

Cablefax Daily™

WHAT THE INDUSTRY READS FIRST

Back and Forth: MVPDs on Carriage Negotiations Amidst SVOD Boom

MVPDs continue to have strong relationships with programmers even as the latter group lean more into direct-to-consumer options, but those streaming solutions are already having a major impact on carriage negotiations. Distributors aren't rolling over and accepting major rate increases without a fight.

"The easiest way to get consumers is through your cable operator today and your wireless operator. At the same time, maybe pausing in that negotiation and saying, 'by the way, that number you're throwing in terms of your first offer on price increases just looks wrong,'" **Altice USA** CEO *Dexter Goei* said at the **MoffettNathanson** Media & Communications Summit Wednesday.

Charter president/CEO *Tom Rutledge* quipped during his appearance that many programmers would be better off not trying to blow up the existing system right now. He believes there's still an enormous amount of money coming through the business, particularly relative to what their opportunity is in the direct-to-consumer space.

"To the extent that they want to get pricing power out of their existing distribution and they overdo it and end up not being carried and breaking out of the bundled distribution, they end up with less. On the other hand, if they keep their rates low or don't raise them or make them go backwards, they're still going backwards," he said. "We have to decide whether it's worth preserving the remnants of the bundle or not paying

what somebody's asking for from a rate increase perspective."

Comcast Cable CEO *Dave Watson* said his company is in a great position to negotiate with content providers that are continuing to create content for linear channels while launching SVOD channels because of the X1 and Flex products. But with the immense amount of change happening in the marketplace, it is focusing on shorter-term agreements than it would have in the past.

"We can be a great partner in helping them transition, but it doesn't mean you overpay during the transition for your existing relationship," Watson said at the conference. "As we evaluate this, it probably points towards aggressively negotiating your position, being mindful of the overall content strategy from the content providers' perspective, but the terms that we're negotiating will probably be a bit shorter just because change is so dynamic."

Watson said Comcast is happy with the success of Flex as a free product offered to its broadband customers as a churn reducer. Even so, there could be opportunities to offer it outside of the company's footprint through licensing agreements with other MSOs or selling it at retail stores as an alternative to something like a **Roku** device. A Flex-like solution could even be integrated into smart TVs at some point in the future.

"Over time, it's essentially a software solution. We're looking at and testing and talking to potential partners down the road focusing on smart TVs and that position. Others have done it, it's absolutely doable to figure out how to get an advanced software

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stack into a smart TV," he said. "We want to be in position if that is a great opportunity to do it ourselves or with other partners."

TIVO WINS MOBIV AUCTION

TiVo was designated the successful bidder Wednesday in the bankruptcy auction for IPTV vendor **MobiTV**, beating out **Amino**, **Roku** and patent license firm **RPX**. TiVo's \$18.5 million winning bid includes \$17.4 million in cash. MobiTV filed for voluntary Chapter 11 in March. Up next, the sale must be approved by US Bankruptcy Court. That's currently scheduled for May 21. Once the court signs off, things should move pretty quickly. TiVo, part of **Xperi**, could close on the deal in just a few weeks.

IF BALLY RSNS WERE LIBERTY RSNS...

Remember how **Liberty Media** was in the running to buy the Fox RSNs ultimately purchased by **Sinclair**? During the **MoffettNathanson** conference Wednesday, Liberty CEO *Greg Maffei* was asked if he felt pretty good right about now about Liberty not prevailing. The RSNs, now branded **Bally Sports Networks**, have lost carriage of **DISH** and vMVPDs. The entire regional sports structure has been under pressure, with **Comcast NBCUniversal** reportedly considering selling off its RSNs. Maffei agreed that the RSN ecosystem is "severely at risk," but thinks Liberty may have been able to find an attractive return. "We would have had arguably a different strategy. We were really trying to get all the distributors to come on board and guarantee we had enough distribution for a period of time such that we can basically get all our capital off the table," he said. "It was attempting to say to them, 'hey, you're going to be better off with a partner you know than with somebody who may use retrans and has other kinds of assets which are not sympathetic.'" As owner of the MLB's Atlanta Braves, Liberty is very familiar with the space. Maffei complained that the LA Dodgers are "collecting an unsustainable, in my judgment, amount of money," adding that it's "particularly annoying that they're taking it from Charter" (in 2013, Time Warner Cable agreed to a 25-year deal to run the Dodgers RSN that was reportedly valued at \$8.35 billion. Charter took over the deal after acquiring TWC in 2016. Liberty is a Charter shareholder). As the RSN ecosystem breaks, he likes where the Braves stand with a strong US broadband territory of about 12.5 million broadband households. "I do think there is going to be pressure as these RSNs bundle and crack. I think MLB is worried and rightly looking at alternatives to make sure that there is a good glide path," Maffei said. "In the Braves case in particular, I think given the scale of our broadband territory, we're about as well positioned as anybody to think about digital alternatives."

ALTICE ALMOST 10G READY

Altice USA expects to be 10 Gig ready in the next 18 months. "We expect to be multi gig ready by next year," CEO *Dexter Goei* said at Wednesday's **MoffettNathanson** conference. "It's all

about the chipsets with the modems. As you know, we have a global shortage of chipsets. But if you get your orders in early enough, I think we'll be ready on that. And we're really looking forward to offering up to 10 gigs next year... Hopefully, that does not slip into 2023." He talked up why he thinks fiber to the home is a better technology, saying the cost of network maintenance goes down significantly and customers can count on top speeds and a better, more reliable experience. Goei acknowledged that Altice came in hot on mobile and cooled off, due primarily to the "underperforming" nature of **Sprint's** network. All Altice Mobile customers have been migrated to **T-Mobile's** network now, but the company's being cautious in promoting wireless. "I want to get all the kinks out of our business, if there are any kinks left, before going on to a bigger marketing campaign," the CEO said. "I think you should expect us to be focused on profitability, and not necessarily

Cablefax Executive Round Up

How long do you think Emergency Broadband Benefit Program funding will last?



John Heitmann

Partner

Kelley Drye & Warren

"Based on conversations with EBB providers, I think this is a fairly short duration program of about six months. That said, there are a lot of variables, including the FCC's implementation of the device subsidy which has caused an already small pool of participating providers to raise red flags. More importantly, the prospect of a second round of funding could extend the EBB program well into 2022."



Ross Lieberman

SVP, Government Affairs

ACA Connects

"About 6-7 months. Roughly 9 million households participate in Lifeline. If a similar number participate in this program, and each receive a \$50 subsidy, that's \$450 million per month. The more generous subsidy could attract more participants, but not all households will enroll immediately or select offerings that provide full \$50 subsidies. The 'X-Factor' is the \$100 connected device subsidy; if it's popular, that could shave off about a month."



Craig Moffett

Founding Partner

MoffettNathanson

"Judging by the challenges operators have seen driving penetration of Essentials plans, it may take some time to ramp up a program like this. But, truth be told, I'd be surprised if it doesn't become a permanent entitlement program, even if at a meaningfully lower level of annual spending. The best analogy is the Lifeline program for wireless, which was started as a temporary program... during the Reagan Administration."

on volume, and making sure that all the technical sides of the equation are working well.” He didn’t give a specific date for when that marketing push would happen, but said 4Q is likely. That’s also when the latest iPhone is expected to be released.

EBB IS OFF TO THE RACES

With Wednesday the official launch of the Emergency Broadband Benefit program, there’s a lot of speculation on just how long the \$3.2 billion dedicated to broadband discounts for low-income households will last. “This is the nation’s largest ever broadband affordability program. It’s historic. We’ve never had a program like this before,” **FCC** acting chief *Jessica Rosenworcel* told reporters Wednesday. “It is dependent on appropriated funds, so we do know at some point those funds will run out. But because it’s brand new, I don’t think we can speculate for you and tell you just how long that time period will be.” She pledged that the agency would study the program and who it reached so that “Congress, when it considers what might follow this program, has that information as they might develop new legislation.” There are already calls to make the subsidy permanent, and it’s an issue that could be explored in upcoming infrastructure bills. The Department of Education launched an outreach campaign Wednesday targeting the millions of families with children participating in free or reduced-price lunch programs as well as the 6.5 million Pell Grant recipients. Broadband providers are spreading the word that they are taking part in the EBB program. **Cox** announced that its permanently increasing the speed for its low-cost Connect2Compete package to 50Mbps. It was temporarily upped to 50 from 25Mbps in March 2020 to help families during the pandemic. Under the EBB program, eligible families will receive a credit for up to \$50 per month for discounted broadband and associated equipment rental, or up to \$75 per month for families who live on tribal lands. Qualifying households also receive a discount of up to \$100 to purchase a laptop, tablet, or desktop computer.

ZASLAV UPSET OVER NIELSEN UNDERCOUNTS

Discovery CEO *David Zaslav* was fuming at an investor conference Wednesday over **Nielsen’s** viewership counts after an audit from the **Media Ratings Council** found the company undercounted viewership totals during the pandemic. “It’s bad for the industry. It’s good for the advertisers because there isn’t full clarity. If there was full clarity, we’d all be making a lot more money,” Zaslav said. The **Discovery** chief also commented on how tech companies like **Google** and **Facebook** have accurate measurement tools tracking who’s watching, what they’re buying and what they want to read, while cable networks are stuck with an “antiquated system of measurement” such as Nielsen. **Discovery** has been leaning more into gathering its own viewership data to present to advertisers, and the news about Nielsen numbers will only drive that research further. “More and more, we’re doing our own research to show where it is, and this is going to change,” Zaslav said. “It’s going to change because you can’t have a 2020 media business with sophisticated media companies operating on multiple platforms and the dog-and-pony show here from Nielsen.”

NEWS12 AND GOOGLE NEWS PARTNER ON AI

News12 Networks and **Google News Initiative** announced an AI solution that creates automated content destinations for local media companies. The tool gives publishers the ability to create audience-driven pages using Google tags and the network’s existing news content. **News12** launched **News12 Spark** using the tool to capture content from the network’s seven regions across the NY tri-state area and created a vertical for the younger **News12** viewer demographic.

TELEMUNDO UPFRONTS

Telemundo revealed its 2021-2022 programming lineup at its Wednesday Upfront. Highlights included Season 3 of “La Reina del Sur” and the premiere of the network’s first-ever period drama, “Malverde: ‘El Santo Patron.’” Also premiering are series “Diario de un Gigoló” and “Parientes a la Fuerza.” Two reality shows are on the way: “La Casa de los Famosos” and dance competition series “Así se Baila.” **Telemundo Deportes** will air more than 300 hours of 2021 Olympics coverage and “CONCACAF FIFA World Cup Qatar 2022 Qualifiers” coverage.

RATINGS

Over six telecasts, **ESPN’s** “Sunday Night Baseball” viewership is up 34% from the 2020 full season average. It is averaging 1.651 million viewers, up from the 2020 full season average of 1.235 million viewers. Meanwhile, the network’s “Baseball Tonight: Sunday Night Countdown” is averaging 589,000 viewers this season, up 144% from the 2020 edition’s average of 241,000 viewers.

PROGRAMMING

Fox News is launching a new weekend slate beginning June 5-6. “The Big Saturday” and “The Big Sunday Show” will be added to the schedule permanently from 5-6pm ET. Former congressman *Trey Gowdy* will host a Sunday 7pm ET program and former Secret Service agent *Dan Bongino* will host a 10pm ET Saturday program, replacing *Greg Gutfeld* in the weekend time slot. – **Peacock** is launching three original unscripted programs. The streamer picked up 13-part *Paris Hilton* docu-series “Paris in Love (wt)” and competition series “The Siwa Dance Pop Revolution (wt).” **Peacock** will also exclusively stream six-episode alternative-scripted series “True Story,” based on Australia’s “True Story with Hamish & Andy.” – Six-partner “The Beast Must Die” will debut July 5 on **AMC+** and July 12 on **AMC**.

PEOPLE

Nada Arnot is leaving her position as gm, **Sundance Now** at **AMC Networks** to join **BritBox** as svp, marketing. – **ESPN** promoted five individuals to vp-level roles at the network. *Meg Aronowitz* was promoted to senior coordinating producer; *Scott Favalora* is now vp, **ESPN** directing; *Emily Horowitz* will move up to vp, digital media programming; *David Kraft* has been promoted to vp, news and *Lauren Reynolds* has advanced to vp, executive editor. – **NFL** named *Katie Hill* svp, communications. Hill joins the **NFL** from former president *Barack Obama’s* family office, where she served as his communications director for the last four years.

Think about that for a minute...

Policy by Numbers

Commentary by Steve Effros

Remember the “painting by numbers” craze? The outlined picture had all sorts of segmented areas with numbers in them. The numbers corresponded to different colored paints or pencils. Just follow the numbers and a colorful “painting” emerged. Unfortunately, we seem to have gotten to the point where folks believe in “policy by numbers” in a slightly different form, and it’s creating a totally warped impression of what policy making should look like.

Folks getting involved in the public rulemaking and legislation process is a good idea. But the two processes are different. Legislation anticipates that the legislators will “hear” from their constituents to get some idea of what they want. We could go into a long discussion, here, about what a “representative” is and whether they are supposed to simply do whatever the majority of their constituents seek or whether they have been selected and entrusted to vet information that their constituents cannot possibly be expert on, and then act in what the representative believes is in their best interest. Regardless, some folks now believe that whoever “carpet bombs” the legislative office with the most “for” or “against” diatribes should win.

This became very clear in the telecom orbit when the “SOPA/PIPA” bills on protecting intellectual property and giving more power to the government to regulate the internet were proposed. Advocacy groups on both sides engaged in an electronic war. Millions of emails and petitions were generated, business websites were hacked and major sites like Wikipedia engaged in a one-day PR boycott opposing the legislation. It died in early 2012.

The sheer volume of the electronic reaction, primarily generated by those opposed to the bills, convinced many that “lobbying” had turned into just a numbers game. Whoever could generate the most noise wins. It’s a lousy way to legislate. It’s even worse with regulation since the Administrative Procedure Act is intended to have regulatory agencies like the FCC solicit comments on proposed regulations. Those comments are meant to help refine whatever the proposed regulations are, or help avoid unintended consequences. They are not a “vote.” But that’s what they’ve become in some instances. In the net neutrality rulemaking in

2018, the Commission got pounded with electronic “comments.” But most weren’t actually comments, they were “for” or “against” markers with very obviously little understanding of what was really going on. Some researchers started calling folks who allegedly had “filed.” Some said they had no idea their name was being used. Others had no idea what their alleged support of “Title II” meant, even though that was what they proclaimed in their “comment.”

It’s recently come out that almost 8.5 million comments were falsely generated by “astroturf” companies hired to generate support for the elimination of net neutrality. Instead of actually generating that support, it turns out they simply faked it. Similarly, there were even more (9.3 million) fake comments “supporting” net neutrality, all falsely computer-generated with unapproved names attached. It’s become obvious that the advocacy groups on all sides of any major telecommunications dispute have decided that the “numbers game” is the only way to go. That’s really unfortunate. It doesn’t lead to good decision making.

There really is a good reason to solicit comments. I was at the Commission when we wrote the original cable rules. The “numbers” wars did not play a part back then. Knowledgeable folks of all stripes filed comments on our published proposed rules and we learned from those comments. We modified various proposals in reaction to those comments and as a result the regulations, while far from perfect, got better. That’s what comment filings are supposed to be about, not a war of numbers.



Hopefully regulators will let it be known in the future that “numbers” will be ignored. Substance is what’s needed.

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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