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What the Industry Reads First

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Ready to Disrupt: T-Mobile Discusses Plans for Layer3, 5G

T-Mobile dropped a few tidbits Wednesday about its plans to make waves in video. “If there’s an industry that’s ripe for disruption, it’s the cable industry,” T-Mobile CFO *Braxton Carter* said at a **Morgan Stanley** investor conference. “We have no intention of going in and competing with cable the way cable has done business.” T-Mobile agreed to acquire the Denver-based next-gen cable provider **Layer3 TV** in December, but has remained tight-lipped about its plans. Neither company has indicated that they’re ready to jump in and add to the skinny bundle trend, but anything beyond has been anyone’s guess. While Carter didn’t reveal much, he told investors to think about “your phone meet[ing] your TV for the first time.” He reiterated T-Mobile’s promise of being unique, without providing many specifics. “Having something that’s truly ubiquitous that is really consumer friendly, and certainly UIs are a piece of that, but doing something truly innovative,” he said. “There are people out there doing some of these things. You’ve got some very early OTT offerings, but we’re talking about doing something very differently, and it’s not really to go out and compete in the way that **Charter** and **Comcast** and those guys go to business.” Carter noted the company’s entry into video has led to concern from investors in terms of cash burn and drain with the Layer3 deal, but T-Mobile is confident in the guidance it has laid out for the coming year. “The total cash burn with all R&D, all investment that we have already embedded in our guidance for this year, is about \$150mln,” Carter continued. “Relative to the cash generation of the business, we think that there’s going to be a fairly quick payback on it.” Outside of the video space, T-Mobile’s priority in 2018 is continuing to build out and evolve network infrastructure. “What’s really exciting about the upcoming year from a network standpoint is leveraging the 600MHz build,” Carter said, explaining that the company will be using it to close the gap between it and **Verizon**. “There’s still about 5mln square miles in the US that they have coverage where we don’t. We’re going to completely close that gap this year as well as continuing to fortify and enhance the core and the balance of the network that we’ve built today.” The CFO also talked the company’s positions on 5G and spectrum, commenting on what it means to T-Mobile when multiple players are claiming they’ve been the first to deploy 5G. “What 5G means to us is the promise of a truly ubiquitous mobile network that is 5G-capable and enabled,” Carter said, explaining

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that carriers' positioning 5G in relation to certain bands has caused a lot of confusion. In reality, 5G is "spectrum band agnostic." T-Mobile will look to pursue a multi-band approach in its 5G rollout, incorporating midband as well. The company is very encouraged by **FCC** chmn *Ajit Pai's* recently announced plans to accelerate some of the auctions surrounding spectrum, calling it a topic we need to address as a country. "We need to be the leader here, we need to unlock the spectrum resources to really lead the world in 5G deployment, and we'll certainly be a player in that."

Sinclair Watch: **NCTA** is asking the **FCC** not to restart the review clock on **Sinclair's** planned \$3.9bln acquisition of **Tribune** until the broadcaster provides more information on proposed divestitures and interested parties have a chance to review and comment. Sinclair recently filed an amendment detailing plans to sell **WPIX** in NYC and **WGN** in Chicago to comply with the national ownership cap. But NCTA complained to the FCC this week that the new filing fell short on many details, including the option and services agreements that it intends to enter with the third party buyers of WPIX and WGN as well as other stations. "Sinclair's demonstrated willingness to use sidecar agreements to unlawfully engage in joint retransmission consent negotiations warrants a careful review of the proposed services agreements to ensure that they contain safeguards sufficient to prevent the recurrence of this unlawful conduct," NCTA said. It also took issue with Sinclair not identifying which overlap market stations that it plans to divest. During Wednesday's 4Q earnings Wednesday, CEO *Christopher Ripley* said the company believes it's getting "close" to the **DOJ** and FCC finishing their reviews. The DOJ has "scrutinized this transaction very closely, more than any other transaction we've done in our history. But not anything more than normal in terms of how they treat the market," he said. In other news, Sinclair revealed it has already sold several sponsorship packages that include Thursday and Sunday night football. With most of its affiliations with **Fox**, the broadcaster says it is thrilled the network won **NFL** rights for Thursday games. "Given the fact Fox has been struggling in scripted primetime shows, putting in football should be a huge plus for the Fox network and for Sinclair in particular because of our exposure," said COO *Steven Marks*. Following recent retrans deals with **Verizon** and **NCTC**, Sinclair projects that net retrans will be up low-single digits in 2018 and up low-teen percent in 2019.

AT&T's Big City Press: Starting Thursday, **AT&T** is launching special offers for NYC, Chicago and L.A. New York's is tied to **DirectTV Now**, Chicago's is focused on broadband and L.A. is about the smartphone device. "We think they'll be hard to respond to from competitors," said AT&T Communications CEO *John Donovan* at an investor conference Wednesday. "It's very targeted to where we think we can affect competition most acutely, where we think we can try something. And frankly, we'll be able to go in and out on a limited time basis, so we'll be able to



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manage margins effectively as well.” In NYC, customers who switch to the new AT&T Unlimited Plus Enhanced deal at \$80/month for one line and 15GB of monthly data or those who take the Unlimited Choice Enhanced (unlimited 4G LTE data for \$65 for one line; 4 lines for \$40 each) can get one year of DirecTV Now included. Both the unlimited plans come with **HBO**. The Chicago offer is aimed at those who switch from a wireless competitor to AT&T Unlimited Plus Enhanced, offering them free home internet plans of up to 50Mbps “for life” that comes in the form of a \$30 monthly internet credit. L.A.’s deal is buy one of the newest smart phones and get another free when you buy both on AT&T Next and add a new line with eligible wireless service.

Ad Play: **NBCU** is shaking up its ad strategy, decreasing the number of ads in commercial pods by 20% and lowering ad time by 10% across its nets during its original primetime offerings. It’ll also introduce a 60-second contextually-programmed prime pod in the first or last break of a show, giving up to two advertisers a chance at making a stronger impact with viewers. NBCU will call on an AI-based contextual content targeting product to match advertisements to the proper audience. Elements of the advertising overhaul include new ad offerings such as picture in picture and social commercials.

FCC Fine: **Verizon** and **Straight Path** have paid a \$614mln civil penalty, the largest such fine ever paid to resolve an **FCC** investigation. The FCC announced the payment shortly after Verizon completed its \$3.1bln acquisition of Straight Path. Under a previously reached settlement, Straight Path had to sell its licenses and remit 20% of the overall proceeds to the treasury. The settlement resolved an investigation into allegations that Straight Path failed to use the spectrum it was awarded, and thus violated the Commission’s buildout and discontinuance rules in connection with approximately 1,000 licenses in certain millimeter wave spectrum bands. The settlement resolved conduct from before Verizon topped AT&T to acquire Straight Path. These high frequency bands have been identified by the Commission for use in the next generation evolution of wireless technology or 5G.

On the Hill: **Senate Commerce** gave its approval to four new **FTC** commissioners in a voice vote Wednesday. Now the full Senate will need to vote on the appointments of *Joseph Simons*, *Noah Phillips*, *Christine Wilson* and *Rohit Chopra*.

Hawkeye On Top: Iowa was ranked #1 in *US News*’ Best States Overall Ranking a little more than a year after **Mediacom** launched 1 Gig Internet service across its footprint in the state. *US News* found that more Iowa households have access to high-speed broadband internet of at least 1 gigabit per second than any other state in the country.

Goals for Verizon: **Verizon** and the **Confederation of North, Central American and Caribbean Association Football** agreed to a multi-platform media rights deal to distribute CONCACAF tournaments across Verizon’s digital media platforms. Verizon now owns the exclusive English language rights to distribute Confederation Championships in the US. Customers in Canada, Mexico and the Caribbean will be able to view select CONCACAF tournaments on Verizon’s digital platforms, including **Yahoo Sports**, **go90** and **Complex**.

Programming: **Paramount Network** announced it’s delaying the premiere of highly anticipated original series “*Heathers*,” in light of the Parkland school shooting. “While we stand firmly behind the show, in light of the recent tragic events in Florida and out of respect for the victims, their families and loved ones, we feel the right thing to do is delay the premiere until later this year,” the net said, describing it as a satirical show that takes “creative risks” in dealing with issues like race, socio-economic status and gun violence. -- **NFL Network** and the **American Flag Football League** are partnering to broadcast 11 live AFFL games and distribute highlights from the 2018 US Open of Football Tournament. In the first deal of its kind for professional flag football, NFL Network will air 11 USOF games live June 29-July 19, ending with the Ultimate Final. Air times will be announced at a later date. -- **MTV** renewed “*Jersey Shore Family Vacation*” for a second season prior to its global premiere on April 5 at 8pm. In the lead-up to the global premiere, MTV will air four “*Road to Vacation*” specials starting on March 15 at 8pm, looking back on iconic moments from “*Jersey Shore*.”

People: The **Video Advertising Bureau** named *Lauren Leff* vp, marketing and communications, effective immediately. She will head the VAB’s internal and external communications, supporting advocacy efforts and distributing media insights to advertisers and their agencies in the newly created post. Leff most recently served as svp at **Kite Hill PR**, overseeing account teams for **Salon Media Group**, **Branded Entertainment Network**, **Trusted Media Brands** and **Tapad**. -- **ThinkAnalytics** appointed *Gabriel Berger* as its next CEO. Berger brings more than 20 years of experience in the media and broadcast tech sector to the company’s L.A. office. He spent the last three years as evp, sales and operations at **Vubiquity** before it was acquired by **Amdocs**.

Think about that for a minute...

Timing

Commentary by Steve Effros

A short quiz aimed at the older cohort of readers; do you remember Craig McCaw? I certainly do. In the “good ‘ole days” Craig would call me up with questions about cable television franchise rules. I headed the association of smaller cable operators, and Craig’s small systems certainly fit that description. But as with many “small” operators back then, they got big. Craig kept buying systems and ultimately McCaw Cablevision was in the top 20 before it was sold in the mid-80’s to Cooke Cablevision, which eventually was bought by Comcast.

Always looking for the “next big thing,” Craig and his brothers decided that wireless communications was the way to go. They participated in the FCC cellular lottery license process, got some, bought more from other winners, and McCaw Communications took off by the mid-1980s. Remember, we weren’t always born with a cell phone in our hand! The guess and risk paid off. They bought MCI’s wireless business in 1986, spread cellular service across the US, and by 1990 Craig was the highest paid executive in the country. McCaw Cellular was ultimately sold in 1994 for \$12.6 billion. It’s now called AT&T Wireless. Oh, then he got involved with Nextel, which was sold to Sprint. The guy knows an opportunity when he sees it!

Why go through all this? Because I find it fascinating that one of the other “next big things” that Craig got involved with (aside from XO and Clearwire) was Teledesic. Another founder was Bill Gates. The \$9 billion idea in 1994; an array of some 840 low earth orbit satellites to ring the world with broadband capability. Once again the first move was to get some spectrum that could be used and then figure out the manufacture and launch of such a massive undertaking. This one didn’t work. The building of the satellites



was never tied down in terms of the technology, and the launch schedule and cost spiraled out of control. The original plan was pared back to 288 active satellites in 1997, and the company stopped all production in 2002. But the idea of satellite delivered broadband voice and data service still has allure.

There are, of course, several providers of satellite broadband today, but they are in higher orbits and require a lot more power and lift. McCaw wasn’t the first to think about better technology for satellite broadband delivery. At least two other tries, Iridium and Globalstar, have also gone by the wayside. The important news right now, however, is that there is a new player on the scene and he has both lots of money and a different entry point to see if this can work. The dreamer: Elon Musk, and he already has his reusable SpaceX rockets to get those satellites, now perfected, into space! Will this change the game? Well, maybe.

Musk’s folks have already noted that this is a far more complicated and technically difficult challenge than they thought. The original plan calls for, wait for it...4400 satellites, each about the size of a refrigerator. But the idea is still the same; a worldwide broadband delivery network in the sky. As with mesh networks, 5G, and all the other “developing” technologies, this is one worth watching, even if we are talking about a five or ten year development curve. That’s not the point. With folks like Musk and before him McCaw and Gates convinced that some day this sort of broadband distribution will work, I wouldn’t bet against them! It’s all in the timing.

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.)

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