www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

Cablefax Daily™

Thursday — May 18, 2017 | What the Industry Reads First | Volume 28 / No. 095

Virtual MVPDs: Charter, AT&T Don't Call them Replacement Services

Charter and **AT&T** may not agree on everything, but one view they seem to share is that virtual MVPDs aren't traditional pay TV killers. During **MoffettNathanson's** media conference Wednesday, Charter CEO *Tom Rutledge* downplayed the notion that virtual MVPDs have much to do with video sub losses. "I do think there will be some chipping around the margins," he said, but he sees the customer declines primarily as a cost-driven issue. Other issues also include his often-mentioned pet peeve of subscription sharing. As for the offerings themselves, he described them as rich, fat OTT services sold essentially at no margins since programmers are reluctant to allow skinny bundles. **AT&T** CFO *John Stephens* also stressed that OTT isn't the new **DirecTV**. "We're not looking at DTV Now as a replacement for DTV. We're looking at DTV Now as a way to get customers a service that they wouldn't otherwise have," such as the convenience of watching TV on a laptop while traveling or a package that doesn't include costly sports, he said, confessing that his own daughter prefers it for just that reason. "It's touching those that we wouldn't otherwise touch." Stephens suggested bundling it with a product like **Cricket** pre-paid wireless can help the company further touch an underserved market and build a relationship so that when they become "a more traditional homeowner, more traditional buyer of our services, we already have the relationship and commonality with our products and services." It was interesting to hear Rutledge reference "a change of heart' in a lot of programmers in terms of "their desire to rekindle an affiliation as opposed to just a transactional relationship." Charter recently made headlines by striking a deal for exclusive content from **AMC Networks**. "[Programmers] are looking to find new ways to create new customer experiences that are good for customers, and they are looking at us and seeing what we have and seeking ways to work for us that are somewhat new," Rutledge said. Unfortunately for distributors, he only sees this new relationship as "marginally" beneficial for video programming costs. Of course, one of AT&T's solutions has been to attempt to buy content with its pending **Time Warner** deal. Stephens said it will mesh well with what's already in place, citing studies that show it's more attractive to put **HBO** on a phone than to give away a free phone.

Title II Thursday: The wait is almost over, with the **FCC** expected to vote to move forward on an NPRM that will begin the process of undoing Title II classification for broadband. With a 2-1 vote pretty much certain, the only real question appears to be how loud and disruptive net neutrality advocates will be at the open meeting. Cable's trying to get out ahead of the inevitable backlash, with **NCTA** running a full-page ad in the *Washington Post* Wednesday restating cable's commitment to an open Internet. "An open Internet means that we do not block, throttle or otherwise impair your online activity. We firmly stand by that commitment because it is good for our customers and good for our business," said the ad, which is signed by 21 cable ISPs (members of NCTA and **ACA**). It was a who's who of large and small ops, including **Comcast, Cox, Charter, Shentel, Mediacom, Armstrong, Cable One, Altice USA** and **RCN Grande**. Meanwhile, net neutrality supporters say they've collected more than a million comments in support of the 2015 Open Internet rules, with a rally planned to take place outside the FCC Thursday (Sen. *Ed Markey* is expected to attend).

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 ●
Editor: Katie Nale, 301.354.1828, knale@accessintel.com ● Community Editor: Alex Silverman, 212.621.4951, asilverman@accessintel.com ●
Dir. of Bus Dev.: Rich Hauptner, 203.899.8460, rhauptner@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ●
VP Marketing: Amy Jefferies, 301.354.1699, ajefferies@accessintel.com ● Marketing Manager: Alex Virden, 301.354.1619, avirden@accessintel.com ●
Production Manager: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com ●
Group Subs or Subscription 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

Less Is More: **Turner** during its upfront presentation Wednesday doubled down on its effort to reduce commercial interruptions on two of its cable nets. Turner pres of ad sales *Donna Speciale* and chief creative officer *Kevin Reilly* both claimed viewers have responded positively to brands with inventory during limited-ad timeslots, citing increased brand awareness, deeper engagement and 4x greater sales compared to regular breaks. Limited-ad slots will now make up 15% of total inventory on **truTV**, which served as the guinea pig for the shorter breaks, and **TNT** will adopt the format for its original dramas beginning later this year. Speciale also pointed to Turner's recent alliance with **Fox** and **Viacom** to create OpenAP, a platform allowing buyers to target specific audiences across the publishers, as a game changer. "We're doing our part," she said. "Now it's time for you to do yours." Turner during 1Q 2016 saw ad revenue drop 2% YOY. On the programming front, **TBS** and **TNT** originals served as highlights, with upcoming *Tracy Morgan* comedy, now titled "The Last O.G.," drawing the biggest reaction. Notably, TNT hyped "The Alienist," a drama slated to premiere in January 2018, as its big bet to be a bingeable hit. See *Cablefax.com* for more from Turner's upfront.

Programming: **Netflix** has greenlit a fifth season of popular comedy "Arrested Development." The first three seasons of the show aired on **Fox** from 2004-2006, and Netflix picked it up in 2013 for a fourth season. -- **NHL Network** has secured exclusive US rights for the **IIHF** World Championships from 2018-2020. The net shares rights for the 2017 event, which is currently taking place in Germany and France, with **NBCSN**. The international event takes place each year during the Stanley Cup Playoffs, with select players whose NHL teams have been eliminated participating.

Fire Starter: **EPIX** beginning today will be available via an app on **Amazon Fire TV** to authenticated subs of the premium net. Next week, EPIX will make a limited free trial available to Fire TV users.

News Ratings: Amid more reports of scandal in the White House, **CNN** is touting a ratings victory over its cable news counterparts. According to **Nielsen** data, it outperformed both **Fox News** and **MSNBC** in the A25-54 demographic during Tuesday prime. From 8-11pm ET, CNN averaged 719K viewers in that demo, more than MSNBC (650k) and Fox News (539k). CNN's average of 2.1mln total viewers in primetime, however, trailed both MSNBC (2.5mln) and Fox News (2.4mln). CNN at 10pm aired a special one-hour "White House in Crisis" town hall event featuring Sen. *Bernie Sanders* (Ind.-VT) and Gov. *John Kasich* (R-OH). Looking at the bigger picture, Fox News last week topped all basic cable nets in both primetime and total-day viewership, marking its 19th straight week atop total-day ratings.

Dems Infrastructure Package: House Dems introduced an infrastructure package Wednesday that includes $40bln for the deployment of broadband. Dubbed The LIFT America Act, it would have ¾ of the funding go to unserved areas in a national reverse auction. The remaining funds would be given to states to distribute through separate reverse auctions. If there are no unserved areas in a state, the state may use the funding to deploy broadband in underserved areas, to deploy broadband or connective technology, to schools and libraries, or to fund the deployment of Next Generation 9-1-1.

Discovery's Board: *M LaVoy Robison* of the **Anschutz Foundation** resigned from **Discovery Comm's** board effective Wednesday. The board replaced him with *Daniel Sanchez*, an attorney in tax planning and nephew of Discovery director and media titan *John Malone*. Sanchez was a director at **Starz** from January 2013 until December 2016, when the **Lionsgate** merger was completed.

Think about that for a minute...

Express Mail

Commentary by Steve Effros

As I noted last week, we're about to be treated to several months of yelling and screaming about net neutrality and "Title II." The first thing you should know about this is that most of the people making much of the noise do not really know either what "net neutrality" is, or why it should or shouldn't be enforced by "Title II" regulations.

And I do mean noise. The last time this psychodrama played out in 2014 when the FCC was first considering enforcing the concept of net neutrality, those in favor of the most extreme approach (Title II/common carrier/utility regulations) decided the best way to make their point of view heard was to bang pots and pans...literally… during demonstrations in front of the FCC headquarters. This time around the "reasoned debate" conducted by those same commenters is being aided by demonstrations in front of the FCC chairman's home.

The challenge here, especially since the most effective "voice" on the side of retaining common carrier based regulations is a comedian, is to try to figure out how to drill down to some understandable, relatable examples of what such regulations mean, and the claimed logic behind them. The best one I have found which people can easily understand is Express Mail. I really would love to somehow reach John Oliver and his writers (I generally enjoy the show a lot) and ask him to explain why he thinks it's a good idea to ban the Internet/broadband equivalent of Express Mail? Why do that? Who wins? Who loses?

Last week's column noted that while the popular, easy to understand diatribe against broadband providers, and the "logic" behind heavy (Title II) regulation is to prevent unfair "blocking" of user access to sites on the Internet, that's not really the issue. There have been vanishingly few examples of such blocking since the '90s when the world wide web started to take off, and most Internet Service Providers (ISPs) have long noted that it made no business sense to do such blocking. No, the issue is "paid priority." Those against it call it "fast lanes" and suggest that the result is relegating everyone else to "slow lanes" and that is unfair, especially if the ISP is also a provider of competitive product that takes advantage of the "fast lanes."

What's left out of that analysis is the antitrust laws already prevent such unfair use. Companies offering "priority" service offer it to everyone on an equal basis. So the argument then changes to say that's unfair because the "small guys" can't afford the priority service but the "big guys" can, so we are killing innovation. But that, too, is backwards. The "big guys" like Netflix and Amazon have already built their own special private "fast lanes" to the local broadband systems. They already enjoy a "priority." The "small guys" could compete if they were allowed to buy such a service from the broadband provider, but the FCC's rules prohibit "paid priority." So the FCC rules protect the "big guys."

Guess who promoted "Title II" regulation? Google leads the pack, along with Netflix. Think they're afraid the ISPs will discriminate against them? Not on a bet. But Title II regulation blocks anyone else from getting the benefits of "Express Mail" delivery which they already enjoy. Convenient.

Oh, by the way, this "fast lane, slow lane" thing? Look at the studies of Express Mail and the Post Office. Offering Express Mail resulted in all mail delivery improving! Keep asking John why!

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.)