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A top Comcast Corp. executive took aim at HBO over its planned streaming-video service, saying it could cannibalize a lucrative pay-TV business, highlighting friction between two of the industry's heavyweights. Speaking on Comcast's third-quarter earnings call, NBCUniversal Chief Executive Steve Burke said he was surprised when Time Warner Inc. last week announced plans for a streaming HBO service that will be available to consumers who don't have pay-TV subscriptions. Mr. Burke warned that, whatever HBO's intentions, "it's going to be a challenge for them to not cannibalize what is already a really, really good business."

Even if HBO prices the service at $15 a subscriber, roughly on par with what cable-TV subscribers now pay, "they have got to be very careful with cannibalization," Mr. Burke said. 'They have got to be very careful with cannibalization. ' HBO Chief Executive Richard Plepler said the company plans to target the roughly 10 million broadband-only homes, and can do so without compromising that traditional business. The company has said that as it rolls out the streaming service it will work with existing distributors like Comcast. "Why is giving our distributors the opportunity to sell them an HBO subscription anything less than a win-win?" Mr. Plepler wrote in an email. "To us, that's not cannibalization, that's growth."

The two companies differ on a fundamental question: whether people are likely to ditch their pay-TV subscriptions to sign up for HBO's online product and other online video offerings. Both would have plenty of skin in the game if there were a rash of "cord-cutting" by consumers. Comcast is the nation's largest cable provider and controls a suite of big cable channels through NBCU. And HBO's $1.8 billion in operating profit last year came largely through lucrative deals with U.S. cable and satellite companies. Even if people were to drop HBO—but not the entire bundle of channels—it still would dent Comcast's business, as it collects a share of HBO subscriptions.

For decades, as the U.S. pay-TV industry was adding subscribers at a steady clip, the fortunes of cable channels and big distributors rose together. Premier networks like HBO and ESPN helped cable operators market their packages. There have always been tensions—over the prices for carrying channels, for example. But a rapidly changing landscape is introducing new friction points. The pay- TV industry is stagnating—the

sting case won't be the last, Philadelphia DA says

Pittsburgh Post-Gazette
Pa. senator may hold seat, despite lieutenant governor nomination

overall number of subscribers shrank last year for the first time, analysts say. And HBO's new digital offering signals that for the first time, big content owners see a path to real growth that is outside the walls of traditional pay TV.

Mr. Plepler says it need not be a zero-sum game: HBO intends to work with its existing distributors—and perhaps new ones—as it rolls out the broadband-only product, so that everyone could gain. He also said there is still a big opportunity for HBO to expand its subscriber base within the pay-TV universe. "We believe far more people inside the [pay TV] bundle want HBO than will ever leave the bundle to get it," Mr. Plepler said.

HBO didn't notify big operators including Comcast of its plans for a streaming service ahead of the big announcement last Wednesday, but since then the company has been in discussions with all major distributors about how to roll out a broadband-only product, a person familiar with the matter said. HBO executives haven't proposed any specific details in conversations with Comcast, another person briefed on the situation said, and appeared to still be working out its strategy. HBO is likely to price the online service at least as high as the pay-TV channel costs, one of the people has said. "We have a great working relationship with them and I expect that to continue," Comcast Cable President Neil Smit said of HBO on the call.

CBS Corp. also recently outlined plans to offer a stand-alone streaming service. Mr. Burke said that effort surprised him also, since CBS has been aggressively asking for increased carriage fees from pay-TV providers and "has been so successful in the broadcast business." Streaming directly to consumers over the Internet is "not an easy thing to do," Mr. Burke said. CBS has said it doesn't believe its new streaming service will impinge on its existing business. "We think everybody wins from this," CBS Chief Executive Leslie Moonves said in an interview last week.

On Thursday's earnings call, Mr. Burke also predicted that it's "going to be much more difficult" for cable networks to get the same ratings performance over the next five to 10 years as they have had in the past. The culprits, he said: shifting consumption habits, greater time-shifted viewing, and the increasing competition for viewers' time from the huge amount of original programming available on cable channels and streaming video outlets. "Our big cable channels…are very attractive and very powerful. I just think it is unreasonable to assume that the ratings for those businesses are going to grow if you look over a five or ten year period," Mr. Burke said. NBCU's cable TV unit reported a 4.6% decline in advertising revenue due to ratings softness. Still, NBCU managed to post a 13% increase in operating cash flow, thanks to strong performances by the broadcast TV segment, home of the flagship NBC network, and the theme-parks division.

Cable companies like Comcast have a big hedge if TV networks continue to migrate online: They are also broadband providers, and all the new online video services will require high-speed connections. Comcast's broadband business continued to be a major growth driver for the company in the third quarter. The company added 315,000 broadband subscribers, compared with 297,000 a year ago. The company lost 81,000 video customers in the quarter, an improvement from the loss of 127,000 customers a year ago. Still, Comcast's residential video revenue increased only 1% in the quarter, because the company isn't raising rates as sharply as it used to and is marketing slimmer, cheaper bundles of TV channels to customers.

Overall, in the cable business, which accounts for the bulk of the top line, revenue increased 5.2% to $11.04 billion. Operating cash flow, a measure of profitability, rose 5.1% to $4.46 billion. Overall, Comcast's third-quarter profit rose 50%, as the cable giant benefited from a one-time income-tax adjustment and the earnings performance at NBCUniversal. Comcast reported a profit for the period of $2.59 billion, or 99 cents a share, up from $1.73 billion, or 65 cents a share, a year earlier. Excluding a $724 million favorable income-tax adjustment and acquisition-related items, adjusted profit per share rose 12.3% to 73 cents.

Comcast is continuing its push for regulators to approve its $45 billion acquisition of Time Warner Cable Inc. In July, the Federal Communications Commission officially opened the comment period for the public to weigh in on the deal, beginning an informal 180-day clock before a resolution. But the agency paused that clock earlier this month over a tussle with major TV channel owners, which don't want to allow their programming agreements with Comcast to be reviewed by third parties. Comcast says it is still confident that the deal review will be completed by early next year. – ***Wall Street Journal***; more in ***New York Times*** and ***Philadelphia Inquirer***

A U.S. district judge in New York on Thursday issued a preliminary injunction barring the online television company Aereo from rebroadcasting live television online. The company said it is reviewing the decision, but noted it does not apply to its cloud recording service. Aereo already halted operations earlier this year after the Supreme Court ruled that its business model violated copyright law by not paying fees to broadcasters, something required of other cable and satellite companies. The injunction bars "Aereo from retransmitting programs to its subscribers while the programs are still being broadcast." Aereo argued that the high court ruling meant it should be allowed to operate as a cable company, but the judge was unconvinced by that argument. The company uses small antennas to pick up broadcast signals and stream them to people's online devices for a subscription fee.

"Doing its best to turn lemons into lemonade, Aereo now seeks to capitalize on the Supreme Court's comparison of it to a CATV [cable] system to argue that it is in fact a cable system," Judge Alison Nathan **wrote.** "Stated simply, while all cable systems may perform publicly, not all entities that perform publicly are necessarily cable systems, and nothing in the Supreme Court's opinion indicates otherwise," she added. The company has recently focused on a separate strategy, urging the Federal Communications Commission to expand the definition of "multichannel video programming distributors" (MVPD), which includes video service providers like cable and satellite companies. The company wants its business model to fit into that definition. – ***The Hill***

Pennsylvania's gubernatorial candidates are facing a deadline for filing public reports on their campaign spending. Democratic challenger Tom Wolf and Republican Gov. Tom Corbett must file their final pre-election reports by Friday. Spending in the race appears likely to set a new record, with the total surpassing $62 million when the last reports were filed a month ago. That includes money spent during a four-way Democratic primary battle earlier this year. The current campaign spending record of nearly $70 million was set during the gubernatorial race of 2002. Democrat Ed Rendell spent most of that to beat then-Auditor General Bob Casey in the primary and then-Attorney General Mike Fisher in the general election. This year's general election is on Nov. 4. – ***Associated Press***

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