Comcast Agrees to Buy Time Warner Cable for $45.2 Billion

By Alex Sherman and Jeffrey McCracken Feb 13, 2014 6:30 AM CT

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Feb. 13 (Bloomberg) -- Comcast agreed to acquire Time Warner Cable for about $44 billion, combining the largest two U.S. cable companies in an all-stock deal, according to four people familiar with matter. Manus Cranny has more on Bloomberg Television's "Countdown." (Source: Bloomberg)

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Comcast Corp. agreed to acquire Time Warner Cable Inc. for $45.2 billion, combining the two largest U.S. cable companies in an all-stock transaction.

Investors of New York-based Time Warner Cable will receive 2.875 Comcast stock for each of their shares, the companies said in a joint statement today. The deal values each Time Warner Cable share at $158.82, or 17 percent more than its close yesterday. The transaction, subject to approval by stockholders and regulators, is expected to be completed by the end of 2014.

Time Warner Cable shares jumped 11 percent to $150.65 in early U.S. trading. Comcast, based in Philadelphia, slipped 0.4 percent to $55.

Comcast Chief Executive Officer **Brian Roberts** will extend his lead in the U.S. cable-TV market after trouncing **John Malone**-backed **Charter Communications Inc**., which had courted Time Warner Cable since June. Holding out for a better offer than Charter's $132.50-a-share bid allowed Time Warner Cable to deliver an almost 70 percent gain for shareholders since the end of May.

"This leaves Comcast as the sole king of the cable hill, with John Malone and Charter hitting a brick wall in their hopes of becoming a close number-two,"**Richard Greenfield**, an analyst with BTIG LLC, said by e-mail. "This is a game changer for Comcast."

Photographer: Matt Rourke/AP Photo

The Comcast Center in Philadelphia.

Share Buyback

Time Warner Cable shareholders will own about 23 percent of Comcast's common stock. The deal will generate savings of about $1.5 billion and increase Comcast's free cash flow per share, according to the statement. Comcast plans to buy back an additional $10 billion of its shares.

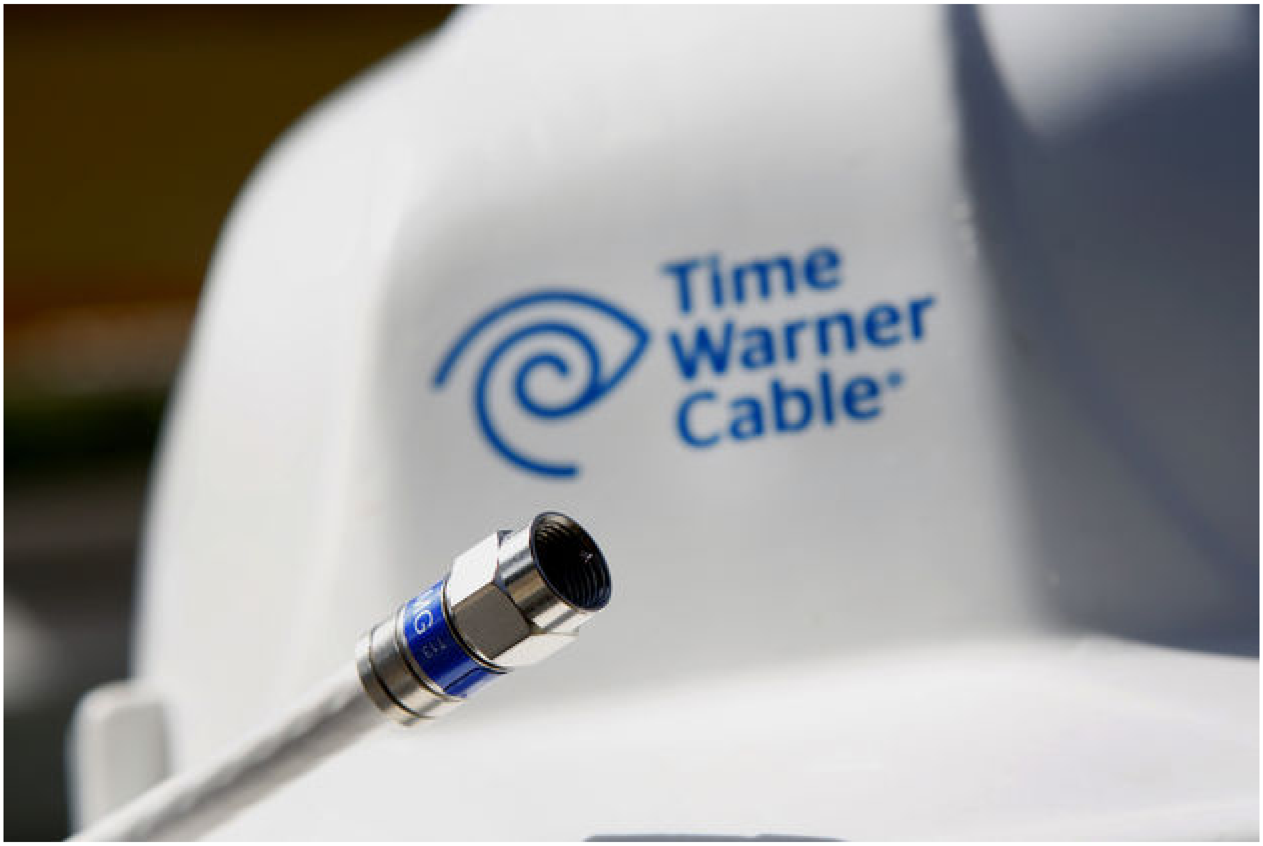
John Demming, a Comcast spokesman, said there is no breakup fee on the transaction.

Charter is unlikely to match Comcast's bid and is willing to study any assets Comcast would sell, said a person familiar with the matter, who asked not to be identified because the negotiations were private. Comcast will volunteer to divest about 3 million subscribers of the combined company to keep its market share below 30 percent and is willing to sell them to Stamford, Connecticut-based Charter, another person said.

Bargaining Power

"Charter has always maintained that our greatest opportunity to create value for our shareholders is by executing our current business plan, and that we will continue to be disciplined in this and any other M&A activity we pursue," the company said in a statement.

Buying the second-largest U.S cable-TV company brings Comcast more than 11 million residential subscribers. It also gives Comcast access to the New York City cable market and brings it more bargaining power with content providers, **Bill Smead**, chief investment officer at Smead Capital Management, said in an e-mailed reply to questions.



Photographer: Patrick Fallon/Bloomberg

A coaxial cable is displayed for a photograph in front of a Time Warner Cable helmet in... **Read More**

"This is definitely a bet on a positive future for high-speed access, cable and other services in an economic recovery," said Smead, whose fund owns Comcast shares.

The Comcast-**Time Warner**agreement caught Charter by surprise, people familiar with the matter said. Comcast and Charter had been negotiating an asset sale after a potential Charter acquisition of Time Warner Cable, according to the people.

Comcast's Demands

Those talks broke down last week, culminating in a meeting where Comcast Chief Financial Officer **Michael Angelakis** stormed out and threatened to do a deal for Time Warner Cable without Charter's help, the people said.

Comcast pressed Charter to divest more assets, including Time Warner Cable's Los Angeles regional sports networks, beyond the **New England**, North Carolina and New York systems initially offered, one of the people said. It also wanted a say in how Charter handled its proxy fight with Time Warner Cable, the person said.

Comcast also didn't want to commit a lot of cash to a deal, preferring to do an all-stock transaction, which Charter disagreed with, another person said.

The Comcast acquisition values Time Warner Cable at about $69 billion including net debt, or 8.3 times its estimated 2014 earnings before interest, taxes, depreciation and amortization, according to data compiled by Bloomberg. North American cable and satellite companies trade at an average multiple of 9 times on that basis, the data show.

'Ridiculous Lowball'

In its counterproposal to Charter, Time Warner Cable had asked for $160 a share. Time Warner Cable Chief Executive Officer **Robert Marcus** would prefer to work with Comcast CEO Roberts rather than with Charter's Malone, a person with direct knowledge of the matter said in November.

"The Comcast bid makes the Time Warner board look smart for telling Charter its offer was a ridiculous lowball," said **Erik Gordon**, a business professor at the University of Michigan.

Comcast has made $65.6 billion of acquisitions over the past 10 years, according to data compiled by Bloomberg. It acquired the remainder of NBCUniversal from General Electric Co. for $16.7 billion in March, following through on the cable company's purchase of a controlling stake in 2011.

A tie-up between Comcast and Time Warner Cable would face tough scrutiny from the Federal Communications Commission, **Craig Moffett**, an analyst at MoffettNathanson LLC, said in an interview in January. The merged company would account for almost three-quarters of the cable industry, according to the National Cable Television Association.

Last month, Time Warner Cable announced fourth-quarter profit that beat estimates and said it will add 1 million residential customers in the next three years. It lost 217,000 residential video subscribers in the fourth quarter, hurt by competition from AT&T Inc., Verizon Communications Inc. and streaming services such as Netflix Inc. The larger Comcast added 43,000 television customers in the same period.

Comcast was advised by JPMorgan Chase & Co., Paul J. Taubman and Barclays Plc. Time Warner Cable's advisers are Morgan Stanley, Allen & Co., Citigroup Inc. and Centerview Partners LLC.

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Comcast decides to stay in St. Paul HQ

Article by: JANET MOORE , Star Tribune   Updated: January 22, 2014 - 9:06 PM

The Twin Cities' largest cable company plans to renovate its West Side offices.

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When the 15-year lease at its St. Paul regional headquarters approached expiration, officials at Comcast Corp. shopped all over the Twin Cities for new space.

In the end, the media and technology giant decided to stay put at 10 River Park Plaza just across the river from downtown St. Paul — and to invest several million dollars into an office renovation at the site. The firm's new lease, signed earlier this month, runs through 2024.

"We looked at several buildings in the Twin Cities metro as possible locations, and time and again, our current location featured several traits that made it ideal for the final choice," said Jeff Freyer, regional vice president for Comcast Twin Cities. The "multimillion" renovation will "bring an entirely new look and feel to our workplace to meet our needs both now and in the future."

The news was officially revealed at the Minnesota Employment and Economic Development Summit on State Economic Competitiveness in St. Paul on Wednesday.

Freyer said the impending Comcast renovation, the exact cost of which was not revealed, will also help recruit new employees to Comcast. "It helps us grow in the future as a great place to work," he said.

Renovations will range from new carpet and workspace areas to updated heating, ventilation and air-conditioning systems. Work will begin this month, with a completion date set for this fall.

Comcast is currently leasing 164,000 square feet at 10 River Park Plaza, but after the renovation the total will be 125,000 square feet. Company spokeswoman Mary Beth Schubert said, "A significant part of the renovation centers around making more efficient use of our workspace, and creating a more user-friendly environment for employees."

A major reason the company decided to stay in its current location was access to public transit, including a bus stop right outside the headquarters, as well as the availability of free parking. The addition of the Green Line light rail this June will help commuters, too, Freyer said.

Comcast employs about 700 people at the site, and about 2,000 in the Twin Cities region. In addition to headquarters personnel and functions, the site serves as a major call center serving the western portion of the United States. Other work groups in the building include customer, engineering, technical and IT support.

According to a recent report on the Twin Cities office market by Colliers International, the vacancy rate in St. Paul's nearby central business district was 18.9 percent in the fourth quarter. However, Class A properties have a relatively low vacancy rate of 11.2 percent.

The St. Paul office market has seen Comcast, Lawson Software and U.S. Bancorp contract their space use by more than 200,000 combined square feet, the report said.

Comcast's decision drew praise from city, state and business officials on Wednesday.

St. Paul Mayor Chris Coleman said the city is "thrilled" with the news. "I am encouraged that Comcast's decision was driven in part by investments in much-needed infrastructure near the headquarters location," he said.

Katie Clark Sieben, commissioner of the Department of Employment and Economic Development, said: "In today's highly competitive environment, Comcast could have moved their operations anywhere. We were thrilled and grateful to learn of the company's decision to stay in St. Paul and further their investment in Minnesota."

Philadelphia-based Comcast has other locations in the Twin Cities, including a call center in Minnetonka, a technical operations center in Brooklyn Park, plus sites in Mahtomedi and Woodbury.

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COMCAST POSTS 6% REVENUE INCREASE

Comcast Corp. reported a 6.2% year-over-year revenue increase for the fourth quarter of 2013, to $16.9 billion, helped by a 5.2% increase in revenue from its cable business, to $10.6 billion. The cable business signed up 649,000 net new customers to its video, data, and voice services. Comcast's operating income jumped 10.7%, to $3.6 billion. Comcast common stock gained 86 cents per share today, to $53.35.

Comcast Wields Its Newfound Cloud Power

MSO STREAMS IPTV INTO HOMES, CAMPUSES
By: JEFF BAUMGARTNER Jan 20 2014 - 12:00am
MSO STREAMS IPTV INTO HOMES, CAMPUSES

Whether it's in the home or on a growing number of college campuses, ample evidence shows Comcast's cloud-powered Internet-protocol video transition for TVs and mobile devices is gathering steam.

On the traditional residential front, Comcast confirmed that it is testing a mobile app in Boston that transforms tablets and other mobile devices into personalized TVs when paired in the home with the operator's X1 platform.

The cloud-based IP-streaming app, to be called Xfinity TV, will launch later this month and support a mix of live TV, video-on-demand and digital video recorder services, Comcast chairman and CEO Brian Roberts said earlier this month at a Citigroup conference in Las Vegas.

At the event, Roberts showed off the latest iteration of the app, showing how customers "pair" their tablets to the X1 service by entering their login credentials. In addition to supporting live TV and VOD, the app also features a "mini-guide" that lets users navigate channels without the function eating up a lot of the viewing surface.

Roberts said the MSO is testing the app in Boston ahead of a commercial rollout later this month. It's not yet clear if Comcast will offer the app in all of its X1 markets right away, but Roberts said the plan is to "roll it out to a lot of the company" in 2014.

Ahead of the launch, Comcast has already posted a trial version of the app, currently carrying the "Comcast Labs XTV" label, in the Apple App Store. At press time, it had last been updated on Dec. 16, 2013.

"Turning every device into a personalized television set, I think, is a big breakthrough. We're excited about that," Roberts said.

BIG CLOUD ON CAMPUS

Comcast is tapping into this same cloud-based IP infrastructure to power a new service tailored to serve on-the-go college students.

That pilot service, called Xfinity on Campus, streams a lineup of live TV channels and VOD over a campus's managed network. Like the Xfinity TV app, the universityfocused service uses adaptive bit rate technology that allows the bit rate and resolution of the video streams to fluctuate, depending on how much bandwidth is available on the local network.

The initial form of the service streamed video solely to PC browsers, but just last week Comcast quietly released an Xfinity on Campus app for Apple iOS devices. At deadline, the MSO had yet to launch an Android version.

Like the new home-bound Xfinity TV app for X1 customers and Xfinity TV Go, the MSO's authenticated TV Everywhere app, Comcast's campusfocused trials use VIPER, a homegrown, cloudbased IP video pipeline designed for IP set-tops and mobile devices.

Following an original trial with Boston's Emerson College that got underway last year, Comcast will soon expand tests of the multiscreen service at Drexel College in the MSO's hometown of Philadelphia.

Xfi nity on Campus customers pay for service one month in advance, and Comcast noted that it currently accepts Visa, MasterCard, American Express and the Discover Card.

Comcast declined to say when it believes Xfinity on Campus will evolve into a commercial product or if it has more universities on board for trials. But the early pilots are a clear indication that the MSO is far along in the development of a service that's designed to appeal to so-called "cordcutters," "cord-nevers" and a more general group of young students who tend to use tablets and PCs, rather than TV sets, as their primary video consumption device.

Comcast isn't the only company trying to seize the on-campus opportunity. For example, Philo, a Boston-based startup that includes HBO and Mark Cuban among its backers, has developed a similar IP video platform that also includes a networkbased DVR that runs on PC browsers, Roku boxes and the Apple TV (using AirPlay Mirroring).

Philo, formerly known as Tivli, has already signed on several schools, including Yale University, Fort Hays State University, the University of Washington, Harvard University, Wesleyan University, Pepperdine University and William Paterson University of New Jersey.

Multi Channel News January 20, 2014

Comcast’s Unsung Hero: The Network

MSO’S Investments In Core, Private Cloud Start Paying Off
By: Jeff Baumgartner Feb 03 2014 - 12:00am
MSO’S Investments In Core, Private Cloud Start Paying Off

Newfound operational efficiencies were on full display last week when Comcast posted the results of a solid fourth quarter. In addition to halting years of video subscriber losses, the MSO trimmed truck rolls by 3.5 million as as self-installs accounted for 42% of total installs in 2013 and more than a third of customers managed their accounts online.

On top of that, Comcast has sped up its ability to develop and launch new products. Its IP-capable X1 video platform is now available in all Comcast systems and, last fall, the operator launched an electronic sellthrough service that lets customers buy and rent movies and TV shows, forging a weapon it can use against Apple iTunes, Amazon Instant Video, Vudu and other over-the-top services encroaching on cable’s video turf.

Although it takes a commitment from the top down to achieve these operational efficiency gains while accelerating the company’s ability to boot up new offerings, the unsung hero may be the network that ties everything together — from an optical core network that connects all of Comcast’s systems to a speedy data superhighway, to an expanding private cloud that feeds a growing library of on-demand video to set-tops and other devices.

“We’ve gone from a company that specified and acquired end-to-end solutions to one that’s looking at the architecture for cost-effective scale, product differentiation and platforms,” John Schanz, executive vice president and chief network officer for Comcast Cable, said.

Comcast has poured significant dollars and manpower into that network-focused vision and, based on the latest results, those investments appear to be paying off.

But that job and those investments never really end. To keep the engine that drives the business in tip-top condition, it must always be fed and fine-tuned.

Schanz said his top priority in 2014 is “to continue investing in operational excellence … [and] to keep the network operating at peak performance.” A close second is a commitment to building “platforms that are extensible and help create product differentiation.”

Key to that effort is one of Comcast’s biggest platforms — the optical core network that carries the MSO’s voice, video and Internet traffic for residential and business customers. Over the years, that core network has been strengthened and expanded to help Comcast stay ahead of the pace.

THE CORE: TARGETING A TERABIT

Comcast started with a 10-Gigabit core network, upgraded to 40 Gb, and then jumped to 100 Gb, which is predominantly where the MSO’s core network is today. But Comcast is getting ready to step up to the next rung on that ladder — 1 Terabit-per-second wavelengths.

Early evidence of that work emerged last fall, when Comcast and tech partner Ciena announced the completion of a live field trial of a 1-Terabit optical transmission covering nearly 1,000 kilometers that connected Ashburn, Va., to Charlotte, N.C. Comcast and Ciena said it was the first trial in which live data traffic was fed over a 1-Terabit 16-QAM “super-channel” on the legacy commercial network.

“It wasn’t in a lab,” Schantz explained. “It was on a real, live production network.”

And 1 Terabit could gradually become the capacity standard on that core. “I suspect that we will begin to deploy terabit wavelengths toward the end of this year, but only surgically where we need them,” he said, predicting that Comcast could have 1-Terabit links “widely deployed” by sometime in 2015.

CLOUD RAINS CONTENT

As a keynoter at the International CES six years ago, Comcast chairman and CEO Brian Roberts announced “Project Infinity,” an initiative aimed at expanding the operator’s video-on-demand library. At the time, the plan called for Comcast to offer more than 1,000 HD VOD “choices” by the end of 2008. When the project was launched, Comcast offered a VOD library of about 10,000 titles, but just 250 in HD.

Roberts didn’t outline the technical underpinnings of Project Infi nity, but a big driver behind it was the development of a video-optimized private cloud that the operator calls the Comcast Content Delivery Network (CCDN).

The CCDN has expanded and evolved over the years in terms of both content and supported devices. It began as a VOD platform for native set-top boxes, but today it also bridges content to a growing array of IP-connected devices, including PCs, smartphones, tablets and gaming consoles such as Microsoft’s Xbox 360.

On the content end, the CCDN now provides the basis for a set-top VOD library of 50,000 “choices,” and more than 300,000 choices through the Xfinitytv.com website.

Expect that library to continue to expand as the cloud driving it evolves. The CCDN today uses a centralized location for content ingest (plus a second for redundancy), which feeds a handful of hubs. The hubs contain the digital library servers that stores all of the movies and TV shows that, in turn, send a portion of that library to caching gateways that cache the most popular content. VOD pumps, also installed at the edge, stream content to set-tops and other devices.

By putting the oft-used titles closer to the customer, this hierarchical approach, used in all CDNs, provides efficiency and cuts down on transport costs.

And what’s considered the edge of the CCDN will likely extend deeper into the network and in many more locations, Schanz said, adding, “The architecture is scaling towards a richer edge facing the customer

Commentary: Local Governments Manipulate Public Access Channels

Jan 13, 2014
by Bryan Olson
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I would like to add another perspective to what was said in Bunnie Riedel's column in the December 2013 edition of Government Video.

I see public access channels and government channels as double-edged swords; they can be used to manipulate and propagandize just as well as being used for transparency and information.

Local governments like to use their cable channels to show only what they want the public to see. If they don't want the public to see something, they don't show it — simple as that.

Bryan Olson

Very few city and county governments in Minnesota show *all* meetings. State law defines only three different types of meetings: Regular, Emergency and Special meetings, yet these governments have dreamed up other euphemisms, such as "work sessions" and "workshops" in order to bamboozle the public into thinking these are not real meetings, or are not as important. In fact, it is at these "work" meetings where plans are really hatched. Very few of these meetings are televised, and in my city they have the nerve to hold a 10-minute "business meeting," then shut the cameras off and continue to talk for two more hours. The non-televised portion is called the "workshop." They actually made a policy that "workshops" would not be televised, and did this with a straight face.

The televised meeting is just a choreographed presentation with a scripted outcome. To really make themselves look good, the council prays before the televised meeting gets started. I have never seen a council pray off-camera, it's only when the cameras are on.

I think these points need to be made whenever it is said that government and the public access channels are an important factor in upholding democracy, transparency in government and the like. I think such cheerleading is half-baked.

TINY PERCENTAGE

A tiny percentage of elected officials want to see all meetings recorded or televised and truly believe in a transparent government. More than 99 percent think the opposite, and that is where their hypocrisy shows. They want to beat the drum, make the cable operators look like bad guys, make themselves appear to be champions of some kind, want to feel like big shots, yet they do not practice what they preach. I have yet to find an elected official or government staffer who really knows anything about video or broadcasting. Yet they want to make the cable operators the villain in a scenario that is keeping the city council meeting from being televised in HD.

If they would learn something about video, they might understand that the crappy equipment they installed in the city council chambers in the 1980s wasn't any good when it was new. I have been complaining for years about poor quality of the various county and city government televised meetings, and no attempts are made to rectify. The cable franchisee should not entertain *any talks* at the bargaining table regarding HD until the governments and public access facilities show that they know what they are talking about and demonstrate they will put forth the investment necessary to carry out a complete upgrade to HD video *capture.* When the city halls are told what the bills will be to make this happen, the eyes will open wide.

How can anyone take these city governments seriously when their control rooms are still using 1982 Amiga character generators for simple super-imposed text and control of the video output?

How can anyone take city governments seriously when their systems use 25-year-old Leightronix controllers to start and stop a bunch of $59 DVD players, which are loaded with government meetings recorded at extremely low bitrates?

How can anyone take city governments seriously when their control rooms use the Panasonic MX-50 A/V Mixer, thinking this is a broadcast switcher? The scan converter being used is something they bought at Best Buy, and the list goes on.

How can anyone take elected officials seriously when they continually make sarcastic remarks about "all those thousands of people watching us right now" on cable television? If I hear this kind of talk just one more time during a televised meeting, I will have a screaming fit.

Either televise all meetings, or none at all. We would then be able to easily identify those with integrity from those who are posers.

Bryan Olson is a video producer and writer in Roseville-Falcon Heights, Minn., which is part of the Twin Cities area. He has been a public access producer and has worked on a number of city hall television broadcasts over cable. Please leave a comment below if you would like to reach him or respond.

Government Video – January 13, 2014

Consumers Stay Tuned to Television

CABLE VIEWING HITS RECORD LEVELS, BUT MULTICHANNEL SUB COUNTS SLIP
By: GEORGE WINSLOW Jan 06 2014 - 12:00am
CABLE VIEWING HITS RECORD LEVELS, BUT MULTICHANNEL SUB COUNTS SLIP

In the past five years, the viewing of video on multiple devices has become so widespread that it's part of the norm in the TV landscape.

"People are consuming more video and the alternative ways to access video are mainstreaming," Alan Wurtzel, president of research and media development for NBCUniversal, said. "Streaming to phones, tablets and computers is no longer just done by 25-year-olds who wear black and live in SoHo. It is very mainstream."

Unsuprisingly, that fact is changing the defi nition of TV and the way multichannel providers and programmers think about their packages and offerings.

"We are working to make the experience of accessing video as seamless as possible across devices," Comcast senior vice president and general manager of video servicves Matthew Strauss said. "We don't just think about TVs. We think about video, because at its core television is just video and any piece of glass that can deliver video in a secure way is a TV. So it becomes all about how you personalize those experiences."

As multiplatform video goes mainstream, companies must pay even closer attention to how patterns of consumption are shifting between different devices, Wurtzel and other researchers said. Some devices such as smartphones and tablets, are gaining traction with consumers and other platforms, like the PC, are starting to lose favor, they said.

STILL TUNED TO TV

In that changing landscape, total viewing of live and time-shifted TV programming grew by 15 hours and 38 minutes, from 149 hours and 1 minute a month in the third quarter of 2008 to 164 hours and 39 minutes a month in the third quarter of 2013, according to Nielsen.

"TV viewing as Nielsen measures it is in good shape," Turner Broadcasting System chief research officer Jack Wakshlag said, noting that multichannel TV continues to capture market share. Viewing of ad-supported cable hit a record 17.2 hours per week last year.

"Cable networks account for two of every three hours of viewing," Wakshlag said.

Over the last year, however, TV viewing has been generally flat, with some declines in younger demos. "We haven't seen a lot of change in the Nielsen data, mainly because a lot of the consumption that we know is happening is occurring on platforms like smartphones and tablets that aren't being measured," ESPN senior vice president of research and analytics Artie Bulgrin said, echoing complaints by many of the 14 executives interviewed for this special report.

This is particularly a problem within younger demos. A 2013 Horowitz Associates survey, for instance, showed that about a quarter of all 18-to-34-year-olds watched TV on a tablet at least once a week, and that 43% of the demo watched TV content on a handheld device, Howard Horowitz, the research firm's president, said.

Notable shifts are also taking place within the digital platforms. Nielsen data show that viewing video on TVs and mobile phones has risen while consumption of video on computers, DVD and Blu-ray players fell. "We are seeing a shift from PC-based used of video to mobile devices," Wakshlag said. "What you are seeing is a shift between devices that doesn't cannibalize TV."

Time-shifted viewing on DVRs, VOD and increasingly via such over-the-top providers as Netflix is also growing. "Netflix doesn't release data and is a real blind spot," Bulgrin said, but outside surveys suggest significant usage. Horowitz Associates, for example, reported that about half (51%) of those aged 18-34 purchase a streaming subscription service such as Netflix.

DVR PLAYBACK IS NO. 1 NET

Important shifts are also occurring in the way consumers watch on traditional TV sets, as time-shifting shows dramatic increases, FX Networks executive vice president of research Julie Piepenkotter said.

"We are seeing a lift of 70% to 90% in the number of viewers between those who watched it live and the total viewing over [the] C7 window," she said. "In broadcast for a number of years the No. 1 network is DVR playback, with a 4.8 rating."

Within time-shifted viewing, a number of researchers argue that the traditional VOD multichannel platform is growing faster than DVR, thanks to the fact the programmers are putting more content on VOD, where operators typically don't allow consumers to fast forward through ads.

"The number of DVRs in homes is leveling off and the level of viewing within TV homes that is timeshifted is about 17%, which hasn't changed for years," Wakshlag said.

At press time, it looked as if 2013 would mark the first time since the dawn of cable in 1948 that the multichannel industry as a whole lost subscribers. But losses are likely to be slight at just 0.1%, Leichtman Research Group president Bruce Leichtman said. Overall subscriber counts will remain flat until the housing market recovers, in Leichtman's view.

Estimates of the impact of cord-cutting vary, but most show fewer losses than many analysts expected. Vincent Letang, executive vice president and director of global forecasting at MagnaGlobal, predicted that the number of multichannel homes would fall by 1 million between the end of 2013 and 2017. But his predictions weren't all doom and gloom.

"We have reduced for the first time our estimates of cord-cutting homes and we think the situation has stabilized," Letang said.

By contrast, PricewaterhouseCoopers has predicted that a slight loss of about 1.1 million cable homes between 2012 and 2017, to 55.9 million in 2017, will be more than compensated by the growth in satellite subscribers (growing from 34.6 million to 37.3 million in 2017) and IPTV households (from 10.1 million to 14.3 million in 2017), PwC principal Chris Lederer said.

Even so, most analysts predict that pay TV penetration will fall.

“It is a mature market,” SNL Kagan senior analyst Ian Olgeirson said, adding that slow growth is one of the key drivers for possible mergers in 2104. “There is tremendous interest around further consolidation as organic growth prospects dry up a little bit and operators looked to expand their efficiencies,” he said.

And that is just one example of how changing video consumption will continue to transform the business in 2014

Multi Channel News – January 6, 2014

Court Loss Resets Clock On Open-Internet Rules

UPHOLDS FCC'S AUTHORITY TO IMPOSE REGULATIONS
By: JOHN EGGERTON Jan 20 2014 - 12:00am
UPHOLDS FCC'S AUTHORITY TO IMPOSE REGULATIONS

WASHINGTON —The Federal Communications Commission's network-neutrality rules were vacated by a U.S. appeals court last week, but they are likely to return under another legal guise, one cable operators, in self-defense, may even help craft.

It was a court victory cable operators did not overtly seek, and they were clearly concerned about the repercussions, depending on how the FCC approaches the U.S. Court of Appeals for the D.C. Circuit's decision to vacate the nondiscrimination and anti-blocking provisions of the its December 2010 Open Internet order and remand them back to the commission.

The court said the FCC had not justifi ed making Internet- service providers adhere to common-carrier regulations imposed on phone companies, but gave the agency a chance to try again with the suggestion it had good reason for trying and legal avenues for succeeding.

REVAMP LIKELY

The FCC will now likely open a proceeding on how to recraft the rules. FCC chairman Tom Wheeler said last week he would take the court up on its invitation to do so.

The FCC could appeal the ruling to the full court, but that would delay action on coming up with replacement rules. The FCC could defer to Congress on the authority issue, but the court seemed to uphold plenty of authority, so long as the regulator cites and uses it properly.

Congressional Democrats will introduce legislation to clarify the FCC's authority — Sen. Ed Markey (D-Mass.) has already signaled he will do so in the coming days — while Republicans will oppose such moves just as vigorously. That means don't look for any actual legislation out of Congress as long as it remains divided, though there will be hearings and calls for FCC action from the Hill.

In fact, the issue already took up a sizeable chunk of last week's House Communications Subcommittee hearing with former FCC chairmen, including the current National Cable & Telecommunications Association president, Michael Powell.

One senator is looking for Wheeler to check in with Congress before he tries to revamp the rules.

In written answers to Sen. John Thune (R-S.D.) following Wheeler's confi rmation hearing last year, the chairman said "yes" when asked whether he would "come to Congress for more direction before attempting another iteration of network-neutrality rules," if the order was "struck down" in the courts. Thune referred to that response last week in commenting on the decision.

But finessing answers in a nomination hearing is as much art as science.

Wheeler is not expected to wait for congressional approval before launching the review of the rules on remand, and may have some wiggle room in the "struck down" portion of the question, since the court did not vacate all of the rules. For one, it left intact the requirement that the FCC "publicly disclose accurate information regarding the network management practices, performance, and commercial terms of broadband Internet access services." So whatever ISPs do, they must tell their customers what is happening.

Theoretically, cable operators and other ISPs could now block and discriminate against edge content, but will likely come to the table again — as they did with the compromise Open Internet Order the court just threw out — to avoid classifying broadband under Title II, which the court also said the FCC could do.

Clear concerns emerged about the decision opening the door to blocking and discrimination expressed by computer companies and other net-neutrality advocates who last week were clamoring for immediate FCC action to restore the rules, essentially by any means necessary. The court said broadband providers clearly have "powerful incentives to accept fees from edge providers, either in return for excluding their competitors or for granting them prioritized access to end users."

While some analysts saw the potential downside if Netflix was coerced into paying extra to gain entry on a high-priority, broadband fast lane, others said fears that ISPs might discriminate against Netflix were grossly overblown.

Netflix, which eats up nearly a third of all downstream traffic on North American fixed broadband networks, could face from $75 million to $100 million in annual content delivery costs to cable companies if they discriminated, George Askew, an analyst at Stifel Nicolaus, estimated in a research note.

Others disagreed. Bernstein Research analyst Carlos Kirjner said that cable operators will be reluctant to throttle Netflix because it doesn't justify the risks of the PR firestorm and the increased regulatory scrutiny that would likely follow.

An attorney for Verizon Communications during oral argument even suggested that “but for [the Open Internet Order] rules we would be exploring those commercial arrangements,” something the judges noted at the time and again in the decision.

But the FCC is likely to try to reinstate that antidiscrimination provision via its authority under section 706 of the Communications Act. And if not, such a regime would almost certainly bring down the Title II edge of the court opinion’s double-edged sword.

“I don’t think anyone will do anything that would legitimize that ‘nuclear option’ in the forseeable future,” a Washington-based cable government-affairs executive said on background, adding that he sees the no-blocking provision returning in pretty much the same form. The no-discrimination provision could get some more attempted finessing as part of that industry conversation with the FCC, he said.

“Death of network neutrality” headlines notwithstanding , the decision leaves the FCC broad authority to regulate broadband and the impetus to do it, given the Obama Administration’s focus on broadband.

What at first blush seemed a major smackdown of the FCC looked more like an invitation to come up with legal justification for rules to address potential anticompetitive threats for which the court said the FCC had made a good case.

HOLLOW WIN?

If it was a big victory for Verizon Communications — the only challenger of the rule —it was the best example of a Pyrrhic victory since Pyrrhus, former FCC chairman Reed Hundt said last week. He pointed out the court gave the FCC several ways to recraft the rules.

The court went to great lengths to say the FCC had justified its authority to regulate broadband access in the interests of insuring the legislative mandate that broadband was deployed to all Americans in a reasonable and timely fashion under Section 706 of the Communications Act. It said the FCC’s problem was in trying to impose common carrier-like obligations without reclassifying the service, which it said was clearly a violation of the law.

After five successive conclusions that broadband was being deployed in a reasonable and timely fashion, the FCC in 2010, under Julius Genachowski, concluded that it was not, citing its increased speed requirements. The FCC used that conclusion to justify the order.

While the court said the timing was suspicious, the FCC’s argument for why preventing discrimination and blocking of edge providers would promote deployment was reasonable. “Questionable timing, by itself, gives us no basis to reject an otherwise reasonable finding, “ Judge David Tatel wrote for the majority — the decision was unanimous, with the only partial dissent by judge Laurence Silberberg, who thought the court should not have been so quick to uphold the FCC’s authority to regulate broadband.

In fact, for what was being slammed by many net neutrality advocates as a big victory for big ISPs, the court opinion was fi lled with plenty of ammunition the FCC could use if it chooses to reclassify broadband on remand.

That reclassification was viewed by cable operators as the “nuclear option,” and was the reason the National Cable & Telecommunications Association was at the table when the compromise Open Internet Order was crafted in 2010.

NCTA president Michael Powell warned last week that Title II would be applying thousands of pages of regulations to the Internet.

Cable operators were quick to assure all within earshot last week that they were not now blocking and degrading content, and that the decision would have no impact in that regard. But that did not stop net-neutrality advocates from predicting the end of the open Internet and House and Senate Democrats from threatening legislation.

Wheeler was keeping his options open. In the run-up to the decision, he did not close the Title II docket, which his predecessor had left open. And last week he said he remained committed to preserving an open Internet. “We will consider all available options, including those for appeal, to ensure that these networks on which the Internet depends continue to provide a free and open platform for innovation and expression, and operate in the interest of all Americans,” he said.

Jeff Baumgartner contributed to this report.

Multi Channel News January 20, 2014

Crowdsourcing an Open Letter on the Open Internet

Rep. Braley Ask Supporters To Urge FCC Chair Wheeler to Come Up With New Rules ASAP
By: John Eggerton Feb 03 2014 - 12:00am
Rep. Braley Ask Supporters To Urge FCC Chair Wheeler to Come Up With New Rules ASAP

WASHINGTON — A Democratic congressman eyeing one of Iowa's U.S. Senate seats is using the government's recent network-neutrality decision as a rallying point for supporters.

In an e-mail cited by website *Daily Kos* last week, Rep. Bruce Braley of Iowa asked his supporters to sign an open letter to Federal Communications Commission chairman Tom Wheeler urging the chairman to come up with new rules ASAP.

"Consumers want choice and open access in the Internet. They do not want huge telecommunications companies controlling what they see," Braley wrote.

Wheeler has some room to maneuver toward new rules that could pass muster with the courts. While the U.S. Court of Appeals for the District of Columbia struck down the heart of the rules, it gave the FCC advice on how it might redraft them using existing authority or by reclassifying them under Title II of the Telecommunications Act.

Wheeler is being pushed by some to take that second approach — what cable operators and Internet-service providers call the "nuclear" option — but is more likely to use the FCC's authority to promote universal broadband to underpin a new, case-specific approach to open Internet protections.

Braley is likely wise to try and use the bully pulpit of his office and public pressure to get new network neutrality rules. While Sen. Ed Markey (D-Mass.) and others have signaled they want to pass legislation clarifying the FCC's authority under statute to regulate the Internet, getting anything controversial through the current Congress — and Democrats and Republicans are clearly divided over that issue — is a long shot.

A source close to Markey told *Multichannel News* the language on their bill was being finalized and they expect to introduce it "soon."

Multi Channel News – February 3, 2014

High Court Agrees To Hear Aereo Case

By: JOHN EGGERTON Jan 13 2014 - 12:00am

WASHINGTON — The U.S. Supreme Court has decided to weigh in on the court fracas over Aereo, which means a decision could be rendered by June that will help shape copyright law and the distribution of over-the-top video.

The court released the decision on Friday (Jan. 10), and its brevity belied the big issues that hang in the balance.

"The petition for a writ of certiorari is granted," the court said without elaboration, beyond pointing out that Justice Samuel Alito took no part in the decision. That could be because he has stock in one of the companies, but the justices are never required to say why they are recusing themselves.

Aereo had joined broadcasters in saying the court should resolve the issue of whether it is simply providing remote access to TV station signals or is retransmitting a performance without compensation in violation of the copyright laws.

Commenting on the prospects of the Supreme Court taking the case, National Association of Broadcasters president Gordon Smith had told *Multichannel News* earlier in the day that the court's decision would be "hugely important in terms of over-the-top and whether copyright means what it historically meant."

Cablevision Systems has argued that Aereo's service violates copyright laws, but it is not happy that broadcasters tied Aereo to the legality of Cablevision's remote-storage DVR service. Cablevision fears that could "cripple cloud-based innovation in the U.S.," a point seconded by Charter Communications.

"Cablevision remains confident that while the Aereo service violates copyright, the Supreme Court will find persuasive grounds for invalidating Aereo without relying on the broadcasters' overreaching — and wrong — copyright arguments that challenge the legal underpinning of all cloud-based services," the company said Friday.

If Aereo is found to be legal, cable operators could have an incentive to migrate to an over-the-top model that allows them to deliver TV stations without compensation. Bigticket sports might have an impetus to move to pay TV.

The National Football League and Major League Baseball have warned that if Aereo wins and doesn't have to pay for delivering signals, the so-called high-value, non-substitutable sports events — such as the Super Bowl and the World Series — would be moving to pay TV.

"Our hope is that the court will affirm that you can't take over-the-air stuff and sell it to other people without triggering copyright protections," the NAB's Smith said.

Multi Channel News – January 13, 2014

It's a new game for Web access

• An appeals court struck down the FCC's "net neutrality" rule that required Internet content to be treated equally.

By CECELIA KANG
Washington Post

WASHINGTON - A federal appeals court struck down the U.S. government's rationale for regulating broadband Internet providers, opening the door for telecom companies to exert more control over what consumers see online.

The ruling took aim at the "net neutrality" rule that required broadband companies to treat all Internet content equally. But now, a company such as Time Warner Cable could speed up access to Disney websites for a fee, essentially creating a system that would offer the fastest service to the highest bidder.

Ultimately, critics warn, the big, moneyed firms would be favored over the small. Starting up a rival to Netflix, for instance, would be even harder if that company could pay for preferential treatment. Web companies also complained Tuesday that control over the Internet would be concentrated in the hands of a few giant telecom providers.

The "decision is alarming for all Internet users," said Harvey Anderson, senior vice president of legal affairs for Mozilla. "Essential protections for user choice and online innovation are gone. ... Mozilla strongly encourages the FCC and Congress to act in all haste to correct this error."

The net neutrality rule had invited a firestorm of protest by telecom firms and lawmakers who say broadband providers should be given more flexibility with their business models to help fuel the industry.

Critics say the rule was struck down by the three-judge panel at the U.S. District Court of Appeals for the District of Columbia because of a technicality. In the court's 63-page opinion, the judges said the Federal Communications Commission overstepped its authority when it passed its net neutrality rule in 2010. The court said the agency has the power to regulate utilities such as telephone service. But because the FCC categorized the Internet as an information service, its authority to pass regulations for the Web is limited.

FCC Chairman Tom Wheeler, who was sworn in late last year, said in a statement that he is considering "all available options, including those for appeal."

In a statement, Verizon Wireless said it won't substantially change the experience of its Internet service customers.

"Today's decision will not change consumers' ability to access and use the Internet as they do now," said Randal Milch, Verizon's executive vice president of public policy.

"Verizon has been and remains committed to the open Internet which provides consumers with competitive choices and unblocked access to lawful websites and content when, where, and how they want. This will not change in light of the court's decision."

Multiplatform Strategies Morph, Multiply

BETTER MEASUREMENT, TVE PLATFORMS, FASTER NETWORKS TOP PRIORITY LISTS
By: GEORGE WINSLOW Jan 06 2014 - 12:00am
BETTER MEASUREMENT, TVE PLATFORMS, FASTER NETWORKS TOP PRIORITY LISTS

While many of the most apocalyptic predictions about the collapse of the television industry in the face of digital media are proving to be misplaced, operators and programmers are approaching 2014 with a new sense of urgency in their digital-media efforts.

"Operators understand they have to focus on the needs of the subscriber if they want to continue to do well," Howard Horowitz, president of Horowitz Associates, said.

Given an increasingly competitive landscape that is bringing many major tech companies into the traditional TV space — with reports that Amazon, Apple, Google, Sony and others are considering 2014 launches of new over-thetop subscription services — it's critical to ramp up initiatives to give viewers the digital options they crave.

"It is difficult to change when you're printing presidents in the basement, and management teams have such profitable businesses," PwC principal Chris Lederer said. "But just in the last 12 months, the chess game that is going on between all the players in the video ecosystem has significantly heated up, and I think that change is only going to accelerate."

CROSS-PLATFORM MEASUREMENT

To strengthen the industry, one key initiative is better measurement, particularly for tablets and smartphones, which Nielsen currently doesn't measure. "We know that there is more usage of TV than ever before, but Nielsen isn't counting all of it," Alan Wurtzel, president of research and media development for NBCUniversal, said.

To address these longstanding complaints, both com- Score and Nielsen this year plan to roll out new crossplatform measurement systems that combine TV ratings with smartphone, PC and tablet usage, said Jane Clarke, managing director of the Coalition for Innovative Media Measurement (CIMM), which has been playing a major role in helping the industry develop better measurement.

"2014 will see the big step forward to the cross-platform measurement we have all been patiently waiting for," Viacom chief research officer Colleen Fahey Rush added.

Meanwhile other providers, notably Rentrak and Tivo's TRA, are also expanding their measurement tools.

Improving TV Everywhere platforms is another widespread initiative. "The majority of major networks are now participating in TV Everywhere in some form, and there has been significant growth and expansion from a content perspective," Matthew Strauss, senior vice president and general manager of video services at Comcast, said.

That has already translated into significant improvements in usage, added Jack Wakshlag, chief research officer at Turner Broadcasting System, who pointed to a December 2013 report from FreeWheel that found viewing of authenticated video content grew 217% in the last year.

To build on this progress, operators are now moving to promote these offers and make them much easier to use. "Operators have acquired the rights and set up the delivery mechanism for TV Everywhere," Steve Necessary, vice president of video product development and management for Cox Communications, said. "Now is the time to make folks more aware of what's available."

Operators are also putting more emphasis on Internetconnected set-top boxes, whole-home DVRs and network DVRs that make it easier for subscribers to access a wide range of content on both TVs and IP-connected devices.

"The set-top box today is one of the least intelligent devices in the home," KC Estenson, senior vice president and general manager of CNN.com. "But operators like Dish [Network], DirecTV, Comcast and ATT are really starting to realize they need to embed Internet functionality and place-shifting features into their boxes. It is one of the leading indicators of the revolution that is happening in the living room."

In the last 14 months, for example, Cox has launched a new program guide, dubbed Contour, that improved its TV Everywhere app by providing better recommendations on IP-connected boxes and adding capacity for more than 60,000 hours of additional content, Necessary said. "Over the last 12 months, the number of linear channels actively used by customers who set up profiles with the Contour recommendation engine has grown from 22 to over 28, which creates more satisfaction with the bundle," he added.

Such efforts are also important for the ongoing popularity of regular TV viewing, added Rômulo Pontual, executive vice president of engineering and chief technology officer of DirecTV, which has been expanding its TV Everywhere offering and has rolled out the Internet-connected Genie whole-home DVR.

Pontual also stressed the importance of big-screen TVs, given the ongoing popularity of increasingly large sets and the move to higher resolutions like UltraHD or 4K. "We have demoed 4K through the Genie," he said. "We are launching a new satellite next year and have the capacity. All that remains is finding the right time to start."

SPEEDIER NETWORKS

Faster networks are another key priority at operators. "Everything is moving towards video," Tom Sauer, vice president of video business and original content development for AT&T, said, adding that video now comprises half of the consumer wireline traffic on the telco's network.

To help handle that, he said, AT&T is boosting speeds. It launched a 1-Gbps service in Austin, Texas, in December and, as part of Project VIP, is expanding IP broadband to reach about 57 million customer locations in its 22-state service area. The effort will be important for handling heavier video traffic, delivering UltraHD content and expanding TV Everywhere offerings, Sauer said.

The push by operators to respond to the threat of OTT content is also affecting bundles, Mediamorph CEO and co-founder Mike Sid said.

This is already happening internationally, where several operators have deployed new TiVo boxes that allow users to access and search for both regular TV and over-the-top video, Tara Maitra, senior vice president and general manager of content and media sales, said. Operators like Sweden's Com Hem, for example, are now using those boxes to bundle Netflix with their regular TV packages.

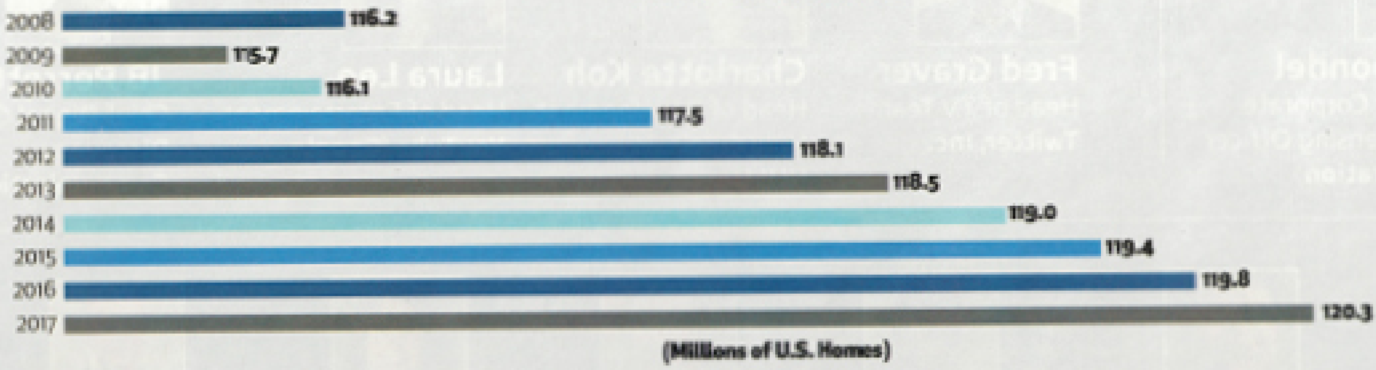
Mediamorph's Sid said, “A lot of what is happening in SVOD will spark a new sort of bundle.”

Multi Channel News – January 6, 2014

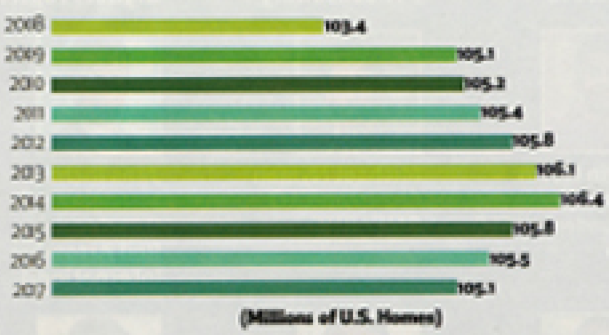
The TV Landscape

Multichannel subscriber counts may decline slightly by 2017, but will still be above 2008 levels, according to MagnaGlobal.

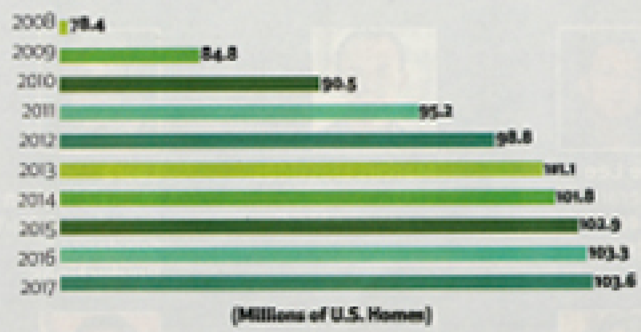
Total TV Homes



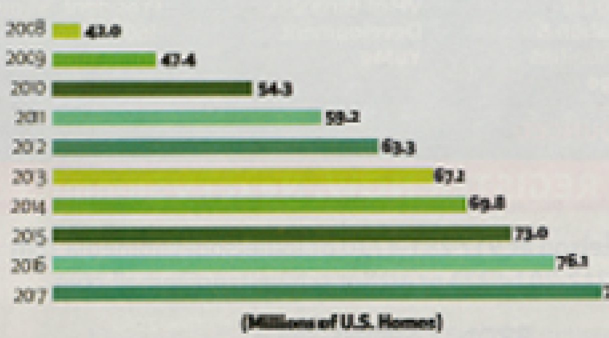
Total Multichannel Households



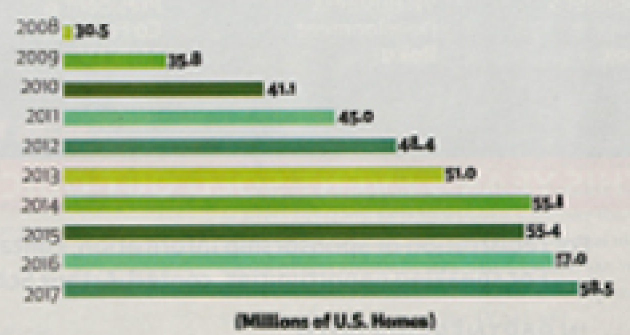
Total Digital Multichannel Subs



Total VOD Homes



Total DVR Homes

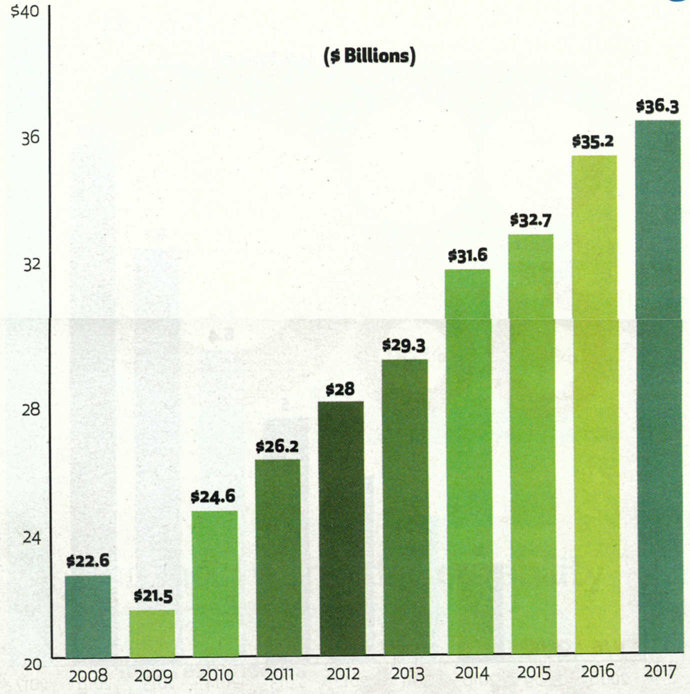


SOURCE: MagnaGlobal, projections for 2013-2017

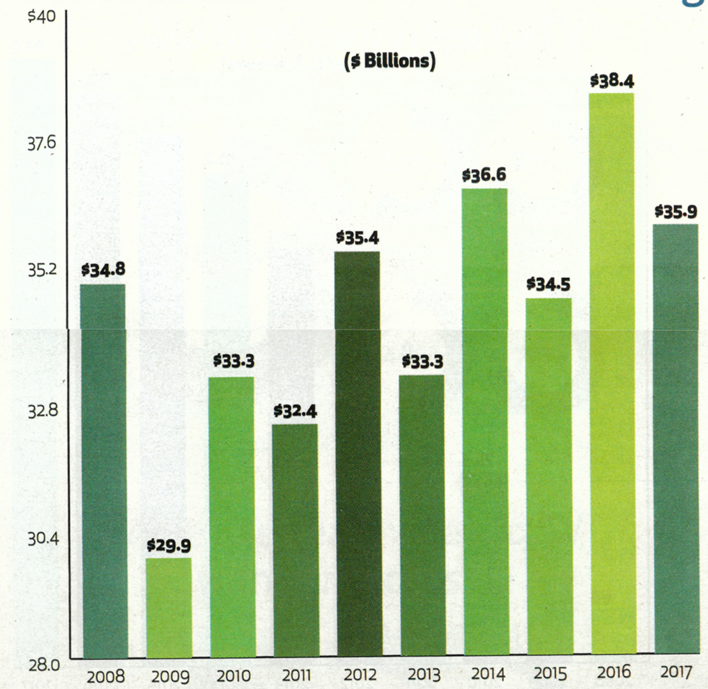
TV Advertising Revenues

Multichannel TV advertising will continue to grow faster than broadcast TV advertising, hitting $36.3 billion by 2017, MagnaGlobal predicts.

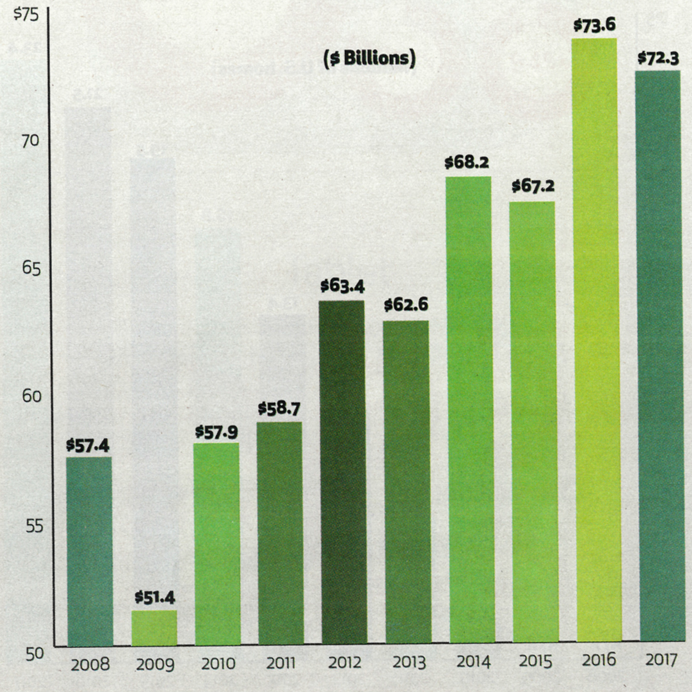
Total U.S. Multichannel TV Advertising



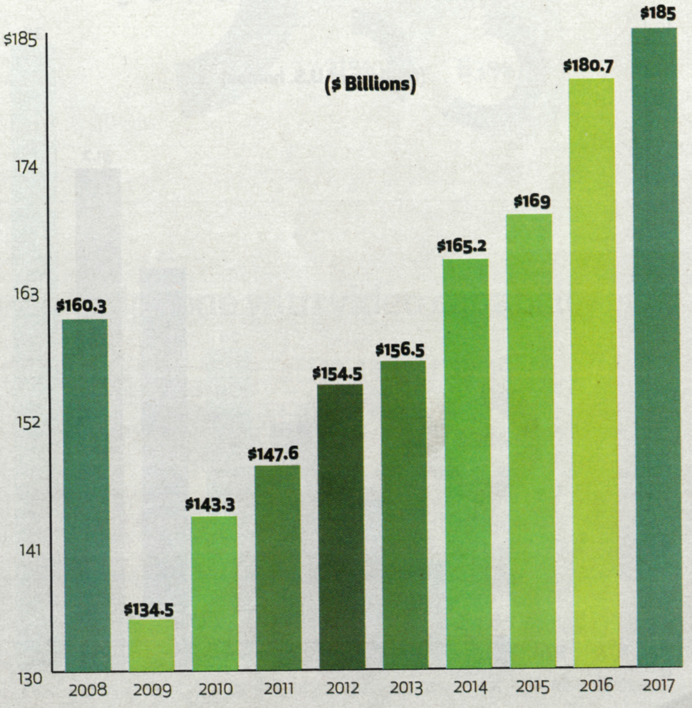
Total Broadcast Television Advertising



Total TV Advertising



Total Advertising

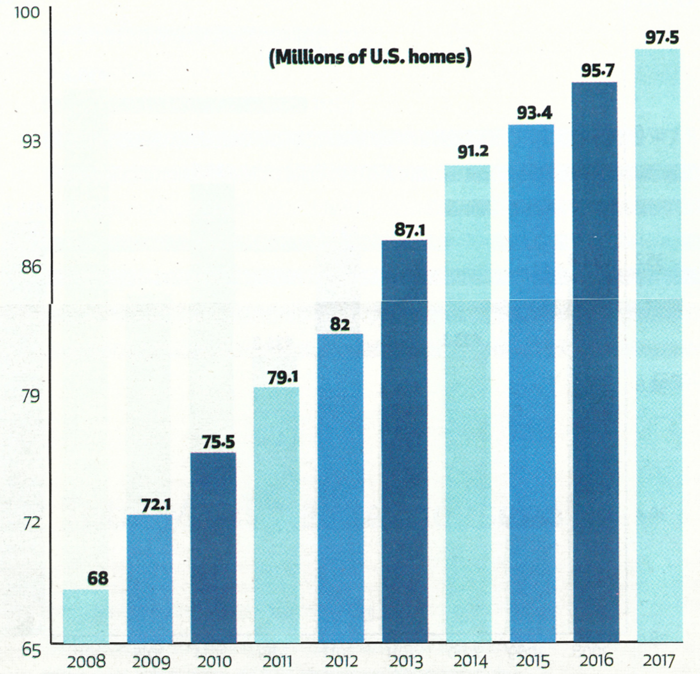


SOURCE: MagnaGlobal, projections for 2013-2017

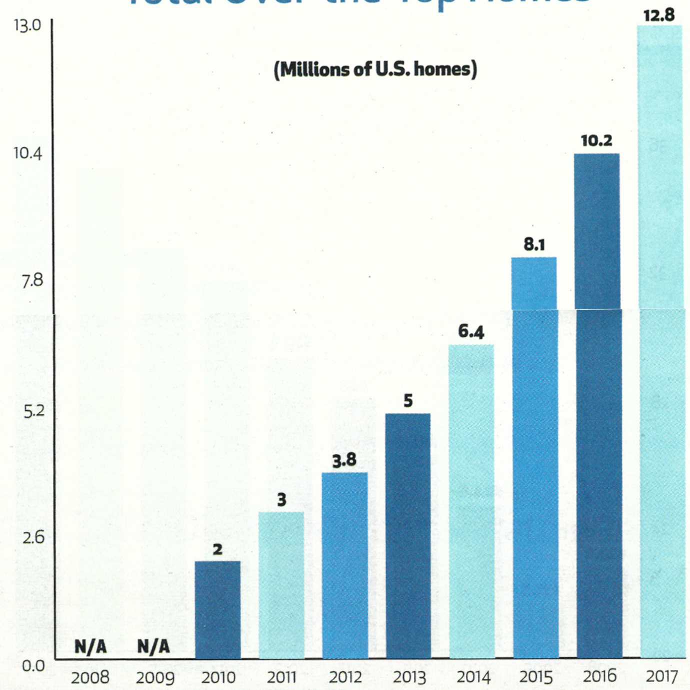
The Emerging Digital Landscape

About 81 million connected TVs will be sold between 2014 and 2017, when U.S. homes will have about 39 million set-tops capable of providing over-the-top content, Magna Global predicts.

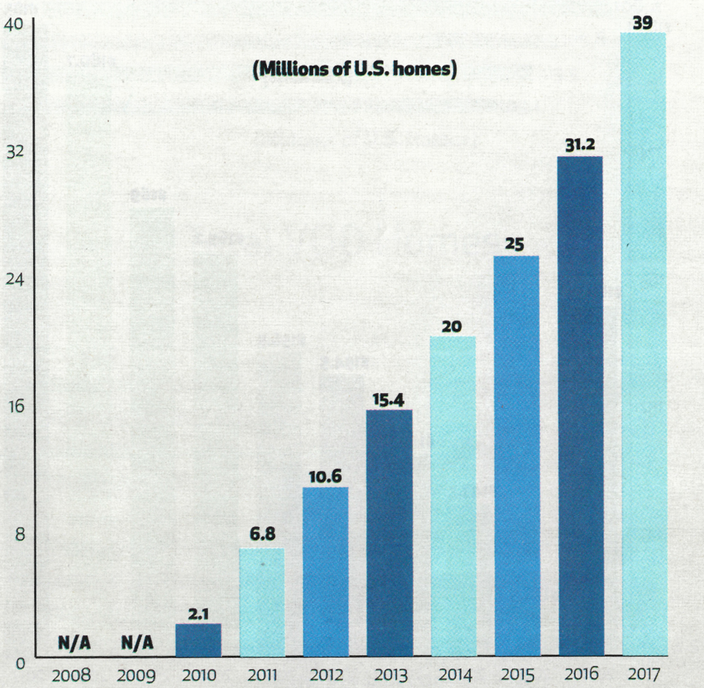
Total Residential Broadband Subscribers



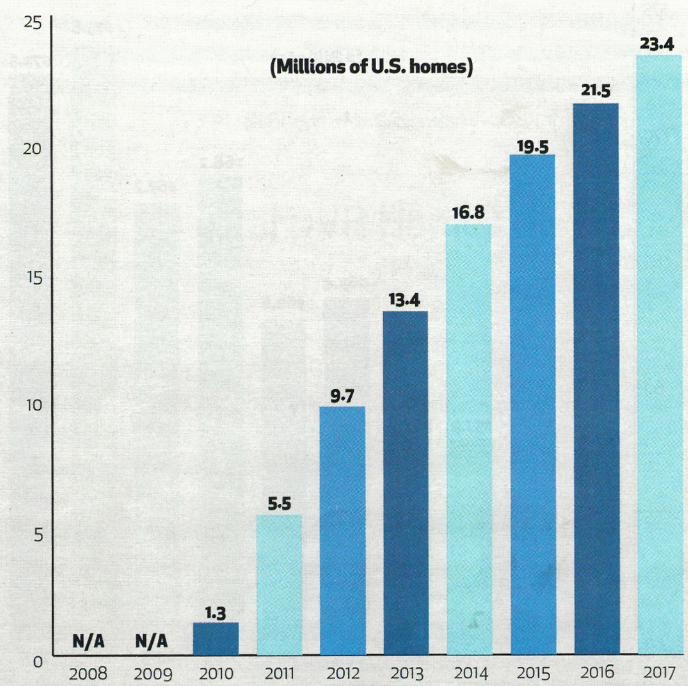
Total Over-the-Top Homes



Over-the-Top Boxes



Connected-TV Sales

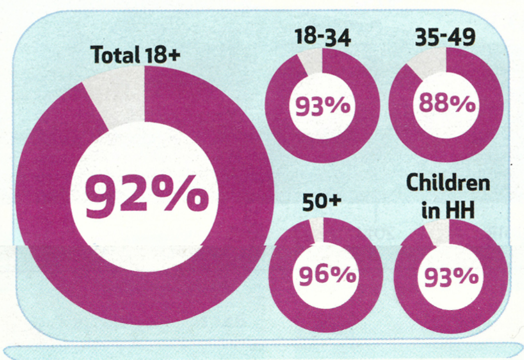


SOURCE: MagnaGlobal, projections for 2013-2017. N/A=not available

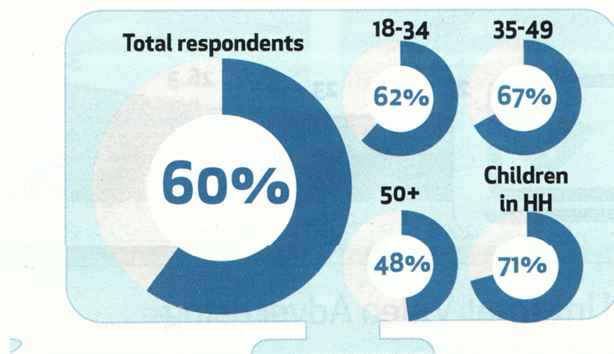
Multichannel, Multidevice

Broadband video is now available virtually everywhere, with more than 90% of all broadband homes able to stream video over a handheld device, per Horowitz Associates.

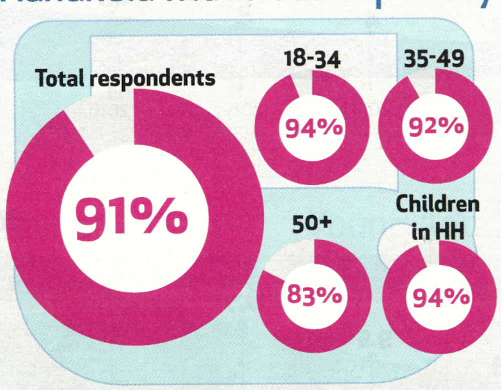
Have high-speed Internet on computer/laptop (Percent with device or capability)



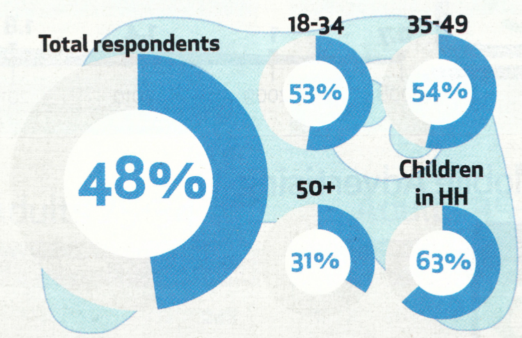
Able to stream video to TV



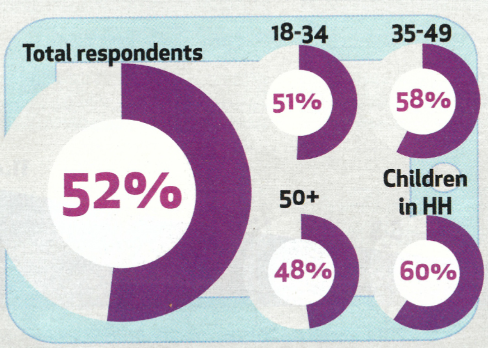
Handheld with video capability



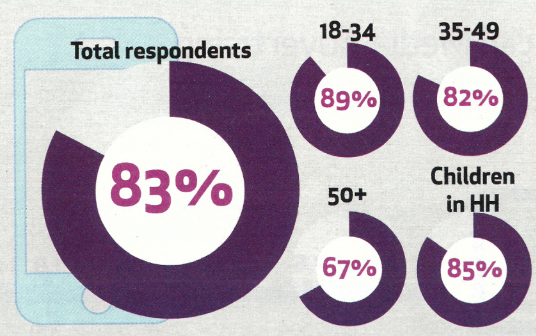
Able to stream video to TV with game console



Tablet



Cellphone with video capability

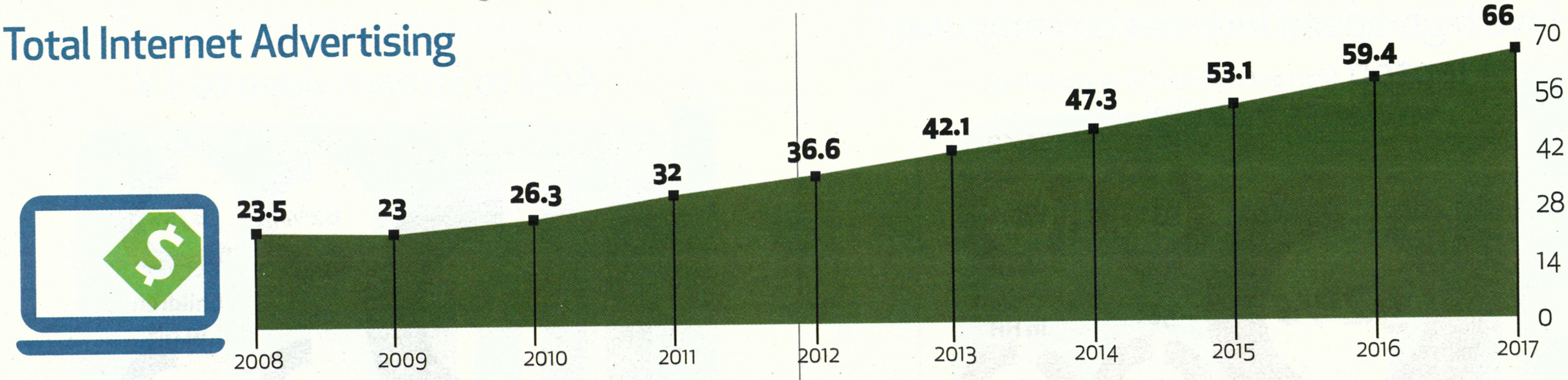


SOURCE: Horowitz Associates, "Multiplatform Content & Service," 2013

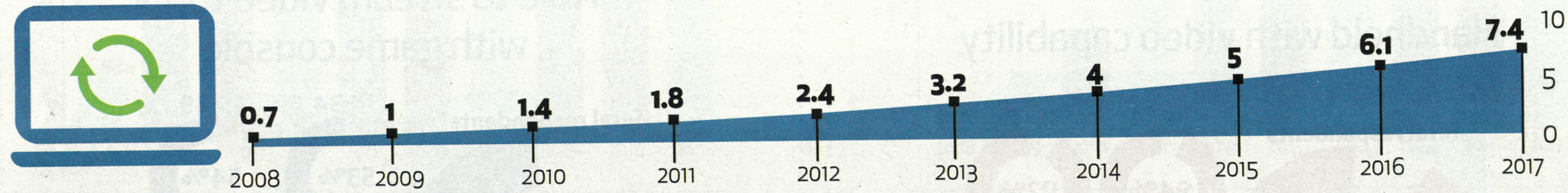
The Digital Advertising Landscape

Online video advertising is projected to top $7.4 billion by 2017, while the social media ad spend should reach $11.4 billion, MagnaGlobal predicts.

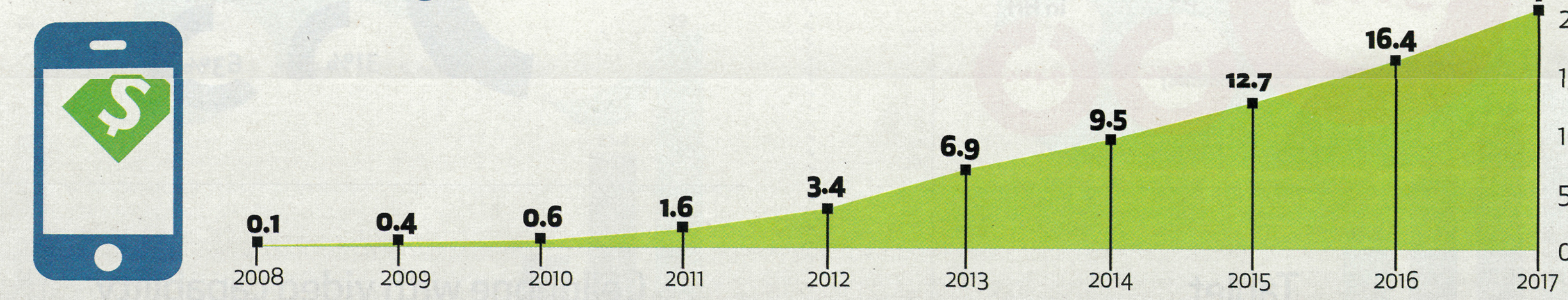
Total Internet Advertising



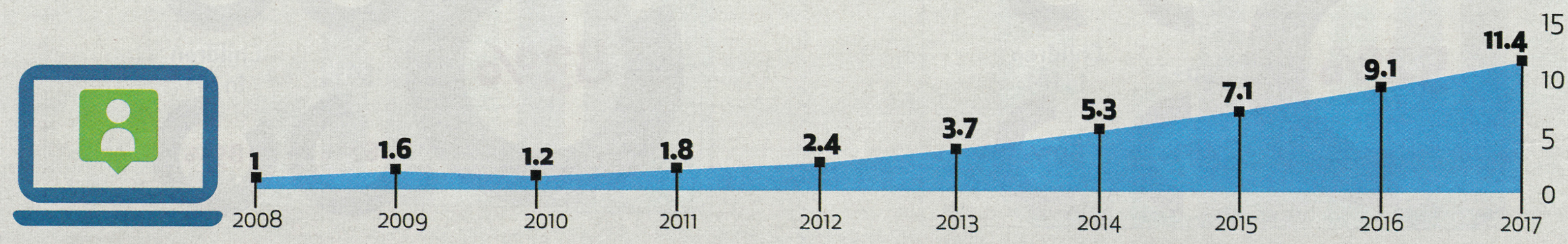
Total Internet Video Advertising



Total Mobile Advertising



Total Social Media Advertising



SOURCE: MagnaGlobal, projections for 2013-2017

Top Ad-Supported Networks

At press time, Nickelodeon had regained the lead as the most-viewed network for viewers 2 and older, while ESPN attracted the most men 18 and older and USA Network drew the largest female audience.

People 2-Plus

(Full day, year to date, 2013)

RANK	NETWORK	AVERAGE AUDIENCE
1.	Nickelodeon	1,889
2.	Disney Channel	1,714
3.	Adult Swim	1,361
4.	USA Network	1,295
5.	Nick at Nite	1,146
6.	TNT	1,141
7	Cartoon Network	1,124
8.	Fox News Channel	1,104
9.	History	983
10.	ESPN	931

Men 18-Plus

RANK	NETWORK	AVERAGE AUDIENCE
1.	ESPN	631
2.	History	567
3.	Fox News Channel	536
4.	Adult Swim	507
5.	TNT	482
6.	USA Network	476
7	TBS	370
8.	Discovery Channel	357
9.	A&E	354
10.	FX	345

Women 18-Plus

RANK	NETWORK	AVERAGE AUDIENCE
1.	USA	723
2.	TNT	586
3.	Fox News Channel	554
4.	HGTV	536
5.	Nick at Nite	487
6.	Nickelodeon	433
7	A&E	424
8.	Adult Swim	391
9.	Lifetime	384
10.	Food Network	371

Kids 2-11

RANK	NETWORK	AVERAGE AUDIENCE
1.	Nickelodeon	999
2.	Disney Channel	940
3.	Cartoon Network	495
4.	Disney Junior	256
5.	Nick at Nite	254
6.	Nick Jr.	204
7	Disney XD	180
8.	Adult Swim	176
9.	Nicktoons	97
10.	Sprout	87

Teens 12-17

RANK	NETWORK	AVERAGE AUDIENCE
1.	Adult Swim	288
2.	Disney Channel	287
3.	Nickelodeon	217
4.	Cartoon Network	194
5.	Nick at Nite	192
6.	MTV	103
7	ABC Family	76
8.	Disney XD	65
9.	FX	59
10.	Comedy Central	56

Young Adults 18-24

RANK	NETWORK	AVERAGE AUDIENCE
1.	Adult Swim	336
2.	Nick at Nite	181
3.	Nickelodeon	161
4.	Cartoon Network	130
5.	MTV	129
6.	Comedy Central	114
7	Disney Chanel	110
8.	ESPN	109
9.	USA Network	103
10.	TBS	99

Adults 25-34

RANK	NETWORK	AVERAGE AUDIENCE
1.	Adult Swim	248
2.	Nickelodeon	179
3.	ESPN	161
3.	Nick at Nite	161
5.	USA Network	142
6.	TBS	140
7	Disney Channel	125
8.	TNT	121
9.	FX	121
10.	A&E	112

Adults 35-49

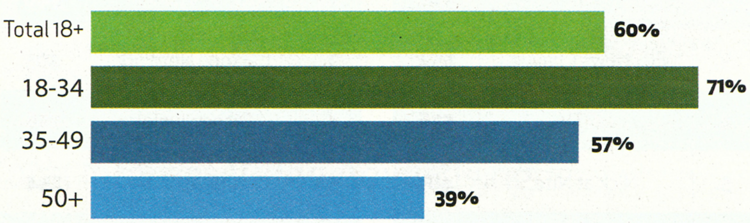
RANK	NETWORK	AVERAGE AUDIENCE
1.	TNT	272
2.	USA Network	247
3.	ESPN	220
4.	A&E	219
4.	History	219
6.	Adult Swim	204
7	TBS	192
8.	Nickelodeon	189
9.	Nick at Nite	188
10.	FX	182

SOURCE: Nielsen. Ad-supported networks ranked by average audience for full day, live plus 7, from Jan. 1 to Nov. 17, 2013. Compiled for *Multichannel News* by Fox Cable Networks

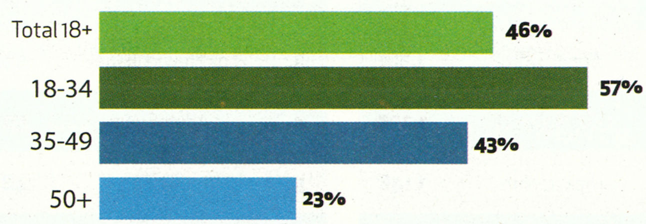
Online Video Audiences

Three in five adults are now viewing TV programming over the Internet each week on a connected device, according to Horowitz Associates.

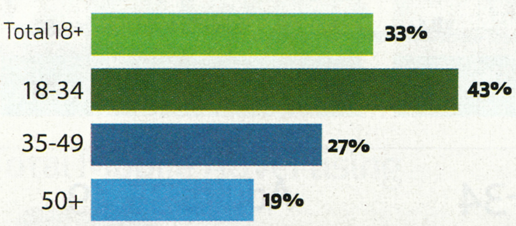
Watch on any connected device



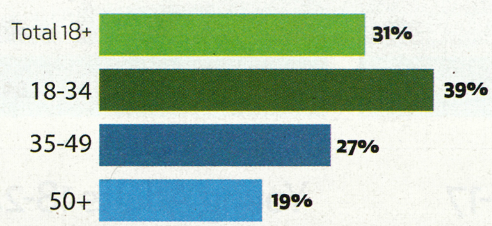
On a computer or laptop



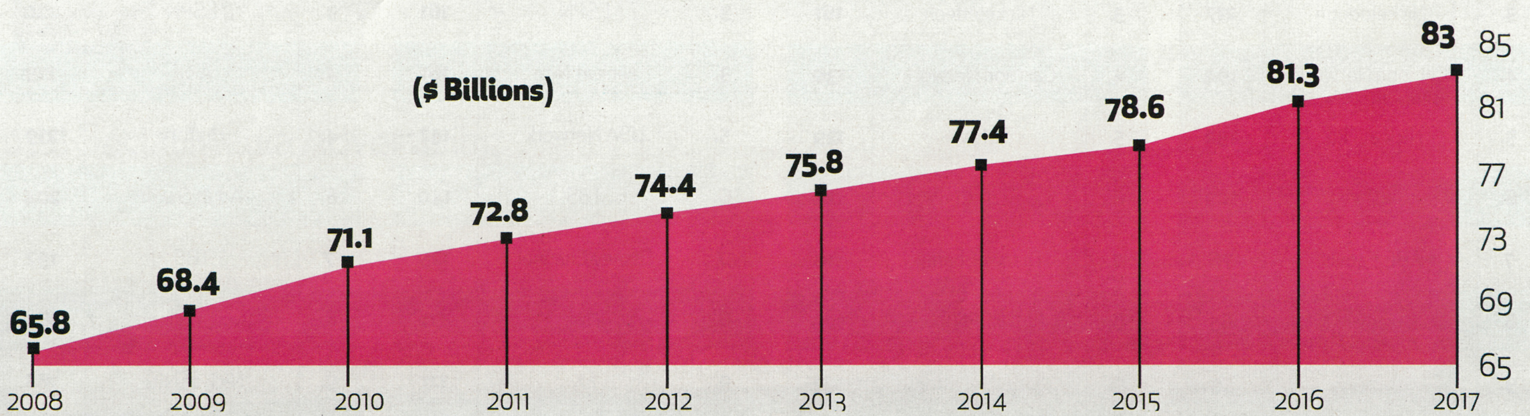
Any handheld device



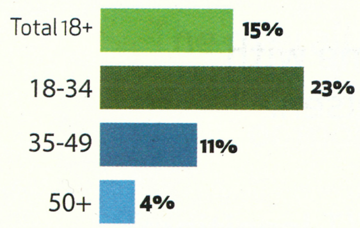
Total streaming to TV



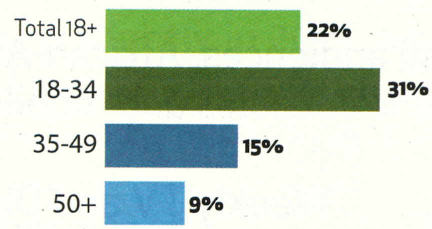
Total Multichannel Subscription and License-Fee Spending



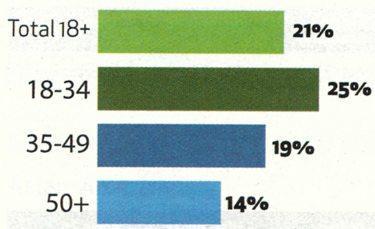
Streaming to TV with game console



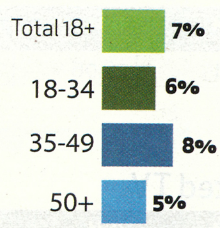
Cellphone



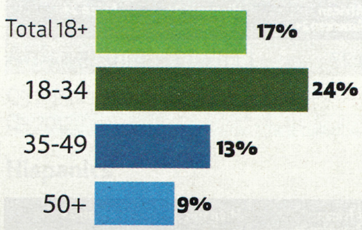
iPad or other tablet



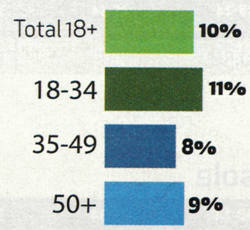
Streaming from Blu-ray player to TV



Streaming from Internet directly to TV

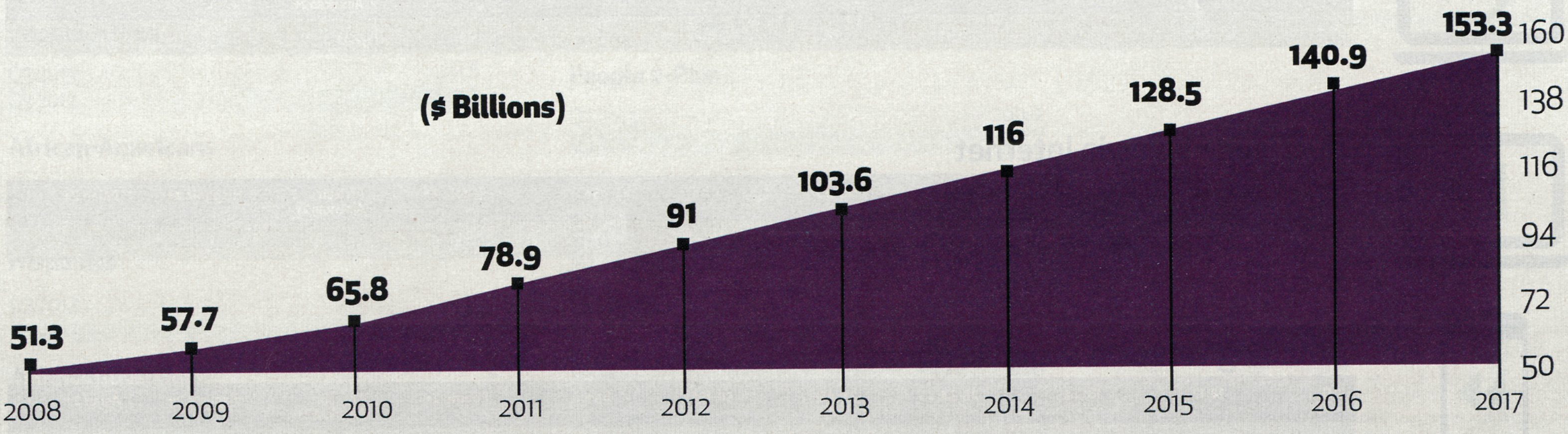


Streaming from Apple TV, Vudu, Moxi, Roku, Boxee or Google TV device



SOURCE: Horowitz Associates, "Multiplatform Content & Services," 2013

Total U.S. Internet Wired and Mobile Access Spending



SOURCE: PricewaterhouseCoopers, "Global Entertainment and Media Outlook: 2013-2017." Projections for 2013-2017.

Digital Consumption Trends

Among all audiences, African-Americans spend more time with TV, game consoles and mobile video, according to Nielsen.

Weekly TV and Digital Media Usage

(Hours and minutes spent in TV homes)

Viewing traditional linear TV

2-11	12-17	18-24	25-34	35-49	50-64	65+	People 2+	African American 2+	Hispanic 2+	Asian 2+
24:42	21:44	21:45	26:06	30:53	40:19	46:43	31:52	44:25	26.57	18.15

Watching time-shifted TV

2-11	12-17	18-24	25-34	35-49	50-64	65+	People 2+	African American 2+	Hispanic 2+	Asian 2+
2:20	1:55	1:45	3:11	3:27	3:29	2:42	3:52	2:12	2:01	1:54

Using a DVD/Blu-ray device

2-11	12-17	18-24	25-34	35-49	50-64	65+	People 2+	African American 2+	Hispanic 2+	Asian 2+
2:06	1:10	0:58	1:31	1:09	0:54	0:32	1:10	1:27	1:11	0:55

Using a game console

2-11	12-17	18-24	25-34	35-49	50-64	65+	People 2+	African American 2+	Hispanic 2+	Asian 2+
2:38	4:02	3:01	2:07	0:55	0:18	0:06	1:33	1:52	1:43	1:02

Using the Internet on a computer

2-11	12-17	18-24	25-34	35-49	50-64	65+	People 2+	African American 2+	Hispanic 2+	Asian 2+
0:22	0:47	4:12	5:49	6:16	5:30	3:11	4:09	4:09	2:43	3:14

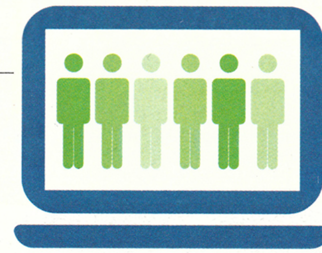
Watching video via Internet

2-11	12-17	18-24	25-34	35-49	50-64	65+	People 2+	African American 2+	Hispanic 2+	Asian 2+
0:11	0:21	1:21	1:22	1:02	0:43	0:16	0:46	0:58	0:46	0:58

Watching video on a mobile phone

2-11	12-17	18-24	25-34	35-49	50-64	65+	People 2+	African American 2+	Hispanic 2+	Asian 2+
N/A	0:36	0:33	0:27	0:17	0:05	0:01	0:16	0:25	0:24	0:28

URCE: Nielsen, "The State of Media: The Cross-Platform Report." Data from Q3 2013. N/A=not available.



Digital Media Audiences

The overall number of TV viewers grew slightly in 2013, while computer usage dropped and the number of people viewing time-shifted TV or mobile video increased dramatically, according to Nielsen.

Traditional TV

People 2-Plus

Q3 2013	283.7
Q3 2012	282.6

African-Americans

Q3 2013	36.7
Q3 2012	36.8

Hispanics

Q3 2013	47.6
Q3 2012	46.4

Asian-Americans

Q3 2013	15.6
Q3 2012	15.7

Time-Shifted TV

People 2-Plus

Q3 2013	167.1
Q3 2012	150.2

African-Americans

Q3 2013	19.7
Q3 2012	18.3

Hispanics

Q3 2013	23.6
Q3 2012	19.6

Asian-Americans

Q3 2013	8.3
Q3 2012	7.5

Using DVD/Blu-ray

People 2-Plus

Q3 2013	141.6
Q3 2012	148.8

African-Americans

Q3 2013	16.9
Q3 2012	18.2

Hispanics

Q3 2013	23.1
Q3 2012	24.1

Asian-Americans

Q3 2013	7.1
Q3 2012	7.8

Game Consoles

People 2-Plus

Q3 2013	94.9
Q3 2012	94.2

African-Americans

Q3 2013	11.7
Q3 2012	11.9

Hispanics

Q3 2013	18.1
Q3 2012	17.1

Asian-Americans

Q3 2013	5.3
Q3 2012	5.6

Using a Mobile Phone

People 2-Plus

Q3 2013	239.8
Q3 2012	237.3

African-Americans

Q3 2013	26.4
Q3 2012	25.0

Hispanics

Q3 2013	34.6
Q3 2012	32.7

Asian-Americans

Q3 2013	11.6
Q3 2012	10.4

Using Internet on A Computer

People 2-Plus

Q3 2013	200.0
Q3 2012	210.7

African-Americans

Q3 2013	24.0
Q3 2012	24.4

Hispanics

Q3 2013	26.7
Q3 2012	26.8

Asian-Americans

Q3 2013	7.2
Q3 2012	7.3

Watching Video On a Computer

People 2-Plus

Q3 2013	147.7
Q3 2012	161.1

African-Americans

Q3 2013	17.7
Q3 2012	18.7

Hispanics

Q3 2013	19.6
Q3 2012	20.9

Asian-Americans

Q3 2013	5.7
Q3 2012	5.9

Watching Video on A Mobile Phone

People 2-Plus

Q3 2013	53.1
Q3 2012	38.4

African-Americans

Q3 2013	7.7
Q3 2012	5.7

Hispanics

Q3 2013	10.5
Q3 2012	7.8

Asian-Americans

Q3 2013	4.0
Q3 2012	2.6

SOURCE: Nielsen, "The State of Media: The Cross Platform Report." Data covers average month in Q3 2013.

PEG Access Television and Government Transparency

Dec 27, 2013
by Bunnie Riedel
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One of the more popular terms at all levels of government is "transparency." How do we ensure that our government is transparent? What does it take to achieve transparency? Can we ever have complete transparency?

It seems that every federal and state agency is engaged in discussions about transparency, or launching a web site to demonstrate its commitment to transparency. Meanwhile, it also seems that every day we are faced with a news story about some secret program or other significant information that was withheld from the public.

For nearly 50 years, Public, Educational and Government (PEG) access television has been delivering local government and institutional transparency. PEG access television was a transparent portal for information long before the topic became fashionable. There's nothing more transparent than having a video camera pointed your way as you do the people's business, and for some leaders that indelible video record ends up being their claim to fame or their ride to ignominy.

I've had council or school board members tell me stories of being stopped in a grocery store by constituents who were happy or displeased with what they said or how votes were cast the evening before. Just a week before I'm writing this, a mayor of a small town said he wasn't sure he wanted town meetings to be taped and put on the PEG channel.

"We have a councilman who's a grandstander," he said.

"Then by all means get cameras in there because people will see it," I replied.

SCHOOL BOARD MEETINGS

A highly placed Capitol Hill staffer told me she supports PEG access television because that's how she gets to watch school board meetings.

"I don't have time to leave Capitol Hill and go to school board meetings, but I want to keep up with what they're doing so I usually will watch the meetings while making dinner," she said.

It's not just meetings that get delivered unhindered to the viewing public. Often it's on PEG channels where we meet critical stakeholders in our community, such as police and fire chiefs, comptrollers, college and hospital presidents, school board chairpersons, senior services directors and others whose jobs are to improve the health, safety and cultural qualities of our communities.

Then there are the "issues" that get discussed. As someone who has looked at hundreds of programming schedules, one of the things I am always impressed by is how hyper-local and different programming is from community to community.

As you might imagine, communities in the desert Southwest often have programs about water usage and conservation. Communities in the upper Midwest will have shows about furnace safety or snow removal. East Coast channels will highlight issues pertaining to interstate transportation and new traffic patterns at roundabouts, while West Coast channels often carry Port Authority discussions.

Through it all, chambers of commerce, or the League of Women Voters, or senior- or child-advocacy organizations are weighing in with comments to represent their communities. All the programming is geared toward educating the public and improving the livability of our communities.

OPEN DEBATE

In addition to bringing local government activities into our living rooms, PEG access television also gives the public an opportunity to openly debate government's behavior at a level far beyond just a letter to the editor or a posting on a blog. I'm reminded of the town in Texas that shut down the public access channel because of a weekly show that criticized town leaders—obviously, the amateurishly produced 30-minute weekly show was viewed as a threat to those town leaders.

Needless to say, a court ruled that the prohibition violated the First Amendment and forced the town fathers to re-instate the channel.

In 1984, Congress passed the Cable Act and codified PEG access television into federal law, and clearly expressed its purpose for doing so. The legislative history, in part, states:

"PEG channels also contribute to an informed citizenry by bringing local schools into the home, and by showing the public local government at work."

At American Community Television, we advocate for all parts of Public, Educational and Government access television. Although we are often out-maneuvered and certainly out-spent by the industry in our advocacy efforts, there is no denying that PEG delivers what no other television medium can or will deliver.

Transparent and open connections between citizens and their local communities are critical components of healthy and well-managed government, just as the authors of the Cable Act intended it should be.

Bunnie Riedel is the executive director of American Community Television, a PEG access television advocacy organization. She can be reached at riedel@acommunitytv.org*.*

Government Video – December 27, 2013

Reversal of Fortune: Comcast Wins New Subs

TOP MSO ENDS SEVEN-YEAR TREND OF LOSSES

BY MIKE FARRELL

After nearly seven years of video-subscriber losses, Comcast is apparently the first major cable operator to reverse the trend, expected to report a slight gain in television customers in the fourth quarter.

Still, analysts are split as to whether that development will translate into positive growth for the industry.

Comcast has reduced its basic-video losses for 10 of the past 12 quarters, and was the leading candidate for most observers to cross into positive video-customer territory. Last week at the Citigroup Internet, Media & Telecommunications conference in Las Vegas, Comcast chairman and CEO Brian Roberts revealed that the nation's largest cable operator did just that.

While official results are not expected until Jan. 28, when Comcast is scheduled to fully report its fourth-quarter results, Roberts told the Citigroup get-together on Jan. 7 the company "modestly grew" basic-video customers in the fourth quarter. It was Comcast's first quarterly gain in video customers since 2007.

TAKEAWAY

Analysts are divided as to whether Comcast's fourth-quarter subscriber gain is indicative of an industry-wide phemonenon.

'A REAL BEGINNING'

"It will take some time before the entire year will grow, but it is a real beginning of an exciting reversal of trends," Roberts said. "We had a profitable quarter, as we had throughout the year, so it's encouraging."

Roberts's suggested gain was in part due to advances in online-video extensions (TV Everywhere) and the new X1 platform, which provides customers with a more user-friendly guide.

He said Comcast plans to accelerate the rollout of X1 — which currently has about 1 million users — and the next-generation X2 to more than half of its footprint in the next few years.

Comcast could have been helped by the seasonally strong fourth quarter: customers are less likely to cancel service around the holidays. And it nearly reported a video-customer gain in 2012. The nation's biggest cable operator lost just 7,000 video customers in the fourth quarter of that year.

"It is not altogether surprising they would manage to put up a modest gain," Pivotal Research Group principal and senior media & telecommunications analyst Jeff Wlodarczak said. He said among other top MSOs, Charter Communications probably had the best chance of reporting fourth-quarter video-customer gains, although that was a long shot. He did not believe it was likely that Cablevision Systems, for example, would report a gain.

"Comcast may be a bit of a one-off," Wlodarczak said.

Last Wednesday (Jan. 8) at the Citi conference, Time Warner Cable chief financial officer Arthur Minson said TWC lost about 215,000 video customers in the fourth quarter.

Video-subscriber growth has been the cable industry's Holy Grail for about a decade. The industry last showed a video customer gain in 2001 when, according to the National Cable & Telecommunications Association, there were 66.9 million U.S. cable customers. In 2012, according to the NCTA, that number had fallen to 56.4 million.

Comcastic Turnaround

After steadily improving its video-subscriber losses for 10 of the past 12 quarters, Comcast said it expects to add video customers in the fourth quarter of 2013.

Video Subscriber Losses

	Q1	Q2	Q3	Q4
2013	-60,000	-159,000	-129,000	+?
2012	-37,000	-176,000	-117,000	-7,000

Yearly Video Customer Declines

2009	-623,000
2010	-757,000
2011	-459,000
2012	-337,000

SOURCE: Comcast

A sluggish housing market over the past five years has combined with stiff competition from satellite, telco and over-the-top video service providers to add to subscriber losses.

Even Comcast, one of the top video performers of the past three years, slipped slightly in the first three quarters of 2013. Comcast lost about 348,000 video subscribers in the first nine months of 2013, according to company data — more than the 337,000 the company lost for the full year in 2012.

KUDOS FROM MOFFETT

That would mean Comcast needed to gain at least 11,000 new video customers in the fourth quarter to keep 2013 subscriber losses below the 2012 deficit.

Still, in this era of heightened competition and fragmented audiences, some analysts saw Comcast's feat as a testament to its hard work and video-centric strategy.

"It has been a long time coming, but it speaks to the steady hard work that Comcast has put into their video product," MoffettNathanson principal and senior analyst Craig Moffett said. "We thought we might see the first positive quarter nearly two years ago, but household formation has been slower than we expected coming out of the recession, so Comcast faced an even steeper uphill climb than we have anticipated.

"It is a tremendous testament to the team at Comcast that they have finally pulled this off," Moffett said.

Sources Say House Will Take Lead on STELA

WALDEN SEEKING A RETRANSMISSION-FREE BILL
By: JOHN EGGERTON Feb 03 2014 - 12:00am
WALDEN SEEKING A RETRANSMISSION-FREE BILL

WASHINGTON — According to industry sources, the Senate plans to let the House take the lead this time around on legislation renewing the Satellite Television Extension and Localism Act — or not renewing it, as the case may be.

If so, that bill would most likely not deal with retransmission-consent rules or other contentious issues that could tie it up.

Broadcasters want a clean reauthorization of the bill if the alternative is a referendum on retransmission consent, while cable operators and other multichannel-video providers generally look at STELA as a vehicle for what they say is that needed reform.

CHANGE OF VENUE

A House Energy & Commerce Committee source confirmed on background that the plan is for the House to do the initial heavy lifting.

The Senate has historically taken the lead, though one industry source argued that the House Judiciary Committee was responsible for one of the biggest changes last time around, allowing satellite-TV provider Dish Network to get back into the distant-signal business in exchange for delivering local-TV station signals to every market.

The House Energy & Commerce and Judiciary Committees and their Senate counterparts have jurisdiction over the law, which principally grants satellite operators a blanket license to deliver distant network-affiliated TV station signals to subscribers who can't get a viewable signal from their in-market affiliate.

That includes serving markets without a full complement of affiliated stations, as well as areas of a market that satellite spot beams don't reach. Also included are so-called orphan counties that may lack access to stations carrying nearby sports teams or news or politics more relevant to those viewers.

The law also gives the FCC authority to enforce goodfaith negotiations in retransmission disputes. Without renewal, the law expires at the end of 2014.

House Communications Subcommittee Chairman Greg Walden (R-Ore.) has been the most active Hill voice on STELA and had signaled he was looking at working on a House draft bill starting in the first quarter.

If past is prologue, Congress will need plenty of time to debate how to renew it.

Last time around, STELA was a magnate for contentious debate that pushed its renewal months past the Dec. 31, 2009, deadline and forced the Senate to ask distributors to treat satellite operators as though they still had a compulsory license and trust Congress to make the license retroactive when it finally did agree on a renewal.

The Copyright Office has recommended eliminating the blanket license in favor of marketplace negotiations. But the likelihood is a fairly narrow STELA reauthorization, at least if Walden gets his way, though perhaps not for the full, five-year term.

ROCKEFELLER HEARINGS

That scenario would defer fights over retransmission and orphan counties to the multiyear Communications Act rewrite teed up by Walden and House Energy & Commerce Commission chairman Fred Upton (R-Mich.).

It's unclear whether or not Energy & Commerce ranking member Anna Eshoo (D-Calif.) will agree to punt the retransmission battle, given that she has introduced a retransmission-reform bill to try to eliminate blackouts.

Over on the Senate side, look for Commerce Committee chairman Jay Rockefeller (D-W.Va.) to hold a hearing on a video reform bill he introduced last fall.

Any standalone bill is a long shot, but it was described as a way for the chairman to "start a conversation about the best way to nurture new, innovative online services" so they can become a true competitors to cable.

That Senate conversation may well extend into its STELA review. Sen. John Thune (R-S.D.) also signaled last week he thought the Senate should "revisit the laws governing subscription television services."

Multi Channel Mews – February 3, 2014

Update Telecom Law to Foster Innovation

By: REP. FRED UPTON (R-MICH.) AND REP. GREG WALDEN (R.-ORE.) Jan 13 2014 - 12:00am

Our nation's economy depends on our ability to make technological advances that allow us to innovate and grow. From the earliest days of the telephone to today's wireless broadband Internet, the communications sector has been a driver of technological change and economic activity for more than a century.

Our national passion for innovat ion has allowed us to bring people together in profound new ways to communicate, conduct business, interact with government, and open up new worlds of information, not just here, but around the globe.

Last week, the annual International CES again took center stage in the tech world. Tens of thousands of people — from eager consumers to passionate inventors — descended upon Las Vegas to see the latest and greatest advancements in innovation and technology. We are living in a golden age of innovation that has fostered broad investment, competition and consumer choice. But without laws that acknowledge changes in technology, our ability to continue to lead the world in the information age is threatened.

We cannot afford to ignore the burdens and barriers created by our antiquated communications laws. The House Energy and Commerce Committee is launching a multiyear process to update the Communications Act, the law that governs such a critical piece of our national economy.

LOSING RELEVANCE

Originally written in 1934, and last updated before most Americans could fully grasp the Internet's potential in 1996, the Communications Act governs with rules that are losing relevance by the day.

Our work will be exhaustive, inviting industries, innovators, consumers and citizens to join us in an open dialogue. The communications and technology sectors — and the laws that govern them — are complex and interconnected. We need a broad, open conversation about the successes and failings of the Communications Act in order to honestly consider the sweeping changes many have long sought. And we need to be open to new ideas that will help ensure our laws can keep pace with our future. In fact, just last Wednesday (Jan. 8) we released the first in a series of white papers seeking public input on the Communications Act.

The committee's examination of the satellite-television law, for instance, has reminded us that more nuanced laws governing different forms of communication are woefully out of sync with each other. Instead of forcing small businesses and job creators across the country to navigate a plethora of inconsistent laws, we hope to bring uniformity and predictability to these sectors.

In light of our efforts to make government more modern, predictable and transparent, the committee recently approved the FCC Process Reform Act on a unanimous, bipartisan vote. It is these same motives that drive our work on the Communications Act. Rather than tinker around the edges, we want to understand how we can make government work better for the people who drive innovation and all of us who are beneficiaries of their hard work.

FOSTERING COMPETITION

We can't predict the future any better than we can change the past, but we can provide an environment that fosters innovation and competition to provide the cuttingedge communications and technologies on which so many Americans rely.

This Communications Act Update is imperative to ensure continued American leadership in improving the connectivity and access to information enjoyed by all Americans. The Communications Act has had a profound impact in shaping the communications landscape. It is beyond time we examine the law and find ways it can be updated to better meet the needs of today and promote the innovations of tomorrow that were on display at CES.

Multi Channel News – January 13, 2014

What Viewers Really Want

MCN's Annual Look At Key Industry Trends
By: George Winslow Jan 06 2014 - 12:00am
MCN's Annual Look At Key Industry Trends

As the final figures get tallied, it looks like 2013 will go down as the first year since the creation of the earliest cable systems, in the 1940s, when the total multichannel-TV business will actually lose subscribers.

This news will no doubt prompt many of the usual articles about the end of cable TV, and of television in general. But a close look at the data in this year's annual Viewer Watch special report on the changing use of video shows little hard evidence to support such views:

• Total television viewing is now at record levels, up more than 15 hours per month since 2008, when over-the-top video providers like Netflix began gaining popularity.

• Pay TV subs will be down, but probably by only 0.1% — at that rate, it would take 250 years for the industry to lose a quarter of its customers.

• Some analysts predict subscriber losses will continue, but will be small, and overall subscriber counts in 2017 are likely to be higher than they were in 2008.

• Evidence for significant cord-cutting is so slight that some researchers, like MagnaGlobal, reduced their projections in 2013 — a first.

• Despite the rapid growth in online and digital advertising, the TV ad spend continues to grow and now accounts for about 40% of all advertising revenue, up from about 30% in 2000, when Internet advertising started to explode, according to MagnaGlobal.

This data doesn't mean, of course, that the industry can afford to be complacent, as this year's report shows. "TV Everywhere" is still far from everywhere, with limited content outside the home and relatively low awareness among consumers, and many of the fastest-growing video-consumption platforms— tablets, smartphones and social media — are poorly measured and produce little ad revenue at present.

MagnaGlobal reported that the online video advertising spend was just $3.2 billion in 2013, and the total mobile spend was only $6.9 billion, even though more than three-quarters of all Americans have a smartphone.

Interviews with executives at major operators and programmers indicate that the industry is pushing forward in 2o14 with a number of major initiatives to improve the way it delivers and monetizes video on multiple platforms. New measurement systems will hit the market this year to help track viewing on tablets and smartphones, and operators are pushing ahead with major improvements to TV Everywhere.

To help executives address these issues, Viewer Watch 2014 shows the impact of changing trends in video consumption. Data includes projections for TV advertising, multichannel advertising, multichannel subscribership, and consumer usage and ownership of a variety of devices, such as TVs, tablets, mobile phones, game consoles and streaming media devices.

We hope this provides a reference to basic data that can be revisited again and again throughout the year.

Like previous versions of the annual report, this year's Viewer Watch was made possible with the help of a number of researchers. Among the organizations that were particularly helpful in providing data, we'd like to thank Horowitz Associates, PricewaterhouseCoopers, Magna Global, Nielsen and Fox Cable Networks, which compiled some Nielsen ratings data for this report.

Contributing writer George Winslow compiled the data, conducted the interviews and wrote the articles.

Multi Channel News – January 6, 2014

Wheeler’s Take (and Give) On Retrans, Ownership

FCC Chief Signals Stance On Hot-Button Issues
By: John Eggerton Jan 20 2014 - 12:00am
FCC Chief Signals Stance On Hot-Button Issues

WASHINGTON — Federal Communications Commission chairman Tom Wheeler appears to have signaled that he is not going to wade into retransmission-consent negotiations, which would be bad news for cable operators.

But he has also signaled that the FCC is going to drill down on joint sales and service agreements. That would be cause for celebration in cable quarters and arguably could hint at an ultimate victory for MSOs on that retrans front.

Those signals came in a pair of public appearances two weeks ago, one in a question-and-answer session with Consumer Electronics Association president Gary Shapiro at the International CES in Las Vegas, the other at a town hall meeting in Mountain View, Calif.

Paul Gallant, an analyst with Guggenheim Partners, said one comment in the Q&A was significant. Asked if the FCC would intervene in blackouts, Wheeler replied: “There’s been a lot of talk about this. The commission has looked at it repeatedly and not intervened. If somebody out there representing somebody has a portion of the law they think we think we’ve overlooked, we’d be happy to consider that. But, I mean, the commission has looked at that repeatedly.”

Gallant saw that as a sign the FCC was likely to stand down on retranmission consents, leaving the issue to Congress. If the Republicans retain control of the House, legislation altering the retrans regime isn’t likely to get anywhere.

The chairman’s office had no comment at press time.

As to Wheeler’s suggestion he would welcome new arguments, Gallant saw those as unlikely to be forthcoming. “We question whether that is likely given that the pay TV companies presumably have already put forth their best legal analysis for FCC authority to intervene during blackouts.”

But if the chairman was signaling his disinterest in wading into the retrans regime — rules that cable operators have been pushing the FCC to reform — he also fired a shot across the bow of TV station shared services agreements. Such a move would give cable ammunition in its parallel effort to get the FCC to crack down on those arrangements, which operators argue give stations undue leverage in retrans negotiations.

At a town hall meeting on media consolidation, Wheeler said the FCC planned to look “differently” at joint sales and operating agreements, which he was not averse to calling “shell companies.”

The Wheeler FCC has already signaled that change. As a condition of approving the Belo deal, it required Gannett to spin off KMOV St. Louis to an outside company and would not let it provide any services to the station, as it had planned. The chairman’s office had no comment beyond citing a pair of footnotes in the Gannett/Belo deal decision.

TAKEAWAY

FCC chairman Tom Wheeler has begun providing clues to what he may do on retransmission-consent and ownership issues.

Reading the Fine Print

The FCC under chairman Tom Wheeler used the following footnotes to signal that simply comporting with agency rules would not insulate station transactions involving shared-services agreements from being disallowed if they are found, on a case-by-case basis, not to be in the public interest.

29. Public Interest Petitioners stress that the Act requires a finding that a transaction serves the public interest, not merely that the transaction does not violate our rules and shares particular factual elements with other transactions previously approved relating to our attribution and control analysis. We find force to that contention. The parties to this transaction have relied on an expectation, generated by prior decisions in the broadcast context, that conformity of individual elements of the transaction to our rules and to other transactions previously approved would warrant approval here.

30. At the same time, of course, Congress’ express statutory command is that license transfers must satisfy the “public interest, convenience, and necessity,” a standard that is always informed by regulatory standards, but which necessarily involves, as our licensing decisions have long noted, the use of a “case-by-case” approach. [1] Nor is the public-interest standard limited to the goals established by the core antitrust laws. [2] That is why applicants and interested parties should not forget that our public interest mandate encompasses giving careful attention to the economic effects of, and incentives created by, a proposed transaction taken as a whole and its consistency with the Commission’s.

SOURCE: FCC

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Why Comcast Is Winning Subscriber War (for Now)

Cloud-Based X1 Giving Largest U.S. MSO An Edge
By: Mike Farrell Feb 03 2014 - 12:00am
Cloud-Based X1 Giving Largest U.S. MSO An Edge

For Comcast, and maybe the cable industry as a whole, the answer to video subscriber losses could be found in the cloud.

When Comcast declared that it added about 43,000 basic-video customers in the fourth quarter, it was historic in several ways. It reversed a trend that has plagued the nation's largest cable operator for 26 consecutive quarters. It planted a flag in the sand for cable operators accustomed to losing TV subs for nearly a decade. And the gain was four times larger than some analysts' estimates.

While one quarter does not a new trend make — and cable unit CEO Neil Smit said it may take "a while" before the cable giant turns in a full year of positive video-subscriber growth — all signs point to its new cloud-based operating system — the X1 — as one of the main components to solving the alchemy of video losses.

While Smit pointed to several factors other than the new platform that led to the gain — strong overall execution, customer service improvements and better products — he kept referring to the X1's impact on a conference call with analysts last Wednesday. About 65% of X1 customers rate the guide as superior to their previous guide experiences, he said. X1 customers view 25% more video-on-demand content than non-X1 customers and VOD transactions for X1 customers are 20% higher.

The X1, incorporating a more user-friendly guide, better search functions and, more importantly, a platform for quickly and ubiquitously rolling out new services and its second-generation product, the X2, is quickly becoming a game changer.

Vice chairman and chief financial officer Michael Angelakis added that X1 customers are more likely to subscribe to the triple-play and DVR service and less likely to churn.

"Based on the early positive customer results and strong double-digit returns of X1, we plan to accelerate the pace of deployment to reach the majority of our video customers over the next three years," Angelakis said on the call.

And other cable operators are beginning to take notice. Smit said Cox Communications is in talks with the MSO about possibly licensing the X1 for its own systems. That could lead to other cable operators signing on to the product.

"We'll be working together to explore the opportunity to identify where X1 may be useful in their [Cox's] business," Smit said. While the focus was on video-customer growth, Comcast continued to fire on all cylinders with its other products during the quarter, adding 379,000 high-speed data subscribers and 227,000 telephone customers.

Overall, Comcast added 649,000 primary service units in the period (a combination of video, voice and data customers), 29% higher than the same period in 2012 and 27% better than consensus.

In a research report last week, Pivotal Research Group principal and senior media & communications analyst Jeff Wlodarczak called the results "bulletproof."

Those subscriber metrics all led to stronger financial performance. Cable revenue was up 5.2% for the quarter, to $10.7 billion, and operating cash flow rose 4.8%, to $4.4 billion.

The company said about 45% of its customers self-installed service and 36% are managing their accounts online, which has helped reduce truck rolls by 3.5 million in the quarter. "Comcast's return to positive video subscriber growth, even if it's only for a single quarter, is an unmistakable sign that their days of losing share to satellite are almost over," wrote MoffettNathanson principal and senior analyst Craig Moffett.

Moffett noted that since 1994, when satellite giant DirecTV signed on its first customer, the cable industry has been playing catch up. That era may be slowly coming to a close.

"Today, Comcast's X2 platform is the video industry's best product," Moffett wrote. "Their VOD service is the video industry's best library. Their network, their customer service and even their marketing have improved by light years. Their positive video subscriber result, coming as it does when their video penetration of homes passed has fallen to just 40.3%, is testament not to a good quarter but instead to a good half-decade of hard work and heavy lifting."

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