

CableFAX Daily™

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What the Industry Reads First

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Comcast Execs: Higher Programming Costs, Affil & Retrans Fees Expected

Following **Comcast's** announcement to acquire the rest of **NBCU** for some \$16.7bln, the firm's financial chief *Michael Angelakis* called the price "fair" and "a very good deal" for both **GE** and **NBCU** during the earnings conference call Wed. "I think that they were expecting to receive half of the value of their ownership in 2014, almost two years from now," he said. "That would have been closer to the end of 2014. Then they really had to wait until the early part of 2018 to receive the other half." The bottom line is "they are going to receive a lot of cash." As for Comcast, it's "quite pleased with the price" and how the transaction's structured (\$11.4bln cash, \$4bln notes, \$2bln of borrowing and \$725mln stocks). Meanwhile, **Wells Fargo** analysts said in a research note that Comcast might be launching a national sports net, **Fox Sports One**, on its basic tier, which would replace **Speed**. Comcast reached a comprehensive distribution deal with Fox Tues. During the call, execs said they also expect programming expenses, which increased 7% YOY in '12, to increase at low double-digit rates, because of continued expansion of rights to multiple platforms, additional channel launches, continuing increases in sports costs, retrans fee increases and step-ups for recently completed long-term agreements. To offset these costs, Comcast has planned "modest rate adjustments," "further efficiencies," and improving the product mix as well as "increasing the number of customers upgrading to higher tiers of service," Angelakis said. As a result, the firm expects to maintain "relatively stable margins." Expanding X1, Comcast's cloud-based initiative to the majority of the footprint this year is also part of the plan, said Comcast chmn/CEO *Brian Roberts*. "You will begin to see X1 more as a platform as we enable cloud-delivered applications," he said. X1 "gives us the ability... to hang more applications and services off of it," said Comcast Cable chief *Neil Smit*. The service was launched in 6 markets in '12. During 4Q, Comcast lost some 7K basic video subs, an improvement from the 17K it lost a year ago. On the NBCU side, Comcast CEO *Steve Burke* said it's a matter of getting the full value out of its assets. "I think our affiliate fees are not what they should be both in terms of the cable channels and retransmission consent," he said. On the advertising front, "our CPMs are lower than some of the other people in the business who have lower ratings than we do," he said.

Cybersecurity: It was an eventful Tues night for cybersecurity. The long-awaited Cybersecurity Executive Order was signed by *President Obama* late Tues before his State of Union address, during which he urged Congress to pass cybersecurity legislation. The White House crafted the order after Congress failed to pass cybersecurity legislation last year. Telecom/cable companies are concerned about language to exclude any commercial information technology products from assessments of critical-infrastructure at greatest catastrophic risk, **Stifel Nicolaus** analysts said. The telecom/cable industry believes this could give tech/edge players an unfair "carve-out" and competitive advantage, though it could still depend on how IT devices and apps are used in critical infrastructure, they said. **NCTA** shares the Administration's "desire to improve our nation's cyber defenses by promoting better collaboration between public and private sectors" and will work "constructively through the EO (executive order) process to focus on solutions that promote shared responsibility and

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avoid unnecessary regulatory entanglements," the group said in a statement. In addition, "we firmly hope that such action will not delay congressional action to extend appropriate liability protections that are needed to facilitate the sharing of key information about cyber threats and to encourage providers to act appropriately in monitoring and responding to cyber threats," NCTA said. The group supports the "Cyber Intelligence Sharing and Protection Act," introduced Wed (**Cfax**, 2/13) by Reps *Dutch Ruppersburger* (D-MD) and *Mike Rogers* (R-MI). Among the highlights of the EO: It expands the voluntary Enhanced Cybersecurity Services program, enabling near real-time sharing of cyber threat information; **NIST** will work with the industry to develop a framework of cybersecurity practices, which relies on existing international standards, practices and procedures. In his State of Union speech, President Obama also called for tougher cybersecurity laws as America's enemies are "seeking the ability to sabotage our power grid, our financial institutions and our air traffic control systems." Republican Senators, including *John McCain* (AZ) slammed the order: The order "can't achieve the balanced approach that must be accomplished collaboratively through legislation and with the support of the American people."

ABI Research analysts said the EO failed "massively" because it lacks "the bite that would make it effective" and contains "weak" solutions. Sen *Jay Rockefeller* (D-WV), co-sponsor of cybersecurity legislation last year, said he will continue his own efforts to pass legislation. The House Commerce committee will monitor the EO and urged collaboration between the White House, industry and Congress.

At the Portals: In light of "recent unauthorized access" to EAS system, the **FCC** is asking all EAS (Emergency Alert System) participants, including cable and broadcast participants, to secure their CAP (Common Alerting Protocol) EAS equipment immediately, including resetting passwords and ensuring the equipment is secure behind configured firewalls and other defensive measures, according to a copy of the agency's notice sent to us by **NAB**. The FCC also asked all EAS participants to examine their equipment to ensure no unauthorized alerts or messages have been set for future transmission. Though the agency did not reveal specifics of the "unauthorized access," several press reports suggested that numerous broadcast stations in various parts of the country found their EAS systems hacked this week and as a result, the stations issued EAS alerts about zombie attacks (nope they were not **AMC's** "Walking Dead" commercials). Affected stations include **CBS** affil **KRTV** in Great Falls, MT., and Marquette, Mi.-based **CW** affil **WBKP-TV** and **PBS** affil **WNMU-TV**.

On the Circuit: **FCC** chmn *Julius Genachowski* plans to join **HUD Secretary Shaun Donovan** and reps from **Connect2Compete**, Best Buy, the **Institute of Museum and Library Services**, and the **DC Housing Authority** Thurs to announce a digital literacy effort as part of a national initiative to close the broadband gap. This spring, Connect2Compete and Best Buy's Geek Squad, in partnership with HUD and other partners, will launch a national digital literacy training program.

Ratings: **Fox News** averaged 3.7mln viewers for *President Obama's* State of the Union address Tues night, putting it atop the cable news heap. **CNN** came in 2nd with 3.65mln viewers, following by **MSNBC**. However, CNN is #1 in AD 25-54, scoring 1mln viewers in that key demo while MSNBC got just a little more than 1mln and Fox at 957k. .

Programming: **truTV** ordered a 15th season of "truTV Presents: World Dumbest..." (premieres Feb 28). -- **Style** announced new programming during its event Tues night at NY Fashion Week: In addition to renewing "Giuliana & Bill" and "Tia & Tamera," it greenlit 3 new original programs: "Pop Style," "Lifestyles of the Rich and Famous," and "Luxe Life Miami."

Kids' Choice: Nominees for **Nick's** 26th Annual Kids' Choice Awards, airing March 23, include stars like *Adele*, *Justin Bie-*

100
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BUSINESS & FINANCE

ber, Bon Jovi, Vanessa Hudgens, Taylor Swift, Michael Phelps, Tim Tebow, Adam Sandler and Katy Perry. Kids can cast their votes in 22 categories starting Thurs.

Philanthropy: Outdoor Channel is partnering with the Spirit of Blue Foundation to raise awareness for the safety concerns of the law enforcement community.

People: Best wishes to Rosa Gatti, who will retire on Feb 28 after 33 years at ESPN. As one of the earliest women to break through the glass ceiling in cable, Gatti was an inspiration to countless others who have since followed—and it's worth noting that she rose through the ranks at a sports net, usually a world dominated by men. "Few in their lifetime are blessed with such an amazing journey and privilege to work with many wonderful people in growing a cultural icon, best-in-class communications practices, diversity initiatives and multi-faceted corporate outreach programs," she wrote in an email to ESPN employees. "I leave with so many great memories." Gatti, who leaves ESPN as svp, communications counsel and corporate outreach, also announced that senior dir, corporate outreach Kevin Martinez will be promoted to vp, corporate outreach. -- **Participant Media** named Holly Hines svp, scripted programming, for the company's yet-to-be-named net targeting millennials. -- **Nickelodeon Group** upped Jim Kukucka to vp, West Coast series production.

CableFAX Daily Stockwatch

Company	02/13 Close	1-Day Ch	Company	02/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	51.67	(0.56)	CSG SYSTEMS:	20.05	0.28
DISH:	37.28	(0.38)	ECHOSTAR:	38.66	(0.27)
DISNEY:	54.96	0.01	GOOGLE:	782.86	2.16
GE:	23.39	0.81	HARMONIC:	5.48	0.02
NEWS CORP:	28.69	(0.05)	INTEL:	21.25	0.06
MSOS					
CABLEVISION:	15.11	0.09	JDSU:	15.35	0.06
CHARTER:	80.03	0.03	LEVEL 3:	21.10	(0.21)
COMCAST:	40.13	1.16	MICROSOFT:	28.03	0.15
COMCAST SPCL:	38.45	0.87	RENTRAK:	21.60	0.01
GCI:	7.98	(0.14)	SEACHANGE:	11.80	0.13
LIBERTY GLOBAL:	67.04	(0.67)	SONY:	14.21	(0.47)
LIBERTY INT:	21.62	0.27	SPRINT NEXTEL:	5.86	(0.05)
SHAW COMM:	23.46	(0.34)	TIVO:	12.95	(0.2)
TIME WARNER CABLE:	86.76	(1.06)	UNIVERSAL ELEC:	19.24	0.06
VIRGIN MEDIA:	45.63	(0.25)	VONAGE:	2.71	0.29
WASH POST:	400.87	(0.74)	YAHOO:	21.15	(0.06)
PROGRAMMING					
AMC NETWORKS:	59.76	1.07	TELCOS		
CBS:	42.67	(0.54)	AT&T:	35.42	(0.18)
CROWN:	1.96	UNCH	VERIZON:	44.52	0.08
DISCOVERY:	71.52	0.49	MARKET INDICES		
GRUPO TELEVISIA:	27.69	(0.19)	DOW:	13982.91	(35.79)
HSN:	59.25	(0.05)	NASDAQ:	3196.88	10.39
INTERACTIVE CORP:	42.52	(0.07)	S&P 500:	1520.33	0.90
LIONSGATE:	20.26	0.64			
OUTDOOR:	7.72	0.10			
SCRIPPS INT:	62.04	1.00			
TIME WARNER:	52.85	0.35			
VALUEVISION:	2.85	UNCH			
VIACOM:	62.05	0.22			
WWE:	8.64	0.09			
TECHNOLOGY					
ADVANTAGE:	2.29	0.04			
ALCATEL LUCENT:	1.62	(0.03)			
AMDOCS:	36.22	0.19			
AMPHENOL:	70.11	(0.29)			
AOL:	37.01	(0.84)			
APPLE:	467.01	(0.89)			
ARRIS GROUP:	16.95	0.36			
AVID TECH:	7.86	0.04			
BLNDER TONGUE:	1.42	0.02			
BROADCOM:	33.72	0.01			
CISCO:	21.14	0.17			
CLEARWIRE:	3.17	(0.01)			
CONCURRENT:	7.83	(0.09)			
CONVERGYS:	16.34	0.05			



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Going Into HOC

Commentary by Steve Effros

In this case, "HOC" refers to "House of Cards," the new series on Netflix. It premiered recently and has gotten all sorts of press for several reasons. First, it's the initial foray by Netflix into the creation of their own programming. HBO, 30 years later.

I say 30 years, because HBO's first "made for cable" movie, "The Terry Fox Story," premiered in 1983. HBO realized that just aggregating other folks' content, particularly long-form (movie) content, wasn't going to be good enough to keep subscribers happy. Original programming was a must. Netflix has now figured that out too. Hence we have "House of Cards." But why all the hoopla about that? The broadcasters were doing it long before



HBO. That's what the competition between ABC, NBC, CBS and all the other broadcasters is about; proprietary, exclusive content. Just different ways of getting viewers to pay for it. That's why all of today's programmers are paying so much for sports: proprietary, exclusive content.

The good news about sports is that the teams, even when they're bad, could get good later, and the sports franchise runs on and on. That's not the case with something like movies. A bad one dies a pretty quick death, and that, too, is what happens to a series that gets "pulled" in mid-season because it just isn't very good, or more accurately, even if it's good, it isn't being watched.

Netflix is getting all the press not simply because it has paid big bucks to produce its first series, but because it decided to make all 13 episodes available at once. So the "binge viewers" can watch the whole first season in one sitting if they have the stomach, and the bladder for

it. A 13-hour movie. Is that a good idea? Well, it hopefully changes the way the series is structured. I haven't watched it, but if they simply filmed it like other series, with a "...in last week's episode..." opening to each of the 13 parts, I think I would have shut it down before I got to the third one! Presumably they didn't do that, anticipating that some folks would want to watch all, or many of the episodes at once.

There are many more questions that this raises than answers. Even though Netflix now says it was the "most watched" program, they won't give out numbers, and since there were no ads, the "benefits" to Netflix extend in different directions, such as subscriber acquisition and retention. But how far can that go, and for how much, how long? I'm not saying it's a bad idea. I'm just saying we have no real way of measuring whether this new distribution format is sustainable on a business basis as of now.

I think it's great that they're trying "new" things, and repackaging some that cable operators have been offering for years, like the availability of a series ("Arrested Development") in a format that allows you to choose any episode in any order. That, too, is getting lots of press. But that, too, has been available to cable subscribers on "Video On Demand" for years now.

So maybe what's "new" is that it's available on "broadband." But we learned long ago that viewers don't care how the programming gets to them, they care about the programming. The good stuff will help the bottom line. The bad will just die a quicker, very expensive death if you put it all out there at once. That, too, is not really new.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)

The CableFAXIES awards

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