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WHAT THE INDUSTRY READS FIRST

Connecting More: AT&T Fiber Plans Major 2021 Expansion

While 2020 at **AT&T** was all about building and releasing **HBO Max**, this year will see the company prioritize expanding the reach of its fiber network. AT&T CEO/chairman *John Stankey* said during the company's 4Q20 earnings call Wednesday that the company plans to build somewhere in the neighborhood of 2 million fiber residential locations by the end of the year.

"The infrastructure is in place. We're going back in and picking up the next adjacent neighborhood or the next successive area," he said. "And as a result of that, the speed to get up and moving is not the lift that it was the first time we started ramping up on this."

AT&T was able to add 273,000 fiber subscribers in the quarter. And while Stankey understands and acknowledges rural parts of America that still don't have effective broadband options, it's not a place that he would expect AT&T to build fiber to in the near term. "I actually believe candidly even if there was a subsidy put in, it would be a better use of taxpayer money to do something that was more hybrid-oriented than the technologies that are applied and not exclusively lean on fiber on that space."

On the **WarnerMedia** side of the house, HBO Max and standalone **HBO** counted more than 41 million combined subscribers at the end of 2020. AT&T is still planning to launch the AVOD version of HBO Max in the second quarter with an international launch of the streamer scheduled for later in the year.

HBO Max activations doubled from the end of Q3 to reach 17.2 million at the end of 4Q, and the Dec 25 release of "Wonder Woman 1984" surely had a role to play in that growth. But the quarter wasn't so kind to **Warner Bros**, which saw revenue fall 21% from the same period last year. That had some questioning the long-term economic impacts of WarnerMedia's plan to bring all of its theatrical releases to HBO Max day-and-date.

"We're not going to see the kind of subscriber spikes that maybe we saw in December and early January every time we put a movie out, but that really isn't the design intent of the plan," Stankey said. "But we do have an opportunity to build marketing and promotion opportunities around those bigger releases that have broader buzz and broader application across the customer base, and we're going to take every advantage of doing that."

Overall, WarnerMedia revenue fell 9.5%, with the growth at HBO and HBO Max offsetting some of the declines at Warner Bros.

Wireless continues to be a steady business for AT&T. The company saw 1.2mln postpaid net adds in the quarter with churn clocking in at 0.76%. That growth helped offset losses across other businesses with AT&T's total revenues coming in at $45.7 billion, down from $46.8bln in 4Q19. On the video side, growth at **AT&T TV** helped offset a 617,000 net loss across AT&T's premium TV services.

To tackle everything it wasn't able to discuss during the call and its ongoing business plans, AT&T is holding a virtual investor event in the second half of the quarter.

FOX SPORTS NETS TO BECOME BALLY SPORTS

Soon we can stop calling the RSNs **Sinclair** purchased the "**Fox Sports Nets** No Longer Owned by **Fox**." Sinclair and **Bally's** unveiled a new Bally Sports logo and Bally Sports regional monikers for the Sinclair owner-and-operated RSNs that will roll out in the coming months. This all harkens back to Bally's and Sinclair's announcement in November that they'd formed a long-term partnership combining Bally's proprietary sports betting technology with Sinclair's cable and broadcast footprint. As part of the rebrand, two Sinclair RSNs will transition to new geographic monikers when **Prime Ticket** becomes **Bally Sports SoCal**, and **Sports Time Ohio** becomes **Bally Sports Great Lakes**. Sinclair will also shutter two limited part-time channels serving South region—**Fox Sports Carolinas** and **Fox Sports Tennessee**. All live games and original programming, namely Nashville Predators and Carolina Hurricanes content, that previously aired under those brands, will reside on **Bally Sports South** (previously FOX Sports South) and **Bally Sports Southeast** (previously FOX Sports Southeast).

STANKEY TALKS TITLE II

With another presidential election come and gone, **AT&T** CEO/chairman *John Stankey* is sure that arguments over Title II regulations will come back in full force. "It's inevitable that we're now back into the wood-saw approach of the new administration and a new belief that, despite four years of not a single data point to suggest that we have a problem to solve… nobody doing anything inappropriate in terms of use of service and disclosing how they're offering services to customers, we're going to go through another regulatory bloodletting over this," he said. "And, one would hope at some point that there's a recent discussion around a policy that gets us away from this web sign and allows everybody to kind of have a more consistent and stable approach. I don't know that that's going to happen, but we're certainly going to try and push and discuss it." He said that even when Title II is in place, AT&T has always had the latitude to be able to price products and operate effectively where competitive markets exist. Stankey's main concern is policy trying to solve a problem that doesn't exist. Should that happen, we "have to step back and ask ourselves how we're allocating capital around that and evaluate where that comes out and ask if it's the right place for us to go for our shareholders, based on that dynamic and that very important lever for us being taken away."

NARB: COMCAST SHOULD NIX 'BEST IN-HOME WIFI'

The National Advertising Review Board has recommended **Comcast** discontinue its "Best In-Home WiFi Experience" claim or modify it to refer to specific attributes for which it can support a superiority claim. It also suggests Comcast discontinue its "Living with AT&T" (Roommate) commercial. **AT&T** brought the challenge to the **National Advertising Division**, first with Comcast appealing and AT&T cross-appealing certain NAD findings and recommendations. The NARB panel concluded that Comcast's "Roommate" commercial was misleading because it communicated the unsupported implicit message that AT&T consumers contract for a speed of service they do not receive. Further, the panel determined at least one message communicated to consumers in the commercial is that AT&T's service is substandard in terms of the speeds it

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promises to deliver (e.g., it does not work or is prone to interruption), and that this message was unsupported. Comcast said it will "comply with NARB's decision" and "take NARB's recommendations under consideration in future advertising."

SLING JOINS MVPD PRICE HIKE PARTY

After a slew of virtual MVPDs raised prices last year, **DISH**-owned **Sling TV** pledged not to raise prices through July 2021 through a one-year price guarantee. Well, those days are numbered. New Sling customers starting Wednesday will pay an additional $5/month for Sling Orange and Sling Blue base services (both are now $35 each). New customers can take both Blue and Orange for $50/month, an increase of $5. Existing customers will not see their bills jump until the price guarantees run out in July. "Unfortunately, we are forced to raise prices because the television networks keep charging us more, but we fight hard to get the best deal for our customers," said *Michael Schwimmer*, Sling's group president. Sling also announced it's expanding free DVR storage from 10 hours to 50 hours. The DVR Plus option (an additional $5/month) now provides 200 hours of storage, up from 50.

COMMON SENSE ASKS FOR DOLLARS

Nonprofit **Common Sense Media** has started charging parents to access more than three media reviews a month. To view more than three reviews in a 30-day period, visitors are asked to make a "donation" of $3 per month or $30 per year. If someone is interested in more reviews, but can't make a donation at this time, then can request free access. Since 2003, Common Sense has offered ratings for movies, TV shows, books, apps and more to help caregivers assess children's media choices. Over the years, cable operators and programmers have teamed with Common Sense at times to offer safety campaign and reviews, sometimes in their electronic programming guides.

STREAMING STILL GROWING

The latest research from **J. D. Power** finds viewers increased their average number of streaming providers to four in December from three in April 2020, with the average monthly household spend on all streaming services increasing commensurately to $47 from $38. **Netflix** continues to be the most subscribed to service with 81% of respondents taking it, but others, including some new competition, are making gains. Netflix's market share declined four percentage points since April (85%), while five of its next six-closest competitors all picked up ground. **Amazon Prime Video** ranked second at 65% (down from 66% in April), followed by **Hulu** at 56% (up from 48%), **Disney+** at 47% (up from 37%), **YouTube TV** at 20% (up from 17%), **HBO/HBO Max** at 22% (up from 13%) and **Apple TV** at 14% (up from 10%). **Peacock**, at 18%, had no presence in April. On the downside, Peacock ranked highest among streaming services in problems per hour watched (0.19), while Netflix had the least reported problems (0.10). The J.D. Power TMT Insight is based a survey of 1,745 US adults from Dec. 16-19, 2020.

PLUME TEAMS UP WITH AKAMAI

Plume is partnering with intelligent edge platform **Akamai** in a deal that will give the latter's global customer network access to smart home services. In return, Akamai's mobile security suite and real time threat intelligence will be integrated into Plume's Consumer Experience Management Platform.

PEOPLE

Former **HBO** global distribution president *Bernadette Aulestia* was appointed to **Nexstar**'s board. – **FCC** commissioner *Nathan Simington* appointed *Carolyn Roddy* as his wireline advisor and chief of staff. *Erin Boone* will serve as his wireless advisor, *Adam Cassady* will serve as his media advisor, *Michael Sweeney* will serve as his confidential assistant, and *Carlos Minnix* will serve as staff assistant. – *Reena Singh*, most recently of **20th Television**, was named to the new role of svp, development and current series at **Disney Branded Television**. The appointment marks Singh's return to the group after 11 years.

Think about that for a minute...

A Glossary

Commentary by Steve Effros

A new administration, a new year, old debates clothed in new language, or maybe four-year-old language, and here we go again. After reading some of the consumer press and the burgeoning news blogs it's become clear that it's time to clarify some of the words being thrown around to describe what's going on in the telecommunications world. Many of you already know how the following terms are being misused, or misunderstood, and where the confusion started, but it's worth reminding ourselves every once in a while. So here goes.

"Free TV" – I know, this is an old one, but we still see it bandied about. There's no such thing as "free TV." The "TV networks," ABC, NBC, CBS and Fox being the primary ones, supply programming to local stations which have a license from the federal government to broadcast over-the-air. Some of those stations are owned by the network itself (there's a limit on how many they can own) and others are individually owned, or there is a "group owner" like Sinclair, which owns a whole bunch of them. In any case, their licenses prohibit them from directly charging viewers who view the signal. It is, after all, a "public" signal and worth a whole lot. Unfortunately, when the distribution of broadcast spectrum happened in the 1940's, those channels were given away for free.

But the fact that the viewer isn't charged directly doesn't mean the programming being watched is free! Broadcasters make their money two ways; first, by selling ads. So every time you "squeeze the Charmin" part of the purchase price is going to the broadcasters in the form of advertising charges. They also charge cable companies billions of dollars in what are called "retransmission consent" fees. Again, the consumer winds up secretly paying the broadcaster for the efficient, quality delivery of the programs. It's not free!

"Pay TV" – This is the one that triggered today's column. An article in one of the blogs had a chart the other day showing "pay TV" subscribership going down and "non-pay TV" shooting up. The headline was "Traditional TV Collapsing"! Well, let's get something straight right up front: there's no such thing as "non-pay TV"! They listed things like Hulu, Netflix, Amazon Prime, Disney+ and the like. Consumers pay for all of those! The estimate right now is the average payment is $47 per month, and that's without delivery. Consumers then have to get broadband service to get efficient, quality delivery of those programmers. Notice the symmetry here? The same company, the "cable" company, is doing that efficient, quality delivery. The consumer is simply paying directly for the programming rather than paying for the bundled product we call "cable television.' You can change who sends the bills, and as I've said for a long time, if you have "a la carte" charges they will wind up being more expensive than a bundle, but don't suggest that the consumer is not paying!

"Net Neutrality" – Yup, this one's going to come back loud and clear in the next couple of months. But the mantra behind those bumper sticker words, that somehow the network owners, the ISPs are "favoring" one data provider over another have never been accurate. The issue in this particular regulatory debate is not about "blocking" channels or "throttling" (slowing) them, the ISPs get no benefit from doing that, and would alienate their customers if they did! The issue is government rate regulation. A discussion for another time.

There are a lot of other phrases we have to discuss, like "digital divide," "middle mile" and the like. We'll get to those as well.

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.)