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SPECIAL: Derek Chang Q&A, See pg 4

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Food Bill: Scripps Satisfied, But Not Completely Full

Scripps Network Interactive brass say the company met its goals for rate increases for **Food Network** despite a breakdown with **Cablevision** that resulted in **HGTV** and Food being pulled from the lineup. "We've been very pleased with one notable exception," CFO *Joe NeCastro* said during Citi's media conference Wed. By the time of 4Q earnings, SNI should be able to provide some year-on-year revenue impact due to the various renewals up at year-end. Asked about SNI financials at one point, CEO *Ken Lowe* joked that he had "just read that we had some financial difficulties, and I'm a little worried about that." That was a reference to CVC's statement after Food and **HGTV** went dark on its lineup Jan 1. "We're doing everything we possibly can to get back to the negotiating table," Lowe said. "Hopefully, we'll get this resolved at some point." NeCastro said the CVC dispute hasn't caused a problem with advertisers, saying it represents 2-3% of Food's sub base, but he acknowledged they want to get the deal done. Assuming the **Comcast-NBCU** deal is completed, it will be a real proving ground for moving more content from the screen to broadband, Lowe predicted. "One thing we know is that we have to continue to create value on that other platform and be paid for it," he said. There was some talk about the upcoming rebranding of **Fine Living** as **Cooking Channel**, with Lowe saying it would be a younger version of Food. "Whatever we were trying to accomplish with Fine Living, we decided that Cooking was going to be a better application," he said, noting that FL's most successful programming was food and cooking oriented. As for **Tribune's** stake in Food, SNI will consider the opportunity, but nothing can happen until Tribune emerges from bankruptcy. Meanwhile, with Cablevision subs shutout of Food and HGTV programming, Scripps bought time on **WPIX-TV** in NY and **WTXX-TV** in Hartford, CT, to encore "Super Chef Battle: An Iron Chef America Event," which aired on Food Jan 3 and was the franchise's most-watched ever. It'll air Sun, 8-10pm on both stations. WPIX viewers will also be treated to an airing of HGTV's "Dream Home 2010 Tour" Fri, 3pm. The announcement comes as fans express their disappointment with both Scripps and Cablevision for the disruption on Facebook and other social media sites. "Nobody likes the situation, with Cablevision customers being the only viewers in the country who can't watch our networks as we introduce a number of new special and series in Jan," said Food's *Brooke Johnson*. "These encore presentations are just a small way to say 'thank you' for their support and understanding while we do everything we can to get our networks back on Cablevision."

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Complaint Dept: **Tennis Channel** filed a program carriage complaint against **Comcast** at the FCC Tues, claiming that it discriminates against the net in favor of channels it owns. Tennis complains that it's stuck on a premium sports tier, while Comcast-owned **Golf** and **Versus** are available on widely distributed tiers. The complaint alleges that Tennis' ratings performance is comparable to Golf and Versus and that it charges a per-sub rate that is about half that charged by Golf and Versus despite more hours of event coverage. "Comcast currently makes the Tennis Channel available to nearly every home we serve. Our contract with Tennis Channel, which the network freely negotiated and signed in 2005, specifically permits us to carry Tennis Channel on many different tiers, including as part of our Sports Entertainment Package, where we currently offer it to our customers," Comcast said Wed. "We are fully honoring the terms of our agreement with Tennis Channel and plan to continue carrying the network for our customers and tennis fans. We look forward to outlining the facts of this groundless complaint, including our existing contract, to the FCC." Tennis chmn/CEO *Ken Solomon* said numerous discussions were held with Comcast in the first half of last year, but Comcast rejected moving the channel off the tier—even though other nets (such as **MLB**, **NHL** and **NBA**) have been moved to new packages. "A sports tier is not a sports tier is not a sports tier," Solomon told ***Cfax***, saying that **Verizon** has the net on something with the moniker of a sports tier but makes the net available to 50% of its universe. A Comcast rep said moving Tennis would result in a 600% increase over the life of the deal. Solomon said he wasn't sure on percentage increases, but stressed the price-value equation. "When you charge somewhere under 13 cents, … and it could be significantly under, for something they're trying to charge people $5-6 for, that's just not right," he said. The Tennis head said the timing of the complaint is in no way related to Comcast-**NBCU**. Tennis had a flare up last year with **Cablevision**, which wanted to put it on a sports tier—something it hasn't allowed since '05. CVC ended up doing a deal through **NCTC** that allowed it place the net on a tier.

Citi Notebook: At the Citi conference Wed, **Comcast** chief *Brian Roberts* said potential synergies such as **NBC Sports** helping with **Golf Channel**'s coverage or **Versus**' production costs weren't included in the **NBCU** deal model—though he's certainly excited, for example, about NBCU's 60% margins on cable programming versus Comcast's 30%. Still, said Roberts, even after the deal closes Comcast will derive 80% of its cash flow from cable operations, leaving him particularly bullish on commercial services, a segment that has "really come on like gangbusters… there's nothing but blue skies ahead." Despite the MSO's imminent pickup of additional programming properties, however, Roberts acknowledges that the operational thrust leaves Comcast, much like its industry brethren, vulnerable to the recent stark increases in programming costs. To that end, **Cablevision** boss *James Dolan* asked Roberts from the audience about his thoughts on those skyrocketing costs and the effect on MSOs' service pricing. Yes, tension between ops and programmers will continue, answered Roberts, but ops have numerous non-video businesses to attenuate any financial damage, and initiatives such as all-digital, DOCSIS 3.0, EBIF apps and even 3D offerings will only help in this regard. Of the latter, Roberts sees huge opportunity in the VOD arena and the chance to revalue content, particularly movies. -- Corporate hiring won't rebound significantly in '10, said **Verizon** chmn/CEO *Ivan Seidenberg*, but the commercial market's continued strain won't dampen the telco's 2 key opportunities for '11 and '12 that are "absolutely off the charts." First, the **FiOS** buildout will be completed this year, with the service to ultimately cover approx 70% of VZ's wireline footprint. The overriding goal now is to steadily gain penetration every month, said Seidenberg, beyond the current 28% to approx 40%, and despite lingering frustration with operational complexities and MDU penetration difficulties. "We're going to time our growth a little better," said Seidenberg, who also touted **LTE**. "We're super excited about the pie-enhancing opportunities of 4G," he said, noting the telco's goal of covering 90% of the country with the tech by late '12. Trials in Seattle and Boston are going well, said Seidenberg, delivering avg speeds of 7-9Mbps and peak speeds of 16-17Mbps. Seidenberg reiterated that owning satellite assets "is not a strategic imperative" for VZ, but added "we need to find better ways of working with" **DirecTV**. -- **Discovery Comm**'s US ad sales were flat or slightly higher YOY in 4Q, during which scatter pricing improved every week, said CFO *Brad Singer*. He said near-term visibility has improved as a result from 1 month to 3 months, and scatter inventory continues to sell well. **Discovery Health** and **Military** are the only Discovery nets whose ratings are down, he added, but only a "touch."

Retrans: Things are sounding promising with regards to **Mediacom** and **Sinclair**, whose extension expires Mon. "The talks have been very active and productive in the last 2 days, so I am optimistic that we will get a deal wrapped up before the deadline," said *Tom Larsen*, MCCC's vp, regulatory and public affairs.

Competition: Intro'd Wed, **DISH**'s iteration of **TV Everywhere** provides its subs with access to live and recorded

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programming via laptops, mobile devices and anywhere in the home wirelessly. Components include an adapter that adds **Slingbox** tech to existing DISH HD DVRs and allows for portable viewing on laptops and handsets, an HD WiFi monitor that throws signals from any set-top to anywhere in the home, and a remote access mobile app that's compatible with most SD and HD DISH DVRs and allows programming functionality through mobile Web browsers.

Demanded: **Time Warner Cable**'s *Bob Benya* was named pres/CEO, **In Demand**, effective immediately. He has been interim CEO since *Rob Jacobson*'s departure in Aug after his contract expired. At TWC, Benya was svp, video product strategy. In Demand is a jv of **Comcast, Time Warner Cable, Cox** and **Bright House**.

On the Hill: **DOJ**, not the **FTC**, will review **Comcast's** proposed merger with **NBCU**, according to sources.

Online: **Showtime** launched the "Showtime TV Widget," a new app for Internet-connected TVs running the **Yahoo TV** Widget platform. Viewers can get free sample eps of original series and other special features.

People: *David Janollari* becomes evp, scripted dev, **MTV**. He previously served as pres, ent for **The WB Network**. -- **Syfy** upped *Blake Callaway* to svp, marketing, brand and strategic, and *Michael Engleman* to svp, global brand strategy and creative.

CableFAX Daily Stockwatch

Company	01/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
BRITISH SKY:	36.50	0.10
DIRECTV:	33.42	(0.5)
DISH:	20.70	(0.35)
DISNEY:	31.82	(0.17)
GE:	15.45	(0.08)
NEWS CORP:	16.48	0.24
MSOS		
CABLEVISION:	26.23	(0.15)
COMCAST:	16.62	(0.12)
COMCAST SPCL:	15.85	(0.09)
GCI:	6.45	(0.11)
KNOLOGY:	11.03	(0.19)
LIBERTY CAPITAL:	25.34	0.02
LIBERTY GLOBAL:	23.26	1.28
LIBERTY INT:	11.44	(0.02)
MEDIACOM:	4.82	(0.03)
RCN:	10.28	(0.33)
SHAW COMM:	19.84	(0.21)
TIME WARNER CABLE:	41.33	(0.71)
VIRGIN MEDIA:	17.38	0.02
WASH POST:	443.95	0.61
PROGRAMMING		
CBS:	13.73	(0.45)
CROWN:	1.50	0.10
DISCOVERY:	32.70	0.48
GRUPO TELEVISA:	20.89	(0.08)
HSN:	20.01	(0.01)
INTERACTIVE CORP:	20.79	(0.17)
LIBERTY:	37.64	0.26
LIBERTY STARZ:	48.32	1.25
LIONSGATE:	5.88	(0.05)
LODGENET:	5.30	0.10
NEW FRONTIER:	1.80	0.00
OUTDOOR:	5.51	(0.19)
PLAYBOY:	3.39	0.16
RHI:	0.41	0.11
SCRIPPS INT:	44.26	0.61
TIME WARNER:	29.02	(0.07)
VALUEVISION:	5.00	(0.01)
VIACOM:	31.60	(0.05)
WWE:	16.05	0.12
TECHNOLOGY		
3COM:	7.53	(0.01)
ADC:	6.61	(0.05)
ADDVANTAGE:	2.00	(0.05)
ALCATEL LUCENT:	3.66	(0.03)
AMDOCS:	28.51	(0.23)
AMPHENOL:	45.15	0.17
AOL:	24.86	0.22
APPLE:	210.97	(3.41)
ARRIS GROUP:	11.00	(0.27)
AVID TECH:	12.73	(0.16)
BIGBAND:	3.56	(0.02)
BLNDER TONGUE:	1.14	(0.05)
BROADCOM:	31.48	(0.34)
CISCO:	24.42	(0.16)
CLEARWIRE:	7.40	(0.2)
COMMSCOPE:	26.93	(0.23)
CONCURRENT:	4.14	0.14
CONVERGYS:	11.06	0.14
CSG SYSTEMS:	18.69	(0.39)
ECHOSTAR:	20.02	(0.03)
GOOGLE:	608.26	(15.73)
HARMONIC:	6.44	(0.06)
INTEL:	20.80	(0.07)
JDSU:	8.92	0.43
LEVEL 3:	1.60	(0.05)
MICROSOFT:	30.77	(0.19)
MOTOROLA:	7.97	0.11
OPENTV:	1.39	0.00
PHILIPS:	30.33	(0.5)
RENTRAK:	18.03	0.13
SEACHANGE:	6.54	(0.2)
SONY:	29.85	(0.03)
SPRINT NEXTEL:	4.09	(0.04)
THOMAS & BETTS:	36.56	0.31
TIVO:	11.00	0.28
TOLLGRADE:	6.27	0.09
UNIVERSAL ELEC:	23.54	(0.2)
VONAGE:	1.55	0.01
YAHOO:	17.17	(0.06)
TELCOS		
AT&T:	27.61	(0.41)
QWEST:	4.51	0.05
VERIZON:	31.92	(0.94)
MARKET INDICES		
DOW:	10573.68	1.66
NASDAQ:	2301.09	(7.62)

EXCLUSIVE Q&A

Waiting to Pounce

In the final installment of our series with MVPD programming execs, ***CableFAX*** *editor Amy Maclean spoke with Derek Chang,* ***DirecTV*** *svp strategy & development, about 2009 negotiations and what's ahead.*

What are your thoughts on year-end negotiations?

Derek Chang

Specific to DirecTV, we were able to reach agreements on the renewals we had and on mutually agreeable terms. But I think with the stuff we saw before Christmas that ratcheted up right into the New Year (**Fox-TWC, Cablevision-Scripps**), the trend continues to be that these are just getting more and more difficult to get done. I don't see that abating at all because of the pressure everyone has on their business. We've got competitive pressures, limitations on what we can do with respect to rate increases.

If programmers continue to look for outsized increases, I think you're going to continue to see these sorts of situations flare up. One interesting thing we noticed that I think distributors are thinking about, ourselves included, is that when these wars are about to happen a lot of times in the past we saw distributors lining up to try to pounce on the situation. I think once the signals go down, if they go down indefinitely, companies obviously have to be opportunistic and go and pursue their business. A lot of time prior to signals going down, you might have seen people jump on the situation. I think people realize now that 9 times out of 10, the thing's going to get settled. A distributor jumping on the situation on someone else's deal that has nothing to do with them is really exasperating it and probably helping the programmer.

Is there anything that could make distributor-programmer negotiations go smoother?

I think there has to be recognition that putting through significant rate increases to the distributor at a time when CPI is basically zero puts the distributors in a very difficult place. There's not this recognition or feeling on some of the programmers' parts—that maybe they don't live in the real world and face those sorts of pressures.

It's been a few months since Versus was removed. Where does that stand right now?

We never foreclose on anything. Anything is always possible. We continue to talk to Comcast about Versus, and likely will continue to do so. Whether or not we ever get to a deal remains to be seen.

Cable has said they'll give up the terrestrial exemption when DirecTV gives up exclusivity on Sunday Ticket. Your response?

I think this is one that's obviously been played out many times. Over the years, cable's had their opportunities to negotiate certainly with the NFL. I can't really speak to the NFL and their decisions with respect to us. As for the terrestrial loophole, at the end of the day, it's really a couple markets. In those markets, it's pretty clear that we're at a competitive disadvantage as it relates to the rights holders. The situation in Philadelphia is that Comcast actually owns teams, which license the rights to the RSNs. That's kind of a problem. In the NY area, I think Cablevision has a similar issue in terms of owning the team and not providing HD signals to a couple providers. When they're so vertically integrated and therefore the distributor really doesn't have a right to compete, there's not a fair fight to even compete for the underlying right.

If the govt approves Comcast-NBCU, they have to...

Prior to approving Comcast-NBC Universal, the govt will likely take a very hard look at what the consequences are ultimately for the industry and for customers. I'm sure they will do a capable job of making sure that there aren't abuses that are conceivable that could happen in a situation like this.

Are there particular concerns DirecTV has?

At the end of the day, we just want to make sure we get treated fairly. When you have the largest distributor hooking up with a significant content owner, you're obviously competing against the distributor for customers and just want to make sure that the playing field is level. If we have a level playing field, I think we've shown we can compete, and we compete very well.

Think about that for a minute...

Stirring The Pot

OK, so it's the first full week in January, and we're already being accused of violating the antitrust laws for adding value for our customers and to our business model. Amazing.

Here's the good news—at least I think it is; I'm resuming writing a weekly column because there's so much stuff going on. Here's the bad news; the stuff we have to sort out is getting exponentially more complex, "big picture" and noisy. In the end, however, I suspect that the tradition of telecommunications policy will prevail; there will be small, incremental changes, not the huge dislocations that are currently being ballyhooed.

Steve Effros

As I mentioned at the end of December, the FCC has initiated several major explorations that I summed up by saying they want to take a serious look at whether the current structures we have for video (and data) delivery make sense. That starts under the umbrella of the "Broadband Inquiry." The assumption seems to be that one way or another, "IP" is the way all data and entertainment is going to be distributed in the future. I'm not sure they're right in that core assumption, especially as to long-form video. The reason is simple; Internet Protocol isn't as efficient at such delivery as the system we currently have.

But leaving reality aside, we must understand that the biases at play right now focus on broadband and IP, so let's go with that for a moment. If they're right, then why are we using so much spectrum on broadcast television distribution? The FCC recognized that question in the "big picture" and decided to stir the pot asking whether some of that spectrum should be taken back. Needless to say, the broadcasters currently using that spectrum see it differently.

Then there's the "net neutrality" issue. Again, a stirring of the pot, this time having to do with (take your pick) privacy, censorship, consumer choice, anticompetitive intent, network management, or a desire on the part of some to change the entire current business structure and make ISP/Cable companies common carriers.

The call for an antitrust investigation of the "TV Everywhere" idea of cable operators and programmers empowering their viewers to see programming at no extra charge via the Internet is, to me, just another collateral attack on the current video distribution business model of selling packages of programming. It aims to force, one way or another, the sale of individual channels on "broadband" and in essence block or, by government fiat, eliminate competition from the current business model of the sale of packages. The same thing looks to be the case when you wade through the "public interest group" filings on set-top devices. At the end of the day, they want all video to be standardized coming into the home and capable of being selected on an individual basis.

If you stand back from the "net neutrality," antitrust claims, "gateway" set-top box proposals, and most of the rest of what is being called for, it appears to be "a la carte" writ large. There has been a unilateral conclusion on what the "best" business plan should look like for delivery of video, and an effort is underway to get the government to mandate it, through one mechanism or another. That's a lot of pot stirring! At some point, economic, technical and legal reality (as in, who owns the intellectual property they are trying to commoditize) will hopefully become an ingredient in that pot. That's our job. Once it is, I don't think the pot will boil over.

Steve

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