Judge Gorsuch No Fan of ‘Chevron’ Deference

2/06/2017 8:00 AM Eastern

By: John Eggerton

WASHINGTON — President Trump’s nominee for Supreme Court justice could be a friend to critics of what they see as FCC regulatory overreach.

Neil Gorsuch, as a judge on the 10th U.S. Circuit Court of Appeals, has challenged the *Chevron* doctrine, the result of a 1984 Supreme Court ruling under which courts have historically deferred to the subject matter expertise of federal agencies, like the Federal Communications Commission, when it comes to interpreting ambiguous statutes.

Gorsuch wrote in an August 2016 dissent that the “elephant in the room” in that case was that “*Chevron* and *Brand X* permit executive bureaucracies to swallow huge amounts of core judicial and legislative power and concentrate federal power in a way that seems more than a little difficult to square with the Constitution of the framers design.” Gorsuch is a judicial conservative who looks to the original intent of those framers to interpret the Constitution.”

In the 2005 *Brand X* decision, which was about the classification of Internet access service, the Supreme Court ruled that *Chevron* deference trumped an appeals court decision because that court had found the statute vague and, in such cases, the agency is due deference. The FCC had concluded that Internet access was an information service, not a telecom service subject to mandatory access.

Gorsuch wrote of the majority decision, “Courts are required to overrule their own declarations about the meaning of existing law in favor of interpretations dictated by executive agencies.” Justice Antonin Scalia, whose seat would be filled by Gorusch if he is confirmed, famously dissented in the *Brand X* case, a 6-3 ruling. A supporter of *Chevron* deference in general, Scalia said that in *Brand X*, the court had invented a novel approach whereby “judicial decisions [would be] subject to reversal by Executive officers,” such as the FCC.

Gorsuch’s view could be important, depending on how the challenges to the FCC’s Open Internet order play out or in other cases involving FCC interpretation of statute. The FCC argued in defending its original Open Internet order that that its authority to regulate ISPs as it did in the net neutrality rules stemmed from *Chevron* deference. ISPs disagreed.
Multichannel News

http://www.multichannel.com/judge-gorsuch-no-fan-chevron-deference/410675

More Operators Opening Comcast’s Tech Playbook

MSO's tech strategy has growing influence 1/30/2017 8:00 AM Eastern

By: Jeff Baumgartner

Comcast’s influence on the technology direction of other major cable operators continues to grow.

Cox Communications and Shaw Communications have already begun to deploy next-generation video services that lean on Comcast’s X1 platform as they look to shore up their pay TV base.

Canada’s Rogers Communications plans to follow suit in early 2018 with a new X1-powered IPTV service, but its technology ties to Comcast appear to be going even deeper.

Rogers announced last week that it also plans to use a range of consumer premises equipment (CPE) designed by Comcast, including DOCSIS 3.1-based advanced gateways, WiFi extenders, and a new class of wireless set-tops for X1 that Comcast is starting to introduce in its own systems. Rogers will also adopt a Digital Home solution introduced by Comcast earlier this month that enables the operator to centralize and add smarts to customer home networks via millions of in-home broadband gateways.

By going with X1, Rogers, which lost 76,000 video subscribers last year, hopes to hop on the subscriber wave Comcast is riding in the U.S. Comcast added 80,000 video subs in Q4, and 161,000 video subs for all of 2016.

Cox last week said that 2016 was its best year in video since 2008. The privately held MSO didn't announce figures, but attributed the results largely to the deployment of its new X1-based Contour video offering.

"We think there is a real opportunity for growth," Tony Staffieri, Rogers's chief financial officer, said last Thursday (Jan. 26) on the company's earnings call.

The traction Comcast is getting with its X1 licensing program and the other tech relationships it's forging, strengthens the MSO's position as a software and technology company and supplier to some of its pay TV peers. Its syndication strategy will also help to recoup some of the costs tied to its homegrown products, while also driving more scale into its product ecosystem.

While that is good news for Arris, Technicolor and other suppliers that are strongly connected to that ecosystem, it will also apply pressure on other vendors — like TiVo and Evolution Digital — that have developed products aimed at helping MVPDs, including tier 2 and tier 3 operators, migrate to IP-based video platforms.

In addition to driving X1 penetration in its own footprint, Comcast also plans to add more X1 licensing partners in 2017, Brian Roberts, Comcast's chairman and CEO, said on the company's Q4 call last.
Multichannel News

http://www.multichannel.com/more-operators-opening-comcast-s-tech-playbook/410479

How Comcast Reversed Course — and Grew Subs

1/30/2017 8:00 AM Eastern

By: **Mike Farrell**

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While the rest of the telecom world was focusing on the potential of a Verizon-Charter merger (see story above), Comcast quietly made the case for the cable business, reporting fourth-quarter results that were, by subscriber metrics, its best in a decade.

Comcast ended the year with 161,000 more video subscribers than it started with, the first time the MSO has shown year-over-year basic-video customer growth since 2006. At the same time, the cable unit grew revenue by 6.6% for the year (7.1% for the quarter), while cash flow was up 5.6% annually and 6.4% for the three-month period.

Analysts had been expecting Comcast to deliver strong results, and the operator delivered. Quarterly video customers grew by 80,000 (beating analysts' consensus estimates of 75,000 additions), while broadband growth continued with the addition of 385,000 subscribers, about even with consensus.

In a research note, Morgan Stanley media analyst Ben Swinburne wrote that with the continued strength of its X1 platform, he expects the subscriber growth to continue. Comcast finished the year with X1 penetration of about 50%, which should grow to more than 60% by the end of 2017.

Comcast chairman and CEO Brian Roberts also revealed on a conference call discussing results that the MSO plans to offer a much anticipated wireless product in mid-2017 as part of a larger bundle.

Roberts didn't offer a lot of color on the product rollout, which comes as part of Comcast's Mobile Virtual Network Operator (MVNO) agreement with Verizon. The MVNO deal was part of the Spectrum Co cable consortium's sale of its wireless licenses to Verizon in 2011 (Comcast was a member).

Some analysts have speculated the wireless product could use Comcast's own WiFi network and rely on Verizon's for "roaming," or when users travel outside Comcast territory.

"We're going to take it very carefully," Roberts said of the wireless launch.
Multichannel News

http://www.multichannel.com/how-comcast-reversed-course-and-grew-subs/410477

SVOD Surge

A heavy influx of specialized OTT services aspires to grab traction with targeted audiences, but can they survive in a crowded market?

1/30/2017 8:00 AM Eastern

By: Jeff Baumgartner

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The Amazon Channels platform has become a major source of subscription over-the-top content.

TakeAway

A surge of niche OTT services is flooding the subscription VOD market in a bid to super-serve fans of various genres.

Netflix, Amazon Prime and Hulu have all but locked up the mass-market entertainment options for subscription video-on-demand services.

In their wake, a flurry of more targeted services have surfaced. Today, there's no shortage of over-the-top SVOD services from startups and well-heeled media conglomerates trying to gratify individual desires away from the traditional world of pay TV.

Turner is trying to appeal to film aficionados with FilmStruck. NBCUniversal's Seeso is shooting for laughs. And Shudder, owned by AMC Networks, hinges on horror.

Even Amazon, which is becoming an SVOD kingmaker of sorts with its ever-expanding Amazon Channels aggregation service, has launched a niche service of its own, called Anime Strike, that takes aim at Crunchyroll, a standard bearer in the OTT sector.

But consumer buying habits indicate that many of these focused SVOD services face an uphill battle as they look to lure in enough customers to drive significant scale.

This struggle for scale could, ironically, play into the hands of traditional MVPDs, which are starting to integrate and monetize complementary OTT services and already have direct relationships with millions of consumers.

The average U.S. broadband home now subscribes to between one and two SVOD services, according to a new study from Parks Associates. And though 60% of those homes subscribe to some sort of video-streaming service, just 10% of those households — a group of “avid viewers” — take more than two, Glenn Hower, senior analyst at Parks Associates, said.

Simply “finding the audience” is a big challenge for any SVOD service that’s not Netflix, Hulu or Amazon Prime, Hower said.

Another complication is creating a business with a competitive price that can turn a tidy profit. Parks’s research pins the average spending on an OTT SVOD service at about $8 per month.

“There are some instances where services are getting more creative with their business models,” Hower said. OTT services such as Hulu and CBS All Access, for example, offer both ad-free tiers and ones that are supplemented by commercials.

SVODs are using an array of tactics and strategies to help them stand apart, creating new forms of aggregation services, service packaging and bundling, special perks, and forging a sense of community among like-minded viewers.

“For us, a big learning has been that you kind of have to do everything,” Matt Hullum, CEO of Rooster Teeth, a digital-first content studio focused on comedy and gaming, said. “We’ve embraced the concept of making our service more of an experience … a more well-rounded, holistic experience for our audience and our community.”

Rooster Teeth has also doubled down on offering ancillary benefits that are fine-tuned to its viewership. Last year, it launched a two-tier strategy, with subscriptions tailored to its core fans and to “superfans” willing to pay a premium for extras, such as VIP tickets to Rooster Teeth events.

The higher-end offering, called Double Gold, costs $34.99 per month and offers 10% discounts on Rooster Teeth merchandise and a monthly box of goodies that’s valued at more than $60.

The approach appears to be working, as Rooster Teeth’s paid subscriber base has about doubled in about a year and now sits above 200,000. That’s in addition to the 28 million who subscribe to its YouTube network and the 3 million visitors to its **RoosterTeeth.com** hub.

“We have a definitive audience, but I wouldn’t say it’s a niche audience. It’s not a small group,” Hullum said.

Developing and offering strong content is still critically important, but interacting with the community and offering opportunities that go beyond that content is key to establishing a stickier experience, he said.

SVOD services are also trying to stand apart by allowing users to download videos so viewers can watch without a high-speed Internet connection, Dan Taitz, chief operating officer of Penthera Partners, said. “It’s not a replacement for or substitute for streaming, but a great add-on for consumers,” he said.

And it’s an add-on that’s getting added on more frequently. Amazon Prime has been offering downloads for years, and Netflix recently added that option for certain pieces of content, including many of its original series.

“The tide is shifting so that it [downloading] is more standard,” Taitz said. Penthera, which makes a video-downloading platform called “Cache & Carry” that counts Comcast among its customers, is in talks with several SVOD services about adding offline viewing to the mix, he said.

While those players will need to integrate a downloading capability into their streaming platform, obtaining the rights for downloading is the bigger issue for some OTT services. “But I think the content owners are coming around,” Taitz said.

SVOD In the Age of Aggregation

While a sense of community and special perks are luring SVOD subs, those services are also looking to a tried-and-true tactic from the traditional pay TV world — packaging and aggregation — to help move the needle.

Among the standout examples of this are Amazon Channels, an option from Amazon Prime that debuted in late 2015, and VRV, a newer offering from Ellation (a portfolio company of Otter Media, the OTT joint venture of AT&T and The Chernin Group) focused on a core anime audience with adjacencies into areas like gaming, science fiction and animation.

Amazon Channels has already expanded to about 100 SVOD partners, including recent additions of HBO and Cinemax, from the 30-plus that were on board at launch.

Amazon hasn’t put an exact figure on the performance of Amazon Channels, but said Prime members now have “millions” of video subscriptions through the service.

The performance of Amazon Channels so far is “a validation of this platform idea,” Michael Paull, vice president, digital video at Amazon, said, noting that it presents consumers with “one simple, integrated experience” that does not require subscripers to hop from app to app.

“As we’re seeing this evolution of the TV space, we’ve been very, very focused on providing a great experience and reducing pain points,” he said.

DISCOVERABILITY IS KEY

Amazon Channels will continue to expand, Paull said. “I don’t see a ceiling on the number of services that we would want on our platform,” he said, saying Amazon is in a unique spot because it has a large customer base and access to data that enables it to craft targeted marketing messages and match consumers to SVOD services that fit their interests.

Bundling SVOD services and being able to match them to the consumer "is a tremendously powerful marketing concept," Colin Dixon, founder and chief analyst of nScreenMedia, said. "Discoverability" is a major issue that new and more niche-focused SVOD services need to overcome, though, he added.

"Our vision is to offer a complete over-the-top video solution, where we provide the most choice through the widest selection of the best content all in one experience," Paull said.

That strategy varies greatly from the one being implemented by VRV, which focuses on services that connect with fans of anime, gaming and animation.

In addition to selling those SVOD services individually, VRV also offers a deeply discounted bundle though a "Combo Pack" that combines eight services for $9.99 per month — Crunchyroll, Mondo, Funimation, Rooster Teeth, Cartoon Hangover, Nerdist, Geek & Sundry and Tested. Those networks would cost a total of more than $33 if purchased individually.

VRV is also selling those services, as well as Ginx, Machinima, Rifftrax, Seeso and Shudder, on an a la carte basis. Of that group, Cartoon Hangover and Mondo are exclusive to VRV.

VRV soft-launched its service late last year and expects to ratchet up marketing efforts this year. It hasn't disclosed any subscriber numbers.

"We're definitely exceeding our expectations," Mike Aragon, VRV's general manager, said. "We're seeing great usage across all of the channels."

The budding SVOD aggregation service will also be looking to gain more traction in the coming weeks by adding an account-linking feature could help to expose existing subscribers from services like Crunchyroll to VRV's broader subscription slate and bundle.

Dixon is also a fan of VRV's decision to stay focused with a service that's designed to "superserve one set of consumers."

But one lingering question hanging about VRV's approach — and all newcomers to the space — is how it makes money through its deeply discounted bundle.

"We have a very unique way of looking at the economics," Aragon said, adding that the plan for now is to band together with partners and focus on growth and engagement with the new platform. "We're confident that we'll have a healthy and profitable business. SVOD services are about scale. Our message to our partners is: 'Let's get to scale and let's get to scale together.' "

VRV is initially offered in the U.S., but has plans to launch internationally, "With the fan base we're targeting and serving, there are no borders for that," Aragon said.

Some SVODs see bundling as an ancillary, but not necessarily core, method to bring more subscribers on board.

Rooster Teeth is among the first SVODs to work with VRV. "We really like it in the sense that it gets us on a lot more platforms instantaneously that we aren't able to access right away," Hullum said. "It helps us get connected to new audiences that may not have noticed us before. For us, [VRV] is a good first opportunity to try out bundling."

CuriosityStream, the nonfiction-focused SVOD service launched in mid-2015 by Discovery Communications founder John Hendricks, sells its service directly and through Amazon Channels.

Most subscribers are still being obtained directly, though a smaller portion of them find the Amazon Channels process easier, Elizabeth Hendricks North, CuriosityStream's CEO, said.

"It's been a healthy partnership for us," she said of the Amazon Channels deal. "It's been positive on our end."

Despite the benefits of bundling, having a direct relationship with customers remains critically important. *Prescription: Nutrition*, a docuseries from CuriosityStream that went live earlier this month, was created because it was the top vote-getter when customers were asked to weigh in on possible new series.

"This direct relationship [with the audience] … is important because you can create content that speaks directly to them," Hendricks North said.

DramaFever, the U.S.-based SVOD service that specializes in Korean TV and films and other international fare, has also turned to Amazon Channels to help drive more exposure. But instead of tapping Amazon Channels to offer the full SVOD service, it's using that conduit to market DramaFever Instant, a version that offers a subset of the service's full library.

The idea there is to provide a smaller sampling of the service, and hope it also entices some to upgrade to DramaFever's primary SVOD service, Tim Lee, DramaFever's director of licensing, said.

DramaFever on Set-Tops?

The surging SVOD market has largely been the domain of the retail OTT platforms. But pay TV providers are starting to get into the act.

TiVo, for example, already integrates services like Netflix and Hulu into its MSO-supplied platform. Dish Network has also taking similar steps on its broadband-connected Hopper DVRs, and Comcast has started down that path by integrating Netflix with X1.

DramaFever, acquired by Warner Bros. last year, is also in talks to integrate its SVOD service on MVPD set-tops, Lee said.

Dixon believes that pay TV operators must open up their platforms to OTT because consumers can and will go outside that universe to seek out the content they want. "Operators have an excellent opportunity to do what

Amazon is doing for their customers," he said. "But to do it, they have to move to a more open model. In my mind, the most important thing Comcast could do is … to get [its] guide on everybody's television. That's their anchor. If they're not the guide, then Amazon is the guide, and they get all the incremental revenue."

Although two to three over-the-top SVOD services appears to be where most households max out, the threshold may rise as more video dollars move away from traditional pay TV.

"Then, it's a different calculation," Dixon said.
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http://www.multichannel.com/svod-surge/410480

Pai Ready to Slice Into FCC Regulations

New chair planning to take aim at Title II; broadband privacy framework to follow1/30/2017 8:00 AM Eastern

By: John Eggerton

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TakeAway

Industry players now have a strong deregulatory ally atop the commission.

WASHINGTON — President Trump's pick of Ajit Pai atop the Federal Communications Commission was getting high fives from the industry last week, signaling the new president is OK with a strongly deregulatory course for the agency.

That's no huge surprise, given Trump's pledge to get rid of two regulations for every one added. The new president also made the pledged moratorium on new executive-agency regulations — at the Environmental Protection Agency, for instance — one of his first official actions, though such orders do not apply to independent agencies such as the FCC. But the president has not made consistency a hallmark, and his naming of a network-neutrality fan to the transition team had raised some eyebrows in industry circles. Also a worry was Trump's saber-rattling at AT&T's merger with Time Warner Inc., and at Comcast.

But as *Multichannel News* first reported, the Trump administration has backed a deregulatory plan that could see the FCC's powers reduced and moved to other agencies — consumer protection to the Federal Trade Commission and merger reviews to the Justice Department.

Pai, the FCC's current senior Republican, was clearly the pick if a more-traditional deregulatory approach won the day over Trump's populist mantra of upsetting the old order and his anti-business stance toward his media industry critics.

Given that the FCC does not have to take orders from the White House, as well as Pai's strong criticism of what he and others saw as the Obama White House's pressure on the agency during the net neutrality debate, Pai should run an independent ship. Nonetheless, he's likely to steer it toward the pro-marketplace, pro-business agenda Trump has been touting as the route to America's "return" to greatness.

In his inaugural address to FCC staffers — a tradition for a new chairman — Pai emphasized closing the digital divide, though emphasizing the role of the private sector in that effort. Still, that had the lawyer who successfully argued for the FCC's Title II-based Open Internet rules in court hoping that, rather than reversing those rules, as Pai has pledged, would occupy the chairman's time.

"The new chairman's first message to the FCC struck the perfect tone of inclusiveness and articulated a substantive goal that everyone could and should rally around — closing the digital divide," Pantelis Michalopoulos, a partner in Steptoe & Johnson, told *Multichannel News*. "On more divisive issues, such as the Open Internet, there is every reason to be optimistic that the chairman will be led by the facts, wherever they lead, and by his formidable intellect, rather than by dogma."

Perhaps, but Pai has shown no signs of backing off his strong criticisms of classifying broadband as a common-carrier service under Title II of the Communications Act.

Certainly advocacy group Demand Progress, which fought for reclassification, was not looking for any kumbaya moment from Pai on net neutrality.

"Pai is a guy who said after Trump was elected that neutrality's 'days are numbered' and that he would 'fire up the weed whacker' to gut protections like the Open Internet rule," the group said in an email to supporters last week, even using the threat to try to raise money to renew the Open Internet fight, adding: "Will you chip in $5 to help us fight back against Trump's anti-net neutrality FCC chairman?"

But it will take some time for the new chairman to come up with the legal argument for unclassifying ISPs as common carriers given that the court upheld the reclassification under Democratic chairman Tom Wheeler.

But it may be up to the FCC given that Sen. John Thune (R-S.D.), chairman of the Senate Commerce Committee, last week said he is "not there yet" on a bipartisan net neutrality bill.

In the short term, Pai can take various steps to blunt the Title II instrument, including not aggressively enforcing a general conduct standard he has criticized, and perhaps issuing new guidance on zero rating plans. He was highly critical of the 11th- hour signal to AT&T that its DirecTV Now over-the-top service appeared to be an anticompetitive violation of the Open Internet order under the general conduct standard.

Pai was also critical of the FCC's broadband privacy framework, but that would be mooted if he can reverse Title II reclassification, since that was what deeded the FCC authority over broadband privacy.

The new chairman has already signaled some short-term goals, which likely include extending the small business exemption from the FCC's enhanced Open Internet reporting requirements to cable operators and telecoms of 250,000 subscribers or fewer, rather than the current 100,000 cut-off. That is, unless Congress beats him to it. A bill that would do essentially that has been reintroduced.

Pai has also been asked by top House Republicans to officially close the set-top box docket — he strongly opposed Wheeler's "unlock the box" effort, and was said to be considering the request at press time.
Multichannel News

http://www.multichannel.com/pai-ready-slice-fcc-regulations/410494

Wheeler Fires Parting ‘Zero Rating’ Shot

Republican Pai calls move a ‘regulatory spasm’ without impact

1/16/2017 8:00 AM Eastern

By: John Eggerton

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TakeAway

The outgoing Democratic FCC wrapped up its probe into zero-rating plans with a rap against AT&T and Verizon that one Republican termed a “regulatory spasm.”

WASHINGTON — Outgoing Federal Communications Commission chairman Tom Wheeler continues wrapping up loose ends or, as senior Republican (and likely soon interim FCC chair) Ajit Pai characterized it, “cutting corners on process, keeping fellow commissioners in the dark and pursuing partisan, political agendas that only harm investment and innovation.”

Pai was referring to a commission report that wrapped up the regulator’s investigation into zero-rating plans, which concluded that AT&T’s DirecTV Now sponsored video data plan likely violates the FCC’s Open Internet order and that Verizon’s FreeBee Data 360 sponsored data plan probably does, too.

The bureau report concluded: “The limited information we have obtained to date … tends to support a conclusion opposite from AT&T’s contentions — namely, that AT&T offers sponsored data to third-party content providers at terms and conditions that are effectively less favorable than those it offers to its affiliate,” adding, “the structure of Verizon Wireless’s FreeBee Data 360 sponsored data program offering may pose concerns for the same reasons as AT&T's Sponsored Data program."

It did not have similar problems with T-Mobile's Binge On. "Unlike T-Mobile, however, which charges all edge providers the same zero rate for participating in Binge On, AT&T imposes hefty per-Gigabyte charges on unaffiliated third parties for use of Sponsored Data. All indications are that AT&T's charges far exceed the costs AT&T incurs in providing the sponsored data service. Thus, it would appear that AT&T's practices inflict significant unreasonable disadvantages on edge providers and unreasonably interfere with their ability to compete against AT&T's affiliate, in violation of the General Conduct Rule."

The report said Verizon Communications's go90 mobile-video product competes in a less-competitive segment but said there is the same potential for discriminatory conduct.

"It remains unclear why the Wireless Bureau continues to question the value of giving consumers the ability to watch video without incurring any data charges," AT&T senior vice president Joan Marsh said in response.

"The staff's positions are duly noted," Verizon senior vice president Will Johnson said. "Hopefully, the next FCC will take into account the views of our customers, who greatly benefit from watching professional football, soccer, basketball and other great content on go90 free of data charges."

Indeed, Pai signaled that the report would not become the rules of the road under a Republican majority. "I am confident that this latest regulatory spasm will not have any impact on the commission's policymaking or enforcement activities following [the Jan. 20] inauguration."

Still, it could lie in wait for a future Democratic chairman, or perhaps surface before that if cable operators view sponsored mobile video plans as a threat to their unsponsored traditional video offerings.

The report and investigation were prompted in part by Senate Democrats, who applauded it last week, though the applause had a hollow ring in Republican-dominated D.C.

Multichannel News

http://www.multichannel.com/wheeler-fires-parting-zero-rating-shot/410196

Grid-Blocked

Virtual MVPD lineups leave local stations on the sidelines

1/16/2017 8:00 AM Eastern

By: Mike Farrell

Share6

The rise of virtual MVPDs could change the equation for broadcast-TV stations reliant on getting retrans revenue for popular programming such as NFL playoff games.

(Credit: Jeff Hanisch/USA Today Sports)

TakeAway

Virtual MVPDs and broadcast-TV networks are talking directly to each other and striking national programming deals — threatening to upend pay TV's longstanding model of market-by-market retransmission-consent negotiations between distributors and TV stations.

A new breed of TV distributors that's wreaking havoc in the industry is now on its way to upending the retransmission-consent business model for both pay TV distributors and TV station groups.

Over-the-top subscription services such as Sony's PlayStation Vue, Dish Network's Sling TV and a planned offering from Hulu — known as virtual multichannel video programming distributors — aren't just disrupting the way Americans consume content.

These new players are also forcing new business models on time-honored carriage negotiations between TV distributors that want to carry broadcast networks and those networks' broadcast-station affiliates.

Virtual MVPDs are one of the hottest segments in distribution. As younger viewers continue to devote more time to watching content on mobile devices and online, they could become a force in the distribution sector, especially as the traditional pay TV universe declines.

Overall, pay TV subscriptions have dipped between 1.5% and 2% per year over the past two years. Although cable is expected to continue to improve its losses, ongoing subscriber losses at satellite TV and telco TV could push the annual declines higher in the future.

Those subscribers are going to have to go somewhere. And though many may cut the cord all together, opting for a broadband connection and a Netflix, Hulu Plus or Amazon Prime subscription, a good portion could go to vMVPDs.

That could create a sense of urgency for the station groups; 3 million vMVPD subscribers in 2017 could quickly escalate under the right market conditions, morphing into a serious source of revenue.

As vMVPDs are launched, they are hammering out new deals with broadcasters, but with a catch — the deals are on a national basis, unlike the market-by-market negotiations of the past.

Traditionally, broadcast networks took a laissez faire attitude toward retransmission consent. They negotiated deals with the distributors for only their owned-and-operated stations, leaving affiliate station groups to negotiate their own, separate deals.

But with vMVPDs, the strategy has been different. Networks have been striking their own, broad deals with OTT distributors, offering owned-and-operated stations in their local markets and next-day national network feeds in areas where they don't own affiliate stations.

The idea is to bring the independent station groups on later, with those broadcasters receiving a percentage of the fee the network has negotiated. For example, if a network negotiated a fee of $3 per subscriber per month for its O&O stations and an additional $3 for its network feed, it would offer a percentage of that latter fee to station groups for its network affiliate stations.

The share varies by market size, according to sources in the broadcast community.

For station groups, that could mean a substantially smaller piece of the pie. According to some cable executives, retrans fees for local stations from the likes of Sinclair Broadcast Group, Nexstar Broadcasting Group and Tribune Media could top $2 per subscriber per month. And some are holding out for more, to the chagrin of some broadcasters, who warn that if the station groups overplay their hands, they could end up with nothing.

From the station perspective, accepting the lower fee could mean they would have to squeeze even more money out of their existing retransmission-consent base — the cable, satellite and telco TV operators who are already complaining they are paying too much.

Revenue from retransmission consent, a product of the 1992 Cable Act, has been the savior of some broadcasters, taking up the slack during a depressed advertising market and in some cases representing more than 30% of a station's total revenue.

At the same time, it has been the bane of cable, satellite and telco TV operators who have complained they are paying increasingly higher fees for content that is available over the air for free.

Regardless of the partisan claims, retransmission consent is a large part of the TV business, expected to top $7.7 billion in 2016 and growing to $11.6 billion in 2022, according to research firm SNL Kagan.

According to Kagan, more than half of that revenue is from local broadcast groups like Sinclair and Nexstar, which made up about $4.6 billion of the $7.7 billion generated in 2016. In contrast, owned and operated network stations accounted for about $2.9 billion of the estimated 2016 retrans haul.

Virtual MVPDs are new to the TV scene — Sling TV, the oldest, launched in 2015 — and still have relatively few subscribers. Sling TV leads the pack with about 900,000 customers, and the segment as a whole is expected to have between 2.5 million and 3 million subscribers by the end of 2017, according to Morgan Stanley media analyst Ben Swinburne.

Of the major vMVPDs, so far only Sony PlayStation Vue has a deal with local station groups, specifically Sinclair and Raycom Media for certain CBS affiliates. The other major vMVPDs — Sling TV, DirecTV Now and Hulu — have deals with national broadcast networks, but no station groups yet.

Not all of the national broadcasters have signed on, either. Hulu, which plans to launch its vMVPD service later this year, signed a carriage deal with CBS earlier this month, and has agreements with ABC and Fox, but not with NBC. NBC, a partner in the Hulu consortium, is expected to sign on at some point.

CBS, which has its own OTT service CBS All Access, a tough negotiator in vMVPD deals, still hasn't reached a pact with the largest vMVPD, Sling TV.

NICHE NETS AT ISSUE

Adding to the confusion, some station groups want carriage of niche cable networks — such as Sinclair's Tennis Channel and Tribune's WGN America — to be included in their deals. That's caused some bumps in more traditional negotiations: Tribune's stations went dark to Dish Network subscribers last year, in part because Tribune insisted on including carriage of WGN America in the negotiations.

While the parties eventually worked out a deal that included carriage of the stations and the cable channel, the networks were dark to Dish's 13.6 million customers for nearly three months between June 13 and Sept. 3. Other spats are expected as Sinclair, one of the more aggressive broadcasters on the retrans front, begins to bundle Tennis Channel, purchased in March of 2016, into future negotiations.

According to sources familiar with their thinking, broadcasters believe including the cable networks adds unnecessary friction to vMVPD negotiations. They prefer the deals to remain pure broadcast plays.

All this makes for a sticky situation for station groups, which rely on the networks for primetime content but have seen their revenue dwindle as the advertising market has declined and networks — through reverse compensation — are taking a large chunk of their retrans fees.

At least publicly, the stations have said they are trying to work out deals with new distributors as they come up.

At Tribune, that includes carriage on devices like Roku, Amazon Fire TV, Apple TV and Google's Android TV. Three of its stations — The CW affiliate WPIX in New York and Fox affiliates KTSU in Salt Lake City and WGHP in Greensboro, N.C. — launched on those services in December. Tribune's remaining 39 stations are expected to roll out in 2017.

"Our strategy is to get our live linear content carried on new distribution platforms in an economically sensible and sustainable way," Tribune Media senior vice president of corporate relations Gary Weitman said in a statement. "We're deep in discussions with all the major players and we are confident that we will make good progress on this front in 2017 ... As everyone knows, solving the Rubik's Cube of OTT requires coordination and negotiation with both OTT providers and our network partners. It's a complicated situation, but we believe that the interests of consumers in having more ways to access the content they want will ultimately win out and that economic benefits will flow to all the parties involved."

Sinclair and Nexstar representatives did not respond to requests for comment.

BTIG media analyst Rich Greenfield wrote in a note to clients that as more viewers leave linear TV for cheaper vMVPD services, they don't miss local broadcast channels. If they did, a digital antenna would solve that dilemma.

But the analyst sees a fundamental change in the way vMVPD deals are being negotiated.

"We believe broadcast networks are creating a framework to bring affiliates into each vMVPD on terms set by the network, with the affiliates unable to negotiate directly with the vMVPD themselves," Greenfield wrote in a recent note to clients. "Essentially, take it or leave it affiliate deals structured by the broadcast network" will "significantly reduce the net payments offered to affiliates."

The broadcasters see the situation as a natural evolution. According to sources familiar with their thinking, most believe that the current structure is similar to deals struck for video-on-demand and TV Everywhere content. Local affiliates were kept out of those deals to ensure that the scope of programming was consistent.

The absence of station groups from many virtual MVPD deals is largely a matter of convenience, Pivotal Research Group CEO and senior media & communications analyst Jeff Wlodarczak said.

'LIKE HERDING CATS'

"It's like herding cats to get these local affiliates to agree to deals — very complex and time-consuming," Wlodarczak said. "It is easier to sign a broad deal and to throw in the O&Os."

The issue, Wlodarczak said, is that the cable operators will likely pass through most of these costs. "Given that the expense of pay TV is the No. 1 reason people leave, it will exacerbate the media players pay TV subscriber issues. Betting on a slightly cheaper skinny bundle is not going to solve that issue, and it will not be good for less popular networks."

As far as increased retrans fees for pay TV, Wlodarczak said that anything can happen, but to "expect more fireworks."

That may be an understatement, given how the last big battle between networks and affiliates was resolved. Affiliates first resisted when networks demanded back in the early 2000s that they turn over up to half of their retrans haul to them in the form of reverse compensation. That was resolved simply by the affiliates stepping up their retrans fees.

Traditional MVPDs have grown used to rising retrans costs and fickle stations who raise the ante for carriage on a whim, but the breaking point could be looming near, especially as skinny bundles and virtual MVPDs proliferate.

“They’re pushing the envelope,” said one cable executive who asked not to be named. “They’re trying to get to a certain number that is not sustainable. And kids don’t care as much about local news.”
Multichannel News

http://www.multichannel.com/grid-blocked/410200

More Political-Ad Vetting Required

FCC bureau wants MVPDs, stations to ID all candidates, issues and sponsoring execs

1/16/2017 8:00 AM Eastern

By: John Eggerton

TakeAway

Cable providers will have to do more due diligence on political ads if FCC decision stands.

WASHINGTON — The Federal Communications Commission's Media Bureau has clarified what TV and radio stations — and cable- and satellite-owned outlets — have to disclose about the political advertising that fills their election-cycle coffers.

Whether or not the eleventh-hour move in an exiting administration holds remains to be seen, though.

In a decision issued late on a Friday (Jan. 6), the FCC's Media Bureau resolved complaints about political ad disclosures: complaints facilitated by the agency's decision, under former chairman Julius Genachowski, to require TV and stations to upload public files, including political files, to a searchable, FCC-administered online database.

LOTS TO IDENTIFY

The bureau said those outlets must identify all candidates, all issues of importance and all sponsoring officials, though whether that includes officials of PACs or gets to the underlying funders remains open to interpretation.

The bureau decision was progress, according to one of the complainers, and even more important in the wake of the rise of “fake news” and Russian hacks of the political system.

Outgoing FCC chairman Tom Wheeler had been pushed by various groups and Hill Democrats to tighten TV and radio ad disclosures in the wake of the Supreme Court’s *Citizens United* decision, which allowed corporations and unions to fund TV and radio ads in the run-up to elections. They sought tighter rules as one way to help counter the flood of so-called “dark” money expenditures by third-party groups and complained that stations were violating the FCC disclosure rules already on the books.

The FCC levied no fines but admonished one station (a black mark in its file) and put the others on notice of its new disclosure advisory.

Republican commissioners were unhappy with what they saw as a waning-hours decision on delegated authority but not with a lot of what was in the item.

“These orders purport to resolve many questions of statutory interpretation that are not appropriately addressed on delegated authority,” Republican commissioners Ajit Pai and Michael O’Rielly said. “As a result, we requested that they be brought to the commissioners for a vote. Given that we agreed with much of the substance of the orders as written, we were optimistic that the commissioners would have been able to reach consensus on these items, providing certainty to the interested parties going forward. Sadly, we were never given that chance, and these orders thus will need to be revisited in the new administration.”

The complaints were targeted at TV stations, but the clarification and new obligations apply to cable and satellite providers and satellite radio licensees, the FCC was quick to point out in a footnote in the decision.

While the FCC requires some types of complaints — indecency, for example — to come from viewers in the market where the TV station targeted with the complaint is located, the FCC said that does not have to be the case with the political files that are now easily available online at the FCC to anyone nationwide.

SOME WANTED MORE, SOONER

Alex Howard, deputy director of the Sunlight Foundation, one of the groups that filed the complaints, would have preferred even more tightening and action before the recent election.

“It is suboptimal to put it out on a Friday afternoon after the election,” he said. “I would have liked to see a different kind of approach,” which he said would be “an even stronger statement regarding the right of the public to know who originated any political ads.” He said disclosures should be made “in machine readable format on the Internet as soon as those ads are filed.”

Ideally, Howard said, “you would be able to have your phone listen to an ad and identify who funded it.”
Multichannel News

http://www.multichannel.com/more-political-ad-vetting-required/410206

QUOTABLE

"Youcould have a situation in which the media isnot really the unbiased mediaweseetoday and they could be a mechanism through which unlawful intelligence isobtained“

Sen. Amy Klobuchar (0-Minn.), on Jan.12, during the confirmation hearing for Jeff Sessions, pressing the nominee for attorney general to commit to protecting the rights of journalists under guidelines established by former AG Eric Holder in 2015; read more at multichannel.com/Janl6.

Going Deep With Metadata

Comcast's Watchwith acquisition amplifies its importance in TV's new world

1/09/2017 8:00 AM Eastern

By: Jeff Baumgartner

Comcast will look to take video metadata to the next level — and decipher what's happening inside TV shows and movies on a scene-by-scene basis — after snapping up Watchwith, a 10-year-old company that has found a solid niche with pay TV providers and programmers.

Financial terms of the deal, which closed in December, were not disclosed, but Comcast plans to use Watchwith's platform to drive new, more personalized experiences into its cloud-powered X1 video platform.

Watchwith's deep metadata platform is crafted to sift information occurring within the video, down to its individual frames. That data can include which actors appear on screen, the location of a given scene or the start of a memorable scene within a movie or TV show. Watchwith does that through the blending of two tools — an editorial tool that enables producers to manually tag specific video segments and an automated media analysis/tagging tool that relies on algorithms and machine learning techniques.

"When that process is complete, you have all of this information that, at a frame level, [tells] you what's happening inside the video," Rick Rioboli, senior vice president of CoMPASS (Comcast Metadata Products and Search Services), said.

San Francisco-based Watchwith and its 15 employees, including CEO Zane Vella, have joined CoMPASS, a unit at Comcast that has been quietly operating cloud-based metadata, search, personalization and recommendations services and platforms for all of the company's video apps, including those for X1 and the X1 voice remote that was introduced in May 2015.

Comcast has been building that team for about five years as it strived to unify several related projects spanning areas focused on native set-top platforms, X1, mobile apps and the Web, Rioboli said.

CoMPASS has traditionally been focused on program-level discovery, Rioboli said. It sees Watchwith and its metadata capabilities as an opportunity to drill deeper into those individual movies and TV shows, creatng new experiences and features for X1, he explained.

"We think there's power in being able to understand what's happening inside the video, at a frame level or a scene level," Rioboli said.

The Watchwith acquisition makes Comcast a more active player in the world of metadata, a market that has typically been the domain of companies such as Gracenote (soon to become part of Nielsen), and TiVo, which merged with Rovi last fall.

Comcast has already been using Watchwith to power two features for X1 — an "Auto-Extend" component that automatically extends DVR recordings of sporting events if games go beyond their regularly scheduled airtimes; and a sports-highlights element that automatically creates metadata tags that enables viewers to jump directly to key plays and moments in a sporting event recorded on the DVR. Comcast has initially implemented the highlights feature for National Football League and soccer games.

Rioboli said the new acquisition would help the company accelerate the development of other enhanced features that extend well beyond sports, and into areas such as news, TV series and movies.

"We think the magic of the potential of deep metadata is to be able to take people directly into the part of the content that they are looking for," Rioboli said. "We think it's a very strategic space."

The Comcast acquisition serves as solid exit for Watchwith, a company founded in 2006 that was known as Related Content Database Inc. (RCDb) before undergoing a name change in 2012.

Vella, who has joined Comcast as vice president of product at the ComPASS unit, said he'll start off by focusing on creating a tighter integration of the Watchwith tools and technologies with X1.

Comcast and its product team "have shown an understanding and a commitment to the importance of metadata in not just driving guides, but in driving the future of the television experience," Vella added. "People underestimate the power of metadata."

Watchwith has also been using its metadata to fuel advanced forms of advertising.

Last year, the company launched an in-program, native ad platform for IP-capable set-tops, smart TVs and mobile devices. NBCUniversal's Bravo was among the programmers that have tried it out.

Fox and Viacom are among Watchwith's other known programming partners.
Multichannel News
http://www.multichannel.com/going-deep-metadata/410032

Trump Dials Up Wireless FCC Voice

Bandwidth.com founder David Morken has taken aim at incumbent providers

1/09/2017 8:00 AM Eastern

By: John Eggerton

TakeAway

The Trump transition team's new entrepreneur and disruptor will help remake the FCC.

WASHINGTON — President-elect Donald Trump has added some populist pop to his Federal Communications Commission "landing" team as he prepares to remake the agency come Inauguration Day (Jan. 20).

Trump will get to pick a new chairman, and, if he chooses one of the agency's two current Republicans for that post, one new GOP and one Democratic commissioner as well.

The newest, fourth member of the FCC transition team is David Morken, the co-founder and CEO of Republic Wireless parent company **Bandwidth.com**. Last month, Roslyn Layton, a visiting fellow at the American Enterprise Institute, joined fellow conservative think tank alumni Jeff Eisenach and Mark Jamison on the team providing input on new FCC leadership.

Bandwidth.com built its wireless business on the theory that WiFi could serve as the primary network and a cellular network, specifically Sprint's, as backup, which would allow it to charge less — $19 per month with no contract.

Morken combines several life experiences that appear to hold a lot of weight with the incoming president and could apply to the tenor of the new commission. He is a former member of the U.S. military (a Marine) and an entrepreneur/disruptor who built an "overnight success" through a decade of hard work growing a business.

Morken clearly has a populist streak, or at least a consumer-empowering marketing approach to challenging the big carriers.

"The cellular emperor has no clothes — smart consumers have been clamoring for someone to unlock the value of our home and office networks for years," he said when launching the hybrid WiFi/cellular approach in 2011.

The Trump transition team has not responded to requests for information on when the President-elect will chose a new chairman, though one of the sitting Republican commissioners — either Ajit Pai or Michael O'Rielly — will almost certainly preside at least as interim chair following the inauguration.

The FCC last week moved the public meeting to Jan. 31 to give Republicans more time to plan for it.
Multichannel News
http://www.multichannel.com/trump-dials-wireless-fcc-voice/410034

agenda

Broadband Privacy Rules Get a General Bashing

TV, ad industries look to GOP for help reversing FCC move

BY JOHN EGGERTON

WASHINGTON — There is clearly a new sheriff in town, or at least the long shadow of one, as the Trump administration prepares to take over the Federal Communications Commission.

That was obvious from the tenor and flood of petitions to reconsider the broadband privacy order on a partisan vote in the waning days of the Tom Wheeler-led FCC, and by a congressional move that could potentially invalidate the order in one fell swoop.

TAKEAWAY

Broadband privacy and Title II rivals see an opening with the GOP takeover.

The order requires Internet-service providers (ISPs) to get their customers' permission (notice and choice) before sharing Web browsing and app-use histories with third parties for marketing and other purposes. It also contains data-security and data-breach notification rules, which prohibits making information sharing a quid pro quo for service. The agency also said it will take case-by-case looks at offering incentives to share data.

The FCC is also pre-empting state privacy, data security and data breach laws that conflict with its new rules.

BLUNT POINTS IN PETITION

The American Cable Association, NCTA: The Internet & Television Association and others — including ad associations representing billions of dollars, many of which are moving to online platforms — were clearly preaching to a new choir in their petitions, with the Republican commissioners preparing to take over the majority having voted against the privacy order and signaling they are ready to get out the regulatory weed whacker.

The ACA's petition branded the order an error-laden train wreck, while NCTA gave four main reasons for scrapping the approach, saying it:

- Exceeds the FCC's authority;
- "Arbitrarily and capriciously" departs from the Federal Trade Commission's approach (the FTC was responsible for broadband privacy before the FCC reclassified ISPs as common carriers);
- Violates the First Amendment because it makes "speaker-based" distinctions between similarly situated competitors (ISPs and edge providers such as Google or Yahoo) in how they may use and share the same set of information;
- Creates "unworkable data breach and security requirements."

Other than that, how was the play Mrs. Lincoln?

NCTA also said the FCC "wrongly concludes that ISPs occupy a unique gatekeeper role that justifies singularly restrictive limits on their ability to use customer data," compounding the regulator's error in reclassifying ISPs as common carriers under Title II of the Communications Act, which shifted broadband privacy authority to that agency from the Federal Trade Commission.

A consortium of ad-industry trade groups joined to argue that the order was fundamentally flawed for a number of reasons. Those included that the decision was arbitrary and capricious, violated the Administrative Procedures Act, ignored less restrictive proposals that had been offered and provided insufficient time for parties to comment on the proposal after it changed "materially" from the original FCC proposal.

If the FCC or Congress reversed the Title II reclassification, broadband privacy would revert to the FTC, mooting the order. But that could take some time.

REVERSING REGS IN HOUSE

Republicans in Congress, though, took steps toward deeding themselves new deregulatory territory that could moot the order more rapidly.

The House passed a bill — against loud protest from Democrats — that would allow it to sweep away regulations that were approved in the waning, and not so waning, hours of a previous administration with a single vote.

The broadband privacy order, approved in late October, would definitely be in their sights given the timing and that Republicans on the Hill joined Republicans on the commission in opposing the new privacy rules as overly restrictive.

At press time, Republican House members were working on various deregulatory bills that would give the Congress more opportunities to invalidate broadband privacy regulations, Title II reclassification and more.

Cable Critics Take Fresh Aim at Fees

BY JOHN EGGERTON

WASHINGTON — Veteran cable and service critics in the House started off the 115th Congress with a new shot across the bow of both Charter Communications and Comcast, aimed at break-outs of retransmission and sports network fees on cable bills.

Some pay TV companies have added line items to consumer bills


TOM WILLIAMS/CQ ROLL CALL

Sens. Rob Portman (R-Ohio) and Claire McCaskill (D-Mo.) want more data on cable-bill fee breakouts.

to show how much they (providers) and their subscribers are paying for must-have sports networks and escalating broadcast-channel retransmission fees.

Sens. Rob Portman (R-Ohio) and Claire McCaskill (D-Mo.), who were prominent inquisitors in last year's Hill hearing that turned into something of a trip to the woodshed for MVPDs, sent letters to the top two operators seeking information on those fees, as well as promotional pricing.

Portman and McCaskill head up the Senate Permanent Subcommittee on Investigations, which held the hearing on cable fees and customer service last year in conjunction with a report it issued at the same.

Both the report and hearing were rough on pay TV companies, which pledged to do better.

McCaskill and Portman said they are pressing Charter and Comcast over "the misleading placement of fees on customers' bills, and inadequate advertising disclosure for service promotions." The lawmakers want more information on both.

Citing the hearing in the last Congress, the pair said in letters to the two companies that they thought using separate line items like the "broadcast TV surcharge" for retransmission fees or "regional sports-network fees" has "obscured" the real costs of programming when grouped with regulatory fee line items and charges.

The senators also said they had received insufficient answers as to how and whether operators promoted the non-promotional price of service to customers.

Charter said in a statement it "provides its customers with simple, easy to understand bills that inform customers what they are paying for. In addition, Charter doesn't charge many additional fees common in the industry such as modem lease fees and early termination fees." Charter would not comment on what line items it has or has not included on its bills or on whether and how that has changed since the hearing.

Comcast had no comment on the letter, but its regional sports fee and broadcast TV fee are listed separately in an "other charges and credits" section where it also lists its Universal Service Fund fee line item.

It Ain't Over 'Til It's Over for Rosenworcel

WASHINGTON — The White House has not given up on the renomination of Democratic Federal Communications Commission member Jessica Rosenworcel, with President Obama submitting her name to the Senate last Wednesday (Jan. 4).

Though Rosenworcel had cleared her office by Jan. 3, after the Senate in the last Congress failed to vote on her renomination, she could be named to fill the seat she just vacated.

One source said her renomination suggests she still has support from new Senate leadership, while others said her confirmation is a long shot in the 115th Congress.

"This was the right thing to do," Sen. Bill Nelson (D-Fla.), ranking member of the Senate Commerce Committee (which holds the confirmation hearing for FCC nominees), told *Multichannel News*. "Hopefully, Senate GOP leaders will finally live up to their promise to confirm her."

Committee chairman Sen. John Thune (R-S.D.) told *Multichannel News* he would be open to confirming Rosenworcel to another term, but with a caveat, saying, "[N]ow that we are just days away from inauguration, I believe the president-elect deserves to be able to nominate the commissioners he wants to serve."

The president-elect will get to fill at least two FCC seats: a Republican chair and a Democratic commissioner. Some have said Rosenworcel's reconfirmation could be part of a package deal to smooth the way with Democrats for some of the incoming administration's more controversial cabinet picks.

Thune's committee last year unanimously recommended Rosenworcel for a new five-year FCC term. But although she has backers in industry and on the Hill from both parties, her reconfirmation was held hostage to a political fight unrelated to her qualifications or record. Read more at multichannel.com/Jan9.

Sen. Bill Nelson (D-Fla.): "This was the right thing to do."

— *John Eggerton*

Making the FCC 'Great' Again

Will progressive or neocon Trump hold sway in D.C.?

1/02/2017 8:00 AM Eastern

By: John Eggerton

WASHINGTON — Donald Trump is shaking up Washington, stirring up his Democratic foes and generally making life even more interesting than usual inside the Beltway.

The new president will get to appoint two Federal Communications Commission members and install the folks he wants at the Justice Department, and he plans to make cybersecurity a priority, which could mean giving the government more power over information. He has also promised to spend $1 trillion on infrastructure, almost certainly to include broadband.

The FCC has not historically been a big focus of new administrations, sometimes taking months to install a new chairman. But few have made money betting on Donald Trump to follow form or tradition, and the FCC is now all about broadband, which connects everything.

With Democratic commissioner Jessica Rosenworcel and FCC chairman Tom Wheeler both exiting, most communications policy watchers polled for this story predict a Republican majority looking to take a weed whacker to the regulatory underbrush, as senior Republican commissioner and likely interim chair Ajit Pai said earlier this month.

EXPECT SURPRISES

"Just as the election outcome was unexpected by many, many will not expect how deregulatory the new FCC will turn out to be," said Scott Cleland, chairman of Net-Competition.

Either the FCC or the Republican Congress will likely reverse the Title II reclassification of Internet service providers, though Congress could also reinstate a version of the prior, compromise rules against blocking and discrimination and paid prioritization. Cable and phone ISPs, except Verizon Communications, agreed to abide by those the first time around.

Broadcasters will finally get some of the regulatory help on the media ownership front, either from the FCC or Congress or, likely, both, unless the progressive populist aspect of Trump creeps onto the commission.

Incoming House Energy & Commerce Committee chairman Rep. Greg Walden (R-Ore.), who is a former broadcaster, has already introduced a bill scrapping the ban on newspaper-broadcast cross-ownership. And a Republican FCC could well roll back the agency's decision to set TV joint services agreement ownership interests in terms of local limits, meaning owning a TV station and selling more than 15% of ad time in a market is the same as owning both stations in the eyes of the FCC. Cable operators were OK with the restriction because it placed limits on bulk bargaining for retransmission- consent agreements.

The National Association of Broadcasters sued the FCC over not scrapping the ban or loosening other rules in the agency's quadrennial media ownership review released last summer, but has withdrawn that suit and petitioned the FCC to reverse the decision given that the Trump FCC is likely to share NAB's view that broadcasting is too heavily regulated.

A big X factor for broadcasters is how the FCC's spectrum auction will reshape their business, and how soon the FCC will allow them to reshape it themselves with a new ATSC 3.0 transmission standard.

The auction phase will likely be over by the time a new administration takes over, but the repack will take years. Pai has pushed the FCC to makde a decision on ATSC 3.0, so a Pai FCC would likely help speed that process.

While Trump threatened to block AT&T's proposed takeover of Time Warner Inc. and suggested he would unwind the Comcast-NBCUniversal deal, that appeared to be a reaction to their status as owners of the news outlets he loves to hate rather than a signal of antitrust policy direction.

Adonis Hoffman, a former top FCC official who now heads Business in the Public Interest, said he thinks the AT&T-TW deal is not in danger.

“Big corporations are not seen as inherently bad or suspect, despite candidate Trump’s shoot-from-the-hip reactions to questions on mergers during the campaign,” Hoffman said in an op-ed in *The Hill*. “In fact, the more measured Trump will rely on big companies to lead the way in rebuilding America’s economy by repatriating jobs and reinvestment.”

Nonetheless, Sen. Richard Blumenthal (D-Conn.) said at an oversight hearing on the AT&T deal that he was taking Trump at his word that he would block it.

It will take a while for a new FCC to get seated, and even then efforts to roll back network neutrality and the associated new FCC rules on broadband privacy will take a while more.

In the interim, the FCC could ramp down through enforcement, or the lack of it.

For example, while the FCC’s Wireless Bureau has warned AT&T and Verizon that their zero-rating plans for online video appear to violate the network-neutrality general conduct standard, a new FCC could signal that it feels the standard is too vague, and thus chills innovation, and so it would not enforce it.

REPLACE OR REPEAL?

David Goodfriend, president of Goodfriend Government Affairs and a former FCC legal adviser to former commissioner Susan Ness, isn’t so sure consolidation, or even scrapping net-neutrality rules, is a sure thing.

“While a Trump FCC will take the neoconservative orthodoxy of the transition team members in many cases, some very strong voices among the populists close to President-elect Trump are not toting the usual line,” Goodfriend said.

“For example, Chris Ruddy, CEO of Newsmax [a conservative website and video channel], dined with Donald Trump on Thanksgiving following Election Day and wrote in his column afterwards that Trump should make media diversity, pushing back on consolidated media and distribution companies, a top priority.

“When it comes to net neutrality, the dynamic looks a lot like Obamacare: Trump and congressional Republicans, now that they are in charge, can pull the plug,” Goodfriend added. “But some are asking if that’s the smartest political move. As with Obamacare, should ‘replace’ be part of ‘repeal?’ ”

A Republican-leaning source speaking on background seconded Goodfriend’s view.

Hoffman said he envisions “an extraordinary — and perhaps unprecedented — level of interchange and cooperation between Congress and the FCC, especially at the senior staff level.”

“We have not seen this particular alignment of one-party control of all levers in a long, long time, and never in such a divided climate,” Hoffman said. “Senior staffers in the Senate and the House already know more about the inner working of the FCC than they do about any other independent agency, and they have the green light to be a little adventurous.”

Multichannel News

http://www.multichannel.com/making-fcc-great-again/409890

New Normal: Digital Distribution

The transformative shifts of 2016 will continue this year

1/02/2017 8:00 AM Eastern

By: George Winslow, Contributing Writer

HBO says only 1% of the subscribers to its HBO Now OTT offering came from its linear pay TV subscribers.

TakeAway

Changes in how video is watched made 2016 a transformative year for the pay TV industry, and those shifts will keep coming this year.

Related > Viewer Watch 2017: Download the Complete Report

With new business models proliferating almost as fast as new consumer-electronics devices at this year's CES, TV executives are recalling 2016 as a year of landmark changes that will produce even more profound developments in 2017.

"In the last year, there has been more change in the video business than we saw in probably the past five years," said Matthew Strauss, executive vice president and general manager of video and entertainment services for Comcast Cable. "We're just continuing to find the competitive landscape shifting. There are more services being delivered over the top to consumers. There is the growth and proliferation of Internet-connected TV devices like Roku, Apple TV or Amazon Fire. And you are also seeing new services that are delivering bundled over the top channels like Sling TV, Sony's PlayStation Vue and DirecTV Now."

In response, programmers and operators have introduced a flurry of new products. "In terms of video, this has been one of the biggest for Cox in all the years I've been here," Steve Necessary, executive vice president of product development and management at Cox Communications, said.

Less obviously, operators and programmers continue to make massive investments in their technology infrastructures with important implications for their offerings in 2017 and beyond.

"As a company, we are investing and positioning content to be consumed on more and more platforms every day," Discovery Communications chief technology officer John Honeycutt said, stressing that the programmer is rapidly deploying new cloud and software-based infrastructures so it can adapt to consumer needs and quickly roll out new services. "We are in the middle of a revolution in our supply chain."

Related: Old Controversies and New Businesses

DIGITAL-FIRST REALITY

Much of this reflects longstanding changes in consumer behavior and the underlying economics of the TV, digital and media industries.

Vincent Letang, executive vice president of global market intelligence at Magna, said 2016 was the first year digital advertising exceeded total TV advertising in the U.S., garnering 39% of the total ad spend versus 37.4% for TV. Digital advertising is set to exceed total TV advertising worldwide for the first time in 2017, he added.

"We are forecasting that in five years, digital will grow to 56.0% of total advertising [in 2021 in the U.S.] while TV will plateau at 29.9%," he said. Meanwhile, content creators and distributors are following the flow of money into digital media, fueling rapid growth in consumption of TV shows on mobile devices, computers and TVs connected to the Internet.

"The cliché of how consumers 'want my content when I want it, where I want it and how I want it,' is now a truism," Mike Vorhaus, president of Magid Advisors at Frank N. Magid Associates, said. "Just five years ago, it was hard to find a lot of content. But now, in 2017, I'm really the captain of my media ship in a way that was not true in the past."

Given ongoing rapid growth in the usage of mobile and connected TVs, it is difficult to call digital video "mature." But researchers stress that the tectonic changes in how video is consumed and delivered have already made digital media a central part of the TV business.

"After four or five years of talking about alternative ways to access video and watching significant growth in its usage, we are now at a point where it is pretty much established," Howard Horowitz, president and founder of Horowitz Research, said. "It's not a fly in the ointment, but part of the business. Digital self-managed access to video content is with us and mostly that is a good thing for all the players."

DISRUPTIVE GAINS

Others agree. After ticking off a long list of new products and initiatives designed to realign their offerings with newer consumer behavior, Comcast's Strauss said: "Our third-quarter video results were the best we've had in 10 years. We added 32,000 video customers, which is an 80,000 improvement year over year. And if you look at the last 12 months, we are video-positive."

Some programmers have been buffeted by the changes, which have hurt ratings, but those that have aggressively moved to capitalize on the newer delivery platforms are pleased with the results.

Bernadette Aulestia, executive vice president of worldwide distribution for HBO, noted that the launch of the OTT service HBO Now has allowed the programmer to tap into new markets and see healthy growth in the overall business. "Less than 1% of [the OTT] HBO Now subscribers are coming from our linear multichannel subscribers," she said.

Executives from Dish Network and AT&T cited similar experiences with their respective OTT channel bundles, Sling TV and DirecTV Now, which are designed in part to tap into viewers outside of the pay TV ecosystem.

“There are about 20 million households in the U.S. that are either not engaged with pay TV or have opted to leave the pay TV ecosystems,” Tony Goncalves, senior vice president of strategy and business development for AT&T Entertainment Group, said.

That doesn’t mean that the industry can sit back and pretend it will be business as usual in 2017.

An acceleration in the decline in pay TV subscribers has caused Magna to revise its estimates of pay TV subscribers downward. There is also a great deal of uncertainty about the ad market.

These trends raise important questions about the changing use of video on various platforms — traditional TV, mobile, Internet-connected TVs, set-top boxes and other technologies. How these trends will impact the health of the industry and the kind of products that get launched in 2017 is the subject of the next story.

Multichannel News

http://www.multichannel.com/new-normal-digital-distribution/409894

Looking Ahead To 2017 Viewing

Digital Video Habits Come of Age

BY GEORGE WINSLOW

In many ways, 2016 and 2017 will be go down as landmark years for the TV industry. After years of complaints, excuses, technical hurdles and much hard negotiating, consumers will enter 2017 able to view a vast array of TV content available on just about every available digital platform and consumer-electronics device, with more to come in the next 12 months.

This is a very notable development, though its gradual, evolutionary progress has made the near-ubiquity of digital video less of a headline than it deserves. When *Multichannel News* started this annual report in 2006 and decided to focus on how the changing use of video was affecting the TV business, hardly any high-quality TV programming was available outside of the traditional arena (that is, "over the top"). Even five years ago, a host of issues relating to rights and widespread worries that digital distribution would cannibalize existing businesses, severely limited available content.

Today, many researchers and executives would argue that the proliferation of digital content has generally been a very positive development. Despite widespread predictions four or five years ago that Apple, Google, Amazon and Facebook would use their combined market capitalization of $2 trillion to swallow the TV industry like a shark digesting a minnow, the industry remains relatively healthy. Cable operators that have embraced new consumer habits, such as Comcast, have even begun adding subscribers, turning around years of declines.

Much uncertainty remains, though. As this year's special report stresses, there are many major debates over basic issues like rate of decline in pay TV subscribers, the size of the potential OTT market and even the usefulness of widely used terms like cord-cutting. By diving into many of those debates and parsing some very complex data trends, we hope this report will once again help readers understand many of the major trends that will have a major impact on their businesses in 2017 and beyond.

In putting together this special report, we are indebted to many people. More than 20 pay TV, network, digital and research executives generously gave of their time, producing over 40,000 words of transcribed interviews that are the basis of the 2017 Viewer Watch feature stories.

A number of research companies also contributed their insights and data. Among the organizations that were particularly helpful in providing data, we'd like to thank Frank N. Magid Associates, Horowitz Research, Magna Global, PwC, Nielsen and SNL Kagan.

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

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New Normal: Digital Distribution

Changing use of video will keep transforming TV industry

BY GEORGE WINSLOW

With new business models proliferating almost as fast as new consumer-electronics devices at this year's International CES, TV executives are recalling 2016 as a year of landmark changes that will produce even more profound developments in 2017.

"In the last year, there has been more change in the video business than we saw in probably the past five years," said Matthew Strauss, executive vice president and general manager of video and entertainment services for Comcast Cable. "We're just continuing to find the competitive landscape shifting. There are more services being delivered over the top to consumers. There is the growth and proliferation of Internet-connected TV devices like Roku, Apple TV or Amazon Fire. And you are also seeing new services that are delivering bundled over the top channels like Sling TV, Sony's PlayStation Vue and DirecTV Now."

In response, programmers and operators have introduced a flurry of new products. "In terms of video, this has been one of the biggest for Cox in all the years I've been here," Steve Necessary, executive vice president of product development and management at Cox Communications, said.

Less obviously, operators and programmers continue to make massive investments in their technology infrastructures with important implications for their offerings in 2017 and beyond.

"As a company, we are investing and positioning content to be consumed on more and more platforms every day," Discovery Communications chief technology officer John Honeycutt said, stressing that the programmer is rapidly deploying new cloud and software-based infrastructures so it can adapt to consumer needs and quickly roll out new services. "We are in the middle of a revolution in our supply chain."

DIGITAL-FIRST REALITY

Much of this reflects longstanding changes in consumer behavior and the underlying economics of the TV, digital and media industries.

Vincent Letang, executive vice president of global market intelligence at Magna, said 2016 was the first year digital advertising exceeded total TV advertising in the U.S., garnering 39% of the total ad spend versus 37.4% for TV. Digital advertising is set to exceed total TV advertising worldwide for the first time in 2017, he added.

"We are forecasting that in five years, digital will grow to 56.0% of total advertising [in 2021 in the U.S.] while TV will plateau at 29.9%," he said.

Meanwhile, content creators and distributors are following the flow of money into digital media, fueling rapid growth in consumption of TV shows on mobile devices, computers and TVs connected to the Internet.

TAKEAWAY

Changes in how video is watched made 2016 a transformative year for the pay TV industry, and those shifts will keep coming this year.

"The cliché of how consumers 'want my content when I want it, where I want it and how I want it,' is now a truism," Mike Vorhaus, president of Magid Advisors at Frank N. Magid Associates, said. "Just five years ago, it was hard to find a lot of content. But now, in 2017, I'm really the captain of my media ship in a way that was not true in the past."

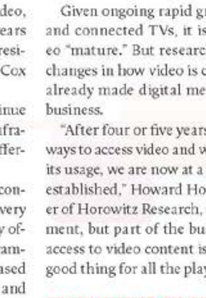
HBO says that only 1% of the subscribers to its OTT offering HBO Now came from its linear pay TV subscribers.

Given ongoing rapid growth in the usage of mobile and connected TVs, it is difficult to call digital video "mature." But researchers stress that the tectonic changes in how video is consumed and delivered have already made digital media a central part of the TV business.

"After four or five years of talking about alternative ways to access video and watching significant growth in its usage, we are now at a point where it is pretty much established," Howard Horowitz, president and founder of Horowitz Research, said. "It's not a fly in the ointment, but part of the business. Digital self-managed access to video content is with us and mostly that is a good thing for all the players."

DISRUPTIVE GAINS

Others agree. After ticking off a long list of new products and initiatives designed to realign their offerings with newer consumer behavior, Comcast's Strauss said: "Our third-quarter video results were the best we've had in 10 years. We added 32,000 video customers, which is an 80,000 improvement year over year. And if you look at the last 12 months, we are video-positive."



"There are about 20 million households in the U.S. that are either not engaged with pay TV or have opted to leave the pay TV ecosystems."

TONY GONCALVES, AT&T ENTERTAINMENT GROUP

Some programmers have been buffeted by the changes, which have hurt ratings, but those that have aggressively moved to capitalize on the newer delivery platforms are pleased with the results.

Bernadette Aulestia, executive vice president of worldwide distribution for HBO, noted that the launch of the OTT service HBO Now has allowed the programmer to tap into new markets and see healthy growth in the overall business. "Less than 1% of [the OTT] HBO Now subscribers are coming from our linear multichannel subscribers," she said.

Executives from Dish Network and AT&T cited similar experiences with their respective OTT channel bundles, Sling TV and DirecTV Now, which are designed in part to tap into viewers outside of the pay TV ecosystem.

"There are about 20 million households in the U.S. that are either not engaged with pay TV or have opted to leave the pay TV ecosystems," Tony Goncalves, senior vice president of strategy and business development for AT&T Entertainment Group, said.

That doesn't mean that the industry can sit back and pretend it will be business as usual in 2017.

An acceleration in the decline in pay TV subscribers has caused Magna to revise its estimates of pay TV subscribers downward. There is also a great deal of uncertainty about the ad market.

These trends raise important questions about the changing use of video on various platforms — traditional TV, mobile, Internet-connected TVs, set-top boxes and other technologies. How these trends will impact the health of the industry and the kind of products that get launched in 2017 is the subject of the next story.

special report VIEWER WATCH

Old Controversies And New Businesses

Embrace of digital media, OTT offerings helps both operators and programmers

BY GEORGE WINSLOW

TAKEAWAY

Content-industry players continue to work through the particulars of measuring viewership across the wide array of emerging platforms.

Though TV has long been a numbers game, hard data showing changes in the way consumers access video remains a hotly debated subject.

It's not just that there's considerable disagreement over how to interpret these changes among executives overseeing what Magna calls the $67 billion TV ad market and PwC describes as the $101 billion subscription pay TV business. There is also much grumbling over the kind of data that is available to answer these multibillion-dollar questions.

"I don't think we've made as much progress as we should have made" in measuring the consumption of video on all platforms and devices, Turner Broadcasting System chief research officer Howard Shimmel said.

There also isn't much agreement on how the growth in multiplatform video consumption will affect pay TV subscriptions. Some contend that the rise of over-the-top streaming options will sharply reduce the pay TV subscriber ranks; others believe the issue is much more complex.

"From its peak in the first quarter of 2012, the major providers have lost about 1.8 million subscribers," Bruce Leichtman, president and principal analyst at Leichtman Research Group, said. "The industry is clearly saturated and in a slow decline."

Interpreting those numbers remains controversial, in part because data on the size of the pay TV universe rests on different assumptions. Leichtman, for example, includes data from services like Sling TV in his company's estimates, while SNL Kagan does not.

Nielsen also provides different numbers. It reports the number of homes that have TVs connected to a pay TV service, which is different than the number of total pay TV subscribers reported by operators, Nielsen executive vice president of research Glenn Enoch said.

"You have to be very careful about the numbers you use and [about] drawing a straight line from those numbers to revenue, because things are much more complicated than that," he said.

CORD-CUTTING CALCULUS

A number of researchers agreed. The proportion of "people dropping pay TV subscriptions is now about 2.6%," Leichtman noted, which is about the same rate as 10 years ago, when the industry was growing.

"The problem is that the number of new customers has declined," Leichtman said. "We only see 1% [of homes] moving into pay TV. That is down from 3.5% a decade ago and it has had a real impact on the dynamics of the pay TV industry."

The declines have been smaller than some had expected, SNL Kagan research director Ian Olgeirson noted. "We are seeing a slight acceleration in the decline in subscribers for multichannel services from a roughly 1% decline in 2015 to a decline of what will probably be 1.3% or 1.4% in 2016," he said.

The causes of those declines are also hotly debated. "Service providers would say that a lot of those declines are driven by price" and economics, Olgeirson said. But that isn't the whole story, as the economy has rebounded and housing starts have grown over the past two years, he said.

A recent Frank N. Magid Associates survey found that 75% of likely cord-cutters said the ability to watch content via the Internet and OTT platforms was a key reason to drop pay TV service, Magid Advisors president Mike Vorhaus said. Only 29% of respondents cited costs.

Research also challenges the prevailing assumption that pay TV and SVOD services are competing offerings, said Howard Horowitz, president and founder of Horowitz Research, who sees them as complementary to traditional pay TV.

"We are seeing explosive usage in those connected TV experiences … Time spent on connected TVs with our products has grown by more than 300%."

MARC DeBEVOISE, CBS INTERACTIVE

Horowitz survey data shows that 52% of whites and 58% of Hispanics have both a multichannel subscription and a subscription VOD service, while only 5% of whites and 6% of Hispanics have just a SVOD service.

STAGNANT AD SPENDING

Much unease also surrounds the ad market. Brian Wieser, senior research analyst, advertising at Pivotal Research Group, said the economy faces considerable uncertainty over the next year.

"I don't think anyone can say with any certainty what is going to happen next and that uncertainty is going to curtail advertising," he said.

National TV ad revenue will drop slightly by 0.4% in 2017 to $44.6 billion, Wieser predicted, and remain essentially flat through 2020, when it will hit $45.2 billion.

Magna's Letang also sees a weak TV ad market combined with bullish prospects for digital media. "In 2017, we see high single digital inflation [in pricing] but high single-digit declines in ratings," Letang said. "National TV will be up 1% in 2017 from 2016 if you exclude P&O" — meaning the 2016 revenue from political ads and the Summer Olympics — "and down 1% if you include P&O."

Programmers and operators are reporting rapidly increasing usage on connected-TV devices like Roku, which offers a unified search engine across over 100 content partners.

ALLEN KEE/ESPN IMAGES

Some 1.3 million unique users live-streamed ESPN's coverage of the Nov. 26 Michigan-Ohio State college football game.

With political and Olympics spending included, Magna projects that total TV spending will drop by 4.8% to $64.2 billion in 2017, declining further to about $62.2 billion in 2021.

Digital spending, though, will continue to grow rapidly. By 2020, Magna forecasts that mobile advertising will more than double to $78.4 billion (38.2% of all advertising) and social media will hit $31.8 billion in 2020 (a 15.5% share). TV, meanwhile, will slip to a 32.4% share.

Given the uncertainty over the ad market and pay TV subscriptions, programmers and operators have been rethinking their operations.

NEED TO BE NIMBLE

The drive to adapt to new consumer habits has prompted a number of projects to make operations more nimble, Discovery Communications chief technology officer John Honeycutt said.

For example, Discovery's recently deployed "On Ramp" project allows about 80% of the content produced by 600 production suppliers to be uploaded to the Amazon cloud, where it can be immediately available to Discovery employees and channels all around the world.

"Going from 0% to 80% makes us so much more flexible and efficient," Honeycutt said.

Equally dramatic upgrades are occurring in the pay TV infrastructure. After ticking off a long list of new products and initiatives to deliver more content to more devices, Comcast Cable executive vice president, general manager, video and entertainment services Matthew Strauss noted that these efforts are built on major improvements to the MSO's infrastructure.

"We are rolling out DOCSIS 3.1," he said. "We are rolling out Gigabit speeds. We are transitioning more and more to all-IP, which will allow us to innovate and deliver more of these newer services."

Rapid innovation has also become the norm for digital platforms. "In 2016, we launched 30 new products and made hundreds of enhancements on dozens of platforms," Alex Wellen, senior vice president and chief product officer at CNN, said.

Much remains to be done, particularly in the area of measurement. This year will mark a notable improvement on that front, with Nielsen planning to begin syndicating its Total Content Ratings on March 1.

"But some of the networks have been saying they won't be ready for Nielsen's public rollout in March, and it isn't clear if everything will be ready in time for the upfronts," Jane Clarke, CEO and managing director of the Coalition for Innovative Media Measurement (CIMM), said. "It is a very complex process to get it implemented in the apps for every kind of player and all the devices."

Others worry about the TV industry's ability to maintain its share of ad spending without better data. "Measuring crossplatform video consumption is important, but it is a 2006 problem," Turner's Shimmel said. "Today, when we talk to advertisers, what they really care about is outcomes [such as sales] and I don't see that kind of measurement anywhere in Nielsen or comScore's future."

More debates surround commonly held perceptions of the OTT market.

Michael Leszega, senior analyst of market intelligence at Magna, said that "in 2016, we have [more than] 25 million cord-cutters and cord-nevers," and that this group will continue to grow. By 2020, he predicted, about 28.6% of all households will be outside the traditional pay TV ecosystem. "It is a sizable portion of the population that can't be ignored," he said.

"Today service providers have to figure out how to target different individuals in household. That is a tough challenge but I think it is really the keys to the kingdom."

JOE ATKINSON, PWC

That has prompted a number of companies to develop streaming bundles of channels like Dish Network's Sling TV, Hulu, Sony's PlayStation Vue and AT&T's DirecTV Now.

"If you look at the rumors about Amazon or YouTube coming out with OTT bundles, there could be a whole bunch of them, maybe seven or eight by the end of 2017," Steve Shannon, general manager of content and services at Roku, said.

Tony Goncalves, senior vice president of strategy and business development for AT&T Entertainment Group, described DirecTV Now "as a mobile-first-centric platform" that will deliver the kind of advanced digital features consumers expect from their mobile apps.

"DirecTV Now is pay TV as an app and it opens up a market that has not historically been addressed by pay TV," he said.

Dish Network also sees great promise in the melding of pay TV packages, OTT delivery and app experiences, Niraj Desai, the company's vice president of product management, said.

"TV is becoming an app," he said. "We have been talking about that trend for a while, but 2016 was really the year TV as an app came into its own" with better TV everywhere offerings and the streaming OTT bundles such as Dish's Sling TV and DirecTV Now.

COMPLEMENTARY PLAYS

Even better, these products open up new markets and are not designed to cannibalize traditional pay TV offerings, he added. "Sling is complementary to DBS," he said, meaning Dish and DirecTV's satellite-TV platforms. "Sling over-indexes with urban millennials and DBS resonates with suburban and more rural customers that are more traditional TV watchers."

Similar views come from programmers that have aggressively targeted consumers without traditional multichannel-TV subscriptions.

"We launched HBO Now with the theory that its subscribers were going to look very different from the traditional subscribers," Bernadette Aulestia, executive vice president of worldwide distribution at HBO, said of the premium programmer's standalone app.

HBO Now subscribers are 10 years younger than customers of HBO's premium cable network and typically live in broadband-only households, she said.

"We look at it as an entry point to customers that are coming into the category," Aulestia said.

The growing popularity of skinny bundles and streaming OTT offerings has also helped HBO's premium pay TV business, she added.

Dish's Hopper 3 includes apps like Netflix and YouTube that allow subscribers to access pay TV content, SVOD services and online content.

"There was a time, as a premium service, that we were only sold at the top of the bundle," Aulestia said. "The idea that HBO should be sold at every level of the bundle, and even as a standalone service, means there are fewer barriers to get HBO."

The rise of OTT and skinny bundles has been more worrying for ad-supported networks.

"Getting more creative packaging of content to create more customized solutions for the consumer can be very challenging for content providers because you have increasingly fragmented audiences," Joe Atkinson, technology, infocomm, entertainment and media advisory leader at consultancy PwC, said.

Atkinson and others said OTT distribution can also open up a number of new opportunities.

For instance, the growing SVOD market encouraged Turner's recent launch of an OTT movie service called FilmStruck, Coleman Breland, president of Turner Content Distribution and president of TCM, said.

"As the bundle became tighter, we decided to go direct to consumer instead of trying to launch a linear network and push it through the ecosystem," which would be difficult in the current pay TV environment, he said.

Turner has also been pushing to expand the content made available on all platforms both in terms of reach and quantity, with the addition of offerings like full seasons on-demand.

"We now have 450 affiliate partners for our TV everywhere products" and have seen usage jump by "triple digits" in the last year, Breland said.

TIME TO TARGET

Many of these newer products can be traced to a more fundamental change in the way operators think about their customers.

"Today, service providers have to figure out how to target different individuals in household," PwC's Atkinson said. "That is a tough challenge, but I think it is really the keys to the kingdom."

One example of such a targeting effort is the development of packages targeted to consumers at different life stages. "College students have different needs than a single-family home with kids, and we are very focused on meeting all those different needs," Comcast's Strauss said. He said the Xfinity on Campus product has been a success in that regard.

Operators have also been greatly expanding the content sources via apps on Internet connected set-top devices such as Dish Network's Hopper. "You can watch live TV with your Dish subscription, or recorded TV on your DVR or you can watch Netflix and YouTube all in one convenient place," Dish's Desai said.

Adding more choices has also been a top priority for Cox Communications, Steve Necessary, executive vice president of product development and management at the Atlanta-based cable operator, said. "We have more than doubled our VOD offerings from 50,000 to over 120,000," he said.

"As the bundle became tighter we decided to go direct to consumer [with FilmStruck] instead of trying to launch a linear network and push it through the ecosystem."

COLEMAN BRELAND, TURNER CONTENT DISTRIBUTION

Cox also has revamped its TV app to expand the content available on digital devices and speeded up the rollout of Contour — Cox's version of the Comcast X1 Internet-connected set-top platform — from 3,000 customers to more than 600,000 in 2016.

Very importantly, such efforts are also beginning to pay off. Both Comcast and Cox are seeing some of their best video-subscriber efforts in a decade.

Programmers are also reporting strong gains from their digital platforms.

"There is a blending of content types and expansion of the platforms," translating into some record-setting numbers, ESPN vice president of digital media research and analytics Dave Coletti said.

In year when some live sports audiences have declined, Coletti noted that Watch ESPN's live stream of the Nov. 26 college-football game between third-ranked Michigan and second-ranked Ohio State — which went into double overtime before OSU prevailed, 30-27 — tallied 1,273,000 unique viewers, making it ESPN's most streamed regular college football game. (The game telecast also aired on ABC.)

"Eight of our top 10 most-streamed regular season college football games have occurred this year," he noted.

The 2016 presidential election helped CNN set a number of network records, Wellen said, including a record audience level on Nov. 9 with 77 million unique users, 83 million video starts, 483 million page views and 29 million live streams.

Equally notable was social media. CNN racked up 169.7 million video views on Facebook and 47.6 million Facebook Live views, he said.

"Those results show that it has become very important to be both a destination for content and a distributed brand," he said. "We have apps and websites where people can access our content but, we've also seen that we can be very successful on Facebook Live" and other outside platforms.

Additional encouraging news can be found in TV use, Nielsen's Enoch said. "The decreases that we saw in TV usage that really started to accelerate in the mid-2014 have lessened," he said. "TV consumption remains at near record level."

"We are also seeing a shift back to the more traditional way of hooking up a TV" to a pay TV service or an antenna, he added. "The universe of homes that can watch TV or can stream video to the big screen has actually grown," reversing a trend that began with the digital transition and the 2008 recession.

That said, Enoch said the "fastest growing area of overall usage — not just video — is the smartphone."

In the second quarter of 2016, Nielsen reports that consumers ages 18-34 spent almost as much time each week with their smartphones (14 hours and 36 minutes) and tablets (three hours and 27 minutes) as they did with traditional TV (18 hours and 27 minutes).

Less discussed but equally important are connected TVs.

"TVs connected to the Internet by any device have grown from about one-quarter of all households in 2010 to about two-thirds of all households," Leichtman said. "There are now more connected TV devices in American than there are pay TV set-top boxes."

Said CBS Interactive president and chief operating officer Marc DeBevoise, "We are seeing explosive usage in those connected TV experiences." He added that "time spent on connected TVs with our products has grown by more than 300%."

As an illustration, consumers in October of 2016 spent about 347 minutes per month consuming CBS news content via desktop computers, compared with 360 minutes via Apple TV and 496 minutes via Roku, per unique viewer, DeBevoise noted.

"That is a lot of usage, and we are spending a lot of time making certain we can capitalize on that by getting those experiences right," he added.

LINES ARE BLURRING

Connected TVs also offer much more advanced capabilities for search and discovery. For example, the Roku platform allows users to search for TV shows and movies across more than 100 apps, Roku general manager of content and services Steve Shannon said.

Advanced features are helping to blur the line between connected devices, pay TV operators and the new bundles of streaming channels.

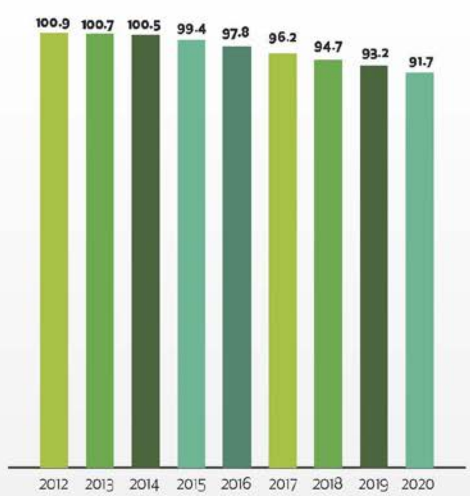
Companies such as Hulu and Sling are increasingly bundling their subscription packages of channels with a free Roku, Shannon said. Also, Charter, Comcast and a number of other operators have either launched or plan to launch TV everywhere apps on the Roku platform so that subscribers can access a large bouquet of channels on the pay TV apps, he said.

"You have the normalization of OTT, where you are seeing massive amounts of traditional broadcast style content viewing on OTT platforms," Shannon said.

The Multichannel TV Landscape

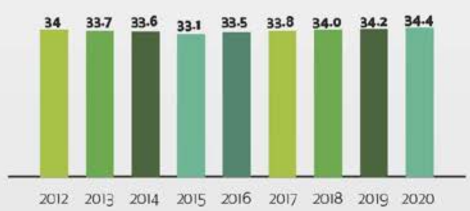
Magna Global has revised downward its projections for multichannel homes and now predicts there will be about 91.7 million pay TV homes in 2020, a drop of 9.2 million homes from 2012. Another major change in those projections is that telcos will show significant losses, while cable subscriber losses will moderate.

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)

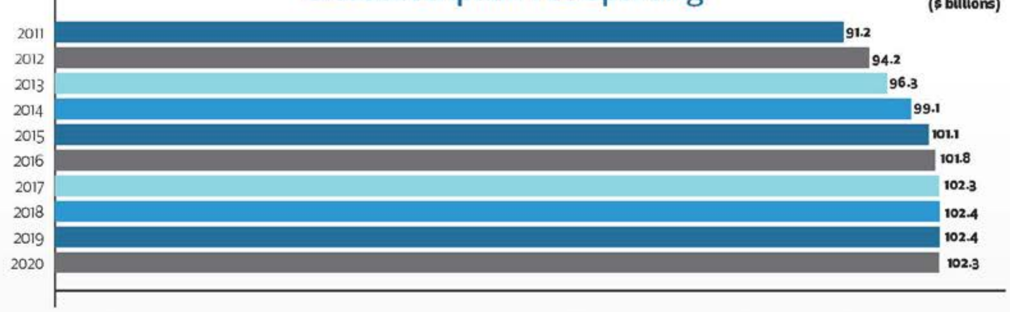
SOURCE: Magna, *Media Access Quarterly*, October 2016. Actual homes for 2012-2015; projections for 2016-2020 special report

VIEWER WATCH

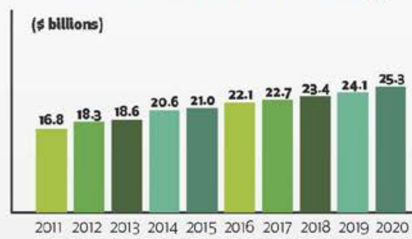
The Multichannel Business

Amid ongoing subscriber losses, PwC forecasts that U.S. subscription-fee spending will remain flat at around $102 billion over the next few years, while total multichannel advertising will grow from $27.6 billion in 2017 to $30.4 billion in 2020.

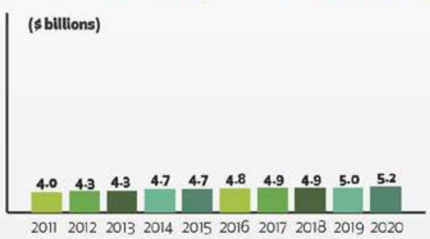
U.S. Subscription-Fee Spending



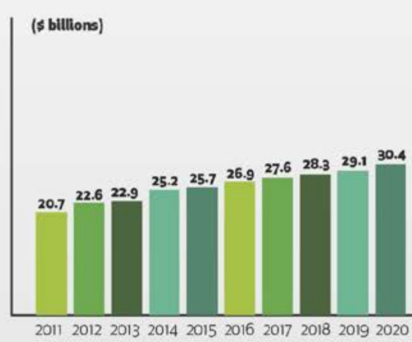
Cable Network Advertising



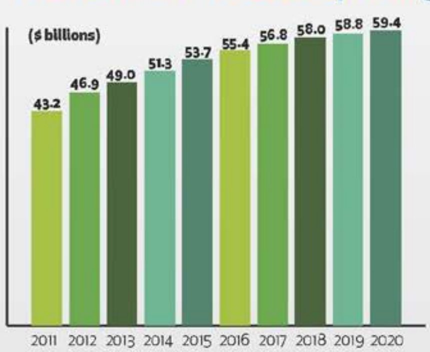
Multichannel System Advertising



Total Multichannel Advertising



Fixed Broadband Access Spending

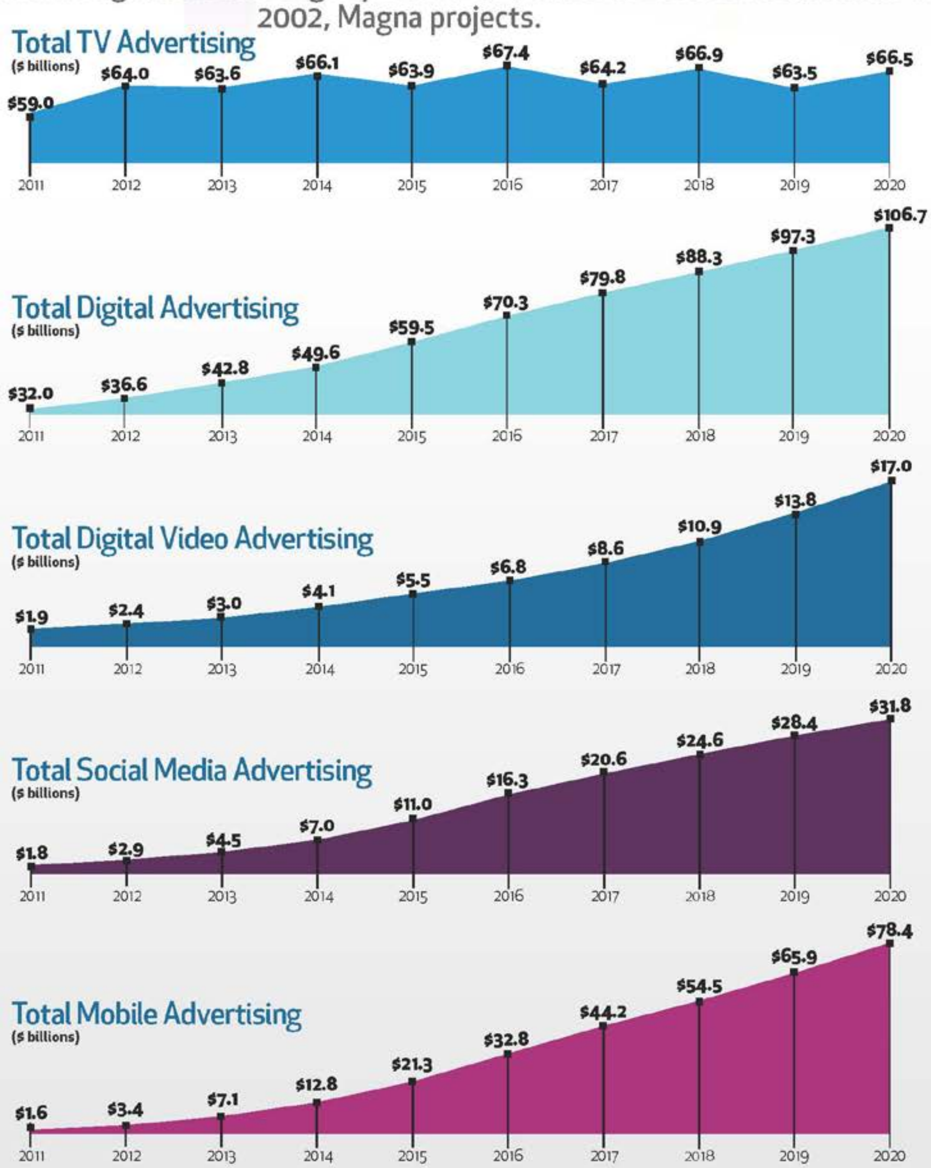


SOURCE: PwC *Global entertainment and media outlook: 2016-2020*. Preliminary data for 2015; projections for 2016 to 2020

VIEWER WATCH **special report**

The Advertising Landscape

Digital video advertising will hit $17 billion by 2020, up from $16.8 billion in 2016, while TV advertising will decline slightly from $67.4 billion in 2016 to $66.5 billion in 2002, Magna projects.

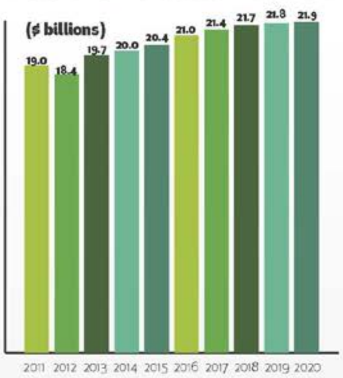


SOURCE: Magna. Actual data from 2011-2015; projections for 2016 to 2020.

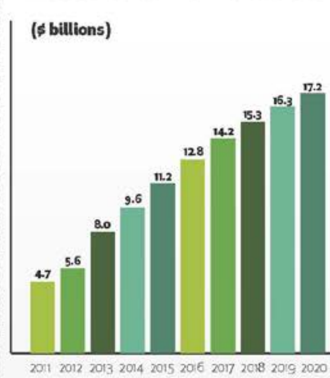
The Content Game

PwC predicts hefty growth for the electronic home-video sector to $17.2 billion in 2020, but the total home-video market is expected to stay relatively flat, growing from $21 billion in 2016 to $21.9 billion in 2020. Meanwhile, sports media rights will hit $21.3 billion and the total North American sports business will top $75.7 billion by 2020.

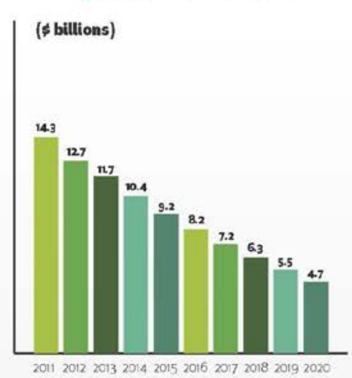
Total Home Video Revenue



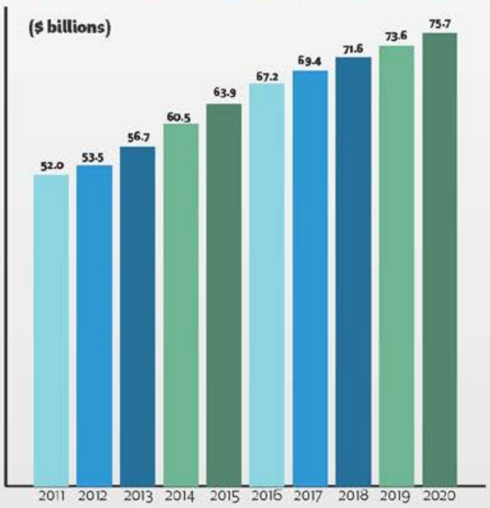
Electronic Home Video



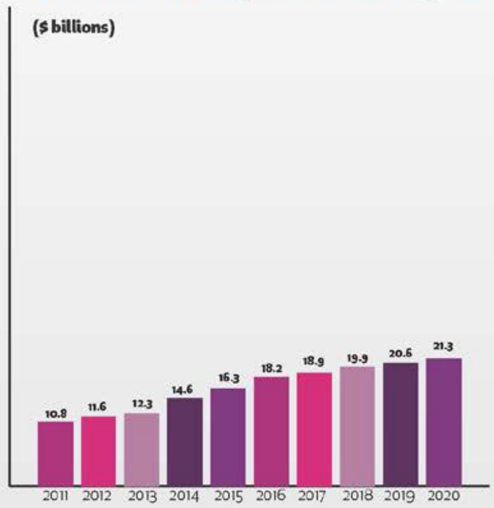
Physical Home Video



Total North American Sports Business



North America Sports Media Rights

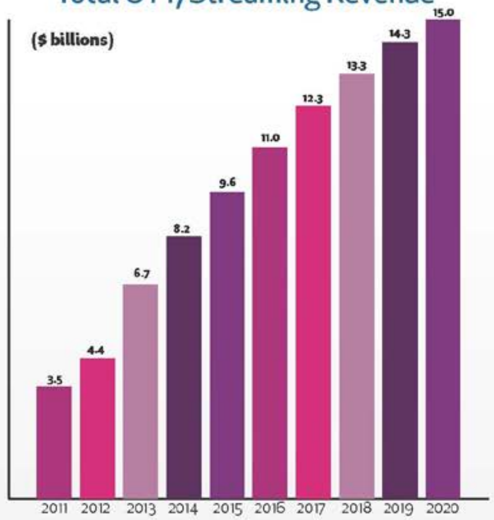


SOURCE: Revenue for home video from PwC, *Global entertainment and media outlook: 2016-2020*. Preliminary data for 2015; projections for 2016 to 2020. Sports data from PwC, *At the Gate and Beyond: Outlook for the Sports Market in North American through 2020*, October 2016.

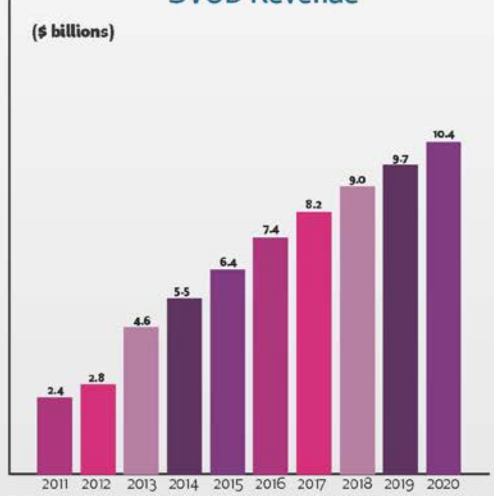
The OTT Landscape

Revenue from over-the-top and streaming services will jump from $9.6 billion in 2015 to $15 billion in 2020 according to PwC, while Magna predicts that the number of cord-cutters and cord-nevers will top 28% of all U.S. homes by 2020, up from 15% in 2011.

Total OTT/Streaming Revenue

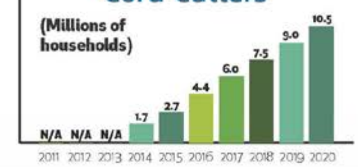


SVOD Revenue

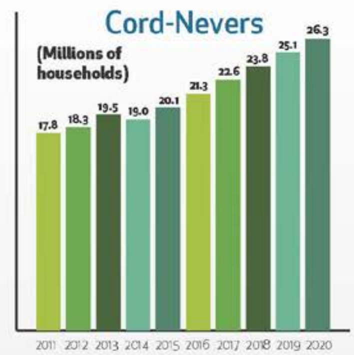


SOURCE: PwC, Global entertainment and media outlook: 2016-2020. Preliminary data for 2015; projections for 2016 to 2020.

Cord-Cutters

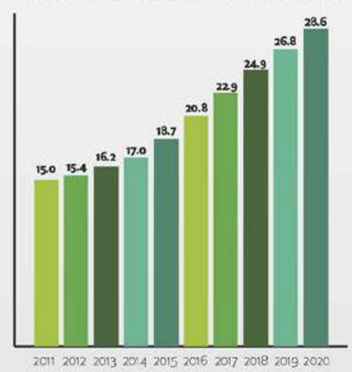


Cord-Nevers



Proportion of Homes Outside the Pay TV Ecosystem

(Cord-cutters and cord-nevers as a % of total households)

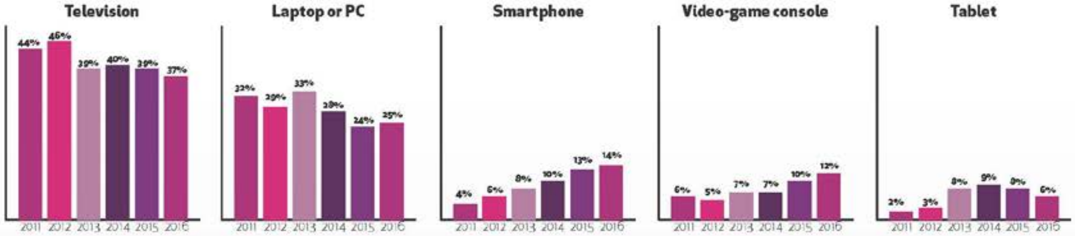


SOURCE: Magna, Media Access Quarterly, October 2016. Actual homes for 2012-2015; projections for 2016-2020.

The Emerging Platform Landscape

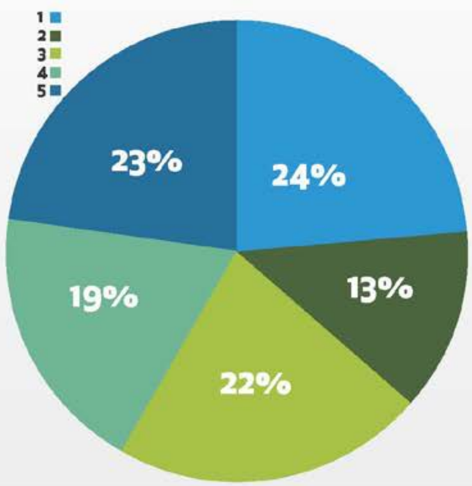
A majority of users now select a digital platform as their primary technology for entertainment, according to recent survey data from Frank N. Magid Associates, which also reports increased interest in live-streaming video and virtual reality technologies.

Top Platforms for Entertainment *



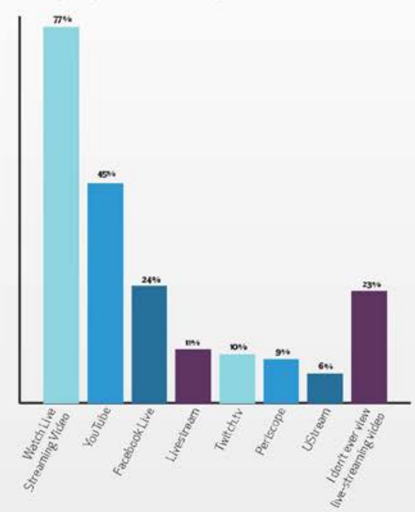
Interest in Virtual Reality

(Interest in an in-home virtual reality experience with 5 being "very interested" and 1 being "not at all interested.")



Popularity of Live-Streaming Video

(% who say they watch live-streaming video from various sources)



Primary Medium for Entertainment Content By Age

(Respondents told to select only one)

	Television	Laptop or PC	Smartphone	Video-game console	Tablet	A connected TV device
Total	37%	25%	14%	12%	6%	6%
Millennials	21%	31%	20%	16%	5%	6%
Plurals	20%	21%	18%	22%	13%	5%

*Respondents were asked to name only one technology.

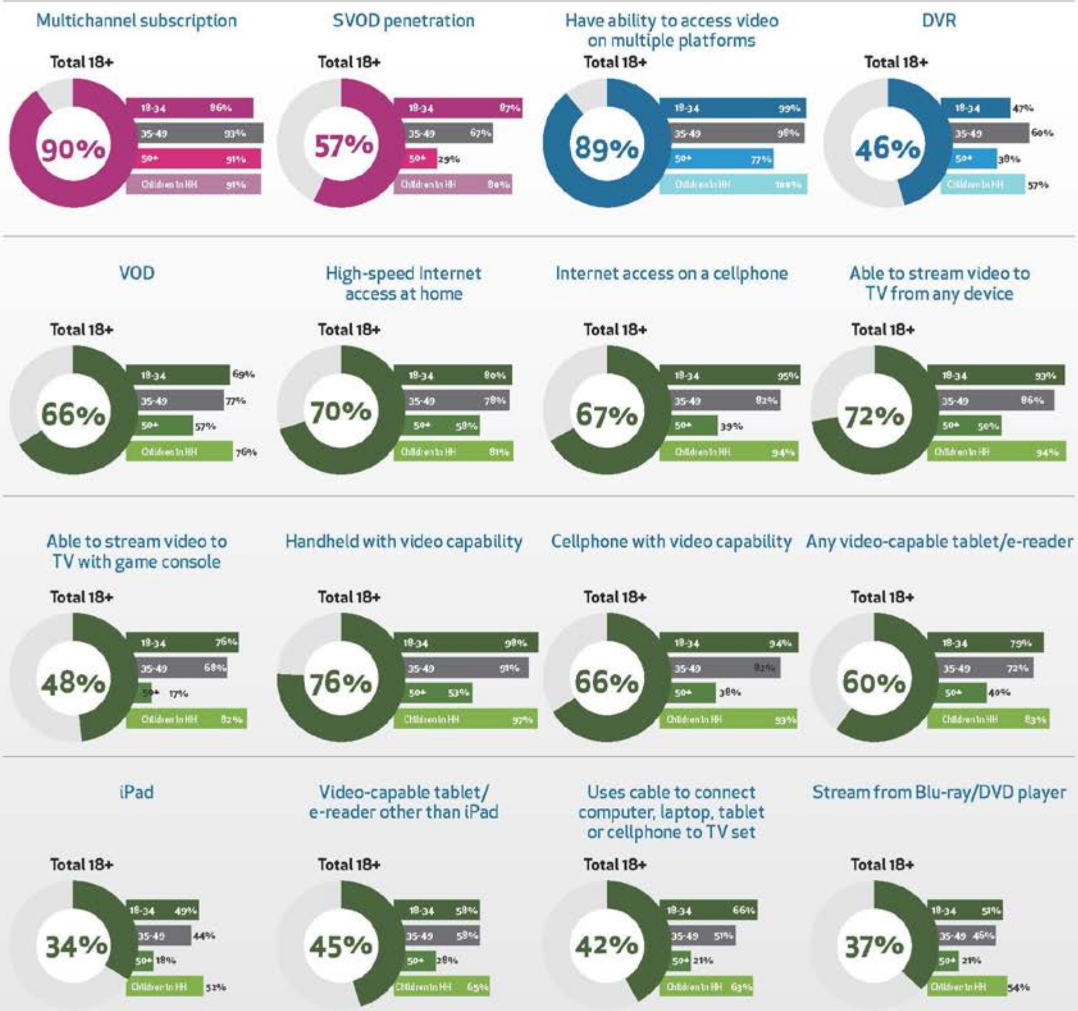
SOURCE: *Magid Media Futures 2016*. Based on a nationally representative online survey of 2,400 consumers aged 8-64; data was collected from July 21 to Aug. 5, 2016.

The Multichannel, Multidevice Landscape

Penetration of SVOD services among the 18-34 demo has hit 87%, slightly higher than the multichannel subscription rate, according to Horowitz Research, which also reports that almost everyone in the demo is able to access video via multiple platforms.

Electronic Devices and Services

(Among viewers of TV content)



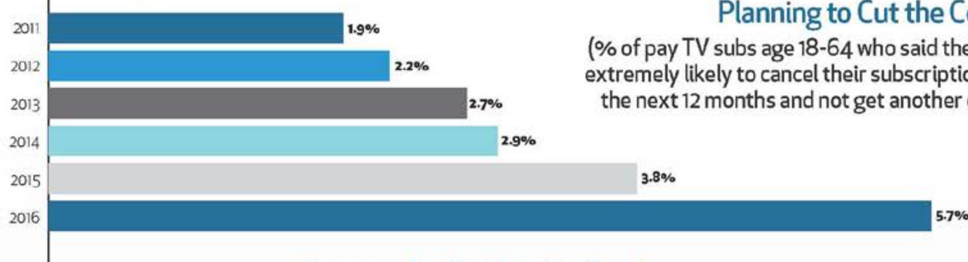
SOURCE: Horowitz Research, *State of Cable & Digital Media*, 2016

The Cord-Cutting/Skinny Bundle Landscape

The availability of content from OTT sources is now the most common reason why people seriously consider cutting the cord, per recent research from Magid

Planning to Cut the Cord

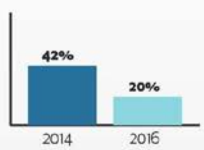
(% of pay TV subs age 18-64 who said they're extremely likely to cancel their subscription in the next 12 months and not get another one)



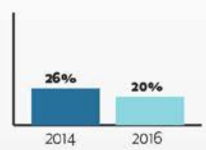
Reasons for Cutting the Cord

(% among very likely cord-cutters)

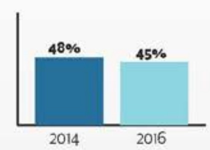
"I don't watch enough TV to make it worth it"



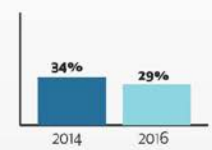
"I can watch the TV shows and movies I like on DVD"



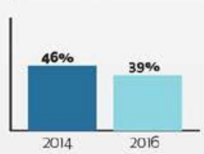
"I am satisfied with what I can receive over the air"



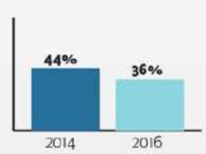
"It's too expensive"



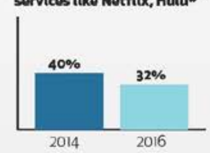
"I have entertainment options on the Internet*"



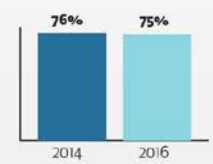
"I can watch the TV shows and movies I like on the Internet*"



"I am satisfied with online streaming options on my TV from services like Netflix, Hulu*"



Combined OTT Reasons



*Options that are included in the combined OTT reasons

Most Demanded Channels in Skinny Bundles

(Respondents who said they were very interested or interested in skinny bundles were asked to choose up to five channels to include in the slimmed-down package)

1	HBO	31%	6	Discovery Channel	17%	11	AMC	15%	16	USA Network	12%
2	ABC	29%	7	CNN	17%	12	HGTV	15%	17	Syfy	11%
3	CBS	24%	8	A&E	17%	13	Fox (broadcast network)	14%	18	Disney Channel	11%
4	NBC	19%	9	ESPN	16%	14	Food Network	13%	19	Cartoon Network	10%
5	History	17%	10	TNT	15%	15	Fox News Channel	13%	20	Comedy Central	10%

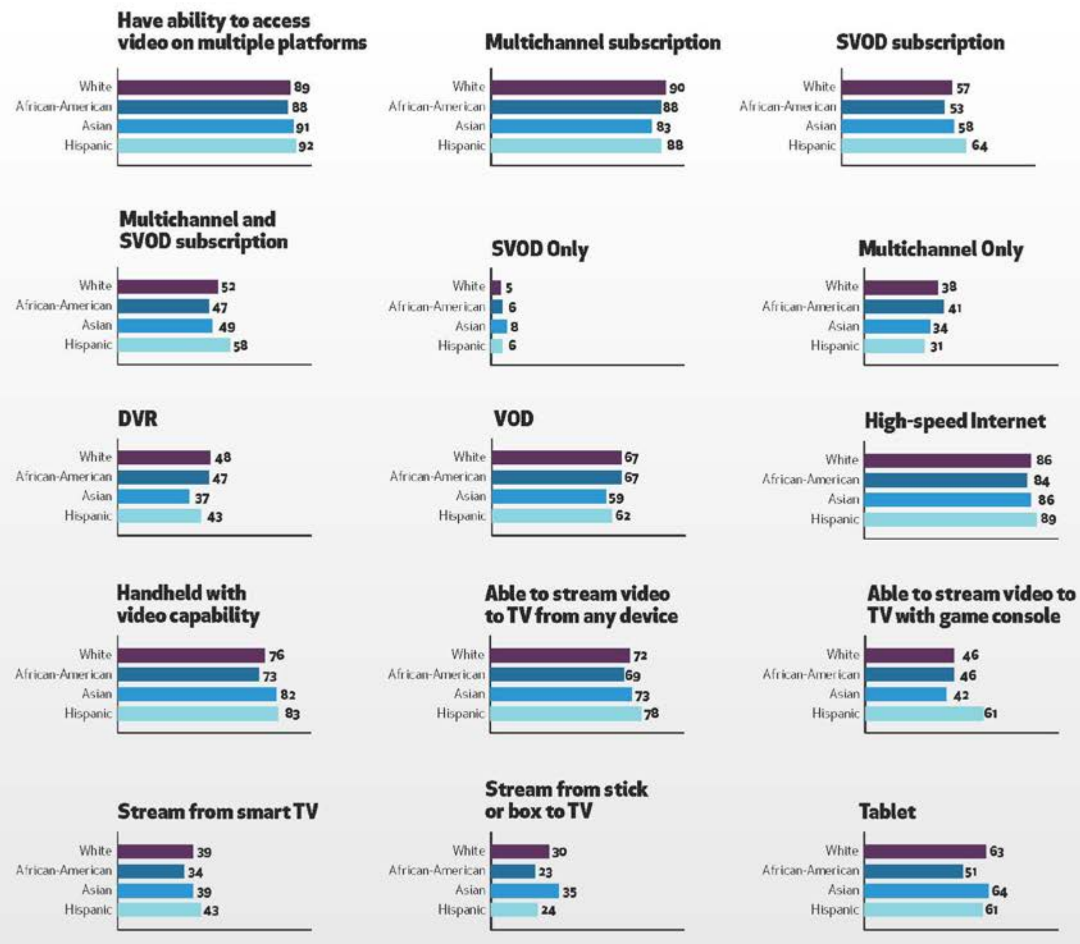
SOURCE: *Magid Media Futures 2016*. Based on a nationally representative online survey of 2,400 consumers age 18-64; data collected from July 21-Aug. 5, 2016.

The Multicultural, Multimedia Urban Landscape

Hispanics have embraced digital video in a big way, with 92% of urban Hispanics able to access video via multiple platforms and 64% reporting they have an SVOD service — the highest levels of any ethnic group in urban locales, according to Horowitz Research.

Ethnic Groups and Video Technologies

(% of urban viewers of TV content who have the device or service)



SOURCE: Horowitz Research, *State of Cable & Digital Media: Multicultural Edition*, 2016

Verizon Could Buy Comcast Valued At $173 Billion

By Joshua King | Jan 19, 2017 07:14 AM EST

Verizon CommunicationsComcastAT&T

Verizon has been considering the acquisition of cable company Comcast, in a bid to match up to rival AT&T

Now rumors are rife that the company may follow through with the plan. If Verizon were to purchase Comcast at its current market value, then the carrier would have to shell out a whopping $173 billion.

This acquisition - if it bears fruition - will aid Verizon in expanding its reach in the wireless space.

What fueled the rumors of the Comcast acquisition by the U.S. carrier were assertions by the company's CEO that it was eyeing an investment in cable.

Verizon Buying Comcast: What Propelled Rumors

Lowell McAdam, the CEO of Verizon, shared with some friends at the Consumer electronics Show 2017 (CES 2017) that he wanted to invest in cable.Moreover, a source familiar with the matter has revealed that the company needed cable TV support for its 5G technology. The source also noted that Verizon was eyeing either Comcast or Charter.

Verizon 5G

Verizon works on 4G networks and is gearing up to launch a new data service range, catering full time to phones and TVs.

The company, therefore, is heavily investing in 5G networks which will run on cables to offer more stable connectivity and security for consumers.

Analysts in Wall Street have already hinted towards a huge merger with a cable company. McAdam is of the view that a tie-up between Verizon and a cable company "makes industrial sense." This statement came just three days prior to his revelations to associates at the CES 2017.

If Verizon acquires Charter, it would mirror the deal made between John Malone and AT&T, where Malone sold TCI Communications to the carrier.

AT&T has just acquired DirecTV and Time Warner. The latter has been bought for $103 billion in cash and stock by the carrier. Verizon, on the other hand, had sold a part of the FiOS network bundle to Frontier Communications to accommodate a cable TV merger.

Since Verizon cannot look to capture both FiOS and cable markets, it has set its focus on cable and looks headed towards market dominance in this sector. Given the current economic scenario, Charter may be the best buy for Verizon, as the market value for the same is $83 billion less than half of that of Comcast.

Verizon has not released any official statement on the supposed acquisition of Comcast.

For Immediate Release

STATEMENT OF AJIT PAI

On Being Designated FCC Chairman by President Donald J. Trump

WASHINGTON, January 23, 2017.— I am deeply grateful to the President of the United States for designating me the 34th Chairman of the Federal Communications Commission. I look forward to working with the new Administration, my colleagues at the Commission, members of Congress, and the American public to bring the benefits of the digital age to all Americans.

###

Office of Chairman Ajit Pai: (202) 418-2000

Twitter: @AjitPaiFCC

www.fcc.gov/leadership/ajit-pai

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

Republicans Opt for FTC Privacy Framework

FCC, Congress pave the way for whacking Wheeler-era rules

3/06/2017 8:00 AM Eastern

By: John Eggerton

TakeAway

The FCC and FTC are looking to synch up their approaches to the sharing of consumers' personal information online.

WASHINGTON — It looks as though Internet service providers will not be held to a different standard for sharing their subscribers' online information with third parties than is applied to edge providers such as Google and Facebook.

That was the principal takeaway from last week's 2-1 vote to delay implementation of the data-security portion of the Federal Communications Commission's Internet-privacy rules, approved in October under Democratic then-chairman Tom Wheeler and over the dissents of the two Republican commissioners — current chairman Ajit Pai and Michael O'Rielly — who voted last week for the stay.

The interim stay doesn't actually change anything. It simply prevented the March 2 trigger for applying the requirements, which, like most of the rules, had yet to go into effect more than two years after the FCC gave itself broadband privacy authority under its Title II-based Open Internet Order.

The part of the framework that prevents Internet service providers from requiring their subscribers to submit to third-party information sharing as a quid pro quo of getting broadband service is already in effect, and is not affected by the stay. The rest of the regulations don't kick in until December at the earliest, according to an FCC source who spoke to *Multichannel News* on background.

SYNCHING UP RULES

More important was what the stay signaled. Pai has long championed the Federal Trade Commission's less restrictive approach to overseeing third-party information sharing by edge providers, which do not have an opt-in requirement. ISPs have been pushing hard for an FTC-centric take and had petitioned Pai and company to review and reverse that October decision.

In a joint statement with acting FTC chair Maureen Ohlhausen, Pai said the FCC would harmonize its rules with those of the FTC.

The harmonization will occur either by recrafting the broadband privacy order or by reversing the classification of broadband ISPs as common carriers under Title II of the Communications Act, which is how the FCC deeded itself the authority over broadband privacy in the first place.

If that happens, authority over Internet privacy will revert to the FTC, and the regulations for ISPs and edge providers will be harmonized by default.

That appears to be OK with both Pai and Ohlhausen.

"We still believe that jurisdiction over broadband providers' privacy and data security practices should be returned to the FTC, the nation's expert agency with respect to these important subjects," the two chairs said in a joint statement last week. "All actors in the online space should be subject to the same rules, enforced by the same agency."

But reversing Title II is a longer-range project, a point that Pai essentially conceded in saying that recrafting the regulations to square with the FTC is an interim fix.

The data-security rule that was stayed would only have required ISPs to make best efforts to protect data, so what was the big issue that required an interim stay?

"If he really wants to rewrite the order because he says it is not consistent with what the FTC is doing, then what's the point of having businesses run around and do one thing when he is going to turn around and say do something different in three months?" asked a cable executive speaking not for attribution. "That is actually a rational thing to do, whether or not you believe what he is doing is right."

Pai essentially did the same thing informally with the small business waiver of the Open Internet Order's transparency rules. Although the waiver expired and the rules kicked in Jan. 17, Pai signaled to the industry that the FCC would not do anything before he could extend the waiver, which he did soon after taking over the FCC Jan. 23.

It is unclear what impact Pai's decision will have on the parallel effort in Congress to use the Congressional Review Act invalidate the October 2016 broadband privacy order.

Rep. Marsha Blackburn (R-Tenn.) was hoping to get agreement among Republicans for a resolution, but there was no timetable on that, and Pai's move could reduce the Republican pressure for congressional action. A Blackburn spokesperson had not returned a request for comment at press time But on the Senate side, Republican Jeff Flake of Arizona said he still planned to introduce a CRA scrapping the rules and essentially leaving the field clear for Pai's rewrite.

In an op-ed in *The Wall Street Journal*, Flake said "the resolution would scrap the FCC's newly imposed privacy rules in the hope that it would follow the FTC's successful sensitivity-based framework," which Pai has signaled will be the case.

DEMS: 'WILD WEST' APPROACH

Meanwhile, Democrats led by Sen. Ed Markey (D-Mass.) were seeing doom and gloom in the move, saying it heralded the killing of all the privacy rules and a "wild west" approach to privacy that would allow abusive practices with impunity.

Hardly, said fans of the FTC's approach (see Viewpoint).

"Consumers will not be harmed because all this FCC decision does is maintain the status quo that has existed since the FCC adopted the Open Internet Order," said the 21st Century Privacy Coalition, whose members include cable and telco ISPs. "The security of consumers' online information will remain protected during the FCC's reconsideration proceeding by the FCC's application of Section 222 of the Communications Act to ISPs; the FCC's May 2015 Enforcement Advisory, which the FCC issued almost two years ago to provide guidance while it developed broadband privacy rules and which will continue to apply during the FCC's reconsideration proceeding; and the ISPs' privacy principles, which cover data security and data breach notifications, among other things."

http://www.multichannel.com/republicans-opt-ftc-privacy-framework/411300

Multichannel News

The Future of Personalized Media

Just how well can your devices get to know you? 3/06/2017 8:00 AM Eastern

By: Scott Brown, Managing Director, UpRamp

It's undeniable that a great deal of our entertainment media is based around personalization these days.

Not sure what music to listen to? A data-driven playlist will recommend songs you'll like. What about a new book? Get a suggestion for a great read, based on what others with similar profiles have purchased. Need a new binge-worthy series? Netflix introduced us to video recommendation years ago — and the company has said its engine is now worth about $1 billion a year.

Algorithms that enable media platforms to predict and recommend content have certainly rocked the entire entertainment media space. But personalized media will undoubtedly advance a whole lot further from what we see today.

So, the question remains: just how well can our devices get to know us?

CHANGING MEDIA LANDSCAPE

Consumers have been stepping away from traditional TV consumption for years. Digital streaming services such as Netflix, Hulu and Amazon Prime Video have changed the way video is being watched, discovered and shared.

According to a bcg.perspectives report, those players will capture 20% of the total U.S. video industry value in 2018 — up from 10% in 2014 — and this represents more than $30 billion of total U.S. TV-industry revenues.

And as the revenue accelerates, so does the technology. Companies like TiVo and MediaHound — a firm UpRamp is involved with — give pay TV providers a platform to replicate and expand on Netflix features. MediaHound, for instance, uses the Entertainment Graph to create an even more personalized media experience.

While Netflix bases recommendations solely off its own database, the Entertainment Graph pulls in recommendations from all sources, incorporating behaviors, actions, moods, and more. So since the platforms aren't limited to one static library, in turn, personalization capabilities are advanced.

The way that we interact with these recommendation tools has also started to change. The Amazon Fire TV Stick integrates with Alexa, thus enabling voice-controlled content from Netflix, Hulu, YouTube and, of course, Amazon. Comcast's X1 platform, which allows users to watch live TV, on-demand and access DVR recordings, also recommends content and features the X1 voice remote, allowing consumers to speak into the device and get TV and video suggestions. Just ask, "What should I watch?" and you've got your night covered.

EXPRESSING OURSELVES

While we're certainly enjoying the beginning of personalized media — and have even begun to interact with it — there's obviously more space for it to advance and for our devices to get to know us on a more human level.

Tech companies big and small are working on new technologies — the most interesting of the bunch involve teaching computers to sense emotion — and it's tempting to not connect the dots and imagine how these could completely revolutionize the recommendation space.

Take what Amazon's doing. The company is currently working on teaching Alexa to recognize emotions through the tenor in a user's voice. While this means Alexa's responses to us might become a little less robotic, it also means that we may one day be able to speak into our Amazon Fire TV Sticks and be recommended a movie based whatever emotion Alexa senses we might feel.

Apple and Microsoft have entered this emotion recognition market as well. In January, Apple bought a startup called Emotient, a company that uses facial recognition technology to discern people's emotions. Similarly, Microsoft released an emotion-sensing platform at the end of last year that recognizes human emotions by analyzing photos. Neither company has said what they plan to do with the technology at this point.

While this advancement could be a fun tool for the recommendation space — i.e. put on a sad face, take a selfie and be presented with a list of sad films, music or books (or happy ones to cheer you up) — it certainly has the potential to become much more powerful.

If we gave recommendation platforms permission to our cameras, for example (and without a doubt, this would come with a range of privacy issues), perhaps one day in the future the tools will be able to take one look at our faces, know how we’re feeling, and recommend the perfect content for us to consume. It might know that after work, we’re tired. Or that on Sunday mornings, we’re energized.

It will be so much fun to see where this technology will lead us in the next few years. As recommendation tools are quickly advancing, the day when these tools know us more as unique individuals is likely not too far off. Now, if only they could stir up a gin and tonic and put on our favorite slippers, too.

Scott Brown is the managing director of UpRamp, a next-generation startup accelerator sponsored by CableLabs and designed to help emerging technology companies make deals within the global cable and broadband industry.

http://www.multichannel.com/future-personalized-media/411311

Multichannel News

Journalist Group's Chief Decries News Filter at the White House

SPJ president Lynn Walsh says public should be concerned about attacks on media

3/06/2017 8:00 AM Eastern

By: John Eggerton

Share

SPJ president Lynn Walsh: "If journalists, if news organizations, are not allowed access, how [is the public] going to get the information?"

The Trump administration continues to ramp up its criticism of the mainstream media, arguing that it needs to bypass an "enemy of the people" that it has accused of being in league with Democrats to undercut the president's policies and delegitimize his presidency.

White House press secretary Sean Spicer's exclusion of a number of news outlets — including CNN and *The New York Times*, both of which have drawn particularly heavy fire from the tweeter-in-chief — from a post-press conference gaggle in his office drew heavy criticism, including from the Society of Professional Journalists, one of the many groups that have pushed the president for a meeting. *Multichannel News* Washington bureau chief John Eggerton spoke with Lynn Walsh, national president of SPJ, about what's next and the consequences of the arguably unprecedented animosity, certainly the most overt in modern times, coming from the Oval Office.

MCN: Is there anything SPJ can do about the exclusion of those news outlets, file some formal complaint, perhaps?

Lynn Walsh: We sent them a letter before President Trump took office along with up to 70 other journalism organizations, requesting a meeting but also talking about how important access to the Administration is and to government employees in general.

MCN: Did the White House grant that meeting?

LW: We have not heard back from them. And we are planning on following up with them shortly.

MCN: How?

LW: We're not exactly sure. Part of the issue is that there isn't anything formal that we can really do to stop this from happening that we are aware of. If there is something we can do legally, it would be something that hasn't been done before.

MCN: Like what?

LW: Talking to some attorneys, they have said you can potentially try to file some formal complaint. Again, I am not an attorney, but saying there is a threat to the First Amendment and are they violating the First Amendment. But it has never been done before. The question is would it be successful; are there any grounds? And on that there are a wide range of answers.

MCN: So, what is your next step. Will you be sending a letter to the White House?

LW: We are not planning on sending a formal letter. There are other organizations that I think might and we would sign onto that. We are planning on following up with the letter that we sent to them asking for the meeting and should know what that will be within the next week.

MCN: How concerned is SPJ about the president's repeated "enemies of the people" characterization?

LW: It is something we have heard from the beginning. Trump during the campaign was saying this, and now he is continuing it as president.

Our issue is that the public should be concerned. If journalists, if news organizations, are not allowed access, how are they [the public] going to get the information, and are they OK with, if journalists aren't allowed in or only hand-picked organizations are allowed in, that the news that they then receive is only coming through the filter that the administration wants them to see it through?

MCN: It seems to us the other side of that is the more you keep the media in the dark through official channels, the more they have to go to the leaks and unnamed sources the White House is now

cracking down on, arguing those sources are unreliable?

LW: That is absolutely a concern. President Trump recently talked about not allowing journalists to use unnamed sources [at the conservative CPAC conference he said as much in throwing some red meat to a crowd that shared his disdain for the "mainstream" media]. As journalists, we do want to try not to use unnamed sources. But if you are not allowed access, we are then stuck with using the tidbits of information we may be getting. As you said, how correct is that information if you can't verify it. If no one will answer a question or you are not allowed access to a document or you are not allowed access to ask a question.

It is important to point out that President Obama and other presidents would allow access to hand-selected reporters and news organizations. Granting one-on-one interviews, something President Trump has also done, is different than a press secretary not allowing specific news organizations access to a briefing meant for groups of journalists.

http://www.multichannel.com/journalist-group-s-chief-decries-news-filter-white-house/411312

Multichannel News

Time Warner Outruns Peers in Affiliate-Fee Race

With Comcast renewal looming, new deals drive double-digit increases

3/06/2017 8:00 AM Eastern

By: Mike Farrell

AT&T Entertainment Group chief John Stankey: "Content that is compelling matters."

TakeAway

Time Warner is leading the pack among media firms in terms of affiliate-fee revenue.

Time Warner, understandably preoccupied with its pending $108.7 billion acquisition by AT&T, still managed to lap its media company peers on the affiliate-revenue front last year and is on pace for more of the same in 2017, according to UBS media analyst Doug Mitchelson.

That growth, especially during a period when programmers are pressured by falling ratings, skinny bundles that lock them out of millennial-focused packages and over-the-top distribution, could be a key reason why the programmer was so attractive to AT&T in the first place.

AT&T has said repeatedly that content will drive the future — and Entertainment Group chief John Stankey reiterated that point at the Mobile World Congress conference in Barcelona, Spain, last week, telling the audience that programming is what will make AT&T relevant.

"Content that is compelling matters," Stankey said at the conference.

Content that is compelling also makes money.

'TIMING WAS GOOD'

In a recent deep dive into the programming industry, Mitchelson pointed out

that Time Warner's affiliate fee growth in Q4 of 2016 was 15%, more than double that of its closest peer, 21st Century Fox, at 7.4%.
Affiliate-fee growth actually declined for other programmers last year, according to Mitchelson, as 2016 was marked by declining subscriber rolls as customers cut back on various distribution cords in favor of OTT services and skinnier bundles.
Time Warner's Turner division in fact has seen similar declines — the company averaged about a 2% loss in subscribers last year, about the same as its peers — yet has managed to keep affiliate-fee growth humming.
Part of that is because Time Warner struck carriage deals in 2015 and 2016 with major distributors like AT&T and Dish Network that usually have higher increases in the early years.
"The timing was good," Telsey Advisory Group media analyst Tom Eagan said.
Turner had earlier issued guidance for mid-teen percentage growth for 2016, which it delivered handily, Eagan noted. He said domestic affiliate-fee growth is expected to rise another 13% to 14% at Turner in 2017, leveling off a bit to 13% growth in 2018.
Mitchelson doesn't expect the affiliate train to slow down this year, either.
He's predicting a 12.9% increase in fees for Time Warner in 2017, while Fox is expected to grow by about 8.2% in the same period.
Credit Suisse media analyst Omar Sheikh also was encouraged by the affiliate fee increases. He expects 15% growth in 2017 followed by a 10% rise in each of the years between 2018 and 2020. At premium channel HBO, which had a 5% affiliate fee increase in 2016, Sheikh predicts fees will rise 6% in 2017-2018 and 5% in 2019-2020.
Helping out HBO's bottom line has been its standalone OTT product, HBO Now. Launched in April 2015, HBO Now has about 2 million subscribers and growing.
"We expect growth to be driven by affiliate renewals and strength at HBO Now," Sheikh wrote, helping to offset rising programming costs — up 7% in 2016 and estimated to rise 9% in 2017 — "and demonstrates that the company is executing well on its opportunity to grow domestic subscribers, which management has noted is HBO's 'most important long-term growth driver.' "
Just as in 2016, key to Turner's future growth will be its ability to secure healthy increases with existing distributors as well as with new digital distributors. Turner seems to be out of the mix at least initially in Google's

new YouTube TV offering — the 30-channel, $35 monthly video service currently doesn't have any Turner or Viacom networks in its lineup. That's likely to change, Eagan said, but in order to keep the $35 price point, more expensive networks like Turner will likely be available on separate tiers or packages for an additional charge.

MILESTONE MOMENTS AHEAD

On the traditional carriage front, Turner's Comcast affiliate agreement comes due in the next few months, and the programmer is expected to be part of Hulu's live-TV streamed offering scheduled to be release later this year. Time Warner is a part owner of Hulu, along with The Walt Disney Co., Fox and Comcast's NBCUniversal.

The Hulu deal could be key for Turner. The much anticipated but scantily described offering — expected to have a $40 monthly price point — could set the tone for similar offerings in the future.

Turner has been an enthusiastic participant in OTT services: Its AT&T distribution pact in September was one of the first for the telco's DirecTV Now over-the-top service, which launched in December and has about 200,000 subscribers.

Eagan said that while the number of bundled-streaming services — including Sony PlayStation Vue, Sling TV and more on the way — is growing, most have been launched by existing pay TV distributors. Programmer-owned Hulu could offer a new perspective.

Eagan said channel-driven streaming services such as CBS All Access, which has about 2 million customers, have fared better than operator-led services like Sling TV, which has about 1.1 million subscribers.

"The question is what is going to happen when you get all of the individual channel OTT services and the package runs together," Eagan said.

http://www.multichannel.com/time-warner-outruns-peers-affiliate-fee-race/411314

Multichannel News

A Beginner’s Guide to ‘5G’

Unpacking how the next generation of wireless works3/06/2017 8:00 AM Eastern

By: Leslie Ellis

The occasion of last week’s Mobile World Congress in Barcelona seemed a perfect occasion to drop in on the tech talk amongst wireless people. Like that luxuriously short, two-character, highly nebulous umbrella term that is “5G.”
Let’s start with what 5G isn’t. It isn’t 5 GHz (Gigahertz, which is a frequency/spectrum thing).
It isn’t 5 Gbps (Gigabits per second, which is a speed/throughput thing.) The “G” in “5G” is for “generation.” Fifth generation. Of what? Of mobile stuff. So far so good. However! When you ask involved technologists how they explain 5G to their bosses, a bemused exasperation happens. My favorite so far: “I tell them it’s easy — 5G is everything! Let the imagination run wild.”
Here’s a more serious answer to that question, from another batch of notes: “I tell them that 5G means highly distributed, pretty small cells, running a mix of licensed and unlicensed spectrum.”

IS THERE A THERE THERE?

When drawn onto a paper napkin, that highly distributed network, with pretty small cells, sure looks an awful lot like an HFC (hybrid fiber coax) network. And that explains all the wireless tire-kicking. We appear to be well into the “is there a there there?” stage.
Depending on who’s answering the question, for instance, here’s a sample of what 5G will do for us. First, it’ll retool the airwaves into Gigabit spigots, gleefully flinging gobs of throughput to our handhelds, no matter where we are (or whether we need it).
It’ll also be a major source of connective tissue for the things of the Internet of Things.
Heck, let’s throw in a little Machine-to-Machine (M2M) sensor reading, over low-power WANs (Wide Area Networks). Why not? It’s 5G! It’s everything.

A lot of people are talking about 5G. Here's the observation that happens with the most frequency from my stashes of notes: "5G is both an opportunity and a threat."

People who consider 5G a threat worry that it could replace "the last mile," as in, of the plant that connects homes to headends. (These are the same people who tend to worry about what to worry about.)

People who see 5G as an opportunity are the same people who point out that every single wireless thing in the world needs a wire some of the time. Plus, 5G is coming out of the mobile industry, which is already a bestie in the "frenemy" category, because of established relationships with multichannel video programming distributors for cellular backhaul. The point: All those 5G small cells will need backhaul, too.

TALK NERDY TO ME

The good news is, the technology of 5G breathes vast new life into the landscape of Impressively Nerdy Terms: Millimeter wave and Extremely High Frequencies. MU-MIMO, shorthand for "Multi User-Multiple Inputs Multiple Outputs." Beam forming. Beam bending. Dynamic time-division duplexing. (HOT.)

All fall into the category of "things that make the airwaves work better." They're all ways to optimize how our wireless lives work, behind the scenes.

ANATOMY OF A WIRELESS LAST MILE

One way to look at how 5G might intersect with the wired world is to pick a place, and compare the blueprint of its cellular network, with a blueprint of an HFC network in that same area. What would it take for a mobile carrier to light up a 5G small cell overlay?

Step 1: Determine the radius of the 5G radio/the small cell. How small is small? Millimeter wave radios, because they live way up in the Extremely High Frequency (EHF) zone, don't go very far. Estimates vary (predictably), but somewhere between 100 and 300 meters is conceivable.

Step 2: Figure out how many small cells will be needed, based on how many people/devices are already inside that footprint. Let's say it's Denver. Let's also say that mobile carriers here service the city's 650,000-ish inhabitants with 100 macro cells (which is a total guess).

The point is that "densifying" that mobile footprint for 5G will likely involve an order of magnitude increase in small cells. Like if it's 100 macro cells now, for

3G-4G, ballparking 1,000 small cells for 5G is, as they say, close enough for horseshoes.

WHEN: 2020

Here's the second most frequent observation about 5G, from my notes: "5G is not clearly defined."

When might you see 5G, like in your hand, working? Standards bodies — plural — are working on 5G, from the traditional mobile side and the WiFi side.

If the standards finalize by mid-2018, plus another 1.5 year-ish margin for silicon development and manufacturing, 5G looks like a 2020 thing. So we have three years to see which of its many tangents win, lose or draw.

Stumped by gibberish? Visit Leslie Ellis at ***translation-please.com*** *or* ***multichannel.com/blog***.

http://www.multichannel.com/beginner-s-guide-5g/411310

Multichannel News

Fiber in the Sky

5G poses a fast, furious threat — and opportunity — for U.S. cable operators

3/06/2017 8:00 AM Eastern

By: Jeff Baumgartner

Vendor Mimosa Networks has found that line of sight is key when using 5G-based technology to deliver fixed wireless broadband service in millimeter wave bands.

TakeAway

The emergence of super-fast 5G wireless technology could roil the market for wireline broadband services.

The 5G race is on.

Operators around the world are embarking on prestandard trials of 5G, an emerging, next-generation wireless technology that promises to deliver a jaw-dropping array of futuristic advances in communications: multi-Gigabit broadband speeds, innovative mobile services, the Internet of Things and such revolutionary applications as self-driving cars.

With its ability to tap into wide swaths of spectrum, 5G will deliver wireline-like multi-Gigabit speeds that could competitively upend the already shifting market of fiber- and cable-delivered broadband services. (See Translation Please.)

Though real-world service speeds are to be determined — providers are still working out the kinks — some early trials have shown the potential to deliver speeds of more than 30 Gigabits per second (on the extreme end), according to a survey of market activity from test and measurement firm Viavi.

That’s 30 times faster than the current gold standard of 1 Gbps delivered to residential customers by today’s all-fiber networks of ISPs such as Google Fiber, and by cable operators that have upgraded to DOCSIS 3.1. According to a recent Comcast estimate, a 1-Gbps connection would allow a consumer to download a 600-Megabyte TV episode in four seconds. Using that same estimate, a 30-Gbps link would allow a user to download multiple seasons of a TV series in that same short span.

RISKS AND OPPORTUNITIES

For cable operators, 5G will be friend and foe. Though it could pave the way for new competitive entrants, the technology's wireline backhaul requirements represent a potentially lucrative business-services opportunity for MSOs. 5G is also expected to play a role as cable operators pursue and expand their own mobile and wireless strategies.

The delivery date for full 5G is widely debated, but the current consensus expectation is that the technology will be ready for market-wide launches by 2020. Phase I of the standard should be completed by mid-2018, while phase II, which will add some incremental capability, is expected by the fourth quarter of 2019, with 5G-enabled smartphones anticipated to hit the market by late 2019.

"Between 2019 and 2022, we'll see that sharp, aggressive launch of 5G," Glenn Laxdal, head of network products for Ericsson North America, said.

However, the initial impact of the new 5G infrastructure will be felt much sooner, as prestandard and precommercial implementations enter the fray. Imagine fast, fixed wireless access services delivered to the home that are easier to execute, in comparison to 5G's trickier mobile and IoT aspects.

Verizon Communications is hitting on that fixed access idea early, with plans to launch 5G precommercial Gigabit broadband trials in 11 U.S. markets by mid-2017. Those trials, which will involve "several hundred cell sites that cover several thousand customer locations," will test how the technology performs in various topologies in areas including Ann Arbor, Mich.; Atlanta, Bernardsville, N.J.; Brockton, Mass.; Dallas; Denver; Houston; Miami; Sacramento, Calif.; Seattle; and Washington, D.C.

Given its focus on Gigabit-class speeds, 5G will also need gobs of spectrum. One great place to look for that is in the millimeter wave (mmWave) bands. But there are some drawbacks, as mmWave requires smaller cell sizes than 4G and more of them in order to reach the Gigabit-class speeds and coverage 5G promises. Those mmWave signals are easily blocked by trees and buildings, so early 5G fixed wireless deployments will require good line of sight.

The good news for service providers is that 5G will work with both licensed spectrum, like what's being set aside in the 28 GHz band and 37-39 GHz bands, but will also operate in unlicensed bands, like those available in lofty regions of 64-72 GHz.

Another area to look is the 3.5 GHz Citizens Broadband Radio Service band that is set for release. Laxdal said the use of beam-forming and beam-tracking with 5G, which points “beamlets” directly at a user’s smartphone, aims to ensure that such traffic does not interfere with WiFi traffic also operating in that band.

Jaime Fink, chief technology officer and cofounder of Mimosa Networks, said his company, which provides fixed wireless systems for thousands of ISPs, has experimented in those higher bands and has found that “perfect line of sight” is indeed required.

“I’m skeptical of it being a non-line-of-sight opportunity,” he said, noting that mmWave could work for very short range urban small cells and be useful for obtaining excess capacity that can expand and enrich the mobile network. Likewise, he said, mmWave could work across short-ranges on building rooftops.

And though 5G lab trials show promise in terms of supporting high speeds, “What is hard is delivering it en masse into neighborhoods … and that’s where it gets hazy,” Fink said.

Fink and others believe mmWave will need to be paired with services delivered in the sub-6 GHz bands that work better where foliage is present and in suburban markets.

Charles Cheevers, chief technology officer, consumer premises equipment at Arris, agreed that 5G will likely need to support a “dual-PHY” network architecture that taps mmWave with a fallback to sub-6GHz spectrum that doesn’t need direct line of sight.

AT&T will put some of those technical challenges to the test. It’s working with Nokia on a 5G fixed-wireless lab test that is streaming subscription over-the-top service DirecTV Now over a 29-GHz system using the vendor’s commercially available AirScale radio access platform.

AT&T, which is conducting the trial at its Middletown, N.J., facility, has said 39 GHz and the 28 GHz mmWave bands are “particularly attractive,” given the large amounts of bandwidth available there.

That idea falls in line with what some analysts expect. Strategy Analytics, for example, has said video is an “anchor” use case for 5G, arguing it could become a platform that could rival pay TV services delivered via cable, satellite and telco IPTV networks.

Even though 5G fixed wireless is an option being pursued by carriers like Verizon, the economics might not add up for other market entrants.

“It’s a tough proposition,” Cheevers said, noting that a newcomer would have to undercut the current provider in the market while also facing higher deployment costs.

Another challenge is the eye test, as any 5G fixed wireless setup will likely require an outdoor mount.

“The aesthetics are a problem, too, in order to win business from existing wired providers,” Cheevers said. “I think the cable industry is quite comfortable with the customers they currently have because of that dynamic.”

CABLE’S 5G OPPORTUNITY

While the competitive threat posed by fixed 5G is questionable, 5G’s need for small cells that must also be connected to rich fiber networks to backhaul all of that traffic is “where the cable operators come in,” Laxdal said.

Cable’s widespread broadband networks are also among the driving reason behind rumors that Verizon is interested in buying Charter Communications.

However, cable operators are also positioned to take advantage of other 5G use cases, including fixed wireless access in residential and business service areas where MSO wired networks have yet to reach.

Some cable providers could also take advantage of the future mobile use cases for 5G, as MSOs such as Comcast and Charter trigger and develop services fueled by mobile virtual network operator (MVNO) deals with carriers such as Verizon.

Those MSOs, which have mobile products in the works, have likewise started to show their 5G hands.

Charter, for example, is already conducting 5G tests, following up on its application for experimental licenses for the pilots from the Federal Communications Commission, company CEO Tom Rutledge said on the company’s earnings call in January.

“We intend to use these field trials as learning opportunities to provide us with better insight into the capabilities of our wireline network when attaching radios with high frequency licensed and unlicensed spectrum,” he said, noting that he views 5G as a capacity-enhancing play more so than a mobile service play.

Comcast, which plans to launch a mobile product by midyear, is also eager to explore the 5G waters, at least with respect to power and backhaul that can be supported by the MSO's roughly 650,000 miles of plant.

"I think that 5G is an exciting evolution in the business," Neil Smit, president and CEO of Comcast Cable, said on the company's fourth-quarter earnings call in January. "We're doing some testing right now. We think that it's going need economical space, power and backhaul ... We think that we're well-positioned to participate in the 5G rollout, no matter how it happens, as a result of having all those assets in place already."

Cheevers said the multiple-dwelling unit (MDU) market is one that's wellsuited to 5G. Apartments and condominiums represent a simpler option that would let operators take advantage of facilities with good line of sight and buildings with access to fiber.

"If I was a cable operator, I'd look at the MDU acquisition [opportunity]," Cheevers said.

CableLabs, the cable industry's R&D organization, has been heavily engaged with wireless, including work with the 3rd Generation Partnership Project (3GPP) and as a board member of the MulteFire Alliance, which is eying 5G services in unlicensed bands.

"We are following 5G very actively ... It's on our radar," Belal Hamzeh, vice president of wireless technologies at CableLabs, said, noting that nearly half of the organization's global members are also mobile operators.

5G operators will need a pervasive infrastructure power and backhaul, which "aligns well with the cable infrastructure," he said. "Having the cable industry involved in 5G should not be a surprise to anybody."

But not all cable operators are sold on the promise of 5G. For one, Liberty Global, which operates both fixed and mobile service in Europe and other regions, is wary the returns won't justify the capital requirements.

CAPEX CONCERNS

"We worry about that leap," Liberty Global CEO Mike Fries said last week at the Mobile World Congress show in Barcelona, Spain.

"We think 5G is actually at a crossroads," he said, noting that capital requirements should be part of a 5G discussion that has centered on collaboration and cooperation. "It's not predestined."

Fries said he fears that such an investment might not be forthcoming, particularly in Europe, if the environment in which Liberty Global and others operate doesn't become healthier, and if the continent's mobile market doesn't undergo a much-needed wave of consolidation.

"One hundred twenty operators vying for declining revenues is a difficult place to be in," Fries said. By comparison, he said, the U.S. "has it right in many respects" when it comes to the number of mobile competitors vying for share.

"It's going to be a difficult act here in Europe to see this 5G vision come to fruition if we don't create a more stable competitive environment," Fries said. "There are too many mobile operators in Europe today. It's very difficult to see a return with that much competition."

Amid that uncertainty, top cable technology suppliers are keying on this wireless shift and are adjusting accordingly.

Casa Systems, a vendor that has traditionally focused on products for hybrid fiber coaxial networks, has been expanding into mobile and wireless in recent years to match the pursuits of its MSO partners and as a way for the vendor to enter new markets. Of recent note, it added 5G-focused small cell products and management products to its portfolio.

Casa's mobile-facing products are getting "considerable momentum" and now counts about 25 "customer engagements," according to Andrew Gibbs, the company's vice president of product management.

MSOs are in a great position to "be the dominant service providers going forward as 5G takes shape," he said, noting that have the wired infrastructure to support and invest in small cell systems that serve schools, enterprises, hospitality venues and, later, smart cities.

Arris, another top MSO supplier that counts Comcast and Charter as top customers, is going deeper into wireless and mobile through a proposed $800 million acquisition that includes Brocade Communications's Ruckus Wireless unit.

Arris CEO Bruce McClelland said the deal represents a critical, defining moment in the company's history, as many of its MSO customers pivot into wireless and mobile services.

"If I'm right, I think we'll look back at this five years from now and say, 'Gosh, that was a great move,' " McClelland said. "It could take a variety of different forms, but I think at the end of the day they're all going to be wireless operators."

5G may enter the picture at Arris down the road, but early on McClelland expects the pending deal to initially focus on augmenting capacity for standard 4G LTE mobile applications.

SIDEBAR > 5G: Five Things to Know

The initial use case for “precommercial” 5G products will be Gigabit-class, fixed wireless broadband access speeds to the home.

The move to full 5G technology and more advanced use cases, such as mobility, support for the Internet of Things and low-latency apps like self-driving cars, aren’t expected to emerge on a widespread commercial basis until 2020.

5G is not the sole domain of carriers with licensed spectrum. It will operate in both licensed and unlicensed spectrum.

5G will rely partly on spectrum in the millimeter wave bands, which require short distances to deliver high speeds and good line-of-sight connections. Given that scenario, 5G operators will likely want to also employ spectrum in the bands below 6 GHz as a fallback.

5G is a wireless technology, but underpinning it with solid, wired backhaul networks will be critical. That’s a major opportunity for cable operators with massive fiber-rich networks, and could drive more M&A activity as mobile carriers seek important backhaul options.

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