www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

Cablefax Daily™

Thursday — May 10, 2018 | What the Industry Reads First | Volume 29 / No. 090

Exit Interview: Clyburn on Programming Diversity & Road Ahead

FCC Commissioner Mignon Clyburn may have wrapped up her time at the agency on Wednesday, but she kept working right up until the end. Wednesday evening she was set to give her final speech as a commissioner at an event hosted by a number of organizations, including the United Church of Christ, Office of Communications. In the middle of tying up loose ends, she took some time to answer some questions for Cablefax via email. **One of the initiatives you worked on under previous leadership was an NPRM that would have prohibited MFNs and unreasonable alternative distribution method provisions that impede independent programmers. That initiative appears dead under the current chairman, but do you see other actions out there that could help promote diversity in programming?** There are many tools at the FCC's disposal that could be used to promote greater diversity in programming. For example, in broadcasting, the agency could be a resource to Congress by showing the benefits of a reconstituted Tax Certificate program. Ownership of broadcast and radio stations by women and people of color remain breathtakingly low but during the 17-year existence of the Minority Tax Certificate program, "the FCC granted 356 tax certificates – 287 for radio, 40 for television and 30 for cable franchises." According to the FCC's latest numbers, African Americans, Latinos and women own only a handful of the full power television stations in this country. I believe that there is much to be learned from our proceedings on independent programming and I am not the only one who thinks so. Sen *Claire McCaskill* (D-MO) wrote a letter to Chairman Pai last year, after launching an investigation on the subject, and determined that "unconditional most favored nation clauses and overly restrictive alternative distribution method clauses may be limiting the number of choices that consumers have for viewing and purchasing content." Unfortunately, I fear that we will have to wait for a new administration for any real change. **You've said you think you can have a bigger impact at this point outside the FCC. Can you give us any sort of glimpse of what that might look like?** I came to this Commission to be a voice for the voiceless, an enabler of opportunities and a conduit for change and while I will no longer have a vote, I still have a voice. I will soon be able interact more directly with decisionmakers in Washington and across this country and may be less constrained by walls that prohibit direct advocacy. Additionally, I will not have to "mince words" as much. **You've been very outspoken against rolling back Title II. This is an issue you've devoted years to. Do you think there is any pos-**

Cablefax 100 & Top Ops
Celebration Dinner

TUESDAY, JUNE 5
5:30 - 9:00PM
THE YALE CLUB, NYC

Sponsored by: Canoe. Pop

Join Cablefax for a Celebration Dinner on Tuesday, June 5 when we will salute the Cablefax 100 honorees and the Top Ops.

Register you and your team now and enjoy an evening full of surprises, celebration, recognition and comradery.

QUESTIONS: Mary-Lou French at mfrench@accessintel.com
Advertising/Sponsorship: Olivia Murray at omurray@accessintel.com

Register Today at www.cablefax.com

Access Intelligence © 2018 Access Intelligence, LLC. Federal copyright law prohibits unauthorized reproduction by any means and imposes fines of up to $150,000 for violations.

Cablefax Daily (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editorial Director: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Publisher: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Associate Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ●VP Marketing: Amy Jefferies, 301.354.1699, ajefferies@accessintel.com ● Director of Marketing: Kate Schaeffer, kschaeffer@accessintel.com ● Prod. Mgr: Joann Fato,jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group, dschwartz@accessintel.com ● Group Subs or Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: $1,699.97/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

sibility of compromise between the various parties and stakeholders or are we too far past that? It is tough to ask someone to compromise on those core principles and values designed to protect consumers and promote robust competition. While some may dispute that the 2015 rules represented a compromise, I truly believed that those rules struck the right balance. For instance, people forget that the 2015 rules did not apply all of Title II to broadband internet access services. There was significant forbearance designed to closely tailor the rules to the technology of the day. The rules were carefully considered, adopted and withstood litigation in the DC Circuit. Any "compromise" that fails to strike a similar balance and ensure that consumers are protected, would be harmful. **There's a complaint that Washington, including the FCC, has reached an unprecedented level of partisan politics. What's your assessment?** The agency's mission and directive are clear: we must make available to all people of the United States, without discrimination, rapid, efficient, and affordable communications services. When considering the needs of "all people," I have found that you need a multi-focal point of view. For those who lack access, our policies must facilitate access. The underserved must be brought up to speed. And those able to prosper without unduly disadvantaging others should be allowed to continue. It is no secret that I have not seen eye to eye on with all of my current colleagues on every issue. I believe that we must put consumers first and spent as much of our time on the affordability and access side of the "coin" as we do on the infrastructure side. Most of those disagreements, seem to stem from differing priorities. **Last April, when you were asked if you were leaving the agency you sang that Isley Brothers tune "Work to Do." As you head out the door, what song are you humming?** I am "singing" the same tune. While it may seem counter intuitive, I am leaving the Commission so that I can continue my work on the issues that I care about—perhaps even more stridently than before. When I walk out these doors for the last time, I intend to work to build bridges and close technology and opportunities divides.

Suddenlink Performs for Altice USA: The story from **Altice USA's** 1Q results is that while its **Starz** programming dispute and a tough winter in the Optimum footprint had a negative impact on results, a stronger **Suddenlink** helped offset revenue loss. Residential revenue grew 0.6%, with the company stating that 1Q is expected to be the low point of growth for the year. Overall revenue was up 1.2% YOY to $2.33bln, with Altice USA reiterating total rev growth of the year of 2.5-3%. Video net losses came in at 30K, better than 35K a year ago. Suddenlink was the star here, recording losses of 7K vs 20K a year ago. Altice USA decentralized some functions to allow for much more localized marketing at Suddenlink. "It is clear to us that as we work in 21 different states, in many cases… we are working in [the equivalent of] 21 different countries. We gave a lot more local flavor to our marketing efforts," CEO *Dexter Goei* told reporters, noting that Suddenlink continues to benefit from the return of **Viacom** programming and the launch of other new channels. The company recently began the rollout of its advanced Altice One gateway in the Suddenlink footprint. In Optimum markets, new customers

Cablefax Industry Jobs

3 Tips to Finding and Hiring the Perfect Candidate

TIP 1 : Target Candidates!

Post your openings on Cablefax's job board to reach top talent and filter applicants that lack industry experience. Ask about bundles to fit your needs and budget.

TIP 2 : Be Selective!

Don't waste time reading pointless resumes. You can search Cablefax's resume database for free, while utilizing the demographic filters.

TIP 3 : Stand Out!

Take advantage of upgrades to add exposure by taking advantage of upgrades, including weekly job eletters sent to over 40k industry executives.

Let **Cablefax's Job Board** do the work for you

www.cablefax.com/jobs

already get the box—though Goei noted about 20% of gross adds can't take it because of technical reasons such as having a non-HDMI television. He said selective migrations to the existing customer base have started, with "many clients proactively asking" for it. In other cases, Altice is proactively calling long-standing customers to offer it. Migration efforts should ramp up in the next few years. Broadband RGU net adds totaled 26K, down from 40K. Goei said the company is still on track to launch wireless in "first quarter-ish" of 2019 through its MVNO with **Sprint**. It's too early to talk about what a potential **T-Mobile**-Sprint combo could mean, but he noted that Sprint negotiated a four-year roaming agreement with T-Mobile that remains in place even if the transaction doesn't go through. "I think over the next several months to several quarter, you'll start seeing a much more integrated national offering by Sprint, which will help with our MVNO," Goei said.

CABO 1Q: **Cable One** see itself as a "natural aggregator of cable systems in rural America." That description came from CFO *Kevin Coyle* during Wednesday's 1Q earnings call. Both he and CEO *Julie Laulis* said the company has its processes down and will be looking aggressively for acquisition opportunities while exercising patience. Cable One was just named MSO of the Year by ***Cablefax: The Magazine***, in part for its successful integration of **NewWave** systems. Laulis said that process is "going well and fast," suggesting the same would be the case if (when?) there are additional deals. Cable One reported 1Q revenue of $265.8mln, a 28% increase YOY, while net income was up 26.6% to $40.7mln and adjusted EBITDA rose 26.7% to $123.2mln. Residential video ARPU for legacy Cable One was up 8.4% to $82.25 and broadband ARPU for legacy CABO was up 9.3% to $69.45, which **MoffettNathanson** identified as the highest of the publicly reported operators. The legacy Cable One operations lost 9.6K video subs, with the operator's de-emphasis on video, while it gained 7.3K subs in broadband. "There continue to be at least some signs that things are beginning to normalize, with subscriber losses moderating (even if only a little). The next step will be to see if they can achieve EBITDA growth without what still looks to be unsustainable ARPU growth," a MoffettNathanson research note said.

Seeing Red?: The Senate officially moved Wednesday to force a vote on net neutrality by filing a discharge petition on *Sen Ed Markey's (D-MA)* CRA resolution to overturn the **FCC's** Restoring Internet Freedom Order, a move that was set to coincide with a major "Go Red" campaign across the web. But did websites including **Tumblr**, **Reddit** and **Etsy** put an exclamation point on Markey's efforts? Not quite. The sites showed no signs of support when our team scoured the web in the morning. Following Markey's 11:30am press conference, we checked again, finding small posts on some websites. But still we ran into issues, with "Go Red" plugs appearing for only one member of the team and not others. Time will tell whether the campaign's visibility, or lack thereof, will have an effect on net neutrality's future. A simple majority is needed for the passage of Markey's resolution, with the deadline for a vote being June 12.

Saying Farewell: **ESPN** evp/CFO *Christine Driessen* has announced she'll retire from the company in January 2019. She'll step down from day-to-day management on July 1 and move to an advisory role to ESPN pres *James Pitaro*. "It is a rare thing indeed for one individual to positively impact the trajectory of a company and its people, day after day, in big ways and small, for more than 33 years," Pitaro wrote in a note to employees. "But that is exactly what Christine Driessen has accomplished for ESPN." Driessen joined the company as its controller in 1985 and rose to the title of CFO in 1994. She became a powerful voice for women at the company, being key to the launch of **espnW** and its Global Sports Mentorship Program. Driessen also launched the ESPN Executive Women's Forum, assisting those women looking to succeed in business at ESPN.

Sinclair Watch: **Sinclair** shares were up more than 9% to $29.85 following 1Q results and its latest **Tribune** divestiture plan. The broadcaster said it has an agreement in place to sell seven Tribune stations —**KCPQ** (Seattle), **WSFL** (Miami), **KDVR** (Denver), **WJW** (Cleveland), **KTXL** (Sacramento), **KSWB** (San Diego), and **KSTU** (Salt Lake City)—to **Fox Broadcasting** for $910mln. The company still expects the Tribune deal to close late this quarter or early next quarter, though **Fox Business Networks'** *Charlie Gasparino* reported this week that Wall St is betting against it based on concerns the **DC Circuit** will rule against the **FCC** in its reinstatement of the UHF discount rule. During the company's earnings call, CEO *Christopher Ripley* said Sinclair believes the FCC will win the case, but if it doesn't, it may opt to wait and see if there's an appeal/new rule or "the deal would just expire." He noted Sinclair won't be on the hook for a breakup fee.

For the Arts: **Ovation's** Stand for the Arts Awards initiative is expanding thanks to a new partnership with **Comcast**. Ovation has committed $40K to supporting these initial Comcast markets, with a plan to increase the financial investment as the program grows. The partnership kicked off on May 7 in Chicago with an event recognizing 21-year-old arts organization **Collaboraction**. Comcast is working with **City Hall Artspace Lofts**, which provides affordable housing to artists in Detroit, and the company will launch an arts grant program this fall in its northern California market.

Think about that for a minute...

Logical Dissonance

Commentary by Steve Effros

It was predicted some time ago, certainly in this column but in lots of other forums as well. It's now becoming obvious; there's a growing awareness that competing theories about how to envision the future of the video marketplace are starting to seriously clash.

What started out as a not-very-well-thought-out demand for "a la carte" program offerings is now morphing into an entire business ecosystem that anticipates very large companies offering exclusive programming resulting in consumers being forced into a choice of either foregoing popular programming or paying far more than they used to. "A la carte" was supposed to let the viewer choose only that which he or she wanted to see. The theory was that since the "bundle" was getting too large, and too expensive, "consumer choice" would solve the problem.

But what has happened, instead, is that the most dominant, incredibly financed companies are spending unheard of amounts (Netflix says it will spend over $8 billion this year to buy exclusive programming) to create product and demand.

If you want to watch Game of Thrones you have to get HBO. If you want to see Handmaid's Tale you have to buy Hulu. You have to purchase access to AMC to get The Walking Dead, and so it goes. Amazon Prime Video grew faster in some markets than Netflix did last year, the big get bigger..

There are also the traditional television networks. CBS is showing us the trend by charging $10 monthly for ad-free "All Access" on demand. Just do the math. Netflix (The Crown)/ $14, HBO/ $15, Hulu/ $8, Showtime (Homeland)/ $11, Amazon Prime Video/ $10, that's already $68 and we haven't dealt with the plethora of great shows you want on "cable channels" like AMC, or TNT, or ESPN or Discovery. Oh, and you haven't paid for delivery yet, either. That's now part of your broadband bill. Of course they never mention that in their advertising.

Anyway, the dissonance comes about because we now have serious government intervention in some companies buying or merging with other companies, such as AT&T wanting to benefit from the programming of Time Warner, or maybe Comcast getting the creative talent of Twentieth Century Fox, at the same time other companies, like Netflix or Amazon are free to spend billions of dollars with those same companies to buy their programming prowess. What, exactly is the difference between Netflix buying a program from Time Warner films and showing it exclusively on its network and AT&T paying to get the programming of Time Warner and putting it on its exclusive network?

The clash of ideologies regarding this sector is getting to be untenable. It may be that those who argue "big is bad" are right. That the merger of major companies is ultimately not good for the public or for competition. A discussion for another time. But "big" has to be defined more broadly than just two big companies getting together. The "biggest" companies these days, in terms of the cash they can leverage to dominate the marketplace are not just those trying to merge and meld to continue to be competitive. They include Facebook, Google, Amazon and the like with so much cash they can simply buy the top talent and make it almost impossible for others to enter the fray.

There is simply no question any more that the video market is changing massively and quickly. The legal theories and underpinning of regulation and antitrust law isn't moving nearly as fast. That's not good for anyone.

Steve

T:202-630-2099
steve@effros.com

(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.)

1,200 VIDEO AND BROADBAND PROFESSIONALS.
ONE AMAZING EVENT.
Jul 29 – Aug 1 Presented by NCTC & ACA
WWW.THEINDEPENDENTSHOW.ORG