

CableFAX Daily™

Friday — March 1, 2013

What the Industry Reads First

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Oh Sandy: Cablevision 4Q Call Tackles Storm, Viacom & RSN Fees

Cablevision shares sank 9.5% Thurs after the MSO reported a \$110mln financial impact on AOCF in 4Q from Super-storm Sandy (-44% to \$350mln). “The storm had a significant negative impact on our customer metrics in 4Q,” CEO *Jim Dolan* said during CVC’s earnings call. “In addition to the impact of lost and damaged homes, we offered our customers service credits, substantially curtailed our sales and advertising efforts and suspended our non-pay collection procedures and disconnect policy as we worked through the storm’s impact.” Cablevision suspended normal collection efforts and non-pay disconnects because of the storm and estimated the number of accounts that it believes would have been disconnected. That means a loss of 24K video customers, 23K HSD and 19K voice. The net video loss surpassed Wall St expectations at 50K. CVC’s net HSD loss was 5K, and the net voice loss was 10K. It’s the 1st time CVC has ever posted a quarterly loss of Internet customers. About 60% of Optimum East customers were without service in the aftermath of the storm. Cablevision paid out \$33mln in credits because of the storm. Sandy even delayed the rollout of CVC’s Onyx guide, with *svp Kristin Dolan* reporting that testing labs were underwater and unusable for 3 weeks. The guide is now available on all **Samsung** boxes and “within weeks” should be fully deployed across the footprint on **S-A** set-tops, she said. “The storm clearly set us back with our initiatives about 2 months, maybe less than that, while we had to divert our attention,” Jim Dolan said. He played up how Cablevision’s extensive WiFi network was a benefit during Sandy, with customers using the WiFi Finder app to locate hotspots even in badly impacted areas to communicate until power was restored. The MSO had more than 67K hotspots as year-end, with more than 30% of its HSD customers using the service. Perhaps most troubling to Wall Street is that Cablevision’s troubles don’t seem to be over as storm recovery wraps. The familiar refrain of programming costs was heard, with CFO *Gregg Seibert* saying that 1Q13 will likely experience significant AOCF pressure from rising programming costs and other expenses. Cablevision’s programming costs increased 12% in ’12, and it expects a similar increase in ’13. **Wells Fargo’s** *Marci Ryvicker* said this marked the 1st time in Cablevision history that it provided some color around programming expenses. Maybe the frankness is related to the lawsuit it filed this week against **Viacom** over wholesale bundling of networks. Jim Dolan said it was “an abuse of market power” to force distributors to carry 12+ lesser-watched channels to get must-have nets. He said there is a difference between retail bundling

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SOURCE: BETA RESEARCH LOCAL AD SALES EXECUTIVE STUDY, EVALUATION OF BASIC CABLE NETWORK ORGANIZATIONS, 1/13. RANKING IS BASED ON THE PERCENTAGE OF RESPONDENTS WHO RATED SCRIPPS NETWORKS EXCELLENT / VERY GOOD WITH PROMOTIONS.

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and wholesale bundling, an apparent reference to the bundling case brought by cable customers that was rejected by the 9th Circuit last year. But when pressed on why Cablevision would bring the case now when wholesale bundling has been around for so long, he quipped, "I don't think I'm going to try the case right here during our 4Q call." With the lawsuit still under seal, the industry is anxious to get a peek at Cablevision's argument. Viacom has called the bundled discounts "win-win" arrangements that have been upheld by numerous courts. Dolan also tackled the \$3/month RSN surcharge the op is implementing in Apr. "It's a very key product, but it's very expensive," he said. Cablevision owns NY-area RSNs **MSG** and **MSG+**. "We are separate companies... and so we do the right things for Cablevision," he said. He declined to comment on whether RSNs need to be moved to a tier to help manage costs. For the Q, Cablevision's net income climbed to \$116m from \$60m, while rev fell to \$1.66bn from \$1.69bn.

In the Courts: A federal jury awarded **DISH** \$4.9m from **ESPN** Thurs, far less than the more than \$150m the satellite company had sought in the breach of contract case. DISH, which filed the suit in '09, lost 3 of 4 claims. However, it prevailed on its **ESPN Deportes** claim. DISH's suit said ESPN offered its rivals better licensing terms on sports programming in violation of its contract. In other words, this was all about whether the most-favored nations clause was violated by giving **Comcast**, **DirectTV** and others better deals for **ESPN Classic**, **Deportes** and Internet and a la carte rights. "To deliver the best programming at the best value to our customers, DISH will remain vigilant in our efforts to ensure that programmers honor their contractual commitments," said *Stanton Dodge*, DISH evp and general counsel. In a statement. ESPN said it was "gratified" the jury rejected all but 1 of the claims.

Camouflage Champs: Listen up, Jack. The 10pm Season 3 premiere of **A&E's** "Duck Dynasty" made for the net's most-watched telecast of all time among all key demos, including total viewers (8.6m), 18-49s (5m) and 25-54s (5m). Another new ep debuted at 10:30pm, giving the Duckmen an avg of 8.6m total viewers per hour. The series even beat **AMC's** "Walking Dead" mid-season premiere in total viewers (8.6m vs 8.1m). The zombie series bagged more 18-49s (5.4m) but lost to the Duckmen in 25-54s (4.4m).

On the Hill: Senate Commerce is ready to tackle cybersecurity. In a joint hearing with the **Senate Homeland Security and Governmental Affairs** committee, members will examine President *Obama's* Executive Order on cybersecurity and look into the need for comprehensive legislation. The Mar 7 hearing will "provide valuable insight into the threats we face and the defenses we need to implement," said Commerce chmn *Jay Rockefeller* (D-WV). -- Discussions on media violence continue on the Hill. During a floor speech, Rep *Frank Wolf* (R-VA) asked Obama to urge the entertainment industry play a greater role in the violence conversation. "Common sense tells us that the level of violence on TV, in the movies and in many video games is a problem," he said, citing a report by the *Hartford Courant* that police found violent video games in the home of Sandy Hook shooter *Adam Lanza*. In numerous shootings, there has been a pattern of the shooters playing violent video games, Wolf said, citing *Columbine* and the movie theater shooting in Aurora, CO. Wolf also took a few shots at the current media rating system. "The current system is confusing to parents..." he said. The TV and film industries just announced plans to launch a national campaign to better inform parents about tools that can help manage what their children see on TV and at the movies (*Cfax*, 2/28). -- In a separate matter, *Rockefeller* and Sen *Richard Blumenthal* (D-CT) introduced the "Do-Not-Track Online Act of 2013" which would allow the **FTC** to pursue enforcement action against any company that doesn't honor this request by consumers, among other things.

Inside the Beltway: Former **NCTA** head *Tom Wheeler's* name keeps coming up as the potential next chmn of the **FCC**. That's bad news for those pushing for the appointment of the first female FCC head. And some think that President *Obama* tapping **FTC** commish *Edith Ramirez* as chmn of that agency could make it easier for a man to get the nod. "We do not believe the FTC choice necessarily means a man will be chosen to lead the FCC... However, we do believe the naming of Ms Ramirez could give Mr Obama some political cover if he wants to name a male FCC chair," said a **Stifel Nicolaus** research note. Of course, given that FCC chmn *Julius Genachowski* hasn't even resigned yet, it's all a bit putting-the-cart-before-the-horse. As for Ramirez, she has been an FTC commissioner since Apr '10. Before that, she was a partner at **Quinn Emanuel Urquhart & Sullivan** in L.A., where she handled intellectual property, antitrust and unfair competition matters.

Google TV: The **FCC Office of Engineering and Technology** will start a 45-day public trial of **Google's** TV band database system starting Mar 4. The trial will allow the public to access and test Google's database system to ensure it correctly identifies channels available for unlicensed radio transmitting devices that operate in the TV band, properly registers

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radio transmitting facilities entitled to protection, and provides protection to authorized services and registered facilities as specified in the rules.

Online: **Bravo** was the only cable net among the top 20 brands with the most loyal fans on **Facebook**, according to a brand satisfaction study from **LoudDoor**. The study's based on about 1mln monthly survey responses.

People: **AMC Nets** upped *Sarah Barnett* to pres, gm **Sundance Channel**. She was made evp, gm of the net in '09. Under her tenure, the net received critical acclaim for the unscripted "Push Girls" and is gearing up for the debut of Sundance's 1st wholly owned scripted drama "Rectify" (Apr 22). -- *Justin Williams* was named vp, digital for **TNT** and **TBS**. -- *Dirk Hoogstra* was promoted to evp, development and programming, **History** and **H2**.

Honors: **FX** got 7 nominations for the **Entertainment Industries Council's** PRISM Awards, 2nd among TV nets only to **NBC** (13). PRISM honors content that accurately depicts substance abuse, treatment and recovery, as well as mental health. Other cable nominees include **Lifetime** (4), **Showtime** (4), **AMC** (3), **MTV** (3) and **TeenNick** (3). **HLN, TLC, TNT, ESPN, A&E** and **USA** each received 2 nominations.

Oops! Research quoted about networks ranking among affiliates for subscriber retention and acquisition (*Cfax*, 2/28) was from **Beta Research**.

CableFAX Daily Stockwatch

Company	02/28 Close	1-Day Ch	Company	02/28 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	48.17	(0.28)	CSG SYSTEMS:	19.41	(0.15)
DISH:	34.80	(0.07)	ECHOSTAR:	37.84	(0.41)
DISNEY:	54.59	0.11	GOOGLE:	801.20	1.42
GE:	23.22	(0.15)	HARMONIC:	5.69	0.07
NEWS CORP:	29.27	0.08	INTEL:	20.88	(0.05)
MSOS					
CABLEVISION:	13.99	(1.48)	JDSU:	14.15	(0.29)
CHARTER:	86.39	(0.74)	LEVEL 3:	19.98	(0.12)
COMCAST:	39.79	(0.36)	MICROSOFT:	27.80	(0.01)
COMCAST SPCL:	38.25	(0.13)	RENTRAK:	20.90	(0.61)
GCI:	8.45	(0.08)	SEACHANGE:	11.52	0.14
LIBERTY GLOBAL:	68.89	1.38	SONY:	14.58	0.24
LIBERTY INT:	20.89	0.34	SPRINT NEXTEL:	5.80	(0.06)
SHAW COMM:	23.91	(0.05)	TIVO:	12.38	(0.03)
TIME WARNER CABLE:	86.39	(1.63)	UNIVERSAL ELEC:	19.54	0.36
VIRGIN MEDIA:	46.40	0.61	VONAGE:	2.64	0.06
WASH POST:	398.54	(4.44)	YAHOO:	21.30	0.14
PROGRAMMING					
AMC NETWORKS:	57.40	0.37	TELCOs		
CBS:	43.39	(0.41)	AT&T:	35.91	0.06
CROWN:	1.92	(0.03)	VERIZON:	46.53	0.18
DISCOVERY:	73.34	0.03	MARKET INDICES		
GRUPO TELEVISIA:	26.83	0.38	DOW:	14054.49	(20.88)
HSN:	53.50	1.44	NASDAQ:	3160.19	(2.07)
INTERACTIVE CORP:	40.75	(0.11)	S&P 500:	1514.68	(1.31)
LIONSGATE:	20.97	(0.03)			
OUTDOOR:	7.47	(0.03)			
SCRIPPS INT:	63.05	0.50			
TIME WARNER:	53.17	(0.14)			
VALUEVISION:	2.62	(0.08)			
VIACOM:	61.01	0.48			
WWE:	8.33	(0.19)			
TECHNOLOGY					
ADVANTAGE:	2.25	(0.03)			
ALCATEL LUCENT:	1.37	(0.02)			
AMDOCS:	36.47	UNCH			
AMPHENOL:	70.86	0.18			
AOL:	36.90	(1.12)			
APPLE:	441.40	(3.17)			
ARRIS GROUP:	17.35	(0.06)			
AVID TECH:	6.93	0.08			
BLNDER TONGUE:	1.27	UNCH			
BROADCOM:	34.09	(0.18)			
CISCO:	20.86	(0.04)			
CLEARWIRE:	3.13	(0.05)			
CONCURRENT:	6.99	(0.21)			
CONVERGYS:	16.59	(0.05)			



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PROGRAMMER'S PAGE

The 2nd Screen Conundrum...

The traditional TV industry (including cable) continues to display somewhat schizophrenic behavior when it comes to that ubiquitous 2nd screen. To be sure, operators and programmers alike are rushing to build and improve apps that give customers and viewers more content options. That's a good thing. But the keynote speech at the 2nd Screen Summit in L.A. this week served as a reminder that the same industry scrambling to do that whole "anytime, anywhere on any device" thing hasn't exactly been breaking any speed records in the process. That's to be expected. After all, this is complicated stuff, and everybody has turf to protect. In the keynote by **Creative Visions** chmn *Robert Tercek* was nothing if not blunt, as he took cable to task for its supposedly "milk toast" TVE offering, which he called "a half-hearted attempt... to take the air out of the sails of Internet companies that are disruptive." Now nevermind that many cable execs would vehemently dispute that characterization. The larger question is why are things moving so slowly? Most of us would point to incredibly complex rights issues that simply need to work their way through the corporate sausage grinder. And that's true. But Tercek also argued that perhaps TV execs simply don't truly feel threatened yet. After all, cable ARPU's are up. Ad sales look good across cable. Why rush into hasty deals that could end up biting someone on the posterior? But Tercek said the good health of the traditional TV business might mask a larger danger. "We're running the risk of inflating the TV business in an unhealthy way," he said, citing rising retrans, carriage fees and ad rates as a potential "bubble" in an environment of more fragmented audiences. "There will come a point in which the audiences simply aren't worth the amount of money that we're paying for them," he said. "Television should probably come with a warning. Content is under pressure." Of course, what else is new, right? - *Michael Grebb*

Reviews: "The Bible" and "The Vikings," premieres, Sun, 8p ET and 10p, respectively, **History.** You can't say History avoids tackling big subjects this Sunday. First, it takes on the creation of Earth and all who inhabit it and then, 2 hours later, skips to the 8th century's Norse warriors. Reality TV heavy *Mark Burnett* and wife *Roma Downey* play God—Downey also plays God's mother in the series—deciding which Old Testament stories to feature in early eps of "The Bible." Their choices—Noah, Abraham and Moses—are familiar, adding to the challenge of re-telling them in a fresh way. Despite quibbles, all 3 are solid, although much of the Exodus' imagery seems derivative of *DeMille's* "The 10 Commandments" (1956). With "The Vikings," History tells a story whose specifics are unfamiliar to most U.S. viewers. And the players—farmer-raiders, their kin and a cunning lord (played with appropriate nastiness by *Gabriel Byrne*)—leap from the screen in this exciting, bloody yarn. -- "Hacking the Planet," premiere, Thurs, 8p ET, **Weather.** Making science digestible, this cleverly presented series examines attempts to control weather. Graphics and humor enhance the series. -- "World of Jenks," season 2 debut, Mon, 11p, **MTV.** Sympathetic filmmaker *Andrew Jenks* follows 3 young people, including season I fave autistic Chad, who's hard not to love. - *Seth Arenstein*

Basic Cable Rankings (2/18/13-2/24/13) Mon-Sun Prime		
1	USA	2.2 2161
2	DSNY	1.9 1919
3	HIST	1.6 1554
4	TBSC	1.4 1423
4	FOXN	1.4 1388
6	ESPN	1.2 1222
7	TNT	1.1 1125
7	HGTV	1.1 1066
7	DSE	1.1 83
10	DISC	1.0 1044
10	A&E	1.0 1013
10	AMC	1.0 992
10	FX	1.0 973
14	ADSM	0.9 935
14	SYFY	0.9 851
16	NAN	0.8 807
16	LIFE	0.8 804
16	FOOD	0.8 785
16	FAM	0.8 754
16	TLC	0.8 745
16	TRU	0.8 719
22	SPK	0.7 674
22	MTV	0.7 669
22	CMDY	0.7 658
22	MSNB	0.7 632
22	ID	0.7 567
27	BRAV	0.6 597
27	TVLD	0.6 577
27	LMN	0.6 524
30	BET	0.5 490
30	APL	0.5 472
30	EN	0.5 463
30	NGC	0.5 426
30	HALL	0.5 396
35	CNN	0.4 429
35	VH1	0.4 419
35	TRAV	0.4 373
35	ESP2	0.4 349
35	HLN	0.4 347
35	SPD	0.4 341
35	OXYG	0.4 315
35	NKJR	0.4 303
35	DXD	0.4 284
35	H2	0.4 278
35	GSN	0.4 277
35	INSP	0.4 264

*Nielsen data supplied by ABC/Disney

TheCableFAXIES awards

DEADLINE: MARCH 1, 2013

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Entry Questions: Mary-Lou French at 301-354-1851; mfrench@accessintel.com

Sponsorship Opportunities:

Amy Abbey at 301-354-1629; aabbey@accessintel.com
Susan Kim at 301-354-2010; skim@accessintel.com

The CableFaxies Awards salute the year's most outstanding communications initiatives and programs in the highly competitive and dynamic Cable arena. The coveted awards set the industry benchmark for excellence across all areas of PR and marketing.

The Winners of the CableFAXIES Awards are from networks, operators, PR firms, vendors, corporations, agencies and other entertainment companies who took chances, made tremendous strides and understand the power of PR and marketing in the cable industry. The winners and honorable mentions will be saluted during an awards event in May 2013 in New York City.