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CABLE ADVISORY COUNCIL CHAIRMAN REPORT
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16Jan-9March 2015 Cable Industry News

assembled from the curated electronic newsfeed: newsletters@newbay-media.com

Can Net Neutrality Survive the Impending Onslaught of Lawsuits?

Here are three arguments cable and telecom giants are likely to use to try to kill the rules. The Future of Broadband - By Brendan Sasso , **National Journal 9 March 2015**

Federal Communications Commission Chairman Tom Wheeler holds the gavel as he announces the vote on net neutrality during a meeting on February 26, 2015.

March 5, 2015 The Federal Communications Commission delivered a thrilling victory to Internet activists last week by approving sweeping net neutrality regulations, but critics already are plotting how to kill the rules in court.

Comcast has warned that "we all face inevitable litigation and years of regulatory uncertainty." AT&T has pointed to "the uncertainty of litigation, and the very real potential of having to start over—again—in the future." Industry lobbying associations like CTIA-the Wireless Association, the National Cable and Telecommunications Association, and the American Cable Association also have made it clear that they are considering lawsuits.

The FCC's rules bar Internet providers from blocking any online content, selectively slowing down traffic, or offering "fast lanes" for sites that pay more. Supporters of the regulations argue that they are critical for preventing Internet providers from acting as "gatekeepers" and restricting what people can access online. The opponents consider the rules an illegal power grab that will burden companies, ultimately making Internet service slower and more expensive for everyone.

The specific legal arguments will largely depend on the language of the new rules, which the FCC still has not publicly released (although it has outlined the most important elements). Once the actual text is available, teams of highly paid lawyers for the cable and telecom companies are sure to examine every word of the 317 pages, searching for any weaknesses.

In such a complex and massive set of regulations, there are sure to be dozens of legal lines of attack. Here are three:

THE INTERNET ISN'T A 'TELECOMMUNICATIONS SERVICE'

A key part of the net neutrality debate has been about the legal authority that the FCC uses to justify its regulations. The FCC's new rules declare broadband Internet a "telecommunications service" under Title II of the Communications Act—a provision that the agency has used for decades to regulate landline phone companies. The provision grants the FCC expansive powers over a company's practices.

Net neutrality advocates argue that invoking Title II is the only way the FCC can enact rules that can stand up in court. The FCC first enacted net neutrality rules in 2010, but a federal court struck them down in early 2014. The D.C. Circuit Court of Appeals ruled that the FCC was inappropriately treating Internet providers like "common carriers" (essentially public utilities)—something the FCC could only do under Title II.

So for net neutrality advocates, the fix was simple: just classify Internet providers under Title II and enact new rules. But the critics say it isn't so easy.

The Supreme Court in 2005 gave its stamp of approval to the FCC's decision to treat broadband as an "information service" (a much weaker classification) instead of a "telecommunications service." The FCC will have to convince the courts to let it change its mind.

"What's changed now so that the services can be viewed differently?" asked Randolph May, the president of the Free State Foundation, which is opposed to the rules. "That's going to be a challenge for the commission to sustain its position."

But net neutrality supporters argue that the Supreme Court was only deferring to the FCC's expert opinion at the time and say the courts are likely to defer again to the agency. Additionally, the market has changed dramatically over the past 10 years. Back then, more people relied on their Internet provider for e-mail and other Web services, so it made more sense to consider the providers as offering more than just telecommunications.

The FCC's case for Title II reclassification is a "legal slam dunk" according to Barbara van Schewick, a Stanford University law professor and net neutrality advocate.

FCC Chairman Tom Wheeler also believes that, based on last year's court decision, he'll have a strong position against the Internet providers.

"The D.C. Circuit sent the previous Open Internet Order back to us and basically said, 'Hey, you're trying to impose common carrier-like regulation without stepping up and saying that these are common carriers,'" Wheeler explained during a press conference following last week's net neutrality vote. "We have addressed that issue. That is the underlying issue. That is the *sine qua non* of all the debates that have happened thus far. So that gives me great confidence going forward."

THERE WASN'T ENOUGH EVIDENCE

Virtually any time groups challenge an FCC decision, they argue that it was "arbitrary and capricious"—a legal standard that can invalidate regulations. This time will likely be no different, with net neutrality opponents expected to claim that FCC didn't have enough evidence of any real problem that would justify the new regulations.

"The problem is the disconnect between the evidence that they claim to support their actions and the actual evidence on the record," said Geoffrey Manne, the executive director of the International Center for Law and Economics and a critic of the FCC's decision.

Invoking the broad Title II powers wasn't justified, Manne said, and neither was the FCC's decision to ban Internet providers from offering "fast lanes" for sites that pay more. "All of the economic literature makes very clear that paid prioritization can be beneficial to consumers," he said.

The Free State Foundation's May argued that President Obama's call for the FCC to invoke Title II could be especially problematic. The courts are more likely to view the rules as a political calculation than the careful decision of an expert agency, he argued.

"I wouldn't suggest [that Obama's intervention] was in of itself unlawful," May explained. "But it may mean that a court would be more likely to scrutinize the FCC's decision and give it less deference."

Net neutrality advocates argue that the FCC relied on extensive economic analysis in shaping its 2010 rules and considered even more data for the new regulations. Industry groups, economists, and experts on all sides of the issues weighed in, helping the FCC craft its decision for how best to protect an open Internet. The agency relied on a lot more than just Obama's statement.

"I thought we had a really good record in 2010, and the record now is even stronger," van Schewick said.

THE RULES VIOLATE FREE SPEECH

The most controversial argument that Internet providers are likely to make is that the regulations violate their First Amendment right to free speech. Just like newspapers have the right to edit the content that appears on their pages, Internet providers should be able to control the traffic that flows over their networks, they argue.

That constitutional argument has the potential to overturn not only the net neutrality rules, but a whole range of communications regulations. Advocates fear that the attack could virtually cripple the FCC.

In its lawsuit over the 2010 regulations, Verizon made the First Amendment argument, but the court never actually addressed the issue.

Net neutrality advocates argue that the rules protect speech rather than restrict it. The Internet providers aren't actually speaking, but are instead transmitting the speech of others, the advocates say. The claim that Internet providers have free speech rights "clearly just doesn't match with how users view the Internet," van Schewick said.

Manne argued that the regulations "pose a very serious risk" to free speech, but that the First Amendment isn't likely to be the main argument for the opponents.

"It's the last line of defense," he explained. "I'm so confident these other issues are going to be problematic, we're very unlikely to see any of the reviewing courts make a final determination on the First Amendment issues."

Millennials Are Elusive Prey for Pay-TV Companies

5 March 2015 (Bloomberg) -- The iPhone generation is putting more pressure than ever on pay-TV companies like Comcast Corp. and DirecTV, forcing the industry to rethink how to woo young people who prefer their entertainment cheap and online.

Millennials' linear television viewing -- the old fashioned time- and channel-based kind -- has been falling for years, at about 4 percent annually. Between September and January, the drop was 10.6 percent, the largest ever, according to Nielsen data. About a quarter of 18-to-34-year-olds watch linear TV, while 44 percent of baby boomers do. Linear viewing for all ages in the U.S. peaked in 2013. ....

Millennials Find YouTube Content More Entertaining, Relatable Than TV: Study

According to Defy Media's latest Acumen Report, consumers between the ages of 13 and 24 watch an average of 11.3 hours of free online video per week compared to just 8.3 hours of linear broadcast television.
Why This Matters: *Respondents claimed to watch online video because it caters to their interests. 69% of them said digital creators provide them with the content they want, and 67% claimed to find content they can relate to online. For traditional TV, those two categories sit at 56% and 41%, respectively..*
3 Takes: Variety | MediaPost | Tubefilter

/news/content

Pew Study: Local TV Remains Go-To News Source

Continues to Top Web; Brevity Rules the Day3/05/2015 10:00 AM Eastern

By: John Eggerton

Local broadcast TV news remains "the single most visible presence in the news space" and still draws a far bigger audience than TV websites.

That is according to a just-released study, Local News in the Digital Age, of print, broadcast and online news outlets in a trio of geographically diverse U.S. markets. The study was conducted by the Pew Research Center and the John S. and James L. Knight

Foundation.

The study, which analyzed news outlets in Denver; Macon, Ga.; and Sioux City, Iowa, found that traffic, weather and sports segments accounted for about a third of the airtime on local TV news, and that short anchor reads rather than longer stories comprised about two-thirds of of the remainder.

In fact, brevity was the order of the day in all three markets. Nearly half (45%) of non-sports, weather and traffic stories in Denver were 30 seconds or less, compared with 29% in Sioux City and 17% in Macon. More than 80% of the stories in all the markets were less than two minutes long.

In addition to the legacy mainstream media, the study looked at "neighborhood and community newspapers, ethnic and alternative media outlets, civic organizations, nonprofits and municipal institutions."

The study found that in Denver, nine different TV stations offer 25 hours of news per weekday (the study did not measure weekends), including two hours in Spanish.

The study encompassed six separate studies, an audit of the news landscape (a total of 198 over-three markets were identified), a survey of residents, a content analysis (6,416 stories), site visits and interviews, an analysis of Facebook/Twitter posts and s study to select the cities.

- See more at: http://www.multichannel.com/news/programming/pew-study-local-tv-remains-go-news-source/388528#sthash.8LSdFvGh.dpuf

Comcast Merger Still Poses Threat, Critics Warn

by Wendy Davis @wendyndavis, March 2, 2015, 6:44 PM

If Comcast's $45 billion merger with Time Warner Cable goes through, the deal will extend the company's broadband footprint, leaving it as the only option for high-speed broadband in many U.S. homes.

That possibility worries many consumer advocates, who worry that Comcast will use its market power to hurt companies offering online video services. Those critics are now saying that even the Federal Communications Commission's new net neutrality rules might not prevent Comcast from leveraging its power over Internet access to harm online competitors.

Opponents argue in a new white paper that the post-merger Comcast -- which they call “Mega-Comcast” -- would be in a position to “harm competition, consumers, and the public interest” due to its new dominance over broadband.

“The Commission’s latest net neutrality rules ... do not mitigate the anticompetitive effects of approving Mega-Comcast,” the groups say.

The new net neutrality rules, which the FCC passed 3-2 last week, prohibit broadband providers from blocking or degrading traffic, and from discriminating among content companies. The regulations also contain a vague "general conduct" provision, which allows the FCC to take action if providers adopt practices that harm consumers or content companies.

Merger opponents offer a host of reasons why the order passed last week might not prevent Comcast from using its market power in ways that harm rivals.

The critics' simplest argument against the merger is that Comcast might not follow the new rules. "The merger would create a hugely increased incentive to defy any net neutrality constraints, as it would be vastly more profitable for Mega-Comcast to do so than it is for Comcast today," they argue.

"Violations of net neutrality dictates by Mega-Comcast would be difficult to detect and harder to enforce... Each business relationship that Mega-Comcast would have, each point on its network, and each technology it employs could potentially be used to undermine its competitors."

But even assuming that Comcast follows the rules, the company might still be able to impose data caps, critics say in the white paper. Comcast, like other providers, theoretically could discourage people from watching video online -- and shedding pricey cable video subscriptions -- by capping the amount of bandwidth that subscribers can consume, or by charging exorbitant pay-per-byte fees.

Opponents also point out that the rules are likely to face a court challenge that probably won't conclude for at least three years.

"Over that time, the rules may be affirmed or changed, or the FCC's interpretation of them may end up leaving important aspects of Mega-Comcast's market power entirely unconstrained," opponents argue. "Such speculative protections are too thin a reed on which to approve this transaction."

Verizon CFO: FCC Ruling 'Cluttered' Broadband Future

2 Mar, 2015 By: Erik Gruenwedel

Francis Shammo says ISP reclassification as utility could affect investment and innovation going forward

A promising broadband investment landscape received unwanted intrusion (regulation) following the Federal Communications Commission's recent 3-2 vote in favor of reclassifying the nation's ISPs under Title II of the Communications Act of 1934, Verizon CFO Francis Shammo told an investor group.

Speaking March 2 at the Morgan Stanley's 2015 Technology, Media & Telecom confab in San Francisco, Shammo said that while the exact language of the FCC ruling hasn't been available to the public, the mere specter of regulation is not a good thing.

The CFO said that prior to the FCC vote, Verizon saw an open playing field to invest, innovate and deliver products to the consumer.

“Now, that field has been cluttered up with a lot of obstacles,” Shammo said. “It’s going to be more difficult to invest, more difficult to innovate.”

Specifically, he said that innovation would now require navigating burdensome regulation on select areas of broadband distribution — a reality Shammo said invites confusion.

“I’m pretty much assured [the FCC vote] will have an impact on investment and innovation over the longer term just like we’ve seen in Europe and other places,” he said. “But, you can probably make the assumption there’s going to be a lot of litigation around this one when it’s all said and done.”

Meanwhile, Shammo said the telecom’s pending mobile video over-the-top platform would combine Verizon Digital Media Services, Edgecast and OnCue to deliver a “very viable” consumer product that can do “a lot of things."

“There’s going to be very different models in mobile video than there [is] in the linear TV. You can’t make money paying $5 [to content holders] for every subscriber you have. With 103 million [mobile] subs, it doesn’t make economic sense. And the content holders know that,” he said.

The CFO said the platform would attempt to meld multicast technology as during Verizon’s exclusive mobile wireless distribution rights to the Super Bowl and select IndyCar events.

Shammo said exclusive content would be a component of the mobile OTT service, but different from traditional linear TV. He said retransmissions deals with the NFL and IndyCar have shown Verizon how people consume wireless content.

Notably, the CFO said the average mobile video user consumes about 30 minutes of content daily spread out over short clips.

“You’re not going to watch a linear TV program here. The NFL has been a huge success during the [football] season. We saw a lot of growth in our consumer usage during that. Similar to what we saw in the World Cup. We’re learning a lot about usage patterns that we’re going to adopt in over-the-top video.”

Quote of the Day 3 March 2015

"The basic question comes down to this, and that is, if the Internet is the most powerful and pervasive platform in this history of the planet, which I believe it is, can it exist without a referee?"

– FCC Chairman Tom Wheeler

Quote of the Day 27 Feb 2015

“More than 4 million people wrote in to the FCC, overwhelmingly in support of a free and fair internet. Countless others spoke out on social media, petitioned their government, and stood up for what they believe. I ran for office because I believed that nothing can stand in the way of millions of voices calling for change. That's the backbone of our democracy – and you've proven that this timeless principle is alive and well in our digital age.”

– President Barack Obama /news/policy

Wheeler: Stay of Title II Rules Is High Hurdle

Says ISPs Would Have Tough Time Delaying Rules2/27/2015 1:00 PM Eastern

By: John Eggerton

FCC chairman Tom Wheeler says he thinks the Title II order should stand up in court, and that he doesn't see a court staying the rules in advance of ruling on the underlying court challenges that have already been threatened by ISPs unhappy with being classified as common carriers.

In a press conference following the Feb. 26 vote, Wheeler said he thought it would be hard for carriers to get a stay to "put off" the implementation of the rules.

He pointed to the orders three, bright-line rules--no blocking, throttling, or prioritized fast lanes. "They all said 'oh, we never intend to do that,' so, they are going to go into court and say, 'no, court, you need to stay this because we intend to block, we intend to throttle, we intend to have fast lanes.' So, I think a stay is a high hurdle.

One of the key tests for a stay is to prevent immediate harms from implementation of a rule, and Wheeler is suggesting that since ISPs have said they are not going to do any of things, a rule preventing them poses no immediate harm.

As to whether Title II would hold up in an underlying challenge when it is adjudicated, Wheeler pointed out that in remanding the FCC's 2010 Open Internet order, the D.C. federal appeals court had signaled that Title II would be one way of repairing the legal justification of the rules.

"The D.C. Circuit sent the previous Internet order back to us and basically said that [we] were trying to impose common carrier-like regulation without saying that tese are common carriers. We have addressed that issue."

The court said that the FCC's absolute ban on unreasonable discrimination was too much like a common carrier reg. Initially Wheeler was going to address that by turning that ban into allowing only commercially reasonable discrimination, which was in essence a change in language and emphasis to get at the same thing. But he has since said he thought that approach could be interpreted as what was commercially reasonable for ISPs rather than consumers.

Instead, he decided to treat ISPs as common carriers under Title II to justify bans on throttling and blocking and paid prioritization. He said that approach "gives him great confidence going forward."

- See more at: http://www.multichannel.com/wheeler-stay-title-ii-rules-high-hurdle/388436#sthash.RD5Hebx3.dpuf

U.S. Pay-TV Providers Shed 125K Subs In 2014

According to a new report from Leichtman Research Group (LRG), the top 13 pay-TV providers in the U.S., representing 95% of the market, lost about 125,000 net video subs in 2014. That compares to about 95,000 net sub losses in 2013.
Why This Matters: *Cable TV providers took the biggest hit, with net losses of 1.195 million, somewhat less than the previous year, when it lost 1.695 million subscribers. Cable now has some 49.3 million U.S. subscribers. Meanwhile, phone companies witnessed the biggest gains. AT&T U-Verse and Verizon FiOS collectively pulled in net additions of 1.05 million, somewhat slower than the 1.430 million net gain in 2013. Telcos now have 11.6 million U.S. subscribers.*
5 Takes: MCN | Fierce Cable | Media Post | CED Magazine | TV Predictions

US pay-TV loses 20.6K subscribers in Q4

Details Michelle Clancy | 26 February 2015

The informitv Multiscreen Index shows that the ten leading pay-television operators in the United States collectively lost 20,600 subscribers in the last quarter of 2014.

These figures compare with a loss of 45,000 the previous quarter. Over the year, they gained 82,200 subscribers, taking their combined total to 87.67 million.

Cable operators were, as ever, the losers, collectively losing more than 800,000 digital television subscribers in 2014. Notably, Comcast gained just 7,000 digital television subscribers in the last quarter, but lost 194,000 in the course of the year. Time Warner Cable lost 38,000 over the quarter and 408,000 over the year. Charter, Cablevision, Mediacom and Suddenlink collectively declined by 200,800 in 2014.

Telcos meanwhile gained 865,000. AT&T sold its Connecticut wireline operations to Frontier, including around 197,000 U-verse TV subscribers, but net additions of 73,000 subscribers left it with 125,000 fewer than the previous quarter. Verizon gained 116,000 FiOS television subscribers in the last three months of 2014.

As for satellite, DirecTV added 149,000 subscribers in the United States in the last quarter, gaining 99,000 over the year, while DISH Network lost 79,000 during 2014.

In the same quarter, and in stark contrast to the incumbents, Netflix gained another 1.43 million paid members in the United States, taking its total to 39.79 million.

"With intense competition in the American market, the telcos are continuing to gain television customers at the expense of cable companies," said William Cooper, editor of the informitv Multiscreen Index. "Although the total number of subscribers has remained relatively static, customer churn means that the larger operators have to sign up a couple of million new customers between them every quarter just to maintain their figures."

Read more: US pay-TV loses 20.6K subscribers in Q4 | Pay-TV | News | Rapid TV News http://www.rapidtvnews.com/2015022637345/us-pay-tv-loses-20-6k-subscribers-in-q4.html#ixzz3TWQtfUPn

The Big Four: Crossing the big gray line

Broadcast median age creeps past 50 for the first time, up to 50.2

By Diego Vasquez February 26, 2015

Advertisers have long lusted after the adults 18-49 demographic, and most broadcast deals are made based on those ratings.

But suddenly, for the first time ever, the average TV viewer does not fit into that demo.

This year the median age of viewers on the Big Four networks in primetime has crept above 50.

It’s 50.2 as of the end of January, according to Nielsen data crunched by Horizon Media’s Brad Adgate. That’s up from 48.9 at this time last year.

While the median age has been rising for years, the surge past 50 likely reflects the new ways people are consuming video. Young people watch less traditional television and more on second screens such as iPads and smartphones.

“The biggest culprit is probably the number of screens and platforms that are now available to young adults. The ability to watch streaming content or shows on demand on mobile devices instead of on ‘traditional’ TV has played a part in that,” Adgate says.

Adgate says 40 percent of those who watch online video are under age 35, but that will change as older people become more comfortable with second screens.

“Already 35-54s are starting to watch more content on other devices, or using an over the top service or other methods,” he says.

But there are also other reasons why the median age is rising. One certainly is that the population of the country is aging.

People are living longer, with better medical care and improved nutrition. And a huge group of Americans, the baby boomers, recently passed the 50-year-old milestone.

Adgate also says the increasing diversity of the U.S. plays into the median age increase.

For example, Hispanics make up a large part of this country’s Millennial population. But they favor other networks beyond the Big Four, which means a large chunk of young people aren’t watching those traditional options, driving up the median age.

“I think ethnic diversity also plays into it. For younger age groups who are more ethnically diverse, they have their own viewing options available to them: Spanish-language networks or English-language networks that target the Latino culture,” he says.

Of course, all this raises a major question: Should advertisers still be targeting 18-49s when so many have aged out of this demo?

“I don’t think there’s a blanket answer,” Adgate says.

“You could make the case these aging boomers are more active than any other generation before them, the kids are out of the house, they have more disposable income, and that’s been an argument that’s been made.

“And they’re not necessarily as brand loyal as you might think. You can make the argument, but how many advertisers actually change their target remains to be seen.”

Netflix US
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Netflix Cheers FCC Vote

Will Review Order Before Deciding Next Steps (Update) 2/26/2015 2:30 PM EasternLast updated at 2/27/2015 1:47 PM

By: Jeff Baumgartner

Netflix, the popular OTT video provider that has reluctantly agreed to enter paid interconnection deals with some of the nation's largest ISPs, cheered the FCC's vote to reclassify broadband under Title II and introduce new network neutrality rules that, for example, will open the door to a case-by-case review of interconnection-related complaints.

"Today's order is a meaningful step towards ensuring ISPs cannot shift bad conduct upstream to where they interconnect with content providers like Netflix," Netflix said in its statement. "Net neutrality rules are only as strong as their weakest link, and it's incumbent on the FCC to ensure these interconnection points aren't used to end-run the principles of an open Internet."

But does Netflix plan to bring any interconnection-related complaints to the FCC in the wake of Thursday's vote? Stay tuned.

"We will review the order and decide next steps," a Netflix spokeswoman said via email.

The FCC is expected to release the order in the coming weeks. In a fact sheet on the matter released on February 4, the FCC said the rules would, for the first time, give the Commission the authority to hear complaints and take appropriate enforcement action if necessary, if it determines the interconnection activities of ISPs are not just and reasonable…"

Netflix has been urging the FCC to consider paid interconnection deals as it pursued the new rules, labeling such agreements **an "arbitrary tax"** on the company and other over-the-top video service providers.

Netflix, which prefers that ISPs join its Open Connect program, which relies on Netflix-supplied edge caches, has reluctantly signed interconnection pacts deals with Comcast, Verizon Communications, AT&T and Time Warner Cable. Bright House Networks is benefitting from TWC's deal with Netflix.

ISPs have maintained that paid interconnection deals are common to the business of the Internet when settlement-free peering no longer apply as the amount of traffic entering and exiting peering points is out of balance.

Even if Netflix decides to issue a complaint, some analysts believe it will face a tall task. “Netflix will have a hard time trying to convince the FCC that they are being mistreated when the interconnection deal they have with Comcast costs them less money than using transit providers and third-party CDNs, improves the video quality for consumers, and comes with an install SLA, packet loss SLA and latency SLA from Comcast,” Dan Rayburn, EVP of StreamingMedia.com and principal analyst at Frost & Sullivan, said in this blog post earlier this month.

Update: Netflix signaled before the vote that it might stand pat, at least with respect to its current interconnection agreements. Speaking on Netflix’s fourth quarter call on January 20, CEO Reed Hastings noted that the Title II rules should, over time, “significantly insulate us from any accelerating tax for interconnections,” but added that Netflix would “likely live out the current deals…that’s what’s in our plan.”

- See more at: http://www.multichannel.com/news/technology/netflix-cheers-fcc-vote/388395#sthash.dFXr3D13.dpuf

Cord cutting increased by 1.4M homes in 2014, analyst says

February 25, 2015 | By Samantha Bookman

As many as 1.4 million U.S. households either cut their pay-TV subscription or never had one in the first place last year, a number that "appears to have markedly increased" over past years, according to analysts Michael Nathanson and Craig Moffett. The data could spell bad news for cable and satellite operators, which managed to stem the tide of video subscriber losses somewhat in the fourth quarter.

The MoffettNathanson report cited new household formation statistics from the Census Bureau, which increased the number of occupied households by 1.3 million, as precipitating their adjustment of cord-cutting figures. The new figures are the highest 12-month total recorded since 2010 and bring the cumulative total of cord cutters and cord nevers to about 3.8 million nationwide.

Nielsen said in its December Cross-Platform Report that about 2.8 million U.S. homes have broadband but do not have a pay-TV subscription. MoffettNathanson's report suggests that a million more homes fit into this category.

There was a caveat in the information, though: The analyst firm warned that the government's occupied housing data is "notoriously volatile." Furthermore, the latest pay-TV subscriber data coming in is from the fourth quarter of last year--and plenty has changed just in the first two months of 2015, with the launch of Dish Network's (NASDAQ: DISH) Sling TV over-the-top service and the anticipated launches of HBO's a la carte OTT service and Sony's virtual MVPD play.

Analysts appear to be scrambling to make sense of cord-cutting from a stew of consumer data. Parks Associates in January caused a mild furor when a survey of broadband homes returned data suggesting that as many as 7 million U.S. households would cancel their pay-TV subscriptions after services like HBO a la carte became available. MoffettNathanson's numbers for 2014 suggest a much lower cancellation rate this year, but the report didn't provide exact numbers.

Still, "A year from now, the fourth quarter may well be viewed as the calm before the storm," the MoffettNathanson post noted.

Similarly, a Sanford C. Bernstein analyst, Todd Juenger, in November, said that a 4 percent decline in total day TV viewing was due to direct competition from subscription video on demand services like Netflix (NASDAQ: NFLX) and Amazon (NASDAQ: AMZN).

However, the latest OTT plays may not be the real danger to pay-TV operators or networks. The dark horse is a growing millennial generation of new content creators using "entirely different distribution models," Nathanson and Moffett wrote.

The rise of multichannel networks on YouTube, and the surprising popularity of live-streaming game site Twitch, are two prime examples of content distribution models that appeared seemingly out of left field, catching networks and distributors by surprise and spurring a rash of acquisitions by Disney, Amazon and others.

The way people are consuming video is changing, analysts say. "We don't believe people stopped watching stuff," Juenger noted in his report. "We believe they are watching it in different ways."

For more:
- download this MoffettNathanson report (sub. req.)

Related articles:
Nielsen: Broadband homes without pay-TV up 155% since Oct. 2013
Parks on HBO cord-cutting worries: Don't panic
SlingTV could be the tipping point for a cord-cutting stampede
Report: 10% of U.S. broadband homes purchased a streaming device in 2014

FCC Votes to Overturn State Broadband Laws

The FCC voted to vacate state laws designed to restrict municipal providers from providing broadband services. The order will let communities choose whether or not to build their own municipal broadband networks.
Why This Matters: *Today's decision sets a precedent that could be applied across the nation to ease the deployment of broadband services. However, the ruling will likely result in court challenges. In 20 states, laws prohibit or severely restrict municipalities from creating and running their own service.*

5 Takes: MCN | Ars Technica | CNet | The Verge | Fierce Telecom

FCC Votes to Reclassify ISPs Under Title II

The FCC voted 3-2 along party lines today to reclassify broadband Internet as a telecom service under Title II regulations. The move was heralded by net neutrality advocates, and derided by Republicans who claim the rules will lead to increased bureaucracy, and added expenses for consumers.
Why This Matters: *The only thing that everyone seems to agree on is that this issue is now headed to the courts, and it may take several years to resolve it.*
5 Takes: MCN | NY Times | Bloomberg | Wired | Re/code

GOP Concedes on the Eve of Net Neutrality Vote

Republican leaders abandoned efforts to fight an FCC vote on neutrality scheduled for tomorrow. Sen. John Thune (R-SD), chairman of the Senate Commerce Committee, conceded that a bill challenging the ruling has little chance of passing without backing from both major political parties.
Why This Matters: *The comments appear to signal a retreat on the issue for Republicans. Republicans in Congress had drafted legislation that would write the Net neutrality rules into law, but strip the FCC of its authority, but it had little hope of passing.*
5 Takes: NYT | CNet | Wireless Week | CED | MCN

Local broadcast TV's integral role in American culture

By Robert C. Kenny February 24, 2015, 09:00 am

Americans have long recognized the value of broadcast TV stations and their significant contributions to local communities.

Yet, imagine a world where your primary news source is dominated by national pay-TV networks. A consolidation and concentration of news eliminating the ability of television viewers in small town USA to turn to their trusted local TV broadcasters for breaking news, severe weather updates, school closings and emergency alerts and warnings.

Could this possibly happen?

It was Congress' foresight that forged a national commitment and set forth policies to ensure that every American has access to diverse local broadcast TV news and opinions, investigative reporting, timely emergency information and a reliable communications medium capable of airing their opinions and advancing the public interest.

For 75 years, TV broadcasters—as trustees of the public airwaves—have served as first-informers in times of disaster and crisis; often representing the only reliable and trusted source for timely, accurate and relevant local news and information. Working hand-in-glove with the nation's public safety officials, local broadcasters are there when Americans seek critical life-saving information. The power of regional investigative reporting by local broadcasters regarding issues related to health care, consumer fraud and political corruption cannot be dismissed and remains incredibly important to America's television viewers.

Daily reminders of the irreplaceable value of local broadcast TV are a constant. This past month, TV reporters risked life and limb to provide 24/7 boots-on-the-ground coverage of several snowstorms that brought bone-chilling temperatures and record-setting snowfall levels to the Northeastern region of the country. New England has been characterized as the *"Ice Box of America*" with parts of Massachusetts and Maine recording more than 100 inches of snow in the past month. Television viewers impacted by these deadly storms were able to stay informed and take actions to ensure their safety.

The inherent value of broadcasters extends beyond lifeline reporting to the very communities they serve. Local TV stations help create 1.5 million jobs nationwide, contribute more than $730 billion in annual Gross Domestic Product and generate millions annually in fundraising efforts. A recent fundraiser by Raycom Media-owned NBC affiliates in Mississippi raised $218,000 for long-term rebuilding and recovery initiatives following deadly tornadoes that ripped through the central portion of the state last December.

Univision recently raised $15.5 million in just two days for children with life-threatening or debilitating diseases. The *"Hearts for People" telethon* broadcast last December in major cities across the country will help more than 600 children in 38 states. Examples of these altruistic contributions by broadcasters are endless.

Broadcast TV covered the social unrest following the Ferguson Verdict, and also gave voice to the peaceful political protests that followed in cities across the country. The public megaphone of broadcast TV helped carry the voice of the community to local governments, creating opportunities for community activists to meet with local city police officials to discuss their public safety concerns.

Investigative reporting by local TV stations is an ongoing commitment and on any given day reporters across the country are working to uncover serious problems that could impact their viewers. Take for example the recent investigative series by ABC News 7 (KGO-TV) in San Francisco focusing on complaints by Covered California patients who are alleging that the physician networks offered by participating insurance companies are inadequate and are jeopardizing their ability to access quality health care. The California Department of Managed Health Care is investigating the matter.

Historically, the powerful reach and influence of local broadcast TV has served as a change agent for those seeking to voice their concerns and advance social progress. Given its integral role in American culture, local broadcast TV empowers citizens to stand up for what they believe in and it helps to serve as a bridge between the public and government on the key societal and political issues of the day.

If not for local broadcast TV stations carrying the voice of the community and delivering lifeline reporting to America's television viewers, then who would serve in this vital role? It is highly unlikely that cable networks could duplicate, with any level of consistency or success, what broadcast TV stations provide to their viewers year round.

As Congress moves forward with its media and video reform agenda, it's crucial for lawmakers to factor in what's needed to help advance the principles of localism for the benefit of America's television viewers. After all, local TV stations rely not only on advertising sales to sustain their business, but revenue generated from programming deals reached with pay-TV providers to redistribute their content via retransmission consent.

Washington's pay-TV lobby falsely claims that it's broadcast TV programming fees that are driving up the cost of paid television service, but in reality these costs remain a small fraction of what customers pay for on their monthly bills.

It's Congress that will decide whether to allow TV broadcasters to continue to freely negotiate with pay-TV providers for the fair market value of their content.

The ability of local broadcast TV stations to serve our nation's local communities rests on the existence of viable revenue streams that Congress has traditionally made available to promote local television service. Compromising the ability of local TV stations to compete for such revenue streams would create a regulatory imbalance that would threaten the unique benefits of localism and ultimately jeopardize the future of local broadcast TV.

Are federal regulators prepared to set a bright regulatory line for their engagement in what today are otherwise recognized as highly successful private business negotiations between companies? For the sake of local communities across America, let's hope not.

Kenny is director of Public Affairs for TVfreedom.org, a coalition of local broadcasters, community advocates, network TV affiliate associations and other independent organizations advocating for preserving the retransmission consent regime. He is a former press secretary at the FCC.

Comcast Adds 6,000 Video Customers in Q4

Comcast added about 6,000 basic video subscribers in the fourth quarter, and cable operating cash flow increased about 6.3% to $4.7 billion, as the company said it will raise its annual dividend 11% to $1 per share and increase its share repurchase authorization to $10 billion.
Why This Matters: *The basic video additions were less than the 46,000 additions in the same period last year, but helped push the operator to another improvement in full year video customer losses – the company shed about 194,000 basic video customers in 2014, better than the 267,000 it lost in the prior year.*
5 Takes: MCN | Variety | Deadline | Reuters | CED

TV Everywhere Ad Views Jump 591% in Q4: FreeWheel

According to a new report from Comcast-owned advertising technology company FreeWheel, authenticated TV Everywhere ad viewing soared 591% in the fourth quarter of 2015 versus the year-ago quarter.
Why This Matters: *The report comes as MVPDs come under increasing pressure to make TVE successful. Last week, for example, Discovery Communications CEO David Zaslav warned that the programmer would be forced to go direct to consumers using OTT if operators don't get their acts together with respect to TVE.*
2 Takes: MCN | Media Post

Kagan: Wireless Should Be Ready, Able for 2016 Auction

EOBC-commissioned study assumes robust participation to tune of $60-$80 billion2/18/2015 04:00:00 PM Eastern

By: John Eggerton mailto:JEggerton@nbmedia.com

The Big Four wireless carriers —Verizon, AT&T, T-Mobile and Sprint— and "very possibly" others, will be "fully engaged and sufficiently capitalized bidders" in a 2016 broadcast incentive auction that could raise as much as $80 billion from those wireless carriers.

That is the major takeaway from a just-released Kagan study commissioned by the Expanding Opportunities for Broadcasters Coalition, which is definitely hoping that is the case.

EOBC represents broadcasters willing to participate in the auction at the right price, which will require those wireless operators to pony up the bucks to allow the FCC to turn around and pay broadcasters that "right" price.

"Our analysis assumes the receipts from all bidders in the 600 MHz auction could well be in the $60 billion-$80 billion range, depending on how many megahertz are being sold once the final stage of the auction is reached," says Kagan Media Appraisals senior consultant Sharon Armbrust, who produced the report. "That range implies a doubling of the price paid for the 700 MHz spectrum sold in Auction 73 in 2008," and more than the low starting bar of $1.25 per MHZ/pop (a measure of spectrum value based on population reached), perhaps $2.50 Mhz/pop or higher.

The report points to a number of factors for that assumed robust wireless participation, including mobile data traffic growing by seven-fold over the next five years, available capital and the importance of getting more spectrum for Verizon and AT&T's business plans.

The study concedes that the "exuberant" bidding by AT&T and Verizon —and others— in the AWS-3 auction (a total of $44.9 billion) does raise the issue of what resources the carriers will have to bring to the table in a 2016 incentive auction, but concludes that carriers will be stepping up.

"Might AT&T and Verizon like to postpone going to the credit-market well again so soon (post-Vodafone for Verizon and following AT&T's DirecTV and Mexican deals)? Perhaps," says Armbrust. "Could Sprint and T-Mobile have more capital assets at their disposal at a later date? Maybe."

"But realistically, whenever the incentive auction takes place, the combination of surging wireless usage and demand, the desire to protect their franchises, the added foreclosure value of getting control of limited spectrum resources, the lure of low-band spectrum and the plans for generating new and lucrative cross-platform revenue streams should be irresistible drivers for the carriers to be there and bid hard for the spectrum that suits their needs," she says.

"This analysis by a respected veteran telecom analyst should put to rest the false notion that the auction needs to be delayed because of carrier financial considerations," said EOBC executive director Preston Padden.

Bernstein analyst Paul De Sa told investors Wednesday (Feb. 18) that he thought Verizon was "well positioned for the 600MHz broadcast-incentive auction, whenever it happens."

OTT streaming drives up mobile bandwidth requirements

Details Michelle Clancy | 13 February 2015

Increasing device penetration and an abundance of new entertainment services and video streaming are driving up mobile bandwidth requirements.

According to a recent study conducted by ACG Research and sponsored by Ciena, the average bandwidth consumption per mobile user is expected to increase 52% CAGR through 2018. Smartphone penetration will rise from 55–67%, and the resulting usage of over-the-top (OTT) entertainment applications on smartphones will account for 59% of this; largely due to video - with high-bandwidth requirements, long session times and continuous streaming.

Mobile peak usage times, those typically occurring between 9-10 pm, will increase by 71%, from seven minutes today to 12 minutes in 2018. Consumption will also be boosted by new initiatives as OTT providers sponsor data packages (such as those for streaming music). In addition, new 3G and 4G enabled tablets will contribute to the surge in traffic growth, increasing by 20%.

The study further indicates that supporting backhaul capacity requirements will exceed 1 Gbps by 2018, and this will be further intensified by the latest wireless standards such as LTE-Advanced and the introduction of more small cells, which are expected to deliver faster wireless services with broader coverage to users. Service providers need to take steps to deploy a mobile backhaul solution that supports 10 Gbps to meet this projected bandwidth and ensure quality of experience.

"Today's users no longer rank mobile services by price alone," said Michael Kennedy, principal analyst, ACG Research. "Now more than ever, the quality of experience for the latest OTT applications is paramount and a key driver of customer loyalty. In three short years, these networks must offer broader coverage and handle more people using more applications on more devices at the same time. As a result, the backhaul infrastructure must transform to enable a more dynamic experience."

Read more: OTT streaming drives up mobile bandwidth requirements | OTT | News | Rapid TV News http://www.rapidtvnews.com/2015021337200/ott-streaming-drives-up-mobile-bandwidth-requirements.html#ixzz3TWJJ47mE

Powell: NCTA Likely to Sue FCC Over Title II

Michael Powell, president of the National Cable & Telecommunications Association, said that he anticipates that the association will sue the FCC over its Title II Net Neutrality proposition.
Why This Matters: *Powell said that Title II would be a drastic shift for an industry that has invested billions under the assumption of continued light-touch regulation. Powell called the FCC's proposed new network neutrality rules a "fatal step," and blamed President Obama for turning it into a partisan issue.*
4 Takes: MCN | Washington Post | Fierce Cable | Advanced Television

NBC Sells Out of Super Bowl Ad Time

Just four days before the big game NBC announced that it has sold its entire ad inventory for Super Bowl XLIX, with 30-second spots going for $4.5 million. In additional, the company said that it is poised to nearly triple the amount of digital revenue from the last time it aired the Super Bowl in 2012, with 18 advertisers on the digital side.
Why This Matters: *There were about 70 spots available in the game. NBC Universal News Group executive vice president of sales and sales marketing Seth Winter said ad sales this year were challenging, reflecting an overall trend on television this season.*
5 Takes: Ad Age | Adweek | Variety | B&C | CNN

FCC: Broadband Is Now Defined as 25 Mbps

As part of its 2015 Broadband Progress Report, the FCC voted during its monthly meeting today to change the definition of broadband from a minimum of 4/1 Mbps to 25/3 Mbps, a move that essentially triples the number of people without "broadband."
Why This Matters: *According to the current definition, only 6.3% of U.S. households*

have no access to wired broadband. Another 13.1% don't have access to broadband under the new definition. "When 80 percent of Americans can access 25-3, that's a standard," said FCC chairman Tom Wheeler. "We have a problem that 20 percent can't. We have a responsibility to that 20 percent."
5 Takes: [L.A. Times] | [MCN] | [Fierce Telecom] | [The Verge] | [Bloomberg]

Verizon's McAdam: FCC Title II proposal influenced $10.5B wireline asset sale to Frontier

http://www.fiercetelecom.com/story/verizons-mcadam-fcc-title-ii-proposal-influenced-105b-wireline-asset-sale-f/2015-02-06

February 6, 2015 | By Sean Buckley

Verizon (NYSE: VZ) finally made it public that is selling its wireline assets in three states to Frontier for $10.5 billion, but besides getting more cash to fund its wireless operations, its decision was also influenced by the FCC's move to reclassify wireline broadband providers under Title II of the 1996 Telecom Act.

Speaking to investors and reporters about the new deal, Lowell McAdam, CEO of Verizon, said that the Title II proposal and associated regulatory uncertainty was a big factor.

"An important consideration was the current regulatory uncertainty and the potential impacts on future investments of a reclassification of broadband under Title II," McAdam said.

Earlier this week, the FCC signaled that its new net neutrality rules will reclassify broadband as a telecommunications service under Title II of the Telecommunications Act.

Verizon has been one of the staunchest critics of Wheeler's Title II proposals, arguing that it is "counterproductive because heavy regulation of the Internet will create uncertainty and chill investment among the many players."

For its part, the FCC claims that its proposal to reclassify broadband Internet access under Title II has the legal footing it needs to withstand any legal challenges that telcos like AT&T (NYSE: T) and Verizon (NYSE: VZ) plan to launch once the rules come out.

Verizon intimated in January that it was looking to sell off some of its wireline assets as it looks to sharpen its focus on the wireless business, which it says is poised for more growth. At the same time, the wireless business is not unionized and is not as heavily regulated as the wireline services it offers. Verizon's wireless business makes up nearly 69 percent of its $127 billion in annual revenue

Moonves Looks to Buy CBS Ahead of Potential Viacom Merger

According to a report in *The New York Post*, CBS boss Les Moonves is discussing ways to buy out majority owner Sumner Redstone, fearful that when the aging media mogul dies, shareholders could force CBS to merge with Viacom.
Why This Matters: *According to the report, Moonves believes a merger with Viacom would leave him in an inferior position vis-à-vis Philippe Dauman, the CEO of Viacom, and could shortchange CBS minority shareholders.*
4 Takes: NY Post | CNBC | Reuters | TBI Vision

Cable sees a steep drop in viewership

Falls 12.7 percent in January, accelerating declines seen over last year

By Bill Cromwell February 5, 2015

http://www.medialifemagazine.com/cable-tv-sees-a-steep-drop-in-viewership/

For a very long time, it seemed cable viewership knew no limits on how high it could climb.

It grew from year to year to year, surpassing broadcast in share of eyeballs and sparking big gains in advertising.

But now those boom times appear to be over.

A new report from financial services company Nomura finds total-day live cable viewership fell 12.7 percent during January, after smaller declines over 2014.

Viewership dropped 11.5 percent in December and 10.9 percent in November, according to the report.

"It is safe to say it's the worst monthly decline since January 2014, since that is when we launched coverage, and that is as far back as our data goes, but I suspect it could be farther," Anthony DiClemente, a research analyst and co-author of the report, tells Media Life.

The question, of course, is why cable viewership is falling so much.

One reason could be more people are time-shifting shows. The Nomura report does not include live-plus-seven-day viewership, and cable viewers have been using DVRs heavily for years now.

That's one reason many cable networks now refuse to release or comment on live-plus-same-day Nielsen numbers, instead using live-plus-three or live-plus-seven playback for their press releases.

But even an increase in DVR usage would not account for all of the viewership declines.

Nomura notes streaming video on demand services, such as Netflix, Amazon Instant Video and Hulu could be to blame for some of the declines, saying they are siphoning viewers away from traditional TV.

Some network groups are holding up better than others. Viacom, whose top channels include MTV and Nickelodeon, was off 23 percent in January compared to a 19 percent dip in December.

Viacom's viewership skews young with those top channels, with Nick targeting kids and MTV targeting viewers 12-34.

Those young viewers are more likely to be streaming content than watching it on television, something that led to Viacom's recent decision to launch a new service that will offer Nickelodeon for online streaming only, no cable subscription required.

The greater significance of these big ratings declines, of course, is how they will impact advertising.

"The viewership declines that we observed throughout most of 2014 accelerated for most media companies in January; this does not bode well for 1Q domestic cable TV ad revenue trends," notes the report.

And things may not get better as the year progresses.

"We don't have a ratings forecast per se, so we haven't said whether the declines will accelerate or decelerate," DiClemente says, "but I think secular pressures on the business portent further declines for the foreseeable future."

Why Comcast-TWC Won't Get Approved

Greenfield Says Broadband Dominance Will Be Deciding Factor

2/04/2015 11:30 AM Eastern By: Mike Farrell

http://www.multichannel.com/news/news-articles/analyst-why-comcast-twc-won-t-get-approved/387634

Influential Internet and media analyst Richard Greenfield, in a blog posting Wednesday, detailed why he believes the $67 billion Comcast-Time Warner Cable merger won't receive regulatory approval, noting that the decision will ultimately come down to broadband dominance.

Both Comcast and Time Warner Cable shares were up about 2% each in early trading on Wednesday, a day when Federal Communications Commission chairman Tom Wheeler publicly stated that he proposes the agency use it Title II powers to "implement and enforce open internet protections."

In his blog, the BTIG Research analyst, who has warned in the past that the deal could be blocked, wrote that with Title II reclassification of broadband looming, it is almost unimaginable that federal regulators would approve the deal.

Greenfield noted that while the Federal Communications Commission has harped on broadband speeds – increasing its definition of a broadband service from 4 Megabits per second to 25 Mbps – the real issue is choice and availability. In its own literature, Comcast admitted in 2013 that after the merger, they will be the only choice for 25 Mbps or higher for about 63% of the households in their combined footprint . Greenfield adds that figure is probably even higher now.

Add to that the growing public sentiment against the deal and Greenfield believes the chances are slim that it passes muster.

"With the overlay of the populist uprising driving government policy, it is hard to imagine how regulators could approve the Comcast Time Warner Cable transaction at this point," Greenfield wrote. "Comcast continues to try to get the government to look to the past to get its deal approved. But the framework is about not only what is current, but what the future will look like – especially in a rapidly changing broadband world."

- See more at: http://www.multichannel.com/news/news-articles/analyst-why-comcast-twc-won-t-get-approved/387634#sthash.65NKYIsD.dpuf

Apple Reportedly Talking to TV Programmers About New OTT-TV Service

According to a report in *Re/code*, Apple is talking with programmers about launching an over-the-top subscription TV service based on an Apple-crafted user interface, similar to Dish's new service, or the one Sony is getting ready to launch.
Why This Matters: *The story is the latest in a long running series of rumors and leaks about Apple's plans for TV. According to the report, Apple is exploring deals that would allow it to offer smaller bundles of programming directly to consumers, over the Web.*
4 Takes: Re/code | MCN | Variety | Light Reading

How Netflix helped change the FCC's definition of net neutrality

Turns out Tom Wheeler isn't such a dingo

By Ben Popper on February 4, 2015 02:21 pm

http://www.theverge.com/2015/2/4/7978647/fcc-enforcement-interconnection-peering-title-ii

Back in March of 2014, Netflix CEO Reed Hastings wrote a blog post accusing the major internet service providers of imposing unfair tolls on companies, like his, that were sending large volumes of traffic to their customers. He argued that companies like Comcast and AT&T were creating an artificial bottleneck that was degrading Netflix service, causing customers' video to bugger. Hastings called on the FCC to expand the definition of net neutrality to cover this little-known world of "interconnection" between networks.

The FCC has radically changed course

Today, the FCC did just that. "For the first time the commission would have authority to hear complaints and take appropriate enforcement action if necessary, if it determines the interconnection activities of ISPs are not just and reasonable, thus allowing it to address issues that may arise in the exchange of traffic between mass-market broadband providers and edge providers."

This is actually a fairly radical departure from the way the FCC has operated in the past, and even from its own statements last year. In April, an FCC spokesperson *told National Journal*, "Peering and interconnection are not under consideration in the Open Internet proceeding, but we are monitoring the issues involved to see if any action is needed in any other context."

So what changed? Companies like Netflix — along with the companies that carry their traffic, like Cogent and Level 3 — have been making their case with blog posts on the web and closed door meetings in Washington DC. Of course so have the ISPs. In the court of public opinion, however, it was clear who was winning. Netflix's complaint became the central data point in a long segment by John Oliver that went viral. Peering and interconnection make the average person glaze over, but "Cable industry fuckery" is something the masses can rally against. Commenters responded in such numbers that the FCC website crashed.

The FCC doesn't go into any detail about what it will do with its new authority around interconnection, and this expansion of powers will no doubt be challenged in court. On today's press call, senior FCC officials said that they would handle interconnection complaints on a case-by-case basis, and the new proposal allows "reasonable network management," a term which the ISPs have already been using to justify congestion at interconnection points.

"A handful of ISPs opted to hold our members hostage until we paid up."

But advocates for expanded net neutrality hailed the decision as a victory. "The commission initially stated they [net neutrality and interconnection] were different. But as they studied the issue, I think they realized ISPs were using them to thwart the intent of the commission," said Dave Schaeffer, the CEO of Cogent Communications. "Interconnection is critical to meet the objectives of an open and free internet the FCC and President Obama laid out."

Netflix has already agreed to pay the major ISPs for direct interconnection. But following today's proposal, it sounds like they are eager to renegotiate. "We support the commission asserting jurisdiction over interconnection and implementing a case-by-case process that prevents ISPs from charging unfair and unreasonable tolls," Netflix said in a statement emailed to *The Verge*. "If such an oversight process had been in place last year, we certainly would've used it when a handful of ISPs opted to hold our members hostage until we paid up."

FCC Chairman Outlines Title II Reclassification Plans

FCC chairman Tom Wheeler wrote an op-ed piece that appeared in *Wired* this morning, saying that he plans to use the commission's Title II authority to implement and enforce open internet protections. The plan, which will be presented to regulators on Feb. 26, will also "modernize Title II" by guaranteeing that there'll be "no rate regulation, no tariffs and no last-mile unbundling."
Why This Matters: *If the commission adopts his proposal, it would mean that Internet providers would be prohibited from blocking or throttling content, or from creating fast lanes or slow lanes in delivering traffic to the consumer. The rules would apply to wired as well as mobile broadband. Wheeler said his proposal also includes "a general conduct rule" that "can be used to stop new and novel threats to the internet."*
5 Takes: Wired | NYT | MCN | Variety | Huffington Post

Quote of the Day 3 Feb 2015

"I intend to ask the Commission to adopt an Open Internet Order at our next open meeting, on February 26, 2015. As is long-standing and established FCC procedure, I will circulate a draft Order for consideration by my fellow commissioners three weeks prior to the date of that meeting (on February 5, 2015). We will continue to hear from interested parties in the run-up to the open meeting, will engage in the normal confidential process of sharing and considering changes to that Order and, of course, will consider and discuss the matter in public at the open meeting."

– FCC Chair Tom Wheeler

Comcast and TWC Investors Begin to Worry as New Opposition Emerges

Representatives from technology industry umbrella groups Comptel, ITTA (The Independent Telephone & Telecommunications Alliance) and NTCA–The Rural Broadband Association held a press conference to launch a new campaign opposing the Comcast-TWC merger, catch-phrased "Don't Comcast the Internet."
Why This Matters: *The groups represent more than 1,000 companies, including Internet and mobile providers – such as Google Fiber, Sprint and T-Mobile – as well as content providers like Netflix. The groups are arguing the proposed $45 billion merger would seriously harm competition and innovation in the market.*
4 Takes: MCN | Fierce Cable | Gigaom | The Hill

Republicans Try to Pre-empt the F.C.C.

By THE EDITORIAL BOARD JAN. 29, 2015 **The Opinion Pages | Editorial**

http://www.nytimes.com/2015/01/29/opinion/republicans-try-to-pre-empt-the-fcc.html?_r=1

Many Republicans have no fondness for net neutrality — the idea that cable and phone companies should treat all information equally as it travels over their broadband Internet networks. So it comes as no surprise that some of them are trying to throw a wrench into the Federal Communications Commission's plan to adopt strong Internet rules.

Republicans and large telecommunications companies are natural allies in opposing government regulations. Now, two Republican lawmakers, Senator John Thune of South Dakota and Representative Fred Upton of Michigan, have proposed a bill that they claim would achieve neutrality on the Internet without the kind of regulation the F.C.C. is expected to approve next month. But the legislation has such large loopholes that powerful cable and phone companies like Comcast and Verizon would feel almost no effect.

Mr. Thune and Mr. Upton say their bill would forbid the cable and phone companies from giving preference to traffic from certain businesses, like Amazon and Google, that are willing to pay more for faster delivery, which would hurt smaller companies. The legislation would also prohibit such companies from blocking or slowing downloads from certain sites.

Those are excellent goals, but there is a giant caveat in the bill: Companies would be allowed to offer "specialized services" that would not be subject to any of those rules. Conceivably, almost anything could be called a "specialized service," which is really just linguistic sleight of hand.

The bill would also prohibit the F.C.C. from classifying broadband Internet access as a telecommunications service, something the commission has been moving closer to in recent months. Courts have ruled that the commission now has limited authority to regulate broadband, but the telecommunications designation — which already applies to home phone lines and cellphone service — would give the commission the authority it needs to prohibit companies from engaging in unfair and unreasonable business practices. The chairman of the F.C.C., Tom Wheeler, recently suggested that the agency would vote on Feb. 26 to reclassify broadband.

The good news is that even if Republicans in Congress, who receive big donations from telecommunications companies, can push through Mr. Thune's and Mr. Upton's legislation, President Obama would almost surely veto it. In November, the president called on the F.C.C. to reclassify broadband. But Republicans could try to get the proposal through by attaching it to unrelated bills the president would find difficult to veto. Democrats in Congress and President Obama should be ready to defend the F.C.C.

FCC Reveals AWS-3 Auction Winners

The FCC has revealed the identities of the winning bidders in the AWS-3 spectrum. AT&T was the biggest bidder, with close to $18.2 billion in provisionally winning bids, roughly in line with analysts' expectations. Verizon Wireless bid $10.43 billion, less than many analysts had expected. T-Mobile's winning bids totaled just under $1.8 billion.
Why This Matters: *Dish was the big surprise. Most analysts had not expected Dish or its bidding partners to walk away with much paired spectrum, but the company ended up bidding close to $10 billion.*
5 Takes: Re/code | Fierce Wireless | B&C | Reuters | Wireless Week

Most Young People Say They Have Stopped Watching TV

Lara O'Reilly   Jan. 26, 2015, 11:01 AM
http://www.businessinsider.com/forrester-video-and-tv-consumption-report-2015-1#ixzz3RNJxURNv
Regular, "linear" TV viewing — watching scheduled TV as it is broadcast, in other words — is dying.

The trend is evident not just among millennials — even older people are switching off their TV sets in favor of online video alternatives, according to a new report from Forrester.

Anecdotally, most people tend to say they are watching less TV, favoring on-demand services and streaming.

But Forrester has just provided us with evidence that not only is linear TV viewing falling — linear TV just isn't the dominant option anymore.

Forrester polled a panel of 4,709 individuals in the US and found just 46% of respondents between the ages of 18 and 88 years old watched linear TV in a typical month. It's worth bearing in mind this research shows the results of a survey, rather than actual consumption data, but the shift is interesting nonetheless.

A small majority of Generation X and Baby Boomers said they watched linear TV, but that average was dragged down by millennials.

The rise of services like Netflix and Hulu appears to be cutting into regular TV viewing, but a lot of this behavior is actually additive to TV watching among millennials. More than half (55%) of younger viewers who said they still switched on their TV sets watched four hours or more of regular TV a week — as well as watching four hours or more of TV online.

While the way we consume content has dramatically changed, old habits die hard when it comes to the type of content consumed. Current-season TV shows remain the favorite type of program to watch, no matter on which device. But 37% US adults are also using online services to revisit shows that are no longer on air or past seasons of current shows.

The rise of online video among the youngest and steadily more influential generation of viewers could read like the script of a disaster movie for broadcasters. But it's not necessarily all bad news. While audiences are clearly becoming more fragmented, there are still ways for traditional broadcasters to prevent viewers (and associated advertising revenue) falling from their grasp.

As Forrester recommends in its "Making Sense of New Video Consumption Behavior" report, linear TV and digital video recording are still the predominant viewing behaviors, "the main courses," among Generation X and Baby Boomers — i.e. the majority of viewers. But that course needs to be supplemented with "side dishes" and "desserts" across the online spectrum. That includes short-form video content, which is primarily consumed on smartphones and can be monetized through advertising revenue shares on sites like YouTube or can be delivered via broadcasters' own platforms and sponsored.

Broadcasters' main delivery platform is seeing its luster eroded in terms of audience and ad revenue. The media companies that embrace the new online platforms, rather than fight them, will win out in the end.

As Jim Nail, the author of Forrester's report, writes: "Media companies are beginning to use clips from shows as tune-in promos or post-air buzz creators. But this is only part of the potential value of these program highlights. As content owners learn the power of these clips to grow shows' fan databases, they will become bolder in using clips currently confined to the show's site or the network's YouTube channel. Networks will recruit avid fans to receive teasers during their afternoon coffee breaks before the evening airing. They will enhance their databases with other demographic and behavioral data, then use this data to sell higher-priced, more targeted ads."

Once more broadcasters change their commercial model to reflect consumer behavior, they will increasingly sell ads based on target audiences, offering more packages that spread across many different screens, rather than just booking airtime around specific shows.

This isn't a doom-and-gloom story as long as broadcasters adapt quickly. At the moment it appears they are not moving swiftly enough: Separate research from Standard Media Index estimated spend on TV advertising was down 2% in the most recent quarter.

Google Fiber Plans 18-City Expansion

Google Fiber announced that it will bring its mix of 1-Gig and pay-TV services to 18 new cities across four metro areas in the Southeast, including Atlanta, Ga.; Charlotte, N.C.; Nashville, Tenn., and Raleigh-Durham, N.C.
Why This Matters: *Google Fiber's expansion announcement comes as the FCC prepares to vote on upping the definition of "broadband" from 4 Mbps down/1 Mbps upstream, to 25 Mbps/3 Mbps, and gets ready to vote on a proposed new set of network neutrality rules.*
5 Takes: MCN | CED | The Verge | Ars Technica | Washington Post

Apple TV Sales Hit 25 Million

During Apple's first quarter earnings call yesterday, CEO Tim Cook revealed that the company has sold roughly 25 million Apple TV set-top boxes since its launch in 2006. That's up from 20 million in April of last year, the last time Cook provided an update.
Why This Matters: *Apple TV, which streams content (such as Netflix) from the Internet to the television, has in recent years been eclipsed by industry leader Roku and upstart Google Chromecast.*
3 Takes: Re/code | Home Media | DTVE

AT&T Buy Of DirecTV Makes U-verse Profitable

by Wayne Friedman, January 23, 2015, 3:09 PM

Nearing a completed acquisition of its proposed $48.5 billion deal for DirecTV, AT&T says it is considering changing the brand name of the big satellite TV provider.

During an interview at World Economic Forum in Davos, Switzerland with *The Wall Street Journal*, Randall Stephenson, CEO of AT&T, says the company has been testing both "AT&T" and "DirecTV" for the name of a newly combined pay TV provider.

"We haven't decided yet how we are going to brand it," Stephenson said. "We're testing the DirecTV brand and the AT&T brand, so we're doing a lot of thinking."

For several years now, AT&T has operated its "U-verse" IPTV-delivered TV provider, which now has around 7 million subscribers. But Stephenson reveals that AT&T's "U-verse" as a business continues to struggle.

"With 6 or 7 million video subscribers — growing at 24% — we still can't make money because of the programming costs," he said. With the DirecTV acquisition, AT&T total video subscribers would get to 27 million U.S. subscribers.

But with DirecTV, the business takes on a different light. "Put it together with DirecTV, and we have a profitable business to sell into. With DirecTV, we have an ability for someone to walk out of an AT&T store with an iPad and lots of programming. No one else can do that."

Cable to Reclaim Video Share from Satellite in 2015 **- 27 Jan 2015**

Media analyst Craig Moffett predicts that starting this year, cable will reverse a decade-long trend of losing video market share to satellite. Moffett expects both Comcast and Charter to cross into positive territory in 2015, with Comcast adding 70,000 video customers and Charter adding 67,000.
Why This Matters: *The analyst said that this year, the leading cable companies will*

narrow their video subscriber losses to a predicted 183,000 from 757,000 in 2014. Concurrently, DirecTV and Dish Network will see their subscriber losses grow from 53,000 in 2014 to 112,000 in 2015.
2 Takes: MCN | Fierce Cable

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[ongoing net neutrality argument](), another equally important squabble between regulators and telecoms companies has been overlooked. The FCC is trying to redefine 'broadband' as "internet which is actually fast enough to use", and telecoms companies don't like that one little bit.

According to current FCC policy, 'broadband' means 4Mbps down/1Mbps up. That's been the definition since 2010, [when it was upgraded]() from a (hilariously slow) 200Kbps. However, FCC Chairman Tom Wheeler recently outlined a plan to update that definition, to 25Mbps down/3 up. It's a position supported by a number of companies, including Netflix; but unsurprisingly, the National Cable & Telecommunications Association (NCTA) is dead against the plan.

As arbitrary as the 25/3 numbers sound, they're not picked totally out of thin air: they're based on a clause in the Telecommunications Act of 1996, which states that broadband must "enable users to originate and receive high-quality voice, data, graphics, and video telecommunications using any technology".

Based on that criteria, broadband should be fairly easy to define. Netflix [publishes]() a handy little chart of how fast your internet has to be in order to stream video from its servers. To get any kind of buffer-free service, they recommend a 1.5Mbps connection, with 5Mbps recommended for HD, and 25 for 4K content.

Going by those numbers, saying that 25Mbps is the minimum standard for broadband seems a little excessive. [4K content is a rare beast on the internet](), and the necessary equipment for watching it — a 4K TV — is rarer still (although, give it five years and we'll see how things change).

But an alternative argument for a 25Mbps standard, put forward by policy group [Public Knowledge](), is that a single internet connection is commonly shared between several individuals. If, say, three members of a five-person household are streaming Netflix at the same time, you'd need a minimum of 15Mbps in order for everything to work seamlessly — and that's assuming that the Wi-Fi network isn't causing any slowdown.

In a [FCC filing on Thursday](), the NCTA claimed that no-one needs internet that fast, saying that 'hypotheticals' like people sharing one internet connection "dramatically exaggerate the amount of bandwidth needed by the typical broadband user", and that "a relatively small percentage of consumers who have access to speeds of 25 Mbps/3 Mbps actually choose to purchase service at those speeds". Of course, that has *nothing at all* to do with the [non-existent competition]() and [subsequent price gouging]() on high-speed plans, compared to low speed internet. Nothing at all.

Between the net neutrality debate and the Comcast/TWC merger, high-speed Internet access is getting …[Read more]()

Why does all this matter? Well, you see, the FCC is required to "encourage the deployment on a reasonable and timely basis of advanced telecommunications capability *[read: broadband]* to all Americans". So if it doesn't think that enough households have broadband, it can use a selection of tools to 'encourage' competition — tools that scare companies like Comcast or TWC.

So it's clear why the telecoms companies want to keep the definition of broadband down: a lower threshold for broadband keeps regulators off their backs, and allows them to perpetutate the (very valuable) oligopoly that exists in the high-end broadband market.

And, in turn, the position of companies like Netflix and Google, who are advocating for faster broadband speeds, should be equally clear. Faster internet means a better experience for consumers, which means more paying customers for Netflix, and more eyeballs on videos for YouTube.

From an individual's perspective, there aren't really any downsides to the bar for 'broadband' being moved higher. If the FCC gets its wish, and overnight 25/3 becomes the minimum standard for broadband, the only negative effects will be for telecoms companies that sell internet packages. They'll be shamed for not offering broadband to wide swathes of America; but more importantly, an 'entry level' broadband package will be something you might want to own, rather than a low-price face-saving tool designed to make telcos look good. [FCC via Ars Technica]

Cable Pushes to Exclude Netflix From Net Neutrality Protections

If Rules Are Coming, They Want Some Carve-Outs

Published on January 23, 2015.

http://adage.com/article/media/cable-pushes-exclude-netflix-fcc-net-neutrality-rule/296777/

Internet service providers led by Comcast are pushing to protect from federal regulations their ability to demand fees from high-volume data users such as Netflix.

Netflix, the world's largest subscription video streaming service, and middlemen such as Level 3 Communications and Cogent Communications Holdings have asked regulators to prevent internet providers from charging for connections.

The issue is one of many the Federal Communications Commission will resolve in a vote set for Feb. 26 on rules to ensure all internet traffic is treated equally, a policy called net neutrality. The FCC also will decide whether to include mobile service under the rules, a step Chairman Tom Wheeler has indicated he favors.

Mr. Wheeler already said paid "fast lanes" would be prohibited under the rules he will propose. He hasn't said publicly if traffic exchanges are to be included.

"For the last two decades all of this has been done by contractual arrangements, all throughout the internet," Steven Morris, a lawyer with the National Cable & Telecommunications Association trade group, said in an interview. "We have lots of concerns about this, which is why we're encouraging the commission not to" include connection agreements in its net neutrality rules.

Republican lawmakers today called for Mr. Wheeler to release his proposal for public review as he gives the draft to fellow commissioners Feb. 5. FCC orders traditionally aren't published until the agency votes to adopt them.

'Public participation'
Millions of public comments were submitted to the FCC before regulators started writing the net neutrality rules.

Kim Hart, an FCC spokeswoman, in an e-mail said the agency was reviewing the request. She declined further comment.

Mr. Wheeler has said he intends to follow President Barack Obama's call for strong rules to prevent blocking or slowing of web traffic by internet service providers including Comcast and telephone leaders AT&T and Verizon Communications.

The companies have opposed Mr. Obama's path, saying it opens the way for intrusive oversight and possible rate regulation. The president's proposal "is an extreme and risky path that will jeopardize our investment," Fran Shammo, Verizon's chief financial officer, told analysts Jan. 22.

'Demanding tolls'
The agreements allow the companies to have a more direct connection into the internet service provider's network at a data center to improve the quality of content delivery.

Internet service providers have used web congestion for "leverage in demanding tolls for delivering video traffic to their subscribers," the companies and trade group told FCC officials in a Jan. 9 meeting.

Netflix said its videos flowed faster to customers after it paid Comcast, Time Warner Cable, AT&T and Verizon. Comcast said Netflix changed how traffic is carried in hopes of cutting out wholesalers, and to seek a more favorable arrangement.

Bidding war between networks, sports leagues will increase price of cable TV

By Cecilia Kang January 23 2015

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Cable TV is about to get more expensive for millions of consumers because of a bidding war between networks and the country’s most powerful sports leagues.

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The rise in cable prices is likely to test the patience of customers, who may already be tempted to cut their cords in exchange for streaming options that will soon be

available to them. For providers and customers, the creeping prices amount to a test — at what point will viewers decide it isn't worth paying for cable anymore?

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The catalyst for the price increases is a slew of dealmaking between ESPN and the biggest professional sports leagues. Based on a recent deal, ESPN is estimated to pay $1.9 billion each year just for National Football League games. ESPN and TNT have signed a new $2.6 billion annual contract to carry National Basketball Association games. Analysts say these costs will get passed on to customers — slowly and steadily over the next decade.

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The most powerful force behind the price changes is ESPN, which is by far the most popular and expensive network in cable. Cable subscribers are paying about $6 per month out of their total cable bills to watch ESPN, the most of any non-premium cable channel because of its massive reach into audiences only the big broadcast networks enjoy.

"ESPN is hugely popular and delivers the most value of any programming network in America," said Katina Arnold, a spokeswoman for ESPN.

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Other networks such as CBS and Fox have also paid sky-high rights for sports broadcast deals, which they then pass on to cable operators in the form of massive retransmission fees.

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But by driving prices higher for all cable customers, ESPN and other networks could be undermining their main profit engine.

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Indeed, one of the factors driving up prices is the growing number of sports channels all bidding for the right to air popular events.

"There have been an increasing number of bidders in recent years for large sports rights deals as cable networks have become more and more profitable," SNL Kagan analysts Derek Baine and John Fletcher wrote in a report this week. "With FOX Sports 1 and FOX Sports 2, NBC Sports and the Turner Networks now in the market bidding on sports rights along with ESPN and the broadcast networks, the market has gotten fiercer than ever."

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Disney, which owns ESPN, has defended its lavish spending on exclusive sports contracts as key to ESPN's future. The network has touted its ability to bring new

customers online and continue to grow its cable audience. Later this month, ESPN and ESPN2 will be available to online customers through Dish

It's a high-stakes bet that ESPN's online service won't lure too many of its cable customers away from the TV bundle. ....

Verizon OTT Service to Launch This Summer   26 Jan 2015

Verizon's over-the-top video service is slated to launch this summer and will not operate as a linear TV business model, the telecom's CFO told analysts last week.
Why This Matters: *Speaking Jan. 22 during the telecom's quarterly fiscal call, Fran Shammo indicated Dish Network's pending $20 monthly OTT service and CBS's recently launched All Access SVOD service underscore the subscription streaming business model and the reality that content owners are willing to explore new distribution channels..*
4 Takes: Home Media | Light Reading | CED | Advanced Television

Quote of the Day 23 Jan 2015

"Title II is an extreme and risky path that will jeopardize our investment and the development of innovation in broadband Internet and related services. It will also tie up the industry in a very uncertain time and cause all types of litigation… I can absolutely assure you it would certainly change the way we then view our investment in our networks."

– Verizon CFO Fran Shammo

Parks: HBO's OTT Service Could Have a Huge Impact on Pay-TV - 23 Jan 2015

According to new research from Parks Associates, 17% of U.S. broadband homes are likely to subscribe to an HBO OTT offering. Of that group, 91% are currently pay-TV subscribers and about half of them say they would cancel their pay-TV service after subscribing to the new HBO offering.
Why This Matters: *HBO hasn't even set a launch date or revealed pricing for a standalone service, but if Parks' research is accurate, HBO's new OTT service will end up costing the pay-TV business around 7 million subscribers, or 7% percent of the industry's base.*
5 Takes: Re/code | MCN | Media Post | Home Media | Fierce Cable

QUOTE OF THE DAY 22 Jan 2015

"Instead of leaving the FCC to find statutory authority in existing provisions of law, we must work together to craft new legislation that establishes unambiguous rules of the road for ISPs while also clearly defining the parameters of the FCC's authority."

– NCTA President Michael Powell

Netflix's Hastings agrees 25 Mbps should be the broadband definition

By Sean Buckley January 22, 2015

http://www.fiercetelecom.com/story/netflixs-hastings-agrees-25-mbps-should-be-broadband-definition/2015-01-22

Reed Hastings, the CEO of Netflix (NASDAQ: NFLX), has come out in support of FCC Chairman Tom Wheeler's assertion that 25 Mbps should be the baseline definition for broadband service.

Speaking during the fourth-quarter earnings call, Hastings said that to support emerging services like ultra high-definition video and videoconferencing, consumers will need higher speeds than what is the norm today.

"Once you got an Ultra HD video stream that's 15 megs just a single stream and you're going to want video conferencing, you're going to want online learning, you're going to want all kinds of different applications monitoring of your home, these kinds of things on video," Hastings said during the earnings call. "So 25 megs is kind of baseline for the next five years as opposed to the past five years."

According to a recent Akamai report, only 19 percent of U.S. households have a bandwidth connection that could provide consistent support for 4K video.

Netflix has been making inroads into 4K by launching its own content library last year with plans to support other High Dynamic Range streaming services.

Much like its proposal to raise the broadband bar from 4 to 10 Mbps, the FCC's 25 Mbps proposal and Netflix's support will be met with resistance from traditional telcos like AT&T (NYSE: T) and Verizon (NYSE: VZ), which claim that most consumers don't need higher speeds.

Kagan: Sports Costs Keep Growing

Sports Costs Up 5.1% Annually Between 2000 and 2014; Will Grow 7.3% From 2014-18.

http://www.multichannel.com/news/news-articles/kagan-sports-costs-keep-growing/387150

By: Mike Farrell 1/22/2015 1:00 PM Eastern

TakeAway

SNL Kagan says sports costs rose 5.1% annually between 2000 and 2014 and will grow at a 7.3% clip between 2014-18.

Sports costs, the bane of pay TV providers across the country, are only getting costlier and will continue to outpace the surcharges some operators have implemented to curb them, according to a new report by SNL Kagan.

Kagan estimated that the number of channels available to pay TV customers has increased substantially in the past 20 years – from 27 channels to more than 100 today – and charges have increased a reasonable 2% annually over that time from an average of 26 cents per channel per month to 39 cents. But in that subset, sports channels are by far the costliest. According to Kagan sports networks – skewed by the $6.04 per subscriber per month charged by ESPN – average about $1.03 per customer per month. That compares to 81 cents for film channels, 39 cents for general and variety networks and 29 cents for family/kids' channels. Sports network costs have risen at about a 5.1% annual clip between 2000 and 2014, according to Kagan, but with the price of sports rights continuing to climb, the research house estimates fees will accelerate at a 7.3% annual rate between 2014 and 2018.

More and more distributors are implementing sports surcharges to offset the high costs of sports, particularly regional sports networks. DirecTV was the first to test the waters in 2012 – with a $3 monthly surcharge for subscribers in select markets. They were followed by Verizon Communications, Cablevision Systems (which has a Sports and Broadcast TV surcharge), Mediacom, WOW, Time Warner Cable, Comcast, Cable One and RCN.

Charter Communications recently increased its Broadcast TV surcharge 25 cents to $5.25 per month, but does not have a sports surcharge.

Time Warner Cable recently tacked on a $2.75 monthly sports surcharge to its existing $2.75 surcharge for broadcast TV, according to Kagan. TWC has two of the priciest RSNs in the country – SportsNet LA and TWC SportsNet, both in the Los Angeles market.

According to Kagan, TWC is charging distributors about $4.90 per month per subscriber for SportsNet LA, the RSN owned by the Los Angeles Dodgers Major League Baseball team and managed by the cable company. TWC is part owner of SportsNet LA with the Los Angeles Lakers National Basketball Association team and charges about $3.74 per month per subscribers for the channel.

Kagan estimated that in 2011, the Los Angeles market had two RSNs – Fox Sports West and Prime Ticket – that charged a combined $4.87 per subscriber per month. In 2015, LA is home to five RSNs with a combined cost per subscriber of $12.50 per month.

Democrats Skeptical About GOP Net Neutrality Bill - 20 Jan 2015

Late last week, Republicans in the House and Senate unveiled a Net Neutrality bill that would ban ISPs from blocking sites, throttling content and from engaging in paid

prioritization. The proposed bill also imposes new restrictions on the FCC, which has drawn opposition from Democrats.
Why This Matters: *The measure would prohibit the FCC from reclassifying broadband as a utility service, and prevent the agency from enacting new net neutrality rules. Other provisions of the bill could block the FCC from invalidating state restrictions on muni-broadband.*
5 Takes: Variety | B&C | Media Post | Washington Post | National Journal

Power Play

How Obama Is Shaping Policy — and His Legacy — by Pushing for a Faster Internet and Utility Rules for ISPs http://www.multichannel.com/users/jeggerton

By: John Eggerton e-published 1/19/2015 8:00AM Eastern **:** **http://www.multichannel.com/power-play/387005**

WASHINGTON — The president of the United States has thrown his weight into passing strict new laws that will fundamentally alter the business model for the nation's cable operators, regulating them like utilities and requiring faster minimum speeds for Internet delivery.

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The signal from the Obama administration and an army of regulators appears to be that it almost doesn't matter how ISPs gained the power they have — that the power to connect people to the Internet is now so great, and the Web so central to daily life and commerce, that it is in the public interest for government to step in.

In the call for new rules, the Obama Administration has made the speed of delivery an issue to be highlighted. Its message: ISPs aren't delivering broadband that's fast enough to meet all of those needs, and they aren't facing enough competition for service to lower prices and boost those speeds. Moreover, they need common-carrier rules to keep them from blocking and discriminating and prioritizing that Internet traffic.

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ISPs are pushing back, but they are on the defensive. National Cable & Telecommunications Association president and CEO Michael Powell warned the FCC about "chas[ing] false solutions." Walter McCormick, president of telco trade group USTelecom, said the president's plans for regulations based on Title II of the Telecommunications Act and FCC pre-emption sound like a "call for the federal government to regulate the Internet, and for municipal governments to own the Internet."

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NEW DEAL PARALLEL

Last week, the White House drew a direct parallel between government efforts in the

1930s to get electricity to rural areas and the high-speed broadband initiatives that the administration and the FCC are backing to ensure that broadband reaches those same rural areas.

“In the 1930s, many argued that electricity was a luxury, something too costly to bring to rural communities and to every American and too modern for them to take advantage of,” Jeff Zients, director of the President’s National Economic Council, said in in a White House-arranged call with reporters. “We are at a similar moment today. Broadband is no longer a luxury, it’s a necessity.”

Punctuating that comparison, Obama is now defining broadband by speeds several times higher than current FCC definitions.

The White House has already told Wheeler it thinks the agency needs to reclassify Internet access under Title II common-carrier regulations to ensure that cable and phone companies don’t become gatekeepers.

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The Obama administration and Wheeler appear to be on the same page when it comes to viewing the rollout of broadband service, which they are defining at higher speeds — 10 Megabits per second, then 25 Mbps and now perhaps as fast as 1 Gigabit per second — as a seminal moment in the nation’s relatively brief digital history.

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Affordability may also become the table stakes for the definition of “available” broadband. Zients said the president wanted to remove roadblocks to competitors entering local markets — which would include state laws limiting municipal broadband. Pre-empting state broadband regs is just one of several initiatives Obama is backing to boost high-speed broadband (see sidebar).

The White House said 19 states had broadband-limiting laws, though the Coalition for Local Internet Choice put that number at 21 and potentially 22 if a newly introduced Missouri law is passed.

CALL FOR MORE MUNIS

The White House initiatives on speed and ISP reclassification also mirrors calls by Susan Crawford, a former tech adviser to Obama — as was Tom Wheeler — for municipal buildouts, an approach to broadband similar to the Roosevelt-era rural electrification program, and for regulating broadband like a utility, all on the president’s list. Crawford is a Cardozo School of Law professor and author of *Captive Audience: The Telecom Industry and Monopoly Power in the New Gilded Age*.

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Cable operators were already on the defensive after Wheeler pivoted toward Title II, and he has since signaled that he is likely to follow the president’s lead. That has led to a new round of pushback from cable operators who argue that reclassification will mean billions in new taxes and fees, decreased investment and innovation, and certainly more legal challenges.

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NCTA FIRES BACK

The NCTA talked about declining permegabit prices and even faster speeds via DOCSIS 3.1 and the new Broadcom Gigasphere chips on display earlier this month at the International CES in Las Vegas.

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The NCTA conceded that there are two “discrete” areas where government “may” play a targeted role. That is in “very rural” areas where there is no service and no business case for it, and in adoption education.

The White House signaled the administration did not think Title II would put a damper on investment of innovation, as cable operators have argued, and that price and availability of high speeds, rather than not wanting broadband, were the key roadblocks to ubiquitous broadband.

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Obama’s Broadband Initiatives

The White House last week announced some new executive actions to promote high-speed broadband, building, it said, on President Obama’s network-neutrality proposal to have the FCC reclassify Internet access under Title II:

► **Calling to End Laws that Harm Broadband Service Competition**:

...

► **Expanding the National Movement of Local Leaders for Better Broadband**:

....

► **Announcing a New Initiative to Support Community Broadband Projects**:

....

► **Unveiling New Grant and Loan Opportunities for Rural Providers**:

....”

► **Removing Regulatory Barriers and Improving Investment Incentives**:

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NBC to Stream the Super Bowl for Free to Promote Cable Packages 20 Jan 2015

NBC said it will offer 11 straight hours of free streaming during Super Bowl Sunday, including the game, half-time concert with Katy Perry, and pre-and post-game shows. **Why This Matters:** *Access to online video content at NBC.com and NBC Sports Live Extra usually requires authorization through a pay-TV operator, but the network is using the game to promote its online services.*
5 Takes: Reuters | Bloomberg | MCN | Tech Crunch | Home Media

Will millennials cough up money for media?

Ricardo Bilton | January 15, 2015

e-Published in http://digiday.com/publishers/the-2015-outlook-for-millennials-media-spending/

The old saw is that millennials may spend a lot of time-consuming media, but they're far less likely to spend money on it.

But the latest forecasts complicating that narrative that millennials are media cheapskates loath to open up their wallets for content. Millennials in North America are expected to spend $62 billion on media content in 2015 — $750 per person — according to a new report from Deloitte. Nearly half of that spending will go to paid TV services, followed by music, computer games and movies. Still, media companies are facing an environment that's far easier for people to find free alternatives.

"There's no digital equivalent to a hamburger or car, but there is one for a CD or book," said Deloitte Research director Duncan Stewart. "Media companies are under way more pressure."

Stewart said he expects millennials decrease how much they spend on paid TV services over the next year as more companies launch and attract more people to their digital video services. The launch of a digital-only HBO Go service and Dish Network's Sling TV streaming, which unbundles ESPN from the cable package, are clear signs of where the industry is headed.

But of the big media formats, newspaper publishers have it the worst: Deloitte projects that the average millennial will pay just $19 on newspapers this year, less than the cost of four Sunday editions of The New York Times. Newspaper companies are also facing a similar money problem on the Web, which is eroding both their advertising revenue and ability to get money directly from readers. And they partially brought that fate upon themselves. "When you have people willing to give their content away for free, charging for it is really hard," Stewart said.

Deloitte's projections are just the latest in a long line of attempts to describe and quantify the spending habits of young people, whom analysts and surveys suggest are spending money very differently from previous generations. A recent survey from the Boston

Consulting Group (PDF), for example, found that millennials are spending less money perceived as non-essential, such as luxury brands and restaurants, and more money on organic food and other natural products. Millennials are also spending less money on products and more money on experiences, according to a June 2014 survey from Harris Interactive.

Duncan said that media companies can learn a lot from these shifts in spending habits. “It’s not that millennials don’t want to pay for things — it’s just that they don’t want to pay for the things that a lot media companies are making.”

CES: Millennials More Into Netflix Than Broadcast or Cable TV

Study from CEA and NATPE finds consumers 13-34 more likely to have watched streaming video than traditional television

January 9, 2015 | 10:33AM PT **Todd Spangler** NY Digital Editor@xpangler

This shouldn’t come as a shock: About half of consumers aged 13-34 say their Netflix subscriptions are very valuable — more than those who said the same about broadcast or cable TV, according to a new study.

About 51% of millennials consider subscription to Netflix “very valuable,” compared with 42% for broadcast channels and 36% for cable TV, according to a study commissioned by NATPE and the Consumer Electronics Association, conducted by E-Poll Market Research. The orgs released initial findings Thursday at the 2015 International CES.

Moreover, the study found that millennials are watching traditional TV less — and only 55% of the demo say TV is their primary video-viewing platform. About half of millennials say they watch TV programming on a laptop; 19% said that’s their preferred TV viewing screen. Another 28% watch TV programming on a tablet, and 22% do so on a smartphone.

In addition, millennials are significantly more likely to watch full-length TV programs from a streaming source: 84% have streamed TV shows in the past six months, whereas just 54% have tuned in to live TV and 33% said they have watched DVR content.

Older Gen Xers, by contrast, are more likely to uses video-on-demand and DVRs from pay-TV providers. Of those surveyed in this age group who have access to VOD, 76% said they use video-on-demand services at least once per week (similar to their usage of subscription VOD services).

“Our study confirms that the paradigm for TV content discovery has changed dramatically with increased availability and use of TV content streaming options,” NATPE president and CEO Rod Perth said.

The full study is slated to be released at the NATPE conference in Miami, which runs Jan. 20-22.