

CableFAX Daily™

Tuesday — February 14, 2012

What the Industry Reads First

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Dual Carriage: FCC Deliberates on Whether to Let Rules Sunset

While the DTV transition is ancient history at this point, some of the rules surrounding the end of analog aren't. Most cable operators must now carry digital and analog must-carry signals, but that **FCC** rule requiring dual carriage is slated to sunset June 12 unless the Commission acts to extend the viewability rule. On Mon, the FCC adopted a further notice of proposed rulemaking to explore what it should do. Also scheduled to expire in June is a 3-year exemption for small cable systems to a rule requiring that any signal broadcast in HD also be carried by cable ops in HD. "Given the apparent widespread reliance of small cable operators on the HD exemption, we propose to extend it for an additional 3 years, but ask whether this should be the final extension," the FCC said in the NPRM. Based on data from the '10 Cable Operator Report, 37% of small systems reporting data that would be eligible for the exemption were still not providing any HD service. The FCC NPRM also included a declaratory order clarifying that the viewability rule and HD carriage exemption sunset on June 12 since they would have expired on Feb 17 if the DTV transition had not been delayed by Congress. The FCC wants to know how many homes are analog, citing **NCTA** data that as of 3Q11, more than 12mln cable HHS were reliant on analog cable delivery. It's also interested in whether the viewability rule needs to be extended in its current form or if instead, stations can file carriage complaints to enforce compliance with a statutory mandate that must-carry stations be viewable. And if the rule is extended, should it be for another 3 years or a different period of time? The issue has sparked interest leading up to the NPRM. There was heated debate before it was enacted, with NAB hoping for permanent dual carriage. Over the summer, the **NJ Division of Rate Counsel** requested a status update of the FCC's review of the rule (*Cfax*, 7/11/11). As the independent agency representing utility customers in the states, it's concerned about possible costs for equipment such as digital transition adaptors. If the rule expires, some cable systems may opt to no longer down-convert the digital signal to analog, but that's a non-issue in markets that already have transitioned to all-digital. As for the small op HD exemption, the FCC wants to know if systems taking advantage of it are working towards being able to carry HD versions of all HD broadcasts.

First Day: Mon marked *Tom Rutledge's* 1st day as full-time pres/CEO of **Charter**. The MSO plans an all-employee Webcast for Tues so everyone can "meet" him, though we hear he's already met a number of leaders throughout the company (he's been serving in a part-time capacity since late Dec). Rutledge succeeded *Mike Lovett*, who resigned as pres/CEO and as a member of Charter's board Mon. Mark your calendars for Charter's 4Q earnings call Feb 27, when we expect to hear more from him. Rutledge's old stomping ground, **Cablevision**, reports on Feb 28.

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Glenn Britt
Chairman/President/CEO,
Time Warner Cable

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On the Hill: NCTA joined 90 others, including **Google** and **Consumers Union**, in asking House and Senate leadership to maintain FCC flexibility in spectrum legislation. “We reiterate our strong belief that compromise legislation should include language that gives the FCC clear flexibility to make appropriate spectrum allocation decisions that will raise revenue, support vibrant wireless competition and technological innovation, and promote rural broadband deployment,” the groups and companies wrote in a letter Mon. -- Meanwhile, **Public Knowledge** and 17 other public interest and other groups sent a letter to conferees on tax legislation complaining that provisions in the payroll tax extension bill now “would be a massive step backwards in the evolution of our Nation’s wireless policy. They would lead to greater consolidation, higher consumer costs, and reduced openness in the wireless industry.” The groups identified 3 concerns: the legislation has no safeguards for an open network or against further industry consolidation, and it would eliminate new Super-WiFi.

At the Portals: The budget submitted by President *Obama* to Congress proposes FY13 funding of \$346.78mln for the **FCC**. Funding includes continuing efforts to accelerate broadband deployment and “maximize benefits of spectrum.”

Carriage: As part of their affil agreement renewal, **Starz Ent** and **AT&T U-verse TV** extended to telco subs authenticated viewing of **Starz Online**, **Encore Online** and **Movieplex Online** on PCs, Macs, tablets and portable devices. U-verse subs can receive 19 Starz Ent channels and feeds.

In the Courts: **NFLX** agreed to pay \$9mln to settle a suit alleging non-compliance with the Video Privacy Protection Act because the company, according to reports, kept records of what subs watched for up to 2 years after they had cancelled their accounts. The settlement must be approved by a CA court.

Nationwide Niche: **PlayOn! Sports** plans to debut this fall the 1st nationwide net exclusively dedicated to high school sports, with products also in the works for broadband, mobile and VOD. The 24/7 channel targeting MVPDs will provide coverage of myriad boys and girls varsity sports, more than 15K hours of live content annually and original programming. PlayOn! is currently the largest rights holder, producer and aggregator of high school sporting events distributed across platforms, annually producing more than 5K events and generating more than 15K hours of coverage from 21 states.

Sit...Stay...Watch: Cable’s always been known for targeted programming, but this one has us amused—and **Nielsen** perhaps stumped. **DogTV** launched Mon in San Diego on **Cox** and **Time Warner Cable**, but it’s not what you might think. No scaled-down **Animal Planet** here or fresh iteration of the **Puppy Channel** net cable vets may remember, rather a channel designed specifically for pooches offering content that’s been scientifically developed and tested for 4 years to “cater to a dog’s unique sense of sight, hearing, and movement detection,” according to the release. The tagline “A New Breed of TV” found at **DogTV.com** may be obvious; less so is the endorsement of the **Humane Society** and *Prof Nicholas Dodman*, Head of the Animal Behavior Dept at Tufts University and the net’s chief scientist. On the Website Dodman adamantly proclaims that dogs, helped by the digital transition, do watch TV, although they won’t stare at the screen for hours on end. DogTV features 3-6min segments of distinct relaxing, stimulating and behavior-improving programming organized to fit pooches’ lifestyles. “Everything’s designed for your dog, not only in the content but the order in which it’s presented,” says Dodman. “Anything’s better than the... tedium of being

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**“Take the job that scares
you most.”**

Anne Sweeney
Co-Chair, Disney Media Networks/President,
Disney-ABC Television Group (pictured, left)

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left alone without such content." Free for a limited time, the channel will ultimately cost approx \$5/month. For a good chuckle and maybe some enlightenment, see egotvonline.com/2011/05/11/10-videos-of-dogs-watching-television. The couch potato/bulldog is priceless.

Advertising/Marketing: Following bi-annual surveys of thousands of advertisers, **Advertiser Perceptions** announced **ABC** as the highest-rated media brand of '11 based on metrics used to gauge media brand and media company performance. Among cable nets, **ESPN** led in brand strength, **HGTV** in sales knowledge, **Food Net** in customer service and **Comedy Central** in advertiser satisfaction. Respective broadcast accolades went to **ABC**, **CBS** and **Fox**, and in the mobile category **YouTube**, **NFL**, **CNN** and **The Weather Channel**. -- **TiVo** entered into a licensing pact with **AT&T AdWorks** in order to improve elements of its research and advertising inventory by incorporating anonymous and aggregate U-verse and TiVo home viewing data. -- **The Coca-Cola Co** was named the recipient of the 5th annual **Crown Media Family Networks** and **PTC** "Crown Awards," honoring companies that align with family-friendly programming through responsible advertising.

Whitney: Hopefully with a strong focus on the late *Whitney Houston's* ethereal talent instead of her cautionary tale, several cable nets will pay tribute this week. **OWN's** "Remembering Whitney: The Oprah Interview" (Thurs) features the singer's '09 interview with *Oprah* and personal reflections by the latter. **TV One's** "Reflections of Whitney" (Tues) is a music video special featuring Houston performances. **TV Guide Net's** "Whitney Houston, An Icon Remembered" (Thurs) looks back her career and life. Also notable: **BET** presented numerous special features Mon, "VH1 News Presents Whitney Houston's Greatest Moments" (Thurs) and **Lifetime's** presentation of "The Bodyguard" (Feb 13).

Ratings: The mid-season premiere of **AMC's** "The Walking Dead" tallied 8.1mln viewers and became the best cable drama telecast in history among 18-49s (5.4mln) and 25-54s (4.4mln). 2 encores gave the series' comeback more than 10mln viewers. -- Sat's **Knicks** game set a season high 4.17 HH rating for **MSG**, with the Knicks' avg HH rating up 70% since *Jeremy Lin* was inserted into the starting lineup Feb 6. (Just think what the rating would be if MSG wasn't dark on **Time Warner Cable**...) -- **E!** scored its most-watched "Live from the Red Carpet" telecast ever, with 4mln total viewers turning in Sun night. With a 2.98 HH rating, it ranks among the top 10 telecasts ever on E!

Programming: **Showtime** and **MLB Prod** are teaming for a 2nd season of sports doc series "Franchise," which this season will take audiences into the world of the Miami Marlins. -- **TV Guide Net** picked up a 2nd season of reality show "Nail Files," which holds the net record for the highest-rated original series premiere. -- **Veria's** latest exercise series combines aerobics with Bollywood dance moves. "BollyFit" debuts Mon at 8am ET (encores at 6:30pm).

Toy Fair: A little more than a month away from its launch as a full-time, linear net, **Disney Junior** unveiled its new toy line at an event Mon during the 2012 International Toy Fair in NYC. Special guests included celebs *Sharon Osbourne* and *David Arquette*, the voices behind "Jake and the Never Land Pirates'" Mama Hook and Skully characters. Each took the stage to play judges in an "America's Got Talent"-style talent show as Minnie Mouse did the quickstep with Arquette (calling to mind his "Dancing With the Stars" performance) and Mickey sported some sweet break dancing moves, a demo of sorts for the new toy "Master Moves Mickey." "Jake," which on Mon got a 3rd season pickup, is the number 1 cable series for boys 2-5, noted Disney Channels Worldwide's pres and chief creative officer *Gary Marsh* in the video prior to show. "If you've got better, show me!" he piped. There are more than 130 toys this year, making it Disney's biggest preschool line to date. Disney Jr's 24-hour channel officially launches March 23.

On the Circuit: **NCTA** has issued the call for nominees for the prestigious Vanguard Awards, which will be presented May 23 during the **Cable Show** at a special lunch. Nominations are due by Mar 5: www.thecableshow.com. -- **Ovation** scored major points with the arts community Sun night as it sponsored a dinner honoring the recipients of the National Medal of Arts and the National Humanities Medal. Regarded as one of DC's best social functions, the dinner was attended by everyone from socialites, members of Congress, academics and ambassadors to *Sarah Jessica Parker* (a member of the President's Committee on the Arts and the Humanities), *Al Pacino* (a medal recipient) and *John Lithgow*, who delivered a rousing keynote. The honorees were presented their medals by **President Obama** during a White House ceremony Mon.

Obit: *Darlene Payne*, a driving force behind the **Broadband Cable Assoc of PA's** Cable Heritage celebrations for many years, passed away Sun. She was 77. Payne retired a few years ago from **Comcast**, where she served as a lobbyist. She joined the industry in '71, staying with the same company for more than 30 years, although ownership changed several times (**Techs Video**, then **Center Video**, then **TCI of Pennsylvania**, then **AT&T**

BUSINESS & FINANCE

Cable Services, then AT&T Broadband and finally Comcast). Friends will be received Wed from 3-5pm and 7-9pm at the Jaycox-Jaworski Funeral Home in McKeesport, PA.

People: *Bernie Orozco* was promoted to vp, state governmental affairs for the **CA Cable & Telecom Assoc.**

-- **ESPN** upped *Jamie Horowitz* to vp, original programming and prod.

-- **thePlatform** promoted *Alex Glass* to CIO, *Marty Roberts* to svp, sales and marketing worldwide and *Michael Horowitz* to svp, engineering.

Business/Finance: International Strategy & Investment Group is optimistic ahead of **Comcast's** 4Q earnings report Wed, increasing its DCF-based target price to \$32 from \$29. "Our relative confidence in 4Q metrics is supported by the fact that Comcast was already carrying strong momentum from Q3 (when other operators reported surprisingly weak results), combined with a stronger U.S. Macro backdrop," ISI said in a research note.

Editor's Note: Join speakers from **Comcast, Verizon** and **Seachange** on Mar 1 as they dissect how cable might profit from transactional TV as advertisers, content owners and distributors increasingly look to interactive platforms to reach consumers. More info on this special CableFAX Webinar: http://www.cablefax.com/cfp/webinars/2012_Mar1/

CableFAX Daily Stockwatch

Company	02/13 Close	1-Day Ch	Company	02/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	45.68	0.17	CLEARWIRE:	2.27	0.19
DISH:	28.35	(0.15)	CONCURRENT:	3.90	0.21
DISNEY:	41.79	0.34	CONVERGYS:	13.05	0.26
GE:	19.07	0.20	CSG SYSTEMS:	16.01	0.27
NEWS CORP:	20.11	0.26	ECHOSTAR:	31.62	0.27
MSOS					
CABLEVISION:	14.66	(0.16)	GOOGLE:	612.20	6.29
CHARTER:	59.97	1.38	HARMONIC:	6.51	0.17
COMCAST:	27.41	0.23	INTEL:	26.70	0.01
COMCAST SPCL:	26.25	0.16	JDSU:	14.08	0.14
GCI:	11.00	0.28	LEVEL 3:	21.16	0.01
KNOLOGY:	15.89	0.29	MICROSOFT:	30.58	0.09
LIBERTY GLOBAL:	49.32	0.77	MOTOROLA MOBILITY:	39.63	0.18
LIBERTY INT:	18.35	0.19	RENTRAK:	21.64	0.56
SHAW COMM:	19.73	0.31	SEACHANGE:	7.35	0.08
TIME WARNER CABLE:	75.80	0.33	SONY:	19.48	(0.05)
VIRGIN MEDIA:	25.64	0.34	SPRINT NEXTEL:	2.31	0.02
WASH POST:	388.27	(0.75)	THOMAS & BETTS:	71.95	0.06
PROGRAMMING					
AMC NETWORKS:	42.64	0.45	TIVO:	12.14	0.18
CBS:	30.21	0.31	UNIVERSAL ELEC:	19.92	0.30
CROWN:	1.19	0.01	VONAGE:	2.94	(0.13)
DISCOVERY:	45.16	0.37	YAHOO:	16.12	(0.02)
GRUPO TELEVISIA:	19.91	0.12	TELCOS		
HSN:	36.39	1.05	AT&T:	30.04	0.20
INTERACTIVE CORP:	44.81	(0.12)	VERIZON:	38.13	0.44
LIONSGATE:	11.42	(0.42)	MARKET INDICES		
LODGENET:	3.44	0.06	DOW:	12874.04	72.81
NEW FRONTIER:	1.16	0.01	NASDAQ:	2931.39	27.51
OUTDOOR:	7.24	0.16	S&P 500:	1351.77	9.13
SCRIPPS INT:	43.26	0.27	TECHNOLOGY		
TIME WARNER:	37.88	0.36	ADDVANTAGE:	2.35	0.10
VALUEVISION:	1.66	(0.07)	ALCATEL LUCENT:	2.19	UNCH
VIACOM:	55.42	0.16	AMDOCS:	30.35	UNCH
WWE:	9.75	0.04	AMPHENOL:	55.15	0.33
TECHNOLOGY					
ADDVANTAGE:	2.35	0.10	AOL:	18.51	0.16
ALCATEL LUCENT:	2.19	UNCH	APPLE:	502.60	9.18
AMDOCS:	30.35	UNCH	ARRIS GROUP:	12.02	0.07
AMPHENOL:	55.15	0.33	AVID TECH:	11.86	0.59
AOL:	18.51	0.16	BLNDER TONGUE:	1.40	0.03
APPLE:	502.60	9.18	BROADCOM:	36.82	(0.18)
ARRIS GROUP:	12.02	0.07	CISCO:	20.03	0.14
AVID TECH:	11.86	0.59			
BLNDER TONGUE:	1.40	0.03			
BROADCOM:	36.82	(0.18)			
CISCO:	20.03	0.14			



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"Preparation is the key to success."

Andy Heller
Vice Chairman,
Turner Broadcasting System

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EYE ON ADVERTISING

Farm Fresh: Chipotle Bucks Traditional TV Ad Model

And the Grammy for best animated pig goes to... Whether or not you bought the message of fast-food Mexican chain as purveyor of humane animal farming, **Chipotle's** two-minute film-cum-commercial during the awards show provides cable with an excellent case study in a company that bucked the traditional TV advertising model. The ad debuted online in August and segued to 10K movie screens before making its TV debut during the Grammy broadcast and instantly lighting up **Twitter** and other social media channels. Chris Arnold, Chipotle communications director, says "Back to the Start" had drawn 4.5mln online views and 20mln views in theaters before reaching an estimated 29mln people during the Grammys. Arnold tells Cathy Applefeld Olson why Chipotle doesn't do standard television ads and provides some insight into thinking outside the take-out box when it comes to attracting advertisers.

Clearly your goal from the outset was creating something way different from the traditional television spot.

CA: Traditional television and the 30-second spot are difficult for us. The problem is that the confines of traditional TV advertising make it difficult for a brand like ours to communicate what we are all about. What we do is seeped in nuance, and it's a complicated story. The two-minute animated film was a really good way around that. It gave us more time to create a story and say something about who we are as a company.

The ad debuted online in August and built buzz pretty quickly.

CA: It's been a very big subject of conversation on social media and traditional earned media. It's blown up in a lot of places. That was part of the plan, to leverage it within the social media and PR environments. The film [directed and designed by London-based *Johnny Kelly*] is some-

thing we want people to see and start discussions about. **Was television always part of the plan? What made you segue to another screen?**

CA: The sheer volume of comment and conversation. It's been popular online, but it was not out initial plan to build to television. Chipotle has never advertised on television before. The original intent was to be a brand narrative film of sorts, and when we produced it we weren't sure how or where we would use it. We posted it online and got feedback that's been overwhelmingly positive, and we've been exploring options as we go. Taking it to the theaters was the first step, the Grammys were the second, and now we keep looking.



So it was really about the Grammys, more than television per se...

CA: The reason behind going to the Grammys were A) it's a very big television audience and B) music is such an important part of the film [the commercial features *Willie Nelson's* haunting cover of Coldplay's "The Scientist."] We thought it would be a nice way to show it to a much bigger audience, and a lot of our customers are in that audience.

Where will the ad go from here? Clocking in at two minutes, it would seem broadcast options are limited. Perhaps cable?

CA: It's in the realm of possibility, but right now there are no definite plans. We definitely have interest in its going to more people, so we may do some other things with it. It's a really purposeful tool for communicating things that are important to us.

Does Chipotle have plans for a sequel?

CA: Not at this time. We're definitely interested in producing films, though they may not necessarily be in the same series or even in the same style. But in terms of telling our story, this has opened a whole new avenue for us.



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Maria Ducheine at (212) 997-0100 ext.214

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