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CableFAX Daily™

Thursday — March 22, 2012

What the Industry Reads First

Volume 23 / No. 055

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TWD S2 Sun 9p (10/16/11-3/18/12), P2+ AA (000). Qual avail upon request. *Trendrrtv, 3/11/12-3/18/12.

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Multicultural Media: Distributors Want Good Pitches, Great Content

Repeating the mantra that “multicultural America is good business,” **Comcast** vp/gm, multicultural services **Rubén Mendiola** was among panelists at **Horowitz Associates’** Multicultural Media for Multicultural America forum in NYC Wed sharing strategies on how to maximize the distributor/content provider relationship. The conversation swiftly turned to a mutual “help me help you” discussion, with **Charter**, **Comcast** and **Verizon FiOS** urging prospects to prove their content’s relevance and value proposition, present sound marketing plans and tout multiplatform capabilities. “Have you done the work to show there’s demand for your product?,” asked Verizon FiOS exec dir, content programming and acquisition **Michelle Webb**, noting that “we look for programmers who can work with us on many platforms.” Mendiola said marketing and awareness is key. “HD, VOD, OTT, it doesn’t matter if no one’s watching your program... The big part of equation is the programmer telling the audience what content they have—and engaging them. It’s more about delivering the message to the audience. Then we distribute it.” **Tim Boell**, **Asia TV USA** group head of distribution, said bandwidth competition remains a challenge. “We can do a lot of things distributors want,” he said, adding that cost remains a concern. Take its newer initiative, the South Asian American business channel **Z Business**, which is expensive to bring to the US. “We’ve got great content, and viewers want HD, but how do we do it economically?,” asked Boell. **GMC/Aspire** vice chmn **Brad Siegel** said GMC “went zip code by zip code to prove viability” with the African American, faith-based community. His 2nd tip: “Come with really smart marketing plan, not just for launch, but for year 1, year 2, year 3.” Indeed, Charter dir, mktg & sales **David Saldarriaga** agreed that “it’s not just about the launch. We don’t want to lose the customer 60, 90 days later... As an operator, I don’t have the resources to keep up that value proposition.” He acknowledged that Charter hasn’t been a leader in the multicultural space—“we’re not really running right now... we’re crawling”—but said the MSO is taking baby steps and working to improve. “If you didn’t hear from me before,” he said to the crowd, “now I’m going to be your nightmare.”

SpectrumCo: Senators at Wed’s Sen Antitrust subcmte hearing on cable and **Verizon Wireless’** spectrum and marketing deals asked one question over and over again: how do we know you’ll maintain the same level of pricing competition. “Verizon telecom spends hundreds of millions a year advertising FiOS services where they’re available, and we’re going to continue to spend hundreds of millions a year,” Verizon gen counsel **Randal Milch** said in response to a question from subcmte chmn **Herb Kohl** (D-WI). He argued that it wouldn’t make sense for Verizon to settle for a one-time commission from a marketing agreement sale with cable vs an ongoing, hefty payment from FiOS consumers. Kohl also had questions about **Comcast** evp **David Cohen’s** comment in *Politico* that Verizon Wireless stores would be neutral like Switzerland, showing no favoritism toward cable or FiOS when a consumer walked in. Milch quickly noted that the stores don’t sell FiOS or any landline service right now.

100

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If at some point that changes, in regions where FiOS is available, both will be offered. “Neutrality also can be achieved by selling neither,” he said. Cohen also addressed the statement, saying that he meant it could be an additional battleground for FiOS to compete against Comcast and Comcast against Verizon. “There is no incentive for Verizon to lay down its weapons in the... 15% of the country [where FiOS overlaps with cable,” he said. As for the spectrum side of the deal, Cohen said it spoke to virtually everyone about the possible spectrum sale before deciding on Verizon (he declined to name names, but did confirm that Comcast spoke to **T-Mobile**, citing comments in '10 from its CEO that the wireless company was talking to cable about a spectrum deal). As for the other witnesses, *Charles Rule*, managing partner at **Cadwalader, Wickersham & Taft**, said he didn't see any major issues with the deal and that collaboration between firms, even competitors, is critical to the economy. **Rural Cellular Assoc** pres/CEO *Steven Berry* reiterated his group's stance that the deals need conditions. “They will further cement Verizon's dominant control to the detriment of every other smaller carrier,” he warned. **Free Press** policy adviser *Joel Kelsey* warned of a monopoly and called on the govt to treat the deal like **AT&T-T-Mobile** and deny it. Verizon's spectrum holdings would actually be even larger than a combined AT&T-T-Mobile's, said **Columbia** prof *Timothy Wu*. In warning that the govt would have to be vigilant because there were incentives for the companies to cooperate instead of compete, he complained about the quad-play. “The industry loves the quad play... it's 4 streams of income,” he said. “But the consumer is served by disruptive innovation, not bundling. [The providers] foresee a perpetual quad play, when eventually one service could replace them all.” Sen *Al Franken* (D-MN), a vocal critic of the Comcast-NBCU deal, cited the **FCC's** recently released '09 cable rate report, which found cable rates had increased by more than 3 times the rate of inflation. The report found that the rates are even higher where there is no viable operator—“that's the heart of why I'm skeptical of the deal,” Franken said.

Retrans: **FCC** chmn *Julius Genachowski's* retrans remarks at last week's **ACA** Summit (**Cfax**, 3/15) stirred cable ops, who continue to push for reform. Genachowski had said it appeared that the number of disputes declined this year, but **Mediacom** CEO *Rocco Commisso* wrote the chmn this week to let him know that wasn't the case. “According to our research, consumers in 31 different DMAs were impacted by [retrans consent]-related service disruptions in 2011 and shutdowns have occurred in at least 20 additional DMAs in just the first 11 weeks of 2012. That is more than double the number of DMAs impacted by shutdowns in the preceding 2 years combined,” he wrote, adding that the figures don't take into account the “hundreds” of situations where a shutdown was avoided only because an op “caved” to broadcaster demands. Smaller ops have long argued that less high-profile blackouts don't get the same publicity as big market drops. During meetings with FCC staffers last week, ACA members offered concrete figures, according to an ex parte. **Ritter Comm** vp *John Strode* said in the company's Marked Tree, AR, system, subs will see the costs to access broadcast stations go from \$2.16 of their subscription rate in '11 to \$4.33 in '12, \$4.69 in '13 and \$5.08 in '14. *Christopher Cinnamon*, which reps ACA through **Cinnamon Mueller**, said aggregate retrans costs now range from \$3-\$5 per sub, per month, and in some cases are even higher. In making ACA's argument coordinated retrans negotiations under shared service agreements, **WOW!'s** *Peter Smith* said the overbuilder faced a 138% YOY retrans consent price increase in Columbus, OH, where a single broadcaster controls 4 stations, including the **Fox** and **ABC** affils. ACA continues to ask the FCC to declare that allowing a separately owned broadcaster to ne-

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gotiate or approve retrans consent violates good faith rules. Commisso wants the FCC to amend rules to authorize smaller ops to designate larger operators to negotiate on their behalf. Meanwhile, **NAB** seems to like the job pres/CEO *Gordon Smith* is doing. He just agreed to a 5-year contract extension that will keep at the helm through '16. The former Senator from OR joined the broadcast trade group in Nov '09.

At the Portals: The **FCC** has formed an incentive auction task force, with chmn *Julius Genachowski's* aide *Ruth Milkman* already managing it on an interim basis. The task force includes Media Bureau chief *Bill Lake* and Wireless chief *Rick Kaplan*, as well as gen counsel *Austin Schlick* and chief technologist *Henning Schulzrinne*. It's the 1st step for a long process that will likely take years. -- At the Commission's open meeting Wed, it opened an NPRM on opening up 40 megahertz of additional spectrum currently assigned to the Mobile Satellite Service in the 2 GHz band. The Commission signaled this was coming earlier this month when it denied **DISH's** waiver to use spectrum for mobile broadband. **Wells Fargo's** *Marci Ryvicker* thought there was a general tone of cooperation from the FCC and thinks it's positive that there were no mentions of additional concessions. She expected the stock to trade up Wed, and it did, closing up 3.7%.

Upfronts: **GSN** used its upfront Wed to unveil its 1st programming strategy and dev slate under new evp, programming *Amy Introcaso-Davis*. She divided the net's game-based original slate into 3 categories: 1) Shiny Floor Game (in-studio formats that depart from typical TV games shows) 2) Real-Life Game and 3) Iconic Game Reinvented. **GSN** has greenlit "Beat the Chefs," in which everyday people who love to cook compete against professional chefs, and will bring back "The Newlywed Game" for a 6th season. Originals in development include "\$100,000 Pyramid," "The Family Trade," focused on a VT car dealership that accepts barter (pigs, hot air balloons, etc) for cars and "Crowning Glory," which explores the world of alternative pageants (Miss Klinton, anyone?).

Programming: *Kendra Wilkinson-Baskett*, the Playmate who made a name for herself on **E!**, heads to **WE tv** for new docu-series "Kendra on Top." The net's also working with *Cyndi Lauper* on a reality series. Both premiere this summer. -- British TV personality and renowned photog *Amanda de Cadenet* heads to **Lifetime** for celeb interview series "The Conversation with Amanda de Cadenet" (premiere Apr 26). -- **3net** welcomes Apr with the world premiere of a special 3D ep of **Animal Planet's** "River Monsters" (Apr 8, 10pm). -- **Tennis Channel** extended its broadcasting contract with *Mary Carillo*, adding Wimbledon and domestic tournaments to her schedule. -- **Fuse's** development slate includes reality series "Ambassadors of Rock," which explores music fans who are so devoted that they invite touring bands they don't know to crash in their homes, and "Blaze Studios," a scripted musical comedy that focuses on a high-end recording studio.

OWN Shuffle: **OWN's** elimination of 30 positions, redistributing those duties among the net and venture partners, **Discovery Comm** and **Harpo Studios**, stemmed from the determination that the economics of a start-up net don't work with the cost structure in place, said CEO *Oprah Winfrey* in a release. *Neal Kirsch*, a long-time Discovery executive and CFO of Discovery's US nets, will be moving to **OWN** in the role COO, CFO. *Tina Perry*, **OWN** vp, biz and legal affairs, will now oversee the department and partner with *Lee Bartlett*, evp, global production mgmt, business and legal affairs, Discovery. **OWN** vp, production *Michelle Hole* will now oversee production mgmt., while Discovery Ad Sales svp, marketing *Ian Parmiter* will oversee integrated marketing for the net.

Technology: **Motorola** will distribute **EdgeCast's** portfolio of content delivery network solutions to service providers worldwide. The CDN addition could allow MSOs to deploy IP video to devices such as smartphones and tablets.

Social Circle: **ESPN** was to host a slate of **Google+** Hangouts (video-based, live chats) with college hoops analyst *Doug Gottlieb* Wed, with plans to broadcast them directly from the ESPN Google+ page and make them available for later viewing on the ESPN YouTube channel.

Business/Finance: Advertising platform company **Integrate** closed an \$11mln growth equity investment from **Comcast Ventures** and **Liberty Global**. Existing investor **Foundry Group** also participated in the round. The company said the Series B financing will help in getting it closer to the goal of connecting every channel of advertising into a unified platform. Integrate is co-founded by former Philadelphia Eagles player *Jeremy Bloom* (he completed a business entrepreneurship program at Wharton while playing in the NFL) and entrepreneur *Hart Cunningham*.

People: *Emiliano Saccone* was named pres of new US Hispanic broadcast net **MundoFox**, a jv between **Fox Intl Channels** and **RCN TV Group**. He most recently served as pres, ent and evp, content for Fox Intl Channels. -- **Comcast** promoted a trio of female execs to svp: **Tracy Pitcher** was made svp, small- and mid-sized business ops for Comcast Business Services; *Rebecca Scilingo* was upped to svp, enterprise project mgmt office for Comcast Cable;

BUSINESS & FINANCE

and Amy Stipandic was promoted to svp, strategic process, design and delivery for Comcast Cable. -- Colleen Fitzpatrick, who had a singing career under the name Vitamin C, was named to the newly created post vp, music for **Nickelodeon Group**. -- Madison Square Garden Co promoted Beth Collins to corp svp, biz dev.

Editor's Note: Don't forget about all the upcoming events and deadlines on the **CableFAX** calendar as the industry continues its bold march into 2012. First up is our highly anticipated **Webinar on "Monetizing Social TV"** set for 1:30pm ET on Mar 28. We'll tackle this burgeoning area and how to gauge its effect on the bottom line. More info: http://www.cablefax.com/cfp/webinars/2012_Mar28/.

CableFAX is also planning 2 major events in May. The first is the **Faxies/Sales Executive of the Year Awards** breakfast May 1 in NYC. More info: <http://www.cablefax.com/cfp/events/cablefaxies2012/> and <http://www.cablefax.com/cfp/events/seoy2012/>. And the other is the **Best of the Web/Digital Hot List** breakfast May 21 in Boston right before the Cable Show. More info: <http://www.cablefax.com/cfp/events/bow2012/> and http://www.cablefax.com/cfp/events/bow2012/digit_hot_list.html.

Oops: Tom Rutledge is Charter's CEO and **Cablevision's** former COO. John Bickham is the former pres of cable and communications for Cablevision.

CableFAX Daily Stockwatch

Company	03/21 Close	1-Day Ch	Company	03/21 Close	1-Day Ch
BROADCASTERS/DBS/MMDs					
DIRECTV:	48.30	0.23	CLEARWIRE:	2.46	0.07
DISH:	32.35	1.15	CONCURRENT:	3.60	(0.05)
DISNEY:	43.27	0.03	CONVERGYS:	12.71	(0.07)
GE:	20.07	UNCH	CSG SYSTEMS:	15.64	(0.1)
NEWS CORP:	20.21	0.09	ECHOSTAR:	28.55	(0.04)
MSOS					
CABLEVISION:	14.74	0.10	GOOGLE:	639.98	6.49
CHARTER:	64.01	0.78	HARMONIC:	5.55	0.02
COMCAST:	29.71	(0.06)	INTEL:	27.77	0.03
COMCAST SPCL:	29.30	(0.02)	JDSU:	14.15	0.04
GCI:	10.00	(0.04)	LEVEL 3:	27.36	(0.02)
KNOWLOGY:	18.25	(0.1)	MICROSOFT:	31.91	(0.08)
LIBERTY GLOBAL:	50.27	(0.46)	MOTOROLA MOBILITY:	39.32	(0.03)
LIBERTY INT:	19.27	(0.07)	RENTRAK:	21.01	0.67
SHAW COMM:	21.11	0.43	SEACHANGE:	8.13	0.02
TIME WARNER CABLE:	80.72	0.68	SONY:	20.72	(0.66)
VIRGIN MEDIA:	24.30	(0.09)	SPRINT NEXTEL:	2.78	0.03
WASH POST:	387.94	(5.11)	THOMAS & BETTS:	71.85	(0.05)
PROGRAMMING					
AMC NETWORKS:	45.26	1.41	TIVO:	11.56	0.13
CBS:	31.56	(0.14)	UNIVERSAL ELEC:	19.73	0.05
CROWN:	1.52	0.04	VONAGE:	2.27	0.01
DISCOVERY:	48.33	0.91	YAHOO:	15.51	0.10
GRUPO TELEVISIA:	20.89	(0.01)	TELCOS		
HSN:	38.01	0.21	AT&T:	31.84	0.05
INTERACTIVE CORP:	49.51	0.17	VERIZON:	39.78	0.15
LIONSGATE:	15.68	0.40	MARKET INDICES		
LODGENET:	3.40	(0.05)	DOW:	13124.62	(45.57)
NEW FRONTIER:	1.30	0.07	NASDAQ:	3075.32	1.17
OUTDOOR:	7.60	(0.02)	S&P 500:	1402.89	(2.63)
SCRIPPS INT:	48.28	0.65			
TIME WARNER:	35.76	0.08			
VALUEVISION:	2.44	0.01			
VIACOM:	52.97	(0.02)			
WWE:	8.78	0.06			
TECHNOLOGY					
ADVANTAGE:	2.46	(0.05)			
ALCATEL LUCENT:	2.32	(0.11)			
AMDOCS:	31.14	0.03			
AMPHENOL:	56.87	0.25			
AOL:	18.08	0.09			
APPLE:	602.50	(3.46)			
ARRIS GROUP:	11.06	(0.03)			
AVID TECH:	11.20	0.08			
BLNDER TONGUE:	1.32	0.02			
BROADCOM:	38.62	0.23			
CISCO:	20.50	(0.07)			

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5/50

Commentary by Steve Effros

According to a recent study, five percent of those using the American health care system account for over fifty percent of the expenditures. That's a pretty remarkable statistic. It immediately reminded me of the unbalanced use we see in other venues as well. The one most obvious to us is the phenomenon we deal with of the five percent of our customers who wind up using in some cases well over fifty percent of the assigned broadband bandwidth.



A new study that just came out notes that in the wireless world, the bandwidth use disparity is even worse; one percent of wireless data users account for more than fifty percent of the use! I'm not going to get into the debate over distinctions between "consumption" and "congestion."

There are fiery debates going on in blogs that claim the entire bandwidth issue is a myth dreamed up by the ISPs to allegedly protect their other businesses, particularly the delivery of video. We can get into that some other time, and I'm sure we will.

The point to consider for today is disparity of use. It would appear that whether you look at the health care system, which we all acknowledge is not working well, regardless of your preferred "fix," or the delivery of broadband, whether wired or wireless, the disparity of the strains placed on the system by those who use it can't be ignored.

There are obvious alternatives to help resolve the problems; you can stop the "heavy" users (I don't think it's helpful to use the loaded word "hogs" in this debate) from using at all. That certainly eases the pressure on the infrastructure. You can try to force the "system" to expand, whether it is the health care system or the broadband delivery system. That, of course, takes lots

of money and time. Inevitably, the question then comes down to who pays?

In the health care debate this translates into a question of whether additional taxes should pay for the \$116 billion currently being spent annually on emergency room and other care for folks who don't have insurance, or whether we apply that cost to users across the board by requiring everyone to have insurance. The "individual mandate." We are currently in the thick of that debate.

In the broadband context, the question is really the same. If you don't want to ever limit use, then the only other way to deal with what the companies see as an increasingly excessive load is to charge those who actually are putting that strain on the system. In the health care debate we don't really have that option, since folks who can't afford care still need to be cared for. But is that also the case in broadband use?

We know, at least for now, that the application causing the most strain on the system is video streaming. In 2009 that streaming represented 29% of use. In 2011 it represented almost 54%. It's only going up from here. So what do we do? Charge more for video streaming? Stop that form of use, as South Korea's leading broadband supplier has already done to Samsung "Smart TVs" in that country? (Remember when our politicians and public interest lobbyists insisted that South Korea should be the "model" for US broadband? Wonder if they will stick with that one!)

One way or another, we are going to have to deal with disparate use. An open discussion of the problem, rather than yelling at each other, would be a good way to start.

Steve

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

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

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