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Philadelphia Inquirer
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Philadelphia Daily News
Q&A with Senate candidate

Chief Executive James Dolan assured investors that a "landslide" of cord-cutting likely won't happen in the near-term, though he projected declines over the next several years. "I don't think the sky is falling quite yet," Mr. Dolan said, in response to questions during Cablevision's second-quarter earnings conference call about the bleeding of media and cable stocks this week. Cablevision shares, which had been buoyed by deal speculation as suitors have expressed interest, fell 2.7% Friday to $25.82 after falling 5% over the last two days.

Mr. Dolan said it would take at least five years for there to be a 10% decline in the U.S. pay-TV customer base and 10 years before 30% have dropped their subscriptions. That is in part because online video options today don't have the "programming weight" the traditional television bundle has, Mr. Dolan said. Cablevision executives also noted that new "cord-cutter" packages the company has been offering—including fast broadband, a digital antenna to pick up broadcast signals, and Internet-delivered HBO—are attracting new customers, but they aren't leading existing customers to downgrade.

Mr. Dolan said that "eventually" the content on Web TV platforms will become more robust and competitive with the big bundle. And as cable bills rise due to ever-increasing programming carriage costs, "that will drive people who are more price-sensitive into alternatives, and the Internet is obviously starting to become a real alternative," he said.

Mr. Dolan's comments came as Cablevision posted its first quarter of total customer growth in more than two years, adding 5,000 customers compared with a loss of 21,000 in the prior-year period. Revenue increased 1.6% to $1.65 billion, but profit fell nearly 20% as

Katie McGinty

higher programming costs and product and marketing investments offset rate increases. Cablevision posted net income of $75.6 million, or 27 cents a share, down from $94.2 million, or 35 cents a share, a year earlier.

The company improved its video customer losses to 16,000 this quarter, compared with a loss of 28,000 a year earlier. It added 14,000 high-speed data customers, compared with a loss of 9,000 a year before. Mr. Dolan used the improving subscriber metrics to make a forceful attack on Verizon Communications Inc.'s FiOS, which has been a headache for the company over the last several years as it built out service to much of the greater New York area, which Cablevision already serves.

"The Verizon FiOS effect, if there ever was one, is, in our opinion, over," Mr. Dolan said. He said Cablevision today serves 3.1 million customers, down from its peak of 3.3 million customers in 2008. During that intervening time, he said that Verizon has invested billions of dollars into building out and marketing FiOS in the greater New York area. "To the extent that we've lost customers to FiOS, we believe they are usually promotional shoppers," Mr. Dolan said. A Verizon spokesman said in response, "We'll let our FiOS services speak for themselves—better Internet speeds, better connectivity, better TV quality, tops in customer service rankings, and better overall value for our customers." – ***Wall Street Journal***

Even the dog wore the union's signature red shirt, dressed appropriately for a small rally held Friday by the Communication Workers of America at the Montgomery County Courthouse in Norristown. The rally, attended by Montgomery County elected officials and labor leaders, came as talks continue between Verizon Corp. and its employees represented by the CWA and another union, in a standoff that partly reflects changing technology.

"Verizon had, what, a $3.1 billion profit last year - a 14 percent increase over the year before - and we still have to argue and fight about decent wages for workers? That's just wrong," State Sen. Daylin Leach (D., Montgomery) said at the rally, attended by about 50 people. Leach was one of five Democratic state legislators who spoke at the rally, along with Richard Sibley, a Verizon cable splicer, who heads the Montgomery County AFL-CIO, the county's largest labor federation. Contracts for 37,400 Verizon employees, represented by the CWA and the International Brotherhood of Electrical Workers, expired Aug. 1.

The unions have taken a strike vote, but both sides expect negotiations to continue next week. Issues include pay, health benefits, and work rules. The unions last went on strike in 2011. The labor dispute is the first since Verizon took full control of Verizon Wireless and agreed to buy AOL, two deals worth almost $135 billion that point toward a wireless-centric future. Verizon currently makes 30 percent of its revenue from landlines. "There's been an immense change in our wireline business," Verizon spokesman Richard Young said.

In 2000, he said, Verizon had 56 million lines leading to people's homes. Now there are 19 million. "We can all name five people we know who don't have a landline anymore," he said. Union officials say that Verizon is neglecting its landline wire business - whether it is traditional copper wire or FiOS fiber-optic wire. "They aren't doing the proper repairs," said CWA Local 13000 president Jim Gardler, who represents 3,900 local Verizon employees.

Gardler said that Verizon's repair crews have been working 12-hour days, seven days a week, since the storms in late June. Crews have caught up with storm damage, he said, but repair and installation orders are backed up because the company has not filled positions. The union workforce has fallen from 85,000 in 2000 to 45,000, including the 37,500 affected by the current dispute. Gardler said 44 workers in Western Pennsylvania were laid off in June, for example. Young said they were offered jobs in Eastern Pennsylvania but declined to take them. – ***Philadelphia Inquirer***

Cable-subscriber declines due to cord-cutting are Wall Street's worry du jour when it comes to media companies. But well before that, there was the concern over TV advertising. And there was Viacom.

The company posted a 9% drop in domestic advertising revenue for its fiscal third quarter on Thursday. That was far worse than the already bleak 5.5% slide analysts had been forecasting. This prompted a massive selloff, making Viacom the reddest big-media stock on the second day of an industrywide bloodbath. Viacom, which got roughly half its revenue from ads in its fiscal year ended last September, said it expects comparable performance in the current quarter. But it said it sees domestic ad growth resuming during its next fiscal year.

Investors, for their part, will have to see that to believe it. That is understandable. But Viacom's stock performance Thursday suggests more unbridled panic than risk-weighted fear. The company's shares have fallen 44% over the past year and now trade at 6.7 times forward estimates for earnings before interest, taxes, depreciation and amortization. That multiple is more in line with car manufacturers and airlines than it is with media peers, MoffettNathanson wrote in a research note. Indeed, it is approaching the multiple of roughly 5.5 times where Viacom traded for much of late 2008 and early 2009—the depths of the financial crisis.

Granted, it is hard to see Viacom's ratings recovering so quickly. The most commonly referenced ratings for its channels fell a combined 18% in the quarter, according to estimates by Sanford C. Bernstein. And domestic affiliate-fee growth of 2% wasn't enough to offset advertising declines. Still, while things could get worse for Viacom, they are unlikely to get that much worse. The dramatic declines in Viacom's ratings began last summer, so comparisons should start to become easier.

The company also expressed confidence in its target for high-single-digit affiliate growth with well over 70% of its U.S. subscriber base covered by deals extending through 2018. Inking a deal with Dish Network, which some analysts fear will drop Viacom, would be another catalyst for the stock. Dish is known for its hardball negotiating tactics. But it may need Nickelodeon's kids content for its Sling TV offering. Investors have good reasons to be worried about Viacom as well as cord-cutting. Those aren't so grave, though, that investors should be hitting the panic button. – ***Wall Street Journal***

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