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NFL Sunday Ticket: Talking Football, Cord Cutting & Economics

DirecTV pres/CEO *Mike White* reiterated his optimism that an exclusive **NFL** Sunday Ticket deal will get done, telling the crowd at the **Covington & Burling Sports Media & Technology** conference Wed that current negotiations have been very constructive so far. "We're talking lots of money here, so these things take time," he said. The partnership between the 2 companies is coming into its 20th year. Comments from **NFL Media** COO *Brian Rolapp* later in the day seemed to confirm White's view. The league is "happy with DirecTV… We've really grown through pay TV," he said. While there has been talk about a company such as **Google** swooping in for the rights, work needs to be done on the technological and business models, according to Rolapp. "For us, television still remains the most efficient way... to get our product out," he said. For Internet delivery to scale the NFL's user base, the tech has to catch up some, he said, but "once they decide they want to be in that business, it won't take much." In the meantime, White has another concern. Though DirecTV's 2mln Sunday Ticket subs are extremely loyal and passionate, his real worry—rather than cord cutting, which he wouldn't at this point call "a significant trend"—are those customers who may not be able to afford the increase in fees that must be passed over to them as a result of rising sports costs and content across the board. On Wed, **PwC** released a report predicting sports media rights will increase at a compound annual rate of 7.7% from an estimated $11.8bln in 2012 to a projected $17.1bln in 2017. And though the industry is not imploding just yet, White has seen growing evidence of discontent from subs. "If I showed you what's happening to churn and the customer complaints I've seen this year because of the increase in their bills, I've never seen a noise level as high as I've seen this year," he said. "As distributors, if you keep raising prices far in excess of CPI inflation and household median income, especially for the bottom 60% of America whose income is not growing, you're going to see significant consequences down the road." The bottom line: MVPDs need more flexibility with bundles, or "you're going to have a revolution by consumers." Will DirecTV go for a low-cost package as **Comcast** has? "I don't think there's a huge take for it so far," he said. "But if there's a big consumer demand for it, we'll do the same thing. We're all trying to deal with those customers who don't want to pay for sports." One way the DBS provider has done that—with success, he noted—is through implementing an RSN charge, which it has applied to about 15% of the country in geographies north of $7. "We felt we had to pass at least some of it through, and it was a modest amount," he said. When it comes to govt involvement, White predicted we'll see more legislation similar to that proposed this week by Sen *Jay Rockefeller* (D-WV) that "probably doesn't sensibly address the problem," but is a reflection of consumers' frustration with the rising costs of pay TV, he said.

Amdocs InTouch: Cable needs to "try and try again" like small startups to find its "innovation velocity" to retool its IT infrastructure to compete, said **CableLabs** evp, R&D *Tom Lookabaugh* at the annual Amdocs InTouch conference in San Diego Wed. He lauded the simplicity and elegance of companies like **Apple**, which can shift strategy quickly based on consumer trends, and said cable's back-office infrastructure "has to be broken into pieces that are manage-

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able" so the industry can move quickly. He said cable has made great progress but needs to grasp the "nearly existential" urgency to change the way it approaches IT, with more risk taking and experimentation. At another presentation, *Sven Gerjets, svp*, IT solutions delivery at **DirecTV**, said younger employees expect sleek internal systems that match the devices they use in their personal lives, noting that 40% of the workforce will be millennials within 5 years. "We're all starting to figure out how to get consumerized technology into our interface," he said. Freeing up IT depts and "de-demonizing failure" can spur innovations and real results, he said. Case in point: Recent IT upgrades at DirecTV have enabled execs to create and implement new product offerings "in a day or two" vs a process that used to take 3 months.

Sports Conference Notebook: **Twitter**'s new timeline product, which it introduced right after becoming a public company, is intended for publishers to create "a curated, more organized experience," said Twitter COO *Ali Rowghani* said at the **Covington & Burling Sports Media & Technology** conference Wed. In fact, the company plans to "make Twitter easier" in the future, since its current jargon and syntax is "too inaccessible" for some. Users should be able to see the most relevant tweets on a particular topic instantaneously, he said. On the social outlet's recent deal with the **NFL**, Brian Rolapp, COO, **NFL Media** said the partnership has created "an immediacy and a scale" that's been successful, both during game windows and outside of them, he said. Meanwhile, the NFL is focusing on building out Thurs evening, a "fertile ground to build a night of football," Rolapp said. As for whether that occurs with a partner, NFL Network or some other means, the company is going through that thinking now. No timetable on when the decision will be made.

Full Bloom: **NBCU** has increased its stake to full ownership of preschool net **Sprout**, buying out partners **PBS** and **HIT Television Ventures**. The net will be integrated within the Cable Ent Group. "We see enormous potential in Sprout, and we are committed to our investment in the kids and family arena," NBCU Cable Entertainment chmn *Bonnie Hammer* said in a statement. Financials weren't disclosed. Sprout launched in '05.

On the Hill: Longtime backers of an overhaul of sports blackout rules, Sens *John McCain* (R-AZ) and *Richard Blumenthal* (D-CT) introduced the Furthering Access and Networks for Sports Act (FANS Act) this week. The bill seeks to decrease the frequency of sports blackouts by requiring leagues to meet basic obligations to fans. Specifically, it would eliminate the **FCC**'s sports blackout rules and condition antitrust exemptions to prevent sports blackouts during TV rights disputes by requiring leagues to make a game available over the web when it's not available on TV. The provision targets **MLB**, the only league to enjoy a broad exemption from antitrust laws. It would bring MLB under the Clayton Antitrust Act "for the purposes of this legislation only," a bill description said. Rep *Brian Higgins* (D-NY) introduced a companion in the House.

M&A: **Verizon Digital Media Services**, which offers TVE and OTT video services for enterprises, is looking to beef up its

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BUSINESS & FINANCE

cloud-based offerings with the acquisition of **upLynk**, a cloud TV service provider. By using a single adaptive video format across all devices, upLynk simplifies encoding, storage, playback, ad insertion and analytics to eliminate complexity and enable more agile video workflows. As part of the deal, upLynk will provide multi-device and cross-platform premium content to complement Verizon's offerings. -- **Media General** completed its acquisition of **New Young Broadcasting Holding.** The company has been negotiating with **DISH** since its stations went dark on the satellite provider on Oct 1, and the merger might help resolve the dispute since DISH has an agreement with Young.

Change for Cohen: **Bravo** inked a deal for 2 more years of *Andy Cohen* and "Watch What Happens Live," plus Cohen signed a 1st-look deal, multi-year development deal with the net for his new production company, "Most Talkative." He will depart as a Bravo exec, but will continue as exec producer of the "Housewives" franchise (and he'll keep hosting those reunion specials). Vp *Lara Spotts* will assume the role as head of Bravo's dev team, leading scripted and non-scripted efforts on the West and East Coast.

Business/Finance: **Clearleap** secured $20mln in funding in a financing round led by **Susquehanna Growth Equity**. Existing investors **Trinity Ventures** and **Noro-Moseley** also participated.

CableFAX Daily Stockwatch

Company	11/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
21ST CENTURY FOX:	33.69	0.52
DIRECTV:	63.87	(0.15)
DISH:	51.52	1.17
DISNEY:	68.97	1.20
GE:	27.15	0.10
MSOS		
CABLEVISION:	15.31	0.27
CHARTER:	128.76	0.30
COMCAST:	47.39	0.41
COMCAST SPCL:	46.21	0.31
GCI:	9.81	0.03
LIBERTY GLOBAL:	79.41	0.83
LIBERTY INT:	28.05	0.45
SHAW COMM:	23.40	0.02
TIME WARNER CABLE:	120.14	1.76
WASH POST:	660.94	4.25
PROGRAMMING		
AMC NETWORKS:	66.10	(0.37)
CBS:	60.17	1.44
CROWN:	3.18	0.06
DISCOVERY:	85.55	1.14
GRUPO TELEVISA:	29.41	0.11
HSN:	57.24	0.65
INTERACTIVE CORP:	57.43	(0.54)
LIONSGATE:	34.00	1.67
MADISON SQUARE GARDEN:	56.83	1.00
SCRIPPS INT:	76.60	0.71
STARZ:	28.83	0.99
TIME WARNER:	67.69	0.90
VALUEVISION:	5.33	0.10
VIACOM:	83.16	1.01
WWE:	13.21	0.16
TECHNOLOGY		
ADDVANTAGE:	2.77	0.13
ALCATEL LUCENT:	4.07	0.04
AMDOCS:	40.48	0.02
AMPHENOL:	81.69	0.32
AOL:	45.60	2.34
APPLE:	520.63	0.62
ARRIS GROUP:	17.29	0.06
AVID TECH:	8.05	0.10
BLNDER TONGUE:	0.96	(0.01)
BROADCOM:	27.58	0.35
CISCO:	24.00	0.27
CONCURRENT:	7.58	0.12
CONVERGYS:	20.19	0.28
CSG SYSTEMS:	28.00	0.26
ECHOSTAR:	50.69	1.09
GOOGLE:	1032.47	20.69
HARMONIC:	7.40	0.06
INTEL:	24.60	0.17
JDSU:	12.49	0.04
LEVEL 3:	29.85	(0.02)
MICROSOFT:	38.16	0.80
MOTOROLA MOBILITY:	13.57	0.17
NIELSEN:	40.19	0.19
RENTRAK:	40.10	0.12
SEACHANGE:	13.79	0.21
SONY:	17.94	0.71
SPRINT NEXTEL:	7.06	0.07
TIVO:	13.41	0.20
UNIVERSAL ELEC:	37.25	1.05
VONAGE:	3.37	(0.04)
YAHOO:	35.10	1.03
TELCOS		
AT&T:	35.07	(0.1)
VERIZON:	49.99	(0.17)
MARKET INDICES		
DOW:	15821.63	70.96
NASDAQ:	3965.57	45.66
S&P 500:	1782.00	14.31

Think about that for a minute...

The F Word

Commentary by Steve Effros

OK, it's not one "F" word, there are two of them I want to mention today: facts and fear. One seems to be casually ignored and the other is the driving force behind a proposed piece of legislation that was floated this week by the office of Senate Commerce Committee Chairman Jay Rockefeller.

Let's get a few preliminary facts out of the way first. There is little likelihood that this piece of legislation as written will become law. It's widely seen as a discussion draft "marker" regarding what the Senator personally thinks is important. In particular it should be noted that while Mr. Rockefeller is both a highly regarded member of the Senate and Chairman of at least one of the relevant committees that would have to look at this legislation, there aren't that many days left in this year's Congressional Session. Mr. Rockefeller has already announced that he will be retiring at the end of 2014, and we all know how long it takes to get major telecommunications legislation passed. However, renewal of the satellite carriage bill has to be completed by the end of next year, and some pieces of the Rockefeller proposal could wind up in that bill, so it's not something to be totally ignored, the way the McCain "a la carte" bill has been.

This one allegedly deals with making it easier for online video distributors to get access to programming and at the same time limit the ability of "MVPDs" to contract for exclusive programming. You'll recall that my column last week focused on the mess currently created by the differing regulatory obligations of MVPDs, cable, ISPs, and the like. I urged that the entire "mish-mosh," as my mother would call it, should be simplified and the same rules should apply to everyone. Unfortunately, the Rockefeller draft goes in the exact opposite direction! It's based on the fear that MVPDs could lock up all programming, and that broadcasters could demand retransmission consent fees from online video providers such as Aereo just as they now do from cable and satellite. It continues the fear mantra that ISPs are poised to "slow down" their competitor's offerings on the Internet, and that somehow Internet deliverers are being constrained from competing for programming. Forget "House of Cards" and the fact that Netflix has become the largest exclusive program deliverer.

The result; rather than simplifying things and getting rid of all the "silos" for regulating different technologies, the draft creates more! Now there would be MVPDs, cable, satellite, broadcast and "OVDs" (online video distributors) but also "non-facilities based multichannel video program distributors" (NFBMVPDs?) as well. And OVDs can choose to be NFBMVPDs if they want to get their benefits and obligations, except if you read it carefully (I don't recommend that) you will see that the primary "benefit" is program access and lots of regulation and oversight of the negotiations over intellectual property rights, but the "obligations" in most cases can be waived, such as requiring a "basic tier" of programming, or public access, or EAS or, indeed, just about anything else at the discretion of the Commission.

The Commission, remarkably, would become an arbiter of antitrust (DOJ) considerations, consumer protection language (FTC) and get deeply enmeshed in regulating the propriety of just about any intellectual property contract. The staff draft is a mess especially in dealing with a business that has become, based on the facts, fiercely competitive. As has been noted, "...the only thing we have to fear..." well, you know the rest.

Steve

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