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Broadband, Baby: Mike Fries Weighs in on 5G, Cable's Future

Liberty Global CEO *Mike Fries* is encouraging cable to leave video in the past. "The cable industry, which was once a traditional video industry, is not about video. It's about connectivity and connecting people to the world," Fries said at the **Paley Media Center** in NYC on Wednesday. "Cable operators will be mobile operators. We are mobile operators in Europe... because we want to be seamless connectivity in all forms." De-emphasizing video leaves more room to place stronger investments in the ever-growing world of broadband. "The broadband business has tailwind. I've never seen a product that grows 30 to 40% a year and has insatiable consumption characteristics," he explained. "Anything that has anything to do with data and connectivity, from long-haul fiber to local cable networks, to me that's the space." He's not wrong. **Comcast** reported 34% YOY broadband consumption growth in its Q1 earnings last week, with internet adds of 375K. For those adjusting to the changing industry, Fries only has confidence in a few of the major players, placing his bets on the upcoming SVOD **Disney+**. "For a company like **Disney**, it feels to me like a hedge. If you take their highest projection, 90mln subs at $6.99, it's $7.5bln in revenue," he said. "In their wildest dreams, the most successful they can ever be is 11% of their revenue. If the traditional linear business continues to deteriorate, of course we have a hedge. [*Bob Iger*'s] got global scale, a great brand, he's one of the few companies that will for sure survive this world. Many won't." **CNBC** "Squawk Box" host *Andrew Ross Sorkin* led the conversation, and questioned Fries on the arrival of 5G after Fries declared everyone in the room would have a 5G capable mobile phone within the next five years, yet 5G would not replace broadband. "When it comes to the bandwidth that's available in the US it's actually much harder to make 5G work the way we've structured it at the moment," Sorkin said. "We can't get it through walls, if it's raining, if there's leaves on the ground there's problems. We need to have about a million more towers. When you say this is available in five years, **Verizon** and **AT&T** will tell you that, but there's a lot of people I know in the scientific community who say, 'Hey this is a pipe dream.'" So what about the implementation of 5G? "5G needs more. It needs more spectrum, more towers, more money. It needs new handsets, new chips. It's definitely an evolution. It's all going to happen, but it's going to take a boatload of capital. And it's not going to happen quickly, and it doesn't need to happen quickly," said Fries. The average home in the

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US consumes 200 gigabytes of broadband data a month, and the average cell phone user consumes 10 gigabytes (20x less data). "You're never going to be able to consume as much broadband as economically over that cell phone tower as you'll be able to do over your fixed network at home," Fries said. "Eighty percent of the time when you have that cell phone in your hand you're on a WiFi network. That WiFi network is connected to a fiber, it's not connected to a cell phone tower. I'm not worried about 5G as replacing cable. If you're consuming that 10G of video over a cell tower and not over a WiFi network, number one there won't be enough of them, number two, it's going to cost you. You're paying the same for your monthly phone bill as you are for your monthly broadband, and you're consuming 20x more on the broadband. If you switch all that consumption to your phone, the economic model doesn't work."

Fox Ready to Bet: Wednesday marked the first time **Fox Corp** reported earnings, and it kicked things off with the announcement of national media and sports wagering partnership "Fox Bet." The commercial agreement will see **Fox Sports** give **The Stars Group** an exclusive license to certain Fox Sports trademarks. The duo will launch two products in the fall, the first of which will be a free-to-play game offering cash prizes to players who predict the outcome of games. The second will be Fox Bet, which will give customers in states with regulated betting the opportunity to place wagers on the outcomes of events. Fox reported revenues of $2.75bln, a 12% increase YOY. The boost mostly came from affiliate and advertising revenue growth of 11% and 9%, respectively. Retrans consent revenues were also up by 29%. *Bob Iger* has previously said **ESPN** owner **Walt Disney** won't facilitate sports betting, but could play a role in providing information to those wagering.

Play Ball: While much about **Sinclair's** deal to acquire 21 of the **Disney**/**Fox** RSNs was covered by the company in a call Monday, Sinclair CEO *Chris Ripley* used Wednesday's 1Q19 earnings call to shed some light on how AVOD service STIRR fits into the game plan. "We see first, specifically from the RSN programming, non-game programming being used on STIRR since it is a multi-channel offering and also on an authenticated basis," he said. "We very well might populate games as well, but that's to be determined." The broadcaster is planning on keeping STIRR free as it continues to build a user base, but Ripley added that the technology does provide the ability to add paywalls and premium content in the future. STIRR currently offers around 40 channels, but the plan is to add more than 100 channels to the service.

Disney Numbers: **Disney Media Networks'** revenue for 2Q19 was on par with the prior-year quarter at $5.5bln. Cable nets saw revenue rise 2% to $3.7bln and a 2% operating income boost to $1.8bln. **Disney's** total rev of $14.92bln exceeded Wall Street expectations. As for the upcoming Disney+, CEO *Bob Iger* said mega-movie hit "Avengers: End Game" will hit the streaming service on Dec 11, a month after the platform launches. Wednesday's earnings release was the first since Disney closed on its **21st Century Fox** acquisition. Revenue for the 21CF assets for the 11 days totaled $373mln while operating income was $25mln. "The further we get into the integration process, the more impressed we are with the value of the assets, the quality of the talent and the opportunities we're able to create," Iger said, pointing to brand explorations with **National Geographic** that include everything from eco-travel adventures to content for Disney Parks.

Three's a Party: **EPIX** is coming to **DirecTV** and **DirecTV Now**, thanks to a new distribution agreement with **AT&T**. Starting on May 19, EPIX will be available on DirecTV on a subscription basis for $5.99/month. The network will be coming to DirecTV Now soon. Terms of the deal were not disclosed. EPIX has held carriage on AT&T's **U-verse** since July 2014, when the programmer launched four channels.

Help Where It's Needed: The House passed a bipartisan bill Wednesday aimed at coordinating and tracking federal funding for broadband across all agencies. The Access Broadband Act will establish an Office of Internet Connectivity and Growth at the **NTIA** to oversee those responsibilities. The passing of the bill is another step forward in the NTIA reauthorization process that **House Commerce** began last year. "The Access Broadband Act is an important piece of the puzzle to help close the digital divide by coordinating federal broadband programs to ensure federal investments are targeted at unserved areas," Energy and Commerce ranking member *Greg Walden* (R-OR) said in a statement. "Simplifying this process for small businesses and local communities will help bring broadband connectivity to underserved and rural areas across the country and I hope we can soon consider an NTIA reauthorization, which is sorely needed to effectuate the goals of this bill." **USTelecom** applauded the bill's passing, saying it will avoid network overbuilding while streamlining provider access to government funds. "We hope the Senate follows the lead of the House and takes up *Sen [Catherine] Cortez Masto's* (D-NV) companion bill to promote accountability, bridge the digital divide, and bring connectivity to the consumers who need broadband the most," USTelecom said.

Game Over: **NFL Network** is cutting at least five shows after being forced to cut $20mln from its projected budget, according to a *New York Post* report. On the chopping block are "21 & Prime," "Power Rankings," "Pick 'em," "Playbook" and "Mic'd Up." The weekend edition of "Good Morning Football" could also still be trimmed.

Bringing the Laughs: **Comedy Central** is the latest **Viacom** net to launch its own internal studio. **Comedy Central Productions** will work to develop premium comedy content to bring to market on all TV and digital platforms. The production arm is launching with first-look development deals in place with production companies **Paulilu** and **Irony Point**, writer *Anthony King* and producer *Stuart Miller*.

Payout: **Comcast Corporation's** board declared a quarterly dividend of $0.21/share on the company's common stock Wednesday. The dividend is payable on July 24 to shareholders of record at the close of business on July 3.

Come Together: **beIN Sports** is partnering with **Azteca America** to handle all media sales under one umbrella. The deal includes representation of all beIN Sports platforms in the US in Spanish and English on linear broadcast channels and its streaming platform, beIN Sports Connect.

Not on the List: Thursday's **FCC** open meeting will be a little bit shorter. The agency will no longer be considering an NPRM to seek comment on proposed regulatory fees for FY2019 as it went ahead and adopted the NPRM. Comments due June 7. The FCC is proposing to continue to phase in and set a DBS regulatory fee rate of 60 cents per sub per year. That's up 12 cents from FY2018. It is seeking comment on whether the phase in is still permissible under the Ray Baum Act, as well as whether DBS should pay the full cable/IPTV rate of 77 cents or something different. Items still on Thursday's agenda include an NPRM seeking comment on reallocating the 1675-1680 MHz band and the consideration of a opinion and order that would deny an application from **China Mobile USA** to provide telecom services in the US.

Read All About It: **fuboTV** now offers **Newsy's** full slate of programming. Newsy is available as part of the fubo Extra package, as an add-on ($5.99/month) or as part of the Deluxe ($64.99/month) and Ultra ($79.99/month) bundles.

People: **Comcast** has promoted *Matt Zelesko* to CTO and appointed *Fraser Stirling* to group chief product officer at **Sky**, a **Comcast** spokesperson confirmed. Stirling most recently served as svp, digital home, devices and artificial intelligence, and will now report to Sky CEO *Jeremy Darroch*. By rising into the CTO chair, Zelesko fills a hole that's been left open since March 2018 with the departure of *Sree Kotay*. There are plenty of moving pieces under Zelesko, with *Jeanine Heck* being promoted to vp, AI and discovery product. *Amit Bagga* was named vp, AI and discovery technology. Both report in to Zelesko. Comcast Labs svp *Ruth Dawson* is expanding her purview by joining the customer experience team, reporting in to **Comcast Cable** chief customer experience officer *Charlie Herrin*. -- **Sinclair** vice chmn *David Amy* is retiring this month. Wednesday marked Amy's 35th anniversary with the company. He joined Sinclair as a business manager for **WPMY** in Pittsburgh before rising to CFO in 1994 and COO in 2014.

Think about that for a minute...

Asymmetry

Commentary by Steve Effros

The increasing din about the appropriate editorial role edge providers should play in dealing with fabricated and hateful speech is an important and necessary conversation. If you've been following it at all, you will know that the "editorial" issue has also conflated with the "privacy" issue also plaguing the Facebooks of the world and social media in general. The perceived "solutions" to the problems are simply incompatible.

I'm not insisting everything be totally balanced and symmetrical. As a policy wonk, I acknowledge that sometimes that just won't work. But in this case the asymmetry has gotten so pronounced that it's hard to figure out any consistent rationale for all the different proposals being floated.

Here's what I mean; on the one hand, there is a growing insistence, for instance, that the social media companies "take responsibility" for what is on their platforms. In the past, those companies have steadfastly refused, saying that they were not responsible, nor were they suggesting that anything distributed on their services, like Facebook, or Instagram, or YouTube, reflected in any way on them. That the individuals "posting" on their sites were the only ones responsible and that the platform would not act in any way as a censor, curator or the like.

The law backed them up on that, sort of. Section 230 or the Communications Decency Act essentially says that, leaving copyright issues aside, bad stuff posted by users does not implicate the company owning the platform so long as that company does not create the material itself. There's a different situation for copyright infringement under Section 512 of the Digital Millennium Copyright Act. There, the platform owner has to provide a mechanism to "take down" content that a copyright owner says is in violation of their property.

I'm not going to get into the legal details here. The point is that until recently (forget copyright for a moment) Facebook, et al, have taken the position that they are not "publishers" and therefore not responsible for the content spewing from their platforms. That started to change last year when Facebook's founder acknowledge that maybe they were publishers in a certain way. At least to the degree that they could, and would block egregious (hate speech, etc.) content from their sites. Of course, they could always have done that, but by so doing, they were starting to look and act more like publishers than hands-off, not responsible, disinterested, "neutral" common carriers.

And that's where things get really complicated and asymmetric. Because the same folks who are now calling for those services to proactively edit, curate, and be responsible for the content they distribute, are the same ones who are calling for other parts of the broadband internet chain, like ISPs, to be common carriers who are prohibited from treating anything traveling on their networks differently! Mix in the "privacy" issues, and this gets really ugly. Facebook expects up to a $5 billion fine from the FTC for violating earlier privacy agreements they reached. The loudest complaint about that is that $5 billion is chicken feed to Facebook, a mere "cost of doing business." European regulators, however, could hit them with a 4% of annual global revenue for a major violation of the General Data Protection Regulations (GDPR). They've never done that, but it tells you how serious things are getting!

So should we be totally "neutral" platforms or should we accept responsibility for what's distributed on our services and act like publishers? Is there any symmetrical logic to saying "both"? More to come.

Steve

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