

# CableFAX Daily™

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What the Industry Reads First

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## A Virtual Reality? Debate Over Online Distribution Model Endures

Disruption in the cable space due to disintermediation and fragmentation is undeniably real; you only have to look at **Time Warner Cable's** plan to bring live, in-home IP video to a raft of new devices this year including PCs and gaming consoles as further proof. But is a potential real menace to cable ops, namely a virtual MSO, on the horizon? It depends on who you ask. In a Fri note, **Sanford Bernstein's Craig Moffett** argued no. Sure, companies such as **Apple** or **Amazon** could theoretically beguile programmers by paying more for content than MSOs currently do—**Comcast** pays approx \$30/month—but “as anyone who has ever tried to launch a streaming video business can attest, there are huge and very real infrastructure costs... For a large scale startup, the cost could run into the billions,” said Moffett. Moreover, he said, cable ops would counter the success of any virtual MSO by adopting usage-based pricing, which “would undermine the fundamental premise of the virtual MSO—that it is cheaper.” But last month, **BTIG's Richard Greenfield** said “the stage is set for one or more virtual MSOs to be created in 2012,” and argued a virtual MSO could address the potential bandwidth problem by incentivizing customers to upgrade to higher service plans. Customers would oblige, he said, because “they would be saving video bill dollars in the first place by shifting to the virtual MSO from a facilities-based competitor.” **YouTube's** launch of dedicated content channels is underway, and **Microsoft's Xbox Live** service offers cable channels on an a la carte basis and through **U-verse TV** and soon **FiOS TV** as well—both logical pre-cursors to a virtual MSO model. Yet Moffett pointed out that MSFT has given up on advancing the model, and would enough programmers be willing to shun the traditional cable set-up to allow Apple or Amazon to move forward? **Netflix CEO Reed Hastings** doesn't think so. If we're talking about “a national footprint over-the-top MVPD, I don't think that's going to come into existence,” said Hastings this week. “Several large firms have tried to put that package together and backed off. I think what we'll see is a continuation of the current localized ‘over your own pipe’ model.” Moreover, he said, “there's very little market just for streaming rights... Hulu Plus and Amazon are quite small bidders compared to the cable networks that we bid against.” On the flip side, **Robert Kyncl**, vp, global content partnerships as YouTube, said at **CES** he believes 75% of all channels (whether currently on TV, online, etc) will be transmitted and born on the Internet by '20. Until then, Greenfield cites Amazon, Hulu, **Samsung** and **DISH** among those companies that could go the virtual MSO route.

**Retrans:** With **Sunbeam** and **DirecTV** history (*Cfax*, 1/27), the retrans ruckus seemed to be calming down a little. Then **NAB** threw another log on the fire Fri, with vp, comm **Dennis Wharton** going after **Time Warner Cable's** \$1.3bln in annual profits. “It's time for pay TV's poster child for skyrocketing rates to come clean on retransmission consent. Time Warner and its front group the **American Television Alliance** claims that broadcast retransmission consent fees are responsible for escalating cable rates. That claim is false,” Wharton said, declaring that local carriage fees account for less than 1% of a monthly cable bill. ATVA statement in 3...2...1: “Are you kidding, NAB? We're surprised that NAB wants to engage in a discussion about corporate financial results at a time when executives of its member companies have publicly bragged

**HALLMARK MOVIE CHANNEL  
RANKS #1 AMONG ALL MID-SIZED  
AND EMERGING NETWORKS!**



BETA Research 2011 Cable Operator Carriage Study, Ranked among all measured Mid-sized and Emerging Networks. Percent of non-affiliates “very interested in carrying channel” by end of 2012. ©2012 Crown Media United States, LLC. All Rights Reserved.

# IT'S NOT EASY BEING #1.

(But we've had 6 years to practice.)



For the sixth year in a row, USA is cable's #1 network among P25-54, P18-49 and total viewers. This marks the longest consecutive winning streak in cable history. USA's scripted portfolio is cable's strongest with six of the top ten scripted hours, and the network's slate of originals delivered more viewers than AMC, FX or TNT.

characters welcome. 

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that earnings will be driven by dramatic increases in retransmission consent fees. As one broadcast network executive said last year about retrans fees, "the sky's the limit." Meanwhile, there may be no Super Bowl on TWC in Corpus Christi. The MSO has been without **Cordillera**-owned **NBC** station **KRIS** since Dec 12. -- **DISH** and **Turner's WPCH Peachtree TV** in Atlanta are at odds following the expiration of their carriage agreement. With content including Braves games and SEC basketball and football, Peachtree said it has tried "very hard" to reach a deal with DISH. The DBS countered by saying the broadcast net declined to renew the previous agreement and is now "making outrageous demands... Turner has been neither fair nor reasonable." DISH is currently featuring an explanation of the situation in the Peachtree channel slot.

**In the States:** 282 **Cablevision** techs and dispatchers in Brooklyn voted to join the **Comm Workers of America** Thurs, becoming the MSO's 1st employees to unionize. The group says CVC employees are "subject to arbitrary discipline and favoritism by managers, their health care coverage is inadequate, their workload is unreasonable and they have insufficient 401(k) retirement plans." Said the MSO: "We are disappointed by the outcome of this vote. In the worst economy in memory, Cablevision has not laid off a single technician, unlike our competitors who have cut thousands of unionized positions."

**On the Hill:** Privacy Caucus co-chairs **Joe Barton** (R-TX) and **Ed Markey** (D-MA) have asked the **FTC** if **Google's** planned privacy changes are a violation of its recent settlement with the company. "This new policy and omission of a consumer opt-out option on a product-by-product basis raises a number of important privacy concerns," write Reps. Markey and Barton in the letter to FTC chmn **Jon Leibowitz**. "We are interested in any actions the FTC has taken or plans to take to investigate whether Google has violated the terms of its consent agreement." Changes are slated to take effect Mar 1.

**Revisiting the Rigases:** The **US Attorneys Office for the Middle District of PA** has decided to dismiss tax charges against former **Adelphia** employees **John** and **Tim Rigas**. **John Jones**, the US District Judge who granted the gov't's motion to dismiss, had some strong words. "It is obviously not for this Court to query why the Government initiated this prosecution," his order read. "However, it has become increasingly clear to us during the over half decade it has pended on our docket that this endeavor is a highly questionable use of the increasingly scarce resources of the federal government." Jones noted that 86-year-old John Rigas will be 92 if he lives to his projected release date based on his sentence in the Southern District of NY for securities fraud. "As **Kenny Rogers** sang in his hit song 'The Gambler,' 'You got to know when to hold 'em, know when to fold 'em.' Today, the Government has appropriately decided to fold 'em, and has blessedly elected to end this aspect of the unfortunate Rigas saga. It is a commendable decision," Jones wrote. A motion is pending in the Southern District of NY to overturn the Rigases' convictions, claiming their constitutional rights to a fair trial were violated.

**People:** **Sandra Dewey** was promoted to evp, head of biz affairs for **Turner Ent Nets** and **Cartoon** originals.

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## CableFAX Week in Review

Company	Ticker	1/27 Close	1-Week % Chg	YTD %Chg
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**BROADCASTERS/DBS/MMDS**

DIRECTV:	DTV	44.36	3.09%	3.74%
DISH:	DISH	27.64	(4.23%)	(2.95%)
DISNEY:	DIS	39.25	(0.15%)	4.67%
GE:	GE	19.03	(0.63%)	6.25%
NEWS CORP:	NWS	19.52	(0.71%)	7.37%

**MSOS**

CABLEVISION:	CVC	14.39	(1.3%)	1.20%
CHARTER:	CHTR	57.61	1.05%	1.18%
COMCAST:	CMCSA	26.33	1.00%	11.05%
COMCAST SPCL:	CMCSK	25.26	(0.47%)	7.22%
GCI:	GNCMA	10.47	(0.38%)	6.95%
KNOLOGY:	KNOL	15.28	6.85%	7.61%
LIBERTY GLOBAL:	LBTYA	45.64	0.73%	11.24%
LIBERTY INT:	LINTA	17.12	1.54%	5.55%
SHAW COMM:	SJR	19.68	1.44%	1.60%
TIME WARNER CABLE:	TWC	73.77	6.84%	16.05%
VIRGIN MEDIA:	VMED	24.20	1.89%	13.19%
WASH POST:	WPO	396.90	0.64%	5.33%

**PROGRAMMING**

AMC NETWORKS:	AMCX	42.21	0.93%	12.32%
CBS:	CBS	28.84	2.85%	6.26%
CROWN:	CRWN	1.24	0.81%	2.48%
DISCOVERY:	DISCA	43.67	(0.3%)	6.59%
GRUPO TELEVISA:	TV	19.94	(7.39%)	(5.32%)
HSN:	HSNI	36.23	(1.23%)	(0.08%)
INTERACTIVE CORP:	IACI	42.09	(0.09%)	(1.2%)
LIONSGATE:	LGF	10.27	9.61%	23.44%
LODGENET:	LNET	3.64	30.47%	52.30%
NEW FRONTIER:	NOOF	1.08	3.85%	4.85%
OUTDOOR:	OUTD	7.39	(5.5%)	(0.94%)
SCRIPPS INT:	SNI	44.58	(1.02%)	5.09%
TIME WARNER:	TWX	37.54	(0.16%)	3.87%
VALUEVISION:	VVTV	1.54	(3.14%)	(18.09%)
VIACOM:	VIA	54.12	0.65%	1.48%
WWE:	WWE	9.71	0.94%	4.18%

**TECHNOLOGY**

ADVANTAGE:	AEY	2.28	4.11%	8.57%
ALCATEL LUCENT:	ALU	1.83	(8.5%)	17.31%
AMDOCS:	DOX	29.70	1.02%	4.10%
AMPHENOL:	APH	54.41	(1.72%)	19.87%
AOL:	AOL	16.07	3.01%	6.42%
APPLE:	AAPL	447.28	6.42%	10.44%
ARRIS GROUP:	ARRS	11.70	8.23%	8.13%
AVID TECH:	AVID	10.00	2.15%	17.23%
BLNDER TONGUE:	BDR	1.40	3.70%	14.75%
BROADCOM:	BRCM	35.06	0.17%	19.41%
CISCO:	CSCO	19.56	(1.81%)	8.19%
CLEARWIRE:	CLWR	1.80	(2.7%)	(7.22%)
CONCURRENT:	CCUR	3.90	8.33%	2.90%
CONVERGYS:	CVG	13.44	2.75%	5.25%
CSG SYSTEMS:	CSGS	16.31	3.56%	10.88%
ECHOSTAR:	SATS	25.47	5.25%	21.63%
GOOGLE:	GOOG	579.98	(1.03%)	(10.21%)
HARMONIC:	HLIT	5.99	5.64%	18.85%

Company	Ticker	1/27 Close	1-Week % Chg	YTD %Chg
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INTEL:	INTC	26.73	1.33%	10.23%
JDSU:	JDSU	12.84	(4.54%)	22.99%
LEVEL 3:	LVL	19.44	6.35%	14.42%
MICROSOFT:	MSFT	29.23	(1.62%)	12.60%
MOTOROLA MOBILITY:	MMI	38.93	0.70%	0.34%
RENTRAK:	RENT	17.47	(0.06%)	22.34%
SEACHANGE:	SEAC	7.20	3.60%	2.42%
SONY:	SNE	18.42	3.19%	2.11%
SPRINT NEXTEL:	S	2.17	(4.41%)	(7.26%)
THOMAS & BETTS:	TNB	57.95	(0.4%)	6.14%
TIVO:	TIVO	10.68	3.69%	19.06%
UNIVERSAL ELEC:	UEIC	18.75	2.85%	11.14%
VONAGE:	VG	2.39	2.14%	(2.45%)
YAHOO:	YHOO	15.74	1.68%	(2.42%)

**TELCOS**

AT&T:	T	29.16	(4.42%)	(3.57%)
VERIZON:	VZ	37.21	(4.52%)	(7.25%)

**MARKET INDICES**

DOW:	DJI	12660.46	(0.47%)	3.63%
NASDAQ:	IXIC	2816.55	1.07%	8.11%
S&P 500:	GSPC	1316.33	0.07%	4.67%

### WINNERS & LOSERS

**THIS WEEK'S STOCK PRICE WINNERS**

COMPANY	CLOSE	1-WK CH
1. LODGENET:	3.64	30.47%
2. LIONSGATE:	10.27	9.61%
3. CONCURRENT:	3.90	8.33%
4. ARRIS GROUP:	11.70	8.23%
5. KNOLOGY:	15.28	6.85%

**THIS WEEK'S STOCK PRICE LOSERS**

COMPANY	CLOSE	1-WK CH
1. ALCATEL LUCENT:	1.83	(8.5%)
2. GRUPO TELEVISA:	19.94	(7.39%)
3. OUTDOOR:	7.39	(5.5%)
4. JDSU:	12.84	(4.54%)
5. VERIZON:	37.21	(4.52%)



**Sales Executive of the Year Awards**  
saluting cable sales leadership

**Questions:** Mary Lou French  
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## Saluting Sales Excellence in the Cable Marketplace

The CableFAX Sales Executive of the Year Awards recognizes sales forces across cable who work tirelessly behind the scenes to drive revenue and keep our dynamic marketplace growing and business moving forward. The winners and honorable mentions will be saluted during an awards event in Spring 2012 in NYC.

**Entry Deadline:** February 3, 2012  
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