BCAP 60th Anniversary

NewsClips

July 31, 2017

San Diego Union-Tribune
Internet pricing 101: Why costs are all over the map

Reuters
Charter Communications says 'no interest' in buying Sprint

Satellite Business News
AT&T unveils post-merger reorg plan

Associated Press
PBS CEO warns that federal cuts will sink some stations

Ambler (Montgomery Co.) Gazette
Crippling tax burden sets Pennsylvania apart

pennlive.com
Too early to call Pa. state budget

Not that long ago, the clunky cable box looked like it was on its way out. The federal government was pressuring cable companies to open up their near-monopoly on boxes to more competition, and industry leader Comcast promised apps that could render some boxes obsolete.

That was then. Today, the vast majority of customers still need to rent a box to get full service from cable providers, and those box-replacing apps remain elusive. Here's what happened. In 2015, tech companies and consumer advocates were pushing the Federal Communications Commission to open up the cable-box market. The goal was to let you buy a cable box the way you'd pick up a new smartphone, sparing you the expense of leasing them from cable companies for about $6 and up a month.

The cable industry and Hollywood hated the FCC's February 2016 plan to "unlock the box." They pointed out that TV-watching apps were already available and laid out an industry proposal for new apps that could replace cable boxes. Amid industry pushback, the FCC's proposed rules languished ahead of the 2016 election. Afterward, President Donald Trump's new FCC chairman, Ajit Pai, shelved them permanently.

The industry is no longer pushing its app proposal with the FCC, said Brian Dietz, a spokesman for the cable lobby group NCTA. And he noted that some cable and satellite companies have launched apps that let customers watch video without a cable box. But most cable TV customers still need a box. The industry has little motivation to get rid of rented cable boxes or to keep its promises without pressure from regulators, said John Bergmayer, senior counsel of the public advocacy group Public Knowledge, in a filing to the FCC.

Comcast said in April 2016 that it was working with Roku and Samsung to develop apps that, later that year, could replace cable boxes. And it did start testing a Roku app in January, although customers still need a cable box while the service is in "beta." One more drawback: Using the Roku app won't be free if customers want it to work with more than one TV. The Samsung app remains under development.

In 2015, Charter and Time Warner Cable started offering apps that could replace cable boxes in some markets. Nearly two years later, Charter says it's now "testing" such an app, Spectrum Stream, in nearly all markets. (Charter bought Time Warner Cable in 2016.) When the app was requested in New York City, a customer service rep pushed a more expensive traditional "triple play"

talks at an impasse? That's how some state House members see it

Williamsport Sun-Gazette
Local Reps say state House budget passage is unlikely

Lancaster Intelligencer
State Sens. Ryan Aument, Scott Martin vote against Senate GOP's budget plan

Pittsburgh Post-Gazette
Editorial: House alarm – The state budget needs lower chamber action

TV, internet and phone package instead. AT&T, the owner of DirecTV, and Verizon have no apps that can replace boxes entirely for traditional cable and satellite TV service.

Separately, in 2015, Comcast launched a box-free cable service in Boston called Stream, designed for phones, tablets and computers and aimed at younger users. At the time, the company said it would roll out to all users by early 2016. Stream remains limited to Boston and Chicago, although Comcast said Wednesday that it's going to roll out a revamp, "Instant TV," aimed at digital users, in the second half of the year. The company says net neutrality rules and regulators under the Obama administration hindered Stream's rollout. It wants the FCC to spike these rules, which bar internet providers from favoring their own content.

The cable lobby is right to point out that there are plenty of box-free TV apps available. Like Comcast's Stream, they're just not really aimed at the 94 million traditional cable and satellite customers stuck with box fees. They're for "cord cutters." Online-cable services from Dish, Sony, Hulu and YouTube let you watch live TV and record it for later. (AT&T's DirecTV Now's DVR hasn't launched yet.)

These services don't fully replace traditional cable service. Major channels aren't always available, there have been some service quality glitches, and they've only attracted an estimated few million subscribers. To watch internet-based TV on a TV, you probably need a gadget like a Roku, a Chromecast stick or Apple TV. These don't have monthly fees like cable boxes do.

Even without these apps made broadly available, Comcast has been able to draw video customers via its upgraded cable-box system, X1, which has integrated Netflix and is expected to add YouTube. It is also a master at getting customers to pay for more than one service. In the second quarter, Comcast lost 34,000 video customers, a deeper loss than last year. It added customers for the full year in 2016, its first annual increase in a decade. Overall, cable and satellite TV have lost 4 million customers over the past two years, says research firm SNL Kagan.

Comcast's internet customers rose 175,000. Revenue from the internet arm could get a further boost if Trump's FCC rolls back net neutrality rules, as expected. Comcast is also opening new lines of business, such as a new cellphone service that started in May. – ***Associated Press***

Discovery, which owns networks including Discovery Channel, Animal Planet and TLC, will expand its portfolio with the addition of Scripps-operated HGTV, Cooking Channel and Food Network.

The tie-up is a bet that bigger is better as the television industry is upended by cord-cutting and the rise of “skinny” online TV bundles from the likes of Hulu, YouTube, Sling TV and others. The thinking is that a broader portfolio of channels that specialize in nonfiction and lifestyle programming like travel, food and nature could appeal to younger viewers and give the combined company a leg up in negotiations with advertisers and programming distributors.

The two companies account for 13.2% of overall cable viewership but receive just 7% of the monthly cable fees consumers pay, according to RBC Capital Markets. According to Discovery, the combined company will produce about 8,000 hours of original programming a year and have a library of 300,000 hours of content.

The deal will create **a must-buy network group for advertisers interested in targeting women** and help the network command more premium ad rates. Of the top 20 U.S. cable networks, the merged company will control four of the top five with the highest percentage of female viewers—TLC, HGTV, Investigation Discovery and Food Network, according to Nielsen data. The overlap in nonfiction programming—think “Shark Week” and “Say Yes to the Dress” plus “House Hunters” and “Diners, Drive-Ins and Dives”—could even put Discovery and Scripps in a position to offer their own niche subscription web-TV bundle.

Discovery said it would be able to expand Scripps’s channels into more overseas markets, which could help generate significant additional revenue. The combined company is also touting its short-form video production, which will help it gain more viewers and ad dollars on social-media platforms. “We believe that by coming together with Scripps, we will create a stronger, more flexible and more dynamic media company with a global content engine that can be fully optimized and monetized across our combined networks, products and services in every country around the world,” said David Zaslav, CEO of Discovery, in announcing the deal.

The deal could put pressure on other media companies, from AMC Networks to Viacom Inc., that must defend their turf on the cable dial. They are perceived to be the most vulnerable to industry changes, because they aren’t part of big conglomerates that own broadcast or sports networks—which are seen as the hardest for cable distributors to drop. With Scripps off the market, there is one less potential partner for them to join forces with in the battles ahead.

Viacom **had also been in talks** with Scripps, but Scripps decided to negotiate exclusively with Discovery after reviewing the bids from both companies, according to people familiar with the matter. The deal will lift the profile of Mr. Zaslav, who had a roughly two-decade career at NBC before joining Discovery in 2007. He has led a transition of Discovery from being primarily known for its serious educational fare to a mix of documentary style programming and over-the-top reality TV—shows like “Honey Boo Boo” and “Naked and Afraid.” Lately, the pendulum at the company has swung back to more of an emphasis on content with higher aspirations.

He has launched new channels, including crime-focused Investigation Discovery, which has become a huge hit with female viewers. And he has been as aggressive as any media CEO in **international expansion**; the operations outside the U.S. accounted for 47% of the company’s $6.5 billion in total revenue last year.

In the U.S., Mr. Zaslav will have the twin challenges of persuading cable providers and new digital TV services to carry as many Discovery and Scripps channels as possible, and pay higher fees. At the same time as the deal, the companies announced disappointing earnings, prompting Marci Ryvicker, an analyst at Wells Fargo, to put out a note titled: “Well, Good Thing They’re Combining Because Q2 Results Were Underwhelming.”

Discovery said second-quarter revenue rose 2% to $1.75 billion, shy of analysts’ estimates. Scripps lowered its revenue guidance and reported second-quarter U.S. advertising sales growth of 2.2%, which also fell short of expectations. The deal is expected to close by early 2018, pending approval by shareholders and regulators. Mr. Zaslav is a close associate of John Malone, the cable mogul who owns a nearly one-third voting stake in Discovery and sits on its board.

The acquisition fits into a broader theme of consolidation sweeping the media industry. Mr. Malone, who has significant interests in companies from Liberty Media Corp. to Charter Communications Inc., has been a driving force in M&A and has talked up the **need for small players in the content world to merge**, particularly as cable and broadband providers have gone through their own wave of big deals.

The sale to Discovery will end more than two decades of family control over the Scripps cable networks. The root of the Scripps Networks business got its start in 1994, when now-CEO Ken Lowe created HGTV within the E.W. Scripps Co. , a newspaper company and later local TV station owner founded in 1878 by Edward Willis Scripps. Scripps Networks was split off from E.W. Scripps in 2008. Discovery is securing a purchase of Scripps after more than one failed attempt over the last decade. Three years ago, talks between the two companies broke down, in part because the Scripps family **didn't appear ready to sell.**

Talks between the two companies heated up again earlier this summer. Discovery had been carrying some Scripps content on one of its Latin American properties and the strong ratings performance persuaded Mr. Zaslav it might be time to take another run at the company, he said. The family, which collectively controls 91.8% of Scripps voting shares, entered into an agreement to vote in favor of the deal, as did Mr. Malone and the Newhouse family, which is also a major Discovery shareholder.

After closing, Scripps shareholders will own about 20% of Discovery's shares and Discovery investors will own 80%. The acquisition is expected to create about $350 million in cost synergies and add to adjusted earnings in the first year, Discovery said. Mr. Lowe, who was **already planning to step down** as CEO in 2019, is expected to join Discovery's board. – ***Wall Street Journal***

It's hard to conceive of Democrat Gov. Tom Wolf handing Big Labor a bigger sop than his nomination of the Pennsylvania State Education Association's president as the next head of the state Department of Labor & Industry — which the state Senate must reject.

That's because it's just as hard to conceive of Jerry Oleksiak, 64, going from advocacy as head of Pennsylvania's largest teachers union to impartiality regarding organized-labor issues — or doing what's best for taxpayers and the public as a whole — as Labor & Industry secretary. Not with PSEA's contract demands routinely plundering taxpayers' wallets and, as the Commonwealth Foundation notes, the PSEA "spending nearly $42 million on political activity since 2007," including more than $1 million given to Mr. Wolf since 2013.

Worse yet, Mr. Oleksiak embodies one of Pennsylvania's most repugnant teachers-union practices. Mr. Wolf touted "his 32 years in the classroom" but didn't mention what Commonwealth does: Since 2007, he "hasn't shown up for his job as a special education teacher in the Upper Merion Area School District. Instead, he's been a ghost teacher" doing full-time PSEA work "while calling himself a teacher, accruing seniority, and amassing public pension credit."

The Pennsylvania AFL-CIO congratulating Oleksiak on his nomination is another indication that he's the wrong pick for Labor & Industry secretary. The Senate must ensure that Wolf does not succeed in handing this union fox the keys to that department's henhouse. – ***Pittsburgh Tribune-Review*** **editorial**

Gov. Tom Wolf said in a statement he is denying a Trump administration request for voter data. In a response to a letter sent Thursday by Kris Kobach, the vice chair of the Trump Administration's Presidential Advisory Commission on Election Integrity, Mr. Wolf said that it "does not satisfactorily address my serious reservations about the real intentions of the committee and its possible use of voter information, considering the false statements this administration has made about voter integrity."

He said that he still has "grave concerns" about the intentions of the commission, and fears it intends to pursue restrictions on the rights of Pennsylvanians to vote. The right to vote is absolute and I will not assist any effort to create unnecessary and unfair burdens on voters." He said he has partnered with PEW Charitable Trusts and the Electronic Registration Information Center (ERIC) to ensure the accuracy of state voter rolls. "As I have said previously, publicly available voter file information can be purchased for $20 from the Department of State and the Secretary Kobach is welcome to purchase the data like any other citizen." – ***Pittsburgh Post-Gazette***

BCAP

Broadband
Cable Association
of Pennsylvania

127 State Street Harrisburg, PA 17101
717-214-2000 (f) 717-214-2020
bcapa.com

First in Broadband.
The Future of Broadband.®