

Cablefax Daily™

Thursday — July 20, 2017

What the Industry Reads First

Volume 28 / No. 137

Nomination Hearings: Senate Dems Take Aim at GOP FCC Noms Carr, Pai

Democratic senators didn't hold back during Wednesday morning's FCC nomination hearing before the Committee on Commerce, Science and Transportation, taking aim at Republican nominee *Brendan Carr* and FCC chmn *Ajit Pai*, who is seeking reappointment. The same treatment didn't extend to Democratic nominee *Jessica Rosenworcel*, who awaits confirmation for her second term as an FCC commissioner. For context, Pai appointed Carr to his current position of general counsel at the FCC after he became chair in January. Sen *Bill Nelson* (D-FL) called Carr's independence from Pai into question. "It's hard to recall a similar situation where someone was nominated to serve at the FCC alongside—rather than what has been typical, to follow—their current boss," Nelson said. "And of course, it raises a question of independence." Asked to name an instance in which he has substantively disagreed with Pai, Carr only pledged to be his own man going forward. Nelson followed up several times, asking again for a specific example of a time Pai and Carr had a difference of opinion, or even an issue on which they might disagree in the future. It quickly became clear Carr didn't intend to elaborate. "That is not confidence-building for those of us who are wondering about your future independence from the boss that you have so ably served in the last number of years," Nelson told Carr. Republican members were much friendlier to the pair, focusing most of their questions on rural broadband, 5G and regulations around small-cell deployment. Funding for the FCC's E-Rate Program, which provides affordable Internet access to schools and libraries, was a popular topic among Dems, several of whom asked the nominees to pledge not to reduce its funding. While all three nominees praised the program, only Rosenworcel would commit to maintaining the current funding level. Pai and Carr's abstention from a similar pledge drew the ire of Sen *Ed Markey* (D-MA). "I haven't heard clear commitments, and I find that very troubling to be honest with you, because this is the democratizing force within our society," he said. Markey was also one of several Dems to hammer Pai for his plan to roll back the 2015 Open Internet Order, questioning his assertion that net neutrality regulations might be hindering broadband investment. "There's no evidence of it," Markey said. Nelson in his opening statement said a number of committee members were concerned that Pai was neglecting to put the interests of consumers over those of special interests. Sens *Brian Schatz* (D-HI), *Tom Udall* (D-NM) and *Richard Blumenthal* (D-CT) raised concerns about the possibility that the Trump admin-



Who deserves to appear in Cablefax's annual Most Powerful Women in Cable list?

Help Cablefax compile this influential list of incredible female executives who make a difference every day in the cable industry.

The Most Powerful Women in Cable will be honored in the November issue of Cablefax: The Magazine.

www.cablefax.com/awards

It's free to nominate—but you must submit your entries by July 28!

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 ● 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

istration could seek to interfere in media regulation, particularly the pending merger between **AT&T** and **Time Warner**, which owns Trump target **CNN**. Pai claimed he has had no direct contact with the White House about any regulatory proceedings, and all three nominees affirmed their commitment to a free press. Blumenthal and Sen *Catherine Cortez Masto* (D-NV) also pressured Pai about a lack of transparency from ISPs about advertised Internet speeds. Cortez Masto said a recent filing by the **NCTA** and **USTelecom** seeking clarity about providers' obligations is "the industry's effort to shield itself from state law enforcement." Not surprisingly, former commish Rosenworcel didn't receive the same grilling from Democrats, with several mentioning how "unfair" it was that the Republican-led Senate declined to reconfirm her last year. Her biggest challenge of the morning came from Sen *Deb Fischer* (R-NE), who questioned her stance on zero-rating services. While Fischer praised popular free-data plans, Rosenworcel expressed concerns about the practice. "At its extremes, some types of zero net rating can undermine network neutrality and that leads me to be concerned," she said. One of Pai's first acts as FCC chair was to close investigations into zero-rating plans. Pai, Rosenworcel and Carr all still need to pass a vote by the committee before being considered by the entire Senate.

Discovery-Scripps Merger Talk: **Discovery Communications** and **Scripps Networks** both saw significant gains on the stock market Wednesday in the wake of a *WSJ* report that the two companies are in talks about a possible merger. Discovery ended Wednesday up 4.34%, while Scripps jumped a whopping 14.73%. The two programming groups—the sixth and seventh largest in the US, respectively—have previously discussed a merger to no avail. **Bernstein Research's Todd Juenger** writes, however, that Scripps could be "more willing to engage than in the past, partly because the family shares are now split across multiple generations of many family members, and partly because the family is likely also aware of the structural problems facing TV networks businesses." **Evercore ISI's Vijay Jayant** writes the rationale behind the possible merger is likely "centered on the growing desire among industry participants to get bigger as the distribution paradigm continues to rapidly evolve." **MoffettNathanson** notes, "Given the mix shift to skinny vMVPD sports and news bundles, declining viewership trends and soft cable network ad demand, there is a clear need for the non-broadcast-affiliated content owners like SNI, DISCA, VIAB and AMCX to gain distributor negotiating leverage and cost savings through mergers." Juenger also cites cost synergies, as there are "direct overlaps in all the usual places (central overhead, ad sales, distribution sales, maybe even content procurement)." Still, none of the analysts are picking up what Discovery is reportedly putting down. **MoffettNathanson** maintained a sell rating on both Discovery and Scripps, citing "the secular concerns facing the 'have-nots' of the cable network industry." Juenger adds, "If you combine Discovery and Scripps, you now have, literally, 20 networks, many of which MVPDs don't want. That's already a problem for Discovery, but we think adding Scripps makes it worse." Meanwhile, *Reuters* is reporting that **Viacom** has also approached Scripps about a possible acquisition.

Longer Lines: Schurz Communications acquired **Vast Broadband's** network facilities and customers in northwest Iowa and southeast South Dakota. Schurz, which owns three separate cable operators across the country, plans to integrate Vast into Iowa-based **Long Lines Broadband**. The deal includes 200 miles of fiber network infrastructure connecting South Dakota, Iowa and Minnesota.

Mediacom Taps Arris: **Mediacom** will utilize **Arris'** Carrier-Class Service Provider Wi-Fi Solution to deliver WiFi beyond the home in multiple cities. The hosted solution will allow Mediacom to offer public WiFi quickly and at scale without requiring large, upfront capital expenditures. It also offers subscribers single sign-on WiFi roaming within the provider's footprint, and potentially beyond.

Charter, CSG Strike Deal: After several one-month renewals of their relationship, **Charter** and **CSG International** have finally reached a four-year extension through the end of 2021. The deal streamlines existing billing and customer care contracts with recent Charter acquisitions **Time Warner** and **Bright House** into a single deal. Charter is CSG's second largest client, accounting for 21% of the company's revenue. CSG will continue to provide customer care and billing solutions, and Charter will deploy CSG Workforce Express to manage field service and other aspects of customer care.

People: Ex-**Twitter** exec **Fred Graver** is joining **Discovery Communications** as svp, digital content and social for Discovery Digital. Based in New York, Graver will be responsible for Discovery's U.S. digital network teams as they expand the brand's reach across various media platforms.

Think about that for a minute...

Switching Sides

Commentary by Steve Effros

It's always fascinating here in Washington to watch the various factions on any particular issue switch back and forth, and essentially at times, reverse positions and arguments when the situation suits them. Of course this usually happens when there's a change in administration, which we have just had, but not always.

In the current political climate—since we seem to have a President who cannot really be considered to be “aligned” with the long-standing positions of either political party (think of the Republicans' long-held antipathy toward Russia or the total reversal on international trade agreements)—looking at what Congress and the various lobbying groups are doing and saying becomes even more either enlightening or confusing. I'll stick with amusing.

The preference of recent Democratic administrations to write federal rules that supercede state regulations has long been in evidence. The call by Republicans for “state's rights” has equally been a mainstay... except, of course on things like marijuana laws, where the federal prescriptions, according to most “states rights” folks should overrule the states! As you can see, this can get very confusing.

The “reversal” that I mentioned earlier is becoming evident in the new political focus on state and local political races, as the Democrats hope to gain back some leverage they lost over the past decade. So now the Democrats have become interested in state politics and the Republicans have focused on maintaining power in Washington. But what does all that mean for us? Well, to begin with, it's predictable that we will see more battles at the local level over franchise requirements. Localities want to take back some of the power that had resided in the FCC, and a recent court decision suggests that they may, indeed, be able to do that.



The battle over municipal ownership is far from over as well. In that situation the federal rules were used in reverse, to try to override the states and give authority to municipalities to do what the feds wanted... that is, the construction of competitive, preferably magic fiber-to-the-home systems favored by the tech industry “edge” providers. The courts nixed that effort, but the fight still goes on in each state legislature as to whether the municipalities should be allowed to get into the highly risky business of building competitive telecommunications infrastructures. The economic history of those builds, as revealed in a recent study, is not good. Many municipal “overbuilds” have run into serious financial trouble.

What is becoming clear, however, is that the fighting in Washington is going to result in somewhat of a “freeze” on federal regulatory developments. No matter who “wins” the “net neutrality” fight, for instance, it's clear there won't be major regulatory intervention for the next several years as the FCC “forbears” and the inevitable legal battles over what Title of the Communications Act should apply play out in court. Both the Democrats and Republicans in Congress say they intend to wait all that out, that now is not the time to try legislating to clear it up. Too bad.

So even though the relative positions may change, the result will be the same. We're going to essentially have regulatory gridlock. It may not be quiet, it may result in viral rulemaking comment wars, but it'll still be gridlock! Can the industry operate in that sort of environment? Sure. We've been doing it for years. Uncertainty may be difficult for business, and gridlock does not lead to certainty, but it's the best we are going to get for some time to come.

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.)

SCTE • ISBE

**ENHANCE YOUR
CAREER & EXPERTISE**
UPGRADE TO EXECUTIVE MEMBERSHIP

Learn more at scte.org/membership

Benefits of Executive Membership include:

- :: LiveLearning Webinars™ for Executives – these quarterly webinars contain advanced content designed specifically for executives and feature leading business and industry experts
- :: Recognition through an executive listing in your member profile and the SCTE • ISBE member directory
- :: Invitations to national and local VIP networking events
- :: Cable-Tec Expo® – advanced access to executive benefits and invitations to VIP events
- :: Thought-leadership opportunities to author new content

Take your career to the next level. Become an SCTE • ISBE Executive Member today.

© 2017 Society of Cable Telecommunications Engineers, Inc. All rights reserved. | scte.org • isbe.org