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What the Industry Reads First

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Outdated Rules: FCC Chair Tees Up Proposal for May Meeting

A little bittersweet seeing *Ajit Pai* give his first keynote as **FCC** chairman at the **NAB Show** Tuesday. After all, had **NCTA** not killed its annual trade show, he would have been addressing the cable crowd this week as well. As such, we caught up to him after his NAB address to ask him what message he would have given to cable. “Honestly, it would have been pretty much the same message—that I want the FCC’s rules to match the realities of the modern marketplace. That’s the kind of regulatory approach I think that will incentivize any sector of the communications industry to continue to invest and innovate,” Pai said. Along those lines, he circulated a proposal Tuesday to his fellow commissioners that would potentially eliminate some media regulations he deemed no longer necessary. “Given the realities of today’s media marketplace, we need to see which rules are still necessary and which should be relaxed or repealed,” Pai said during his NAB keynote. “We’ll also explore whether certain rules should be modified to provide regulatory relief to small businesses.” On Thursday, the FCC should release the proposal, which will focus on some specific FCC rules for broadcast, cable and DBS that could be nixed. The Commission also is asking for suggestions on other rules to consider. We’ll have to wait until then to see them, but we’ve heard attorneys in DC have been poring through communications regs for months to identify obsolete rules following *President Trump’s* executive order for agencies to identify unnecessary regulations. As an independent agency, the FCC doesn’t have to meet that obligation, but Pai has said he thinks it’s a good idea. In that spirit, he’s put an NPRM on the May meeting agenda that looks to eliminate the broadcast main studio rule that requires each AM, FM and TV broadcast station to maintain a main studio near its community of license. Speaking to the broadcasters, Pai joked that after years of smaller panel discussions at NAB, his move to keynoting a general session was akin to a TV show being moved from an early morning timeslot to primetime. “With this step up comes added pressure. After all, I don’t want to be like **ABC’s** ‘Emily’s Reasons Why Not’ or **CBS’s** ‘Secret Talents of the Stars’ and get canceled after just one episode.” He touched briefly on the ATSC 3.0, or Next Gen TV, transmission standard, saying it has the potential to let broadcasters offer a much better service. “We’ll move quickly—by FCC standards, anyway—because I want the United States to lead the world in broadcasting, just as in the communications industry generally.” Cable is expected to offer comments on ATSC 3.0 as it looks at the impact the standard could have—such as how much bandwidth the signal will consume and what



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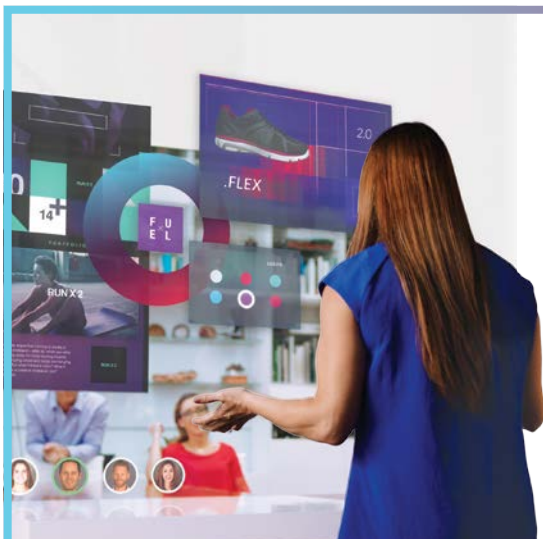
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sort of simulcast requirements MVPDs would have.

A Stranger in a Strange Land: To say *Dexter Goei's* presence at the **NAB Show** Tuesday was a bit unusual is an understatement. "I assure you this is a first for NAB to have someone of this prominence," NAB evp of business operations *Chris Brown* said while introducing the **Altice USA** CEO and pres of the Altice NV board. Goei may have thrown down a bit of a challenge to other cable ops, telling attendees he's surprised his peers haven't historically been able to attend because it's an important show. Goei hasn't done a lot of public appearances since Altice purchased **Cablevision** and **Suddenlink**, but that may be changing with Altice USA pursuing an IPO. "We want to be ready to the extent it makes sense that someone wants to talk about any type of combinations or strategic moves, but we may never have to use it because I think we're very happy where we are today and we'll see what the future brings," the CEO said. He was clear that M&A isn't all about scale for Altice, but rather that it makes strategic sense. He pointed to two small acquisitions in the ad tech/data analytics space as examples of that. On OTT: "Today we remain in an environment where virtual MVPDs don't necessarily deliver a radical product at a compelling price. I am certain that will evolve." Altice's focus is to make sure it delivers all the various options a client would want in their home through its technology, even if that means delivering a competitive virtual MVPD service. "People can get them anyways," Goei said. He said some OTT services are morphing into what's more akin to a channel offering, while others are more true MVPDs. Altice, he added, is talking to some non-linear content providers about potentially integrating into its user experience. Retrans briefly came up, with Goei remarking that the trends on price increases and MVPDs' ability to pass those on to consumers are going in the wrong direction. Altice USA's **Optimum** customers lost **Meredith-owned WFSB** for about two months earlier this year in a retrans battle. Still, Goei believes Altice has a good relationship with broadcasters, with each side understanding the others' point of view. "It's a healthy debate, and we'll see how we get through the rest of the next couple of years," he said. "It's such a dynamic industry right now both on broadcasting and clearly on content that by definition it will evolve."

AT&T Earnings: In another blow to linear TV, **AT&T** lost 233,000 **U-verse** subscribers in 1Q 2017, while its **DirecTV** subs remained unchanged, the company announced Tuesday in its earnings call. **DirecTV Now**, the company's OTT offering which launched in 4Q 2016, saw unspecified gains during 1Q, but those were offset by the U-verse losses. The pay-TV losses for AT&T mirror **Verizon's** loss of 15,000 **FiOS** video subscribers that it announced in its own report last week. AT&T currently boasts 25mln total linear video subs, which breaks down to 21mln for DirecTV and 4mln for U-verse. CFO *John Stephens* said the company plans to combat linear video losses by bundling service with unlimited wireless service. AT&T also gained 115K broadband subs in 1Q, its strongest growth in four



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years. Still, its loss of 282K prepaid wireless subscribers will be the headline, as the company's \$39.4bln in quarterly revenue was down 2.7% from 1Q 2016 and short of analysts' expectations. Looking ahead, CEO *Randall Stephenson* said the company has a "huge competitive advantage" as technology moves toward 5G given its industry-leading fiber footprint. He also touted its leading spectrum position, even in the wake of **Straight Path's** announcement that it has received a purchase offer superior to the one it agreed to with AT&T earlier this month. Stephenson noted AT&T has five days to negotiate a better deal and referenced the acquisition's contribution to its millimeter wave spectrum several times throughout the call.

Title II's Impact: The telecommunications industry would have seen another \$150-\$200bln in additional investment from 2011-2015 if the **FCC** hadn't reclassified broadband as a "common carrier," according to research released by the **Phoenix Center**. Telecommunications investment fell short of expectations by 20-30%, or about \$30-40bln annually, during that time period, the group said. The report also posits that it is the reclassification that is reducing investment rather than net neutrality principles, as there was no decline in investment following the FCC's "Four Principles" to promote an Open Internet in 2005. Phoenix Center chief economist *George Ford*, who conducted the research, said FCC chmn *Ajit Pai* apparently intends to reverse the reclassification and that this decision would be "a prudent one." Pai is expected to outline his plans for net neutrality on Wednesday.

Ratings: Fox News led cable news nets in primetime viewership on Monday night, its first without "The O'Reilly Factor" in the lineup. **Nielsen** data shows that "Tucker Carlson Tonight," which replaced "The Factor" in the 8pm ET slot, averaged 3.2mln viewers (P2+) to finish ahead of both **MSNBC's** "All in with Chris Hayes" (1.5mln) and CNN's "Anderson Cooper 360" (1.0mln). Overall, Fox News averaged 2.8mln viewers from 8-11pm, more than MSNBC's 1.8mln and CNN's 945k. -- **NBC Sports** scored its best average audience for a first round of the Stanley Cup Playoffs since 2014, thanks in part to a record 18 overtime games. Games across **NBCSN, USA, CNBC, NBCSports.com** and the NBC Sports app averaged 742K viewers, up 4% from last year's first round. Unlike in previous years, NBC's cable nets were able to air first-round coverage in participating teams' markets alongside RSN feeds. NBC takes over exclusive coverage beginning in the second round. Interestingly, NBC Sports' higher audience numbers came with five Canadian teams in the playoffs. Last season, all 16 playoff teams were from American markets. Despite the Sabres missing the playoffs for the sixth straight season, the hockey hotbed of Buffalo registered the highest local household rating (2.04), followed by playoff markets Minneapolis-St. Paul (1.64), St. Louis (1.62) and Nashville (1.16).

Air Supply: Sling TV in an appeal to cord-cutters is offering customers who prepay for several months of service a discount on an AirTV Player, a device that allows users to access over-the-air channels and **Netflix** content from within Sling TV's interface. The device, which normally retails at \$129.99, costs \$50 as part of the promotion.

Viacom Forms Digital Team: **Viacom** has launched a team tasked with establishing a unified strategy for creating authenticated digital applications and websites for several of its brands, the company announced Tuesday. **The Global Product Development Group** will focus on the **BET, Comedy Central, MTV, Paramount Network, VH1, TV Land, and Logo** brands. One initial priority will be expanding **Play Plex**, the company's suite of intl mobile apps, to the US and other markets to create a seamless VOD solution.

Programming: AMC renewed martial arts drama "Into the Badlands" for a third season of 16 eps in 2018. Halfway through Season 2, the series is averaging 3.6mln viewers per episode with 2.1mln adults 25-54 in **Nielsen** Live+3 ratings.

High-Speed News: Grande Communications is expanding its 1 Gigabit Internet service in Texas to include subscribers in Austin, San Marcos, Dallas, Midland and Odessa starting April 25. The service is meant to provide subscribers with download speeds of up to 1,000Mbps. -- **Mediacom** also announced 1 Gig Internet service within its Georgia service territory, extending fast Internet to 275K households in more than 50 southwest communities in the state.

Guiding Light: Turner has entered a multiyear deal making **TiVo** its metadata distribution partner for Europe, the Middle East and Africa. Turner will use TiVo's services in management of its electronic program guide. More than 200 customers of Turner's schedules and programming info will receive the data services.

People: Charter named *Kevin Leddy* as the new svp of technology planning and application. Most recently, Leddy served as evp of corporate strategy for **Time Warner Cable**. -- *David Tardio* has been appointed as **Discovery Latin America/U.S. Hispanic's** new vp of ad sales. Tardio joined **Discovery** in 2006 as a director of ad sales. -- **FOX** named *Derek Murphy* and *Greg Stangel* as senior vps of global solutions for advertising sales.

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10am-11am – Industry Panel

11am-Noon – Policymaker Remarks

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