Los Angeles Times
Court backs broadcasters, clears way for FCC review of AT&T-DirecTV merger

San Jose (CA) Mercury News
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Los Angeles Times
TV networks 'on the defensive' as online video outlets take market share

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Pittsburgh Tribune-Review
Kathleen Kane,

Traditional networks, including Time Warner's HBO, are beginning to offer their content outside the constraints of the cable bundle. Will the existence of these services spark a wave of additional cord-cutting?

Analysts at UBS don't think so. In a recent research report, the company forecasts the market for U.S. paid TV providers -- and they're surprisingly optimistic about the industry's chances.

– 97.5 million households will keep cable. UBS believes that, five years from now, there will still be 97.5 million American households subscribing to a traditional paid-TV service. That's less than the roughly 101 million households that have cable today, but not by much -- UBS believes the industry will see compound annual subscriber loss of just 0.7% over the next five years. At the same time, the number of broadband-only households will increase, but not come close to overtaking paid-TV. In 2020, UBS expects the number of these households to stand at 24.2 million. That's more than double the number today, but paid-TV households will still outnumber broadband-only by a ratio of about four-to-one five years from now.

– Only 15% penetration for HBO Now. HBO Now, Time Warner's service aimed at broadband-only households, will have 3.6 million subscribers in 2020, according to UBS. If so, just under 15% of broadband-only households will subscribe. UBS is much more optimistic about traditional HBO -- the network available to paid-TV households -- believing that it will have 37.8 million domestic subscribers in 2020, up from around 35 million in 2014, for about 40% penetration. If that happens, it should be fantastic for Time Warner shareholders. HBO Now, while allowing more people to subscribe to HBO, presents a number of challenges to Time Warner as a whole. In addition to HBO, Time Warner owns a number of major cable networks, including Cartoon Network, CNN, TBS and TNT. Last quarter, these networks brought in about 38% of Time Warner's revenue and more than 60% of its operating income.

If cord-cutting as a trend continues to grow in popularity, these networks could suffer. With their focus on live sports, TBS and TNT could exist outside the bundle, perhaps offered individually like HBO or as part of a smaller, Internet-based bundle (such as SlingTV). But Time Warner's less popular networks might not make it. Perhaps for this reason, Time Warner's management has consistently argued that the existence of HBO Now would not disrupt the industry – that, instead of competing and cannibalizing traditional cable, it would prove to be an additive service.

– A wave of competing services. However, I think UBS' projections and Time Warner's proclamations ignore the second-order effects of HBO Now's existence. Not wanting to be left behind, HBO's chief premium cable rival, Showtime will make itself available to broadband-only households later this year. Starz's management has strongly suggested that it would eventually do the same. It's easy to imagine that other networks with dedicated viewers -- perhaps ESPN -- could follow. Meanwhile, the existing Internet video services -- Netflix, Hulu, and Amazon Prime -- continue to beef up their catalog of

through rose-colored glasses

Allentown Morning Call
PA Sen. Pat Browne charged with DUI for third time, police say

Washington Post
Senators: Why did it get harder to track government spending online?

original programming, making their products far more compelling in the process.

As both the quality and quantity of Internet video services increases, cord-cutting becomes a far more compelling prospect. While it's easy to project orderly declines in the number of paid-TV subscribers, and relatively modest growth for HBO Now, the number of paid-TV households could decline swiftly and exponentially as the Internet video landscape evolves. Within Time Warner, HBO remains a compelling asset, and one that's likely undervalued. But the fate of Time Warner's more traditional networks, and the paid-TV landscape as a whole, looks far less certain. – ***Motley Fool***

Remember when a wolfpack of cable companies and telecoms -- including AT&T, CenturyLink, the American Cable Association, USTelecom and more -- filed motions to delay the FCC from enacting parts of its open internet order? Well, the Commission was having none of that. Late in the day this past Friday, Wireless Competition Bureau chief Julie Veach and Wireless Telecommunications Bureau chief Roger Sherman handed down an order dismissing those petitions, pointing out that additional protection for the internet as we know it is crucial and that the petitioners' cases aren't as strong as they think.

Most of those groups had their sights set on one crucial proviso: the FCC's new rules would classify internet service providers as "common carriers," which they believed would bring not only the industry but the infrastructure that powers the internet under tighter, heavier government control. Despite the fact that companies that would now fall under that umbrella wouldn't be subject to the *full scope* of regulatory oversight per the Telecommunications Act, they're still fighting back in the name of the internet's future growth. To hear dissenting FCC commissioner Ajit Pai tell it, the FCC would have the "the power to micromanage virtually every aspect of how the Internet works." The petition filed by USTelecom, the CTIA, AT&T and CenturyLink spelled gloom and doom for the web as we know if the FCC gets its way:

"From day one, the Commission's assertion of comprehensive control over the Internet will subject broadband Internet access providers - especially, small providers - to enormous unrecoverable costs and reduce their ability and incentive to invest in broadband infrastructure." To be clear, AT&T and company did not petition against the three "bright light" rules - no blocking legal content, no throttling and no paid prioritization - contained in the FCC's Open Internet Order. While we guess it's good everyone involved can agree on at least that much, it doesn't change the fact that courts still have to rule on the lawsuits challenging the validity of the FCC's plan. Tom Wheeler might be convinced of his eventual victory, but you can bet no one's going to leave the ring until one set of ideals has been laid out on the ground. – ***engadget.com***

Charter Communications Inc. is in early talks with banks to arrange a debt package of $25 billion to $30 billion, as it pursues a merger with fellow cable operator Time Warner Cable Inc., people familiar with the matter say. Charter is pursuing a friendly transaction with Time Warner Cable, after its offer last year was rejected and a hostile approach backfired. Charter has a second chance since Comcast abandoned its $45 billion merger with Time Warner Cable last month, and top executives close to Charter wasted little time in starting to reach out to Time Warner Cable management about an alternate transaction. Meanwhile, Charter and Time Warner Cable each have approached smaller operator Bright House Networks about acquiring the company, people familiar with the matter have said.

The biggest hurdle of a Charter-Time Warner Cable deal, aside from the regulatory climate, is price. In January 2014, Charter had proposed a takeover of Time Warner Cable at $132.50 a share in cash and stock. Before the ill-fated Comcast deal was struck, Time Warner Cable rejected Charter’s proposal and said it would only be willing to accept $160 a share, with $100 in cash. Time Warner Cable shares closed Friday at $154.68. The Wall Street Journal has reported that people close to Charter have made it clear the company doesn’t want to make the mistake again of a lowball bid. They also said Charter is aware it will have to offer a significant portion of its bid in cash to satisfy Time Warner Cable’s concerns about whether Charter stock is overvalued thanks to deal speculation.

Tom Eagan, an analyst at Telsey Advisory Group, said recently that if Time Warner Cable increased its asking price to $170 or $180 a share, that would greatly increase the debt of the combined company to “above the comfort level of some investors.” As Charter works with banks to line up the financing to make a new run at Time Warner Cable, its largest shareholder is also waiting in the wings to help out. Liberty Broadband Corp. Chief Executive Greg Maffei said on Friday he plans to maintain Liberty’s 25% voting stake in Charter in any transaction, and the company has a wide range of ways to raise capital to maintain the stake. And if Charter needs to raise even more capital, Mr. Maffei said many potential partners have expressed interest in investing alongside Liberty. – ***Wall Street Journal***

Comcast Corp. on Monday tapped Carlyle Group L.P. executive Michael J. Cavanagh as its next chief financial officer, replacing Michael J. Angelakis, who is leaving to lead a joint investment company with Comcast. Comcast said in March that it would create a $4.1 billion investment company in partnership with Mr. Angelakis to hunt for growth at home and abroad as the U.S. cable market matures. Mr. Angelakis stepped down as CFO to become the new company's chief executive. He will become a senior adviser to Comcast.

Mr. Cavanagh joined private-equity firm Carlyle last summer as co-president and co-chief operating officer. He was previously a top J.P. Morgan Chase & Co. executive, serving as its finance chief for nearly six years. Mr. Cavanagh's decision to leave his job as co-head of J.P. Morgan's Wall Street operations last year was a shock to many in the company. Mr. Cavanagh was widely viewed as among the front-runners to take over the largest U.S. bank by assets when Chief Executive James Dimon stepped down. – ***Wall Street Journal***

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