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## New Concerns: Retrans Discussion Takes on Different Tone at Indy Show

Retransmission consent always is a hot button issue at **NCTC** and **ACA's** Independent Show, but the concern involves more than price these days, with the broadcast incentive auction and the proposed ATSC 3.0 standard raising new implications. While 3.0 could mean better picture quality and localized emergency alert content, it's not backwards compatible with cable operators' set-tops, headends and other equipment. ACA has been especially concerned that broadcasters may try to get out of simulcasting 1.0 and 3.0 signals, or that they may use retrans contracts to try and force carriage of 3.0, which attorney *Michael Nilsson* said would in all likelihood take up a lot more capacity. "It may work out that you get through this retrans cycle before it becomes a bigger issue, but you should check your contracts," advised **Cinnamon Mueller** partner *Scott Friedman* during a standing-room only panel on the final day of the conference. The **FCC's** comment and reply periods have closed on ATSC 3.0, with chmn *Ajit Pai* indicating he'd like to act on the standard before year-end. "We're in a very active phase right now," FCC Media Bureau policy division chief *Martha Heller* said of the proceeding. As for the broadcast incentive auction, the FCC has moved into the repacking phase with 987 displaced stations needing to move channels. "The things operators should be doing now are figuring out which stations in your markets should be repacked. Try to eliminate questions so to better estimate costs," Friedman said, referring to the reimbursement funding that's been set aside to help broadcasters and MVPDs with costs related to repacking. "Reimbursable MVPD expenses include the reasonable costs to set up delivery of a signal that you're required to carry under must-carry or retransmission consent. The FCC has further said that when it comes to delivery costs—getting that signal from the broadcaster to you—they expect your retransmission consent contracts to govern whether you or broadcasters are responsible for that cost." Another area that the panel said could be significant this retrans election cycle is advanced rights, including OTT, in-home streaming and the flexibility to delivery signals over platforms like **Roku** and **MobiTV**. On Tuesday, the independent operator crowd heard what was essentially a pitch session from OTT players, including **PlayStation Vue**, which NCTC signed a deal with, and **Sling TV**. With video margins shrinking, smaller operators are increasingly looking at virtual MVPDs to provide video and boost their much more profitable broadband product. "Don't think of the service as trading one video for this one. It's more of a very different, unique

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product that I really believe is still in the early days of what's going to be possible with OTT and the ways consumers are going to use it," said vp and head of PlayStation Vue *Dwayne Benefield*. There's also opportunity to integrate digital apps into MVPDs' platforms. **Grokker**, an OTT yoga and health content provider that has struck deals with Comcast and other distributors, reports that churn has been extremely low. "We're not giving you lean-back content," said CEO & founder *Lorna Borenstein*. "You are engaged with us daily, often multiple times a day. I'm not waiting for you to turn your set-top box on. I'm inviting you back with notifications and email that says, 'Hey, you've got a meditation session ready.'"

***Viacom Pitches Scripps:*** **Viacom** told **Scripps Networks** that it is willing to pay all cash to acquire the lifestyle networks group, according to sources cited by *Reuters*. The report notes that Viacom had more than $12bln in debt as of its 1Q earnings report, meaning an all-cash acquisition of Scripps could cause the company to lose its investment-grade status. **MoffettNathanson** agrees, writing, "Even at a 50% cash bid, we calculate VIAB leverage would increase to 3.5x 2018E and 3.1x 2019E (again before the additional 0.5x S&P adjustments), which would still leave Viacom at significant risk of getting downgraded." **Discovery** has also reportedly expressed interest in acquiring Scripps' assets, and Moffett points out that, like Viacom, Discovery's **S&P** rating is also BBB-. Unlike Viacom, however, Discovery "would be safely below its downside threshold" if it were to make a 50% cash bid. Moffett adds Scripps could be in a position to demand a premium price given the competition between Viacom and Discovery. **Wells Fargo Securities** raises the possibility that the Scripps family could "hold out for 10x EBITDA, which would net us a $95 takeout price" per share (or $12.4bln for the 131mln outstanding shares). That is a 17% premium over Tuesday's closing price and a 42% premium over the stock price prior to last week's merger reports. Moffett is not enthusiastic about the move for either potential suitor. "Without any material improvement to current ratings and subscriber trends, the timing and cost for either Discovery or Viacom to double down in the US will likely look foolish in hindsight," the firm writes. Wells Fargo, however, writes of Scripps, "We see a company with a very distinctive set of assets in a very favorable position within this ever-changing ecosystem. Perhaps VIAB thinks that adding these nets to its own 6 flagships would create more value. While we don't think VIAB is a good fit for SNI, SNI might be a good fit for VIAB. So, we understand why [Viacom CEO *Bob Bakish*] would at least contemplate this combination."

***Speaking of Scripps:*** **Scripps Networks**' Lifestyle Studios division is expanding its efforts internationally with a focus on digital marketing, global content production and talent development. The company's expansion of digital production capabilities for **Food Network**, **HGTV** and **Travel Channel** extends to its operations in London, Warsaw, Singapore, São Paulo and Miami. The brand plans to shoot new eps for its social franchise "Comfort Nation" featuring talent from various regions of the world. In addition, Food will expand its #FoodNetworkFinds social series to the UK with the launch of "Enchanted Eats." Scripps distributes seven lifestyle channels internationally which, combined with its **TVN** channels in Poland, reach 300 million households in 175 countries.

***Four-Figure Milestone:*** **Mediacom** has extended its reach in Missouri and Kansas, bringing 1 gig Internet speeds to 82 new communities. With the rollouts, Mediacom is now servicing over 1,000 US communities with 1 gig Internet. The company plans to continue launching 1 gig service within its footprint on a market-by-market basis and will introduce a new 500 Mbps tier of service in conjunction with each 1 gig launch.

***Head in the Cloud:*** KS-based **Eagle Communications** and PA-based **Service Electric Cable TV** are both upgrading to **Alianza's** Cloud Voice Platform for VoIP. Both companies are migrating from legacy hosted softswitch solutions.

***Look Who's Blocking Who:*** Sens *Ron Johnson* (R-WI) and *Roy Blunt* (R-MO) sent a letter to **Twitter** CEO *Jack Dorsey* on Tuesday expressing concern about reports that the social platform prevented tweets and retweets of **AT&T's** public policy blog post ahead of the "Day of Action" protest for net neutrality. The lawmakers wrote, "It is not difficult to imagine the outrage that would have occurred had an internet service provider (ISP) experienced a 'glitch' that blocked Twitter or any of the other content providers that participated in the 'Day of Action.'" They also urged tech companies to work with Congress to codify open Internet principles.

***ZoneTV-Ooyala Partnership:*** **ZoneTV** will use media logistics tools from **Ooyala** when it launches its collection of customizable linear TV channels this fall. ZoneTV Dynamic Channels will initially appear like traditional channels, but offer both linear and VOD content choices. The company's distribution partners include **Comcast**, **AT&T** and **CenturyLink**.


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***Sling Shots:*** **Sling TV** will offer a live stream of **UFC** 214 as its first-ever PPV event Saturday. The event, which features *Daniel Cormier* against *Jon Jones*, costs $59.99. The DISH-owned virtual MVPD also announced it is adding **Epix Drive-In** for all subs at no additional charge and making **Epix**, **Epix 2** and **Epix Hits** available as a premium add-on for $5/month. In addition, Sling added **Reelz** to its Hollywood Extra package and **WeatherNation** to its News Extra package, each of which also cost $5/month. Users will get WeatherNation free for 60 days.

***PS Vue Adds Sports Tier:*** **PlayStation Vue** on Tuesday introduced a Sports Pack that gives users access to **NFL RedZone** and 13 more sports channels for an additional $10/month. The lineup includes **MLB Strike Zone**, **ESPN Bases Loaded**, **ESPN Classic**, **ESPN Goal Line**, **Longhorn Network**, **Outside TV**, **NESN National** and national feeds for seven **NBCU**-owned RSNs. Only in-market games will be available on the RSNs, and users without the Sports Pack will continue to get their local RSN.

***Crossing the Pacific:*** **KCP Global**, a joint venture of Korea's three largest broadcasters, on Monday launched OTT service **Kocowa** in the US. The platform, which will compete with **Warner Bros.**-owned **DramaFever**, gives fans access to the country's most popular dramas, variety and K-Pop shows from **KBS**, **MBC** and **SBS**. A team will translate programs into English as they air to shorten the wait before they arrive on the platform. Kocowa is available on PC, mobile and tablet, and will be coming to Smart TVs later this year. It is available as both an ad-supported and SVOD offering.

***Who Congress Follows:*** More than three-quarters of the members of Congress (76.5%) follow **C-Span's** Twitter account, which ranks first among cable nets and third among all media outlets, according to data from research firm **Rational 360**. **The Hill** leads all outlets with 82.3%. Meanwhile, more members of Congress follow **Fox News'** *Chad Pergram* (71.7%) than any other reporter.

***TCA Notes:*** **Nat Geo** greenlit *Tom Wolfe's* "The Right Stuff," with *Leonardo DiCaprio* as co-exec producer. The scripted series will profile the first 15 years of America's space program. The net also announced three new documentaries, including a *James Cameron*-helmed special titled, "Titanic: The Final Word," about the director's 1997 film. -- **Epix** renewed its "America Divided" documentary series. The four-ep second season will premiere next year. -- **Comedy Central** will launch its new late-night show, "The Opposition with Jordan Klepper," on Sept 25 at 11:30pm ET/PT. Klepper previously served as a correspondent on "The Daily Show." The net also announced extensions for "The Jim Jeffries Show" and "The President Show." -- **Science Channel** will debut "Mysteries of the Missing," hosted by actor *Terry O'Quinn*, on Aug 26 at 10pm ET/PT. The show will pursue plausible explanations for notorious disappearances. -- **Investigation Discovery** will premiere a two-hour special titled, "Son of Sam: The Hunt for a Killer," on Aug 5 at 9pm ET. The net also renewed "Deadline: Crime with Tamron Hall" for a fifth season, which begins Sept 3. -- Head to ***Cablefax.com*** for detailed dispatches from the **TCA** Tour.

***Awards and Honors:*** *Tony Kornheiser* and *Michael Wilbon*, co-hosts of **ESPN's** "Pardon the Interruption," will become the first joint recipients of the **National Press Club's** Fourth Estate Award. The award honors journalists who have made significant contributions to the field. Previous winners include *Wolf Blitzer*, *Charlie Rose* and *Walter Cronkite*. -- NAMIC on Tuesday announced the winners of its 2017 Next Generation Leaders Awards, which recognize the best and brightest emerging execs of color in the media and entertainment industry. **Comcast's** *Ebonne Ruffins*, **FUSION TV's** *Daniel Eilemberg*, **AMC Networks'** *Linda Pan* and **NBCUniversal's** *Romina Rosado* are this year's honorees. The organization will recognize them, along with ten additional execs as luminaries, during its Sept 27 awards luncheon in New York. -- The **Telly Awards** are undergoing a rebrand under new managing director *Sabrina Dridje*. Dridje previously served as director of the **Made in NY Media Center**. The group unveiled a new logo, website and editorial platform for leaders in the video industry. The Tellys received 12,000 video entries last year, and the next call for entries will open in October.

***People:*** **Outdoor Sportsman Group** named *Jim Liberatore* pres/CEO. He previously served as CEO of the company's networks group, which consists of **Outdoor Channel**, **Sportsman Channel** and **World Fishing Network**. Liberatore adds the responsibility of overseeing OSG's integrated media business, which includes 15 magazine brands, 19 websites and SVOD service **MyOutdoorTV**. -- Former **BET** CMO *Vicky Free* has a new gig at **Disney** as svp, Disney Home Entertainment & ABC Television Distribution. -- Gen Z-focused studio **Awesomeness** brought in *Bonnie Pan* to head its AwesomenessTV digital network. She will manage strategy and programming for all of its video and editorial content. -- Producer *Lynn Sadofsky* has joined **Scripps Networks** as vp, programming and development, for **Food Network**, **Cooking Channel** and **Travel Channel**. Sadofsky will collaborate with programmers to lead new series development and cultivate new talent for the networks. -- **TruTV** promoted *Maureen Taran* to the vp, talent. She will oversee all talent-related activity, including brand-related appearances, and maintain relationships within entertainment and comedy.

# Think about that for a minute...

## A Slim Reed

*Commentary by Steve Effros*

*Reed Hastings*, the founder and indefatigable promoter of **Netflix** is so good at what he does that there are now internet sites devoted to his memorable quotes. You really should take a look, since some of them are very good. The one that resonates the most with me is "Don't be afraid to change the model."

As we all know well, Hastings took his own advice and "changed the model" of what he was doing—or at least how he did it—and has created a whole new aspect of competition in the creation and delivery of video entertainment. Well, that actually may be a bit of an overstatement. Something that is not unusual when it comes to Hastings and Netflix.

To be sure, the company has become a major, dominant player, and a worldwide presence. But Hastings himself said it best when he first described what he was trying to do: "The goal is to become **HBO** faster than HBO can become us."

That's not really how it started out. Netflix was competing with **Blockbuster** in the delivery of video via DVDs. Blockbuster did it in large storefronts in malls around the country and Hastings decided that the "model" could change and started delivering by mail. He had two advantages; first, the company designed what even today has got to be considered one of the best navigation and discovery tools for finding video, and particularly movies, that you might be interested in seeing. Second, he made a quiet (and I still wonder about the legalities) deal with the postal service for, you guessed it, "special handling." Those little red envelopes got special treatment even though they were not "priority mail" and apparently Netflix did not pay extra for the service. But anyway, it worked. People got hooked on watching movies delivered so conveniently.

Hastings then changed the model again. Electronic delivery. OTT. And again he sought and got special treatment. This time from the ISPs who he waged war against both in the press and in Washington, insisting that they not "slow down" the delivery of his product to the home. That was the nascent beginning of the "net neutrality" fight. But no one was really trying to slow down Netflix. In the early technical days it was a problem of Netflix clogging the pipes. That has long been resolved, both by Netflix improving its technology to reduce bandwidth demand and creating its own CDN to improve delivery to the ISP. Unfortunately, the net neutrality fight has not caught up with that reality, and Hastings is perfectly willing to continue that fight because he has no interest (as in the Post Office situation) in having to pay for the added use he makes of the of system.

In any event, once Netflix started to really generate lots of money, Hastings made the next move, following the HBO model; exclusive, original product. It was, again, very successful, although since the company never releases viewer data we don't really know how successful other than that there is enough attraction in shows like "House of Cards" to have folks consider Netflix, like HBO ("Game of Thrones"), almost as "essential" as the big national networks.

But "binge watching" and reliance on the "next hit" is a pretty slim reed to rely on. That's the situation both Netflix and HBO are in right now with both blockbuster series nearing the end of their runs. Will Hastings make another "model change?" You can bet we're all going to be watching!

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.)*