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What the Industry Reads First

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Runner Up: Rutledge Says Pay TV Beats Streamers in Sports, News

As many cable operators focus on broadband offerings, Charter chmn/CEO Tom Rutledge said selling the traditional cable bundle remains the company's top priority in 2020. "It's really that simple," Rutledge said. "We've come through a major integration of bringing three companies together... we've put together the platform we want to put together to sell products efficiently and to have high quality growth and accelerating growth..." Charter and other MVPDs have had to fight harder just to retain subscriber numbers with the continued expansion of the streaming marketplace, but Rutledge doesn't believe that standards like Netflix or new entrants like Disney and WarnerMedia are the main drivers of cord-cutting. "TV Everywhere and the lack of security has been the bigger issue," Rutledge said. He has long been an advocate for fighting against piracy and password sharing, and Charter has incorporated provisions in recent distribution deals with Fox and Disney to work together to develop industry standards for addressing unauthorized access to content. Rutledge also argued that streaming isn't a better buy for any customer. "You still don't have broadband in most of those products and you don't have, therefore, big sports, you don't have 24-hour news, so there are a lot of reasons why those products aren't going to satisfy the full need for television consumers," Rutledge said. "The pay TV bundle is very expensive, and the disaggregated a la carte repackaged product is even more expensive." But for those customers who do choose to ditch the traditional pay TV bundle, Charter wants to offer a video option for broadband subs. Rutledge said he continues to talk with Comcast about leasing its Xfinity Flex product. "The question is you have this base of data-only customers, broadband customers, and would it be smart to have a set-top box or a device associated with all of those customers that would allow you to easily create a store that would provide those customers with easily-upgradable access to video?," Rutledge said. "There is an attraction to that." But Charter is also investigating building its own platform for a similar price to what it would pay Comcast to lease Xfinity Flex. Rutledge also said Charter's broadband product remains underpenetrated across its footprint at around 51%, with minimum speeds in most areas of 200Mbps and 100Mbps across the rest of its territory. "That in itself as a minimum speed is a significant uptick relative to the marketplace," Rutledge said, crediting the speed increases to network improvements made after

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Charter bought **Time Warner Cable**. It cost Charter about \$450mln to make 1Gbps speeds capable across the footprint, and the MVPD already has its eyes on the next step forward: 10G. "There's now technology that looks like 25 gigs is possible out of the infrastructure we have, so we think there is a pathway to the future through relatively inexpensive investments," he said.

Comcast Investing \$2bln in Peacock: Comcast will spend \$2bln on its upcoming streamer **Peacock** in the first two years and expects to break even within five years, said Comcast CFO *Michael Cavanagh*. "We will ramp quickly next year on spending on Peacock," said Cavanagh at an investor conference on Monday, pointing out the investment represents 1% of annual Comcast earnings. Cavanaugh also confirmed the AVOD will be free for Comcast customers and that there will be "various pricing tiers" for other non-cable subs. More details will likely come during a Peacock investor meeting on Jan 16. Cavanagh did say that ad revenue will "make the price sensible" for paying subs. "With our size and scope, these are the kind of investments our shareholders should want us to make. We're not looking to play somebody else's hand. Our approach to Peacock is a thoughtful consideration of our strengths and opportunities to put together a plan that, in success, will put us in a really good place," he said. "Success is ours if we get it right and it's worth pursuing." Peacock will be the exclusive home to fan-favorites "The Office" (thanks to an earlier \$500mln deal) and "Parks and Recreation," alongside upcoming original content.

Federal Judge Wants to Speed Up T-Mobile/Sprint Merger Trial: T-Mobile and Sprint headed to court Monday to defend their merger against a group of 14 attorneys general attempting to block the deal, and the judge overseeing the case is looking to put the trial on the fast track. According to a *WSJ* report, US district judge *Victor Marrero* told lawyers arguing for the T-Mobile/Sprint merger to skip their opening arguments so they could start questioning witnesses. Marrero asked both sides to scale down their witness lists to avoid an overabundance of testimony. The trial is scheduled to continue into the week of Christmas, but could continue into 2020.

Broadband Priority for Comcast: For all the talk of **Peacock**, Comcast CFO *Michael Cavanagh* said that Comcast's No 1 priority in 2020 will be broadband, with streaming coming in a close second. "For us it's continuing to drive growth in our broadband businesses," he said during an investor conference in NYC Monday, noting the company will see net 4Q adds that "easily exceed" 4Q18. The increased focus on broadband has led to changing priorities for Comcast, including a reduced focus on video. "We are well in-stride on the idea that yes, video is important," he said. "We make money in video. And it's important to our customers, our legacy and investments

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we've made to X1." However, he also noted the company no longer expects to make money providing a "full-service" experience to customers. "We're not going to chase unprofitable relationships, but rather give consumers choices where we maximize what we perceive the lifetime value of the relationship is to us," Cavanagh said, calling broadband the "center of the play" product for Comcast. "That might not have been what we said five years ago, but really there's no one in our cable business that doesn't see the world that way." Comcast added 379K high-speed Internet subscribers in 3Q19, up 13.4% YOY, but saw video subscriber losses of 238K, more than double the 106K losses in 2Q18.

Longtime CBS Black Rock Headquarters Up for Sale: The newly-formed **ViacomCBS** isn't wasting any time in examining its combined portfolio of assets, and **CBS's** Black Rock headquarters building in NYC is on the chopping block. The office building and skyscraper, designed by architect Eero Saarinen, has served as headquarters for CBS since 1965. ViacomCBS CEO **Bob Bakish** said at an investor conference that the sale of non-core assets is a priority of the company as it continues to buy back shares. "Black Rock is not an asset we need to own," Bakish said. **Viacom's** own headquarters are located close by at 1515 Broadway in the heart of Times Square.

AT&T Raising Video Prices in 2020: AT&T is the latest cable provider to up its prices in response to rising programming costs. Current **DirectTV** customers could see their bills rise up to \$8/month, depending on their package, while the price of **U-verse** packages will be go up between \$3/month and \$7/month starting on Jan 19, 2020. Fees for RSNs will also rise as much as \$2/month depending on where a customer lives. Customers currently on a promotional pricing plan will continue receiving that discount until it expires.

Streamers Score with Golden Globe Noms: Streaming services have made a statement in the 77th Golden Globe noms, where the **Netflix** led with 34 total nods. Netflix's movie "Marriage Story" led the film nominations with six, followed by its counterpart "The Irishman" with five. Its film "The Two Popes" came close behind with four. The streamer took in 17 TV noms, ahead of **HBO's** 15. Notably, "Game of Thrones" only earned one nod (*Kit Harington* for best actor) and was shut out of all other categories for its final season. **Apple TV+** entered the Globes for the first time, with "The Morning Show" scoring best actress nods for both *Reese Witherspoon* and *Jennifer Aniston*, as well as a best drama nom. Streaming services **Hulu** and **Prime Video** each earned five noms, and **FX Networks** took in four. Even though **NBC** has the rights to the Globes, not a single broadcast net earned a nod in any of the major categories.

CBS Joins OpenAP: **CBS** is now joining TV ad consortium **OpenAP** after its merger with **Viacom** last week. CBS' digital video and TV assets are coming to the OpenAP Market, allowing advertisers access to **ViacomCBS'** full portfolio of content. Viacom was a founding member of OpenAP, which CBS had previously chosen not to join. As part of the deal, *Jo Ann Ross*, pres and chief advertising revenue officer of ViacomCBS Domestic Advertising Sales, will join OpenAP's board of directors. With the addition of CBS, OpenAP Market is now the largest advanced advertising platform in the US, despite founding member **WarnerMedia** departing earlier this year.

On the Circuit: FCC commish *Michael O'Rielly* will speak at **ACA Connects'** Focus on the Future Summit, taking place March 17-19 in DC.

Programming: "Succession" creator *Jesse Armstrong* signed a three-year overall deal at **HBO**, continuing as the series' showrunner and developing new projects for the net. -- **Roku** will host its second annual Stream-a-Thon, a week dedicated to delivering top shows and premium TV to users for free. From Dec 26 to Jan 1, The Roku Channel viewers can watch first seasons of TV shows and more episodes from premium subscription channels, including season 1 of **HBO's** "Game of Thrones." Roku is also expanding its premium subscription offering with a new HBO+ Cinemax Value Pack, available to customers going forward for \$20.99. -- **Smithsonian Channel** will premiere new special "Battle of Little Big Horn" on Jan 13 at 8pm. -- **AMC** renewed "Ride with Norman Reedus" for a Season 5, ahead of its Season 4 premiere on March 8 at midnight.

People: FCC chmn *Ajit Pai* named *Francisco Salguero* as the Commission's CIO. Salguero replaces acting CIO *John Skudlarek*, who took over the position when *Christine Calvosa* stepped down on May 9. Salguero spent 14 years at the **USDA**, most recently operating as deputy CIO and providing strategic oversight of the Department's \$2bln information technology portfolio.-- **Fox News** named *Bill Hemmer* the anchor of an hour-long newscast, replacing *Shepard Smith's* timeslot. "Bill Hemmer Reports" kicks off Jan 20 at 3pm. Smith suddenly left the channel in October.