

CableFAX Daily™

Friday — April 23, 2010

What the Industry Reads First

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Important Turnover: More Sports Content Moving to Cable

One can almost hear cable taunting all media with a slight deviation on a time-worn cheer: "We've got sports, yes we do, we've got sports, how 'bout you?" Adding to an industry portfolio that includes "MNF" and playoff action from MLB, the NBA and NHL, **Turner** has bolstered cable's major college sports presence by partnering with **CBS** on a \$10.8bln, 14-yr deal to share multi-platform coverage of the NCAA's popular March Madness event through '24. Starting next year, when **ESPN** opens its window to telecast the BCS college football national title game, the men's roundball tourney's 1st- and 2nd-round games will air nationally across CBS, **TBS**, **TNT** and **truTV**, with CBS and Turner slated to split coverage of the regional semis. CBS will continue to air the Final Four and title game through '15, but the 3 games will begin alternating between TBS and CBS the following yr. "This is a landmark deal for our company for sure," said **Turner Sports** pres *David Levy* on a Thurs conference call, noting that sports' migration to cable will continue whether the trend worries legislators or not. "I don't anticipate any pushback... these [Turner properties] are fully distributed national networks, and we're not apologizing for that." While admitting the intense operational pressure endured by broadcasters over the past 3 years, **CBS News and Sports** pres *Sean McManus* said it remains difficult for the big 4 to pay escalating sports rights fees and even intimated that Turner stepping in was the only way CBS could've topped ESPN's final bid for the rights, reported to be \$10bln. "If you are creative enough... there's definitely a way to ensure marquee sporting events remain on broadcasters," he said. "The economics of this deal work very well for both parties." CBS and Turner will share prod costs and revenue equally, but the breakdown regarding fee payments is unclear. Neither CBS nor Turner would comment, and a **Time Warner** 8-K added murk, saying the deal's aggregate rights fee, while shared, "will be paid by Turner to the NCAA over the 14-year term of the agreement." NCAA.com and CBSSports.com will continue to feature NCAA March Madness on Demand, and Turner secured digital rights for all Time Warner properties. "We will find ways to enhance that online experience," said Levy, noting that the look and feel of any alternate video player will be consistent with MMOD but be branded differently. The deal's also predicated on the tourney's expansion to 68 from 65 teams, and parties aren't ruling out further expansion going forward. McManus said **CBS College Sports** could not be included in the deal because its distribution lags well behind the Turner nets, and that the net won't air any tourney games.

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Jurassic Period: Described by many as lumbering giants with precious few sources of fresh nourishment, telcos have done little to dispute that notion this week. After **AT&T's** 1Q results exhibited continuing and arguably intensifying pressure on its wireline segment, both **Verizon's** earnings and **CenturyTel's** proposed acquisition of **Qwest** underscored the squeeze. Verizon has moved to counteract the trend through a past sale of northeast access lines to **FairPoint** and a pending sale of approx 4.8mln lines across 14 states to **Frontier Comm**—and also notably through applying the brakes on its **FIOS** buildout, which CFO *John Killian* said may not be completed until '12. The telco added 168K net video and 90K net HSI subs (-95K DSL) in 1Q, representing a slight sequential uptick in video, and FIOS consumer rev jumped 41% YOY. Yet wireline ills overshadowed the data even as the FIOS TV sub tally climbed above 3mln. "Taken with AT&T's results... [Verizon's] paint a picture of a wireline business in seemingly inexorable secular decline," said **Sanford Bernstein's** *Craig Moffett*. "To be sure, enterprise showed genuine improvement... but [Verizon's] principal growth initiative, FIOS, is rapidly decelerating." Killian believes improving FIOS financials and an enterprise recovery expected to begin later this year will help ameliorate the situation. "I am confident that as we go through the year, we will be able to stabilize the wireline margin with a combination of better revenue performance and our cost restructuring efforts." **S&P** seems to agree, saying the telco's "wireline revenues were stronger, particularly due to greater than expected stability in enterprise, which we believe bodes well for future results as the economy improves." The firm maintained its 'hold' opinion on Verizon shares. As a new pact with its East Coast unions should allow Verizon to lay off more wireline employees this year than the 13K originally expected, said Killian, the "intentional strategy" for FIOS includes a "focus down on a lot of the inventory we have [and] a very strong focus around the MDU population within our franchise territory." As increasing scale has no doubt helped the economics of both **U-verse** and FIOS, CenturyTel's appears to be looking for just that through its offer to purchase Qwest. According to Website data, CenturyTel owns 7mln access lines, 2.2mln broadband subs and 553K video subs across 33 states, while Qwest operates in 14 states. S&P kept its positive fundamental outlook on the industry. "We think the combined company, similar to [Frontier] in its planned acquisition of access lines from Verizon Communications, will gain expense synergies, providing cash flow cushion for dividend payments," said the firm. But **Free Press** would prefer to see any deal benefits broaden beyond dividend payments. The org said it will urge the **FCC** "to take a very close look at this proposed deal, in order to ensure that consumers—not just shareholders—benefit from this massive merger."

Clyburn Chat: Democrat **FCC** commish *Mignon Clyburn* said she has yet to decide on reclassification of broadband service under Title II. "The goals I have put forth in terms of having an open platform, transparency, those things are non-negotiable for me," she said during an interview on **C-SPAN's** "Communicators" (Sat,6:30pm). "However we get there, be it through Congressional action... or be it through some types of negotiation or reclassification, if we keep the American public front and center, we'll come up with the right decision." Clyburn doesn't sweat the **Comcast-BitTorrent** federal appeals court ruling, a "narrow decision from my perspective" that affirms the FCC can't regulate data mgmt practices.

Online: After longtime rumors of a subscription **Hulu** plan, the *L.A. Times* reported it could happen as soon as May 24. Sources told the paper that Hulu plans will test a \$9.95/mo subscription tier called "Hulu Plus." There would still be free episodes of popular shows, but non-paying visitors would be limited to only the 5 most recent episodes.

Over-the-Airheads: **LIN TV** reported retrans fees for 1Q rose 16% YOY. It didn't break out a retrans dollar figure, but digital revenues, which include Internet advertising revenues and retransmission consent fees, increased by 47%

CableFAX PROGRAM AWARDS

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BUSINESS & FINANCE

to \$13.2mIn. Overall, net revenues climbed 23% to \$91.8mIn.

On the Hill: The House Communications subcmte will hold a hearing Thurs on competitive availability of navigation devices, one of the issues in the National Broadband Plan.

In the Courts: RCN has been getting flack from groups such as **Public Knowledge** for its settlement of a class action suit alleging the provider throttled or blocked some P2P on its network. The case was filed in '08, with a settlement reached last year. It's getting renewed attention now because that settlement is due to be finalized in federal court in June, and notices were recently sent out to RCN customers. It's also being used to push the FCC to act to gain authority in the area given the recent **Comcast-BitTorrent** federal appeals court decision. RCN says that it settled the case to avoid potentially significant legal expenses and denies that it violated any law or otherwise acted wrongfully. Under the settlement, RCN agrees to cease any network management practices that affect P2P traffic for a period of 18 months, beginning at the retroactive date of May 1, '09. It also agreed not to partake in any non-P2P management of congestion on the network for 18 months beginning Apr 1, '08.

Honors: CNN's Soledad O'Brien was named Journalist of the Year by the Natl Assoc of Black Journalists.

CableFAX Daily Stockwatch

Company	04/22 Close	1-Day Ch	Company	04/22 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
AOL:	28.38	(0.8)	APPLE:	266.47	7.25
BRITISH SKY:	38.96	0.36	ARRIS GROUP:	12.77	(0.08)
DIRECTV:	36.18	0.09	AVID TECH:	17.27	(0.37)
DISH:	21.85	0.23	BIGBAND:	3.53	(0.04)
DISNEY:	36.78	0.22	BLNDER TONGUE:	1.04	-0.00
GE:	18.95	(0.08)	BROADCOM:	35.55	0.32
NEWS CORP:	18.52	0.06	CISCO:	27.32	0.08
MSOS					
CABLEVISION:	26.16	0.20	CLEARWIRE:	7.63	0.12
COMCAST:	18.80	0.27	COMMSCOPE:	31.38	(0.12)
COMCAST SPCL:	17.90	0.24	CONCURRENT:	5.95	0.01
GCI:	6.19	0.06	CONVERGYS:	13.40	0.04
KNOLGY:	13.50	0.03	CSG SYSTEMS:	22.65	0.41
LIBERTY CAPITAL:	44.16	(0.08)	EHOSTAR:	19.61	0.21
LIBERTY GLOBAL:	29.39	0.08	GOOGLE:	547.06	(7.24)
LIBERTY INT:	16.43	0.35	HARMONIC:	7.18	0.07
MEDIACOM:	6.46	0.27	INTEL:	23.99	0.19
RCN:	14.76	0.00	JDSU:	13.71	0.10
SHAW COMM:	19.44	(0.28)	LEVEL 3:	1.57	(0.01)
TIME WARNER CABLE:	54.54	1.91	MICROSOFT:	31.39	0.06
VIRGIN MEDIA:	19.00	0.25	MOTOROLA:	7.08	(0.26)
WASH POST:	539.58	1.77	PHILIPS:	34.84	(0.09)
PROGRAMMING					
CBS:	16.43	0.33	RENTRAK:	22.43	0.65
CROWN:	1.93	0.02	SEACHANGE:	8.37	(0.08)
DISCOVERY:	36.63	0.18	SONY:	35.13	(0.36)
GRUPO TELEVISIA:	21.13	0.33	SPRINT NEXTEL:	4.19	0.09
HSN:	33.68	1.09	THOMAS & BETTS:	42.29	1.04
INTERACTIVE CORP:	23.60	0.08	TIVO:	18.59	0.42
LIBERTY:	38.03	(0.54)	TOLLGRADE:	6.59	0.03
LIBERTY STARZ:	55.54	0.63	UNIVERSAL ELEC:	22.50	(0.1)
LIONSGATE:	6.89	0.02	VONAGE:	1.63	(0.04)
LODGENET:	7.06	0.22	YAHOO:	17.72	0.27
NEW FRONTIER:	2.06	(0.01)	TELCOS		
OUTDOOR:	7.00	(0.07)	AT&T:	26.27	(0.07)
PLAYBOY:	4.49	0.17	QWEST:	5.37	0.13
RHI:	0.39	0.01	VERIZON:	29.28	(0.28)
SCRIPPS INT:	44.92	0.60	MARKET INDICES		
TIME WARNER:	33.25	0.17	DOW:	11134.29	9.37
VALUEVISION:	3.42	0.16	NASDAQ:	2519.07	14.46
VIACOM:	39.90	0.44			
WWE:	18.64	0.14			
TECHNOLOGY					
ADC:	8.15	0.02			
ADDVANTAGE:	2.31	0.00			
ALCATEL LUCENT:	3.44	(0.01)			
AMDOCS:	31.19	0.20			
AMPHENOL:	46.73	(0.01)			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Pigskin Showcase

All the mock drafts and trade speculation that are part and parcel of the bloated hype surrounding the **NFL Draft** may be maddening to some, inane to others. But I challenge anyone to proffer a valid argument against the prudence of moving coverage of the draft's 1st round to Thurs (Apr 22) night prime from Sat afternoon. Through the move, "we actually will be able to make the draft available to more fans, which is our number one objective," said NFL commish *Roger Goodell* during an online chat this week. "We will learn a lot from this experience and hopefully our fans will find this a positive change." Irrespective of how fans feel, I guarantee they will tune in to **ESPN's** and **NFL Net's** coverage in a big way. And being in prime, the event will logically draw casual fans as well. Lots of them. ESPN downplayed the potential for a pop in viewership, saying "Thursday is one of the most viewed nights on television and the NFL Draft has proven it can attract a large audience, so we're optimistic." Humility marks NFL Net's outlook too, as the net said it's just pleased more people will have an opportunity to sample its content. Allow me, then, to break it down: the pair's competing coverage may dilute some of the draft's overall impact on cable, but both nets will enjoy a huge spike in viewership, and ESPN's coverage will easily lead all cable telecasts in Apr prime delivery of total viewers, if not 2Q overall. I'm a diehard pro football fan, yes, but I'll wager that the numbers will be shockingly high, even to me. Last year, a record 39mln viewers watched the draft on NFL Net, ESPN and **ESPN2**, according to **Nielsen**, a 7% increase over '08. It will also be interesting to see how the later rounds fare on Fri night and Sat, though the overwhelming pick will be Thurs. *CH*

Highlights: "Ray Johnston Band: Road Diaries," premiere, Sun, 8p, **HDNet**. An incredible story. While making the basketball team as a walk-on at U of AL and leaving his day job to earn a spot with the **Dallas Mavericks'** summer league team are impressive, they pale compared with Johnston's medical miracles. Now he's trying to make it as a singer/guitarist. Don't bet against him. -- "You Don't Know Jack," Sat, 9p, **HBO**. It's *Pacino*, and you know it's Pacino underneath a terrific makeup job, but who cares? The iconic actor, who seemed a spent and confused caricature of himself at **TCA** in Jan, turns in a rousing, layered performance in a fine film about a confusing man, suicide doctor *Jack Kevorkian*. Pacino has perfectly mixed Kevorkian's strange brew of compassion, skill, ego and reserve. In the end, there's much we don't know about Jack, but Pacino's given us a lot. -- "The Story of US," premiere, Sun, 9p, **History**. The striking thing about ep 1 of this broad look at US history are the words. There were 60mln bison and 50bln trees when settlers arrived in 1610, we're told. *SA*

Worth a Look: "Party Down," season II premiere, Fri, 10p, **Starz**. *Megan Mullally* joins the crew, er, cast and instantly improves this already funny comedy. *SA*

Basic Cable Rankings (4/12/09-4/18/09) Mon-Sun Prime			
1	USA	2.1	2092
2	DSNY	1.7	1708
3	FOXN	1.6	1550
4	TNT	1.5	1535
5	NAN	1.3	1337
5	TBSC	1.3	1323
5	HIST	1.3	1265
8	DISC	1.1	1137
8	A&E	1.1	1113
8	ESPN	1.1	1091
8	TOON	1.1	1081
12	LIFE	1	946
12	HGTV	1	944
14	TRU	0.9	856
14	SYFY	0.9	851
16	FAM	0.8	792
16	FOOD	0.8	761
16	TLC	0.8	758
16	CMDY	0.8	755
16	FX	0.8	742
16	NKJR	0.8	553
22	MTV	0.7	676
22	MSNB	0.7	651
22	TVLD	0.7	646
22	AMC	0.7	645
22	BRAV	0.7	627
22	BET	0.7	624
22	LMN	0.7	547
29	SPK	0.6	631
29	HALL	0.6	533
29	VS	0.6	367
32	EN	0.5	531
32	HLN	0.5	511
32	CNN	0.5	468
32	VH1	0.5	468
32	OXYG	0.5	383
32	NGC	0.5	352
38	APL	0.4	430
38	TRAV	0.4	371
38	SOAP	0.4	281
38	WGNA	0.4	263
38	GSN	0.4	261
38	ID	0.4	244
44	ESP2	0.3	313
44	CMT	0.3	257
44	WE	0.3	234

*Nielsen data supplied by ABC/Disney



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