

# Cablefax Daily™

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What the Industry Reads First

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## Crisis Averted: Altice, Disney Avoid Blackouts with Last-Minute Carriage Deal

There was a sense in the industry that the carriage negotiations between **Disney** and **Altice USA** were too important for both sides going forward for either to give an inch. Facing potential blackouts for NY-area **Optimum** customers late Sunday afternoon, however, the two sides reached a deal in principle that they could both tolerate. As of press time Monday, neither side would confirm that the deal has been finalized or discuss terms. But sources cited by *SportsBusiness Journal* shed some light on victories and concessions for the folks on each side of the table. Disney reportedly negotiated a price increase for its channels, including **ESPN**. The size of that increase isn't clear, but a *Bloomberg report* cites sources as saying it wasn't as significant as Disney had hoped. Disney, however, did reportedly score carriage of the **SEC Network** and soon-to-launch **ACC Network** despite the fact that neither conference has significant geographic ties to Optimum's footprint. Other aspects of the deal, including whether Disney was able to obtain a higher penetration threshold for ESPN, remained unavailable Monday. That's a critical detail for Disney as it seeks to limit distributors' ability to leave ESPN—the highest-priced cable net—out of bundles. The Altice deal is the first one Disney has had to negotiate since late 2014, when ESPN was still a growth engine. In the years since, the sports net has fallen victim to subscriber losses due to cord-cutting, declining ratings for key properties like "Monday Night Football," increased programming costs and, more recently, the threat of non-sports skinny bundles. Given the new market dynamics, the Altice deal is likely to serve as something of a template for Disney's upcoming round of renewals. The programmer has to negotiate new deals for about 50% of its distribution by the end of 2019; research firm **MoffettNathanson** reported deals with **Verizon**, **Time Warner Cable** (now owned by **Charter**) and **AT&T/DirecTV** are set to expire in that timeframe. In addition, blackouts would have sparked another wave of negative PR for ESPN, which has recently found itself on the receiving end of flack for a perceived liberal bias and inconsistent standards for employee discipline. For Altice—and perhaps all distributors going forward—blackouts would have been particularly precarious given that consumers have more pay-TV alternatives than ever. In addition to a regional competitor in **Verizon FIOS** poised to poach customers, ESPN-deprived subscribers could've jumped ship in favor of virtual MVPDs like **Sling TV**, **Hulu**, **YouTube TV**, **DirecTV Now** and **PlayStation Vue**. Expect that reality to weigh heavily on distributors in programming spats going forward. In addition, Altice's public stand



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against Disney's demands marked its first high-profile fight since entering the US market, making it a tone-setter for future business. It's too soon to declare winners and losers given that there's a lot we don't know yet, but it's clear that Disney and ESPN still have significant leverage. The case can be made that despite some viewership decreases, live sports have never been more important to cable providers amid cord-cutting. Fans who dread the possibility of missing a single touchdown, home run or goal are among the most loyal customers pay-TV providers like Altice have. The resolution was certainly a victory for diehards in the NY area—at least in the short term—as they'll be able to watch the Yankees' Tuesday night playoff game on ESPN. Whether the increased price of Disney programming results in even higher bills down the road, however, remains to be seen.

***Pai Reconfirmed:*** Debate on the Senate floor Monday over *Ajit Pai's* renomination as **FCC** chmn was muted by the mass shooting in Las Vegas. Sen *Shelley Moore Capito* (R-WV) began her remarks by expressing her sympathy, noting that one of the first victims identified was from her state and had reportedly died in her husband's arms. She then went on to praise *Pai's* leadership of the FCC, saying he has made significant investments to deliver broadband to rural areas. Sen *Elizabeth Warren* (D-MA) also began her remarks by focusing on the tragedy and calling for a conversation on gun violence right now. She transitioned to *Pai* by saying the shooting showed the importance of "connections"—with friends and family reaching out by wireless, wireline and broadband to track down loved ones. She then sounded the alarm, accusing big corporations of trying to "execute a corporate takeover of the FCC," starting with *Pai*. "We don't need a chair at the FCC who is working for the most powerful communications corporations in the country," she said. As expected, *Pai* was reconfirmed for a second term in a party-line vote, 52-41.

***Retrans Spat:*** **Lilly Broadcasting** has restored transmission of one of its stations serving Puerto Rico and the US Virgin Islands on **DISH Network**, according to [Satellite Business News](#), despite the fact that their retrans agreement expired Saturday evening. Lilly pulled 10 of its local broadcast stations from the satellite service after the deal lapsed Saturday night, nine of which remain blacked out. Those include **WSEEP-TV** (CBS: Puerto Rico and US Virgin Islands), **WENY-VI** (ABC: US Virgin Islands), **WENY-TV** (ABC: Elmira, NY), **WENYD-TV** (CBS, Elmira, NY), **WBEP-TV** (CW: Erie, PA), **WICU-TV** (NBC: Erie, PA), **WSEE-TV** (CBS: Erie, PA), **KITV-TV** (ABC: Honolulu) and **KITV2-TV** (MeTV: Honolulu). The FCC in a statement Monday said chmn *Ajit Pai* reached out to both Lilly and DISH to express concern about the impact of the dispute on residents of the storm-ravaged areas, and the Commission was glad to see service restored. DISH claimed Lilly is seeking "unreasonable rate increases" and has refused DISH's offer to "match the rates paid by other pay-TV providers." DISH sought to vilify Lilly on Saturday for depriving residents of a vital information source in the hurricane-impacted areas. According to recent media reports, however, most residents of those areas don't even have power, let alone a satellite signal. Lilly Broadcasting did not return a request for comment on the situation. DISH is also taking the opportunity to urge Congress to reform retrans consent regulations, claiming the laws are antiquated and favor "high fees and unnecessary blackouts." -- Meanwhile, **CBS** and **Gray Television** renewed their station affiliation agreements, which would have expired at various times over the next couple of years. The multiyear deal covers all 32 markets in which Gray owns and operates its 39 CBS affiliates that collectively reach 5.9mln households.

***CenturyLink-Level 3:*** The **DOJ** cleared **CenturyLink's** \$34bln pending acquisition of **Level 3** subject to conditions outlined in a consent decree. Under the decree, the combined company would have to divest certain Level 3 metro

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network assets in three metro areas: Albuquerque, NM; Boise, ID; and Tucson, AZ. The combined company will continue to serve all current Level 3 customers unless they choose to be served by the buyer of divested assets in each metro area. The consent decree also provides that the combined company will divest 24 strands of dark fiber connecting 30 specified city-pairs across the country.

**Now's the Time:** Colorado-based **Evolution Digital** launched a new app-based video streaming service called **eVUE-NOW** for cable operators across the US. The new offering is part of the company's **eVUE-TV** IP video platform, which 23 operators across the country are using to deliver IP video content to set-top boxes. The new component enables the delivery of a skinny package of local broadcast and cable channels to customers' connected devices, as well as free IP VOD content provided by the operator. It also allows viewers to record, pause, rewind and fast-forward.

**Multicast Deal Closes:** **E.W. Scripps** closed its acquisition of four **Nielsen**-rated digital multicast nets from **Katz Broadcasting** for a total of \$302mln. The deal was first announced in August. The four nets—**Bounce**, **Grit**, **Escape** and **Laff**—each reach more than 80% of all US households. Former **Turner** exec *Jonathan Katz*, who founded Katz Broadcasting, will continue to lead the nets from their Atlanta HQ.

**New Roku Devices:** On the heels of its successful IPO, **Roku** on Monday introduced a new line of devices, as well as an upgraded operating system. The new streaming players range from the \$29.99 Roku Express to the \$99.99 Roku Ultra, providing customers with a number of different price points and levels of functionality. The new Roku OS 8 includes a number of features aimed at seamlessly integrating broadcast TV via a digital antenna into the Roku experience. These include a programming guide with info broadcast TV channels, search that incorporates broadcast programming and private listening for antenna content. Additional features include voice control, TV Everywhere single sign-on and a channel that allows users to find 4K, HDR and **Dolby Vision** content.

**In the Zone:** **Zone TV** has launched the first personalized pay-TV channels powered by artificial intelligence. The 14 channels, known as Zone TV Dynamic Channels, offer multiple program choices at any one time to grant viewers choices in their programming while elevating hard-to-find digital content to the forefront. Twelve of these will be segmented by age group and genre, and customers will be able to create new channels based on a linear channel they enjoy. In other news, Zone TV and media publisher *TheWrap* have announced a new partnership known as **TheGrill**, bringing TheWrap onto linear TV screens in North America and Europe on Zone TV's Dynamic Channels. TheWrap's original programming on Zone TV includes "Studio Wrap," "Emmy Quickie" and "Oscar Quickies."

**Now or Never:** **HBO** has reached an agreement with **Consolidated Communications** to bring its standalone streaming service to the company's broadband customers. Customers will first receive access to a 30-day free trial before having to pay a monthly fee of \$14.99 to access the service. Consolidated customers will be able to access HBO Now via an app on their connected devices, as well as on their PCs at HBONow.com.

**Tech Guru:** **FCC** chmn *Ajit Pai* appointed *Eric Burger* to serve as the agency's CTO. He will work in concert with the FCC's Office of Engineering and Technology, though the position is housed within the Office of Strategic Planning and Policy Analysis. Burger replaces *Henning Schulzrinne*, who returned to his role at **Columbia University**. Prior to joining the FCC, Burger served as director of the Security and Software Engineering Research Center.

**October Baseball:** The **MLB** Postseason gets under way Tuesday evening when the Yankees host the Twins in the AL Wild Card game on **ESPN**. That's the only playoff game the net will carry. **TBS** will air all three rounds of the NL playoffs (including the Wild Card). **Fox** controls the rights to the bulk of the AL games, with the exception of two ALDS games, which will air exclusively on **MLB Network**. Fox's ALDS games will air on **FS1**, with the ALCS split between the cable net and the Fox broadcast station. The broadcast station will also carry the entirety of the World Series. MLB's current eight-year deals with **ESPN**, **Turner** and Fox run through 2021.

**People:** **A+E Networks** tapped *Francisco Guijon* as its next svp, Americas. From the company's Miami office, Guijon will oversee the profitability and expansion of media assets through Canada and Latin America. Guijon most recently served as programming, content & ad sales director at **Liberty Global**. -- **Fox Networks Group's** global solutions team added *Geoff Lester* as svp and *Aaron Lilly* as vp, global solutions for advertising sales. Before coming to the FNG team, Lester worked as **Stubhub's** head of partnerships & business development while Lilly operated as vp, client strategy in NBCU's Client Partnerships group. -- Nominum evp, sales and marketing *Pete Wisowaty* is joining Adaptive Spirit's board of directors. He brings more than 30 years of telecom experience to the board, which is comprised of MSOs, independent system operators, programmers and equipment and service suppliers.