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Video Competition: FCC Prepares to Dig Into OTT Services

Initial comments were due Tuesday for the **FCC's** 19th Video Competition Report, which is traditionally a vehicle to make arguments for retrans consent reform and to highlight the increasing competition traditional pay TV faces from new online entrants. Unlike previous reports that were presented as mere data, there's hope that the newest edition will draw some real conclusions. "In recent years, the Commission has shied away from acknowledging, in its reports, the implications of what its charts and numbers show—specifically, that it's time for regulations that are premised on a lack of competition to be repealed," **NCTA** said in comments filed late Tuesday. This year, the FCC "should not only confirm the prevalence of vigorous competition in the video marketplace—including the competitive effects of online video programming—but also directly address its implications." The group called an FCC effort to repeal outdated media rules a good start, adding that regulations based on a lack of competition have no place today. "New gatekeepers in the online marketplace should be monitored to ensure that the vigorous video competition that currently exists among MVPDs, between MVPDs and online video distributors, and among program networks and suppliers continues to flourish," the cable group said. Input from companies and trade associations was still trickling in at our deadline, but the docket is chock-full of thousands of form letter comments opposing a proposed **AT&T-Time Warner** combination. A group calling itself "**Americans Against Media Monopolies**," using the url stopattmerger.com, has flooded the FCC with notes that begin, "As President Trump said during the campaign, the AT&T-Time Warner merger threatens to put 'too much power in too few hands." The missive goes on to urge the Commission to "keep the president's promise to protect us from big corporate media" and stop the deal. However, it's the **Department of Justice**—not the FCC—that is weighing the $85bln merger, with the Senate confirming *Makan Delrahim* two weeks ago to lead the antitrust division. A report this week citing *Capitol Forum* said Delrahim has asked for more time to get up to speed on the deal. Using the video competition docket to comment on things in the media space that someone doesn't like is a bit of a tradition. For example, **NTCA – The Rural Broadband Association** used its comments to lament the FCC's inaction on program access or retrans rules. The annual FCC report to Congress provides a collection of data on video. The 19th edition of the report will look at data from 2016, with the FCC Media Bureau specifically seeking info on differences and similarities between MVPDs, online video distributors (OVDs) and broadcast-

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ers. It also sought input on the impact of skinny bundles and what action OVDs are taking with ISPs to facilitate viewing video online. It's those sort of questions that have raised eyebrows, and have some wondering if FCC chmn *Ajit Pai* is willing to delve into the internet's impact on competition in a way his predecessor did not. NCTA presented data showing that cable's share of the MVPD universe has fallen from 98% at the time of the '92 Cable Act to 53% in 2016. It also noted that the number of households without MVPD service increased from 11.4% to 17.1% between 2012 and 2016, coinciding with the growth of video content available for viewing without an MVPD subscription. The stats are based on NCTA analysis of **SNL Kagan** and **Census Bureau** data. RLEC association NTCA noted in its comments Tuesday that 70% of its members polled in the spring were providing video services, down 2% from the previous year. Its suggestions include having the FCC monitor the market for OTT video to ensure that exclusive arrangements don't prevent rural MVPDs and broadband providers from gaining access to certain web-based content. NTCA's concerns include the Universal Service Fund not adequately supporting RLECs in deploying broadband networks capable of delivering OVD services.

NCTA Review: **NCTA's** board has completed a strategic review of the association, with the upshot a sharpening of focus on advocacy. This review, which began a year ago, has resulted in the group renaming itself NCTA – The Internet & Television Association and dissolving its annual trade show after 65 years. There are a few internal changes taking place within the trade association, primarily a restructuring of some departments and the elimination of a small number of position that were primarily tied to annual trade show. Some NCTA staffers have moved to new departments as a result of the changes. It's unclear if NCTA will revive its **Near Future** event, a one-day conference held in DC last year that looked at what broadband and cable's advanced networks could soon bring, or look to launch another type of event. Last month, NCTA announced that long-time execs *Jadz Janucik*, svp of association affairs, and *Barbara York*, svp, industry affairs, are retiring this fall. Their departures, with Janucik at NCTA for nearly 41 years and York a 36-year NCTA vet, also opened the door for some internal restructuring.

Initiating Coverage: Research firm **MoffettNathanson** initiated coverage of **Altice USA** with a "neutral" rating and $28 price target. The stock opened at $27.22 on Tuesday. The firm's analysis centers on Altice's cost-cutting, which it believes can raise margins, but will also "impair growth." On the M&A front, the firm writes without **Charter**, which "appears to be a non-starter, there is no endgame that yields anything more than a subscale cost-cutter." "Altice rode into the US market with an aura of differentness," the firm wrote. "They spoke disparagingly of US models and suggested they have a better way. Our analysis suggests they are actually less different than they seem. Ultimately, this should be comforting to most cable investors." -- **Wells Fargo Securities** initiated coverage of **AMC Networks** with an "outperform" rating and $72 price target. The stock opened at $57.77 on Tuesday. Senior analysts *Marci Ryvicker* and *Eric Katz* wrote AMC "possesses every aspect that will help it navigate the uncertain media waters successfully," including must-have content, increasing distribution, "a growing share of a shrinking ad pie" and M&A optionality. They added AMC's provide distributors "a huge bang for their buck," as its five nets account for one-third of cable viewership and costs only $1.15 per subscriber monthly. Wells Fargo also characterized AMC as "broadcast on steroids," as there is "no other place (outside of sports) for advertisers to capture so many A18-49 eyeballs."

Guinea Pig: **WOW!** will become the first commercial entity to deploy **Nokia's** new virtualized Distributed Access Architecture. The operator will utilize Nokia's Unified Cable Access solution, including the Gainspeed Controller, Gainspeed SC-2D Access Node and Gainspeed Video Engine, to support network expansion and improve performance. WOW! expects to benefit from an increase in the capacity of existing HFC infrastructure and the elimination cable-specific hardware from headends and hubs. It will be able to do away with the CMTS/CCAP as a physical box and replace its analog optical transmission with 10Gbps Ethernet.

Heading Downtown: **ESPN** entered into a multiyear deal to occupy a 19K-square-foot space in Lower Manhattan's Seaport District, where the net will produce multiple studio shows beginning in spring 2018.

Hundred Grand: **Fubo TV** eclipsed the 100K subscriber mark last month, less than a year after transitioning from a soccer-only streaming service to a more comprehensive sports-focused virtual MVPD. Fubo has actively added to its channel lineup in recent months, achieving carriage of **NFL Network**, **Pac-12 Networks** and **MSG Networks**, as well as a number of **CBS** and **Scripps Networks**-owned channels.

Give Me Liberty: **Liberty Puerto Rico** offered a progress report Tuesday on its infrastructure work in the wake of recent hurricanes. The company said it has made progress in the reconstruction of its fiber ring in the Western zone, completing the ring between Aguadilla and Mayaguez and advancing in work between Mayaguez and San Germán. In the Southern zone, Liberty is working on fiber ring segments between Ponce and San Germán and Ponce and Santa Isabel. Technicians completed repair work on the ring between Levittown and Vega Baja and on to Caguas. The segment from Caguas to Humacao is also almost complete. The company already has completed work on the ring lines that connect Hato Rey with Luquillo, Caguas and Levittown. Liberty PR, which is 60% owned by **Liberty Global**, is also verifying equipment to speed up the restoration of service once areas have power. In addition to the progress report, Liberty opened new free WiFi hotspots and offered more details on providing credit to customers to compensate for lack of service due to the storms. -- Meanwhile, Liberty Global investment fund **Liberty Global Ventures** led a $6mln investment round in software creator **Penthera Partners**, headed by former **Insight** CEO *Michael Willner*. The firm's download-to-go solutions allow consumers to watch video content without access to a suitable internet connection.

California Wildfires: **Comcast** is opening its Xfinity WiFi hotspots in California's Napa and Sonoma Counties amid wildfires in the region. The ungated access is available through Friday. The operator has taken similar measures in the wake of other recent natural disasters, including Hurricanes Harvey and Irma.

Ratings Notes: **Pivotal Research Group's** *Brian Weiser* noted sports viewership has posted two weeks of YOY growth, marking a reversal of the year's downward trend. The **NFL** itself was up 1% last week after seeing a 17% gain the previous week. The first three weeks of the NFL season saw YOY declines of 14%, 12% and 16%, respectively. "It is impossible not to note that viewing growth followed a renewed focus on kneeling during the US national anthem, players' rights to protest and related issues," Weiser wrote. Year-to-date sports viewing is down 15%, or 6% when excluding the three weeks during which the Olympics took place last year. -- **ESPN** aired three of the four most-viewed programs on cable last week, topping all nets in primetime with an average of 3.7mln viewers (P2+). "Monday Night Football" between the Chiefs and Redskins topped all programming with 12mln viewers. In addition, the Yankees-Twins AL Wild Card, ESPN's lone **MLB** playoff game, was the most-viewed baseball game from the first week of the postseason with an average audience of 6.8mln. **TBS** (2.4mln) and **FS1** (1.6mln), both of which also aired playoff baseball, came in at Nos. 3 and 4 respectively in primetime. **Fox News** (2.5mln) retained the No. 2 spot in primetime, while **MSNBC** (1.5mln) rounded out the top five. -- Fox News led the way in total day viewership (1.6mln), followed by ESPN, (1.2mln), **Nickelodeon** (953K), MSNBC (897K) and **CNN** (893K). -- In the wake of the mass shooting in Las Vegas, Fox News and CNN saw week-over-week total day viewership increases of 19% and 25%, respectively. MSNBC, however, saw viewership decrease 2.5% from the previous week. -- **Hallmark Channel**'s third annual "Fall Harvest" continued with the Oct 7 premiere of "All of My Heart: Inn Love," which ranked as the highest-rated program of the week on cable outside of sports and news. Some 2.8mln total viewers tuned in, boosting the net to become the most-watched and highest-rated cable net in the Saturday, 9-11pm time period (excluding sports).