

CableFAX Daily™

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What the Industry Reads First

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Programming Costs: Viacom, Time Warner Chiefs Give Their Thoughts

With **Cablevision's** antitrust lawsuit against **Viacom** top of mind, programmers at **Deutsche Bank's** media conference Mon weighed in on the value of pay TV. "We don't think the multichannel bundle is becoming less of a good deal. We think it's becoming a better deal, and a better deal in the opinion of customers" said **Time Warner's** *Jeff Bewkes*, saying there is a lack of evidence of cord-cutting or cord-shaving and the hours of TV viewership continues to increase. "If the price was too high, you would expect to see people revolting in some way. You'd expect to see them cutting their packages. And yet if you look at the low-priced offers that **DISH** offers, if you look at **Time Warner Cable's** Essential package, nobody buys them." Even if he's wrong and lower-priced packages with less programming (no sports) become more mainstream, "we're well positioned... We have a bigger percentage of must-carry networks in the top 40 than any other media company." **TNT** is well below **ESPN's** more than \$5 per sub, at \$1.21, according to **SNL Kagan** estimates. But with NBA and other sports programming, it's one of the highest-priced national nets. And that price is likely to grow as **Turner** has renewals up with almost every distributor between now and '16. The target of Cablevision's lawsuit (**Cfax**, 2/27) spoke at the conference later in the day, with Viacom CEO *Philippe Dauman* calling the suit "ill-advised" and "frivolous." Cablevision claims the programmer is illegally bundling less popular nets, such as **Palladia** and **VH1 Classic**, to must-have channels such as **Nick** and **MTV**. Dauman said the MSO signed a new multi-year deal in Dec that was the result of "vigorous" negotiations. "We made a number of concessions," including lowering the price from the ask, offering additional items, such as TVE rights and agreeing to CVC's request for a longer term on the contract, he said. "Our networks in the aggregate based on Nielsen information have roughly 20% of all viewing on ad-supported cable in Cablevision. The percentage of programming spent that we represent for Cablevision is in the single digits. We provide great value. In fact, 11 of our networks have higher ratings than **MSG Network** in 2012 on a year-round basis. That includes **TeenNick... Nick Jr** has vastly higher ratings. But the MSG family of networks charges a lot more than all of our networks combined." There's that issue of sports costs again. MSG used to be owned by Cablevision, but the RSN's parent company **Madison Square Garden Co** was spun off in '10. Cablevision CEO *Jim Dolan* is exec chmn of Madison Square Garden. Cablevision isn't backing away, issuing a statement shortly after Dauman's presentation: "The tactics employed by Viacom are illegal, anti-consumer, and wrong, and force Cablevision's customers to take and pay for more than a dozen channels they don't want in order to receive the Viacom channels they want. Viacom's abuse of its market power prevents Cablevision from delivering more programming choice, particularly among networks that compete with Viacom's less popular channels." Back to the question of the future of the pay TV bundle, both Dauman and Bewkes said they were agnostic. "You'll always need great content. To the extent there are more outlets out there, it's good for us," said Dauman. Bewkes said no one has come up with an OTT business model that works, however. As for **Netflix's** much talked about "House of Cards," Bewkes said he thinks it's "pretty good," though he noted there were lots of other great series on other nets, including Time War-

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ner's. What about the Netflix's decision to make every episode available online immediately? "What you're describing is HBO 10 years ago," he said, and seemed to be advocating for a mixture of both, calling Netflix's model a good thing. "We don't think it's the best way to launch a series. Think of 'Game of Thrones'.. we don't want to put it all up at once. We want to introduce it, have the water cooler effect. And as you all know, if you find out about it mid-season, you can go watch the whole season on HBO On Demand. You can also watch all the old seasons."

Deals: Denver-based **Kroenke Sports & Ent** is trying to swoop in and take **Outdoor Channel Holdings** from **Sportsman Channel** parent **InterMedia**. Kroenke, which owns the Denver Nuggets and NHL's CO Avalanche, made an unsolicited bid of \$227mln cash (\$8.75/share). Outdoor said the offer appears to be superior to InterMedia's, which was valued at \$208mln in cash and stock when it was announced in Nov. It has authorized discussions with Kroenke, but said there is no assurance a definitive agreement gets done and it's not withdrawing its recommendation with respect to InterMedia. The InterMedia deal offers stockholders a choice of \$8 in cash, one share of the new company or a combination of \$4.46 in cash and 0.443 of a share. InterMedia said it does not believe the Kroenke offer constitutes a superior deal. "Our transaction, which can be consummated in less than 2 weeks, provides OUTD stockholders with a more attractive and valuable combination of cash today and stock in a much larger and more valuable enterprise," said a letter from InterMedia that was filed with the SEC. "Utilizing current multiples, the allocation of synergies to the segment with respect to which they are applicable and the most recent estimates of achievable synergies, it is clear that the KSE Proposal falls below the bottom end of the range of the pending transaction with IMOH and is nearly \$2 below the high end of the range."

Ratings: History's "The Bible" averaging 13.1mln total viewers in its Sun premiere, making it the #1 cable telecast of the year. The news also was good online with History.com recording its best day ever, and "The Bible" trending as #1 on Twitter. The series premieres every Sun on History over the next 4 Sundays. Following "The Bible," History's 1st scripted series, "Vikings," delivered 6.2mln total viewers (8.3mln over 2 telecasts). That makes it the highest debut of a new series on cable this year. Meanwhile, sister net **A&E's** "Duck Dynasty" season 3 premiere scored 8.6mln total viewers last week.

Rebrand: What does **GMC** stand for? It won't matter after Sept 1. That's when it changes its name to **UP**, a moniker meant to highlight its "uplifting" family entertainment and music. GMC, which launched in '04, has surpassed 61mln HHs with additional launches on **Time Warner Cable**, **Comcast** and **Bright House** recently. "UP is the natural next step in the evolution of our network," said **Brad Siegel**, vice chmn, GMC. "The bold, fresh simplicity of UP clearly says what our network is and what our programming represents."

Social Media: **AXS TV** said its broadcast of the *Carrie Underwood* sold out live concert Sun night spurred #AXSCarrie to trend nationally throughout the more than 90-min concert, and it ended the night with a Worldwide Trending Topic.

Rising Starz: Congrats to *Theano Apostolou*, who was promoted to evp, comm for **Starz**. She will remain as the chief press officer and spokesperson for the company (as well as our favorite party planner), and also will have direct oversight of the development and execution of all programming and media relations for Starz.

Conference Notebook: In order to get folks using TV Everywhere and VOD, **Comcast** is gearing up for a "Watchathon" later this month, said Comcast Cable pres/CEO *Neil Smit*. Premium nets and other content providers are going to give the MSO their assets for free for a week so customers can watch them across all platforms. Comcast's programming costs are

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expected to go from 7% in '12 to low double-digits in '13, partly because of step-ups in contracts (ESPN specifically) and rising retrans costs. "Generally speaking, I'm more focused on value than cutting costs on the programming side," Smit said in response to a question on whether rising costs means Comcast has to be more selective in what it carries (a la Time Warner Cable dropping **Ovation**). "That being said, programming costs are going up, and we're very conscientious of that."

Research: Cable still rules multichannel video—but it continues to lose VOD-movie ground to the telcos, according to **NPD Group's** "VideoWatch" report, which pegs cable at 56% of the MVPD and VOD-movie market, followed by satcasters (27%) and telcos (18%). Telcos increased their VOD-movie share 4% in '12, while cable and satellite lost 4% and 1% respectively. **Verizon FiOS** and **AT&T U-verse** also generated \$25.29 in per-sub VOD-movie revenue, nearly double that of cable-TV operators' \$13.83 per subscriber. **DirectTV** and **DISH** netted a VOD-movie average of \$10.33.

On the Circuit: Kudos to **Blackbelt TV**, which was a sponsor at Adults in Toyland, a benefit for kids with cancer and blood disorders in NYC on Thurs. Other guests included **BBC America's Chris Ozminkowski**, who managed to score one of the silent auction items—a walk-on appearance on **CBS' "How I Met Your Mother."** Chris... We knew you when...

CableFAX Daily Stockwatch

Company	03/04 Close	1-Day Ch	Company	03/04 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DIRECTV:	48.94	0.39	ECHOSTAR:	37.46	(0.22)			
DISH:	34.59	(0.11)	GOOGLE:	821.50	15.31			
DISNEY:	55.80	0.47	HARMONIC:	5.59	(0.01)			
GE:	23.27	0.08	INTEL:	21.27	0.24			
NEWS CORP:	29.85	0.25	JDSU:	13.98	(0.07)			
MSOS								
CABLEVISION:	13.89	0.13	LEVEL 3:	19.67	(0.22)			
CHARTER:	86.99	0.50	MICROSOFT:	28.15	0.20			
COMCAST:	40.38	0.35	RENTRAK:	20.57	(0.56)			
COMCAST SPCL:	38.58	0.20	SEACHANGE:	11.27	(0.18)			
GCI:	8.29	(0.21)	SONY:	15.57	0.34			
LIBERTY GLOBAL:	70.09	0.96	SPRINT NEXTEL:	5.83	0.03			
LIBERTY INT:	21.08	0.26	TIVO:	12.72	0.23			
SHAW COMM:	23.93	0.10	UNIVERSAL ELEC:	20.76	0.78			
TIME WARNER CABLE:	88.89	0.20	VONAGE:	2.62	(0.01)			
VIRGIN MEDIA:	46.99	0.39	YAHOO:	22.70	0.76			
WASH POST:	400.13	4.30	TELCOS					
PROGRAMMING								
AMC NETWORKS:	57.14	0.15	AT&T:	36.23	0.22			
CBS:	43.78	0.23	VERIZON:	47.11	0.39			
CROWN:	2.02	0.09	MARKET INDICES					
DISCOVERY:	75.59	0.71	DOW:	14127.82	38.16			
GRUPO TELEVISIA:	27.53	0.05	NASDAQ:	3182.03	12.29			
HSN:	53.62	(0.18)	S&P 500:	1525.20	7.00			
INTERACTIVE CORP:	40.99	(0.25)						
LIONSGATE:	22.14	0.34						
OUTDOOR:	8.65	1.10						
SCRIPPS INT:	64.76	0.46						
TIME WARNER:	54.16	0.54						
VALUEVISION:	2.64	(0.06)						
VIACOM:	62.17	(0.13)						
WWE:	8.60	0.02						
TECHNOLOGY								
ADVANTAGE:	2.19	0.02						
ALCATEL LUCENT:	1.39	(0.02)						
AMDOCS:	36.35	(0.21)						
AMPHENOL:	71.97	0.26						
AOL:	37.33	0.68						
APPLE:	420.05	(10.42)						
ARRIS GROUP:	17.08	(0.06)						
AVID TECH:	6.69	(0.01)						
BROADCOM:	33.45	(0.42)						
CISCO:	20.74	(0.09)						
CLEARWIRE:	3.15	(0.03)						
CONCURRENT:	6.92	(0.07)						
CONVERGYS:	16.49	(0.16)						
CSG SYSTEMS:	19.31	0.07						

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