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Cable companies say a U.S. bid to wrest away their control of the set-top box is a ploy cooked up by Google Inc. that will harm their businesses as online rivals unfairly profit by selling ads and viewer data from shows. "This is mission-critical," Michael Powell, president of the National Cable & Telecommunications Association, said Tuesday during a conference call. He said the change is backed by "a handful of public interest advocates and a very small number of technology companies, primary among them Google and TiVo," the independent set-top box maker.

The Federal Communications Commission is set to vote today on a proposal from its chairman, Tom Wheeler, to set technical standards for new devices or software to compete with the set-top boxes that most consumers lease from their pay-TV provider. Wheeler wants to encourage more options for consumers in much the same way as wireless customers select phone models made by competing manufacturers.

The vote would begin a formal rule-making process leading to another vote before a change is final. "Congress mandated that consumers should have options," Wheeler said in a Twitter message. "But for 20 yrs since that mandate, they haven't. I want to fix that."

U.S. cable providers, including the two biggest -- Comcast Corp. and Time Warner Cable Inc. -- stand to lose some of the monthly set-top box rental fees, which U.S. senators calculate at $19.5 billion annually. They're also concerned that Wheeler's proposals will turn them into a provider of video unrecognized by consumers as any different than Netflix Inc. or YouTube, which is run by Google's parent Alphabet Inc. "The commission's proposal is very consciously aimed at turning traditional pay-TV providers into dumb pipes and forcing them to compete on a pure commodity basis for the delivery of content" without any branding, said Craig Moffett, senior research analyst at MoffettNathanson LLC.

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Philadelphia Inquirer
Editorial: Kathleen Kane's long goodbye

Since Wheeler offered his proposal last month, big media companies have expressed their concerns to the FCC. Representatives of Rupert Murdoch's film and TV company 21st Century Fox Inc., ESPN owner Walt Disney Co., broadcaster CBS Corp., MTV owner Viacom Inc. and HBO owner Time Warner Inc. held a series of meetings last week with FCC officials including Wheeler. They argued that any rules need to make sure third-party boxes "honor the sanctity" of programming agreements with pay-TV providers, according to a filing.

Powell devoted more than an hour in a call with reporters to argue that the FCC's proposal would stifle viewing technology by locking in boxes as the norm instead of letting the industry progress to using online applications. He said it also would let Google profit from selling ads against cable's shows. The FCC has said its proposal sets standards and doesn't specify devices or software.

The Motion Picture Association of America -- representing Hollywood studios owned by Viacom, Disney, Fox, Time Warner Inc. and Comcast -- "and essentially the entire programming industry, in particular, is very concerned," Powell said. "If you spend close to $4 million an episode producing a quality drama, you're not anxious to see another major commercial distributor get access" without paying, Powell said. "This is government assistance to allow one set of big tech commercial interests to get access to the intellectual property that belongs to others." "They're trying to do everything to keep other people out of the business," Rich Greenfield, an analyst with BTIG LLC, said in an interview.

In a blog post, AT&T Inc. -- owner of direct-satellite broadcaster DirecTV, which offers viewers a proprietary box -- referred six times to Wheeler's plan as the "Google proposal." Google, the leading search engine owner, has backed the FCC action, along with a coalition that includes independent set-top box maker TiVo Inc. and Incompas, a trade group with members including Google, Netflix and network provider Level 3 Communications Inc. Lauren Barriere, a Google spokesman, declined to comment. "Nothing in the proposal favors one company," said Kim Hart, an FCC spokesman. "This proposal lets innovators create -- and then lets consumers choose." It's "inaccurate" and "wrong" to characterize the proposal as Google's, said Chip Pickering, chief executive officer of Washington-based Incompas. "It is a very broad-based coalition." "This is about whether you have a competitive market," Pickering said.

Congress already is looking over the FCC's shoulder, with some lawmakers expressing apprehension. "Any new FCC rules in this area must not harm the production and distribution of video content," Sen. Bill Nelson of Florida, the top Democrat on the Commerce Committee, said Friday in a letter to Wheeler. In December, 30 members of the Congressional Black Caucus led by Rep. Yvette Clarke, D-N.Y., said FCC action could harm minority-group programming by letting third parties "relegate it to the bottom of the pile." Wheeler in a letter said more competition will give customers greater ability to find minority-group and special-interest programming.

Others are urging Wheeler on. "The set-top box issue needs to be opened up," said

Rep. Anna Eshoo, a California Democrat and leader in technology policy. The lawmaker and 12 other Democrats said in a letter Tuesday that the FCC should act to give consumers "an alternative to having to rent a set-top box from their pay-TV provider every month." Eshoo identified the core issue behind the TV incumbents' opposition. "I don't blame them for fighting hard because this is, cha-ching! cha-ching! cha-ching!" Eshoo said. – ***Bloomberg***

The top Walt Disney Co. boss has said that ESPN would eventually follow in HBO’s footsteps and start selling the channel direct to consumers. But John Skipper, the president of Disney’s ESPN, isn't ready to shift the sales model--yet. At the Recode Media conference here, he reiterated several times that he had no interest in going down that road--for now. “We don’t believe it’s a good business,” said Skipper. On a TV appearance in July, Disney CEO Bob Iger said, “I think eventually ESPN becomes a business that is sold directly to consumers.” Iger is set to retire in 2018.

Unlike HBO, which has 30 million cable subscribers, ESPN is in 97 million homes, and thus there is no gap to fill in, said Skipper. Most of the questions from attendees for Skipper concerned that stand-alone ESPN. “We will look at direct to consumer and decide to be more aggressive when we think it will help us grow our business,” said Skipper.

For now and the immediate future, “our best business is to stay in that” cable bundle.

HBO Now, HBO’s stand-alone app to see HBO programming on demand, has just under 1 million subscribers, after a year in business. Overall, ESPN saw small subscriber losses in the summer, but on a recent earnings call, Iger said numbers have begun to inch up.

Skipper said the losses weren’t so much folks cutting the cord, but instead shifting their cable packages to a lighter offering that didn’t include ESPN. (ESPN joined the skinny package bandwagon in 2015 by participating in Sling Media’s bypass-the-cable-operator $20 monthly offering of 65 channels.) Ratings for ESPN have been challenged by more competition from other entities who also offer sports highlights and scores, an area ESPN used to own. While highlights are showing up on Twitter, Vine, Yahoo and other online sources, “ours are better,” Skipper said. “Brands matter, and ESPN is the most popular sports brand,” said Skipper. “We drive a good business with highlights, and don’t believe people will abandon ESPN to watch highlights elsewhere.”

And to those who might be thinking of cutting the cord, or switching to a lower priced cable TV package, Skipper closed with a sales pitch: “The cable package continues to be the greatest value in the history of entertainment,” he said. “It comes out to be about 15 cents per minute, which is dramatically cheaper compared to a movie, Broadway play or concert.” – ***USA Today***

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127 State Street, Harrisburg, PA 17101
717.214.2000 • bcapa.com

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