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Merger Talk: Wireless/Pay-TV Combo Means More Negotiation Power

Combining wireless and pay-TV means more leverage for a bigger **AT&T** when it comes to content negotiation, according to CFO *John Stephens*. "On a combined basis we will go to the content guys and the one new factor is that we've got 60 million or so tablets and postpaid smartphone customers," he said at the **JP Morgan** media, tech and telecom conference Wed. In addition, the telco has some 10mln broadband subs who don't have video subscription from AT&T. "So we are going to go to them with an opportunity for 70 million new customers… Having an ability to negotiate and work with them to come up with some alternatives and over-the-top solutions I think is a natural," Stephens said. Again, he emphasized that a bigger AT&T will be the only operator with satellite, wireless and broadband platforms. That didn't concern **Time Warner Cable** CFO *Artie Minson*. TWC has 25% market overlap with AT&T and has been competing with both the telco and **DirecTV** for years, Minson said during the same conference. "I don't see much change overall… as a result of the merger. We compete against them well and that will continue to be the case," he said. Though 2 mega deals mean more work for regulators, the AT&T deal wouldn't impact the timeline of the Comcast deal, he said. Minson still expects the Comcast deal to be completed before year-end. Regarding **NFL**, DirecTV will be the sole negotiator in reaching a content deal, Stephens said. He noted that comments by league officials regarding its relationship with DirecTV were positive. Making live NFL programming available on AT&T phones could draw more mobile subs for the telco. And NFL, if a deal could be reached, will be just the start of more live sports programming over AT&T's wireless network: "It is a very interesting opportunity. I would hope that any of the content providers, but specifically some of the sports teams, would really find it interesting," Stephens said. Rival **Verizon** has its own mobile deal with NFL. Meanwhile, existing U-Verse customers won't be pushed over to the satellite side post-merger. "Customers will have their choice. If they want to stay on their U-Verse they can. They are absolutely going to be able to keep it," Stephens said. "This transaction is not based on freeing up any of the wired capacity," he said, as the merger would also give subs the option to switch to satellite service. A bigger AT&T would also leverage talent and skills from both sides and develop better user interface and improve service quality, Stephens said. "Bringing that together is certainly… one plus one equals more than two," he said.

Why Not DISH: **AT&T** CFO *John Stephens* explained why the telco picked **DirecTV** instead of **DISH** during the **JP Mor-**

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gan investor conference Wed: "DISH has been very loud about their intentions to get into broadband. From a regulatory perspective bringing a company that either is or intends to be in broadband together with another broadband company would likely raise additional regulatory scrutiny." Secondly, DISH has a lot of spectrum and DISH execs talked about their intention to use the spectrum, which could draw additional regulatory scrutiny, he said.

Wisdom from the Cablefax Digital & Tech Summit: Fall in love with your customers, not your technology, advised **Ember Media** exec producer *Clayton Banks*. When you care about their families, their health, their pets—that's when you get the opportunity to bring them new services. It was a sentiment echoed by others at the all-day conference, with *George Sarosi*, **Time Warner Cable** chief architect of platform software and next-gen navigation reminding the audience to "think about the fun you bring to customers' homes." Earlier in the day, former **HBO** CTO *Bob Zitter* outlined some of the challenges the industry faces, ranging from the legacy set-tops in the field with terrible user interfaces to slow cycle times. Almost everything in cable takes a good year from conception to implementation, he said. "We need to find ways to get the cycle time from greenlight to launch to something like 4 months," Zitter said. TVE got plenty of face time, from the problems with authentication to creating a consistent user experience. To take TVE to the next level, "a consistent rights strategy" is necessary, said *GW Shaw*, vp, of **AT&T's U-verse** and video products. What about OTT? In 3-5 years, will they be happily married? "I don't think they'll ever come together," said *JR Cottingham*, dir, product management, **Clearleap**, predicting that traditional media will carry live and tentpole events, with OTT platforms specializing in less time-sensitive content. The relationship will be complementary, he said. Targeting consumers and privacy also was a hot topic. *Tania Yuki*, CEO/founder, **Shareablee** is a big believer in "the beauty of targeting." But she cautioned that going too micro will result in losing some people "on the fringes." *Tamara Franklin*, evp, digital, **Scripps Networks Interactive**, recommends a combination of both hyper-targeting and scale. "If done well you can not only address your target audience but also expand your audience," she said.

Other Conference Highlights: **Comcast** dir, social media mktg *Robin Dagostino* said Comcast's efforts to create one dashboard connecting all of its social media metrics will allow the MSO to combine multiple software pieces into "one holistic experience" and ultimately improve the customer experience. "It's really important to us that we're connecting all the dots," she said. -- *Tonia O'Connor*, **Univision** pres, content distribution and corporate business development, called it a "challenge and a bit of a frustration" that advertisers don't recognize the full value of digital platforms but added that attitudes are changing fast. "When that tipping point happens, we have to be prepared for that," she said. -- One big challenge for content providers is that "consumers don't quite understand the dynamics of rights and windows," said *John Sullivan*, vp, product development and strategy, distribution. He said the key is monetizing as many platforms as possible. -- Even in commercial services, disruptors can be a problem. "If cable doesn't have what they want, they will go to the disrupter," **Blonder Tongue**'s evp, ops *Emily Nikoo* said of business clients. -- **Penthera** pres/CEO *Michael Willner* (soon to run **Comcast-Time Warner Cable** spinoff and soon-to-be-renamed **SpinCo**, assuming the deal goes through) told attendees cable has no choice but to disrupt itself. "At the end of the day, this is what consumers want," he said. "And if we don't do it, somebody else will."

TWC Ups Speed: **Time Warner Cable** upped its Internet speeds in the greater Austin area to 300 Mbps starting June 3. For example, TWC Standard Internet plan subs (formerly up to 15 Mbps) will now receive speeds of up to 50 Mbps, and customers who subscribe to the Ultimate plan, formerly up to 100 Mbps, will receive up to 300 Mbps, for no extra cost. Some subs will need a DOCSIS 3.0 modem to receive the speed increases. The speed upgrade will be available to almost 40% of TWC internet subs in the area. In addition, the MSO added more WiFi hotspots in the Austin area, allowing Standard Internet or above subs to access more than 2K hotspots in the area.

Pomp & Circumstance: With graduation season upon us, it's fitting that **EPIX** pres/CEO *Mark Greenberg* gave a commencement-worthy speech Wed imploring the industry to go out there and break the rules. Speaking at ***Cablefax***'s Digital & Tech Summit in NYC, he reminded attendees that cable was the original revolutionary breaking up the stronghold of the Big 3 broadcasters. "The problem now is that too many in the TV industry have forgotten those lessons," he said. "The mantra of the Digital Age has been 'Adapt or Die,' but in truth, the real digital mantra is 'Disrupt or be Disrupted.'" While cable has taken some "baby steps," Greenberg said it hasn't gone as far as a **Pandora** in letting users create their own channel. Or a **Nike**, which let's consumers personalize their shoes. "Cable companies don't even let you pick your service

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time. They give you a 3-hour window," he said. Echoing **Time Warner**'s *John Martin* at the Cable Show, the EPIX chief complained that authentication today is too difficult. "Operators have yet to create a simple and effective way for consumers to access TV Everywhere," he said. "My hope is the industry won't make the same mistakes of the music industry before we realize the promise and potential of digital."

Ratings: The Miami Heat's 87-83 victory over the Indiana Pacers Tues is the 3rd-highest rated NBA Conference Finals Game 2 ever on **ESPN**, generating a 5.9 overnight rating, up 55% from last year's Game 2 coverage.

Programming: **Logo TV** added a new event to honor pioneers in the quest for LGBT civil rights. "Trailblazers" premieres June 26, 9pm—the same week that marks the 45th anniv of the Stonewall Riots and the 1-year anniv of DOMA being overturned. -- **Cooking Channel** premieres 6-ep series "Sweet Julia" on June 21. -- **A&E**'s original series "Shipping Wars" returns for Season 6 on June 3 with back-to-back premieres. -- **TNT** airs a 10-hour marathon of its drama series "Falling Skies" starting May 26 at 10am.

People: **Discovery Comm** upped *Nellie Ryan* to vp, marketing-strategy and *Garney Sloan* to vp, marketing-creative, respectively, for **ID**. They will both report to *Doug Seybert*, svp of marketing for ID, **American Heroes Channel**, **Destination America** and **Discovery Fit & Health**.

CableFAX Daily Stockwatch

Company	05/21 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	84.03	1.04
DISH:	57.64	0.11
ENTRAVISION:	5.21	0.04
GRAY TELEVISION:	10.53	0.17
MEDIA GENERAL:	17.01	0.16
NEXSTAR:	44.43	1.58
SINCLAIR:	29.68	0.29
MSOS		
CABLEVISION:	17.08	0.03
CHARTER:	138.56	(0.4)
COMCAST:	51.35	0.70
COMCAST SPCL:	50.90	0.81
GCI:	11.11	(0.06)
GRAHAM HOLDING:	670.76	(4.32)
LIBERTY GLOBAL:	45.27	1.42
LIBERTY INT:	28.27	0.23
SHAW COMM:	24.97	0.17
TIME WARNER CABLE:	139.70	1.85
PROGRAMMING		
21ST CENTURY FOX:	34.55	0.46
AMC NETWORKS:	60.60	0.77
CBS:	59.02	1.93
CROWN:	3.39	(0.05)
DISCOVERY:	74.30	0.57
DISNEY:	82.19	1.10
GRUPO TELEVISA:	33.05	(0.25)
HSN:	53.98	0.24
LIONSGATE:	27.76	0.24
MADISON SQUARE GARDEN:	51.21	0.15
SCRIPPS INT:	74.95	0.93
STARZ:	29.80	0.28
TIME WARNER:	70.06	1.17
VALUEVISION:	4.87	(0.15)
VIACOM:	84.59	1.11
WWE:	10.85	(0.08)
TECHNOLOGY		
ADDVANTAGE:	2.74	0.09
ALCATEL LUCENT:	3.89	0.06
AMDOCS:	47.51	0.20
AMPHENOL:	95.15	0.55
AOL:	36.74	0.27
APPLE:	606.31	1.60
ARRIS GROUP:	29.66	0.14
AVID TECH:	7.22	0.01
BROADCOM:	30.19	(0.11)
CISCO:	24.48	0.36
CONCURRENT:	8.03	(0.02)
CONVERGYS:	21.91	0.12
CSG SYSTEMS:	25.21	0.28
ECHOSTAR:	50.46	0.14
GOOGLE:	538.94	9.17
HARMONIC:	7.26	(0.01)
INTEL:	26.20	0.16
INTERACTIVE CORP:	62.82	0.71
JDSU:	10.78	(0.01)
LEVEL 3:	44.05	0.22
MICROSOFT:	40.35	0.67
NIELSEN:	47.47	0.45
RENTRAK:	50.37	1.29
SEACHANGE:	9.42	0.04
SONY:	16.05	0.04
SPRINT NEXTEL:	9.10	0.11
TIVO:	11.75	UNCH
UNIVERSAL ELEC:	40.40	0.18
VONAGE:	3.56	(0.06)
YAHOO:	34.36	0.49
TELCOS		
AT&T:	35.27	(0.23)
CENTURYLINK:	37.17	(0.41)
TDS:	26.24	0.04
VERIZON:	49.17	0.52
MARKET INDICES		
DOW:	16533.06	158.75
NASDAQ:	4131.54	34.65
S&P 500:	1888.03	15.20

Think about that for a minute...

The EU Canary

Commentary by Steve Effros

It's notable when both Democratic and Republican members of the FCC make a point of saying the press simply didn't "get it" regarding something that the Commission did. In this case it was the Notice of Proposed Rulemaking on so-called "net neutrality" that was at issue. Many in the press didn't even understand that this was a broad proposal, for public comment, not the "adoption of rules" as was printed in far too many newspapers and repeated throughout the media.

The confusion and bad reporting was disheartening. Here's what I wrote as a response to one major blog that insisted the end of the Internet was upon us:

The "fast lane" "slow lane" characterization is a shibboleth. Creating a service that provides "QOS"… or a quality of service guarantee, like the different services common carriers offer such as T1 and T3 lines versus "best efforts" telephone connections, does not automatically mean that the "best efforts" service will be slowed down. The notion that in broadband engineering offering different bandwidth capabilities will somehow "slow down" others is simply not technically true.

Another mail carrier, the US Mail service, introduced special, additional services many years ago. "Express Mail" and "Priority Mail" for that small subset of folks who need those services. That did not slow down "regular" mail. In fact, studies show that all mail delivery improved because of those offerings. It also didn't kill new entrepreneurs. Netflix was one of those new entrepreneurs which decided to use "regular" mail, not "Express Mail" and clearly it didn't hurt its development.

There are already many major companies, like Google, Amazon and Apple, like Netflix, using "fast lanes" they have created, with their own CDN networks, that bypass virtually all of the "public" Internet and get their material to users more efficiently. There are also companies that have long offered that service for a fee, like Akamai. So this whole argument about "fast" and "slow" lanes is uninformed lobbying jargon, but not really what the issue is about.

Some edge companies don't want to have to pay for special delivery, but they want special delivery. Most companies don't need it. The ones who do would prefer that everyone else pay. The consumer groups don't want to see prices go up, but want the broadest, fastest service available. So everyone wants more, but nobody is willing to pay for it, or wants to figure out how to make the "other guy" pay for it. At the moment the "Netizen" business solution seems to be either that the folks building the infrastructure should just pay for unlimited upgrades with no recovery of the additional costs, or the government should come in and finance "Gigabit" construction. That's not going to happen. So let's stop using lobbying language and address the real issues surrounding "net neutrality." No one is arguing against "no blocking" or "transparency." The issue, as usual, is who pays.

The Netizen legal solution: Title II regulation. Get the government involved with both feet. But another event last week, a ruling in the EU that Google, an Internet user, not provider, had to edit some of its content, should be a major warning to the Netizens: when the government comes in, it doesn't leave. They regulate the ISPs first, then everything else. The EU regulatory decision is the "canary in the mine" on Internet "freedom" and the canary is already having trouble breathing. More government regulation of the Internet may kill the canary, not save it. Beware of what you ask for!

Steve

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