

Cablefax Daily™

Thursday — July 25, 2019

What the Industry Reads First

Volume 30 / No. 141

No Movement: AT&T Optimistic on Video Despite Ongoing DirecTV Disputes

It didn't take long for AT&T's 2Q19 earnings call Wednesday to dive into its ongoing retransmission consent disputes with CBS and Nexstar, and it doesn't sound like either are close to being resolved. In regards to the CBS blackout, AT&T chmn/CEO *Randall Stephenson* said that AT&T sent over an offer more than five days ago and that the other side has been "crickets." "When you're as close as we are, we find it a little interesting that we're still sitting here dark and not having interaction with CBS," Stephenson said. When it came time to look at Nexstar's offer, Stephenson said their opening bid was a 100% increase over previous rates. "Not only was it a 100% increase, but the assets that they're trying to acquire, but they don't own yet—they were asking for a rather significant increase in assets they don't own," Stephenson said. "So it began with kind of a nonstarter." The current deal on the table would be a 50% increase, according to Stephenson. He expects the Nexstar impasse to last longer than the CBS dispute, saying he won't impose the standing price increases on AT&T customers. CBS released a fact sheet following AT&T's earnings call, which claimed that CBS offered AT&T an unconditional 30-day extension of its existing carriage deal on July 19. CBS said AT&T had offered a six-day extension subject to CBS accepting all of AT&T's terms and conditions. More than a quarter of a million calls have been placed to 1-855-5-KEEP-CBS, according to the broadcaster. Nexstar did not respond to our requests for comment. AT&T reported 21.6mln premium TV subs (down 778K YOY) and 1.3mln **DirecTV Now** subs (down 168K) in the quarter. **HBO** revenues were down 0.9% due to a drop in domestic linear subscribers and its continued blackout on **DISH**, but AT&T is holding back digital numbers for **HBO Now** for now. Despite the ongoing disputes, AT&T is optimistic on its opportunities across its video platforms. **WarnerMedia** saw revenues of \$8.4bln in the quarter (+5.5% YOY), primarily due to the consolidation of **Otter Media** and gains at **Warner Bros**, **Turner** and **HBO**. Stephenson said that while **NFL** Sunday Ticket will serve DirecTV well as a retention tool for the satellite product moving into the fall, he would like to utilize it as a tool for growth at **HBO Max**. Couple that with the sports content rights currently held by Turner for **NBA** and **MLB** games as well as the **NCAA** basketball Final Four and national championships and you have a solid potential live sports lineup for HBO Max. "Exclusive content has been important for as long as the TV business has been around," Stephenson said. "We don't see that changing, and you should assume that we

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will take advantage of both opportunities, both within Turner and, don't forget, **Bleacher Report**." Live news will also be an area explored by HBO Max after launch. And while HBO Max is WarnerMedia's headlining act for the spring, let's not forget that the company has another streamer on the way even earlier. **AT&T TV**, its live TV service for broadband subscribers, will receive a beta launch later this summer in limited markets. That beta will expand through the fall and winter as AT&T gathers initial learnings and data from the offering. Stephenson has high hopes for the product, which he says will cut customer acquisition costs in half. "This will be the workhorse over the next couple years," he said. "And we will put our shoulder and our muscle behind AT&T TV, get a lower price point, shore up this customer base over the next couple of years." We'll hear more on it, HBO digital numbers and HBO Max during WarnerMedia's investor day on Oct 29. Wall Street seems to be satisfied for now, with AT&T stock up 3.57% at market close.

HBO at TCA: HBO programming chief Casey Bloys on Wednesday told critics it's "flattering" that **AT&T's WarnerMedia** honchos chose to name its upcoming streaming service HBO Max and confirmed that HBO's content will remain the centerpiece. He described the service as "broader and complementary to HBO" but hinted it will remain HBO-centric rather than a mish-mash of other WarnerMedia content. "HBO as it exists will be the core of any offering, and they have given us the funds to ensure that it remains healthy in its programming," he said. He addressed 2 other recent controversies affecting the network in recent weeks: The negative fan reaction to the final season of "Game of Thrones," as well as reports that "Big Little Lies" producers sidelined Season 2 director *Andrea Arnold* in favor of S1 director *Jean-Marc Vallée*, who reportedly made major editing changes after Arnold turned in her director's cut. Bloys said the Lies controversy is based on a "false premise" because TV directors seldom get full control. "There were no surprises in terms of how it was going to work," he said. "Andrea was never promised she would have free reign." Speaking of long reigns, Bloys said the fan backlash on the final season of Thrones—culminating with a petition to reshoot the entire season—hasn't affected the network's prequel series, which just wrapped filming in Belfast. But he said it shows how much fans care: "The petition shows a lot of enthusiasm." Critics couldn't resist asking Bloys whether HBO garnering more 2019 Emmy nominations than **Netflix** (after Netflix bested HBO last year) gave him special satisfaction—but he kept it civil, saying Netflix is "here to stay. They've changed television. We're not going back." But he said "whether I got 20 more or 20 less this year," it won't change HBO's overall content strategy. "Disaster is always just around the corner," he said. "I think if we work with people we believe in, we promote the shows, and we let artists express themselves as they see fit, I think we'll do just fine. You just keep pushing forward."

Reaction to Facebook's FTC Settlement: Lawmakers lined up to respond to the **FTC's** official announcement that

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		Awards	Events
AUGUST	<p>Woodstock 50th Anniversary</p> <p>We'll celebrate peace, love and music with a special report that looks at how programmers are recognizing this historic music festival, as well as how the event helped shape the entertainment industry.</p>		
SEPTEMBER	<p>Cablefax: The Magazine – September Issue</p> <p>Most Influential Minorities</p> <p>Our annual magazine will salute the men and women who are shaping the industry for years to come.</p> <p>SCTE Cable-Tec Expo</p> <p>Daily coverage from the Expo show floor along with a pre-show special report. We'll look at the technology and standards development that you need to know about right now, including the progress with the Energy 2020 initiative. Our pre-show issue also highlights SCTE, WICT and Cablefax's Woman in Technology award winner.</p>		<p>Cablefax & NAMIC Diversity Breakfast</p> <p>September 17 NYC</p>
OCTOBER	<p>CTHRA</p> <p>In addition to shining a spotlight on Excellence in HR honorees, Cablefax will present the latest developments in HR and how they are impacting business results.</p>		<p>The FAXIES Awards Luncheon</p> <p>NYC</p>

it's fining **Facebook** a record \$5bln to settle charges it violated a 2012 FTC order by deceiving users about their ability to control the privacy of their personal information. Sen Commerce chmn *Roger Wicker* (R-MS) said the settlement represents the great work the FTC can do, but underlines the need for a strong federal data privacy law. Sen *Ed Markey* (D-MA) called the \$5bln fine a slap on the wrist, arguing the FTC fell so short that it "fell on its face." The settlement imposes new restrictions on Facebook, including an independent privacy committee of Facebook's board, removing Facebook's CEO *Mark Zuckerberg's* unfettered control over decisions affecting user privacy.

Robocall Legislation Receives House Approval: The bipartisan Stopping Bad Robocalls Act passed the House Wednesday by a vote of 429-3. The legislation requires that phone carriers implement call authentication technology and allowing them to offer call blocking services at no additional cost to consumers. Its passage has been applauded by associations and public interest groups including **CTIA**, **NCTA** and **Consumer Reports**. -- In other Hill news, **Senate Commerce** approved the Broadband Data Improvement Act, which is aimed at improving the accuracy of broadband coverage maps.

Nat Geo at TCA: Fresh off the success of Emmy-winning (and vertigo-inducing) documentary "Free Solo," **Nat Geo Global Networks** chief *Courteney Monroe* on Tuesday told critics the net's doubling down on docs as they experience a renaissance in the US. "There is a thirst for truth, a thirst for facts," she said. "Documentaries are obviously true and fact-based and there are just so many incredibly talented filmmakers who choose to work in that medium." She said Nat Geo's status as one of only five brands with prominent placement on the upcoming **Disney+** streaming service "gives us a tremendous advantage... it's going to enable us to reach more consumers across every platform with our content, with our brand. So, we are producing shows exclusively for Disney+, but that in no way is changing at all our programming strategy or our commitment to the linear channel business at all." Two Nat Geo projects already announced for Disney+ include "The World According to Jeff Goldblum" and "The Magic of Disney's Animal Kingdom," with several more in development: "We just look at this as an opportunity to think really broad about our content that we make, and we think across multiple platforms now for all National Geographic shows."

fubo Sports Network Expands Distribution: **fuboTV** will expand its fubo Sports Network to smart TV platforms **Samsung TV Plus** and **LG Channels** powered by **XUMO**. The live, free-to-consumer TV net soft launched in June with distribution on XUMO and in fubo's Standard base package. The net marks the first time the live TV streaming service developed a channel for distribution off its own platform, and the company says it plans to launch its own original content for the first time in the coming weeks.

More Details on Nationwide EAS Test: The **FCC** and **FEMA** said the nationwide Emergency Alert System test slated for 2:20pm ET Aug 7 will evaluate the readiness of the national alerting capability in the absence of internet connectivity. It will feature a test message that originates from designated radio stations, known as Primary Entry Point stations. All other radio and TV stations, cable, wireline service providers, and DBS service providers should subsequently receive and broadcast the test message. The test will not include a message on cell phones via Wireless Emergency Alerts.

Altice News Hires CRO: *Keith Bowen* will now serve as **Altice News'** new chief revenue officer, effective immediately. He comes over from **Spectrum Reach**, where he'd served as CRO since May 2016. Before that, he was CRO at **Tribune Media** for just over two years. At Altice, Bowen will be responsible for driving strategy, revenue delivery and ad sales at the news operations and **a4**, the company's advertising solution. Bowen previously teased the Altice announcement on his **LinkedIn** profile, where he had updated his current role to "Exciting News Coming Soon!" beginning in July 2019.

MCTA Shuttering Doors After Six Decades: The **Montana Cable Telecommunications Association** is closing its doors after 60 years. The decision, effective Dec 31, was made at MCTA's board meeting Tuesday. The organization has served as the voice of Montana cable operators in state capital Helena while offering educational and legislative opportunities for its members since launching in 1959. The group said the move was driven by video programming rate pressure on smaller Montana operators and the decline of video subscriber numbers due to cord-cutting. Montana-based **3 Rivers Communications** announced last month that it would stop offering video this fall, instead focusing on broadband.

Weekly Ratings: **Fox News** came in as the top basic cable net in total viewers across primetime for the week of July 15. The net averaged 2.55mln viewers in prime, ahead of runner-up **MSNBC's** 1.66mln (**CNN** ranked 11th with 873K viewers). **HGTV** came in third (1.28mln), while **Hallmark Channel** (1.19mln) proved once again with its holiday programming stunt that it's never too early for Christmas content.

People: TV measurement firm **605** named *Tom O'Sullivan* its new vp of sales. He comes over from **Motista**, where he served as evp, global sales.

Think about that for a minute...

GAFA?

Commentary by Steve Effros

The acronyms are coming! The acronyms are coming! And they change so quickly these days I'm beginning to suspect that at times no one really knows what the heck they are referring to. What's got me so exercised?



Well, as I noted in a column a couple of weeks ago, the favorite acronym of the past half year has been FAANG, referring to Facebook, Apple, Amazon, Netflix and Google. FAANG was all the rage when discussing the accumulated clout of these companies.

Then the discussion started to morph. It was more focused on the incredible power and possible untoward influence of the "social network" platforms and enablers. Netflix didn't fit, so the "N" got ditched. But that didn't leave an acceptable acronym. Never fear, the Europeans have come to the rescue! France just enacted a law, also being explored by others across the pond, to tax the gross proceeds of the digital services of internet platform and service companies like Google and Facebook. They refer to it as a "GAFA" tax.

So there you have it. Now it's GAFA, and for the next unknown period of time we will be debating whether the GAFA digital services tax is a good idea or not. Certainly from the point of view of the governments wanting to derive some tax revenue from companies which do not have a physical presence on their soil but are certainly making revenue from their citizens this is an understandable development. Many state governments here have mulled the same idea.

The argument against it, at least in the current European format, is that each nation would be enacting a separate, and not necessarily equal tax. It could be applied to different things in different ways and ultimately companies would have to create vastly complex systems

to track it all. Not that they couldn't do that. After all, they're the ones developing all these algorithms and AI systems, you would think they could figure out this as well. But there is a reasonable argument, just as there is here regarding federal rules superseding state rules to achieve uniformity, that it would be better to have a single overall system and rate for this new tax than to have it applied randomly.

Whenever I come across stuff like this I can't help but think of a conversation I once had with John Malone. He told me all he really wanted was to be able to get a "micropayment" for each inquiry, use, or stream of data that went over his broadband systems. He would be a very happy man. John has always been ahead of his time, and it would appear that governments around the world are starting the process of getting those "micropayments" in the form of GAFA taxes.

Will there be a lot of push-back by the companies? Sure. This is not like the situation where cable was able to add the franchise fee to the bill so consumers were aware that the money was being demanded by the government, not by the operator. In this case there is no bill! The "service" is "free." You don't pay for search, you give something else of value; your data, your privacy. They make their money from selling all that to advertisers and others. No bill.

That's what makes all this so much more complicated. These companies don't really have a direct billing or fee relationship with the folks who use them, but money is certainly changing hands! We're all going to be talking about GAFA for a long time.

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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