Title II: Too Close to Call

No clear outcome apparent as judges hear net-neutrality case

12/07/2015 8:00 AM Eastern

By: John Eggerton

TakeAway

The net-neutrality rules crafted by Tom Wheeler's FCC had their day in court last week, with a three-judge panel probing both sides of the issue without any hints of how they might rule.

WASHINGTON — Within the marbled walls of a federal courtroom, three judges of the U.S. Court of Appeals for the D.C. Circuit probed both sides of an issue that may have sweeping implications for the future of the Internet: How much power should the government wield over the most powerful communication platform on the planet?

The Federal Communications Commission said it must regulate Internet access, even perceived potential broadband access threats, because Internet-service providers have the incentive and ability to harm competitors and consumers' access to websites, a point the agency's general counsel made clear to the court.

To prevent that from happening, the FCC said it needs bright-line rules — against blocking, degrading and paid prioritization, and a general-conduct rule — as well as the muscle of common-carrier regulations under Title II of the Communications Act — to support those outright bans.

ISPs and their allies said the FCC shifted gears after the White House signaled it wanted Title II and created rules, without sufficient notice, based on a reclassification of Internet access as a common-carrier telecommunications service, which it cannot justify.

Unless Congress follows through on promises to produce bipartisan legislation establishing the FCC's authority for those bright-line rules without resorting to the common-carrier reclassification, the courts (perhaps ultimately the Supreme Court) could decide whether the FCC can regulate the Internet in the interests of promoting broadband.

These and other related issues were debated in a packed courtroom with an overflow audience accommodated in a separate room. The crowd was treated to an oral argument in which the judges seemed to be equal opportunity probers.

Unlike the oral argument in the first Open Internet order challenge, this one was much tougher to read, though there were signs that the FCC might have a tough time getting interconnections included under its reclassification of ISPs under Title II, and extending that to mobile as well as fixed broadband.

Presiding over the grilling this time around were Judge David Tatel (he was on the panel, and wrote the opinion, that rejected the previous net-neutrality rules), Judge Sri Srinivasan and Senior Judge Stephen Williams.

Before the argument, a friend of the FCC's court argument predicted that the outcome would be sufficiently ambiguous for both sides to be able to claim some victories, and that appeared to be the case.

"Sometimes you walk out of an oral argument with a pretty good sense of which way the decision is going to go," Randolph May, president of free-market think tank The Free State Foundation, said. "After witnessing the entire three-hour argument, to my mind, this was not one of those cases."

The judges probed a host of complicated issues, including whether the FCC could extend its reclassification to mobile broadband, whether it had violated the First Amendment rights of ISPs, whether it had provided sufficient notice of its changes, whether it could include interconnection agreements under the Title II regime and whether its ban on paid prioritization passed judicial muster.

Notable lines of questioning included Tatel's probing of ISP arguments that the FCC could not reclassify Internet access as an information service. Tatel asked why the Supreme Court decision in *Brand X* should not be read to give the FCC that authority. The response from ISP attorney Peter Keisler was that the judges in *Brand X* never posited that there was no element of information service, so the FCC could not dispense with it.

FCC general counsel John Sallet, who argued the case, countered that ISP service was transmission, and the DNS and caching ISPs do is to manage that telecom service, rather than being a separate information element. He said those functions had to be looked at in context, arguing that the same screw used to put together furniture did not have the same function (or importance) when used in a medical device.

Tatel also spent some time trying to get Sallet to explain why the FCC had changed gears from a defense based on Section 706 of the Telecommunications Act to Title II, saying the facts clearly hadn't changed. Sallet said the FCC had concluded that bright-line rules were needed to prevent ISPs from threatening the virtuous circle.

Those looking to read the tea leaves will have some time to stir the pot. A decision would likely come in late first quarter or early second quarter of 2016, said one attorney experienced in awaiting the court's rulings.
Multichannel News
http://www.multichannel.com/title-ii-too-close-call/395743

Twitter: TV's 'Supercharger'

Social platform expands, strengthens link with television

12/07/2015 8:00 AM Eastern

By: Jeff Baumgartner

SAN FRANCISCO — Twitter wasn't designed out of the chute to be a second-screen app for TV audiences, but it has evolved into one that "super charges" that content, Matthew Moroz, the social-media platform's head of TV partnerships, said.

Twitter has forged a creative connection with TV through broad distribution and a growing set of social-media tools that now includes Vine and Periscope, Twitter's mobile live streaming app, said Moroz, the Next TV Summit's closing keynoter.

In addition to providing ways for programmers to market their shows and drive conversations with viewers, Twitter has also been able to add a new dimension to TV storytelling, he said.

"Twitter supercharges that [TV] content … and adds a layer of conversation around TV content," he said. "Twitter was never designed to be the second-screen app for TV audiences" but millions have tapped into the platform in that manner.

"We're living in a golden age of television," Moroz added, noting that consumers now have almost endless options at their fingertips. "People want TV and want to have a conversation."

Regarding scale, he said there are about 300 million active Twitter users, but content from the social-media platform is also amplified through "syndication," as tweets show up in news and other media.

And Twitter is also showing up on more traditional TV platforms and helping to drive tune-ins. Comcast, for example, uses Twitter data on X1 for a trending guide that shows viewers which shows are buzzing.

Twitter is also placing a greater focus on video integration, supported in part by Twitter's acquisition of SnappyTV, a platform that enables users to quickly share video clips from TV shows, or create Vines and GIFs. Major TV stars such as Ellen DeGeneres have integrated Periscope into their programs — including during the live show or post-show.

Those video bets are "starting to pay off," Moroz said, noting that video views via Twitter have grown 250%, with 90% of them on mobile. Twitter users collectively watch some 370 years worth of video each day, he said.
Multichannel News
http://www.multichannel.com/twitter-tv-s-supercharger/395750

TV Everywhere Use Continues Its Climb

Set-top-delivered VOD remains a big ad player, FreeWheel says

12/07/2015 8:00 AM Eastern

By: Jeff Baumgartner

It's been a Rocky Road for TV Everywhere apps with content access and authentication challenges, but usage numbers indicate TVE's path is becoming smoother as platforms continue to evolve and improve.

Ad views from TVE products jumped 242% in the third quarter of 2015, per the latest *Video Monetization Report* from FreeWheel, the ad-tech firm now owned by Comcast.
The report also found that authenticated viewing for long-form and live TV accounted for 65% of monetization in the period, up from 46% in the year-ago quarter.

Even as OTT platforms have become important conduits for digital video advertising, the traditional set-top box remains a significant player in the overall market. Set-top-delivered VOD accounted for 18% of total video ad views studied by FreeWheel, making it the second-largest device category following desktop and laptop computers.

FreeWheel's report also shed more light on how content is being viewed on different platforms. Viewers using desktops or laptops and smartphones gravitated to short-form clips (accounting for 59% and 69% of their respective ad views), while tablets were most popular for long-form viewing. TV-connected OTT devices, meanwhile, saw 61% of their ad views originate from live TV content, according to FreeWheel.
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http://www.multichannel.com/tv-everywhere-use-continues-its-climb/395753

FCC's Other 'Net-Regulation Defense

Insists Section 706 empowers it to pre-empt state broadband laws

12/07/2015 8:00 AM Eastern

By: **John Eggerton**

TakeAway

The FCC is flexing its broadband regulatory muscle beyond Title II.

WASHINGTON — The Federal Communications Commission is affirmatively defending its power to regulate the Internet on two fronts.

The most high-profile maneuver was last week's court defense of its Open Internet order in the U.S. Court of Appeals for the D.C. Circuit. But the FCC is also talking up its regulatory powers in a brief defending its municipal broadband pre-emption decision.

In a brief to the 6th U.S. Circuit Court of Appeals, the agency defended its decision to preempt state laws limiting cities from building out broadband.

Led by general counsel Jonathan Sallet, the FCC legal team told the court that the its mandate under Section 706 of the Telecommunications Act of 1996 to ensure advanced telecom is deployed in a reasonable and timely manner to all Americans justified the pre-emption of state laws limiting broadband deployment.

If the FCC's pre-emption is not overturned by the courts, commercial Internet-service providers could face municipal overbuilds with an FCC protecting cities from state laws attempting to block or limit such activity.

The FCC has used the same Section 706 mandate to justify its Open Internet rules, though it also added the backstop of reclassifying broadband Internet access as a telecommunications service under the Communications Act of 1934. The agency noted that the D.C. Circuit, in which it is arguing for network-neutrality rules, has said Section 706 is an affirmative grant of authority.

The 1996 Telecom Act rewrite, which created Section 706, told the FCC to study the state of broadband deployment and, if it was found to not be reasonable and timely, empowered it to apply various regulatory levers.

For years, under Republican FCC chairmen, deployment was found to be reasonable and timely. But under the Democrats in 2010, that changed, based essentially on the fact that not everyone in the U.S. had broadband, so the levers could be triggered.

The FCC has said pre-empting municipal broadband laws, which chairman Tom Wheeler brands as an anti-competitive effort by incumbent ISPs, is acceptable and even required under Section 706, if the agency finds broadband deployment inadequate. That has been the blanket finding of recent reports.

ISPs have argued that gives the FCC something of a blank check to regulate.

“Only the FCC would imagine that its Section 706 authority could supersede the 10th Amendment of the U.S. Constitution, and relegate a sovereign State of the United States to a mere barrier to broadband deployment,” said Scott Cleland, chairman of NetCompetition, an e-forum on broadband competition supported by ISPs.

The FCC said it can only pre-empt laws attempting to affect communications policy by limiting expansion of already approved broadband buildouts, but not state laws prohibiting buildouts altogether.
Multichannel News
http://www.multichannel.com/fcc-s-other-net-regulation-defense/395755

FCC Will Help Hill Draft Title II Rate-Regs Ban

12/07/2015 8:00 AM Eastern

By: John Eggerton

WASHINGTON — Among the more interesting exchanges in a Nov. 17 Federal Communications Commission oversight hearing was one between agency chairman Tom Wheeler and Ohio Republican Rep. Bill Johnson, in which Wheeler essentially agreed to help draft a provision he does not support.

Republicans have put a rider on an appropriations bill that would explicitly prevent the FCC from regulating broadband rates. Wheeler has said the FCC wouldn't do that under its new Title II authority, but Republicans want to ensure that.

During his questioning of the FCC commissioners, Johnson alluded to the rider, which he said would be a ban on the FCC's use of its Title II authority to regulate ISP rates. When Appropriations Committee staff sought technical assistance from the FCC in drafting the provision — after Wheeler had publicly declared the rules were not about rate regulation — "the FCC refused to provide Congress with the benefit of [his] expertise," Johnson said.

He called it "completely inappropriate" for the FCC not to provide that expertise. As to when it would be provided, Wheeler said he was "unaware of the situation," then tried to add that he thought it was unnecessary to put "that kind of rider" on an appropriations bill, before being cut off by Johnson, who said that was "not his call."

“Are you going to provide the information?” Johnson asked again, then again as Wheeler repeated that he was unaware of the situation.

A rather testy Wheeler responded: “It’s not hard to figure out how to draft it. Yes sir.”

In a press conference following the FCC’s public meeting, on a different topic that came up in the hearing, Wheeler joked that “yes” was usually the best answer to give in oversight hearings.
Multichannel News
http://www.multichannel.com/fcc-will-help-hill-draft-title-ii-rate-regs-ban/395756

UBS Study Unpacks the Bundle's Value

Says Traditional Pay TV Packages Still Offer Best Deal

12/07/2015 8:00 AM Eastern

By: Mike Farrell

TakeAway

A UBS Securities analysis shows that the traditional pay TV bundle still offers the most value for the money.

As distributors and programmers struggle to create packages of programming that will attract the right audience at the right price point, one constant is beginning to emerge: the traditional bundle offers the best value at the best price.

UBS Securities media analyst Doug Mitchelson probably made the biggest case for preserving the traditional TV bundle last week with a comprehensive look at the value of TV networks.

In a 44-page report, Mitchelson and his team combined survey data with algorithms developed by UBS's Evidence Lab to create a software program that uses data from the survey, average pricing data from networks and its own survey information regarding such demographic and customer satisfaction data like age, size of household, pay TV status, as subscription video-on-demand services and annual household income to determine the combination of a la carte channels that would satisfy the most consumers.

Applying those factors, the UBS software can calculate 288 quadrillion possible bundles.

The UBS analysts concluded what many others also have in the past several months —the best bundle is the one that most distributors already offer.

But viewers didn't reach that conclusion easily. UBS surveyed 1,855 individuals in April, ranging in age from 18 to 55 and across income levels. Like many surveys of the bundle conducted over the past several months, respondents were a study in contradictions.

For example, in the UBS survey, nearly 70% of the respondents said they were definitely or probably interested in an a la carte offering; 70% of those same people said they were satisfied with the value of pay TV.

Asked to create their own a la carte packages out of an existing 60-channel expanded-basic offering, their average custom bundle cost $127 per month, or about 20% more than the cost of an average expanded-basic package.

"Overall, we believe the evidence shows that the pay TV bundle is nowhere close to a tipping point, while OTT pay TV services will be challenged to offer a low-priced service that would also be popular," Mitchelson wrote.

The study also found that so-called cost-conscious viewers are passionate about the TV they watch, even the channels they don't watch regularly. On average, respondents to the study said they watched 17 to 18 channels (six of which were considered "favorites"), but chose 35 channels in their "custom" packages.

On average, respondents were willing to pay $15 more per month to add channels they did not initially choose in their custom bundles.

Age, not household income, played the biggest role in the respondents' desire for a la carte. According to UBS, about 67% of households with incomes of $55,000 per year or less were interested in a la carte, as were 69% of households with annual incomes of $55,000 to $99,000 and 71% of households with more than $100,000 in annual income.

By contrast, about 75% of respondents aged 18-34 would definitely or probably be interested in a la carte, while 62% of respondents aged 55 or older were interested.

Millennials have long been the target of over-the-top and skinny bundle services, but have been reluctant to pay for TV, instead opting to watch online video and cheaper subscription demand services. While that separation from reality appears to be evident in the UBS survey — younger respondents generally wanted more channels for less money — there seems to be some light at the end of the tunnel.

At the *Multichannel News*/*Broadcasting & Cable* Next TV Summit in San Francisco last week, Sling TV senior vice president and chief product officer Ben Weinberger said millennials begin to warm up to the idea of paying for television at the ripe old age of 23.

That, said Needham & Co. media analyst Laura Martin, is good news for pay TV providers. "That's a hugely positive surprise," she said.

All this leads to what Mitchelson calls the real problem for cable, satellite and telco TV operators.

"Overall, consumers clearly want more choice, but even if they were given greater packaging flexibility we believe consumers would invariably end right back where they are now, in the big pay TV bundle," Mitchelson wrote. "This suggests the industry has a significant marketing problem more than it has a price/value issue."
Multichannel News
http://www.multichannel.com/ubs-study-unpacks-bundle-s-value/395757

Telecom Prom Highlights: Title II Jokes, Cable Merger Jabs, Dumping on Trump

Tom Wheeler Delivers Standout Stand-Up Routine at FCBA Chairman's Dinner

12/07/2015 8:00 AM Eastern

By: John Eggerton

WASHINGTON — By the time **Tom Wheeler** was done addressing the 29th annual **Federal Communications Bar Association** chairman's dinner, lobbyists, lawyers and media executives had been good and skewered. Or, in keeping with the sports analogies that predominated, they'd been bounced, rejected and stuffed.

Cable operators were frequent targets, particularly given that the Washington Hilton dinner was held on Dec. 3, the night before the oral argument in the legal challenge against the FCC's reclassification of Internet-service providers under Title II common-carrier regulations.

Speakers at these kinds of events often credit their families. Wheeler thanked "the light of my life, the person who inspires me every day to keep fighting and do better: Judge **David Tatel**." Tatel, one of the three **U.S. Court of Appeals for the D.C. Circuit** judges who heard the arguments on Friday, also was on the first panel that remanded the old rules back to the FCC.

Wheeler said **Uber** had already declared that surge pricing would be in effect following the dinner.**National Cable & Telecommunications Association** president **Michael Powell** "blames it on Title II." Blaming things on Title II was a running joke throughout. Powell, in attendance, took it all in good humor.

The biggest cable company caught much topical flak. It's a custom at the dinner "to drink as much wine as you want," Wheeler said. Pointing out the **Comcast** table, the chairman added: "Waiters, pay attention. If they want more wine, it's $35 a bottle. And don't consider it a wine cap. Just think of it as a wine usage plan."

Cable-owned sports teams were fair game, too. "Of course, there was the bid by Comcast to acquire **Time Warner Cable**, which failed. But we should not feel too bad for Comcast. They still own the**Philadelphia 76ers**." A big screen displayed a headline about the team's 27-game losing streak. Groans abounded.

Guess what a top Comcast executive blames for the Sixers' failure. Right: "**David Cohen** blames Title II."

Wheeler later said Comcast founder **Ralph Roberts**, who died earlier this year, was one of those who'd changed the communications landscape and the nation for the better and "would be missed."

Charter Communications took a big and humorous hit. After the FCC helped crater Comcast's bid, Charter agreed to buy TWC, a deal currently before the commission.

"I know rebound relationships work out sometimes, but could it be a little soon?" he asked. "I mean, I just worry that if Time Warner gets hurt, they could just lock themselves in their room, listen to **Adele**, eat ice cream straight out of the carton and read **John Malone**'s old love letters."

As for **Altice**'s proposed acquisition of **Cablevision Systems**, Wheeler noted the Dolan family will continue to control some of their most famous assets: “The **New York Knicks**, *The Walking Dead* ... Oh, I’m repeating myself.”

His most pointed jab may have been at **Dish Network** chairman **Charlie Ergen**’s expense. Referring to the “Have an Affair” website, Wheeler said: “Speaking of hooking up, Ashley Madison,” Wheeler said, referring to the affair site. “Ashley Madison got hacked, revealing the names of millions of people looking for relationships. Poor Charlie Ergen signed up; no one responded,” he said, to general groans from the room. Ergen’s swings and misses at the FCC include rejection of a proposed 2002 merger with **DirecTV**’s parent company.

Verizon just didn’t seem as funny as Comcast or **AT&T**, the chairman added. Except. “That time that Verizon got the Open Internet rules thrown out, and then came back a year later to advocate for the same thing that had been overturned — now that was hilarious.”

Democrat Wheeler also took some shots at the Republican presidential front-runner. “**Donald Trump**released his spectrum plan the other day. No more guard bans to cut down interference. Instead, he’s going to build a wall. Mexico will pay for it.” And in the ultimate combination of spectrum and politics, “Trump is a very big proponent of white spaces.”

Pause, followed by groans and applause.
Multichannel News
http://www.multichannel.com/telecom-prom-highlights-title-ii-jokes-cable-merger-jabs-dumping-trump/395759

OTT Video: Ripe for Saturation?

Study: 72.1% of U.S. Internet users will be watching online by 2019

12/18/2015 7:45 PM Eastern

By: Jeff Baumgartner

TakeAway

A new forecast predicts that over-the-top video could reach the saturation point by 2019.

Consumers are gravitating to over-the-top video services at alarming rates, but that ongoing acceleration could create a big challenge for the leading providers in the years ahead — finding ways to keep those growth fires stoked.

While increases in OTT adoption threaten to saturate the market, there may still be some room for growth for some of the entrenched players and new ones that are trying to break into the sector, eMarketer found in a new forecast, *Q4 2015 State of Video: Monetization, Audience, Platforms and Content*.

Driven by YouTube, about 72.1% of U.S. Internet subs, or 199.6 million of them, will use OTT video services by 2019, up from 69.7% and 181 million, respectively, at the end of 2015, the firm predicts.

Looking ahead, eMarketer said it believes YouTube will have 187.8 million users in the U.S. by 2019, up from 170.7 million at the end of 2014. Likewise, the firm predicts Netflix will have 143.0 million users in the U.S. by 2019, up from 114.3 million in 2015. By 2019, there will be 88.6 Amazon OTT users (versus 65.2 million this year), and 82.2 million Hulu users (up from 59.9 million in 2015).

Of that batch, Hulu's expected to see the most user growth (4.3%) by 2019, followed by Amazon (4.1%), Netflix (2.6%) and YouTube (1.6%). By 2019, YouTube is expected to maintain its wide lead from a user penetration standpoint (94.1%).

“There is little if any room for YouTube to grow beyond this near saturation, but other leading services will undergo significant growth over the next several years,” eMarketer noted in the report.

Among other predictions, eMarketer said 89.3% of U.S. digital viewers will watch video via OTT, up from 88.6% in 2015.

Per the firm, game consoles currently lead the connected TV category over smart TVs and Blu-ray players, but their share will continue to erode as streaming sticks — led by Google’s Chromecast adapter — become the second-most pervasive connected-TV device.
Multichannel News
http://www.multichannel.com/ott-video-ripe-saturation/396119

FCC Could Make New Year’s Revolutions

Fate of Title II rules and broadcast-TV band are in play1/04/2016 8:00 AM Eastern

By: **John Eggerton**

Follow @eggerton

WASHINGTON — 2016 is shaping up to be a watershed year for lawyers, lobbyists and executives at communications companies as the FCC attempts to remake the TV band, a federal court weighs wrecking that agency’s plans to regulate the Internet and as ISPs ramp up broadband buildouts and upgrades.

Congress will likely be tied up with getting itself re-elected, so the Federal Communications Commission will be the hot spot of activity. Still, cable operators are hoping the Senate can see its way clear to making the ban on taxes on Internet-service providers permanent. That almost happened in December, before a group of Democratic senators blocked the move because it was not paired with a bill to levy sales and services taxes on Internet-based transactions.

Given the election year, cable lobbyists are not expecting much from Congress. They have their fingers crossed for some form of network-neutrality legislation, though a complete smackdown of the FCC’s rules by the U.S Court of Appeals for the D.C. Circuit could light a fire under that effort.

FCC chairman Tom Wheeler may try to front-burner some key decisions in case fellow Democrat Mignon Clyburn exits the agency to run for the house seat held by her father — or signals that she needs to consider that possibility.

There has been scuttlebutt that she may seek to succeed Rep. James Clyburn (D-S.C.), but a source close to the commissioner said that was not their understanding.

In any event, it will almost certainly be Wheeler's last year in the post, and he has plenty on his plate. Cable operators will be looking for an FCC decision on set-top security, preferably confined to just security rather than the extended AllVid approach to navigation devices, pushed by computer companies, that could allow for the disassembly of cable's channel bundle.

The National Cable & Telecommunications Association has been pushing back hard on the tech firm-backed effort.

Broadcasters will have to apply for the incentive auction by Jan. 12 or watch from the sidelines. Those who do apply will have until March 29 to commit to the auction, or head to the sidelines as well.

RETRANS REDUX

Retransmission consent will return to center stage this year, too. TV stations and their representatives in Washington will likely be in a pitched battle with cable operators over how the FCC should, or should not, adjust its retransmission-consent regime.

The chairman initially tried to push a vote on getting rid of the broadcast-exclusivity rules, which backstop contractual exclusivity by preventing cable operators from importing duplicative programming from outside a local market, including during retransmission-consent impasses.

Cable operators would have been glad to see those rules go, but broadcasters convinced some high-profile congressional Democrats to weigh in against such a move, and Wheeler could not muster the Democratic votes on his own commission.

But Wheeler has said the proposal could be reintroduced as part of a congressionally mandated review of retrans that is currently underway.

If broadcasters get their way, the FCC will tread lightly. If cable operators get their way, retrans blackouts will be written out of broadcasters' playbooks, with socalled baseball-style arbitration (in which an arbitrator decides between dollar amounts proposed by both sides) introduced and those exclusivity rules excised.

More than one Democratic source signaled Wheeler could get even more pushback from his own party, given what they see as his "my way or the highway" approach to the issues on which he is clearly passionate, but not always politic. But a top Republican source tapped into the communications marketplace said that, style points aside, the chairman deserves credit for mostly delivering on his agenda.

The FCC is working on a new privacy enforcement regime for broadband Customer Proprietary Network Information (CPNI), information that telecommunications services keep about their subscribers, after giving itself new oversight powers through the Title II reclassification. Whether it gets to follow through with that depends on the D.C. Circuit's decision on those rules, which could come down by the end of the first quarter or early in the second.

TITLE II'S DAY IN COURT

Most handicappers predict the decision will be a mixed bag, with the FCC losing on some parts and winning on others — and an appeal by some party is almost a given.

Cable and other ISPs continue to maintain success for Title II in court will result in a less-successful broadband buildout and a crimp on new investment.

One thing that probably will not return to the front burner anytime soon is Wheeler's proposal to reclassify some online video providers as multichannel video programming distributors (MVPDs) so they could get program access protections. That received pushback from some big Silicon Valley players worried that those privileges would come with new obligations, such as public, educational and government (PEG) and broadcast mustcarry requirements.

And while it may be a case of closing the barn door after the horse has escaped, been caught, trained to race and has won the Triple Crown, the FCC is under a selfimposed 2016 deadline to resolve its overdue quadrennial review of media-ownership rules, which have been on the books for decades.

D.C.'s 2016 'To Do' List
Congress, courts and the FCC will be grappling with issues vital to both cable operators and broadcasters

Incentive auction: March 29 will be the first day of the rest of most broadcasters' lives, as they either put spectrum in or wait to see where they are headed in a remade post-auction spectrum band.

D-Day for cable deals: The FCC must vet two major mergers — Charter-Time Warner Cable and Altice-Cablevision Systems — that could redraw the competitive landscape; decisions are expected, or at least hoped for, in the first half of the year.

Net neutrality: The U.S. Court of Appeals for the D.C. Circuit could decide on the Title II challenge by April; then, more court decisions are likely as whoever's ox is most gored appeals.

Retransmssion consent: The FCC is working on review of good-faith negotiations, per congressional mandate. A decision this year could include bagging programming exclusivity rules, but chairman Tom Wheeler may not have the votes for that.

Broadband Customer Proprietary Network Information: Under Title II classification of ISPs, the FCC has new power over consumer privacy and is working on a framework that could be a "beast," one top cable agency watcher said.

Set-tops/navigation: The FCC is working on a software solution to replace its previous CableCard set-top security regime. Cable operators will nonetheless continue to support the CableCard.

Media ownership: The FCC has set itself a "no earlier than June" deadline for finishing its review of ownership rules. After more than 10 years of uncertainty, broadcasters will be looking for some answers.
— *John Eggerton*
http://www.multichannel.com/fcc-could-make-new-year-s-revolutions/396201
Multichannel News

No FCC Call on Wireless Broadband

Agency: Declaring it competitive would oversimplify the picture

1/04/2016 8:00 AM Eastern

By: John Eggerton

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TakeAway

An FCC report's non-finding leaves the agency room to regulate wireless broadband.

WASHINGTON — Borrowing a page from groundhog Punxsutawney Phil, the Federal Communications Commission has taken the temperature of wireless broadband competition and signaled there will be at least another year's worth of potential regulation.

Or at least that was the takeaway of some mobile broadband boosters from the FCC's pre-holiday release of its 18th annual report to Congress on competition in the wireless industry, which, like other recent reports, comes to no conclusion about whether that industry is competitive.

That's despite the report's finding that about 92% of Americans can choose between three or more service providers; the FCC pointing out that deployment does not guarantee speed; and that the road miles and landmass covered by wireless broadband were at 34% and 15% of the nation, respectively.

A finding that the market is competitive could limit the FCC's ability to regulate the mobile broadband industry in the interests of wider deployment, or to spur more of the competition the agency won't say is there.

An FCC official pointed out that Congress required only a status report on mobile service, not a decision on whether it was competitive.

“Since no decision was mandated, no decision was reached,” the agency source said.

“Given the complexity of the various interrelated segments and services within the mobile wireless ecosystem, any single conclusion regarding the effectiveness of competition would be incomplete and possibly misleading in light of the complexities we observe,” the FCC’s Wireless Bureau said in issuing the report.

Not surprisingly, that finding, or lack of it, did not sit well with mobile broadband players, but the Wireless Bureau suggested that handicapping competiveness could lead to an overly simplistic conclusion.

Mobile Future, whose members include AT&T, Verizon, and Qualcomm, was disappointed. “Once again, the FCC’s competition report has been inspired more by the remembrance of things past, rather than the real-world record,” the group said.

The FCC, under Republican chairman Kevin Martin, concluded in 2007 and 2008 that the marketplace was competitive, but since then the reports have been mum on the issue.

“Like something out of Marcel Proust, the more things change in our dynamic mobile marketplace, the more the FCC’s analysis stays the same,” Mobile Future said.

The FCC has similarly found the wired broadband marketplace in need of more competition, which it has used to regulate that space as well.

The wireless report looked at “market concentration, the conduct and rivalry of service providers, and competition in other segments of the mobile wireless ecosystem, including spectrum, backhaul, and handsets/devices, as well as consumer behavior," but would not make the call about whether those factors indicated the presence or absence of competition.

The bureau emphasized the need for more spectrum, including from the broadcast incentive auction, and the need to spread low-band spectrum around to boost competition. In theory, the broadcast spectrum will go to the highest bidders for whatever use they desire, but the Wireless Bureau has said it "will be used for the provision of mobile wireless service, with flexible use service rules."

Senior Republican commissioner Ajit Pai was not happy with the report's lack of conclusions, suggesting the ends drove the means.

"[T]his FCC will never find that there is effective competition in the wireless market, regardless of what the facts show," he said in a statement. "That's because doing so would undermine the agency's goal of expanding its authority to manipulate the wireless market — a goal it can't accomplish if it deems that market healthy."

The Competitive Carriers Association, which represents rivals of the major wireless carriers, read the report quite differently, saying: "The report affirms an alarming trend of continued consolidation into the hands of the two dominant carriers measured by any metric, including amount of low-band spectrum, wireless revenues or connections, to name a few."
http://www.multichannel.com/no-fcc-call-wireless-broadband/396202
Multichannel News

Half-Full or Half-Empty?

Conflicting Trends Fuel Debate Over Traditional TV's Future Viability

1/04/2016 8:00 AM Eastern

By: George Winslow, Contributing Writer

It's been more than a decade since the first YouTube video was posted in April of 2005, and the impact of over-the-top video remains hotly debated.

Some look at the increase in multichannel-video subscriber losses in the first nine months of last year as confirmation of a generational shift, with millennials coming of age as cord-cutting OTT consumers. Based on those trends, Magna Global is now predicting that multichannelvideo subscribers will decline by more than 6 million homes between the end of 2015 and the end of 2020.

Others dispute those projections and go even further, contending that terms such as cord-cutting make it di_ cult to truly understand how the market is changing by reducing the behavior of younger consumers to headline-grabbing stereotypes. Yes, pay TV subscribers are declining, these researchers have said. The losses remain small, though — roughly 1% of the market — and the oft-predicted dramatic collapse has yet to occur. In fact, cable companies in 2015 had their best year since 2006.

This "glass half full"vs. "glass half empty" debate, as researcher Howard Horowitz has called it, won't be settled anytime soon. Nonetheless, "the market changes aren't trivial," Horowitz said. "Complacency is out. You have to take the market seriously and pay attention to millennials by providing them with the kind of services they want."

We hope that imperative will make *Multichannel News*'s annual Viewer Watch report, with its focus on the impact of the changing use of video, more valuable than ever.

As usual, this report is based on interviews with a wide array of senior TV executives and a number of top researchers. The features based on those interviews are then followed by eight pages of data, covering virtually every aspect of the industry, from trends in traditional pay TV subscribers to subscription video-on-demand customers and the use of new consumer-electronics devices.

Taken together, the features and data are designed to help readers to dig deep into the trends that are transforming their businesses, and to better understand the opportunities and challenges facing the industry.

Like previous versions of this annual report, the 2016 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, Magna Global, PwC, Nielsen and SNL Kagan.

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

To access the full report, including charts, please click here.

http://www.multichannel.com/half-full-or-half-empty/396204
Multichannel News

Viewing Shifts: Hype and Reality

Much Rides on Debates Over Millennials, OTT and TV Viewing in 2016

1/04/2016 8:00 AM Eastern

By: George Winslow, Contributing Writer

Broadcaster CBS jumped into the SVOD game in 2016 with its CBS All Access service.

RELATED STORIES: Viewer Watch 2016: Half-Full or Half-Empty? | Embracing the Enemy: OTT Services Pose Big Risks, Bigger Opportunities

Faced with rapidly changing consumer habits, programmers and multichannel video providers have spent much of the last five years bulking up their offerings to provide more content on additional platforms.

Like the inhabitants of a besieged medieval town, they've hunkered down inside the traditional pay TV ecosystem, devoting enormous resources to building up their defenses by adding new products like TV everywhere or by improving existing bundles with faster broadband speeds or even Gigabit offerings.

All of that changed in 2015. With over-the-top video usage doubling on an annual basis, a growing number of programmers and operators decided it was time to step outside traditional pay TV distribution methods and take the fight directly into enemy territory by offering new over-the-top services such as Dish Network's Sling TV or HBO Now.

Much of this can be traced to the subject of *Multichannel News*'s annual Viewer Watch survey — changing video-usage patterns that have produced a slump in TV ratings and slight declines in pay TV subscriber numbers.

“There is a new generation that is consuming TV differently,” Magna Global executive vice president and director of global forecasting Vincent Letang said. The New York-based firm has forecasted a 6% drop in pay TV subscribers and flat or sluggish TV advertising in upcoming years.

“We have been talking about cord-cutting for a few years, and it wasn’t really happening,” Letang said. “But now it is happening, because young people are adopting MVPD subscriptions at a significantly lower rate than previous generations.”

Horowitz Research president Howard Horowitz added, “You can look at it as a glass and say it is half-full or half-empty, depending on your PR objective of the data.” Though the number of cord-cutters remains small, “the market changes aren’t trivial,” Horowitz said. “Complacency is out. You have to take the market seriously and pay attention to millennials by providing them with the kind of services they want.”

Companies must also carefully parse these video-industry developments to better understand the forces that are changing consumer habits, Horowitz and others said.

CORD-CUTTING CONFUSION

Two of the thorniest topics are cord cutting and the habits of the millennial 18-to-34-year-old set.

“We’ve spent a lot of time talking about and reacting to cord-cutting,” Bruce Leichtman, president and principal analyst of Leichtman Research Group, said. “But I think that is a dangerous term that leads people to bad assumptions, bad conclusions and bad decisions, because they are really nonsubscribers.”

The ranks of those nonsubscribers are clearly growing, though not at the precipitous rate some had predicted. Total multichannel video subscribers fell from 100.7 million in the fourth quarter of 2013 to 100.5 million in the fourth quarter of 2014, according to SNL Kagan.

Those declines, however, accelerated in the first nine months of last year, falling by more than 1 million subscribers to 99.4 million in the third quarter of 2015, SNL Kagan principal analyst Ian Olgeirson noted.

Some of this has been attributed to economic issues. The U.S. housing base has increased by about 4.5 million, according to Leichtman, but home ownership is actually down by 1 million and there are 5 million more renters.

“Renters tend to be younger, they tend to be more mobile and all of these things have always correlated a with a lower likelihood to subscribe to multichannel TV,” Leichtman said. “The number of people dropping subscriptions is about the same as it was a decade before we started talking about cord-cutting. The difference today is that fewer people are coming into the top of the funnel.”

Satellite-TV and telco providers have been also more cautious in pursuing new subscribers given the high cost of hook-ups, Leichtman and Olgeirson said.

The declines also have occurred during an economic recovery, Olgeirson said, so other factors are also at work. “A more likely source of erosion than economics comes from changing viewing patterns and the fact that [viewers] can find programming from other sources,” he said.

Millennials can’t be viewed as a monolithic group, researchers have cautioned. For instance, a recent analysis of millennials by Nielsen found 30-to-34-year-olds living in their own home with children had a pay TV penetration rate of 81.4%, versus a 72.4% rate among 18-to-24- year-olds living in their own home with no children.

MILLENNIAL DIVERSITY

“People talk about millennials as if they are a unified group, but of course they aren’t,” Nielsen senior vice president of audience insights Glenn Enoch said.

Nielsen’s study also analyzed how these households changed their pay TV subscriptions over time, Enoch noted. “Our data shows that householders aged 18 to 34 are more likely to drop cable, but they are also the most likely to add it,” he said. Lower-income homes were also “more likely to add and drop a multichannel subscription,” he added.

That’s due to the fact that younger and lower-income households are more likely to rent and drop their pay TV subscriptions when they move. But that doesn’t mean that viewing patterns, particularly among the young, aren’t changing dramatically.

“The big theme that we are seeing in video consumption is how expansive and immersive the viewing ecosystem has become with so many devices and options,” Viacom executive vice president and chief research officer Colleen Fahey Rush said. “It used to be that you had to wait to watch a show one night a week and wait until work the next day to talk about it.

“Now, you can follow the characters and cast on Twitter. You can watch shows on apps and go back and watch all the old seasons on so many different places. Everyone has a TV in their hands, a smartphone, which is an amazing tool for discovery and loyalty,” she said.

“Most of the growth is on mobile, OTT devices and the connected TV,” ESPN senior vice president of global research and analytics Artie Bulgrin said. For example, the WatchESPN app set viewing records in September with 11 million unique visitors — up 50% from a year earlier — watching 2.2 billion minutes of video for a 92% bounce rate.

That trend has been particularly evident with younger viewers. In the third quarter of 2015, TV viewing by 18-to-24-year-olds fell by 2 hours and 4 minutes from a year earlier, per Nielsen, while viewing on multimedia devices such as Roku was up 34 minutes, to 1 hour and 25 minutes a week.

Not surprisingly, these shifts are have affected digital and TV ad spending. “In 2016 digital advertising will overtake TV in the U.S. for the first time ever.” Magna’s Letang said.

Despite this, TV advertising was stronger in the second half of 2015, so spending in 2016 and 2017 isn’t likely to see the type of declines that occurred in 2013 and 2014, Letang and others noted.

“There is a pretty significant amount of truly premium TV viewing just not being included in current ratings definitions,” Pivotal Research Group senior research analyst for advertising Brian Weiser said. “Viewing is not anywhere near down as much as people think it is. It might even be up, but I’ll go with flat.”

The TV-advertising picture also isn’t as bad as some believe. “The third quarter came out reasonably well and the fourth quarter looks even better,” Weiser said. “Based on the idea that digital is eating TV’s lunch, the overwhelmingly dominant view of TV advertising is pessimistic. But TV still remains the most efficient way to build awareness.

“The problem has been that ad spending has been weak, not that we are seeing a secular shift of TV money to digital.”
http://www.multichannel.com/viewing-shifts-hype-and-reality/396205
Multichannel News

Embracing the Enemy

OTT Services Pose Big Risks, Bigger Opportunities for TV Industry

1/04/2016 8:00 AM Eastern

By: George Winslow

Comcast now has more than 7 million subscribers using its TV everywhere app each month.

RELATED STORIES: Viewer Watch 2016: Half-Full or Half-Empty? | Viewing Shifts: Hype and Reality

Pay TV operators and programmers have increasingly planted their feet on both sides of the raging debate over shifts in TV viewing, dipping their toes into over-the-top video while continuing to embrace the traditional ecosystem.

"Many operators have decided that they will look beyond TV everywhere to support and offer OTT services, and we're seeing content producers going direct-to-consumer, rather than working exclusively through the pay TV system, to compete in the OTT space," Parks Associates director of research Brett L. Sappington said. "That is really changing the economics of the flow of content to the consumer."

It will also make this year a pivotal one for pay TV, both for some of its older offerings, such as video-on-demand and TV everywhere, and for newer efforts such as Dish Network's Sling TV or direct-to-consumer products like HBO Go.

"While we've been seeing declines in the traditional pay TV model, there are increased opportunities in OTT segment, where there are about 25 million homes that have not been touched by pay TV," Ben Weinberger, senior vice president and chief product officer at Sling TV, said.

This relatively large market has produced “a very strong year ahead of forecast and budget” for Sling TV subscriber numbers, Weinberger said.

Meanwhile, Comcast, Verizon Communications and a number of other operators have launched bundles for OTT devices or mobile platforms as part of a larger push to revamp their product packages.

“The traditional bundle works very well for many people, but there are also a lot of people who don’t want to pay for things they don’t value,” Ben Grad, executive director of content strategy and acquisition for FiOS TV at Verizon. The telco has launched mobile-video service Go90, the Custom TV “skinny bundle” and expanded TV everywhere content, with live streams of more than 120 services available outside of the home for mobile devices.

But some analysts have worried that the move to embrace OTT services might hurt operators, who risk cannibalizing their traditional bundle, and programmers, who might lose ratings as they sell more content to subscription VOD services such as Netflix.

Turner Broadcasting System’s launch on Sling TV, a virtual MVPD available on a subscription basis, has been a positive experience, executive vice president of brand distribution Jennifer Mirgorod said. “It is very important that our larger networks reach as many people as possible,” she said.

The slimming of the bundle has prompted fears that some networks might not be able to survive. But stronger programmers should continue to thrive, Disney & ESPN Media Networks executive vice president of affiliate sales and marketing Justin Connolly argued.

“The success of packages depends on the channels that underpin the package, and we have a handful of the strongest brands in the business,” Connolly said. “That is why providers like Dish and their Sling TV package took to us to help them build a sub base.”

Operators also view TV everywhere services as a way to improve the value of the bundle. “The price/ value equation is being challenged on the full pay TV bundle for $80 to $100 a month," Tony Goncalves, senior vice president of strategy and business development for AT&T Entertainment Group, said. "That makes TV everywhere a very, very important component in our business."

SEARCHING FOR VALUE

A number of other operators are also rolling out advanced set-top boxes that greatly improve the user interface and make it much easier to find content.

"As all these platforms multiply and the content multiplies, search, discovery and the consumer experience becomes everything," Joe Atkinson, U.S. advisory entertainment, media and communications leader at PwC, said.

"As operators, we also need to recognize that there is a world of content beyond our set of linear offerings and on-demand capabilities," David Isenberg, president and chief revenue officer at Atlantic Broadband, said. "The more we can integrate all that content together, the better the consumer experience and the better position we will be in."

To that end, Atlantic Broadband has deployed TiVo boxes, which offer advanced search features and allow users to access both cable networks and OTT services like Netflix, with plans to launch Hulu. "It is not a matter of providing either pay TV or over-the-top services but both," Isenberg said. "It is natural to bring the two of them together and, since we've launched Netflix, we've seen a strong and very positive customer response."

Many of these efforts are in the early stages, but there are signs that a combination of advanced set-tops, improved interfaces and better TV everywhere offerings can pay off in better subscriber numbers.

"Our third-quarter video results were the best results we've had in nine years, and we've had 20 consecutive months of improvement in churn," Matthew Strauss, executive vice president and general manager of video services for Comcast Cable, said. Comcast, the No. 1 U.S. MSO, has been rolling up 30,000 to 50,000 X1 advanced set-top boxes per month while expanding its VOD and TV everywhere offerings.

Along with an expansion of its VOD offering, which now has “the 100 top Nielsen shows” and “over 700 series” with a full season of episodes, Strauss said the improved interface and search capabilities of the X1 box have improved on-demand usage. “We now have over 85% of our subs on the X1 platform using VOD and we’ve seen a 40% increase in VOD usage of 40%,” he said.

Expanded TV everywhere products are also catching on. “We now have about 7.5 million subscribers using TV everywhere each month, which is over 35% of our subscribers” consuming about eight hours of video per month, Strauss said.

SPEEDING TO IP

Comcast and other operators are also continuing to upgrade their networks to provide faster broadband speeds, new services and expanded Internet-protocol delivery.

“In the past, when you looked at our road map, you might say there was a video lane and a broadband lane,” Cox Communications executive vice president of product development and management Steve Necessary said. “But now those lanes are merging.”

Atlanta-based Cox has rolled out Internet service at speeds of 1 Gigabit per second in a number of markets, with plans to make its G1GABLAST product available through its entire footprint by year-end.

“The G1GABLAST initiative is one of the major initiatives we’re working on to provide a big highway on which can we bring all of those capabilities together,” Necessary said.

But much work remains to be done with TV everywhere and other initiatives. While the number of TV everywhere video streams jumped 104% between September 2014 and September 2015, according to a recent report from Adobe, the share of households accessing the service grew to just 13.6% in the third quarter of 2015 from 12.6% in Q3 2014.

“TV everywhere has a lot of potential upside, but 2016 is the time when the industry has to come together and make it work or [they risk] having Netflix and Amazon become the place where new viewers start to learn to find content,” Adobe Digital Index principal analyst Tamara Gaffney said.

Measurement is another key issue. “I think it is very encouraging to see the products Nielsen and comScore and Rentrak are developing to improve measurement,” Keith Kazerman, head of advertising sales product strategy and development at Discovery Communications, said. Programmers such as Discovery have also bulked up their own in-house data and analytics efforts, he added.

Over time, that could help radically change the way TV inventory is sold. Turner chief research officer Howard Shimmel said a variety of outside and in-house analytical tools has allowed the programmer to sell much more targeted audiences, such as would-be car buyers — something once only possible on digital platforms.

“We were selling TV on age and sex demos from when Lyndon Johnson was president,” he said. “We want to get to a world where we don’t deliver a report saying we’ve delivered the right amount of ratings points, but deliver a report saying how many sales we generated.”
http://www.multichannel.com/embracing-enemy/396206
Multichannel News

Mergers Drive Cable Stocks, but Not as Much

As dealmaking dies down, so do share-price gains in MSO sector

1/04/2016 8:00 AM Eastern

By: Mike Farrell

Follow @MikeFCable

TakeAway

Cable stocks saw their gains level off toward the end of 2015, as the sector paused to digest some big deals.

Cable stocks, fueled over the past few years by deal speculation, began to run out of gas in 2015, with distributors gaining only about 10% for the year, continuing 2014's trend of gains leveling off as deal-making cooled.

In past years, cable deals have driven the markets. Stocks climbed 43.8% in 2012, 50.3% in 2013 and 15.2% in 2014, primarily as Charter Communications pursued its prime target, Time Warner Cable.

But Charter won the prize earlier this year, inking a deal valued at about $78.7 billion in cash and debt after Comcast dropped out of the picture in April. Since then, Charter's stock gains have leveled off accordingly. Shares in Stamford, Conn.-based Charter rose 9.3% for the year to $182.80 on Dec. 28, while TWC was up nearly 22% to $185.05.

CVC'S BIG BOOST

The biggest gainer for the year was the most recent acquisition target — Cablevision Systems — which rose 54.3% in 2015 to $31.85 per share. In

September, European telecom giant Altice agreed to purchase Cablevision in an all-cash deal valued at $17.7 billion. It was Altice's second U.S. cable deal for the year; the company agreed in May to buy Suddenlink Communications in a stock and assumed debt deal valued at $9.1 billion.

The Cablevision deal, which is getting some resistance from local regulators, is expected to close in the first half of this year. The Suddenlink deal closed on Dec. 21.

Other deals have been done, but they have focused on private cable companies. In December, Crestview Partners agreed to purchase a 35% interest in overbuilder WideOpenWest for about $125 million.

Other deals are sure to follow in the coming year, but they'll likely be smaller transactions as Charter and Altice absorb their current acquisitions. Altice has said publicly that it will take a breather from the deal market for at least two years as it assimilates its Cablevision and Suddenlink purchases, although it said it would go aggressively after Cox Communications if that cable operator decides to sell. For the record, Cox has said repeatedly that it is not interested in selling out.

Charter also is likely to take a breather as it integrates Time Warner Cable. That deal, once expected to close by year-end 2015, is still undergoing regulatory scrutiny; Charter has said it now expects to close by the end of March.

Comcast, which withdrew its $67 billion acquisition of Time Warner Cable in April after determining it would not receive regulatory approval, has focused on organic growth — most analysts expect the company to report positive basic-video subscriber growth in 2016 — as well as rolling out and licensing its X1 platform and beefing up its wireless presence.

In October, Comcast activated its Mobile Virtual Network Operator (MVNO) agreement with Verizon Communications. It has said it is in talks with several wireless carriers, moves that could lead to a hybrid cellular-WiFi communications product in the next few months.

Morgan Stanley media analyst Ben Swinburne, who made Comcast his top large-cap pick for 2016, believes the cable operator is poised for growth in both video and data.

COMCAST POISED TO GROW

While cord-shaving has had the biggest impact on video subscriber losses, Swinburne said, Comcast's strategy to better serve more cost-conscious and price-sensitive consumers with smaller packages of programming puts it at an advantage to some competitors.

"Comcast can use these so-called skinny bundles to take customer share from competitors, as it has the best broadband pipe into the home and the video platform to differentiate its video offering from other providers," Swinburne wrote in a research note.

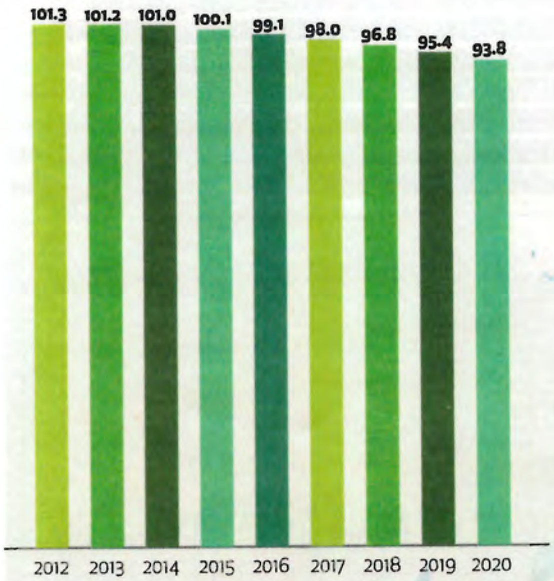
Comcast will likely continue to take share from satellite and telco competitors in the coming year, Pivotal Research Group CEO and senior media & communications analyst Jeff Wlodarczak said in a note to clients, adding that its ownership of programmer NBCUniversal will at least help off set some increases in programming costs.

On the wireless front, Swinburne wrote that Comcast is expected to take a "light-touch approach" to the upcoming federal spectrum auctions, adding that any wireless- license purchases would likely be used as leverage to create stronger partnerships with carriers, rather than to build its own network.
http://www.multichannel.com/mergers-drive-cable-stocks-not-much/396208
Multichannel News

Magna Global forecasts that multichannel video programming distributors (MVPDs) will serve about 93.8 million homes in 2020, a 6.3% drop from the 100.1 million subscribers served in 2015. Most losses will come from cable, with telcos continuing to show some gains.

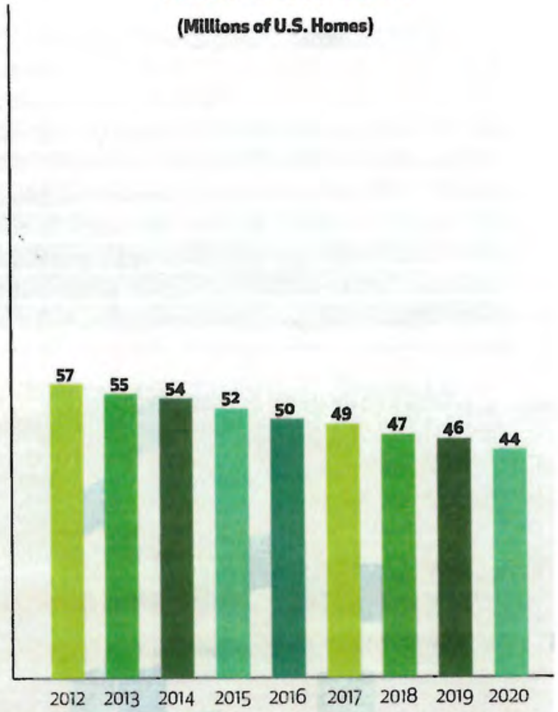
Total Multichannel Households

(Millions of U.S. Homes)



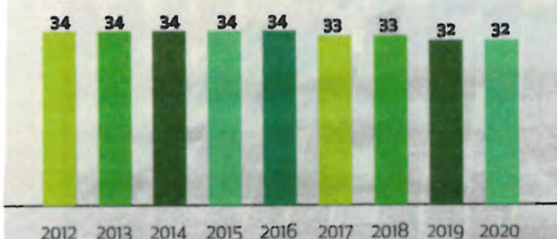
Total Cable Subs

(Millions of U.S. Homes)



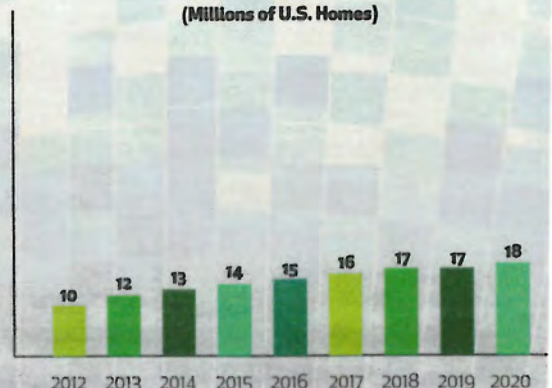
Total Satellite Subs

(Millions of U.S. Homes)



Total Telco Video Subs

(Millions of U.S. Homes)

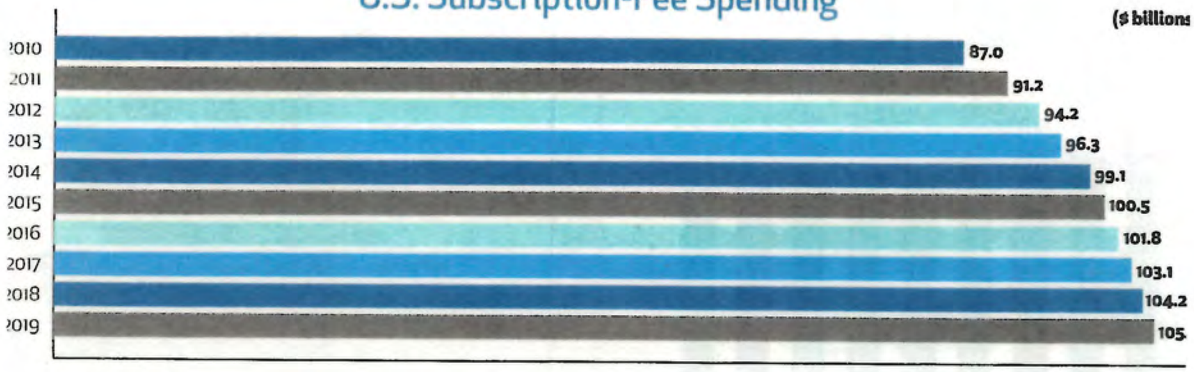


Magna Global, *Media Access Quarterly*, October 2015. Data shows midrange projections for MVPD households. The more gradual, lower-range scenario would produce a smaller 4% decline in MVPD homes by 2020 while projections based on ducing faster change would cut the number of MVPD homes by 13% by 2020.

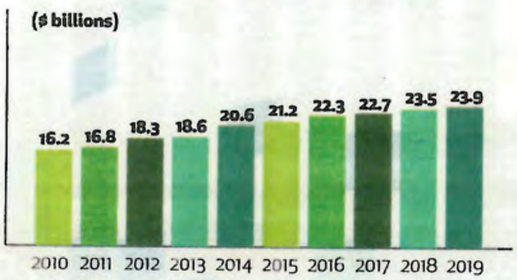
The Multichannel Business

Despite ongoing subscriber loses, PwC forecasts that U.S. subscription-fee spending will see a modest increase of $4.8 billion between 2015 and 2019, to $105.3 billion, while total multichannel advertising will grow from $25.9 billion in 2015 to $28.8 billion in 2019.

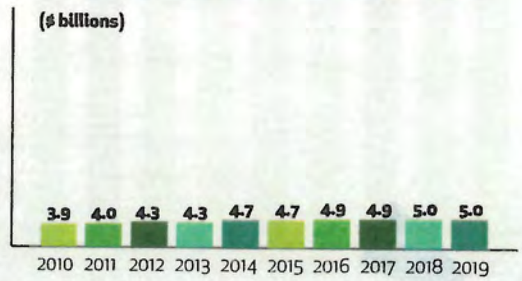
U.S. Subscription-Fee Spending



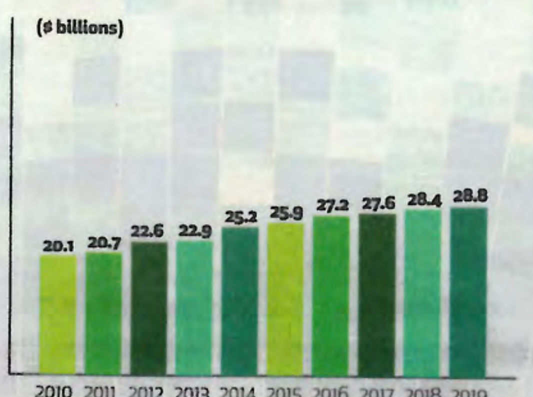
Cable Network Advertising



Cable System Advertising



Total Multichannel Advertising



Fixed Broadband Access Spending

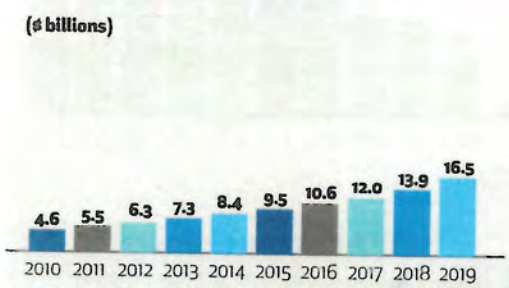
'wC, Global entertainment and media outlook: 2015–2019. Preliminary data for 2014; projections for 2015 to 2019

The Content Game

predicts hefty growth for the electronic home-video sector, to $16.5 billion in 201 :al filmed entertainment revenue hits $35.3 billion. Meanwhile, sports media righ will reach $20.6 billion in 2019, more than twice the 2010 figure. The total North American sports business will top $73.6 billion by 2019.

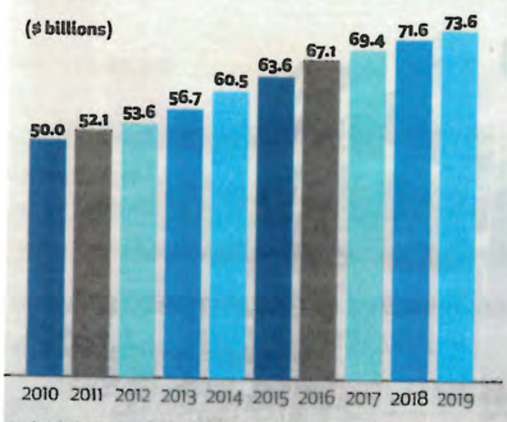
Total Filmed Entertainment

Electronic Home Video

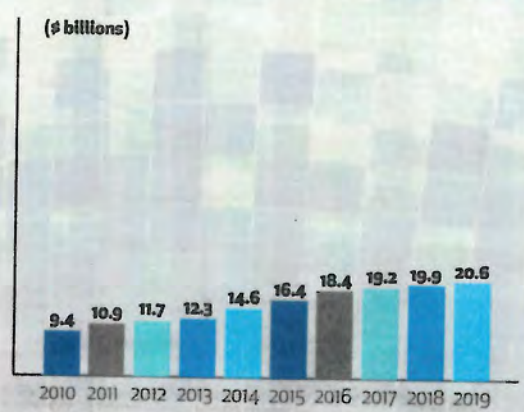


Physical Home Video

al North American Sports Business



North American Sports Media Rights

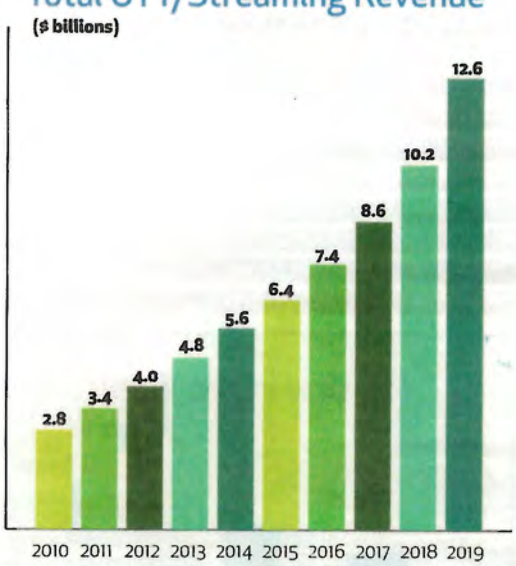


data from PwC, *At the Gate and Beyond: Outlook for the Sports Market in North America Through 2019*, October 2015; revenue for filmed entertainment and other charts from PwC, *Global entertainment and media outlook: 2015–2019*. Prelim jections for 2015 to 2019.

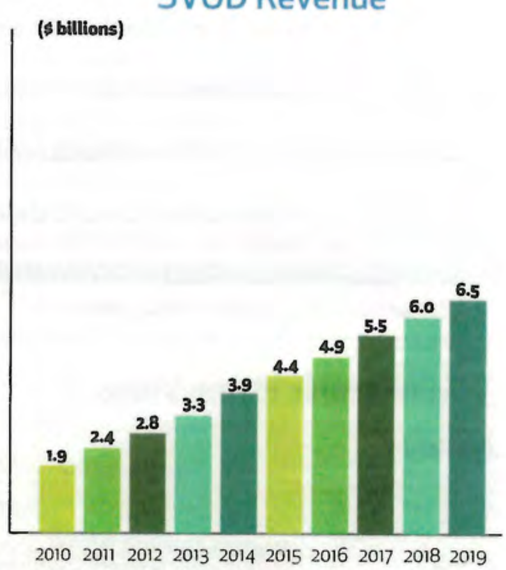
The OTT Landscape

Total over-the-top streaming revenue will nearly double from $6.4 billion in 2015
12.6 billion in 2019, according to PwC, while Magna Global predicts the 18-49 dem
pend about 5.2 hours streaming video via game consoles or OTT devices in 2020
number of OTT devices is expected to more than triple in that same tim

Total OTT/Streaming Revenue



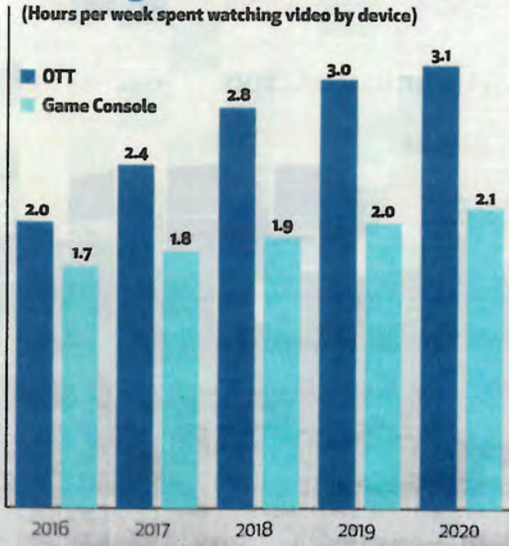
SVOD Revenue



RCE: PwC, *Global entertainment and media outlook: 2015–2019*. Preliminary data for 2014, projections for 2015 to 2019

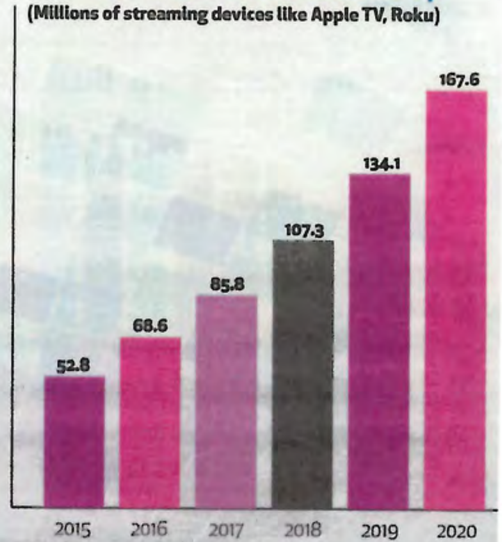
Viewing on Connected Devices

(Hours per week spent watching video by device)



OTT Device Ownership

(Millions of streaming devices like Apple TV, Roku)

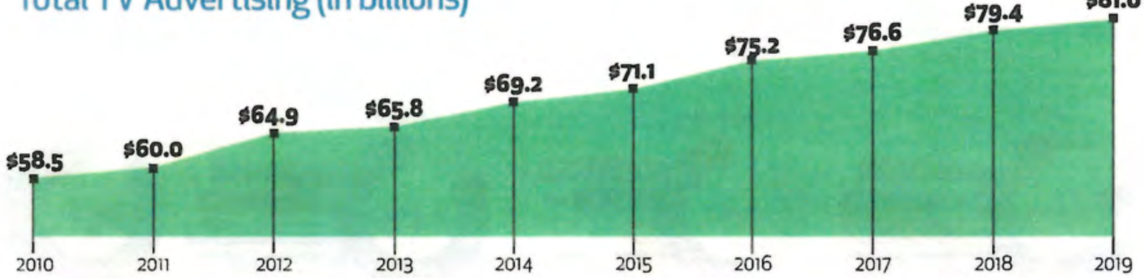


RCE: Magna Global, "Magna Intelligence: OTT & Cord Cutting," November 2015. Magna Global forecasts are based on data for persons 18-49 from Nielsen, comScore.

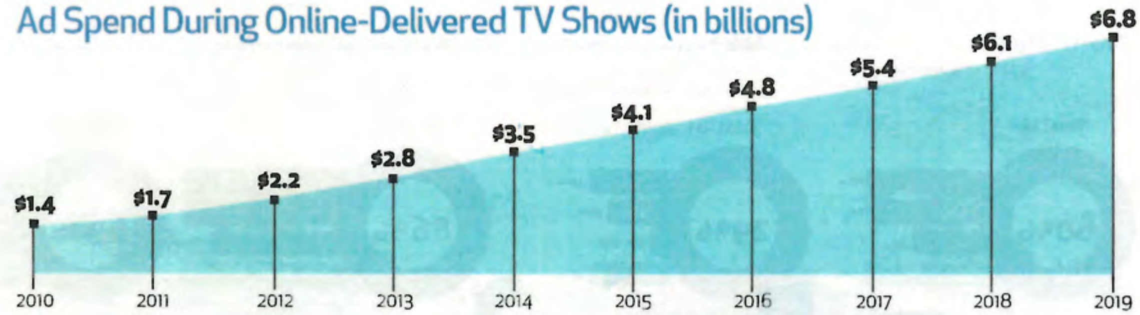
The Advertising Landscape

PwC Predicts ~~icts~~ TV advertising will hit $81 billion by 2019 and the revenue TV-industry players 'om online advertising will grow from $4.1 billion in 2015 to $6.8 billion in 2019.

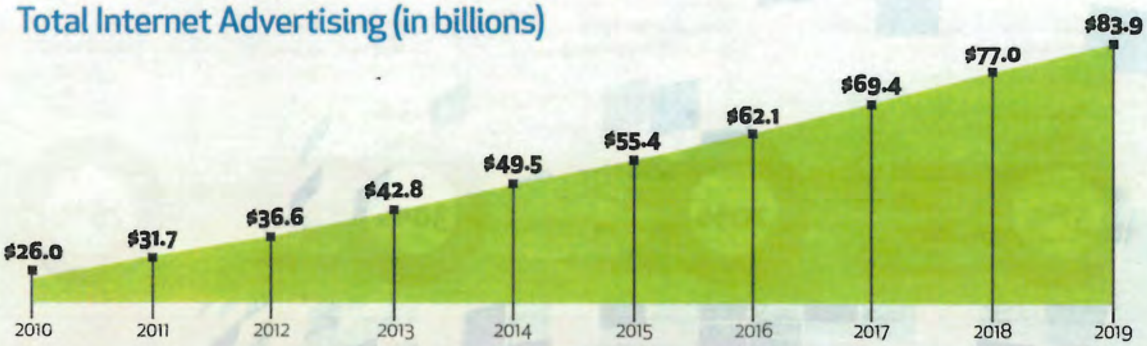
Total TV Advertising (in billions)



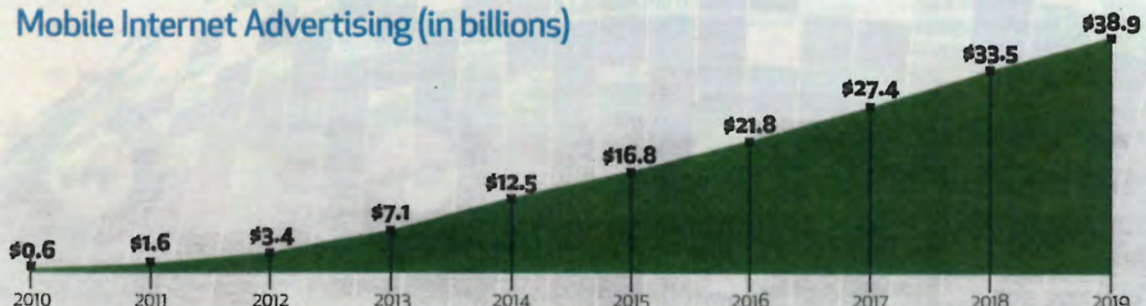
Ad Spend During Online-Delivered TV Shows (in billions)



Total Internet Advertising (in billions)



Mobile Internet Advertising (in billions)

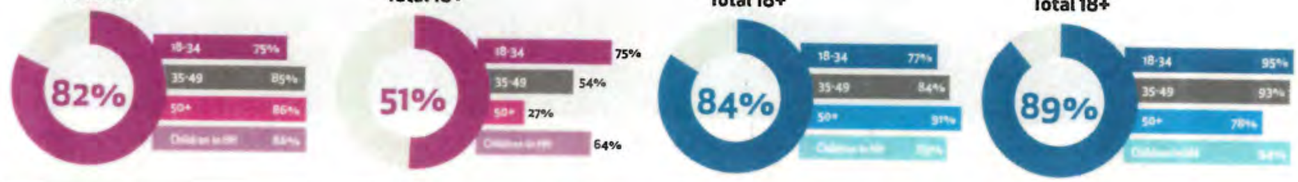


special report *VIEWER WATCH*

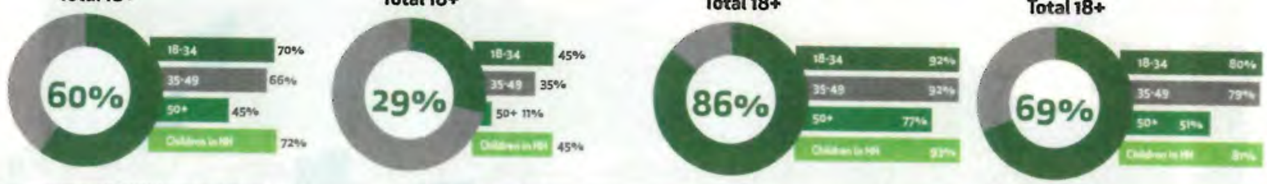
The Multichannel, Multidevice Landscape

Penetration of SVOD services among 18-to-34-year-olds has hit 75%, the same level as multichannel services. About 70% of those millennials have the ability to stream video to the TV, according to Horowitz Research data on the digital device landscape.

Multichannel penetration (% among Internet users) | SVOD penetration (% among Internet users) | High-speed Internet access at home (Among Internet users) | Wireless/mobile Internet (Among Internet users)



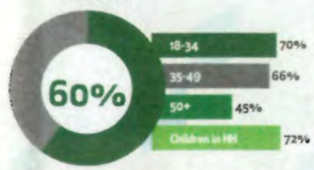
Total able to stream video to TV (Among total respondents) | Able to stream video to TV with game console (Among total respondents) | Handheld with streaming capability (Among total respondents) | Smartphones with streaming capability (Among total respondents)



Any video-capable tablet/e-reader (Among total respondents) | iPad or iPad Mini (Among total respondents) | Tablet other than iPad (Among total respondents) | Cable to connect computer, laptop, tablet or cellphone to TV set (Among total respondents)

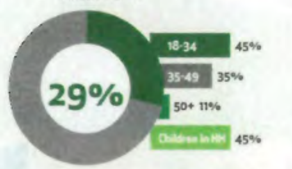
Total able to stream video to TV
(Among total respondents)

Total 18+



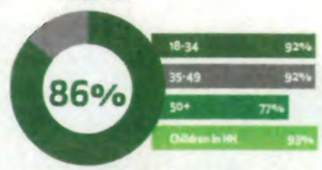
Able to stream video to TV with game console
(Among total respondents)

Total 18+



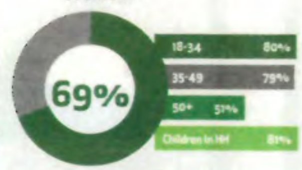
Handheld with streaming capability
(Among total respondents)

Total 18+



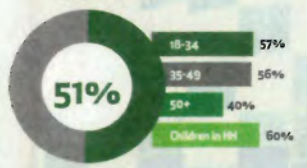
Smartphones with streaming capability
(Among total respondents)

Total 18+



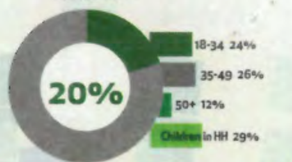
Any video-capable tablet/e-reader
(Among total respondents)

Total 18+



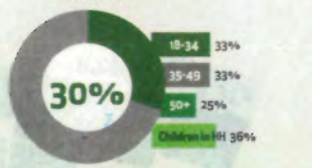
iPad or iPad Mini
(Among total respondents)

Total 18+



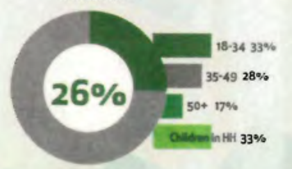
Tablet other than iPad
(Among total respondents)

Total 18+



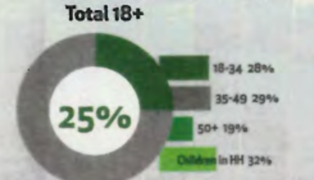
Cable to connect computer, laptop, tablet or cellphone to TV set
(Among total respondents)

Total 18+



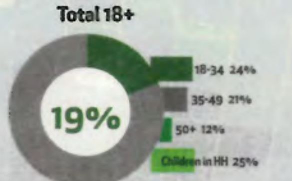
Stream from Blu-ray Disc/DVD player
(Among total respondents)

Total 18+



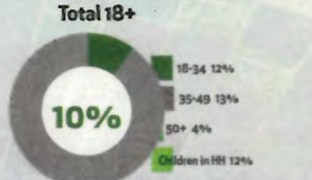
Stream from smart TV
(Among total respondents)

Total 18+



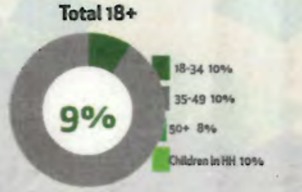
Google Chromecast
(Among total respondents)

Total 18+



Roku box/stick
(Among total respondents)

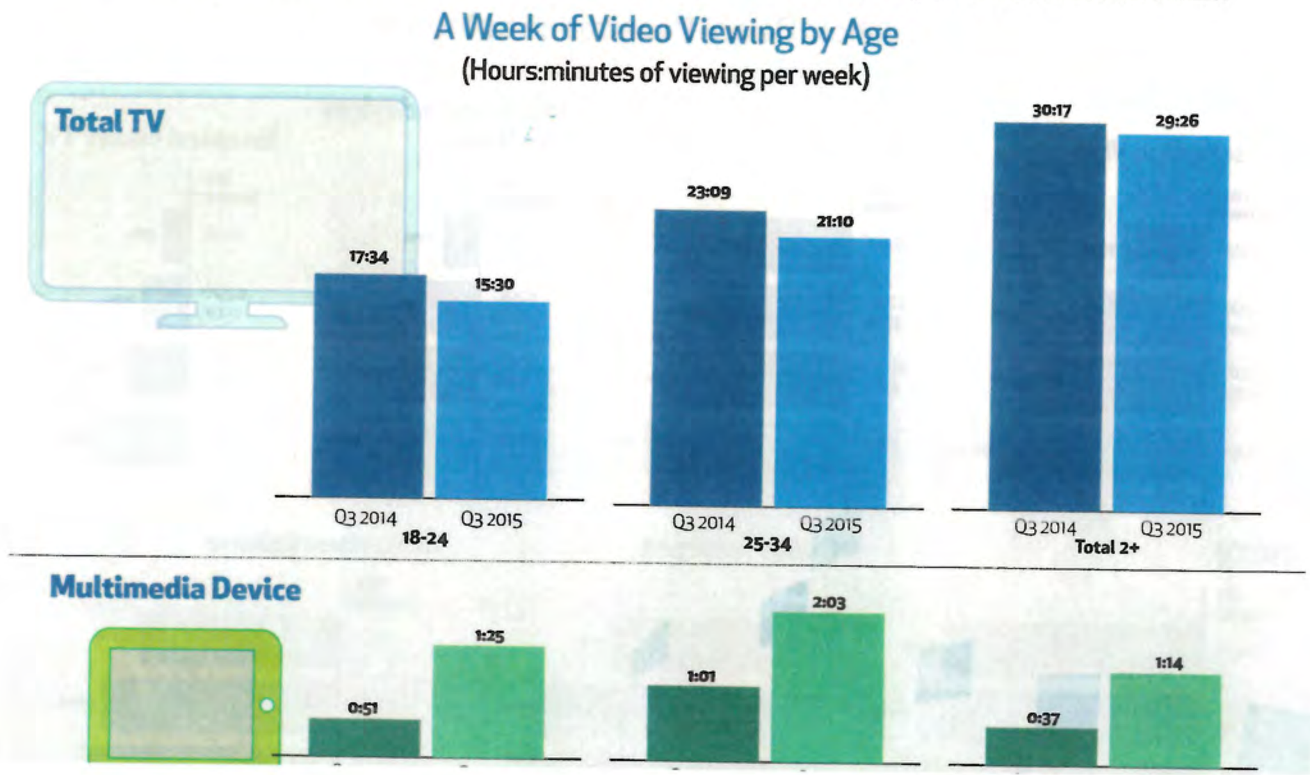
Total 18+

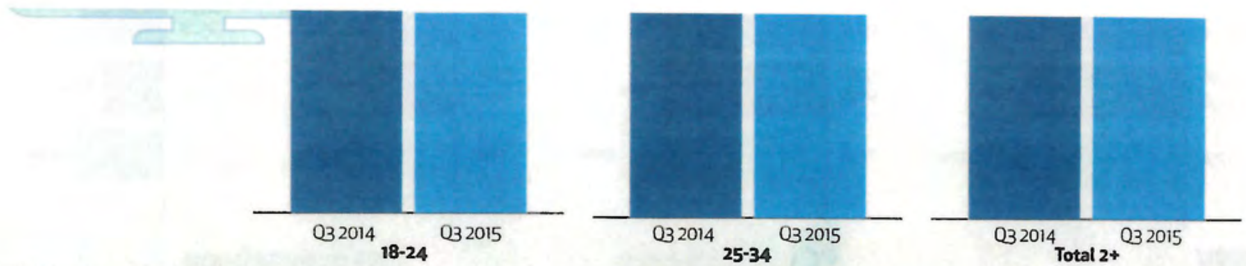


SOURCE: Horowitz Research, Multiplatform Content & Service, 2015

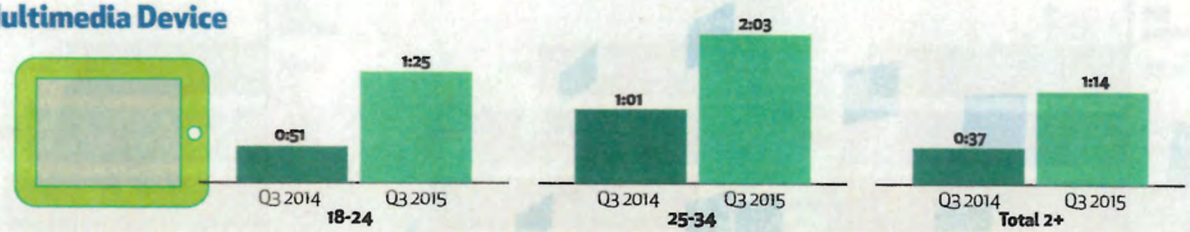
The Millennials

New Nielsen data shows sharp contrasts in how millennials and viewers in other demographic categories access video content. Younger demos watch less TV and show rapid increases in the use of multimedia devices, such as Roku boxes.

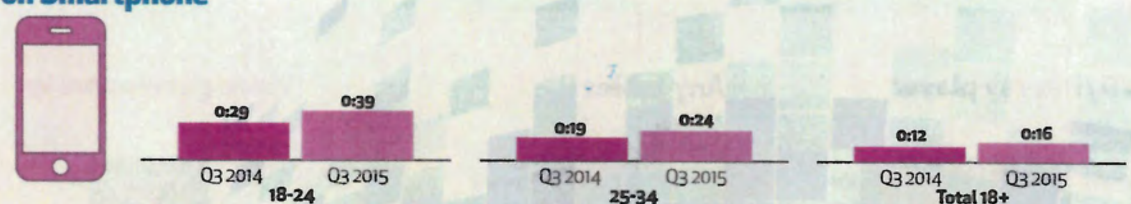




Multimedia Device



Video on Smartphone



Video on PC

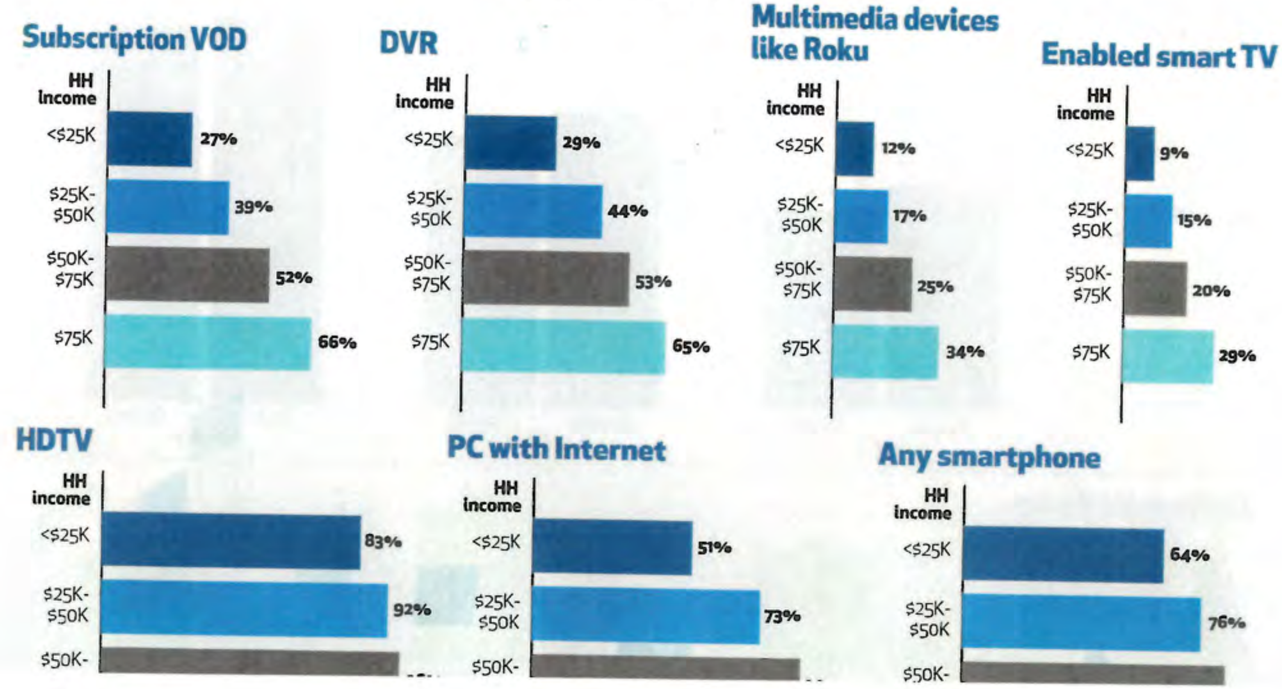
SOURCE: Nielsen, *Total Audience Report*, Q3, 2015

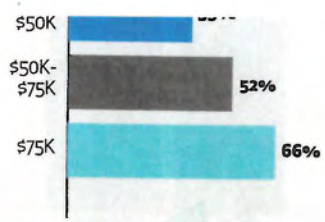
Money and Multimedia

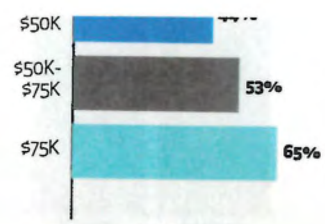
Higher-income households are much more likely to own streaming devices than lower-income consumers, making them more than twice as likely to own a streaming-media device or have an SVOD service, according to Nielsen.

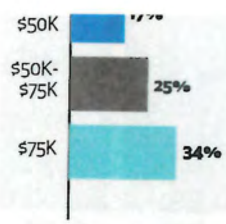
Household Device Penetration by Income

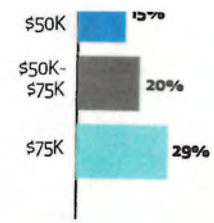
(% of homes with device)



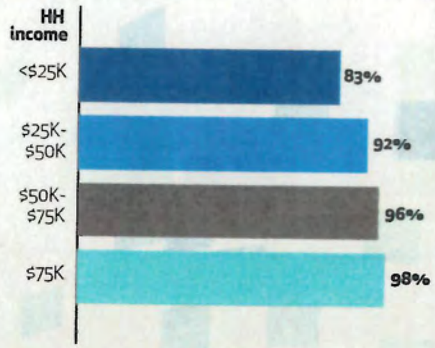




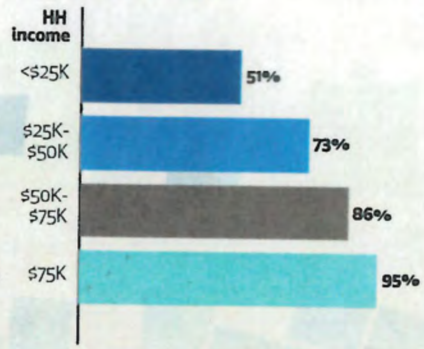




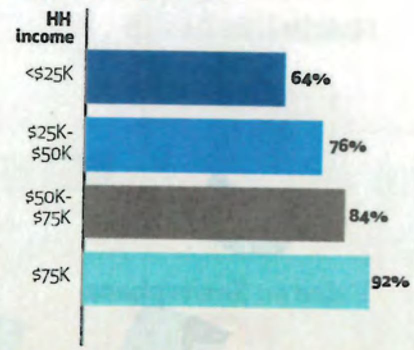
HDTV



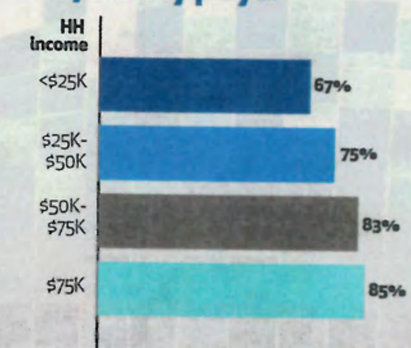
PC with Internet



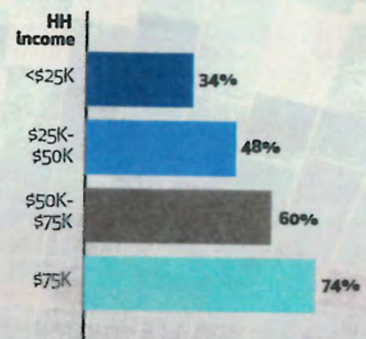
Any smartphone



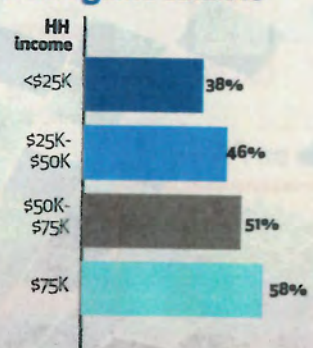
DVD/Blu-ray player



Any tablet



Video game console



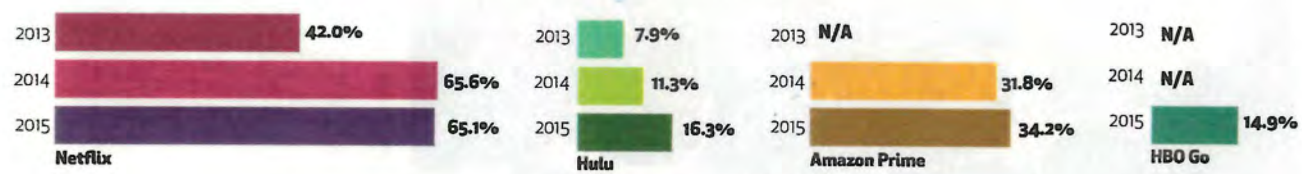
SOURCE: Nielsen Total Audience Report, Q3 2015. Data for August 2015. Homes making less than $25,000 a year comprised 17% of the homes in August 2015, those making $25,000 to $50,000 were 25% of the sample, homes making $50,000 to $75,000 were 21%; those with incomes over $75,000 made up 37%.

The Video Quake

Netflix's penetration rate has grown from 42% to 65% while Hulu's has more than doubled to 16%, according to PwC, but the number of people using mobile devices has leveled off.

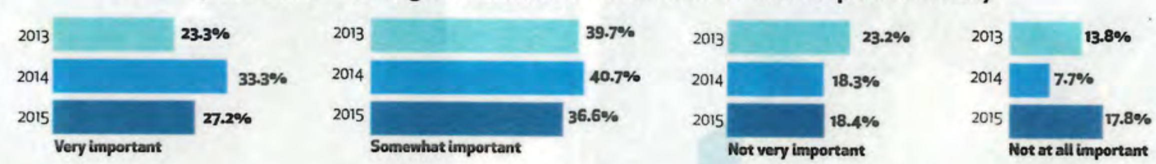
Penetration of OTT Services

(% of US TV watchers)



Importance of Original Programming

(Share who said original content affected their TV subscription choices)

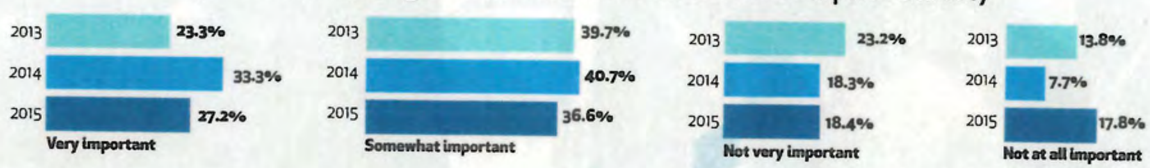


Usage of Mobile Devices While Watching TV

(Frequency of using smartphones, tablets or other devices while consuming content)

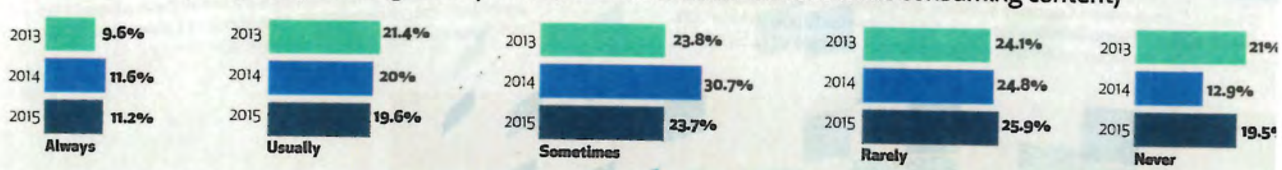
Importance of Original Programming

(Share who said original content affected their TV subscription choices)



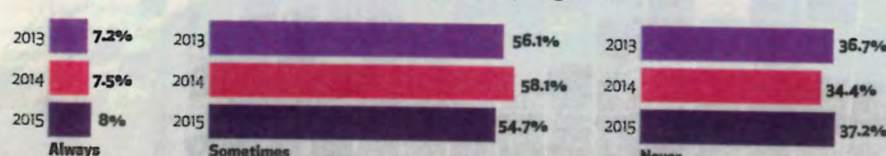
Usage of Mobile Devices While Watching TV

(Frequency of using smartphones, tablets or other devices while consuming content)



Second-Screen TV Usage

(Frequency of mobile device users accessing related content while watching a TV program)



SOURCE: PwC, "Videoquake 3.0: The evolution of TV's revolution," Consumer Intelligence Series December 2015

Trade Journal Links

"...the [C]omission ignored Congressional intent and adopted a rebuttable presumption that a cable operator faces effective competition from other providers in every single franchise area in the country, and shifted the burden of rebutting that presumption from cable operators to franchising authorities" | FierceCable (Gary White)

http://www.multichannel.com/news/fcc/fccs-wheeler-mvpd-redefinition-still-pause/396075

FCC reaches $3 Million settlement with New York City "resolving an FCC investigation into whether the school system violated the competitive bidding rules of the FCC's E-rate program." According to the FCC Enforcement Bureau Chief, "This settlement makes clear that the FCC is committed to enforcing its E-Rate rules...Any misuse of E-rate funds denies students and citizens of the educational opportunities and access to information that robust broadband in schools and libraries provides." | FCC News Release

"FCC Gets More Comcast Complaints Than AT&T, Verizon Combined" | Broadband Reports

Senator Amy Klobuchar Op-Ed: "Building a 21st Century Broadband Infrastructure" | The Pilot-Independent

"How Comcast Pays for Bandwidth" | POTs and PANs

"The FCC's eighteenth annual report on the wireless industry provides a myriad of data (as required by Congress), but once again refuses to directly state whether or not the wireless industry is actually competitive. That's becoming a sort of annual tradition, as the FCC goes out of its way to try and avoid offending the wireless industry." | Broadband Reports

"Libraries Lend Mobile Wi-Fi Hot Spots To Those Who Need Internet Service" | NPR

Even Star Wars can't save Disney: "Disney's real threat, analysts say, is in cable TV: particularly, in the heavy long-term costs it pays to air sports on its struggling juggernaut ESPN. " | Washington Post

"The Federal Trade Commission will hold a conference on January 14, 2016 to bring together a diverse group of stakeholders, including whitehat researchers, academics, industry representatives, consumer advocates, and government regulators, to discuss the latest research and trends related to consumer privacy and data security." | FTC Announcement

"The 5 most important turning points for technology in 2015" | Washington Post