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Tuesday — December 12, 2017 | What the Industry Reads First | Volume 28 / No. 236

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Auction Aftermath: Comcast Fights Entravision on Must-Carry Expansion

Here's a situation at the **FCC** worth watching as we could see similar requests down the line. **Entravision** has asked the agency to modify the TV market of **WJAL** after receiving $25.5mln in the incentive auction to vacate the station's original channel allocation in Hagerstown, MD. The broadcaster entered into a channel sharing arrangement with **CBS** affil **WUSA**, which moves its community license more than 60 miles away to Silver Spring, MD, a DC suburb. As a result, it wants the FCC to revisit a 2003 decision that excludes 97 Comcast communities from WJAL's must-carry market. Using channel sharing arrangements to justify a market modification is an untested concept, but one that could occur as other stations get further down the line in post-auction planning. At least 20 stations' channel sharing agreement applications propose a change in community license, but that doesn't necessarily mean a change in market designation. Entravision's argument centers on it relocating its transmission facilities to WUSA's, which Comcast carries throughout the area. It suggests the FCC consider WJAL similar to a new station post-auction, arguing that the station has economic, cultural and social ties to the broader DC metro area. "These ties, together with geographic proximity and the station's robust signal coverage should outweigh any deficits the Commission finds in the station's local programming," Entravision said in its petition, which noted that it hopes to improve WJAL's programming in the future. Comcast is having none of it, declaring that WJAL duplicates programming already in the community and that the station was never carried in the communities in question—with some of them more than 100 miles away from Hagerstown. Comcast argues that granting the petition would "unjustifiably encourage broadcasters to manipulate the Commission's authorizations of [channel sharing arrangements] under the Incentive Auction by vacating their broadcast allocations (after having received millions in auction revenues) in order to expand must-carry rights…" Entravision also petitioned to have **Cox** communities added to WJAL's market. The MSO did not object. **DISH** already carries the WJAL throughout the DC DMA. The next step is for Entravision to respond, after which the FCC has 120 days to grant or deny a market modification.

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Count Comcast Out: **Comcast** officially bowed out of the quest for 21st Century Fox assets, releasing a statement to *Reuters* Monday that said it's no longer engaged in the review of those assets. That's hardly surprising with reports that a **Disney-Fox** deal is expected any day. Comcast said it never got the level of engagement to make a definitive offer, noting that it has a responsibility to look when assets like this become available. Disney reportedly would acquire Fox entertainment cable nets, including **FX** and **National Geographic**, as well as RSNs and international assets.

Cable Outlook: **Moody's** 2018 outlook for cable is positive, with the investor service projecting EBITDA growth of nearly 6% helped by consolidation synergies and a shift toward broadband with its higher margins. Moody's said the rise in broadband demand is more than offsetting video declines, citing a replacement rate near 8x (a rolling average across four quarters). Cable's risks including vMVPD competitors and 5G with its fast, wireless broadband. However, Moody's notes that broad deployment of 5G will be costly and slow. "Broader deployments will take years, leaving rural cable networks well protected for a long time," concludes the Moody's note. The firm has a stable outlook on the broadcast sector for 2018, with EBITDA growth expected to be in the 3-3.5% range. It predicts that retrans fees will grow into the mid-teen percentage in annual growth and account for more than 30% of sector revenue by year-end. "With local programming—specifically live news, garnering consistently strong ratings—broadcasting pricing power continues," the report said.

FTC + FCC: Further infuriating those hoping to derail the **FCC's** planned vote to reverse Title II regulations Thursday, the agency announced a memo of understanding Monday with the **FTC** that covers coordinating consumer protection efforts following the adoption of the order. Reaction pretty much followed party lines. Under the draft MOU, the FCC will review informal complaints concerning ISP compliance to disclosure obligations set forth in the Restoring Internet Freedom's transparency rule. That rule requires ISPs to disclose any blocking, throttling, paid prioritization and congestion management. If an ISP fails to disclose practices, the FCC will take enforcement action. The FTC's purview includes taking action against ISPs over the accuracy of those transparency disclosures along with other deceptive or unfair practices involving their broadband offerings. The two agencies have pledged to collaborate on outreach and education, as well as securely share informal complaints related to the Restoring Internet Freedom order. Democratic commish *Mignon Clyburn* called the news a "smoke and mirrors PR stunt," saying the FCC signed a much broader pro-consumer agreement with the FTC in 2015 that already covers this issue. In other FCC news, chmn Ajit Pai announced an online dashboard at fcc.gov intended to make consumer access to pending applications, complaints and FOIA materials easier.

Golden Globe Glow: **Netflix** continues to be a top contender in awards races, nabbing nine Golden Globe nominations Monday. **HBO** was once again the most-nominated network, receiving 12. That's down from the premium net's 14 last year, while Netflix is up from five in 2017. HBO's "Big Little Lies" earned the most TV series nominations (6) **FX** received eight, after finishing second in nominations last year with nine. It was followed by **NBC** (5), **Showtime** (5), **ABC** (3), **Amazon** (3), **Hulu** (3) and **USA** (3). **AMC**, **Nat Geo, Starz** and **Sundance** received one nomination each. FX's "Feud: Bette and Joan" was the second-most nominated program. The Globes will be broadcast on NBC Jan 7.

Raise Your Voice: **Comcast** revealed the newly designed voice remote for its X1 platform on Monday. Like its predecessor, which won an Emmy, the remote was designed and developed by Comcast and manufactured by **Universal Electronics**. Comcast is Universal's largest customer, accounting for 21% of its net sales ($36.8mln) in 3Q17. The main hardware change is a relocated microphone button. New functions—available on both the original and new X1 remotes—include the ability to fast forward or rewind by a specific increment of time, music recognition technology, new commands for IoT devices and better AI for Spanish-language searches.

NFL-Verizon Deal: The **NFL** and **Verizon** signed a five-year extension of their mobile streaming and sponsorship deal. *SportsBusiness Daily* reported the pact is worth $2.5bln, or $500mln annually. See today's ***Screenster*** column on page 4 for more details on the agreement.

McAdam Off GE Board: **Verizon** CEO *Lowell McAdam* resigned from **General Electric's** board of directors, citing an inability to allocate the time necessary to fulfill his duties, according to **CNBC**.

Ratings: Saturday's **MLS** Cup drew a 0.7 **Nielsen** metered market rating on **ESPN**. The figure represents a 30% drop from last year's game which aired on the **Fox** broadcast net. The past two years featured the same matchup (Toronto FC vs. Columbus Crew). Still, the net is touting a 75% increase from the 2015 final, the last time the championship game was on cable.

Programming: **Netflix** will launch four new documentary shorts during the first part of 2018. The slate includes "Ram Dass, Going Home," which is about the titular spiritual teacher, as well as "Ladies First," which tells the story of a poverty-stricken Indian girl who became the number one archer in the world. "The Trader" and "End Game", which were announced as part of the lineup for the 2018 Sundance Film Festival, round out Netflix's offerings. -- **ESPN** is dedicating a full day of coverage to one team—the Philadelphia 76ers—on Dec 15. The programming initiative, dubbed Philadelphia All Access, will feature 76ers-related content on shows like "SportsCenter" and "First Take," as well as on digital platforms. The day will culminate with the team's 7pm ET game against the Oklahoma City Thunder. -- "Brooklyn Nine-Nine" makes its syndicated debut on **TBS** Jan 4, 7pm. The net will show consecutive eps every Thursday. -- **History** brings back "Hunting Hitler" for its third and final season, Jan 2, 10pm. A recap special is slated for Dec 26 at 10pm. -- **Science Channel** bows two engineering series on Jan 4, with "Building Giants" premiering at 9pm and "Mega Machines" debuting at 10pm. -- Classic cartoon lovers take note: **Turner's** premium subscription service **Boomerang** is now available on **Amazon** Channels, retailing for $4.99/month. -- **AMC's** upcoming thriller, "The Terror," will premiere March 26 at 9pm. The 10-episode series is inspired by the true story of the British Navy's perilous voyage into unchartered territory in an attempt to discover the Northwest Passage.

People: **Disney-ABC Television Group** named *Mike Napodano* svp/CTO. Napodano, who spent the past 13 years at **NBCU**, will report to pres of business operations *Bruce Rosenblum*. He most recently served as pres/co-managing partner for **Channel Media Solutions**. -- *Kim Keenan* resigned as pres/CEO of **The Multicultural Media, Telecom and Internet Council**. *Maurita Coley Flippin*, who has served as evp, COO for five years, was named interim head of the organization. Keenan, who succeeded MMTC co-founder and CEO of 28 years *David Honig* in 2014, is pursuing other professional opportunities. -- *Mary Byrne* was appointed editor-in-chief of **Olympic Channel**. She'll lead the channel's editorial strategy for its digital, social media and news divisions in the newly-created position. Olympic Channel is a joint venture of **NBCU**, the **International Olympic Committee** and the **US Olympic Committee**.

SCREENSTER
BY ALEX SILVERMAN

It's Still Good to be the NFL

Like the melodramatists on your Twitter feed, the **NFL** is ready to put 2017 in the rear-view mirror. Hit hard by ratings declines, backlash from player protests and a brutal spate of high-profile injuries, this year has turned into the toughest season in recent memory for Commissioner *Roger Goodell* and the owners.

Still, even in a down year, it's pretty good to be the NFL. The league on Monday reminded us just how much influence it wields, signing a $2.5bln (according to *SportsBusiness Daily*) extension of its deal with **Verizon** for mobile streaming rights. That breaks down to $500mln dollars per year and a 100% increase from the parties' 2014 pact.

The value of the deal is particularly eye-popping given that Verizon actually made a major concession in the form of surrendering exclusivity. Under the prior agreement, only Verizon customers were able to stream the majority of NFL games on their mobile devices.

It had previously been reported that Verizon retaining network exclusivity was a non-starter for the league. By making its live games and VOD content available to **T-Mobile**, **AT&T** and **Sprint** customers, the NFL tightens its already firm grip on the attention of American sports fans.

Goodell and Verizon CEO *Lowell McAdam* appeared on *CNBC's* "Squawk Box" to discuss the deal. Before asking either guest a question, host *Joe Kernen* pointed out the loss of exclusivity for Verizon.

"I'm trying to figure out if this is good for you, Lowell, or not."

Like the past deal, Verizon is simulcasting the same games that are also available on broadcast or cable. It's another example of the NFL's success slicing and dicing its content to maximize revenue.

The payoff for Verizon comes in establishing a foundation for its recently formed **Oath** content group. Instead of its customers watching games only via the NFL Mobile app, everyone will be able to stream via **Yahoo! Sports** and the **go90** platform.

It's a move that instantly boosts the value of advertising on Oath properties and establishes them as destinations for sports fans. Expect an exponential increase in traffic on the go90 platform, which has never quite gained a foothold in the video market.

The takeaway from all of this, however, is that the market for sports media rights remains strong. I'll admit it: I was among the doubters after **ESPN** and **Turner** forked over $24bln each for nine years of **NBA** basketball. I figured there was no way programmers could afford to up the ante from there given subscriber losses and the splintering pay-TV ecosystem.

Just this past Friday, I asked **PwC's** *Mike Keenan* how he could be so sure that media rights fees would continue to increase. Keenan, a former NFL exec and Browns pres, now leads the firm's sports practice.

"It's hard to forecast it, but I think the fact still remains that the value of live sports programming is as great as ever; they get the ratings, people want to see it. So, I think having more competition trying to get those eyeballs in there could lead to further growth as [current rights deals] begin to expire because of the additional competition."

With the increase of potential suitors (in the form of digital players) and the NFL's model of selling the same content to multiple partners, it's a tough case to argue. The next set of national rights deals is still a few years off, but PwC counts 25 RSN deals with NBA (10), MLB (10) and NHL (5) teams expiring in the next five years. Better get those armored trucks ready to roll out.

Happy holidays to all of our readers. ***Screenster*** *will be back in January with coverage of CES! Stay tuned.*