BCAP NewsClips December 17, 2015

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State budget impasse headed toward a resolution of some sort by the weekend

After years of subscriber losses amid the boom in telecoms and then digital over-the-top competitors like Netflix, the CEOs of Charter Communications and Time Warner Cable, which the former is planning to acquire, predicted they would return to full-year growth in pay TV customers for 2015 based on trends through early December. Comcast, the nation's largest cable carrier, echoed the sentiment of improving trends.

The growth "is a significant milestone, not only for us but for the industry," Time Warner Cable CEO Rob Marcus told attendees. The last full year of growth for TWC was 2006, when it added 65,000 video customers. Marcus told THR after his speech that residential, business and total video subs look like they all could grow this year. Similarly, Charter CEO Tom Rutledge said his company will post video sub gains for 2015; the most recent time it did so was 2001. "It's a very competitive environment," said Rutledge. "And Charter lost video subs for a decade. We are going to grow this year, and we expect to continue to grow video subs." Comcast CFO Mike Cavanagh said his company, which hasn't grown subs since 2006, hopes to return to full-year video sub growth without putting a time frame on it.

Why? The answer probably is that cable companies now are winning over some video subscribers that in the past chose satellite and telecom giants rather than increasing the overall pie of paid subs. Leichtman Research Group boss Bruce Leichtman emphasizes that the strength in big cable is less a sign of the pay TV sector returning to growth and "much more of a share shift" because "to various degrees, each of the main competitors [DirecTV, Dish, AT&T and Verizon] have chosen to slow down their traditional video service growth over the past year."

In fact, the 13 largest U.S. pay TV providers collectively lost about 190,000 net video subscribers during the third quarter, according to Leichtman's data. That's fewer than during the seasonally weak second quarter but slightly more than a year earlier, making for the industry's worst third quarter to date. Still, the biggest losers weren't the cable companies, as has been typical, but the telecom giants, which lost 49,000 subs after adding 323,000 during the year-ago period, in part because of AT&T's merger with DirecTV. "With AT&T adjusting focus from its U-verse TV service to its newly acquired DirecTV satellite service, telcos reported their worst quarter ever," wrote Leichtman in a research note. Plus, Verizon has fewer FiOS areas rolling out,

Philadelphia Inquirer
Rep. Bishop drops claim of racial targeting in sting, resigns

Philadelphia Inquirer
Latest in Porngate: Kane releases some of her twin's emails

so there is less pay TV growth there, he tells THR. Dish's and DirecTV's decisions to be more disciplined in subscriber acquisition amid higher acquisition costs (because of intense competition) also have affected momentum.

In addition, cable's video product and services are getting better and now, in many cases, outshine competitors' packages. And the proliferation of "skinny" bundles, which see subscribers fork over less money for fewer networks, can prop up cable sub numbers while not boosting overall revenue (either for the distributor or the networks left out of the bundle). But Marcus has said TWC's TV Essentials package, launched in 2010, only has drawn subscribers in the low-10,000s range. Others have said a small minority takes such bundles, and Leichtman tells THR that his data "implies some degree of consumer/commercial accounts getting smaller packages, but we do need to be careful in interpreting this as a new rash of cord-shaving down to smaller packages." He adds: "What we may be seeing is providers selling lower-priced smaller packages to new subscribers, more so than an increase in consumers dropping service."

The question now is whether the cable momentum will continue and, if so, at whose expense. "Cable's video product has gotten better and better, and the bundle has gotten harder and harder for satellite to compete with as broadband speed requirements have risen," says MoffettNathanson senior analyst Craig Moffett. "Cable's momentum in video looks like it has some legs to it."

After third-quarter earnings season, Moffett wrote, it is "time to change the narrative about cord-cutting." His report said: "Yes, the pay TV industry is slowly drip, drip, drip declining." But, he emphasized "that cable was actually holding its own.” – ***Hollywood Reporter***

Congress on Wednesday unveiled a proposed funding bill that won't restrict the Federal Communications Commission's ability to enforce the open Internet rules.

The move comes several days after a coalition of leading Web companies urged lawmakers to reject a Republican-led push for riders that could have gutted the net neutrality rules. Those rules, passed by the FCC in February, reclassify broadband as a common carrier service, and prohibit carriers from blocking or degrading content, and from creating paid fast lanes.

In June, the House Appropriations Committee released a funding bill that would have prevented the agency from enforcing the rules until a court has ruled on their validity. That bill did not advance, but observers thought it would influence the more recent negotiations. A separate rider would have banned rate regulation of broadband carriers -- although the FCC has said that it has no intention of setting the rates that Internet service providers can charge for broadband service. The proposal unveiled on Wednesday increases FCC funding to $344 million, marking a $44 million increase from last year. Congress is expected to vote on the proposal by the end of this week.

Advocacy group Public Knowledge cheered the news of the riders' removals. "The compromise struck by the White House and Congressional leadership is a victory for the millions of Americans who support maintaining an Open Internet," Chris Lewis, vice president of government affairs, said in a statement. Although Congress isn't blocking the net neutrality rules, a court could still do so. Broadband providers recently asked a federal appellate court to vacate the rules, arguing that the FCC lacked authority to declare broadband a utility service. The D.C. Circuit Court of Appeals heard arguments on the matter earlier this month. – ***MediaPost***

Five and a half months after a state budget should have been enacted, the damage done by the stalemate is really adding up.

The latest fallout from the inability of Harrisburg's polarized negotiators to agree on a 2015-16 spending plan came from Standard & Poor's Rating Services, an agency that determines the credit-worthiness, and thus the interest rates, of borrowers. S&P withdrew ratings for school districts and community colleges that were based on a state program that helps them get more favorable loan terms by guaranteeing repayment to their bondholders. In a damning note issued last week, the agency concluded that "Pennsylvania's state aid payments are no longer a reliable and stable source of funds."

The change could make it difficult, impossible or, at a minimum, more expensive for districts and community colleges to borrow money to keep their doors open until the Legislature and Gov. Tom Wolf reach agreement on a new state budget. Add that sorry fact to the list of difficulties spawned by the impasse. Pennsylvania is approaching the embarrassment of 2003, former Gov. Ed Rendell's first year in office, when the complete spending plan wasn't signed until Dec. 23. That overdue budget was the second-latest in the modern era, surpassed only by the fight in 1969, when enactment came 247 days late.

The way talks are going in Harrisburg, it's not certain that the job will be done by Christmas, or even year's end. Time is money, a lesson that Pennsylvania is learning anew each day that it goes without a new budget. – ***Pittsburgh Post-Gazette editorial***

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