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Standing Pat: Verizon Set to Stay the Course as Content Partner, Not Owner

Verizon CEO *Lowell McAdams* proclaimed the wireless carrier is not looking to make a large content acquisition in the foreseeable future. In the wake of the **AT&T-Time Warner** deal (which, of course, is still held up in court by the **DOJ**), speculation has surrounded Verizon as a possible dealmaker. At least one report last year had Verizon involved in discussions about acquiring assets from **21st Century Fox** that are now being sold to **Disney**. "There is a lot of movement in this area right now and we don't even know whether AT&T is going to get approved," McAdams said. "It's clear that the messages that Disney and Fox are sending is that scale matters. So, we look at this but you have to take a look at whether being a big independent distributor is a reasonable alternative to owning content." The CEO cited the company's recently announced deals with the **NFL** and **NBA** as an example of the latter strategy, which involves partnering with popular content providers and monetizing those relationships via advertising on **Yahoo Sports** and other **Oath** properties. "We're becoming the first screen for fans of live sports and superior partners for advertisers," he said. Despite McAdams' statements, **MoffettNathanson** analyst *Craig Moffett* said M&A speculation for Verizon is inevitable—even more so than before—due to a windfall from the GOP's new tax reform policy. Prior to the call, **New Street Research's** *Jonathan Chaplin* posited that Verizon could "seek to revive deals with potential M&A partners, like **DISH** and cable entities." On the 5G front, McAdams said trials are going "extremely well" and he's confident Verizon will be able to provide 1 Gbps speeds to everyone it serves. The plan, as the company announced late last year, is to roll out commercial 5G broadband in three to five markets in 2018. McAdams also addressed competitors' recent deals with cable operators to densify their networks—**Sprint** announced such a deal with **Cox** last week. Asked whether he believes Verizon's efforts to deploy its own fiber provide an advantage over companies like Sprint, he said, "I have always believed and it's been reinforced many times that if you've got a critical component of your success, you better own it and control it." While Verizon has acquired fiber from **WOW!** and via its **XO Communications** deal, McAdams said the company is leaning toward organic builds "to drive our cost down and our performance up." Financially, Verizon recorded a decent finish to 2017, beating Wall Street's revenue estimate for 4Q17 thanks to its performance in the wireless sector. The company pulled in $33.96bln in the period marking a 5% YOY increase. On the wireline side, revenue decreased 3.6% YOY when excluding the recent XO acquisi-


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tion. Verizon gained 47K Fios internet subs, 31% less than in 4Q16. Video subs declined by 29K in 4Q17 after increasing by 21K in the year-ago period. "Growth from our high-quality, fiber-based products continues to be offset by secular pressures from legacy technologies and competition," said Verizon CFO *Matt Ellis*. Operating revenues for the wireless segment in 4Q17 came in at $23.8bln, up 1.7% YOY. Overall, Moffett characterized the company's results as "relatively strong" based on the company's return to positive consolidated revenue growth and solid wireless performance.

Standoff Wears On: **Altice USA** responded Tuesday to **Starz's** Emergency Petition for Injunctive Relief from the **FCC**, which the premium net filed last week amid a carriage dispute. Starz called for the FCC to direct Altice to restore the premium programmer's stations to **Optimum** customers. The whole slate of Starz-owned nets has been off Optimum and **Suddenlink** since Jan 1. Altice in its response called the initial petition "a transparent attempt by Starz to manipulate a regulatory process reserved for emergency situations to secure the carriage it failed to obtain based on the merits of its programming." The cable operator denied any violation of FCC rules, saying the negotiations have stalled "because Starz sought a price that makes no economic sense for Altice and its customers." It seems unlikely to us that the FCC would get involved, particularly under the current Republican administration. But who knows what might happen in Washington these days? The dispute also continues on in the court of public opinion. Movie maker *Tyler Perry* posted a minute-long video to his social media accounts Tuesday, urging New Yorkers to contact Optimum about the cable system's blackout of Starz. Perry, whose eponymous film studio has a distribution deal with Starz parent **Lionsgate**, provided viewers a phone number, website and hashtag to air their grievances with Optimum. "You're paying your cable bill. It hasn't changed. They just took Starz off the air … Blow them up, leave your messages, leave your tweets." Perry has 13.38mln followers on **Facebook**, 5.37mln on **Twitter** and 2.7mln on **Instagram**. Perry's video came just days after "Power" star *50 Cent* posted a video of his own on Instagram about the Starz-Optimum dispute. In his video, 50 Cent tailed an Optimum service truck in his Bentley and used vulgar language to disparage the cable operator. "Optimum. Get this mother f*****. F***ing with my series and s***, 'Power.' ... I should run right into the back of this mother f*****," the hip-hop artist said in his video, which has been seen more than 1.4mln times. Altice issued a statement over the weekend: "The safety of our employees and customers is our number one priority and it is outrageous that a commercial dispute has led to the threat of violence against our employees. This behavior is reprehensible and should not be tolerated, and we will do everything in our power to protect our employees following this public threat of violence."

News Boosts Ad Spend: Cable news saw ad spending rise 1.9% YOY in December, according to **Standard Media Index**. Cable news saw growth of 27.2%, with spend increases reported for talk shows like **Fox News'** "Tucker Carlson Tonight" and **CNN's** "AC 360." Overall, national TV ad spending rose 1.1% in December, with broadcast up 0.1%. Ad intelligence firm SMI reported news spending on broadcast is down 1%, with **NBC's** "Today" down 24% in December on the heels of the *Matt Lauer* firing. On an annual basis, TV spending fell 3% in 2017, with cable spending off 2.4%. "National Television declined in 2017, but that is almost entirely due to the Olympics in '16. We see national brand advertisers paying really high CPM's for quality drama, and sports programming, despite falling audiences. This speaks to the power of TV to reach audiences with their brand message via a full screen experience with no fraud," SMI CEO *James Fennessy* said.

Net Neutrality on the Hill: **House Commerce** Dems revealed that the **GAO** will act on their request to review the alleged use of false identities in the FCC comment process on its repeal of Title II. Saying it will work within the scope of its authority, GAO expects staff will be available to start work on the inquiry in five months. Rep *Mike Doyle* (D-PA) said 110 members of Congress want to cosponsor a Congressional Review Act resolution of disapproval of the FCC's Restoring Internet Freedom order, which eliminates Title II regulation for ISPs. What his press release doesn't mention is that all 110 are Dems. It's still a tough road to turn enough members of the GOP. On the Senate side, *Ed Markey* (D-MA) has gathered 50 sponsors for the Congressional Review Act measure. Meanwhile, the House Communications subcmte is gearing up for a hearing Tuesday on some of the recent broadband infrastructure bills. On the agenda are bills sponsored by Dems and Republicans, including various efforts to streamline deployment.

That's a BDAC Wrap: The **FCC's** Broadband Deployment Advisory Committee wrapped up a two-day meeting Tuesday, the same day as the one-year anniversary of President *Trump's* appointment of *Ajit Pai* as chmn. Pai reiterated at the meeting that his top policy priority is to close the digital divide, saying BDAC reflects a core tenet of his policymaking approach: "That the decisions we make inside this building must reflect input and fresh ideas from outside these walls." Composed of industry and government leaders, the committee met three times last year, with this week's gathering a chance to look at working group reports. Proposals included the FCC having a professional study done to look at how facilities subsidized by the E-rate program could be better utilized without encroaching on private investment. E-rate makes telecom and information services more affordable for schools and libraries. With many of these facilities used during the day, but not at night or on weekends, BDAC discussed a study looking at whether those facilities could be used by others during those low-volume times. BDAC's recommendations include that the FCC provide clarity on what constitutes excessive fee for right-of-way access, a study on whether a streamlined arbitration process would expedite broadband deployment and Commission exploration of how to leverage other expert stakeholders to provide locality and states with skills needed to streamline deployment. BDAC members include **Comcast** vp, regulatory policy *David Don* and **Nittany Media** gm/CTO *Michael Hain*.

Mail Matters: The **FCC** Media Bureau denied a must carry complaint the **Minority Television Project** filed against **DISH** last year after the satellite provider said it wasn't required to carry the channel because its election notice was not sent via certified mail. The owner of non-commercial station **KMTP** sent its election letter **USPS** Priority Mail. "We conclude that the rejection was permissible under our rules because KMTP did not adhere to the Commission's clear and express procedural requirements regarding the manner in which carriage elections must be sent," the Bureau said. The FCC voted last month to examine some procedures, including whether to update the requirement that broadcast stations send carriage election notices to cable or satellite operators by certified mail. Comments in the proceeding are due Feb 15.

Layer Cake: **T-Mobile** closed its deal to acquire **Layer3 TV**, part of its effort to launch its own video service in 2018. The wireless carrier announced the deal and its intentions to move into the TV space just over a month ago. *Jeff Binder*, who served as CEO of Layer3, will lead T-Mobile's new TV team. He'll report to T-Mobile COO *Mike Sievert*. In addition to Binder, Layer3's nearly 200 employees are also joining T-Mobile.

Up to Snuff: **Cable One** will build a 1 Gbps fiber-optic WAN with Dedicated Internet Access for the Yavapai County Education Service Agency, which includes more than 50 schools and libraries as well as 100 businesses in the Yavapai County. Prior to this, none of the schools and libraries met **FCC** bandwidth recommendations. The deal will reduce the cost of high-speed internet service for the area by almost 90%.

500 Club: **Hulu** reached a milestone for its live TV service by surpassing 500 local stations. With the addition of new **ABC** and **Fox** affiliates this week, the count is up to 521. The vMVPD says it now offers all four networks in nearly 50% of US TV households.

People: **Univision Communications** named *Jessica Rodriguez* to the newly-created role of pres/COO of **UCI Networks**. Rodriguez will also continue to serve as CMO, overseeing research, consumer branding and messaging. She joined Univision nearly 20 years ago, first as an intern. -- **605** tapped *Sal Romanello* as its new general counsel. Romanello brings more than 20 years of legal experience to the role.