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WHAT THE INDUSTRY READS FIRST

What's Coming: Top Cable Execs Warn of Potential BEAD Pitfalls

Now that **NTIA** has released the Notice of Funding Opportunity for the more than \$42 billion BEAD program, cable operators are gearing up and preparing for when they can submit their project proposals to state broadband authorities. But leaders of some of the largest MVPDs each have concerns about the process of deploying the funds and putting them into action in a meaningful way.

During an appearance at the **MoffettNathanson** Media & Communications Summit Wednesday, **Charter** President/CEO *Tom Rutledge* said there's no shortage of problems when it comes to the labor market alone. "For all the construction that has to be done, there is no skilled labor force that's currently out there and doing it that can be repurposed. It has to be built and trained," Rutledge said. "These areas of construction are low-density areas, so they don't have big populations. You actually have to... bring crews in and you've got transportation issues, timing issues."

Lucky for Charter, it has the resources to manage and get ahead of those problems. It has already hired a few thousand employees to focus on the contract process of building out these new assets covered under the subsidy programs. But the labor shortage has also begun affecting other aspects of Charter's business, not just the construction side.

"We have thousands of unfilled positions," Rutledge said. "Obviously you can get it done if you pay enough, so you have to keep that in mind in the bidding of the subsidies and all that. And also, if you're an efficient builder and how you use expensive labor is a

management function. You can be better at it than someone else."

In a separate appearance at the same conference, **Altice USA** CEO *Dexter Goei* said that for all the hardships the leading MVPDs will have to overcome, smaller independent operators will have it far worse. That's partially because the larger an operator is, the more resources it will have. But it is also because folks like **Comcast**, Charter, **Cox** and Altice USA have a history of completing large-scale buildouts like the ones to be funded through BEAD, giving them a leg up on the competition when it comes to winning bids.

"We have the advantage, as do all the big MVPDs, of having in-house workforces and working with subcontractors in the areas where you're going to bidding for the subsidies against some upstarts who have to start from scratch," Goei said. "In the RDOF process, we saw some guys go out there and say listen, they want all these contracts but have no capital behind them and no supply chain behind them... states are going to be a lot smarter as they allocate the infrastructure money and incumbent providers such as ourselves, other MVPDs and some telecom guys are going to win the disproportionate amount of this money."

Ongoing supply chain issues, however, will plague all operators attempting to expand their footprints over the coming years. That's been a concern since the start of the pandemic, but those that have been able to put in extra work to diversify their suppliers and strengthen their individual vendor bases will have an easier time than others navigating any additional slowdowns.

"There's going to be a supply chain crunch. We're not see-



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ing it from our standpoint today and we've been working on our fiber rollout for the better part of the last three years," Goei said. "We feel good about the next 12-18 months of our supply chain and we're continuously pushing to get our supply chain extended. But I'm certain we're going to run into some slowdowns or cost expansion in terms of what it is going to cost us to build stuff. But that's going to hit everyone."

Comcast is all in and ready to take an aggressive posture when it comes to competing for BEAD funding and other subsidy opportunities. **Comcast Cable** CEO *Dave Watson* said during his fireside chat that between those opportunities and its other growth initiatives, the operator should be able to add more than 800,000 new passings by the end of the year. They'll see the benefits of those passings in the coming years. For now, Watson and his team are keeping an eye on the processes each state is developing when it comes to applications and project proposals, and those approaches will ultimately inform how Comcast moves forward.

"The process is the key point, between states and the guidelines. We genuinely appreciate the focus though. The Commerce group and NTIA, there's a real effort to try to figure this out. But it is a process," he said.

WARNER BROS. DISCOVERY INTRODUCES ITSELF

A year ago yesterday, the news of a merger between **Warner Bros.** and **Discovery** broke. Now, just six weeks after the deal officially closed, Warner Bros. Discovery showcased its wide portfolio at its first upfront in NYC as it transitions into a new era. CEO *David Zaslav* admitted he was nervous in his opening remarks, but quickly moved to describe the company's competitive position. "Simply stated, we have the content that viewers want," Zaslav said. "Year to date, we've had a larger audience in prime among the 25-54 demo than any of the four broadcast networks, driven largely by sports." Among the networks entering a period of big change is **CNN**, which is seeking to move past the collapse of streamer **CNN+** and usher in a more objective approach to presenting information. New CNN chair/CEO *Chris Licht* said Zaslav's message to him when hired was clear: enhance CNN's leadership as the definitive source of reliable news. The two want to move away from "yelling and conflict" and present a non-partisan approach. That starts with the network reimagining its morning show and introducing a new long-form news program, as well as bringing "Who's Talking to Chris Wallace" back this fall on CNN and **HBO Max**. "The next chapter of CNN is one where we aspire to be the beacon of the kind of journalism essential to a functioning democracy," Licht said. CEO and President, Global Streaming and Interactive *JB Perrette* reiterated HBO Max and **discovery+** are likely to be combined into one platform, but gave no timeline. Chief U.S. Advertising Sales Officer *Jon Steinlauf* discussed opportunities within HBO Max and **discovery+**, highlighting that their audiences are younger and more

The WHO and the WHY

CFX's spotlight on recent new hires & promotions



KATHERINE Nelson
VP, CORPORATE COMMUNICATIONS
DISNEY BRANDED TELEVISION

3 THINGS TO KNOW

- Disney Branded Television tapped well-known communications exec Katherine Nelson to serve as VP of Corporate Communications. She left her post as Group SVP, Communications for USA Network and Syfy last year following a reorg that saw high-profile execs Chris McCumber, Bill McGoldrick and Dawn Olmstead all depart. In addition to eight years at NBCU, Nelson served on the communications teams at Discovery and SpaceX, where she reported directly to Elon Musk. Remind us to get her thoughts on Musk's Twitter acquisition... Before joining Disney, she ran her own communications consulting firm, with a client base that included streamer Tubi.
- While Nelson hasn't been a part of SpaceX for nearly 10 years, anyone who follows her on social media knows she's continued to keep close tabs on launches and other developments. That's starting to change—for the good. "I love that I no longer schedule my days around watching @SpaceX launches. It means they've become routine—which is the point," she tweeted last month.
- Nelson is stepping into a newly created role at Disney Branded Television that has her responsible for overall communications strategy in support of the business and executive team as they ratchet up the volume of programming that they create, produce and market for Disney+ and linear networks Disney Channel, Disney XD and Disney Junior. She will report to both Disney Branded Television President Ayo Davis as well as to Charissa Gilmore, a 30-year Disney vet who was just elevated to Disney General Entertainment Corporate Communications SVP. Nelson is already hiring, seeking a go-getter for a coordinator position that will work directly with her.

diverse. However, more than 80% of those viewers are watching on a TV set with just over half having cut the cord. WBD is working with **Comscore**, **iSpot** and **VideoAmp** to better measure its audience across all platforms. The company's talent took the stage to give glimpses of upcoming content. *Lizzo* announced a doc following her life and career is coming to HBO Max in the fall. *Mindy Kaling* gave a first look at her animated Scooby Doo spinoff "Velma" on HBO Max as well. "My Velma is South Asian. If people freak out about that, I don't care," Kaling said. "No one's imagination has ever had a problem with a talking dog solving mysteries, so a Brown Velma is fine."

DISNEY+ TO PROCEED WITH CAUTION ON ADS

Disney dropped a few more breadcrumbs about its upcoming ad-supported version of **Disney+** that's set to launch later this year. "Yes, we're going to have advertising on our kids' platform to kids. But it's going to be controlled advertising with a lot of parental levers to pull. We're not going to collect data on that. We're not going to have advertising on preschool content at launch," Ad Chief *Rita Ferro* said during an appearance at **MoffettNathanson's** investor conference Wednesday. It's expected to have less advertising than **Hulu**—four minutes per hour on average. That's because 65% of Disney+ consumption is movies, which lend themselves to fewer ad breaks. The model will evolve, but Disney's plan is to start slow with 15- and 30-second spots before eventually evolving to the full suite of ad offerings, Ferro said. With so much focus on DTC streaming, how are advertisers viewing linear networks these days? "We are in the upfront marketplace, and there is there's not a single client who is not interested in buying across our particular suite of linear businesses, especially in sports," Ferro said. She acknowledged that the packaged goods category is down in linear, but said other categories, such as pharmaceuticals, are on the upswing. "It's a mix in terms of new markets, old markets, in terms of old traditional advertising categories, I would say. But there's definitely demand for our linear businesses. I see that continuing to be an important piece, especially when a marketer is looking to launch a product. There's no better way to do that than in broad television."

ALTICE WARNS 2Q WILL BE WORST PART OF 2022

Altice USA CEO *Dexter Goei* is on a mission to get the operator back to growing broadband subs, but that's not likely to happen in 2Q22. During an investor conference Wednesday, he said the second quarter is historically Altice's worst of the year and he doesn't expect that to be any different in 2022. "We have a heavily university-driven footprint, particularly in the West and you see that natural turn in May and in June, which are two of the worst months of the year. By definition, we're probably going to trend a little worse than Q1 for Q2," Goei said. But it's not all bad news, and he added that Altice is starting to see renewed activity on the gross add side. During the company's 1Q22 earnings call, Goei told investors he was confident that the provider would return to broadband growth in the second half of this year, but he didn't have enough visibility to say confidently that Altice USA would end the year net positive on broadband subs. "I think the rebrand activity has done wonders already. In small numbers, the launch of fiber and the discussion around our mobile product has been very good," he said. "It's a little too early to tell as to where we're going to end up relative to 1Q numbers, but it is going to be the weakest point of the year." Also spurring growth in the second half of the year will be the multi-gig speeds coming soon to Optimum. Altice USA introduced Optimum 5 Gig Fiber Internet Wednesday, offering residential fiber internet service in the New York Tri-State area with symmetrical speeds of up to 5 Gig for \$180/month. There will also be a 2 Gig offering available to customers at \$120/month. The tiers will launch in parts of Long Island in June and roll out across

the company's entire Tri-State fiber footprint by year-end.

NO BIG DTC SPORTS SHIFTS FOR ESPN

Disney CEO *Bob Chapek* raised a few eyebrows during last week's earnings call when he [said](#) the company is putting one foot on the dock and one on the boat when it comes to moving ESPN in to a full a la carte DTC offering. This didn't sound like an aggressive move away from linear to **CFX**, and it looks like we were right. CFO *Christine McCarthy*, speaking at an investor conference Wednesday, said that Disney has always said that it will look long term at changing distribution as consumers shift content, but that it never has put any parameters on when that would happen. "What we're trying to do is be flexible," she said, pointing to how Disney's deal with the **NFL** is primarily linear focused, while the **NHL** deal is primarily for **ESPN+** and **Hulu**. McCarthy also seemed to throw water on the idea that ESPN+ would be that a la carte vehicle, given that it is at a price point too low to absorb those sports rights. "It would be a different product because what ESPN+ is today is a complement, not a substitute, for ESPN linear," she said. "We may have an ESPN+ always be there that would be niche, if you want to call it that, or would be a complimentary. But when you look at the big rights portfolio that we have, we wouldn't just put that on the existing ESPN+ with the same pricing."

INSP LAUNCHES COWBOY WAY FAST CHANNEL

INSP is launching a FAST channel named for its series, "Cowboy Way." The free streamer is available on **Roku** and **Plex** and highlights INSP original content, such as "The Cowboy Way: Alabama" and "Ultimate Cowboy Showdown" with *Trace Adkins*, as well films and series. In less than a month, Cowboy Way has clocked 40 million domestic and international users with INSP predicting it will reach more than 100 million by year-end. Cowboy Way is aimed at a younger demo, with a mix of originals and select acquisitions.

FIXED WIRELESS' STRONG 1Q RESULTS

Net broadband adds for 1Q22 totaled an estimated 1.065 million, with the bulk of those adds (530,000) coming from fixed wireless/5G from **T-Mobile** and **Verizon**, according to **Leichtman Research**. That's up from just 10% for fixed wireless a year ago. Despite the competition, cable still pulled a respectable 480,000 net adds in the quarter. Wireline phone companies added about 50,000 net broadband subs (480,000 net adds via fiber vs 430,000 net losses for non-fiber). Overall, broadband additions in 1Q22 were 95% of those in 1Q21, according to Leichtman.

CHARTER ADDS \$1M TO DIGITAL EDUCATION

Charter's boosting its investment in its six-year-old digital literacy program by \$1 million, bringing the total to \$8 million. Nonprofits that offer broadband education, training and technology can apply for support, with recipients to be announced in the fall. Through February 2022, Spectrum Digital Education has impacted 99 nonprofits and more than 95,000 people in 22 states and D.C.

PEOPLE

Parrot Analytics added *Laurine Garaude* as Partnerships Director (EMEA) and *Grant Cover* as Partnerships Director (North America). Garaude was previously with **Reed MIDEM** (now **RX France**), while Cover spent 15 years at **Gracenote** and **Nielsen**.

Think about that for a minute...

RED FLAG

Commentary by Steve Effros

Over the past 40-plus years of writing this column I have reserved the “Red Flag” title for the very rare times I think everyone has to sit up and take notice, something major is potentially going to happen. This is one of those times. I cannot explain why more hasn’t been said about a decision last week by the Fifth Circuit Court of Appeals regarding Texas law HB 20, but it could be the harbinger of some of the most significant changes to our understanding of the scope of the First Amendment in our lifetime.

HB 20 makes it illegal for “...any social media platform with 50 million or more US monthly users” to “block, ban, remove, deplatform, demonetize, de-boost, restrict, deny equal access or visibility to, or otherwise discriminate against expression.”

In short, Facebook, Twitter, etc., are now considered “common carriers” in the State of Texas and anyone can say anything on them, no editing, no curation, and the platform owners can be sued for either leaving arguable porn, hate speech, etc., on, under some federal laws, or taking it off under Texas law which can be enforced both by the State or individuals who feel they have been adversely affected. I’m not the only one who sees chaos coming. This can’t work.

The law was immediately knocked down in the lower court as a clear violation of the First Amendment. The government, it has long been established, can’t force folks to speak, and that’s what this law does with regard to a private platform such as Facebook or Twitter. But trusting the current Courts, especially the most conservative Circuit, this one, or, indeed, the Supreme Court, where this case is likely to go next to honor precedent or be in any way concerned about the potentially wholesale remaking of First Amendment rights is not guaranteed!

Two conservative members of a three-judge panel overturned the lower court injunction on effectuating HB 20, so it is now in force until the legality of the case is decided by that Court. There was no written opinion for dropping the injunction and two Judges, during oral arguments, clearly did not know (or chose not to care) about the difference between an Internet

Service Provider (Verizon, Comcast, etc.,) and a website or application (Facebook, Twitter, etc.,) It’s embarrassing, so far as facts and logic go, but if you are predisposed to think that these sites have “unfairly” discriminated against someone, as the conservative Texas state legislature was, then why let facts or the First Amendment get in the way?

This is all very complicated at a technical level, and I’m sure I will be writing a lot more about it. For now, please remember the difference between the First Amendment, which protects the people... all of them... from the government either prohibiting speech or forcing it, and the regulation, Section 230, which protects the “Tech” sites from being sued for what someone else (not the government) says while using their site. Those are very different things, and how they interact when a state law says one thing and the federal law says a different thing is simply unknown.

This case has set up a chaotic situation where it is unclear how an internationally used site like Facebook can comply. Do they simply stop any curation, any algorithmic prioritization? If so, we’ve got a sewer coming at us big time. Remember when email wasn’t effective at blocking spam? What about sex trafficking, or the aforementioned hate speech? What about intentional outright “fake” news, much of it from foreign sources, intended to skew elections?

Two other federal courts have already ruled that HB 20 violates the First Amendment. “Split Circuit” decisions generally go to the Supreme Court. Does that make you feel better? RED FLAG!



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.)

2022
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