quarter and up +10% YOY) and 599K total viewers (up +29% vs. last quarter and up +9% YOY). In prime, OWN ranked #13 among ad-supported cable networks with W25-54 (up +15 spots vs. last quarter and up +5 spots YOY). **Bravo** reports that it had the most growth among top 25 ad-supported cable nets with men, up 29% in males 18-34, 26% in M18-49 and 28% in M25-54 compared to 3Q15. Bravo ended 3Q up +2% in P18-49 (387K), up +10% in P25-54 (461K) and up +15% in total viewers (819K) versus 3Q15 in prime. **Weather Channel** is feeling good about its decision last year to refocus its programming on weather vs reality programs, etc. It is among the third of nets who posted positive YOY growth in 3Q in 25-54s and P2+ in total day, with delivery up 2% for both demos (coverage ratings were up 6% for P2+ and 9% for 25-54s). It averaged 165K viewers in total day for 3Q. -- Looking at the summer period, minority-owned Spanish net **Estrella TV** saw 41% growth in ratings among 18-49s in early fringe and a 10% growth in the same group in primetime vs summer 2015. The privately-owned network said it's the only major Spanish-language net to post ratings increases in both time slots in 3Q16.

Incentive Auction: The **FCC** released a draft plan Fri for post-auction repacking, seeking comments by Oct 31. It's looking at a 39-month deadline for completing the repacking process with a phased transition schedule. It's a timetable that already concerns **America's Public Television Stations**, though it commended Media Bureau chief **Bill Lake** and his colleagues for a thoughtful approach to "a difficult set of issues." Under the proposal, stations will be assigned to one of 10 "transition phases" with sequential testing periods and deadlines, or "phase completion dates."

RCN Bringing 1-Gig to Chicago: **RCN** is using DOCSIS 3.1 to deliver 1 Gigabit Internet speeds soon to Chicago customers, including those in the communities of Skokie and Lincolnwood. It's the first such launch for RCN. Pricing starts at \$69.99/month for 12 months. The overbuilder has launched a "Getta Gig" microsite, touting new DOCSIS 3.1 modems and what consumers can do with a 1 Gig. Gotta give the "Getta Gig" FAQ section some props for addressing maximum speed via WiFi. It tells customers that connecting directly to their modem removes a lot of the variables that reduce speeds.

Programming: **FX** ordered a 1st season of "Snowfall," a 1-hour drama inspired by L.A.'s crack cocaine epidemic in the early 1980s. The 10-ep season will debut on the net in 2017. -- **Olivia Williams** and **Harry Lloyd** will star with Oscar winner **JK Simmons** in the new espionage thriller "Counterpart" from **Starz** and **MRC**. The series follows Simmons as he realizes the bureaucratic agency he works for is protecting a crossing into another dimension. Academy Award nominee **Morten Tyldum** will direct its 1st ep. -- **A\$AP Rocky** was named creative director for **MTV Labs**, an incubator created in partnership with the rapper, to develop original and branded content. Backed by his own creative company **AWGE**, the Harlem-born rapper and cultural trendsetter will experiment with new formats and create branded content for advertisers in partnership with **Viacom Velocity**. A\$AP Rocky gave an exclusive performance of his A\$AP Mob upcoming album, "Cozy Tapes Vol 1" on Sept 30 in Times Square to celebrate the partnership. It was broadcast on MTV and streamed across MTV platforms that day.

Viacom Bond: **Viacom** announced a \$1.3bln debt offering Thurs that it intends to use to pay down debt, which includes the repayment of \$400mln aggregate principal amount of its 2.5% senior notes due December 2016, the repayment of \$500mln aggregate principal amount of its 3.5% senior notes due April 2017 and borrowings under its commercial paper program, and, to the extent that any proceeds remain, for general corporate purposes. Earlier in the day, it announced a letter that National Amusements sent to the boards of **CBS** and Viacom, urging the 2 companies to explore a combination. Moody's assigned a "Baaa3" rating to Viacom's bond issuance.

Cablefax Week in Review

Company	Ticker	9/30 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
DISH.....	DISH.....	54.78	1.61%	(4.2%)
ENTRAVISION:.....	EVC.....	7.63	3.39%	(1.04%)
GRAY TELEVISION:.....	GTN.....	10.36	3.50%	(36.44%)
MEDIA GENERAL:.....	MEG.....	18.43	2.33%	14.12%
NEXSTAR:.....	NXST.....	57.71	7.37%	(1.69%)
SINCLAIR:.....	SBI.....	28.88	5.79%	(11.25%)
TEGNA:.....	TGNA.....	21.86	2.53%	(14.34%)

MSOS				
CABLE ONE:.....	CABO.....	584.00	0.91%	34.67%
CHARTER:.....	CHTR.....	269.97	(2.21%)	47.52%
COMCAST:.....	CMCSA.....	66.34	(1.21%)	17.56%
GCI:.....	GNCMA.....	13.75	2.54%	(15.59%)
LIBERTY BROADBAND:.....	LBRDA.....	70.16	(1.09%)	35.84%
LIBERTY GLOBAL:.....	LBTYA.....	34.18	(0.73%)	(19.31%)
SHAW COMM:.....	SJR.....	20.46	2.51%	19.02%
SHENTEL:.....	SHEN.....	27.21	(0.15%)	(36.79%)

PROGRAMMING				
21ST CENTURY FOX:.....	FOXA.....	24.22	1.21%	(10.82%)
AMC NETWORKS:.....	AMCX.....	51.86	(0.99%)	(30.56%)
CBS:.....	CBS.....	54.74	7.52%	16.15%
DISCOVERY:.....	DISCA.....	26.92	3.18%	0.90%
DISNEY:.....	DIS.....	92.86	(0.44%)	(11.63%)
GRUPO TELEVISIA:.....	TV.....	25.69	(0.08%)	(5.59%)
HSN:.....	HSNI.....	39.80	(0.1%)	(21.45%)
LIONSGATE:.....	LGF.....	19.99	(3.43%)	(38.28%)
MSG NETWORKS:.....	MSGN.....	18.61	0.92%	(10.53%)
SCRIPPS INT:.....	SNI.....	63.49	3.00%	15.00%
STARZ:.....	STRZA.....	31.19	(1.3%)	(6.9%)
TIME WARNER:.....	TWX.....	79.61	3.75%	23.10%
VIACOM:.....	VIA.....	42.82	7.75%	(2.66%)
WWE:.....	WWE.....	21.30	3.50%	19.39%

TECHNOLOGY				
AMDOCS:.....	DOX.....	57.85	(1.25%)	6.01%
AMPHENOL:.....	APH.....	64.92	0.78%	24.30%
APPLE:.....	AAPL.....	113.05	0.30%	7.40%
ARRIS GROUP:.....	ARRS.....	28.33	(0.98%)	(7.33%)
AVID TECH:.....	AVID.....	7.94	(2.1%)	8.92%
BLUNDER TONGUE:.....	BDR.....	0.61	(0.87%)	53.65%
CISCO:.....	CSCO.....	31.72	1.21%	16.79%
COMMSCOPE:.....	COMM.....	30.11	(0.56%)	16.30%
CONCURRENT:.....	CCUR.....	5.50	(4.84%)	11.11%
CONVERGYS:.....	CVG.....	30.42	2.74%	22.22%
CSG SYSTEMS:.....	CSGS.....	41.33	(2.29%)	14.87%
ECHOSTAR:.....	SATS.....	43.83	6.72%	12.07%
GOOGLE:.....	GOOG.....	777.29	(1.22%)	2.43%
HARMONIC:.....	HLIT.....	5.93	26.17%	45.70%
INTEL:.....	INTC.....	37.75	1.51%	9.58%
INTERACTIVE CORP:.....	IAC.....	62.47	0.00%	4.03%
LEVEL 3:.....	LVT.....	46.38	(2.46%)	(14.68%)
MICROSOFT:.....	MSFT.....	57.60	0.30%	3.82%
NETFLIX:.....	NFLX.....	98.55	2.72%	(13.84%)
NIELSEN:.....	NLSN.....	53.57	0.45%	14.96%
SEACHANGE:.....	SEAC.....	2.99	1.01%	(55.64%)
SONY:.....	SNE.....	33.21	(1.16%)	34.95%

Company	Ticker	9/30 Close	1-Week % Chg	YTD %Chg
SPRINT NEXTEL:.....	S.....	6.63	(0.15%)	83.15%
SYNACOR:.....	SYNC.....	2.91	(3%)	66.29%
UNIVERSAL ELEC:.....	UEIC.....	74.46	(4.02%)	45.00%
VONAGE:.....	VG.....	6.61	(0.6%)	15.16%
YAHOO:.....	YHOO.....	43.10	0.70%	29.59%

TELCOS				
AT&T:.....	T.....	40.61	(1.62%)	18.02%
CENTURYLINK:.....	CTL.....	27.43	0.04%	9.02%
FRONTIER:.....	FTR.....	4.16	(3.93%)	(10.92%)
TDS:.....	TDS.....	27.18	(0.22%)	4.98%
VERIZON:.....	VZ.....	51.98	(1.1%)	12.46%

MARKET INDICES				
DOW:.....	DJI.....	18308.15	0.26%	5.07%
NASDAQ:.....	IXIC.....	5312.00	0.12%	6.08%
S&P 500:.....	GSPC.....	2168.27	0.17%	6.08%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. HARMONIC:.....	5.93	26.17%
2. VIACOM:.....	42.82	7.75%
3. CBS:.....	54.74	7.52%
4. NEXSTAR:.....	57.71	7.37%
5. ECHOSTAR:.....	43.83	6.72%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. CONCURRENT:.....	5.50	(4.84%)
2. UNIVERSAL ELEC:.....	74.46	(4.02%)
3. FRONTIER:.....	4.16	(3.93%)
4. LIONSGATE:.....	19.99	(3.43%)
5. SYNACOR:.....	2.91	(3%)

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