

# Cablefax Daily™

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What the Industry Reads First

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## Inching Forward: A Quiet Judiciary Signals a Pretty Clean STELAR Bill

It's Oct 24. Do you know where your STELAR legislation is? With less than 70 days until the "Satellite TV Extension and Localism Act Reauthorization" expires, it seems to be slowly making its way toward passage. **Senate** and **House Commerce** committees have each held hearings, but the **Judiciary** committees have been quiet. That's a departure from past reauthorizations. Judiciary has jurisdiction over copyright laws and STELAR involves the compulsory license for retransmission of distant TV programming. Of course, Judiciary is immersed in impeachment proceedings right now—as was on full display with Wednesday's protest by some Republican lawmakers. Tea leaf readers think Judiciary's lack of involvement could signal a straight reauthorization of the satellite license part of the bill as the committee would probably be more involved if there were significant changes ahead. That doesn't necessarily mean a total clean reauthorization though since other portions fall under Commerce's jurisdiction. "As the committee prepares to reauthorize STELAR and work with our colleagues in the Judiciary Committee to extend the section 119 distant signal license, I hope witnesses will discuss the appropriate length of time for the law's renewal," Sen Commerce chmn *Roger Wicker* (R-MS) said at a STELAR hearing Wednesday. The act previously has been renewed for five-year stretches. Satellite has suggested making it permanent, while broadcasters have lobbied for it to sunset. Expiration doesn't appear to be in the cards. "It is my view that it remains a critical law for preserving access to video services for those that typically find themselves on the wrong side of the digital divide," Wicker said. Retrans reform advocates are hoping Commerce's interest could bring about some strengthening of the good faith provision governing retrans negotiations between broadcasters and MVPDs. A major overhaul seems unlikely, but there's hope for smaller shifts, such as applying the good faith rules to buying groups like **NCTC**. Wednesday's Senate Commerce hearing included testimony from frequent 2019 blackout participant **AT&T**. On the broadcaster side was **NAB** chair/**Graham Media Group** pres/CEO *Emily Barr*. It was a bit of an odd juxtaposition given that Barr repeatedly stressed that Graham has never had a blackout. Sen *Jon Tester* (D-MT) took AT&T to task for **DirectTV** not offering local broadcast signals in 12 markets. He also hammered it for not being able to see his local **Fox** station due to a blackout, declaring that "AT&T isn't exactly small spuds." But **Meredith** and **Nexstar**—two of the largest US broadcast groups who have each had blackouts this year—weren't at the hearing or House Commerce's STELAR

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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 ● Senior Editor: Sara Winegardner, 301.354.1701, swinegardner@accessintel.com ● Associate Editor: Mollie Cahillane, 212.621.4951, mcahillane@accessintel.com ● Acct. Exec: Olivia Murray, 301.354.2010, omurray@accessintel.com ● Director of Marketing: Kate Schaeffer, kschaefter@accessintel.com ● Prod. Mgr: Joann Fato, jfato@accessintel.com ● Kerry Smith, Divisional President, Marketing & Media Group, ksmith@accessintel.com ● Group Subs or Subscription Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,749.00/year ● Access Intelligence, LLC, 9211 Corporate Blvd., 4th Floor, Rockville, MD 20850

hearing over the summer. While Barr argued that MVPDs and broadcasters have every incentive to reach a deal without a government backstop, both David and Goliath—represented by AT&T and **Golden West Telecom**, respectively—painted a violent picture of negotiations. “Imagine you’re going into a fight, the other side has bazookas. You have a plastic fork,” said *Denny Law*, CEO of rural SD’s Golden West, whose largest community has only 3500 residents. The tale wasn’t any different for AT&T with its 21mln+ video customers. “Broadcasters come to us with a gun to our head,” said AT&T svp, content & programming *Rob Thun*. While STELAR’s primary purpose is to allow satellite operators to import distant signal in some small markets, it’s been a vehicle for various video-related provisions in the past. Wednesday’s pitches included **Consumer Reports** calling for Congress to require company-imposed fees (like a broadcast surcharge or RSN fee) to be included in the advertised price. Former Oklahoma Congressman/turned **Black News Channel** cofounder *JC Watts* asked that DBS be required to set aside channel space for independent educational or informational programming.

**Quibi Sells Out \$150mln In First-Year Ad Inventory:** Mobile streaming service **Quibi**, launching in April, announced it sold out its \$150mln in ad inventory for its first year. New advertisers include **Discover**, **General Mills**, **T-Mobile** and **Taco Bell**. Previously announced partners include **Proctor & Gamble**, **PepsiCo**, **ABInBev**, **Walmart**, **Progressive** and **Google**. Launch advertisers will have one year of category exclusivity. Quibi has raised \$1bln and will launch with two subscription tiers—an \$8/month ad-free option and a \$5/month ad-supported model. Ads will be pre-roll, single non-skippable in 6, 10 or 15-second spots. In other Quibi news, *Shawna Thomas* joins Nov 4 as part of the team overseeing the Daily Essentials section of the streamer. She most recently served as **Vice’s** DC bureau chief.

**FCC Launches Annual Broadband Inquiry:** The **FCC** released its inquiry for the 15th annual broadband deployment report, soliciting comments and information to guide analysis to close the digital divide. Comments are due Nov 22; the reply deadline is Dec 9. The report, adopted on Oct 4, looks at whether advanced services are “being deployed in a timely manner.” It proposes keeping the 25Mbps/3Mbps speed benchmark for fixed services. The report asks several questions, including what sort of speed benchmark should mobile have, should 5G deployment affect analysis, and should mobile broadband be treated as a functional substitute for fixed wireline broadband. The FCC’s two Democratic commissioners dissented, complaining about methodology. *Jessica Rosenworcel* also wants the speed benchmark raised to 100Mbps. “I hope that we can use the record that develops to build a bolder vision for our broadband future. But I fear that the foundation laid by this inquiry is insufficient and the outcome is preordained,” she wrote in her dissent.

**Disney+ Could Have 8 Million Subs By Year End:** With less than three weeks to go to the launch of **Disney+**, **MoffettNathanson** analyst *Michael Nathanson* is predicting that the streaming service will hit 8mln worldwide

## Cablefax: What’s Happening... November & December

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**EDITORIAL:** Amy Maclean • amaclean@accessintel.com  
Sara Winegardner • swinegardner@accessintel.com  
Mollie Cahillane • mcahillane@accessintel.com  
**ADVERTISING:** Olivia Murray • omurray@accessintel.com  
**AWARDS:** Mary-Lou French • mfrench@accessintel.com

### NOVEMBER

#### Cablefax: The Magazine – November Issue Most Powerful Women

Cablefax’s annual Most Powerful Women magazine honors the female executives and media influencers whose outstanding leadership, innovation and community continues to change the industry for the better.

#### Holiday Programming

With unprecedented amounts of holiday programming in 2018, what are the lessons learned for 2019? We’ll look at how programmers are carving out a space in the crowded seasonal programming environment.

#### Get SMART

From smart homes to smart cities, Cablefax has you covered. We’ll examine the latest developments in the space and how the industry is playing a pivotal role.

### DECEMBER

#### Augmented & Virtual Reality

Is it really happening this time? We’ll take a look at VR and AR, as well as the opportunities (and pitfalls) for distributors, programmers and vendors.

### Events

**Most Powerful Women Luncheon**  
December 5  
NYC

subscribers “out of the gate in CY 2019.” Nathanson’s estimate comes the day after Disney+ announced **Verizon** wireless customers with unlimited plans would receive the service free for one year. Nathanson estimated that 17.7mln Verizon customers will be eligible from the offer. If half of that bunch join the Disney+ party, the streamer could have just under 9mln US subs in the first year just from its partnership with Verizon. “As a result of this and other promotions, we raise our worldwide estimate of Disney+ subscribers to 18 million by the end of FY 2020,” Nathanson wrote in a research note.

**ACA Coalition Takes Aim at CBA Over C-Band Clearing Plan:** The **C-Band Alliance** still hasn’t submitted a plan that would clear more than 200MHz of spectrum for 5G in the C-band, and its rival, the coalition composed of **ACA Connects**, **Charter Communications** and the **Competitive Carriers Association**, met with **FCC** officials Friday to discuss just that. The ACA Coalition told staff from the International Bureau, the Office of Economics and Analysis, the Office of General Counsel and the Wireless Telecommunications Bureau that a plan mimicking what CBA has already proposed (further video compression and the elimination of standard definition feeds) would take significantly longer than three years while harming all industries that rely on the C-band. “Video programmers would first need to install new equipment at their uplink sites to enable transmission in the higher-compression format,” ACA Connects vp, regulatory affairs **Brian Hurley** wrote in an ex parte. “Cable operators would each need to install, configure, and test dozens, if not hundreds, of new and unfamiliar integrated receiver/decoders (“IRD”) in each headends of which there are thousands across the country.” That process would be time-consuming and labor-intensive, especially for smaller cable operators with limited resources to devote to the task. And ACA Connects said that plan would not allow all programmers to transition their channels at the same time while cable operators and earth station owners would need to repoint and install filters on as many as 30K antennas. “Sharply reducing the supply of C-Band spectrum available for satellite serve while maintaining existing usage would make the C-Band a less reliable option for video transport and unable to meet future demand for higher-resolution programming,” Hurley said.

**Lawmakers Reintroduce Cybersecurity Certification Program:** *Sen Ed Markey* (D-MA) and *Rep Ted Lieu* (D-CA) reintroduced legislation Tuesday that would create a voluntary cybersecurity certification program for IoT devices. The Cyber Shield Act would create an advisory committee of cybersecurity experts to create benchmarks for IoT devices including laptops and baby monitors. Manufacturers can then voluntarily certify that their product meets that criteria.

**Xumo Renews Deal with LG:** **Xumo** renewed its long-time relationship with **LG Electronics** to continue to power LG Channels, the ad-supported video streaming service on LG smart TVs. The service is currently available in 45mln households, and is expanding its international reach. LG Channels has now rolled out in France, Germany, the UK, Spain, Italy, Brazil and most recently Mexico. It has over 180 free channels across 12 programming genres and thousands of free movie titles.

**Must-Have Digital Basic Networks:** A survey from **Beta Research** on digital basic networks found that 27% of adults who have cable ranked **FX Movie Channel** as a “must-have” (4 or 5 on a five point scale). **NFL Network** followed at 24%, **Hallmark Movies and Mysteries** with 23%, **Cooking Channel** at 21%, and **BBC America** and **Nat Geo Wild** both at 20%. Among potential cord cutters, the NFL was less important, coming in at 17%. FXM remained on top, with 21% of potential cord-cutters mentioning it among their five favorite digital basic networks. Cooking Channel and Hallmark Movies & Mysteries were mentioned by 18%.

**Ratings:** **ESPN’s** “Monday Night Football” is up 4% season-to-date. The broadcast of the New England Patriots’ 33-0 pounding of the New York Jets averaged 10.902mln viewers across ESPN and ESPN Deportes, a 3% increase over the Giants-Falcons Week 7 matchup in 2018. -- **Shudder’s** “Creepshow” is a huge hit for the **AMC Networks’** streaming service, setting multiple records since its Sept 26 premiere with 54% of all members having viewed an episode of the series. Episode 1 has more minutes streamed in its opening weekend than any title in Shudder’s history, nearly equal to the No. 2, 3 and 4 titles combined. The series delivered the 14 best subscriber acquisition days in Shudder history as well.

**People:** **VAB** is expanding its marketing and communications team, promoting *Marianna Vita* to svp, director of integrated strategy & marketing. She formerly served as vp, strategic insights. The group also hired *Nellie Chung* in a newly created role of vp, marketing and partnerships. She previously held roles at **Nielsen** and worked as a consultant. -- **Fox News** signed correspondent *Bryan Llenas* to a new multiyear deal. He first joined the net in 2010. -- **BET Networks** named *Traci Lynn Blackwell* evp, scripted programming. She most recently served as svp of current programs at **The CW**.

## Think about that for a minute...

### By The Numbers

Commentary by Steve Effros

There's a fascinating [article](#) in *The Atlantic* this week entitled "The Millennial Lifestyle is About to Get More Expensive." Check it out. The sentence that grabbed me was this one: "If you wake up on a Casper mattress, work out with a Peloton before breakfast, Uber to your desk at a WeWork, order DoorDash for lunch, take a Lyft home, and get dinner through Postmates, you've interacted with seven companies that will collectively lose nearly \$14 billion this year."

That should certainly give you pause. The article went on to mention Wag to walk your dog, or Lime scooters or Blue Apron for making a meal and pointed out... "that's three more brands that have never recorded a dime in earnings, or have seen their valuations fall by more than 50 percent." The point: we are in the midst of yet another bout of "irrational exuberance" as former Fed Chairman Alan Greenspan once opined. There are just a lot of companies around these days with business plans that the Millennials seem to love, for good reason; the goods and services are being offered at subsidized prices. That cannot last.

Of course some of us have been pointing this out for a very long time when it comes to the video delivery market as well. Netflix, for instance, has a very impressive following, but it also has a very impressive debt load, now estimated at \$14.4 billion, and is spending money for new product at a clip that also cannot last, not with all the competitors now entering the market. Netflix, by the way, just announced it's seeking another \$2 billion in unsecured high-yield bonds. Whew!

Reality, in the video streaming case, is arriving about as fast as all the news flowing out of Washington



these days. AT&T, for instance, has just announced its second planned price increase this year. New subscribers to the AT&T Now "Max" package of 65 channels will be paying \$80 a month. Why? Well the folks from AT&T said they have to "...reflect the cost to deliver content to our customers."

Who could have guessed! You have to pay for the content, so you have to charge for it! That, by the way, is the cost prior to delivery! And folks thought cable was too expensive. They haven't seen anything yet! To be sure, just like all those companies cited above with \$14 billion in losses this year and one with another \$14.4 billion in debt-load, the "new" competitors, from Disney+ to Apple TV+ to all the others are going to start out with "lowball" pricing. But reality is going to catch up to them very quickly, and consumers are going to find out they're going to be asked to pay the bill.

So hold onto your hats as all the new streaming services get rolling in the next few months and the ads suggest incredibly low prices for sometimes unknown services, like Apple's, which is going to focus on new product no one has yet seen. You can bet the prices will look good. You can also bet that one of the attractions will be "walled garden" product you can only see from that service. And, as I've noted before, you won't see much acknowledgement that those prices don't include delivery.

I'm not really great with numbers, but one more thing you can be sure of: those "lowball" prices won't last, and neither will some of those services. This bubble, too, will burst.

*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.)*

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