

Wheeler Catches Some Set-Top Heat

House Democrat fears proposal could lead to digital
redlining 3/28/2016 8:00 AM Eastern

By: [John Eggerton](#)

Testifying at a House FCC oversight hearing last week, FCC chairman Tom Wheeler signaled he would work with legislators on their concerns with his set-top proposal.

TakeAway

FCC chairman Tom Wheeler's proposed new set-top rules face pushback from both parties.

Washington — Federal Communications Commission chairman Tom Wheeler stopped short of saying he would press the pause button on his proposal to “unlock” cable set-top boxes, but he has signaled he would work with members of the committee on their issues with the proposal.

And they did have issues.

The key to that exchange — which took place at an FCC oversight hearing on Capitol Hill — was that it was with a Democratic legislator who was asking for the delay, and that lawmaker wasn't alone.

Last week, the National Urban League joined the Rev. Al Sharpton's National Action Network, the Rev. Jesse Jackson's Rainbow PUSH Coalition and others in calling on the FCC to delay any action on the set-top proposal until it had studied the impact of the proposal on diverse programmers.

Rep. Yvette Clarke (D-N.Y.) said at the hearing that she has asked the Congressional Research Service to conduct such a study, and asked Wheeler if he would be willing to hold off until the study was completed.

Wheeler did not commit to a delay, saying only that he would “look forward to working with [Clarke] and the committee” on any issues raised. He did not say he would delay the proceeding, and he said he did not know how long a delay was contemplated.

As expected, committee Republicans hammered Wheeler over the proposal, saying it threatened copyright protections and privacy and was unnecessary and rooted in old technology and thinking. That pushback has now become bipartisan.

Also at the hearing, Rep. G.K. Butterfield (D-N.C.) went so far as to suggest that he joined some stakeholders in concerns that the proposal could mean a new form of digital redlining.

Butterfield said he was concerned about the potential for the “myriad unintended consequences” of the proposal, including the ability to enforce copyright protections for content creators and distributors.

Wheeler continued to assert last week that the proposal doesn’t threaten copyright holders. In providing an example, though, he also provided fodder for cable ISPs and other opponents.

In talking about his proposal and how it would not allow those third parties to ride roughshod over copyright protections, Wheeler said there are “today the equivalent of competitive set-top boxes available in the market,” citing Google’s Chromecast device. Wheeler said that Chromecast does not violate copyright, does not “overlay commercials” and is not out to take over cable TV, calling that notion “malarkey.”

The Future of TV Coalition, which includes cable ISPs and others opposing the set-top proposal, was quick to pick up that comment and run with it, saying it showed there are already alternatives in the market and that makes the set-top proposal unnecessary.

“If the classic Washington definition of a ‘gaffe’ is to accidentally tell the truth, Chairman Wheeler’s comments at today’s hearing are a whopper,” the coalition said in a statement. “He admitted, plainly and clearly, that apppowered devices like Chromecast and Roku offer consumers an alternative to traditional set-top boxes and are readily available in the marketplace. Which begs the question — why is the chairman so desperate to solve a problem that he admits does not exist?”

“Chairman Wheeler correctly points out that apps-driven innovation is already allowing consumers to watch video on a wide range of devices — without hurting small and independent programmers, invading privacy, or undermining copyright protections. Why, then, is he proposing a sweeping mandate that explicitly rejects this apps approach and strips TV providers of the technical and contractual tools they currently use to ensure these protections remain in place?”

In response, FCC press secretary Kim Hart told *Multichannel News*: “What the coalition fails to acknowledge is that 99% of pay TV consumers rent a box from their pay TV provider, paying \$231 a year on average. The marketplace is not providing consumers with choice.

“While Roku and Chromecast may provide ‘equivalent’ functions to a set-top box, today these devices and consumers that use them remain bound by the whims of the pay TV industry,” Hart added. “Pay TV providers choose which device to make an app for and independent app providers cannot develop an app to display this video programming. For instance, no MVPD provides an app to Chromecast.”

Multichannel News

<http://www.multichannel.com/wheeler-catches-some-set-top-heat/403629>

Pay TV Subs: Satisfied But Ready to Switch

Survey results underline value of broadband bundled with
video 3/28/2016 8:00 AM Eastern

By: [Mike Farrell](#)

TakeAway

An annual streaming media survey has revealed a paradox that suggests broadband service is indeed becoming the most important part of the pay TV bundle.

Pay TV service providers are doing a better job of keeping customers satisfied, but that isn't doing much to quench their subscribers' desire to cut the cord, a new Morgan Stanley survey has found.

In its sixth annual Streaming Media Survey of 2,500 adults 18-34 conducted in March, Morgan Stanley media analyst Ben Swinburne and Internet analyst Brian Nowak found that nearly 90% of respondents who have a pay TV subscription were satisfied with their service, an increase of 400 basis points over the prior year.

At the same time, the share of respondents who said they plan to cut the pay TV cord increased 550 basis points, to 26%.

Swinburne said that while “it’s a little hard to circle that square,” the paradox seems to highlight what other analysts and operators have been saying for months — broadband service is becoming the most important part of the pay TV bundle.

A deeper look at the survey seems to bear that out. Telco service providers, which generally have higher data speeds than cable companies, had the highest satisfaction rates at 55%, but also had the highest intent to cut the cord at 22%.

Cable service providers had their best performance in the six years the study has been conducted, with just 5% of respondents saying they intend to cut the cord in the next 12 months.

Younger respondents showed the greatest desire to cut the cord — 33% of those aged 18-29 and 37% aged 30-44. But Swinburne said recent carriage disputes may have played their part. AT&T and DirecTV customers showed the greatest desire to cancel service during the survey period — 43% and 29%, respectively — while the Spanish-language broadcaster Univision has been in a carriage spat with U-verse TV. (AT&T owns both U-verse and DirecTV.)

Consumers also seem to be more willing to pay for streaming services: Those who said they would shell out for online subscriptions nearly doubled to 39% in 2016 from 19% in 2011.

More than half of total respondents cited price as the largest concern against buying TV and movies online a la carte, with more respondents willing to purchase at lower prices.

Netflix once again was first choice among services consumers would replace their pay TV subscriptions with — 35% — followed by You Tube (29%). Amazon Prime Video and Hulu Plus tied for third at 27%.

Original programming continued to drive Netflix use, with 45% of respondents saying that was a primary reason for subscribing (up from 43% last year).

Pivotal Research Group CEO and senior media & communications analyst Jeff Wlodarczak said the survey results point to a common problem when people are asked about switching pay TV service.

“When push comes to shove, people may say they want to cut the cord but, for most, that is incredibly difficult,” Wlodarczak said. Last year’s survey seems to back that up: 20% of respondents said they intended to cut the cord, but pay TV penetration only dropped 1 percentage point, to 77.5% from 78.5% in 2014. Wlodarczak also pointed out that telco TV providers don’t have an obligation to offer service to everyone, adding, “So a survey of telco TV is effectively a survey of higher per-capita-income households that are better able to afford price increases, while cable offers service to many lower income households that feel the pinch from continued video price increases.”

CHART: Satisfaction Guaranteed

Customer satisfaction in the pay TV universe is on the rise from last year, according to Morgan Stanley research.

	2016	2015
<i>Very/Somewhat Satisfied</i>	88%	85%
<i>Very/Somewhat Dissatisfied</i>	12%	16%

SOURCE : Alpha Wise and Morgan Stanley research

Multichannel News

<http://www.multichannel.com/pay-tv-subs-satisfied-ready-switch/403626>

The Loyal Opposition

Republican FCC Member Ajit Pai Gives His Take on
'Competition, Competition, Competition' 3/21/2016 8:00 AM Eastern

By: [John Eggerton](#)

Senior Republican FCC commissioner Ajit Pai

(Photo by John Eggerton)

Ajit Pai is the senior Republican commissioner on the Federal Communications Commission and, if a GOP candidate wins the White House later this year, would likely be the interim chairman (unless current chairman Tom Wheeler does not follow custom and retains the seat — when prodded by Republican legislators, he did not promise to exit when President Obama does next January).

Pai, the son of Indian immigrants, grew up in Kansas but has practically lived his entire professional life in the nation's capital. He's seen how laws are passed (or, as they say in D.C., how the sausage is made), working at the Justice Department, on Capitol Hill and at the FCC in an earlier stint in the general counsel's office — where he once squared off against the late Dan

Brenner, then the policy chief of the National Cable & Telecommunications Association, in court.

In fact, Pai calls himself the “Forrest Gump” of the legal profession: He set out on a peripatetic course that led him to the FCC seat without a plan for that progression, but grateful for the opportunities and the outcome.

Affable and known for his willingness to listen, the 43-yearold Pai is nonetheless passionate in his defense of the free market. He’s also known for his colorful statements — including the dissents — often peppered with references to music.

A top Washington communications attorney said Pai has a brilliant legal mind and the courage of his convictions. Those convictions favor a market free of what he sees as innovation- and investment-chilling regulations, which causes some friction when they butt up against the convictions of the current chairman.

And though the friction with Wheeler was evident in a recent hearing on Capitol Hill, the two commissioners teamed up for a duet at a recent holiday party — Tommy Tutone’s 1981 hit “867-5309/Jenny.”

“I had the honor of calling Ajit Pai my distinguished colleague for about a year,” former FCC senior Republican commissioner Robert McDowell said. He called Pai a “highly intelligent and hard-working public servant who has a creative command of the English language, as well as an irresistible and fun personality. Knowing Ajit was going to be a highly effective commissioner for several years made it easier for me to decide to step down in 2013.”

Pai took time from prepping for an FCC oversight hearing in the Senate Commerce Committee March 2 and an oversight hearing in the House Communications Subcommittee on March 22 to talk with *Multichannel News* Washington bureau chief John Eggerton about set-tops, his view of “competition, competition, competition,” and a certain up-and-coming lecturer who was at the University of Chicago Law School when Pai was a student there. An edited excerpt follows.

MCN: What is your principal concern with the way that the minority GOP commissioners are treated at the FCC, in terms of access to information or responsiveness to your issues and concerns? We know that has been a bone of contention.

Ajit Pai: It has been an issue. My principal concern is that the commissioners — who, after all, have been appointed by the president and confirmed by the Senate and therefore are responsible for setting commission policy — aren't given the full range of information and/or the options that they deserve in order to make an informed decision.

We have seen time and time again, when minority commissioners ask for information from either the chairman's office or one of the subordinate bureaus, information simply isn't forthcoming, whereas for majority offices typically that information is given without question.

MCN: Have you discussed this with the chairman?

AP: I have repeatedly asked my office, which has repeatedly asked his office, as well as the bureaus, for all kinds of information. Typically what we were told is, "That is not something that is done around here." Depending on what the request is, we can identify previous cases where that's not true.

MCN: You dissented from Title II. What should the FCC have done after the court remanded the old rules?

AP: This entire issue has been a distraction from what Americans really care about, which is promoting broadband deployment and greater competition.

Instead of trying to parse through the [U.S. Court of Appeals for the D.C. Circuit's] previous opinions and trying to fit this square peg of the marketplace as it is today into the round hole of the FCC's regulatory framework that dates in some cases back to the 1930s, we would be much better off, as would American consumers, simply increasing broadband deployment. And I think that is being borne out now, if you look at how much time and effort has been spent by the agency and outside parties debating and litigating this issue.

If we had put all that energy into reducing the regulatory barriers to infrastructure investment, we would see much greater deployment on the fixed and wireless broadband side, and we would see greater entrepreneurship and innovation on top of that platform.

MCN: Why do you think the FCC is so reluctant to say that the market is competitive?

AP: I think it is pretty simple. Number one, the section of the Telecommunications Act that charges the FCC with making an assessment about the state of competition in the broadband marketplace, which is Section 706, suggests according to the current FCC that a negative finding would justify some unknown quantum of increased power, and I think the current agency is determined to arrogate for itself as much power as possible to structure the marketplace as it sees fit.

That is part of the reason why this has become an exercise in Kabuki theater. Everybody knows, and it's no secret, that the majority is going to find this marketplace to be uncompetitive. And that is not necessarily because the facts justify it, or because the law requires it, but more that they want to reach a politically motivated decision.

MCN: Let's say a Republican wins the White House and you are named interim chairman. We assume your mantra would echo Chairman Wheeler's mantra of "competition, competition, competition." If so, how would you define that differently?

AP: Certainly, I would say it. But I would also mean it. I would adopt policies that were designed explicitly to promote greater competition in every marketplace in which the FCC has jurisdiction. And with respect to broadband, for example, I would embrace the IP transition to ensure that certain telecom carriers don't have to maintain the fading copper infrastructure of yesterday. They can focus on providing next-generation fiber.

I would focus on making sure that wireless Internet-service providers had much greater business incentive to deploy infrastructure. That means making the siting of infrastructure easier. That means getting more 5-Gigahertz spectrum out into the marketplace to allow [providers] to deliver better and

faster and cheaper Internet access services to their customers. And I would ensure that, where possible, we relax some of the legacy regulations that simply aren't as necessary in an all- IP world of intermodal competition.

Those are the kinds of things that the current agency has not done that would actually promote competition, [rather than] simply saying we want the marketplace to be composed of this many actors and declare every marketplace to be uncompetitive. Those are the kinds of statements that generate good press among some, but don't actually deliver when it comes to the actual facts on the ground.

MCN: Do you think the retransmission-consent regime needs reforming as part of the review of "good-faith" retrans negotiations?

AP: It is one of the issues the chairman has teed up and we are in the process of reviewing the record compiled in response to it. I haven't reached any determination about what reforms, if any, would be appropriate.

MCN: The chairman has put reclassification of over-the-top video providers as multichannel video programming distributors (MVPDs) on the back burner. Do you agree with that?

AP: I do not think we should adopt the proposal that was originally suggested. This marketplace, of all the many that we have taken a look at over the past couple of years, is a great example of the innovation that is delivering value for the American consumer. It seems like every single day we hear about some new over-the-top service that is experimenting with a different business model and is allowing the consumer to truly enjoy the bounty of the golden age of video.

And so the last thing I think we should do as regulators is to interfere with that marketplace by classifying some or many or all over-the-top providers as video program distributors with all the attendant burdens, and potentially benefits, that go with that kind of classification.

MCN: Speaking of over-the-top, Congress did tell the FCC to create a competitive market for set-top boxes and 99% of consumers, if that's the correct figure, are still leasing them from their MVPD.

AP: I think that what most American consumers want is not to unlock the box, but to eliminate the box. That is why I think the agency should be doing everything it can to encourage the industry to migrate away from this clunky, expensive hardware that nobody wants towards an app-based approach that would save consumers money and deliver a better consumer experience.

After all, with an app that can cost anywhere from \$0 to \$5, you can transform any device in your house, from a smartphone to a tablet to a TV, into a navigation device.

Instead, the FCC decided once again to plant its flag on 1990s technology, declare a marketplace that is a product, after all, of intrusive government regulation a failure, and simply layer on top yet another technical mandate that I don't think is going to deliver for the American consumer.

MCN: We get the sense that this proposal leaves a lot of questions unanswered, including about how it treats privacy. The chairman has signaled that privacy would be protected. Do you have any worries?

AP: Without question. That is one of the reasons why I suggested early on, as did commissioner O'Rielly, that we release this document, as we should all documents that ultimately the commission is going to vote on at our open meetings. The devil really is in the details.

Instead of having dueling talking points where the chairman might say, "Well, the privacy issues are addressed and we say they're not," let's let the document speak for itself. That's one way for the American people to be able to reach a much more informed judgment about what the agency's about to do.

Secondly, if you actually did look at the document, you'd see there are no requirements, for example, with respect to advertisements. The document suggests that we will leave to market forces the determination of how ads included in the programming stream be protected. But there is nothing in the

document that prohibits a third-party box manufacturer, for example, from plucking the advertisements out of that stream and/or inserting their own advertisements.

That is just one example of one of the gaps that I think the agency simply hasn't filled. With respect to privacy, the argument has essentially been, "Well, we can rely on enforcement actions against multichannel video programming distributors, who will then have to get certifications from third-party set-top box manufacturers that those third parties are complying with the rules."

This kind of vicarious enforcement regime is something that I think might well be of dubious legality, and from a policy perspective, it's extremely difficult to justify. Those are just a couple of the gaps that I think the American public should really think about, in addition to the fact that we are delegating this entire enterprise to an open-standards body that is unlikely to reach any kind of definitive agreement in the near term.

MCN: Do you agree with those who say this set-top proposal is basically a gift to Google?

AP: I'm not sure who it is a gift to. But I can say it is ultimately going to be a lump of coal for the American people who are expecting on day two, after the FCC's grand announcement on day one, to be able to get competitive set-top boxes.

MCN: What issues, if any, do you have with the FCC's inquiry into zero-rating plans?

AP: As I understand it, the staff is currently in conversations with various companies — T-Mobile, Comcast, AT&T and Verizon [Communications] — about some of the offerings that they have that generally can be classified under the rubric of zero-rating. We have requested to be a part of that investigation, at least to be able to sit down in meetings and understand what questions are being asked. But that request is being denied.

I am not sure where things go next. But I predicted on Feb. 26, 2015 [when the network-neutrality rules were passed] that the Internet conduct standard would be tailor-made for creating uncertainty in the broadband marketplace.

With the chairman having blessed T-Mobile's offering in November as "highly competitive and highly innovative," and then having followed that up with an investigation in December by the agency's bureaus, every rational private sector actor would wonder, "What are the rules of the road?" And unfortunately, there is no answer to that question — just as there was not an answer on Feb. 26 when we were told, "We don't know where things go next."

MCN: President Obama is the son of an immigrant and went to Harvard Law School and taught at the University of Chicago Law School. You are the son of an immigrant, went to Harvard as an undergraduate and went to Chicago Law School.

AP: I still remember seeing him in the hallways when he was teaching there. He was a relatively young lecturer at the time. There was a lot of buzz about him even then, though I don't think anyone would have foreseen he would be the president of the United States.

MCN: And yet from seemingly similar experiences you have very different political philosophies. What do you think, in your experiences as a minority growing up in America, led you to the Republican Party?

AP: For me, one of the things that really influenced the development of my political views was watching my parents' example.

They came to the United States in 1971 literally with nothing more than a transistor radio, \$10 and a willingness to work extremely hard. From buying dishes at Goodwill in Buffalo in the early 1970s to my mother making glue with rice, which I still remember from when I was in preschool, I saw the fact that they were willing to do literally anything for me and my sister to have an opportunity to succeed.

Now that I have become a parent myself, I can understand the impetus they had for making sure my sister and I were provided for. That kind of sense of responsibility and dedication and willingness to embrace the opportunity this country provides without complaint, it is something that I am so grateful for.

And on a macro level, I would hope that most Americans, regardless of their political affiliation, would appreciate that this country really is unique in so many ways. That the children of lower-middle-class Indians — one grandfather operated a spare auto parts store and the other was a file clerk for an oil company — could come to the United States and succeed, and that their son could be nominated by the president of the United States for a position like this is just something I can't imagine happening anywhere else in the world. I guess that is the driving force in my political thinking.

MCN: Most people don't aspire to be FCC commissioners as children. How did you get from there to here?

AP: I didn't even know I was going to be a lawyer when I was a child. My parents are both physicians. Almost everybody in my family is either a physician or an engineer or something in the sciences. So, law school wasn't even something on my radar.

I was already in college when I realized I didn't want to go to medical school. I started thinking about the law, primarily because I enjoyed the debate team and humanities courses and research and writing. All of that seemed to lend itself to law school. Even when I got to law school, I didn't know what I wanted to do afterward. I really enjoyed antitrust law. And I took some sage advice from the judge I clerked for in New Orleans, who suggested I apply to the Department of Justice's honors program in the antitrust division.

I ended up in Washington and that started almost a decade and a half across the different branches of the government sector. And then the opportunity arose for me to be considered for this job.

That is why I have often called myself the Forrest Gump of the legal profession. I jumped from one position from the other without a definitive view of what the end goal was. But, now that I am here, I am so grateful to the president and the Senate for the opportunity.

MCN: And now your end goal is "real" competition, competition, competition.

AP: It really is shaped by some of the things I learned at the University of Chicago and, before that, in my economics courses at Harvard, which is that the government does best by the American consumer when we set the conditions for vibrant competition and let the private sector compete vigorously. That is ultimately the best guarantor of consumer welfare, as compared to pre-emptive regulation that essentially freezes in place the marketplace at a moment in time.

SIDEBAR: Remembering Justice Scalia

Federal Communications Commission member Ajit Pai recounts a particularly meaningful meeting with one of the people he admired most: the late U.S. Supreme Court Justice Antonin Scalia, who died on Feb. 13.

“I had the opportunity to meet Justice Scalia several times,” Pai recalled. “Typically, it was thanks to Judge Martin L.C. Feldman of the U.S. District Court for the District of Louisiana, who was a good friend of the justice. For instance, Justice Scalia came to the judge’s 30-year anniversary/clerk reunion in 2013, where I had the chance to chat with both of them.

“I also crossed paths with the justice at the White House Correspondents’ Association dinner.

“But the meeting I’ll remember the most was in 2011, when Judge Feldman came to Washington to discharge his duties on the Foreign Intelligence Surveillance Court. He asked me to meet him one evening; I of course eagerly accepted. When I got there, the Judge informed me that we would have a surprise visitor — one Justice Scalia.

“My skepticism dissipated only when the Justice himself arrived,” Pai remembered. “For the next hour or so, I enjoyed a warm, intimate conversation with two of the judges I’ve admired most. We talked about everything from Major League Baseball to the justice’s dissent in *Eastman Kodak Co. v. Image Technical Services, Inc.*, 504 U.S. 451 (1992), a brilliant opinion that drew me as a law student toward antitrust law (and which he recalled immediately).

“It’s an honor to meet a Supreme Court Justice in any setting. But it was a particular privilege to spend so much time with a jurist whose work so profoundly shaped the American legal landscape. I’m grateful to Judge Feldman for that wonderful evening and to Justice Scalia, both for his repartee and his service to our country.”

— *John Eggerton*

Multichannel News

<http://www.multichannel.com/loyal-opposition/403458>

Big Test for FCC’s Open Internet Order

Comcast’s Stream TV could be subjected to case-by-case conduct standard 3/07/2016 8:00 AM Eastern

By: [John Eggerton](#)

TakeAway

A complaint led at the FCC last week against Comcast’s IP-delivered Stream TV service could be the first test of the agency’s case-by-case review of conduct under its net-neutrality rules.

WASHINGTON — Public Knowledge’s complaint at the Federal Communications Commission over Comcast’s exclusion of its Stream TV service from customers’ data usage metering could become the first test of the agency’s case-by-case approach to potentially anticompetitive conduct under the agency’s Open Internet order.

The public-interest group said Stream TV — an IP-delivered skinny package of TV programming for broadband-only customers — conflicts with the FCC’s new rules and violates a merger commitment Comcast made in acquiring NBCUniversal.

Public Knowledge said Comcast is using discriminatory billing practices that disadvantage competing online video services by treating Stream TV (currently available in the Boston and Chicago areas) differently than unaffiliated traffic.

“When Comcast bought NBCUniversal, both the FCC and Department of Justice recognized that Comcast could take steps to unfairly disadvantage online video,” the complaint states. “Among other things, both agencies prohibited Comcast from excluding its own services from data caps or metering, and required it to count traffic from competing online video services the same as its own.”

The FCC’s Open Internet rules contain a general conduct standard that addresses anticompetitive behavior on a case-by-case basis. There is no bright-line rule against sponsored-data and zero-rating plans.

The agency is independently collecting data from Comcast and others about sponsored-data plans to help figure out how to proceed with such complaints.

Comcast, though, said Public Knowledge didn’t have the facts straight. “Our Stream TV cable package does not go over the Internet, so it can’t possibly violate a condition which only applies to Internet content. Customers do not access Stream TV through their broadband service. Period. Public Knowledge saying so over and over does not make it so.”

FCC chairman Tom Wheeler, during a Senate Commerce Committee oversight hearing on March 2, said the agency avoided creating a bright-line rule against sponsored-data plans because a case could be made for beneficial as well as anti-competitive outcomes. The FCC wanted to look at each case individually, he said.

Wheeler told Sen. Brian Schatz (D-Hawaii) the FCC has been collecting information and developing the “data points” necessary to be able to conclude which plans increase choice and lower costs and which are used as a tool against competition. He said the staff was “far down the path” on coming up with those data points, but added it was a “heavy lift.”

ACA Summit: Cable Wants Bundle Options

3/07/2016 8:00 AM Eastern

By: [Gary Arlen](#)

WASHINGTON — Although the impact of the Federal Communications Commission’s “unlock the box” initiative, mergers, escalating program prices and the value of next-generation broadband services permeated discussions at the American Cable Association Summit here, the underlying theme was the industry’s migration from packaged video distribution to data delivery.

“Everyone has [recognized] that we’re moving toward an Internet-centric business,” Robert Gessner, chairman of the group representing independent MSOs, said in opening the summit last Wednesday (March 2).

“Some of the new marketplaces are further along the path that TV is not necessary,” he added, while insisting that, “For me, TV still provides a strong base.”

“Our members are looking long and hard at how to give customers more choices,” ACA president and CEO Matt Polka said during a press briefing. “Our members are looking at issues such as skinny bundles more seriously. They’re talking about the fact that [bundles are] not important, that

broadband is! Not everyone is there yet, but they're looking to their leaders for [what to do in] the next three to five years.

“The paradigm has really shifted,” Polka said. “The next time deals are renegotiated, the marketplace will have fundamentally changed. Large programmers’ insistence on big bundles, carriage mandates and tiering penalties ... simply won’t work for ACA members and their customers in today’s app-enabled world of greater choice.”

Gene Kimmelman, CEO of Public Knowledge, said he found it “very interesting that smaller distributors are interested in going to skinny or smaller bundles. I would not be surprised to see some of the larger companies breaking up the control of the licensed programmers.” ACA’s Summit, which included Capitol Hill visits, attracted about 300 people.

For the Telcos, OTT is Hot

AT&T, CenturyLink prep streaming services for different consumer segments 3/07/2016 8:00 AM Eastern

By: [Jeff Baumgartner](#)

TakeAway

IPTV opportunities are high on telco agendas.

If you're a telco and you don't have an over-the-top video offering in your game plan, then you're apparently not trying very hard to prepare for the market shifts that continue to shake up the pay TV business.

Two major U.S. telcos — AT&T and CenturyLink — announced significant OTT video initiatives last week that share some technical similarities, but don't necessarily line up the same way strategically. While both appear to be long on ambition, information on pricing, content and packaging is still in short supply.

Another big question yet unanswered is whether these services will help these telcos expand the pay TV pie, or cannibalize their base.

AT&T'S THREE-PRONGED PLAN

AT&T said its angle is to pursue the 20 million homes or so that are not part of the pay TV ecosystem today. That includes cord-cutters and cord-nevers, and consumers with “transient lifestyles” who aren’t currently in the pay TV mix, AT&T Entertainment Group CEO John Stankey said last Wednesday (March 2) at the Morgan Stanley Technology, Media & Telecom Conference in San Francisco.

As for AT&T’s plan, the aim is to deliver video services agnostically — via managed and unmanaged wired networks, as well as increasingly speedy wireless connections — and to tie them all together with a common middleware platform.

AT&T, which has seen its U-verse TV subscriber base shrink as it focuses on the lower-cost DirecTV platform, will try to attack multiple segments of the market with three OTT services that, it said, will launch in the fourth quarter of this year.

Though some observers believe DirecTV Now will be akin to Sling TV, Dish Network’s OTT service, the DirecTV offering won’t be “skinny.”

“It is a rich bundle of content; it’s not a skinny bundle of content,” Stankey said, without providing specifics. The aim is to target pay TV’s “middle road,” he said — somewhere between the traditional premium bundle and slimmed-down offerings.

CENTURYLINK: TWO WILL DO

CenturyLink has been hinting at its OTT strategy for months, and last week (at the same conference), company CTO Aamir Hussain shed more light on those plans, revealing that the telco is developing products that can be delivered in and out of its Prism TV footprint.

The telco has “soft launched” an in-footprint service called Prism Stream, a multiscreen offering that delivers the telco’s traditional Prism TV service over-the-top.

Hussain said the OTT approach will allow CenturyLink to deliver pay TV packages using less bandwidth while expanding its pay TV footprint. Going over-the-top, he said, will reduce the minimum bandwidth requirement for Prism from 25 Megabits per second to 10 Mbps.

“We can literally double the size of our footprint in a very short period of time by doing that,” he said.

CenturyLink has about 3.2 million homes enabled for Prism TV, its managed IPTV service currently powered by the Ericsson Mediaroom platform. It ended 2015 with 285,000 Prism TV subscribers.

According to some concept art for Prism Stream that appeared on the Web, the service will allow users to connect on up to five devices.

CenturyLink is also starting to test an OTT service for millennials that delivers a smaller package, and will be offered outside the Prism footprint. Hussain said CenturyLink is set to trial that millennials-focused OTT service in four markets, but did not identify them.

“The platform has been built,” he said. “The content agreements have almost been negotiated.”

And CenturyLink believes it has a good reason to push video products, as 50% of subs on Prism TV today are new to CenturyLink, and 98% of Prism customers also get broadband from the telco.

Frontier Communications is also broadening its video game, saying it plans to launch video service to more than 40 markets, representing about 3 million homes, over the next three to four years. Frontier is expected to deliver those services on a managed IPTV platform that rides a fiber-to-the-node platform plus fiber-to-the-premises networks in California, Texas and Florida it's buying from Verizon Communications.

AT&T's OTT Trio

Here's what the telco has on tap:

DirecTV Now: To feature a range of content packages, including much of what is available from DirecTV today, including VOD and live TV, and premium add-ons. “We expect to be able to offer local channel coverage in the future,” an AT&T official said.

DirecTV Mobile: A “mobile-first” offering will feature premium video for smartphones, made available via any wireless service provider. AT&T has expressed interest in offering a sponsored mobile data product, but has yet to follow Verizon and its new FreeBee Data service.

DirecTV Preview: A free, ad-supported offering delivered via wired or wireless connection that could look a bit like Verizon's Go90 service. AT&T's version will feature fare from AT&T's Audience Network as well as from Otter Media, the AT&T-The Chernin Group joint venture. This offering, AT&T Entertainment Group CEO John Stankey said, will be delivered “outside the paywall.”

Comcast Revs Up Some 360 Video

Ties VR to NASCAR Sponsorship 2/29/2016 12:15 PM

Author: [Jeff Baumgartner](#)

Offering a taste of 360-degree video, Comcast has expanded on its [NASCAR title sponsorship](#) by posting a short virtual reality video that gives viewers an immersive view of the Homestead-Miami Speedway and a chance to ride shotgun with driver Daniel Suárez (fittingly in the Arris car).

Comcast, which has already bulked up its VOD library with NASCAR fare and [updated its NASCAR sports app for the MSO's X1 platform](#), said it developed the video in tandem with Office of Baby and [Groove Jones](#), a studio that specializes in VR content and apps. Fox Sports, by the way, [applied some VR focus](#) to its recent coverage of the Daytona 500.

Comcast's NASCAR-focused 360 video can be streamed and manipulated below, or accessed via mobile VR platforms such as Google Cardboard and Merge VR by downloading the Littlstar app and searching for “Xfinity.”

Comcast Ventures, the company's VC arm, has been [active on the VR front via recent investments](#) in AltSpaceVR (social VR), NextVR (live VR production), and Baobab Studios, a company specializing in animated virtual reality content.

“We’re excited about virtual reality as well as augmented reality,” Gavin Teo, a principal at Comcast Ventures said in a [recent interview \(subscription required\)](#). “Going forward, we’re going to continue to invest in this space.”

VR appears poised to go mass market in 2017 or 2018, Teo said. “But I think there is a market today, and business models are starting to take shape.”

GOP: Obama Rolled FCC on Title II

Wheeler says process, and result, were by the book
3/07/2016 8:00 AM Eastern

By: [John Eggerton](#)

TakeAway

Cable operators loathe Title II-based regulations and they have an ally in Republican Sen. Ron Johnson.

WASHINGTON — It has been three months since Internet-service providers made their case against the Federal Communications Commission’s Title II reclassification of high-speed Internet service, so a court decision could come at any time.

But the chairman of the Senate government oversight committee has made his own case against the process that produced the rules.

One of the arguments cable operators and other Internet-service providers made in challenging Title II was that the FCC had switched from an approach based on Section 706 of the Telecommunications Act without putting that change out for comment.

Sen. Ron Johnson (R-Wis.) agrees, and thinks he has the evidence to back it up.

But FCC chairman Tom Wheeler said the process was the same as it has been in the past, and the communications with President Obama and the White House were not unusual.

'UNDUE INFLUENCE' CITED

After a year-plus investigation, Johnson, chairman of the Senate Homeland Security and Government Affairs Committee, has released a report, "Regulating the Internet: How the White House Bowled Over FCC Independence," that he says shows the White House used undue influence to override the FCC decision-making process and push it toward Title II. It was a change that, according to cable providers, depressed investment and allowed the FCC to regulate various practices under a vague "know-it-when-we-see-it" standard.

FCC chairman Tom Wheeler had always indicated Title II was a possibility, as had his predecessor, Julius Genachowski. But Genachowski had ultimately chosen the Section 706 route, and Wheeler had signaled a hybrid version of buttressing open Internet rules after Genachowski's attempt was remanded back to the FCC by a federal appeals court for better legal underpinning.

Obama came out very publicly for Title II in an online video, and the chairman appeared to follow his lead in changing course and embracing the Title II model.

"This investigation has convinced me that the White House overrode the FCC's decision-making apparatus,"

Johnson said last week in releasing the report. Johnson said not only did his report show the FCC changed course and "executed the president's preference," but that agency staffers raised concerns about whether the agency had followed proper notice and comment procedures as required by law.

Johnson's office said his report showed that "immediately after the president's statement, FCC staff expressed confusion as edits were suddenly delayed and the rapid timetable for completing the draft Open Internet Order was 'paused.' At the conclusion of the pause, Wheeler instructed FCC staff to change course and draft an order that would follow the president's proposal of a Title II reclassification."

One email from a staffer working on the Open Internet order reads: "Chris and Rosemary just alerted me to breaking news: Obama says to make it Title II. ... Not sure how this will affect the current draft and schedule, but I suspect substantially."

As to not putting out the sudden shift for public comment: "Specifically, the FCC's career professional staff advised that the record to support Title II reclassification for both fixed and wireless broadband was thin and needed to be bolstered. Despite this recommendation, the FCC chose not to seek additional public comment, and proceeded with the president's preferred policy outcome," Johnson's report said.

JOHNSON GRILLS WHEELER

Critiques of the process were addressed by Wheeler in a House government oversight hearing on the issue almost a year ago. Wheeler addressed them again in a Senate oversight hearing last week, where he was grilled by Johnson himself. Wheeler said that the FCC had not circumvented the ex parte notification requirement about communications with White House staffers.

The FCC chairman also said that communications between the White House and independent agencies are not unusual, are in fact typical — with "the White House, Congress and everybody" — and that, in fact, other presidents have been known to contact FCC chairs, pointing to a meeting between former FCC chairman Mark Fowler and President Reagan.

But there is precedent among Democrats for criticizing an FCC chair for alleging the public and stakeholders were not allowed sufficient input on a policy change. In 2007, a prominent Democratic senator told then-FCC

chairman Kevin Martin he should have put a new broadcast media-ownership proposal out for notice and comment. The senator: Barack Obama of Illinois.

Trade Journal Links – April 21, 2016 Commission Meeting

The Blandin Foundation presses its legislature to create and adopt a broadband vision in Minnesota: "Everyone in Minnesota will be able to use convenient, affordable world-class broadband networks that enable us to survive and thrive in our communities and across the globe." | [Blandin Foundation](#) (Bernadine Joselyn)

"Cable A La Carte Is Becoming a Reality -- Outside the U.S." | [Bloomberg](#)

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"FCC Drafting Order to Approve Charter-Time Warner Cable Deal; Order, expected as soon as this week, will set conditions focusing on promoting online video competition" | [WSJ](#) (subscription req'd)

"How a former lobbyist became the broadband industry's worst nightmare; Tom Wheeler tells Ars why he turned on the cable and wireless industries." | [Ars Technica](#)

"Comcast is offering its lightning-fast service for \$70 per month for those who get on the three-year plan. If you don't want to sign that contract, though, you'll be facing \$140 per month and a 300GB per month data limit before you'll be throttled." | [Digital Trends](#)

"Study: 1/3 of Netflix Watchers in U.S. Don't Pay for It" | [Broadband Reports](#)

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