



OTT Local Revenue Implications

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Cable Subscriber Counts

Cable Company	2022 Subs	2021 Subs	2020 Subs	2019 Subs	2018 Subs	2017 Subs
Charter	15,495,000*	15,833,000	16,200,000	16,144,000	16,606,000	16,850,000
Comcast	17,144,000*	18,176,000	19,846,000	21,254,000	21,986,000	22,357,000
Cox	3,230,000*	3,390,000	3,650,000	3,865,000	4,015,000	4,130,000

*Estimates through 2Q 2022
Leichtman Research Group, Inc.



Top Cable Companies

Pay-TV Providers	Subscribers at end of 2Q 2022	Net Adds in 2Q 2022
Cable Companies		
Comcast	17,144,000	(520,000)
Charter	15,495,000	(226,000)
Cox*	3,230,000	(80,000)
Altice	2,574,200	(84,500)
Mediacom*	540,000	(15,000)
Breezeline**	332,312	(6,709)
Cable One**	221,000	(17,000)
Total Top Cable	39,536,512	(949,209)

Source: August 12, 2022 - Leichtman Research Group, Inc. (LRG)

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Other Video Service Providers

Other Traditional Services	Subscribers at end of 2Q 2022	Net Adds in 2Q 2022
DIRECTV^	13,900,000	(400,000)
DISH TV (DBS)	7,791,000	(202,000)
Verizon FiOS (Telco)	3,479,000	(87,000)
Frontier (Telco)*	343,000	(20,000)
Total Top Other Traditional	25,513,000	(709,000)

Source: August 12, 2022 - Leichtman Research Group, Inc. (LRG)

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Top Internet-Delivered Services

Internet-Delivered (vMVPD)	Subscribers at end of 2Q 2022	Net Adds in 2Q 2022
Hulu + Live TV	4,000,000	(100,000)
Sling TV	2,197,000	(55,000)
fuboTV	946,735	(109,510)
Total Top vMVPD^^	7,143,735	(264,510)
Total Top Providers	72,193,247	(1,922,719)

Sources: The Companies and Leichtman Research Group, Inc.

* LRG estimate

** Includes LRG estimate of pro forma net adds

^ LRG estimate, includes DIRECTV, U-verse, and DIRECTV Stream

^^ List does not include YouTube TV or Philo, as neither regularly report result. YouTube noted in a blog post that the TV service had "5 million subscribers and trialers" at the end of June 2022.

Company subscriber counts may not solely represent residential households

Top pay-TV providers represent approximately 92% of all subscribers

Net additions reflect pro forma results from system sales and acquisitions, reporting adjustments, and changes to the list of top providers – therefore, comparing totals in this release to prior releases will not produce accurate findings

Source: August 12, 2022 - Leichtman Research Group, Inc. (LRG)

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Pay-TV Providers = 72.2 million subscribers

Top 7 cable companies = 39.5 million subscribers

- **net loss of 950,000 subscribers in 2Q 2022**
- compared to a loss of 590,000 subscribers 2Q 2021

Other traditional Pay-TV services = 25.5 million subscribers

- **net loss 710,000 subscribers in 2Q 2022**
- compared to a loss of 700,000 subscribers 2Q 2021

Top publicly reporting Internet-delivered Pay-TV services = 7.2 million subscribers

- **net loss 265,000 subscribers in 2Q 2022**
- compared to a gain of about 55,000 subscribers in 2Q 2021

Source: August 12, 2022 - Leichtman Research Group, Inc. (LRG)

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Top Pay-TV providers

- **net loss of 5,425,000 subscribers over the past year**
- loss of about 4,500,000 over the prior year

Over the past year

- **3,260,000 net broadband adds**

Source: August 11, 2022 - Leichtman Research Group, Inc. (LRG)

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Subscriber/Franchise Fee Trend

Sample Data from an LFA with a population base of about 225,000

Year	Avg # of Subs/Mo	Avg Franchise Fee/Mo
2022 (1 st 6 months)	38,829	\$235,252
2021	41,433	\$240,854
2020	44,385	\$235,768
2019	47,260	\$241,720
2018	49,983	\$251,010

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Broadband Internet Providers

Broadband Providers	Subscribers at end of 2Q 2022	Net Adds in 2Q 2022
Cable Companies		
Comcast	32,163,000	0
Charter	30,253,000	(21,000)
Cox*	5,560,000	0
Altice	4,333,600	(39,600)
Mediacom*	1,468,000	0
Cable One**	1,059,000	2,000
Breezeline**	717,919	(1,689)
Total Top Cable	75,554,519	(60,289)

Source: August 11, 2022 - Leichtman Research Group, Inc. (LRG)



Broadband Internet Providers

Wireline Phone Companies	Subscribers at end of 2Q 2022	Net Adds in 2Q 2022
AT&T	15,509,000	(24,000)
Verizon	7,412,000	12,000
Lumen	4,377,000	(90,000)
Frontier	2,827,000	8,000
Windstream	1,178,500	2,500
TDS^	500,800	5,600
Consolidated	381,213	1,063
Total Top Wireline Phone	32,185,513	(84,837)

Source: August 11, 2022 - Leichtman Research Group, Inc. (LRG)



Internet-connected TV devices

- **2022 - 87%** of U.S. TV households have at least one internet-connected TV device
 - Connected Smart TV
 - Stand-alone streaming devices
 - Roku, Amazon Fire TV sticks or boxes, Chromecast, Apple TV
 - Connected video game system
- **2021 82%**
- **2020 80%**
- **2019 74%**
- **2016 65%**
- **2011 30%**

Source: June 3, 2022 - Leichtman Research Group, Inc. (LRG)

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What is OTT?

- OTT stands for **Over-the-Top**
 - Video service (cable TV) is obtained via the internet
- OTT providers are Netflix, Disney+, Apple TV, Hulu, others
 - Subscribers do not need cable, broadcast or satellite service
 - Just a broadband connection

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Can LFAs regulate OTT providers?

- Can LFAs require a local/state cable franchise?
- Can LFAs impose franchise fee obligations?
- Can LFAs require PEG channels on OTTs?
- Can LFAs impose other ROW compensation on OTTs?



Does an OTT provider need a cable Franchise?

Cable Franchise Requirement

Federal Law (47 U.S.C. § 541(b):

A cable operator may not provide cable service without a franchise

State law may not refer to “cable”

may reference “video”



What is a Cable Operator?

Any person or group of persons:

- A. who provides **cable service** over a **cable system** and directly or through one or more affiliates owns a significant interest in such cable system, or
- B. who otherwise controls or is responsible for, through any arrangement, the management and operation of such a cable system

47 U.S.C. § 522(5)

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What is Cable Service?

- A. the one-way transmission to subscribers of (i) video programming, or (ii) other programming service, and
- B. subscriber interaction, if any, which is required for the selection or use of such video programming or other programming service.

“other programming service” means information that a cable operator makes available to all subscribers generally

47 U.S.C. Sec. 522(6) and (14)

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What is a Cable System?

a facility, consisting of a set of **closed transmission paths** and associated signal generation, reception, and control equipment that is designed to provide cable service which includes video programming and which is provided to multiple subscribers within a community . . .

47 U.S.C. § 522 (7)

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What is a Closed Transmission Path?

FCC has equated a “**Closed transmission path**”

“**with control [of] the physical method of delivery**”

See 2014 MVPD NOPR paragraph 22 and paragraphs 71-79.

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My cable operator now says they are OTT

- Just because an operator claims to now be IP based and OTT does not make it accurate
 - they may still need a valid cable franchise and pay franchise fees etc.
- If your City elects not to enforce such obligations on certain alleged “OTT” providers
 - will other incumbent operators continue to comply with cable franchise?
 - **Becoming an issue in cable franchise renewals**
 - competitive equity provisions



My cable operator now says they are OTT

Confirm transmission path:

- Do you have to be a subscriber on their system to access their video content?
- Do you need their converter box (equipment) to access their video content?
- Can you access their video content right here, right now
 - (in this conference room) on your devices via the internet?



Are Streaming Wars Over?

- Streaming wars began in earnest in 2019
- Goal = win over customers – grow at any cost
 - Example - Disney+ launched to take on Netflix
 - Pandemic aided growth
- Now subscriber growth has declined or halted
- What follows – how does the company turn profitable?
 - Advertising, reduced content, bundles/combinations?

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Are Streaming Wars Over?

- **Disney is:**
 - Raising prices
 - Slashing production budgets
 - Expanding ad-supported offerings
- **Netflix is:**
 - Cracking down on password sharing
 - Planning to offer lower-priced ad-supported option
- **Discovery is:**
 - Dropping films and series
 - Cancelling multiple big budget projects
 - Expanding ad-supported offerings

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Questions

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