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WHAT THE INDUSTRY READS FIRST

Crickets: Industry Left In Dark When It Comes to Sports Streaming JV

We've now seen the upfront presentations from **Fox**, **Disney** and **Warner Bros Discovery**, and the partners behind a sports streaming jv set to launch this fall failed to offer any new information on the product during the glitzy showcases. We don't know what may have been shown behind closed doors to advertising partners, but with a launch slated for the fall and only breadcrumbs to consume, the list of questions only grows.

No name, preview video or teaser was unveiled despite each of the companies allocating a portion of their events to the sports rights under their respective portfolios. In WBD's case, however, the more pressing matter is what's going to happen with the imminent **NBA** media rights deal that the company is reportedly battling **NBCUniversal** for. That may be a reason for potential delays in releasing details about the jv, but **TNT Sports** Chairman/CEO **Luis Silberwasser** at least addressed the NBA's media murmurs during WBD's upfront Wednesday morning.

"Before I close, I want to mention a topic on everyone's mind, and that's the NBA," Silberwasser said. "We have enjoyed a successful partnership with the NBA for 40 years, and we look forward to another season and reaching an agreement that makes sense for all the parties. At the end of the day, we're sports fans just like all of you, and our focus remains on delivering the best-in-class experiences that you all expect from TNT Sports."

Fox and Disney spent Wednesday at **MoffettNathanson's** Media, Internet and Communications conference, but at-

tendees hoping that would be the venue for more nibbles on the sports streaming jv were largely left wanting more. Fox Corp. CFO **Steve Tomsic** at least acknowledged the bundle's existence, saying the logic of the sports jv largely came from a desire to not have the company's content be defined by its means of distribution and to try to put together an offering that would soothe the pain points for customers that want to watch sports, but don't want to subscribe to linear television.

"We're approaching a point where there are just as many people outside the bundle as there are inside the bundle and there's clearly frustration with what's inside the bundle and the price point that that comes at, and so here's an opportunity to try and acquire more subs that are either cordcutters or cordnevers," Tomsic said.

Disney CEO **Bob Iger** didn't mention the jv at all during his conference appearance, but did talk in broad strokes about technology changing how **ESPN** can serve sports fans across streaming and linear. In many ways, it is all about customization and creating unique experiences while also having the right mix of sports to make the majority of fans happy.

"I really think that by basically using the AI technology that is coming available to us, we'll be able to provide the sports fan with an even deeper and more customized experience that will even increase the stickiness of ESPN. Live sports today are still extremely valuable," he said. "So as long as we maintain a leadership position, which I'm confident we'll be able to do certainly through the next decade given the portfolio of rights



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that we already have and we intend to buy, we'll be fine.

In many ways, **Netflix** stole the sports show Wednesday not only with its upfront, but with the announcement that it is now a partner of the **NFL**. Netflix will be the international home of the NFL's two Christmas Day games this year, and it'll have at least one Christmas game in each of the 2025 and 2026 seasons. This year's contest will feature the Chiefs vs Steelers and Ravens vs Texans. It's the biggest venture into live sports for the streamer, but it's not a grand shift in Netflix's overall strategy.

"I think of this as really more part of our strategy to build out big live event ties in our programming, rather than a big move into sports, per se," Netflix VP, Finance, IR & Corp. Development *Spencer Wang* said at MoffettNathanson's conference. "In a world of audience fragmentation and so many entertainment choices, I think what's really rare are three things: attention, the ability to bring mass audiences together and really passionate viewing. I think the NFL really fits in well with that strategy."

Wang of course couldn't confirm the exact financial details of the NFL deal, but said it's a very manageable cost for the streamer. He added that each game is roughly the size as one of Netflix's medium-sized original films, and it all fits within its existing content budget of about \$17 billion in cash spend for 2024.

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FCC JUNE AGENDA INCLUDES BGP SECURITY, LETTERS OF CREDIT

The largest broadband providers would have to file confidential reports on their Border Gateway Protocol (BGP) security under a new proposal from **FCC** Chairwoman *Jessica Rosenworcel*. If adopted at the Commission's June meeting, the nine largest service providers would file their BGP plans confidentially with the FCC as well as file publicly available quarterly data that would allow the agency to measure progress in the implementation of RPKI-based security measures and assess the reasonableness of their BGP Plans. Under the proposal, all broadband providers would need to develop plans for implementing BGP security measures. The FCC launched a proceeding on BGP with a Notice of Inquiry adopted in February 2022. "Whether you're banking online, using telemedicine to see the doctor, or attending school remotely, you rely on a set of technical rules called the Border Gateway Protocol (BGP) to route your data efficiently. This protocol was designed for expediency, not security. Accordingly, it lacks explicit security features, which has allowed criminals to "hijack" online traffic," Rosenworcel wrote in an outline of the June meeting agenda. The meeting also is slated to feature an item that would seek comment on changing existing bank rating standards and reducing the letter of credit value for required letters of credit that broadband providers who receive FCC support to deploy broadband to high-cost areas must maintain. The Commission also is set to

vote on rules to create a three-year, \$200 million pilot program to study the effectiveness of using universal service funding to support cybersecurity services and equipment to protect school and library broadband networks and a proposal for certain low-power broadcast stations to maintain a public file.

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NTIA ADAMANT IT IS NOT ALLOWING RATE REGULATION

NTIA Administrator *Alan Davidson* remains adamant that the BEAD program is not allowing states to regulate rates within their borders. Testifying at a **House Commerce** hearing Wednesday, Davidson said the agency truly believes it is following the statute by requiring subgrantees to offer a low-cost service option. Beyond that, he said states have a lot of flexibility in how they define what that option looks like. "We believe that this is a condition to get a federal grant. Nobody is requiring a service provider to follow these rates. People do not have to participate in the program, and if they do participate in the program, there are a lot of requirements—papers they have to file, things they have to do and one of them is to offer a low-cost service option the way the state defines it," Davidson said. At this point, seven states and the District of Columbia have received the green light on their initial proposals, meaning they can request access to their first batch of BEAD funds. Negotiations are ongoing with the rest over several aspects of initial proposals, and Virginia's has been notably in limbo presumably due to a disagreement on the state's approach to the low-cost plan requirement. Davidson was asked whether more information on those negotiations will eventually be made public, but it seems that the details are largely going to stay confidential for some time. "I'll just say we endeavor to be transparent. We don't need a law to tell us to be transparent. We put a lot of this up on our website, there are a lot of conversations that happen, communications that happen back and forth between states," he said. "I will say due to the sort of confidential and sensitive nature of some of the information, I don't think we'll routinely publish those."

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FIRST BIDEN, TRUMP DEBATE COMING TO CNN IN JUNE

Yes, America, there will be presidential debates. Two of them, it looks like. President *Biden* and *Donald Trump* used social media Wednesday to hammer out agreements for a June 27 debate on **CNN** and a Sept. 10 debate on **ABC**. Georgia, appropriately given the close race in 2020, will serve as the site for Round 1 with CNN anchors *Jake Tapper* and *Dana Bash* to serve as moderators from CNN's Atlanta studios. The debates are a departure from the norm, with Biden's staff notifying the Commission of

Presidential Debates that he will not participate in the three general election debates sponsored by the commission and instead will participate in debates with news outlets. The non-partisan, non-profit commission announced in November that it would have its first debate Sept. 16. Both candidates have had issues with commission, including the timeframe for the debates given early voting. Notably, the June 27 debate will come before either candidate formally accepts their parties' nominations at their national conventions.

WBD CELEBRATES UPFRONT WITH AD ENHANCEMENTS

Warner Bros. Discovery introduced One WBD, a system that extends point of content throughout its portfolio in streaming, theatrical and U.S. networks to streamline partnerships for clients during the marketing cycle. That coincided with a new suite of advanced ad products on **Max**, which includes shoppable content, advanced contextual targeting to match the emotional tone of specific content and interactive video. Interactive video options span formats like click-to-contact, trivia and polls and viewer's choice. "Half of our new signups are choosing Max with ads," Chief U.S. Advertising Sales Officer *Jon Steinlauf* said. "We now simulcast all **TNT** and **TBS** live sports on Max, and about 50% of those live sports viewers are without pay TV. Over the last year, we've seen more excitement for our sponsorships and our ad offerings." WBD touted its expansion with Hispanic programming Wednesday as well. WBD U.S. Hispanic is rolling out 10 new FAST channels along with a bigger content lineup. The channels will launch by the end of this year. It's also adding **CNN en Español** to its portfolio. On the programming side, a new kitchen competition show inspired by the "Harry Potter" franchise "Harry Potter: Wizards of Baking" has been greenlit by **Food Network**. **HGTV** will roll out "The Flip Off" in early 2025, which will have ex-couple *Tarek El Moussa* and *Christina Hall* with their new spouses competing to get the biggest financial gains when flipping houses. *John Cena* will host **Discovery Channel's** Shark Week festivities that begin July 7. "Fatal Destination" will debut in 2025 on **Investigation Discovery** to spotlight crimes happening in exotic destinations. **HBO's** turn at the upfront included revealing the team for this year's "Hard Knocks" franchise: The New York Giants. The five-part series will begin July 2 at 9pm and stream on Max. HBO will also have Season 2 of "The Last of Us" come in 2025 and "Dune: Prophecy" will roll out later this year on Max. Additionally, "Conan O'Brien Must Go" was renewed for a second season.

AT&T'S SPACE BROADBAND RACE

AT&T and **AST SpaceMobile** are linking up to provide a space-based broadband service—and competition to **Starlink**. The first AST SpaceMobile satellites are set to launch into low-Earth orbit this summer. The two announced a formal commercial agreement Wednesday after previously working

together under a MOU and testing the offering. The two companies touted that the service will work with everyday mobile phones. "One day in the not-too-distant future, consumers will feel a greater peace of mind knowing they have connectivity in places like wilderness areas, including our national park land, rural highways, and other hard to reach locations around the country," the companies said. *Chris Sambar*, Head of Network for AT&T, will soon be appointed to AST SpaceMobile's board.

NETFLIX'S AD TIER PAYING OFF

The fruits of **Netflix's** ad-supported tier are paying off. The company revealed at its second upfront presentation that the ad plan has 40 million global monthly active users, a slight increase from the five million it recorded a year ago and nearly double the 23 million it had in January. More than 40% of all signups are going to the ads plan in countries it's available in. *Spencer Wang*, Netflix's VP, Finance, IR & Corp. Development, said that the adoption rates across different regions are consistent, but with Netflix still scaling its ad segment, there's plenty of room to grow both on the consumer and business side of things. "We've been growing our ads membership base so quickly—to 65% membership growth quarter on quarter in Q1, on top of 70% growth in Q4, on top of 70% growth in the quarter before that, on top of 100% growth. So there's naturally a lag in the monetization of it as we grow our inventory and our supply, but that's a very fixable challenge for us," Wang said at **MoffettNathanson's** conference. That growth will receive a boost when Netflix launches an in-house advertising technology platform by the end of 2025 while also expanding its buying capabilities to include The Trade Desk, Google's Display & Video 360 and Magnite, who will join Microsoft as main programmatic partners for advertisers.

CHARTER 10,000TH COMMUNITY

Charter announced a franchise agreement to serve Berry, KY, making it the company's 10,000th local community across its 41-state footprint. It celebrated the milestone Tuesday with a celebration that included Kentucky Gov. *Andy Beshear*, residents, company leadership and community leaders. Charter said Berry is a rural community with 350 residents that has never had access to high-speed internet. It's part of the company's larger \$37 million deployment project in the county that will connect 3,700 homes and businesses. Charter is contributing approximately \$14 million with the rest coming from the Commonwealth's Better Internet Program and contributions received by the county through its federal American Rescue Plan Act funds. Network construction is expected to be complete in 2025. As part of the celebration, Charter and **Ovation TV** pledged \$50,000 to support the renovation of a Berry park and **AXS TV** awarded \$10,000 to Harrison County High School to support its music education programs through its AXS TV Band Together for Music Education initiative.

Think about that for a minute...

Destructive Competition

Commentary by Steve Effros

A longstanding tenet of those proposing regulatory control is that competition is a paramount objective and always in the public interest. We see that in many of the laws and regulations that exist today, particularly in the antitrust laws. The concern is always that the largest companies become dominant, make it impossible for new entrants to compete and then use their unrestrained power to adversely affect consumers. I don't disagree with that sentiment in many instances, but what we are now beginning to see is unrestrained competition that could seriously hurt consumers, our economy, and indeed the very existence of the companies that are engaged in the competition.

This week may prove to be a turning point in our worship of competition. That's particularly so as it applies to the internet, "search," social media, and undergirding it all, the breakneck speed with which "AI" has developed. Taken to its logical endpoint, the competition may wind up killing the competitors.

It started some time ago, with a little-known company, OpenAI, releasing to the public the first AI samples of "ChatGPT." A significant advance over what we had been used to with things like Google's search engine. Instead of just pointing the way to various web locations that might answer a question, ChatGPT summarized what it found on millions of websites and gave a structured, usually plausible (but not always) answer. It turned out, of course, that OpenAI was not alone in developing this new capability, Google, Meta, Amazon, Apple and probably a whole host of others we have yet to hear from were working on it as well.

But OpenAI opened Pandora's box, and all the other players, recognizing that this new competitive threat was moving very fast to establish its place in the market, decided they had to roll out their own AI versions as well. The competitive race was on. It reached a new level this week as several of the "majors" all have scheduled announcements of their new, improved AI "search" models. OpenAI demonstrated its latest capabilities on Monday. They are very impressive. The obvious objective: take a significant chunk out of Google's search dominance with a product you can "talk to" and it will "talk back," answering your

questions. Google, et.al., had not wanted to move this fast, recognizing that these new AI models still had lots of flaws and they weren't even sure how the AI algorithms were working. But the threat of competition has apparently forced everyone's hand, and we're about to see, or hear, Alexa, Siri, Google's Assistant and all the others on steroids. But steroids, as we all know, can kill.

There are major legal issues involved here, from the source material that is being used, to copyright violations, to business relationships and antitrust. I will get into those in future columns. For now, however, I suggest we back up and look at the big picture.

First, what's going on now belies the idea that only the "big" can compete. To be sure, OpenAI got plenty of funding, once it proved it had a viable product, from one of the "biggs;" Microsoft. But there are lots of other players out there now getting money from lots of sources. More importantly, this new "product" seems to "supply answers." If that's the case, then Google, or whom-ever, providing this new form of "search answer" would clearly, it seems to me, become a "publisher." They would be directly responsible for what was written, said, or shown, something they have steadfastly avoided until now.

The significance of that: the current legal protections against liability provided by "Section 230" would disappear. The structural safeguards for "social media" or "search" would be breached. And so, it would seem, would the current corporate business plan of the internet. Competition can be destructive.



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