Alternate Screen Viewing

By: Mike Reynolds Mar 24 2014 - 12:00am

With various screens in play, viewers have more ways than ever to get their video content fix. The size of the device — TV, computer, tablet or smartphone — factors into the kind of programming viewers will watch. For example, according to a study by Vubiquity and Frank N. Magid Associates, 43% of 1,600 respondents aged 13-64 indicated they watch full-length TV shows on their computers; 40% watch on tablets; but just 16% watch them on smartphones.

Similarly, users were more inclined to watch movies on their PCs (36%) and tablets (35%) than on their smaller-screened mobile phones (11%). Usage was more uniform when it comes to viewing sports clips/highlights, news clips and movie trailers, according to the study.

Conversely, respondents were more disposed to watch user-generated and uploaded content on smartphones (49%) than computers (48%) or tablets (45%). Mobile phones were also the device of choice for watching viral videos.

Multichannel News March 24, 2014

Cable Ops Ready for Change As STELA Takes the Stage

GOP LAWMAKERS SPARRING OVER DRAFT
By: JOHN EGGERTON Mar 03 2014 - 12:00am

WASHINGTON — STELA reauthorization kicked into gear with a bang last week, and cable operators could ultimately benefit big time.

The House Communications Subcommittee will hold its second hearing on the Satellite Television Extension and Localism Act this week, with a draft in the works that could be a good bit less clean than broadcasters were hoping.

Republicans are not all of one mind on the draft, which is a work in progress, sources familiar with the legislation said. Republican members are said to be holding a meeting today (March 3), and the draft is expected to be a topic of conversation.

It was definitely a topic of conversations for broadcasters last week. “We are being forced to strenuously oppose this bill because our members are extremely concerned,” National Association of Broadcasters spokesman Dennis Wharton said.

The bill as it is currently being drafted — no text is available yet, one source said — would require broadcasters to negotiate carriage on a cable operator’s basic tier as part of retransmission-consent agreements, according to sources. It is not clear whether must-carry stations would lose their mandatory must-buy carriage requirement.

Owners of must-carry stations, led by ION Media, last Thursday (Feb. 27) formed their own coalition, Voices for TV Choices, to push for a cleaner STELA than the early draft suggests. It was the second broadcaster-backed coalition to launch in the last three weeks in a pushback against possible changes in the retrans must-carry regime (the other was the TVFreedom.org group of network affiliates).

The bill would also allow cable operators to negotiate retransmission consent separately with a station and its jointsales agreement (JSA) or shared-services agreement (SSA) partner in a market, and would do away with the Federal Communications Commission rules that prevent broadcast programming to go dark on cable systems during sweeps periods. It would also do away with the FCC’s ban on integrated set-tops, which was proposed in a separate bill by Reps. Robert Latta (R-Ohio) and Gene Green (R-Texas).

The National Cable & Telecommunications Association has been pushing for an end to the ban, and the American Cable Association would be happy to divorce stations from their JSA/SSA retrans-negotiation partners.

The draft issues are expected to get some tire-kicking at the March 5 hearing in the House Communications Subcommittee. NCTA president Michael Powell will be one of the witnesses, as will TiVo senior vice president Matt Zinn, who might have something to say about getting rid of the set-top integration ban. TiVo is concerned that removing the ban would put the company at a competitive disadvantage.

Rep. Greg Walden (R-Ore.), chairman of the House Communications Subcommittee, has signaled he wants to keep retrans issues separate, but ranking member Anna Eshoo (D-Calif.) does not want to push that issue into the planned Communications Act rewrite, which will likely be years in the making. STELA must be renewed by year’s end or it will sunset.

The last time around, in 2009, the bill got loaded down with other issues, and the deadline expired with no new bill. The draft was said not to address retrans blackouts, so that will likely not sit well with Eshoo, who wants to put an end to them. With TiVo in her district, getting rid of the ban is probably not high on her list, either. Her office would not comment on the potential bill.

Keeping retrans out of the bill entirely was always a tough ask since the bill also renews the FCC’s authority to enforce good-faith bargaining.

A subcommittee spokesman would neither confirm nor deny that such a draft was in the works, but said a draft was still targeted for the end of March.

On the Senate side, bipartisan leadership of the Senate Commerce Committee this week asked for input on what should be included in STELA, and the responses included suggestions along similar lines as the reported House draft, including removing the sweeps exception, getting rid of the set-top integration ban, addressing coordinated retrans and getting rid of the must-buy requirement.

TAKEAWAY

Broadcasters are worried over the retrans implications of a draft to reauthorize the bill that gives satellite providers the right to deliver local broadcast-TV signals.

Multichannel News – March 10, 2014

Comcast Puts New Twist On VOD Advertising

ADVANCED AD GURU DETAILS MSO'S ODCR INITIATIVE
By: JEFF BAUMGARTNER Mar 03 2014 - 12:00am

NEW YORK — With ad-supported TV representing the top video-on-demand category at Comcast, the cable giant last week gave more details on how its programming partners can better monetize that content.

Roughly 40% of VOD viewing on the Comcast platform is in the "C3" window, Rob Holmes, vice president of advanced advertising for video at Comcast, said during a keynote interview with *Multichannel News* editor-in-chief Mark Robichaux at the "Advanced Advertising: Profiting From a Targeted Audience" conference. As tracked by Nielsen, C3 refers to the first three days following the debut airing of a TV program.

The newest weapon being forged to take advantage of this trend, and viewing window, is the On Demand Credit Rating, an initiative launched by Comcast that uses dynamic ad insertion to splice the ads from the most recent episode of a TV series into the prior episodes that are banked in the VOD system. Boiled down, ODCR picks up part of those ad views and applies them to the Nielsen C3 rating.

As previously reported, Comcast has conducted or is conducting small ODCR technical trials with NBCUniversal and ABC, and is on track to do the same with CBS.

"We've proven we can execute from a technical standpoint," Holmes said.

He said Comcast has developed a scalable solution for dynamic ad insertion and believes new initiatives like ODCR can accelerate the overall DAI market for video-on-demand.

Generally, dynamic ad insertion "is a great opportunity," Holmes said, noting that Comcast had about 1 billion DAI impressions last year and expects to be on pace this year to double that.

While ODCR presents a way for advertisers to buy full seasons of TV shows on the VOD platform, consumers don't tend to gobble episodes all up at once. Instead, viewers tend to use VOD to keep pace with the current season.

In fact, 75% of VOD views involved one household watching one episode of one series per week, according to data pulled together by Comcast in partnership with Rentrak. "So it's not really binge watching," Holmes said.

Although ODCR is still nascent (it's a topic of a Comcast VOD ad "road show" that's underway to help educate the market), don't get too comfortable with the term. "We're looking for a better name," Holmes joked.

And ODCR is just one of a "portfolio of solutions," he said. Comcast will offer multiple options so programmers can figure out how best to map themselves to the operator's dynamic ad insertion platform.

One of those options is NBCU+Powered by Comcast, an addressable/targeted VOD ad product that was introduced last month.

While that product is in the early stages, Holmes said he anticipates more addressable ad inventory will become available soon as Comcast and NBCU look to attract more advertisers to it, continue their work with the ad agencies and add it to the structure of the upfronts

Multichannel News – March 10, 2014

Comcast Takes Apple TV And Roku to the Test

MSOs TRY OUT AUTHENTICATION ON MORE DEVICES

By: JEFF BAUMGARTNER Mar 24 2014 - 12:00am

NEW YORK — Comcast is starting to test authentication with “certain programmers” on the Apple TV and Roku platforms as the operator explores new additional TV Everywhere avenues, Matt Strauss, Comcast Cable’s senior vice president and general manager of video services, said.

Strauss, the keynoter at the Next TV Summit here last Wednesday (March 19), didn’t say when Comcast intends to open up access on those platforms. The broad strategy, though, is to focus efforts on platforms that have high consumption, including PCs and iOS- and Android-powered devices, he explained in an interview with*Multichannel News* executive editor Kent Gibbons.

Strauss also demonstrated X1, the operator’s IP-capable next-gen video platform. Comcast’s new, enhanced version of X1, internally labeled as “X2,” extends a common look and feel across the TV and mobile devices and adds more personalized features.

That’s coming into view as the experience becomes integrated rather than being plunked into separate silos. “Video will essentially become available across platforms,” Strauss said.

With X1, Comcast is seeing a blurring of lines between live TV, on-demand and the DVR. “At the end of the day, these are just choices to the customer,” Strauss said, noting that Comcast is starting to steer itself away from the DVR nomenclature. The DVR, Strauss said, “is just a personalized list of shows.”

To amplify that thinking, X1 will feature a “Saved” category that co-mingles content stored on the DVR or recently viewed on VOD with TV shows and movies purchased through the operator’s electronic sell-through product.

X1 is available across Comcast’s systems, but only about a third of its subscribers currently use the the new guide, which will remain an “opt-in” upgrade for a while. Comcast expects to have all X1 customers on the new UI by the second quarter, Strauss said.

The MSO is also ramping up a new cloud-services component for X1 that features in-home IP-streaming access to the full live-TV lineup, a cloud DVR, and a way to port DVR recordings to mobile devices for on-the-go viewing.

Comcast debuted those new cloud-based capabilities in Boston, and is “prioritizing some of our largest markets first” as it looks to expand, Strauss said. The current plan is to make the updates available to a “good portion of our footprint” this year, he said.

Multichannel News March 24, 2014

FCC Poised to Boost Cable WiFi Spectrum

PLAN WOULD DOUBLE UNLICENSED 5-GHZ BANDWIDTH FOR OPS TO TAP INTO

By: JOHN EGGERTON Mar 24 2014 - 12:00am

WASHINGTON — Cable's current winning streak at the Federal Communications Commission — which is poised to rule in the industry's favor on TV-station joint services agreements and coordinated retransmission consent — is extending to WiFi.

The FCC is poised to double the amount of unlicensed spectrum in the 5-Gigahertz band available to cable operators for their WiFi-based wireless broadband services.

MSOs are increasingly relying on WiFi hotspots as a mobile broadband play (see "Cashing in on Connectivity," March 17, 2014), and already have access to 100 Megahertz of spectrum in the 5.7-GHz band.

That available spectrum will increase to 200 MHz with a March 31 vote, and could be doubled again if the FCC can work out interference issues with the Defense Department in the 5.9-GHz band and with car manufacturers in the 5.3-GHz band.

The FCC has scheduled a vote for March 31 on the 5GHz band report and order. It has only said publicly that the item will make the band "more useful for consumers and businesses, and reduce the potential for harmful interference to certain incumbent operations."

WIDENING THE NET

According to a source familiar with the item, the FCC is essentially transferring the rules under which cable operators currently use the 100-MHz band to the 5.1-GHz band. That means a power increase of as much as 1 watt with a directional antenna, and outdoor as well as indoor use — in other words, the spectrum can be used for wireless hotspots, rather than just wide area networks (WANs) or local area networks (LANs).

Cable operators will be able to use some of the same equipment for the 5.1-GHz band, and in some cases may only have to make a software upgrade, though the FCC will still have to certify the new software.

MSOs were said to have preferred a regime with fewer software-certification requirements and were still discussing the matter with FCC officials, according to the source, but cable is said to already be declaring victory on getting access to the new spectrum.

Paving the way for the March 31 vote were proposed adjustments to cable-operator antenna standards supported by mobile satellite-services company Globalstar, the only company opposed to the FCC's proposal to free up the band for unlicensed use. The National Cable & Telecommunications Association has said it is committed to not causing harmful interference to Globalstar, but it also pushed the FCC to extend the flexible rules to 5.1 GHz.

Globalstar has told the FCC it supports the NCTA's proposed antenna standards to limit power in some circumstances. The FCC appears to be OK with that, too.

ENCOURAGING 'FIRST STEP'

Cable operators are happy with the result, NCTA senior vice president James Assey signaled last week, but more needs to be done.

"We are very encouraged by this first step that the commission is going to take," he said at a Free State Foundation conference in Washington. "But it is a first step and we are going to need to try and continue to keep this engine running.

"We are very encouraged by the action teed up later this month in the 5-GHz proceeding that the FCC has shown real leadership in," he added. "That has not been an easy process."

But he also called it a first step that needs to be followed by others. "The fact of the matter is we have more Internet adopters, we have more wireless devices out there, we have more intensity of use as people migrate from reading Web pages to wanting to watch videos, and we don't see any signs of that hockey stick stopping," Assey said. "We're foolish if we don't figure out a strategy that will allow both licensed and unlicensed [spectrum use] to grow."

The FCC tackled the 5.1-GHz band because it could be freed up the fastest.

"5.1 was easiest so we got that out of the way first," said the FCC source. "We're continuing to work on 5.3 and 5.9."

It was the easiest to solve, said the source, but the FCC still wants to help free up some of the spectrum in the bands used by or reserved for auto-crash avoidance systems and the Defense Department, as long as it can do so without interfering with those incumbents.

TAKEAWAY

The cable industry has been pushing the government to free up as much WiFi spectrum as possible to fuel its mobile broadband play of choice.

WiFi by the Numbers

86:
Percentage of homes expected to have WiFi by 2017.

68:
Percentage annual increase of WiFi traffic.

137 million:
WiFi-only tablets sold in 2013.

222 billion:
Economic value of WiFi to U.S. economy.

Source: Wifi Forward

Multichannel News March 24, 2014

NEWS ARTICLES

Forbidden Fruit

Why Comcast Has Rebuffed Apple's Advances Time After Time

3/31/2014 8:00 PM Eastern

By: MCN Staff

Discussions centered on Apple's desire to forge a streaming video pact with Comcast are exactly that – mostly talk.

Multiple industry sources confirmed reports that Apple and Comcast have explored a deal that would enable an Apple-powered device to offer a mix of live TV and other subscription video services in partnership with Comcast, but that the two sides have been discussing it for more than two years, and that Comcast has been unwilling to bend to Apple's will.

According to *The Wall Street Journal*, Apple has been seeking a deal that would allow it to supply its own interface, offer services over a managed IP

network that did not mingle with "best effort" broadband service traffic, and also take a cut of the subscription fees.
An industry source familiar with those talks said the discussions between Apple and Comcast go back the better part of two years, with Comcast rebuffing Apple's advances every time the sides have come together.
"Those talks have never gone anywhere and probably never will," the source said, noting that Apple had previously tried to squeeze revenues out of Comcast for its app for iOS-powered smartphones and tablets, but eventually gave up on that idea. "Apple just wants too much."
On top of that, Comcast is already well downstream with X1, its next-gen video interface, which covers not just the set-top box, but tablets, smartphones, and PCs, and eventually smart TVs and other types of IP-connected devices.
The timing of the leak is also suspect, as it surfaced as regulators prepare to vet the proposed merger between Comcast and Time Warner Cable, which may ultimately include network neutrality-related conditions. That has led to speculation that Apple, which is expected to release a next-gen version of its Apple TV product later this year amid an increasingly competitive market of video streaming devices, is trying to exercise its influence during the review process, perhaps to get streamlined access to the MSO's last mile network.
Comcast declined to comment. Apple did not respond to a request for comment.
Still, Comcast has made some strides in the development of managed IP-based video services and applications. Comcast's X1 product and its cloud-based VIPER multiscreen video distribution platform, for instance, are putting the operator on a path toward an IP video migration. Comcast's authenticated VOD application for the Xbox 360, for instance, uses dedicated bandwidth and the VIPER system. Another example is Xfinity On Campus, a new IPTV service Comcast is testing on a handful of college campuses in the northeastern U.S. that is said to be relying on the MSO's Metro Ethernet platform in the last mile, rather than on its more traditional hybrid fiber/ coax network.
But those are relatively small in scale compared to the sort of service Apple would likely have in mind. And, according to people familiar with Comcast's plan, delivering a highly-utilized, all-IP video service over its HFC plant would be costly, both in terms of capital and bandwidth. The operator would need to reclaim more spectrum it's using now to support its traditional MPEG/QAM-

delivered video service, and splash out more cash on new set-tops and gateways to support a service with a questionable return on those investments.
Although Comcast and Apple appear to be far apart on sealing a streaming deal, this is not to say that the MSO has no interest in the Apple TV platform. Matt Strauss, Comcast's senior vice president and general manager, video services, said at the Next TV Summit in New York earlier this month, that Comcast is starting to test TV Everywhere authentication with "certain programmers" on both the Apple TV and Roku platforms. He didn't identify any programmers or TVE apps by name, but authenticated apps currently offered on the Apple TV include HBO GO, Watch Disney, Watch Disney XD, Watch Disney Junior, and Watch ESPN.
TWC has been in talks with Apple regarding support of its TWC TV app, which supports both VOD and hundreds of live TV channels, for the Apple TV platform. Those discussions have been in a holding pattern ever since Comcast and TWC announced their deal, the *WSJ* said.

Multichannel News March 31, 2014

If TWC Deal Gets Done, What Might Comcast Sell?

Merger Injects Talk of Divestiture Deals
By: Mike Farrell Mar 03 2014 - 12:00am

Comcast's pending $69 billion merger with Time Warner Cable is expected to help goose what is hoped to be a resurgent deal market.

The cable giant — created when Comcast announced plans last month to buy Time Warner Cable in an all-stock deal worth $160 per share — has many in cable wondering which markets will be included in the possible 3 million subscribers the new cable behemoth could divest.

Comcast said it would sell off 3 million subscribers — keeping the combined entity at about 30 million customers, or about 30% of U.S. television homes — if needed.

The cable deal market had been gaining steam in the months leading up to Liberty Media's $2.6 billion investment in Charter Communications, which started the latest round of consolidation talk. Now, with Comcast's agreement to acquire Time Warner Cable and its pledge to divest as many as 3 million subscribers if needed to appease regulators, operators are on the hunt again.

But Comcast hasn't yet revealed where it will be divesting subscribers, prompting a bit of a guessing game in the cable financial community. While no specific markets have been revealed, some MSOs and members of the financial community have put in their candidates for possible divestiture.

One option Comcast is considering, according to sources familiar with the matter, is spinning off the 3 million subscribers in a separate entity headed by Time Warner Cable management. A spin could be more tax-efficient — Comcast has said publicly that tax issues would be one of the considerations in determining which assets it would divest — and it could further appease regulators by creating another independent cable company.

According to some people in the cable financial community, systems in Georgia, Arizona and Texas could be included in the mix, but that is subject to change. Comcast has systems in Atlanta and other smaller parts of Georgia, as well as in Houston, Texas and parts of Arizona and New Mexico. Time Warner Cable has systems in Dallas and other parts of Texas and Kentucky.

"When you have 33 million subscribers, there is always a bottom 10% club," said one investment banker who asked not to be named. "The question is, who is in that bottom 10%?"

Were all the properties to be sold at once, the price tag would be between $10 billion and $15 billion. That's out of the league of most small operators, but well within the wheelhouse of cable companies like Charter Communications — which lost out in the TWC bidding and has expressed a willingness to gain scale through acquisition — and Cox Communications.

TAKEAWAY

Cable's financial community is speculating on where Comcast might sell systems with as many as 3 million subscribers once it closes its Time Warner Cable acquisition.

Multichannel News – March 10, 2014

Liberty Keeping Watch As Comcast Stock Slides

By: MIKE FARRELL Mar 03 2014 - 12:00am

Comcast stock has been down about 7.5% since it announced its $69 billion merger agreement with Time Warner Cable on Feb. 13. That's understandable in large acquisitions, but it could, in the extreme, become of increasing concern as the deal edges closer to completion.

It is a common tenet of business investing that in any large acquisition, smart investors sell the buyer and buy the seller, which appears to be happening.

Comcast stock has dipped from $55.24 on Feb. 12, the day before it announced the TWC deal, to $51.08 on Feb. 27. Time Warner Cable shares are up by 2.4% in the same time frame. Again, that's typical in large deals.

Liberty Media CEO Greg Maffei brought up the Comcast decline in an earnings call last week discussing fourth-quarter results. Liberty owns a 27% interest in Charter Communications, whose $132.50 per-share offer for TWC was trumped by Comcast.

Maffei said he was unsure whether the Comcast/TWC merger would pass regulatory muster. He said it would depend on what conditions are heaped on the union by the government. But he managed to throw in a slight dig at the deal, noting that it doesn't include the stock price collar that TWC was so insistent upon in the Charter bid.

"There are a couple of prices paid," Maffei said of the deal. "There is the nominal $158.80-something that was agreed upon and there is the price now being offered without the so-desired cap or collar on Comcast stock. I noticed that price has declined somewhat from the indicated initial price. We'll see what actually gets paid."

Later, asked if Charter would consider making another offer for TWC, possibly in the $140 pershare range, if Comcast stock continues to weaken, Maffei said all options would be considered.

"We will watch with interest how that proceeds," Maffei said. "We're not going to take any option off the table about what Liberty thinks is in the best interest of their shareholders. I suspect Charter management will do the same thing."

Nobody really believes that the stock will fall enough to prompt another Charter offer, and Charter has given no indication it would restart its takeover efforts.

So just how much would Comcast stock have to fall for the deal to be troublesome for Comcast shareholders?

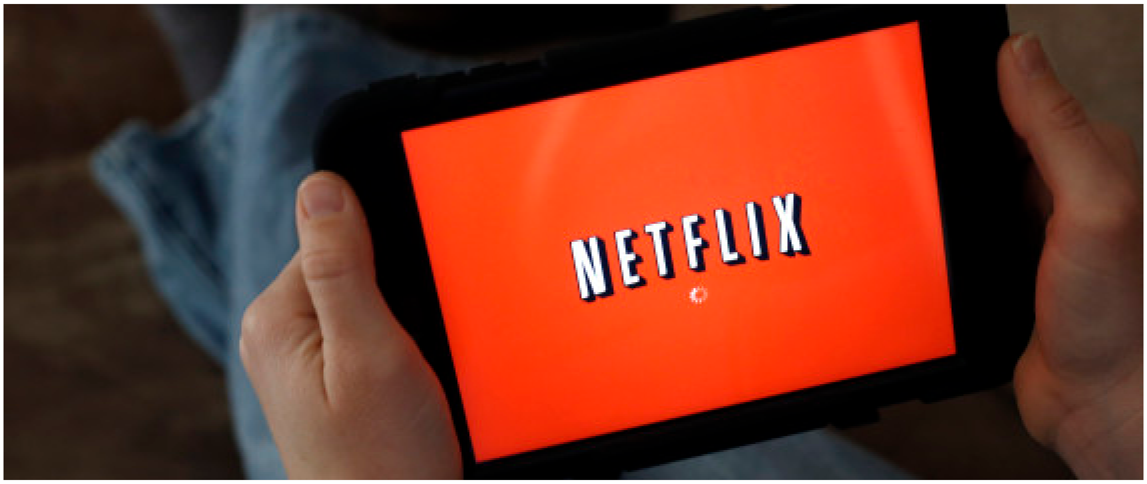
A quick analysis seems to show it would have to be an extremely dramatic drop.

TWC shareholders stand to end up with 23% of the combined company after the deal closes. To raise that stake to 35%, Comcast stock would have to fall 43%, to $31.76 per share.

For TWC shareholders to end up with more than half of the combined entity, Comcast shares would have to plummet 71%, to $15.88 per share. It should be noted that Comcast hasn't traded that low in about four years.

Multichannel News – March 10, 2014

Netflix CEO Slams Web Companies Over Net Neutrality



Netflix CEO Reed Hastings gave Internet service providers a strongly worded piece of his mind over net neutrality in a blog post on the company's website on Thursday.

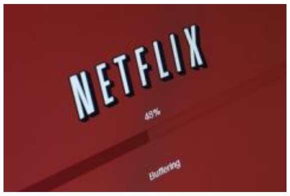
In a post titled "Internet Tolls And The Case For Strong Net Neutrality," Hastings laid out why cable giants should be doing more to strengthen net neutrality and "protect our consumer experience."
"Some big ISPs are extracting a toll because they can," Hastings wrote. "They effectively control access to millions of consumers and are willing to sacrifice the interests of their own customers to press Netflix and others to pay."

The blog post comes less than a month after Netflix struck an "interconnect" deal with Comcast to give the streaming giant a direct connection to the broadband provider, instead of through third-party providers. The deal is meant to improve both streaming quality and speed for Netflix's library of movies and TV programs.
Since the U.S. Court of Appeals for the D.C. Circuit in January struck down a Federal Communications Commission order that Internet providers such as Verizon, AT&T, Comcast and Time Warner Cable had to abide by the principles of network neutrality, treating all users equally, Netflix has been feeling the squeeze. Without net neutrality, ISPs are free to charge more or throttle speeds for data-heavy services such as Netflix streaming or Skype video calling. Since the ruling, Comcast and Verizon customers have complained of a steep drop in the quality and speed of their Netflix streaming.
Hastings wrote that "while in the short term Netflix will in cases reluctantly pay large ISPs to ensure a high quality member experience, we will continue to fight for the internet the world needs and deserves."

Comcast executives see things differently.

"We are happy that Comcast and Netflix were able to reach an amicable, market-based solution to our interconnection issues and believe that our agreement demonstrates the effectiveness of the market as a mechanism to deal with these matters," David L. Cohen, Comcast executive vice president, said in a statement responding to Hastings' blog post.

Huffington Post – March 20, 2014



Peer Pressure

8 Questions About the Comcast-Netflix Deal and What It Means for the Future of Streaming

By: Jeff Baumgartner Mar 03 2014 - 12:00am

The Comcast-Netflix interconnection deal announced last week drew a vocal and divisive reaction — either the sky remained firmly in place, or it was getting ready to fall.

While many labeled it as a standard, ho-hum, there'snothing- to-see here transit deal mimicking the thousands that preceeded it, others saw it as a pact dripping with significance that marked the beginning of the end of an open Internet.

Amid the confusion and conjecture, the truth lies somewhere in between. To be sure, the interconnection relationship is relatively straightforward and common, one of many for the cable giant. But the implications are more far-reaching than they appear to be, because it involves the world's largest broadband ISP and the world's most popular video-streaming service.

The timing of the announcement was suspect for sure. While the deal was said to be in the works for months, it did not get sealed up until after Comcast struck its $45 billion deal to acquire Time Warner Cable, the second-largest U.S. MSO. That led to suspicions that Comcast scrambled to nail down a deal Netflix to head off a potentially loud critic before the regulatory review that's on the horizon. Coincidence?

The Comcast-Netflix deal also drew concerns from network-neutrality advocates, even if nothing in the agreement appears to be breaking any of the rules that currently apply to Comcast.

Though simple in nature, the potential ramifications of the agreement are complex and could set the stage for many more like it among the nation's other big ISPs. What follows is a primer on the deal and answers to key questions in the world of Internet traffic.

1 *What does the Comcast-Netflix deal cover?*

It's an interconnection agreement that allows Netflix to forge a direct link to Comcast's network at dozens of entry points and remove the middle man. Historically, Netflix has interconnected to the Comcast backbone through such third-party Internet transit players as Cogent Communications and Level 3 Communications. The new pact, considered a fairly standard one by executives familiar with Internet transit fees, will remove some of the complexities Netflix deals with when it delivers video to Comcast's broadband subscribers.

The addition of these new ports and on-ramps should reduce traffic jams as Netflix traffic enters Comcast, freeing up room to accommodate higher quality Netflix streams.

Before the deal, when Netflix traffic was said to be flooding Cogent's peering points to the networks of Comcast and Verizon Communications (think of them as a revolving door connecting two rooms), evidence mounted that the resulting congestion was reducing the quality of streams going to customers.

Peering disputes have emerged when one side is feeding more traffic than the other and refuses to pay for additional ports and capacity. Comcast and Level 3 engaged in such a dispute — ultimately settled — in 2010, soon after Level 3 signed a deal with Netflix and anticipated the coming traffic spike.

2 *What does Netflix get out of the deal?*

Netflix now has some assurance that its Internet-fed service will have an easier time scaling and delivering high-quality streams as it expands its HD library and prepares to launch its first byte-heavy 4K/Ultra HD offering.

It also appears that Netflix is getting quite a discount, at least in the short term. Comcast and Netflix did not disclose the financial terms of the deal, but it's believed that the transit costs Netflix will pay to Comcast will be lower than what it's been paying to Cogent to route traffic to Comcast.

Wedbush Securities estimated that Netflix is paying Comcast between $25 million and $50 million, versus the $400 million Comcast had been seeking, but also predicted that payments to ISPs such as Comcast will likely grow in the coming years as traffic continues to grow. Dan Rayburn, the executive vice president ofStreamingmedia.com and a principal analyst at Frost & Sullivan, offered a “rough estimate” that the Comcast deal will cost Netflix a lot less — about $12 million per year, based on assumptions that Netflix would be paying at bit less than $0.50 per Megabit per second of capacity for its ever-growing streaming requirements.

Netflix was also rewarded on the stock market as shares reached an all-time high last week of $457.79.

3 *Does this deal have anything to do with network neutrality?*

Despite fears that this transit deal could destroy the Internet economy, the agreement with Netflix and Comcast has absolutely nothing to do with the classic definition of network neutrality, insisted multiple sources close to the deal.

While this paid arrangement does give Netflix a direct link to Comcast’s network, the MSO is not prioritizing or giving any special treatment to Netflix traffic as it reaches the Comcast access network, where it is ultimately shuttled along to the consumer. Although the anti-blocking and unreasonable discrimination provisions of the Open Internet order have been struck down in the courts, Comcast must adhere to the old rules per the conditions of its NBCUniversal acquisition through 2018.

Thus, it’s not in the best interest of Comcast to discriminate against Netflix streams or any other Internet traffic running on its networks.

“The concept of net neutrality refers to the nondiscriminatory treatment of traffic within a given carrier’s network,” Craig Moffett, partner and senior analyst with Moffett Nathanson Research, explained in his research note summing up the deal. “The concept of peering relates only to the point at which different carriers’ networks interconnect and the volume of traffic that is exchanged.

“[T]he deal has nothing to do with paying for speed or network access; rather, it is simply a commercial payment to Comcast to open up additional ports to allow traffic to flow in excess of the settlement-free ratio,” Moffett said.

The Comcast-Netflix deal represents the kind of commercial agreements that have long governed the Internet. “Google and AOL have been doing it for years,” Rayburn said, citing just two of many examples. “Transit is the way the Internet works. This is how the Internet has worked for 20 years.

“Netflix has always paid for delivery,” he added. It’s just now adding Comcast to a list that already includes Cogent, Level 3, Tata, XO, Telia, and NTT, according to Rayburn.

“If they [Netflix] are getting a better deal and consumers are getting a better service, then it’s good all around,” he said.

4 *Are there concerns beyond net neutrality?*

Even if classic network-neutrality rules don’t apply here, some fret that the deal still refl ects the power Comcast now wields as the nation’s largest broadband ISP. Further, there are concerns that the deal’s lack of transparency could represent a slippery slope toward a tax on over-the-top video providers.

Comcast’s play for Time Warner Cable will indeed make the world’s largest ISP only larger. Some are already ringing the warning bells of antitrust.

Tim Wu, a professor at Columbia Law School and a longtime network-neutrality advocate, argued last week in a column published in *The New Yorker* that the interconnection deal “makes clear that Comcast, which recently proposed acquiring Time Warner Cable, has already accumulated too much power for the health of the Internet economy, and should not be allowed to accrete more.”

Wu said he fears the deal will “embolden Comcast to extract more tolls from any popular Web company that wants to reach its broadband customers and fears degradation of service.”

Some analysts believe there is more than a coincidental link between the Comcast-Netflix deal and the TWC agreement, or at least believe that Comcast will use the new Netflix deal to its advantage as the TWC deal gets scrutinized.

Reaching this deal now “reduces the risk that the issue will play a major role in the merger review,” Carlos Kirjner, an analyst with Sanford Bernstein, wrote recently. “Comcast will likely use the deal with Netflix to argue that there is no need for regulatory intervention as it is capable of reaching a mutually satisfactory agreement with other parties, even with the party that is likely the major source of peak IP traffic.”

A person close to the agreement said Netflix chose, and was not coerced, into striking the direct transit deal, but acknowledged that it was a compromise. Netflix was willing to take this option, believing it would allow it to provide a solid experience to Comcast customers for years to come.

5 *What is Comcast obliged to do now?*

Comcast has already begun the process of building and opening up these new on-ramps that will provide links between its network and the Netflix servers. In fact, the engineering teams of both companies were getting ready for this well before the deal was announced.

Following the initial turning up of capacity in areas like Philadelphia and the San Francisco Bay area, Comcast is expected to continue to open up ports and capacity to Netflix at all interconnection points. It’s anticipated the whole process will take weeks, not months.

6 *Why didn’t Comcast join Netflix’s Open Connect program instead?*

Simply stated, it didn’t have to. By getting Netflix to agree with this option, Comcast avoids falling in line with other ISPs, including Google Fiber, Cablevision Systems, Cox Communications and Suddenlink Communications, that have opted to join the Open Connect club.

There are pros and cons to Netflix’s preferred option. Rather than a simple interconnection and transit relationship, Open Connect requires an ISP to install single-purpose caches (read: expensive computers) on its last-mile network. While that does enable ISPs to provide higher-quality Netfl ix streams, some operators — Comcast, Time Warner Cable and Verizon Communications among them — view it as ceding partial control of their network to a third party, setting in place a policy that would require them to do the same for multitudes of other OTT providers. To them, that route presents a potential scaling issue.

Although Netflix is providing Open Connect for free to ISPs, it’s folly to think that it means Open Connect is a zero-cost option for the ISPs, Rayburn said. He pointed out that those providers must free up co-location space and pay for the Netflix appliance’s powering and cooling needs.

7 *How will this deal affect others that follow?*

With Comcast seemingly setting the blueprint, there should be more deals coming in short order between Netflix and major broadband service operators that so far have resisted the Open Connect option.

Verizon doesn’t have a deal in place yet, but “I would expect that we would” sign an interconnection deal with Netflix, CEO Lowell McAdam said on CNBC last week. “Netflix has been talking to everybody, and we’ve been talking to them for about a year.” AT&T has also confirmed that interconnection talks are underway with Netflix. TWC declined to comment.

What’s not clear is whether Comcast will be flooded with interconnection deal requests from other OTT video players. Then again, they might not have to, based on current streaming volume trends. Netflix was the perfect candidate because its brand of traffic already eats up the most downstream capacity on fixed broadband networks, followed by YouTube. From there, traffic by application drops off a cliff, with Hulu just scratching into the top 10, according to recent Sandvine data.

8 *Will the deal make it easier to integrate Netflix into Comcast set-tops?*

No. According to sources, Netflix has insisted that MSOs join Open Connect as part of any set-top integration deal, and the interconnection deal with Comcast does not get Netflix any closer to that. That said, Comcast has not set a high priority on working with Netflix on a set-top deal and is said to be more focused on heightening the profile of Streampix, its own multiscreen subscription video-on-demand service.

Multichannel News March 10,2014

Rep. Raps Comcast-TWC Merger

MAINE DEMOCRAT ON MISSION TO STOP DEAL
By: JOHN EGGERTON Mar 03 2014 - 12:00am

WASHINGTON — Rep. Chellie Pingree (D-Maine) has created an online petition at Credomobilize seeking to block the proposed merger of Comcast and Time Warner Cable.

Pingree actually created the petition, signed by 88,914 people at press time, through her campaign, due to restrictions on petitions and grassroots activities by members of Congress, a spokesman said.

“It was technically the campaign, but it is still Chellie Pingree and it’s still how she feels,” communications director Willy Ritch said.

The petition, directed to Attorney General Eric Holder, outlines Pingree’s grievances, but sums them up this way: “A combined Comcast-Time Warner would be, quite simply, just too big, with too much power over subscribers, content providers and, quite frankly, too much influence in Washington.”

Pingree focuses on network neutrality, saying one of the biggest threats of the deal is to “a free and open Internet.” Actually, Comcast will be subject to the FCC’s antidiscrimination and anti-blocking rules into 2018, and it is widely thought that period would be extended if the FCC approves the TWC deal.

Should the deal go through, former TWC systems would also be subject to the rules through 2018 on a de facto basis.

Explaining the concern about net neutrality, the Pingree spokesman noted there are “lots of people who seem to be concerned that it is a threat to network neutrality.” He also cited Comcast’s peering arrangement with Netflix as “sort of proof” that the deal could “drive up the price of the network to competitors.”

And Pingree is not done. Ritch said she is planning on promoting the petition via her email list, and will also create a virtually identical petition though MoveOn.org.

If MoveOn decides that petition has legs, the policy advocacy group will promote it to its own list, as it does with any petition that it think has a lot of appeal, Ritch said.

TAKEAWAY

Rep. Chellie Pingree (DMaine) is circulating an online petition for opponents of the Comcast-Time Warner Cable combination.

Multichannel News – March 10, 2014

Retrans-Consent Reform May Be Coming at Last

WHEELER TO MOVE ON LONG-INACTIVE DOCKET
By: JOHN EGGERTON Mar 10 2014 - 12:00am

WASHINGTON — After little action on retransmission consent in the past couple of years, the Federal Communications Commission, under chairman Tom Wheeler, is poised to strike.

If his predecessor, Julius Genachowski, seemed more of a Hamlet when it came to retrans decisions, Wheeler is Hotspur. Or, taking a page from the history Wheeler loves, more Grant than McClellan.

Broadcasters are already pining for the days of indecision.

The chairman last week signaled he would circulate an item today (March 10) disallowing coordinated retransmission-consent agreements between two, separately-owned, top-four stations in a market, and the FCC would presume any other coordinated retrans among two stations, top or not, would not be in the public interest.

That item, to be voted on March 31, is an action on the long-open retrans-reform docket pushed by the American Television Alliance and opened by then-chairman Genachowski.

In addition, as expected, Wheeler proposed making joint sales agreements (JSAs) exceeding 15% of a station's ad sales attributable as ownership interest.

Cable operators have backed both of these moves.

TV station groups' stocks — including that of Sinclair, widely believed to be a target of the shared services crackdown — were down last week on fears that decoupling retrans negotiations would reduce stations' retrans take. That appeared to be the FCC's goal since officials, on background, cited escalating cable rates as a reason for the move. They said rates were driven by collaboration among stations that were supposed to be competitors.

One broadcast source suggested they would not "fall on their swords" over that move. Broadcasters would still be able to negotiate group retrans deals among owned stations. But the same source also said he expected broadcasters would not take the news well. The National Association of Broadcasters had no comment.

Broadcasters hardly had time to celebrate their lobbying victory in the House, getting Republicans to drop a provision from legislation to reauthorize the Satellite Television Extension and Localism Act (STELA) that would have scrapped the mandate requiring cable operators to put retrans stations on their must-buy basic tiers.

In a shot across the bow at the JSA item, the same draft said the FCC could not make JSAs or any other sharing agreements attributable, except as part of action on the media-ownership rules in general via the 2010 quadrennial.

Broadcasters celebrated that development, but STELA won't be finished until the end of the year, while the FCC vote will turn the JSA limits into regulations once they are published in the *Federal Register*. So this round goes to cable operators.

Multichannel News – March 10, 2014

TiVo Sees Opportunity In Comcast-TWC Deal

CEO: Merger Could Boost Retail Efforts
By: Jeff Baumgartner Mar 03 2014 - 12:00am

TiVo and Time Warner Cable have endured a rocky, litigious history, but smoother roads may lie ahead for the DVR pioneer.

Comcast's proposed $45.2 billion deal for Time Warner Cable could open new doors for TiVo and give its retail efforts a boost in several new major markets, including New York and Los Angeles, according to TiVo president and CEO Tom Rogers.

Although TiVo doesn't have a direct distribution deal with Comcast, it has worked out an integration deal that allows TiVo's retail boxes to access the MSO's massive video-on-demand library in select markets. After pausing those rollout plans last year, TiVo said it and Comcast have since resumed that work, expecting to complete VOD integrations in all Comcast markets by June 30.

Comcast markets now in line to add additional support for TiVo boxes purchases at retail, including its new "Roamio" line, include Chicago, Atlanta and Houston.

If Comcast's pursuit of TWC is successful, the merger could provide "further opportunity" for TiVo if Comcast were to expand its VOD connection to TiVo in TWC markets, Rogers said.

TiVo has had a difficult time cracking into TWC, and the two sides have spent more time fighting than hammering out deals. Last June, TiVo put its pending litigation with TWC to bed as part of a broader settlement with Cisco Systems and Google's Motorola Mobility unit.

While TiVo pushes ahead with Comcast, its relationship with Charter Communications appears to be stuck in neutral. Rogers said TiVo's discussions with Charter are ongoing, but he acknowledged that TiVo's role with Charter remains limited as the MSO focuses on the development of a homespun, cloud-based interface that will be offered on existing set-tops and new, IP-capable devices.

But he said TiVo's $135 million acquisition of search and recommendations firm Digitalsmiths gives TiVo an opportunity to play an important role with operators that don't use TiVo's UI. With Digitalsmiths' customers factored in, TiVo now works with 18 of the top 25 operators.

"We've got more to talk about with everybody and we're in business now with most [major MSOs]," Rogers said.

And on a wider range of boxes. Last week, Vyve, a tier-2 operator founded by former Bresnan Communications executives, said it would be the first operator to offer a TiVo-based interface running on low-cost HD-Digital Transport Adapters (DTAs) made by Evolution Broadband. Vyve will use the simple one-way, digital-to-analog channel zappers to power its all-digital migration, with initial rollouts slated for April.

Rogers said TiVo's strategy to support lower-end DTA devices helps to form a "building-block component" for its budding cloud DVR platform, which is being tested by multiple operators, including U.K.- based partner Virgin Media.

FINANCIAL SNAPSHOT

TiVo ended the fourth quarter with 4.2 million total subscribers, up 34% from the year-ago quarter. That total included 966,000 TiVo-owned subs and 3.2 million coming by way of TiVo's MSO partners.

The DVR pioneer grossed 49,000 TiVo-owned subs and netted 6,000 TiVo-owned customers in the period. TiVo said the 41% year-on-year boost in TiVo-owned gross additions represented its lowest churn in almost eight years and led to positive net TiVo-owned sub additions in the fourth quarter for the first time in six years.

Those additions helped TiVo to pocket a profit of $710,000, or 1 cent per share, versus a net loss of $15.8 million, or 13 cents per share, a year earlier. Revenues rose to $106.3 million from $88.9 million in the year-ago quarter.

Looking ahead, the company said it expects to pull in a first-quarter profit of $5 million to $8 million on service and technology revenues of $85 million to $87 million.

TAKEAWAY

A Comcast-Time Warner Cable deal could boost DVR pioneer TiVo’s retail prospects in TWC markets.

Multichannel News – March 10, 2014