URGENT! PLEASE DELIVER

www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

4 Pages Today

CableFAX Daily™

Thursday — February 24, 2011 | What the Industry Reads First | Volume 21 / No. 036

Content Council: Programming Execs Discuss the Industry

Save for some critics, everyone loves a hit show, be it net execs, viewers, the talent or advertisers. But according to panelists at the **Hollywood Radio & TV Society**'s Cable Summit '11 Newsmaker Luncheon Wed, popular content has some downside. In fact, the current tech-driven era of TV viewing makes measurement and monetization of content quite difficult, said **USA** pres, original programming *Jeff Wachtel*. And it follows that the most popular shows are the ones getting the most play across multiple platforms. **FX** pres/gm *John Landgraf* took the issue a step further, saying original scripted programming—often the star of the cable universe—is particularly pressured by tech advancements. "The combination of the DVR and then piracy is still very daunting," said Landgraf. "It hurts the best of the best." And, of course, competition for viewership of originals is increasing across cable. "We're all trying to make noise in a cluttered landscape," said **Showtime Nets** pres, ent *David Nevins*. Yet making a suitable commotion doesn't necessarily mean striving for hit series to lure new or atypical viewers. "I'm not in the hit business," said Landgraf. "We have to put shows on our air for people that are already watching our channel." If stellar success crops up like that achieved recently by **BET**'s "The Game," **AMC**'s "The Walking Dead" or **MTV**'s "Jersey Shore," that's some darn good icing, indeed. But as broadcasters' achievement of dual revenue streams adds additional competitive complexities to the content space, Wachtel said nets "must stick to [their] philosophy and take risks." Much of a net's philosophy stems from branding, and **BET Nets** pres, original programming *Loretha Jones* recognizes that "our programming is our brand, so we're lucky." Nevins said Showtime is fortunate that "we get the benefit of the doubt from the audience" regarding new shows, but believes it would be detrimental if Showtime were to "get too niche." Landgraf said the key to long-term triumph for cable nets lies in either speaking loudly to a specific niche or airing general entertainment. "I worry about those [channels] that aren't either," he said. The panelists also noted the move away from basic cable and broadcast as competitors to the pair as partners. General ent nets such as USA and FX often thrive with programming acquired from the Big 4, in fact rely on it to fill slates, and Jones said the closing of a similar pipeline for African American content is a very real challenge for BET. That's why the net created BET studios, she said, to help bridge the gap. Interestingly, "The Game" formerly aired on broadcast. Asked to name a channel they admire, Jones and Wachtel said AMC, Landgraf mentioned several but particularly **History**, and Nevins, ahem... applauded **CBS**.

DirecTV: The DBS op answered some important industry questions in dramatic fashion Wed, reporting US net sub adds of 289K in 4Q on share gains from cable and highlighting deals with **AT&T** and **Verizon** to start reselling fiber broadband through new bundles. A new $6bln repurchase program didn't hurt, either. "Far and away, the majority of new subscribers came from cable providers," said pres/CEO *Mike White*, adding that quarterly gross adds of 1.1mln set a 4Q record. Approx four-fifths of those gross adds signed up for HD and/or DVR services, the highest percentage ever, and nearly one-third took whole home DVR. CFO *Pat Doyle* noted the popularity of DTV's whole home DVR, its free HD promo and modest tailwinds from programming disputes as key reasons for the sub strength. As of Dec 31, two-thirds of DirecTV customers

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax: 301.738.8453 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 301.354.1790, mgrebb@accessintel.com ● Senior Online Editor: Chad Heiges, 301.354.1828, cheiges@accessintel.com ● Asst VP, Ed Director: Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 301.354-1695,dvodenos@accessintel.com ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Marketing Dir: Carol Brault,301.354.1763, cbrault@acessintel.com ● Prod: Joann Fato, 301.354.1681, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ●Subs/Client Services: 301.354.2101, fax 301.309.3847 ● Group Subs: Carol Brault, 301.354.1763, cbrault@accessintel.com

had advanced services, a penetration rate that Doyle said is 50% higher than the one reported recently by **Comcast**. Within the last 2-3 weeks, DTV inked the aforementioned telco pacts, which will allow the DBS op to bundle broadband speeds up to 25Mbps. "We're very excited about the opportunity to sell the higher speed broadband and create synthetic bundles," said White. Service options are being weighed right now, but White said to expect a video/data bundle in the $99-109/month price range. Regarding LTE, the company's test with Verizon is "going very well," said White, and features a triple-play bundle of video and mobile/wired broadband. No timetable was given for rollout, but the product will most likely target rural areas. **DirecTV Cinema** launched in Dec, leading to more than 30% rev growth for movies, and 4Q marked the 3rd consecutive quarter of increases in premium channel buy rates. Ad sales grew double digits. Looking ahead, DTV expects sub growth to moderate a touch in '11 due to ramping competitive intensity, tougher comps, uncertainty surrounding the NFL and 80 retrans deals that must be forged this year. The DBS op plans to connect 2mln subs to the Internet in 1Q and is working on a TV Everywhere product to port content to different devices. DTV shares surged 1.8% Wed.

On the Hill: *Sen John Kerry* (D-MA), chmn of the Senate Commerce Subcmte on Comm, Tech and the Internet, joined with 3 other Democratic senators in opposing House initiatives to block the **FCC**'s Open Internet Order through either a Congressional Review Act resolution or an approved amendment to the continuing resolution to deny the Commission funds to implement the Order. In a letter to Senate Majority Leader *Harry Reid* (D-NV) and Minority Leader *Mitch McConnell* (R-KY), the group said "telephone and cable companies do not own the Internet. But if the amendment the House passed is not struck or if their CRA effort is successful, they will."

At the Portals: **ACA** told the **FCC** that many of its members are willing to file their retransmission consent deals at the agency to help it assess how broadcasters' negotiating tactics with small ops affect retrans fees. In an ex parte, ACA said it asked the agency to establish confidentiality safeguards.

Earnings: **Cable One** delivered flat rev in 4Q as operating income decreased 20% on increased technical and sales costs. As of Dec 31, the MSO's RGU base totaled 1.44mln (+4% YOY), including 648K basic (-3%), 215K digital (-1.7%), 425K HSD (+8.2%) and 153K phone (+39.6%). -- With fresh assets from **Verizon**, **Frontier** increased broadband availability to 240K homes in 4Q, during which it added 5,600 HSI subs and 15,800 video. As of Dec 31, Frontier counted 3.54mln residential customers, 344K business, 1.70mln HSI and 531K video.

OTT: **Netflix** inked a 2-yr, non-exclusive licensing deal covering streaming of select shows from **CBS**'s library, including eps of "Flashpoint" and full seasons of "Cheers." The content becomes available in early Apr as part of the online service's $7.99/month streaming option. -- **YouTube** is in talks with the NBA and NHL to stream live games, according to reports.

Measurement: A deal between **Rentrak** and advertising systems and software provider **Donovan Data Systems** will integrate Rentrak's TV, StationView and OnDemand Essentials databases with Donovan to provide ad agencies with more targeted planning, buying and ad posting. The 1st product to market will include TV ratings for highly targeted networks.

Programming: **Nickelodeon** original movie "Best Player" (Mar 12) spotlights a pair of online video game junkies who inadvertently learn that the real world can be just as exciting and rewarding as the virtual one. -- **Syfy** acquired from **Warner Bros TV** both seasons of "Terminator: The Sarah Connor Chronicles," which will join the net's lineup Apr 7. -- **ABC Family** picked up "The Lying Game," a scripted drama following a foster kid who learns she has an identical

BUSINESS & FINANCE

twin sister living a better life. -- *Institutional Investor* will provide **CNBC** with customized content for distribution across the net's platforms. The pair will also create an annual investor conference. -- **Animal Planet** greenlit reality series "Tanked" and "Hillbilly Handfishin'" for summer premieres. The former spotlights a family-owned business that builds aquariums, the latter an OK fisherman who helps clients catch catfish without rods or hooks. -- **FX** greenlit drama pilot "American Horror Story," about which little info has been given save for its creation by former "Nip/Tuck" exec producers and "Glee" creators *Ryan Murphy* and *Brad Falchuk*. -- **Disney Channel**'s comedy pilot "Madison High" (wt) spotlights a troupe of theatre students led by Ms. Darbus, a character from "High School Musical."

On the Circuit: **NAMIC Mid-Atlantic** will hold its general membership meeting on Mar 17, 6pm, at **NCTA**'s Cable Multimedia Center in D.C. Contact Pam Ford for details: 202-222-2356.

People: **Insight** upped *Ishmel Goodrum* to svp, network ops center, *Rocco Laurenzano* to svp, project management, *Bam Liem* to svp, advanced services engineering and *Lisa Powers* to vp, operational finance. -- **Discovery Channel** elevated *Camilla Carpenter* to svp, strategy and network ops.

Oops!: **New York Interconnect** is not a new company, but was established in 1993.

CableFAX Daily Stockwatch

Company	02/23 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	45.03	0.80
DISH:	22.93	0.14
DISNEY:	42.13	(0.52)
GE:	20.37	(0.45)
NEWS CORP:	17.70	(0.1)
MSOS		
CABLEVISION:	36.26	(0.52)
CHARTER:	44.97	(0.72)
COMCAST:	24.88	(0.25)
COMCAST SPCL:	23.49	(0.22)
GCI:	11.71	0.06
KNOLOGY:	14.48	(0.03)
LIBERTY CAPITAL:	67.58	(1.39)
LIBERTY GLOBAL:	40.94	(0.17)
LIBERTY INT:	16.54	(0.3)
MEDIACOM:	8.78	0.02
SHAW COMM:	20.99	(0.12)
TIME WARNER CABLE:	69.38	(0.49)
VIRGIN MEDIA:	26.98	(0.06)
WASH POST:	414.55	(25.83)
PROGRAMMING		
CBS:	21.76	(0.22)
CROWN:	2.27	(0.03)
DISCOVERY:	42.28	(0.62)
GRUPO TELEVISA:	23.56	(0.43)
HSN:	30.25	(0.24)
INTERACTIVE CORP:	31.12	(0.04)
LIBERTY:	42.88	0.01
LIBERTY STARZ:	69.83	(0.26)
LIONSGATE:	5.88	(0.13)
LODGENET:	3.09	(0.16)
NEW FRONTIER:	2.09	UNCH
OUTDOOR:	7.95	(0.05)
PLAYBOY:	6.11	(0.02)
SCRIPPS INT:	51.57	(1.32)
TIME WARNER:	37.51	(0.19)
VALUEVISION:	6.16	(0.52)
VIACOM:	49.75	(0.76)
WWE:	12.31	0.09
TECHNOLOGY		
ADDVANTAGE:	3.12	0.12
ALCATEL LUCENT:	4.67	(0.08)
AMDOCS:	28.68	(0.29)
AMPHENOL:	56.44	(0.13)
AOL:	21.08	(0.08)
APPLE:	342.62	4.01
ARRIS GROUP:	12.99	(0.22)

Company	02/23 Close	1-Day Ch
AVID TECH:	21.42	(0.16)
BIGBAND:	2.57	0.04
BLNDER TONGUE:	2.08	(0.08)
BROADCOM:	40.12	(0.46)
CISCO:	18.40	(0.19)
CLEARWIRE:	4.90	(0.39)
CONCURRENT:	5.93	(0.07)
CONVERGYS:	13.83	(0.33)
CSG SYSTEMS:	18.95	(0.56)
ECHOSTAR:	31.47	(0.69)
GOOGLE:	611.32	1.11
HARMONIC:	9.08	(0.2)
INTEL:	21.15	(0.66)
JDSU:	23.56	(0.97)
LEVEL 3:	1.36	(0.03)
MICROSOFT:	26.59	UNCH
RENTRAK:	26.66	(0.58)
SEACHANGE:	8.93	(0.15)
SONY:	35.83	(0.33)
SPRINT NEXTEL:	4.20	(0.12)
THOMAS & BETTS:	53.83	(1.18)
TIVO:	10.02	(0.13)
TOLLGRADE:	10.00	0.02
UNIVERSAL ELEC:	26.30	UNCH
VONAGE:	4.04	(0.1)
YAHOO:	16.58	(0.33)
TELCOS		
AT&T:	28.03	(0.17)
QWEST:	6.60	(0.12)
VERIZON:	35.81	(0.19)
MARKET INDICES		
DOW:	12105.78	(107.01)
NASDAQ:	2722.99	(33.43)
S&P 500:	1307.40	(8.04)

Think about that for a minute...

Netflix is HBO

By Steve Effros

It occurred to me the other day that the juxtaposition between the rise of Netflix use and the ostensible demise of cable is totally misplaced. Netflix isn't "cable." Netflix is HBO.

Think about it. Netflix offers up a large selection of movies for consumers to watch. It's a subscription service. At least for now in its "streaming" form, it is subject to all sorts of restrictions by the movie studios as to what it can offer its subscribers, when.

HBO, if you don't remember, stands for "Home Box Office." It started as a subscription service offering movies. It had to negotiate with the movie companies, as it still does, over "release windows" and the like. Over time, HBO matured. It recognized that it could not survive just offering movies, so it started to delve into the rarified field of production, and did it really well. Today folks who subscribe to HBO get lots of movies, and in many systems offering "VOD" those movies are part of a pre-paid library, just like Netflix. They also get HBO-produced, award-winning series and movies. I venture to guess a lot of us have our HBO subscription not because of the library of movies, but more because of the programming HBO produces itself.

Here's another similarity to the current characterization of Netflix as the poster child for "OTT" and "cord cutting." Many years ago (in the late 1970s, I cringe to admit), I wrote a column imploring the cable industry to avoid getting consumers confused between "cable" and "HBO." I wrote that column because it was not unusual at the time to see ads and billboards imploring folks to "hook up to HBO"! Well, of course, they were not hooking up to HBO; they were hooking up to cable. And HBO was one of the many programming options they could then subscribe to. We were confusing our customers. Give credit to HBO, they help to popularize our business, I wrote. But never forget that cable is more than HBO, I said.

So now we have Netflix, and once again the buzz is that folks will "hook up" to Netflix and "cut the cord" on cable service. But once again there is a fundamental error in that characterization. Netflix is wonderful, as I've said in this column before. We should all learn how to create a recommendation engine and "program queue" like they have. But when you "browse" on your television set for "streaming" movies, you learn pretty fast that there's a lot of stuff you have no interest in watching. Remember "...57 channels and nothin's on?" Well, Netflix is going to suffer from the same problem.

Meanwhile, HBO has gone through that phase, now has multiple channels, offers unlimited prepaid movies on demand, just like Netflix, and is also creating great new product on its own. Let the competition begin!

But note that competition is between two players who are offering a specific type of programming. It's not Discovery, it's not C-SPAN, it's not ESPN, CNN, USA, TNT, and the list goes on. Consumers want them all, or at least the easy availability of them all. That's what cable service is all about.

To be sure, all of those choices, to some degree, are going to be available from the individual program owners on their own channels on the web. They will have to decide, as technology evolves, what the right economic model is for the distribution of their product. So far, consumers have won, with programmers like HBO, developed thanks to the cable model.

Steve

T:202-630-2099
steve@effros.com