

# CableFAX Daily™

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What the Industry Reads First

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## Disney-Cablevision: And the Winner for Best Drama Goes to...

Will **Cablevision** or **Disney** blink before Sun's Oscars? Both were playing hardball Tues, with CVC CEO *Jim Dolan* saying **Disney's** threat to yank NY's **ABC 7** is "purely a bullying move." We heard that *Barbara Walters*, whose pre-Oscar special is threatened, even got in on the act, venting about it during "The View" Tues (a transcript wasn't available at press time). "Despite our best efforts, it has now become clear that Cablevision has no intention of coming to a fair agreement," ABC 7 pres/gm *Rebecca Campbell* said. Both sides launched **Facebook** and **Twitter** accounts shortly after ABC began running a crawl (during the "Bachelor" finale, no less) that the station may be dropped as of 12:01am Sun (neither had amassed much of a following by Tues afternoon). Not all of CVC's 3mln subs will be left without an ABC station. All of the MSO's CT subs have access to ABC New Haven affil, **WNTH**. And while they won't be able to watch everything online (like The Oscars), several popular ABC programs, including "Lost," can be streamed for free over the Web. The number being floated around is \$1/sub, with Cablevision claiming Disney wants \$40mln more in new fees. The other side called the figure "ludicrous." Disney's *Bob Iger* has been making noise about getting paid for ABC O&Os for months, with Cablevision the 1st public battle. The MSO's stance is that it already pays more than \$200mln/year to Disney-ABC for programming, with Dolan saying it "should not have to pay for something that other folks are getting for free." Disney said Cablevision's consistent response has been that ABC 7 is worth little to nothing to its business, and has only proposed restrictive, unreasonable offers. CVC did deals 2 years ago for every **Disney/ESPN** net, save the ABC O&O, with extensions granted regularly, Disney said. CVC was notified in Jan that it faced losing the station in Mar if a new deal wasn't reached. While Disney-ABC said it has been trying to reach a deal with Cablevision for 2 years, Dolan, who spoke at an investor conference Tues, said "they've really only been in earnest for a few weeks." COO *Tom Rutledge* said deals were done in the past 6 months with everyone else who asked for one. Dolan suggested that the threat to pull the signal invites govt scrutiny of retrans—something **Mediacom** and **Time Warner Cable** have loudly encouraged after their own spats with **Sinclair** and **Fox**. "We are negotiating. We've been at the table the last couple days. It's purely a bullying move," Dolan said of Disney. Cablevision is fresh off a showdown with **ScrIPps**, which left subs without **HGTV** and **Food** for 3 weeks. What did it learn from that fight? "The one lesson that we understand, but we don't have control over is don't put your customer in the middle," Dolan said. "I suppose Disney will learn that lesson too." Meanwhile, **Collins Stewart** said it would be buyers of CVC if the stock comes under pressure from Disney's threat (shares were down less than 1% at Tues' close). The investment firm believes that CVC will pay Disney less than a \$1/sub—more likely 50 cents/sub at most. "We expect CVC has more negotiating power with DIS (than TWC had with Fox) because CVC can lower affiliate fee gains on DIS's other channels (ESPN and the Disney Channel)," a research note said. "Moreover, with the TWC/Fox negotiation, the timing was worse for TWC due to the upcoming (football) Bowl games as well as the newest season of 'American Idol.'"

**TiVo Unveil:** Remember last summer when **RCN** announced it would make **TiVo** boxes its primary DVR platform in '10

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(*Cfax*, 8/5)? Well, it turns out the overbuilder won't be using your dad's TiVo box. RCN's default DVR will be the brand-spanking new TiVo Premiere, which was unveiled Tues night in NY to press and analysts. It offers cable programming, movies, web videos and music all in 1 box. Premiere's search functionality lets users find programs from multiple sources—a cable premium channel, **YouTube**, **Netflix**, **Amazon VOD**, **Blockbuster VOD**, etc. TiVo worked with RCN and **SeaChange** to make the operator's VOD available on the box as well, but the retail versions of the Premiere (\$299, available early April) and the Premiere XL (\$499) won't have VOD because they aren't 2-way. RCN is in field trial tests now. It is expected to launch Premiere in 2Q, one market at a time. Already renowned for its user interface, the new box takes things up a notch with a graphic-heavy search offering seemingly infinite ways to find content. The Premiere box has up to 45 hours of HD storage space (400 hours SD), and the XL holds up to 150 hours of HD (1350 hours SD). Other features include streaming of Pandora radio and a slide-out QWERTY remote (coming in May with an additional price tag).

**In the States:** **NTIA** and **RUS** will grant limited extensions of time to file infrastructure applications in the 2nd funding round for broadband grants and loans. Applicants for BTOP Comprehensive Community Infrastructure projects will have until March 26; applicants for BIP infrastructure projects will have until March 29. Applications in NTIA's two other project categories—Public Computer Centers and Sustainable Broadband Adoption—remain due on March 15th.

**Carriage:** **Comcast** added **Hallmark Channel HD** and **HSN HD** to its Digital Starter HD and Limited Basic HD tiers, respectively, in the San Francisco area.

**Charter Earnings:** Following its '09 restructuring saga, change continues at **Charter**. A search for a new chief endures as *Neil Smit* has moved to **Comcast**, and the MSO has applied for **NASDAQ** listing of its Class A shares but must 1st add 1 more independent member to its audit cmte for that plan to move ahead. Charter reported 3.3% rev growth and 99K RGU adds in 4Q, marking a YOY increase of more than 50% in the latter metric. The MSO added 61K phone subs, 52K HSD, 47K digital and -57K basic. Overall ad sales fell 19% in the Q yet improved by 8% sequentially. Of the basic declines, COO and interim pres/CEO *Mike Lovett* said most were video-only subs, and that competitive share shifts were the main culprit. **AT&T** and other competitors viewed Charter as "vulnerable" last year because of its reorg, said Lovett, and ran with pointed marketing in the MSO's markets as a result. Now, however, a focus on HSD growth is beginning to turn the tide, he said, adding that on video, "we're now in a position where we have a very healthy balance going forward between rate and volume and we feel that puts us in a good competitive position." Plans call for deployment of SDV in 60% of Charter's footprint by Dec, of DOCSIS 3.0 in approx 50% by the same time, and a push for wireless growth via the commercial side and backhaul interconnect over Clear services. And perhaps most importantly, CFO *Eloise Schmitz* said the MSO is positioned to become FCF positive in the near term.

**Morgan Stanley Notebook:** **Discovery Comm** CFO *Brad Singer* noted an "encouraging environment" for domestic ad sales and said scatter market pricing "seems to build each week." Outside the States, where Discovery clearly sees robust expansion opportunities, the co owns a foothold in 170 countries and operates from 2-9 nets in most of those. "We probably have more distribution than our ability to program," said Singer, adding that 50% of Discovery's overall intl content comes from the US, including 70-80% of Discovery Channel's. Singer said Discovery is excited about 3D and its net jv with **Sony** and **IMAX**, but did allow that the tech's "adoption may be slower than HD." -- Not surprisingly, **AT&T** CEO *Randall Stephenson* said the telco is "wide open" to new models for delivering video content to customers

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# BUSINESS & FINANCE

such as TV Everywhere, primarily because “at our scale [with U-verse], our content costs are higher” than that of most competitors. Even so, he said, “we still have a long, long way to run on the bandwidth we’re deploying with U-verse,” which he said continues to sell “very, very well.”

**Mobile:** Univision bowed a video app allowing Blackberry smartphone users access to some of its top programs in categories including news, entertainment and soccer. -- **E!** re-launched its mobile app for the iPhone and Android platforms to include more engaging content and a signature “E! Talk Box,” which allows users to record their own video submissions for possible inclusion on E! and/or **E! Online**.

**Programming:** Starz picked up the US rights to an 8-hr adaptation of *Ken Follet’s* novel “The Pillars of the Earth” (summer). -- Despite record ratings for this year’s pageant, **TLC** declined to renew its broadcast deal for Miss America.

**Business/Finance:** **S. Muoio & Assoc**, 1 of the largest minority shareholders of **Crown Media**, may pursue a lawsuit in order to block the company’s recent recapitalization pact with **Hallmark Cards**, believing it’s dilutive to minority shareholders. The company had filed a suit in DE last year to block the Crown/Hallmark deal as 1st proposed, and is threatening to renew the litigation pending discussions with Crown’s special cmte in charge of the deal.

## CableFAX Daily Stockwatch

Company	03/02 Close	1-Day Ch	Company	03/02 Close	1-Day Ch			
<b>BROADCASTERS/DBS/MMDS</b>								
BRITISH SKY:	33.36	0.16	AMPHENOL:	42.44	(0.06)			
DIRECTV:	34.61	0.40	AOL:	24.60	(0.73)			
DISH:	21.29	(0.21)	APPLE:	208.85	(0.14)			
DISNEY:	31.88	0.34	ARRIS GROUP:	10.89	0.38			
GE:	15.90	0.00	AVID TECH:	13.99	(0.09)			
NEWS CORP:	16.20	0.04	BIGBAND:	2.98	0.05			
<b>MSOS</b>								
CABLEVISION:	24.32	(0.19)	BROADCOM:	31.24	(0.54)			
COMCAST:	16.80	(0.03)	CISCO:	24.61	0.01			
COMCAST SPCL:	15.90	0.06	CLEARWIRE:	6.68	0.10			
GCI:	5.86	0.25	COMMSCOPE:	26.61	0.72			
KNOLLOGY:	12.77	0.57	CONCURRENT:	4.55	(0.07)			
LIBERTY CAPITAL:	32.25	(0.81)	CONVERGYS:	12.52	(0.09)			
LIBERTY GLOBAL:	27.68	0.23	CSG SYSTEMS:	20.48	0.00			
LIBERTY INT:	12.90	(0.07)	EHOSTAR:	19.64	0.02			
MEDIACOM:	4.83	0.04	GOOGLE:	541.06	8.37			
RCN:	12.13	(0.06)	HARMONIC:	6.87	0.12			
SHAW COMM:	19.51	0.34	INTEL:	20.70	(0.17)			
TIME WARNER CABLE:	46.95	(0.22)	JDSU:	11.11	(0.2)			
VIRGIN MEDIA:	16.59	(0.38)	LEVEL 3:	1.61	0.02			
WASH POST:	433.02	2.02	MICROSOFT:	28.46	(0.56)			
<b>PROGRAMMING</b>								
CBS:	13.50	0.07	MOTOROLA:	6.81	0.07			
CROWN:	1.73	0.03	OPENTV:	1.54	0.00			
DISCOVERY:	30.75	(0.14)	PHILIPS:	30.31	0.09			
GRUPO TELEVISIA:	19.24	0.11	RENTRAK:	18.96	0.15			
HSN:	22.70	(0.06)	SEACHANGE:	7.23	0.10			
INTERACTIVE CORP:	23.05	(0.02)	SONY:	34.85	0.05			
LIBERTY:	37.19	0.17	SPRINT NEXTEL:	3.33	(0.06)			
LIBERTY STARZ:	51.84	0.81	THOMAS & BETTS:	37.45	0.41			
LIONSGATE:	5.50	0.05	TIVO:	10.03	0.33			
LODGENET:	6.19	(0.05)	TOLLGRADE:	6.50	0.07			
NEW FRONTIER:	1.87	0.06	UNIVERSAL ELEC:	23.45	0.00			
OUTDOOR:	6.05	0.19	VONAGE:	1.46	(0.11)			
PLAYBOY:	3.26	0.03	YAHOO:	15.73	(0.06)			
RHI:	0.29	(0.01)	<b>TELCOS</b>					
SCRIPPS INT:	39.70	(0.51)	AT&T:	24.88	(0.12)			
TIME WARNER:	29.67	0.07	QWEST:	4.46	(0.11)			
VALUEVISION:	4.63	0.18	VERIZON:	29.26	0.27			
VIACOM:	31.65	0.10	<b>MARKET INDICES</b>					
WWE:	17.75	0.31	DOW:	10405.98	2.19			
<b>TECHNOLOGY</b>								
3COM:	7.70	0.02	NASDAQ:	2280.79	7.22			
ADC:	6.69	0.28						
ADVANTAGE:	2.21	0.00						
ALCATEL LUCENT:	3.15	0.01						
AMDOCS:	29.45	(0.14)						

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