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What the Industry Reads First

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Cable Survivor: Dissecting How Networks Can Stay in Game

It doesn't seem like anyone in the industry believes Esquire will be the only network to go off linear, with a group of programming execs predicting as many as 5 could get the curtain in the next year or so. "The game of launching channels on the cable/satellite platform is over," said veteran programmer *John Ford*, who is probably best known in cable circles for his time running **Discovery Channel**. These days he's the president of the Non-Fiction Producers Association and heads programming for multicast channel **Justice Network**. Speaking at a panel at RealScreen Summit in DC, Ford predicted that 3 cable channels get the boot in the next year, suggesting that some of it would be the result of hard negotiating by distributors. "Once you get to a critical mass of drops, then it becomes hard to sustain the business," he said. "I believe distributors want to cull the herd." A+E Networks research svp *Don Robert* guessed that 3-5 nets may come off, with **El Rey** president/gm *Daniel Tibbets* predicting "two for sure" and saying he'd put a bet on two more. Potentially problematic for Esquire was its niche. "It feels like Esquire from the outset didn't stay true to its brand," said fellow panelist *Rob Scanlon*, evp/gm of **Velocity**, noting how its brand was a men's magazine while its daytime programming was the female-skewing "Parks and Recreation." The RealScreen discussion was a dive into the landscape for niche networks. Car-focused Velocity is hyper focused on men, with Scanlon suggesting that the channel (currently in about 72 million homes) is still seeing growth because the car dealership category is such a huge local ad sales opportunity for MVPDs. Indeed, the net's up from about 69 million coverage in August, according to **Nielsen** Universe estimates. Tibbets has been on a press tour recently touting El Rey's niche as working class men, a group the net's calling "strivers." The former **Machinima** chief content officer believes the key to survival is in finding a mass niche. "They're not defined by age and race, but likes and interests," he said. An outlier on the panel was **UP**, which sees itself more as a general entertainment network with shows such as "Gilmore Girls" and "Parenthood" coupled with originals like "Bringing Up Bates." It began as Gospel Music Channel, and found that niche too narrow, according to *Timothy Kuryak*, svp of unscripted development and production. It has kept that audience with some programming and launched an SVOD offering to super serve them, but now sees its mission as "bringing America back to that collective viewing experience," he said. That model works well for ad sales, according to Kuryak, who claimed ad retention is better for the channel with its mostly G-rated shows than for programs like "The Walking Dead" and

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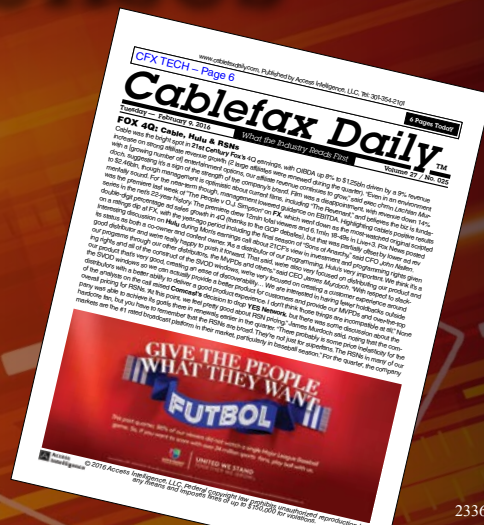
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“Real Housewives,” which may have advertisers that don’t want to air during them. Speaking of niche, there was some buzz at the conference over speculation that **NBCU’s Oxygen** could become a crime-focused channel. *Deadline* reported back in December that exploration of such a rebrand was underway and it included talks with crime drama producer *Dick Wolf*. Oxygen recently expanded its weekend crime block to four nights. The notion came up during the panel, with moderator *Michael Cascio* of **M&C Media** noting it could be an “alternative fact.” The panel agreed that crime is hot now, but Ford warned that the industry has a tendency to explode with interest in a genre or show and then over-serve it.

Can Any Nets Get Launched?: It may seem like dark days for cable channel launches, but **Comcast** has a golden ticket for two new African American-owned independent networks. As part of its **NBCU** ownership public interest commitments, it’s seeking proposals through March with the nets to be selected in the coming months. “I think African American channels are where you still have a substantial underserved audience,” said *John Ford* of **Justice Network** and Non-fiction Producers Association. “You see efforts like ‘Love & Hip Hop’ from **VH1** and ‘Braxton Family Values’ on **WE tv** that are wildly popular... If I could invest, I’d start an African American general entertainment channel.” **UP’s Timothy Kuryak**, svp of unscripted development and production, noted that its sister channel is **ASPIRE** (co-owned by *Magic Johnson* and one of the nets along with **EI Rey** to gain Comcast carriage through those NBCU conditions). “We found at first we were competing with the **BETs** and **TV Ones**, but then found that there is really an underserved audience for black lifestyle. If you look at **HGTV**, home, cooking, there is very little diversity on there,” he said. Ford, who works for multicast network **Justice**, thinks that is also one area that can still see launches. There are quite a few out there, from African American net **Bounce to Me TV**, that air on secondary broadcast digital channels. “They toil in the vineyards of cable and broadcast, but they’re important to the 18-19 million people who get most of their TV over the air.”

Tribune Head Steps Down: *Peter Liguori*, **Tribune Media** pres/CEO since January 2013, has decided to step down, which will occur during the first week of March. Liguori will also resign from the board at that time. Tribune’s board will work with **Korn Ferry** to search for a new CEO. *Peter Kern*, one of the board’s current directors, will serve as the interim CEO during the search process. Liguori led the restructuring of Tribune in the last 4 years. The company bought **Local TV** for \$2.7bln in 2013, adding 19 local TV stations and bringing the total local station portfolio to 42. In 2014, the company spun off its newspaper publishing unit. In February 2016, Tribune announced a process to review its strategic and financial alternatives, resulting in the sale of some real estate assets for more than \$500mln and the pending sale of the company’s **Gracenote** metadata business to **Nielsen** for around \$560mln. “Following the successful completion of several financial, strategic and creative initiatives, culminating in the pending sale of Gracenote, Tribune Media is well advanced in its transformation to a more focused broadcast and cable networks company. I believe that now is the ideal time for a new leader to steer today’s Tribune. As curious and excited as I am about pursuing new opportunities, I am equally grateful for the achievements, commitment and integrity of this company’s management team and its dedicated employees,” Liguori said in a statement.

Set-top War: **House Commerce** GOP leaders didn’t waste any time urging new FCC chmn *Ajit Pai* to kill the pending set-top box proceeding. In a letter to Pai Wed, committee head *Greg Walden* (OR), vice chmn *Joe Barton* (TX) and Communications Subcmte chmn *Marsha Blackburn* (R-TN), joined by all GOP members of the subcmte, said closing the docket can provide industry and consumers with “a clear understanding of the FCC’s assessment and plan of action.” The proceeding, proposed by former chmn *Tom Wheeler*, seeks to open up the set-top market for third parties. The GOP letter called the proposal “an unnecessary regulatory threat to the content creation and distribution industries.” Closing the docket would give video distributors “a clear sign that they can bring technological advances to set-top boxes and video delivery without fear that the Commission could overturn them by regulation,” the letter said. **Public Knowledge** disagreed. “Despite the change in administration, the FCC has a law to abide by and an obligation to implement. Section 629 of the Communications Act is the law of the land, and it directs the FCC to ensure that consumers can choose from a competitive market for ‘unaffiliated’ devices that can access their complete cable TV or other pay-TV subscriptions,” *John Bergmayer*, senior counsel said in a statement. Wheeler’s proposal raised concerns from both Republicans and Democrats regarding its potential damage to copyright protection, among others. As a result, Wheeler failed to push it through before his departure.

AT&T 4Q: **AT&T** posted 4Q net income of \$2.4bln, compared to \$4bln in the year-ago quarter. The telco, which launched **DirecTV Now** streaming service on Nov 30, said the service now has more than 200K paid net adds. It also posted 235K

BUSINESS & FINANCE

DirecTV net adds with “stable linear TV subscriber base.” At the end of 4Q, AT&T had 37.7mln video subs (excluding DirecTV Now), compared with 37.9mln a year ago. Total linear video subs decreased by 49K in 4Q, of which 27K were in the US. More than 80% of AT&T’s domestic video subs were on the DirecTV platform at the end of 4Q. It added 149K net new IP broadband subs during the quarter, pushing the total broadband connections to 15.6mln at the end of the quarter. Total broadband subs declined by 13K in the quarter.

ACA’s Plea: ACA opposed NAB’s and Nexstar’s Petitions requesting reconsideration of the FCC’s decision last year to keep its local broadcast television ownership caps in place. In a filing with the FCC, ACA argued that NAB and Nexstar relied upon arguments that have been fully considered and rejected by the FCC. ACA also argued that the Commission’s decision to keep its local broadcast television ownership caps in place should be upheld for policy considerations, as “they protect competition in the local television marketplace and help to curtail the extent of leverage broadcasters have over MVPDs in retransmission consent negotiations.” The FCC voted last year to leave most media ownership rules unchanged. NAB and Nexstar petitioned the agency to reconsider the decision, after initially challenging them in court.

Cablefax Daily Stockwatch

Company	01/25 Close	1-Day Ch	Company	01/25 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DISH:	62.23	(0.2)	MICROSOFT:	63.68	0.16
ENTRAVISION:	5.30	0.15	NETFLIX:	139.52	(0.59)
GRAY TELEVISION:	11.60	0.65	NIELSEN:	41.00	0.30
NEXSTAR:	63.50	1.35	SEACHANGE:	2.45	UNCH
SINCLAIR:	33.30	1.25	SONY:	30.79	0.30
TEGNA:	22.50	0.60	SPRINT NEXTEL:	9.19	UNCH
MSOS					
CABLE ONE:	616.21	(0.48)	SYNACOR:	3.05	UNCH
CHARTER:	310.31	1.96	UNIVERSAL ELEC:	65.00	UNCH
COMCAST:	73.44	(0.16)	VONAGE:	6.98	(0.05)
GCI:	19.77	(0.06)	YAHOO:	44.94	1.04
LIBERTY BROADBAND:	78.92	0.46	TELCOS		
LIBERTY GLOBAL:	35.23	0.27	AT&T:	41.39	0.03
SHAW COMM:	21.41	0.24	CENTURYLINK:	25.69	0.12
SHENTEL:	27.05	0.10	FRONTIER:	3.44	(0.03)
PROGRAMMING					
21ST CENTURY FOX:	30.30	0.02	TDS:	29.82	0.18
AMC NETWORKS:	56.42	(0.51)	VERIZON:	49.77	(0.35)
CBS:	63.00	0.02	MARKET INDICES		
DISCOVERY:	27.58	(0.91)	DOW:	20068.51	155.80
DISNEY:	108.04	0.14	NASDAQ:	5656.34	55.38
GRUPO TELEVISIA:	22.74	0.52	S&P 500:	2298.37	18.30
HSN:	34.60	0.50			
MSG NETWORKS:	22.25	0.15			
SCRIPPS INT:	75.00	0.30			
TIME WARNER:	95.72	(0.63)			
VIACOM:	44.20	(0.35)			
WWE:	19.69	0.16			
TECHNOLOGY					
ADVANTAGE:	1.76	(0.01)			
AMDOCS:	59.15	0.33			
AMPHENOL:	67.03	(1.73)			
APPLE:	121.88	1.91			
ARRIS GROUP:	29.72	0.47			
AVID TECH:	4.95	UNCH			
BLNDER TONGUE:	0.69	(0.02)			
CISCO:	30.70	0.10			
COMMSCOPE:	36.94	UNCH			
CONCURRENT:	5.18	(0.05)			
CONVERGYS:	25.85	0.06			
CSG SYSTEMS:	49.38	(0.1)			
ECHOSTAR:	53.13	0.59			
GOOGLE:	835.67	11.80			
HARMONIC:	5.30	(0.1)			
INTEL:	37.80	0.18			
INTERACTIVE CORP:	70.25	(0.08)			
LEVEL 3:	59.20	0.25			

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Watch What They Do

Commentary by Steve Effros

It is now almost a week since a new administration has taken over in Washington. Since I am writing this column before leaving for New Zealand, I have no real notion (nor do I really care, to be honest) what has happened at our favorite regulatory agency, the FCC, since my departure. The odds are, it won't matter.

To be sure, there'll be an "Acting Chairman," and the political voting leverage will have been reversed from what we had over the past 8 years. Tom Wheeler will be gone, and my guess is Ajit Pai will be in charge. Maybe not, but as I noted above, in the first week, it doesn't matter. Why? Because now the new administration and all the folks who have been opining about what it might do, will do, won't do or could do will have to finally focus, instead, on what it actually does! That will be a relief. There has been more ink spilled and more bandwidth wasted on all this palaver than ever before. That includes the 140 character (yes, I know, I mistakenly said "140 word" two weeks ago) blasts. You see, after dealing in this town for as long as I have, you learn that all the talk is just talk. It means nothing until the legislative and bureaucratic process, the famous "wheels of government," actually start turning.

For the FCC, the reality is that in many cases, at least early on, it will be a question of stopping the wheels from turning, or never getting them going in the first place. That's the situation with "net neutrality." Yes, those who you would expect to be wringing their hands over the administration change and what it will mean at the FCC have nearly turned their hands inside out by now. They have convinced almost every unsophisticated reporter that the FCC will "kill" net neutrality, which they describe as "protecting the public" from the nefarious efforts of



ISPs to throttle, block or in some other way discriminate and interfere with the flow of information and access on the internet.

The problem with that whole scenario is that no one has been actively "throttling or blocking" access since the inception of broadband, and there is simply no indication that it would happen now. It's bad for business! The fundamental fight was not about "net neutrality" it was about the power of the Commission to go much farther in regulating broadband, redefining it as a common carrier under Title II regulations, which could include price regulations.

That jurisdictional part of what the Commission did last year is definitely going to be under the gun, and is likely to be changed, whether in Congress or by the Commission itself. But that doesn't mean the public's access to information on the Internet will change. This is a regulatory power fight, "protecting" if anything, the reach of the FCC, not protecting the rights of consumers, which were not really endangered in the first place, and already protected by both antitrust laws and the FTC.

So the new Commission power structure is just not likely to engage in the use of any of that contested power. The rules will eventually be changed, but it's what you won't see happen, what they don't do, that will be important. For some period of time broadband will continue to be considered a common carrier under Title II. The important thing, however, will not be what the rules say, but what the FCC does.

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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