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www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

4 Pages Today

CableFAX Daily™

Thursday — April 25, 2013 | What the Industry Reads First | Volume 24 / No. 080

Powell in PA: Programming Costs, Net Neutrality & Cable's Need to Get Flashy

As *Michael Powell* settles in to his 2nd year on the job as pres/CEO of **NCTA** (Thurs is his anniversary), the war over rising programming costs shows no signs of slowing with **Cablevision**'s antitrust suit against Viacom the latest high-profile volley. But calling it a programmer vs operator conflict is simplistic, Powell told the crowd gather in Harrisburg Wed for the **Broadband Cable Assoc of PA**'s 25th annual Cable Academy. "There are a lot of varying beliefs—not that it's not a problem, but in how helpful the govt can be in solving it," he said, warning against the law of unintended consequences. He lumped retrans into a general programming costs category, saying that even if retrans held flat starting tomorrow, the rising costs of sports would still be a challenge. And programming costs is one of the toughest issues he's ever seen (and remember, he's a former **FCC** chmn). "Ultimately, I don't know how it will be resolved. Maybe it will have to break more," Powell said. "The value of my table is that I do have them [programmers and operators] all together. It's a very good forum to force the board members of NCTA to talk about this problem." While he called programming costs a big problem, on the flip side, he thinks it's one of the industry's "biggest advantages" because the expense is a major barrier to streaming alternatives. (By the way, Powell stated that no public policy discussion about video excludes **Netflix**, **Hulu**, **Google**, **Amazon**, **Intel**, etc). Another concern facing the industry continues to be net neutrality, with Powell calling the FCC's rules "clunky, but mostly manageable." His worry is that a **Verizon** win in its legal challenge of the rules would spur an explosive reaction, with Congress instantly codifying the rule or worse—the FCC does it all again, but this time under Title II. "That would mean instantly thousands of regulations would apply to you," he told the room full of PA cable operators. "It would be as if you were AT&T of the 1980s. We have consciously avoided that regulatory treatment for 15 years now." Right up there next to the net neutrality challenge in intrigue is the ongoing **Aereo** litigation, which if it became recognized as legal nationwide, could create packages of Netflix and Aereo or **Roku** and Aereo, etc, Powell said. "They suddenly have a pretty sweet bundle offering at what looks like a lower cost… That's a much more serious alternative," he said. His parting advice was to change cable's perception ("We are culturally fun to hate") and to stop being so cautious about the future. "Google announces Google Fiber 2 years before it does it and then brags about it for 2 years. We never do that, and we should," he said, then promising cable will be "screaming from the mountaintops" at the Cable Show June 10-12 in DC. "Our society has less and less attention

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax:301.738.8453 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Sales Mgr, Susan Kim, 301.354.2010, skim@accessintel.com ● Marketing Dir: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Prod:Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group ● Subs/Client Svcs: 301.354.2101 ● Group Subs: Amy Russell, 301.354.1599, arussell@accessintel.com

span. Less patience. The media world is noisier and more fragmented. You have to be loud, flashy and persistent."

Inside the Beltway: "Do-No-Track" standards need to be reality, either voluntary or legislatively, said Senate Commerce chmn *John Rockefeller* (D-WV) at a committee briefing that seeks to update the status of the development of voluntary rules for online tracking. Consumers have been waiting for the standards since Feb, '12, when the Digital Advertising Alliance pledged that the online advertising industry will honor Do-No-Track requests made by consumers, he said. "A meaningful Do-Not-Track standard prohibits the collection of online information," except for a few narrow purposes, he said, noting companies continue to collect consumer information today and only promise to not use this information for specific purposes, such as targeted advertising. -- Humility should be the guiding principle and a personal characteristic of chmn candidates for **FCC** and **FTC**, a group of conservative organizations said in a letter to the **Congress** and the **White House**. The first rule for policymakers should be "do no harm" and enact rules that "are more transparent, less political and more technologically neutral," said the group, which includes **Tech Freedom** and **Heritage Action.**

Zimmer to Tribune: *Dana Zimmer,* evp/TV networks distribution at **NBCUniversal** since Jan, '11, will be **Tribune Broadcasting**'s pres, distribution starting May 13. Prior to NBCU, Zimmer was evp, affil sales/marketing for **Comcast Networks** from '05 through the Comcast acquisition in '11. ***CableFAX*** inducted Zimmer into the Cable Sales Hall of Fame in '12.

CAPEX: **Cable One** is investing some $60mln to upgrade its infrastructure. The project, which started last year, will continue through '14, covering the majority of the op's 42 markets. Specifically, the company will upgrade nearly 50K amplifiers, installing more than 600 new nodes, replacing 800 miles of cable, and adding some 600 miles of fiber.

Technology: **SCTE** published a new standard designed to offer programmers and cable ops new abilities to "selectively enable or disable Fast Forwarding in on-demand content and advertising." The spec, dubbed "Stream Restriction Data Model (SRDM)," is part of the SCTE 130 suite of digital program insertion.

LTE Land: As sports content gets "revalued upwards" to match the value of live viewing, other genres need to use 2nd-screen engagement to achieve similar results, said **Needham & Co** managing dir *Laura Martin*. Speaking at a **Sprint**-sponsored event in L.A. Wed to mark the wireless carrier's official launch of its 4G LTE network there last week, Martin argued that interactivity and social TV are key to growing the content pie. "That's what the entertainment business must do—to make its content stickier," she said. Sprint mobile apps expert *Kenn Raaf* said the carrier is engineering LTE to feed the HD video appetite. "With the higher def experience, they're watching full shows," he said. "This whole increase in bandwidth makes for significant engagement." *Kim Wade*, Sprint's dir, solutions engineering, said L.A.'s mobile data-crazed market (with usage 25% above the national average) is in the "pardon our dust phase" right now, with more robust performance within the next 90 days.

Googlism: It's a "Go" for **Google Fiber** in Provo, Utah. A week after Google announced its plan to bring Google Fiber to the city, the **Salt Lake City Tribune** reported the **Provo Municipal Council** approved Google's plan to buy **iProvo**, the municipal network, and upgrade it to gigabit technology.

In the States: **Time Warner Cable** will wire Austin, TX with its WiFi network. The op has started deploying TWC WiFi, a citywide WiFi hotspot network for its subs in the city. Access is free to subs with Standard Internet or above and to TWC Business Class Internet subs. For others, free trial and prepaid access are available, starting at $2.95 an hour.

Online: **beIN Sport** launched its multiplatform app, available through Android and iOS platforms.

Honors: The GTM Innovation Award recognizes **EcoFactor**, which powers **Comcast Xfinity**'s home energy control solution, as one of 11 companies selected from The Network Grid 150, a report that profiles and ranks the top 150 smart grid vendors across 12 key smart grid market segments.

Upfronts: At **NCC Media**'s upfront for advertising executives and financial marketers Wed svp, marketing & business development *Andrew Capone* said the company's I+ local advertising platform has attracted 1200 advertisers since the initiative's '12 launch, and it plans to announce "more insertable markets in the months ahead." The company also debuted a new series for TV, VOD and online called "Money Made Easy," which can be customized for advertisers and marketers in the finance category. *Billy Farina*, NCC Media board member and svp, ad sales, **Cox Media,** said that from a tech standpoint, "the data is there." But wading through it and truly understanding it is a challenge. The use of big data

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allows for more efficient and engaging campaigns, he said, "but we need to get the right creative in that stream… targeted to that person on that screen." Another challenge is avoiding fragmentation of a product's storyline, since consumers have increasingly greater control over interaction with content. The key will be to find ways to "walk someone through a journey" that's cohesive, he said.

Programming: **ABC Family** ordered a new 1-hour drama series, "Chasing Life," which premieres early next year. -- *Jon Hamm* will host the '13 ESPYS, which recognizes major sports achievements over the last year. **ESPN/ESPNHD** will televise the event live July 17 at 9pm. -- **TBS** "Just For Laughs Chicago" will kick off its 5th Anniversary celebration June 11. The 6-day event will feature comedians performing at Chicago's iconic venues.

Research: **Discovery Channel** topped **Beta Research**'s brand identity study this year with 56% of people surveyed describing the net as one of their favorite channels. **History** is a close #2 (55%), followed by **Food Network** (51%), **H2** (50%) and **Investigation Discovery** (50%). **NatGeo Wild** (49%) is ahead of **DIY Network**, **ESPN** and **Science Channel** (all 48%). About 39% viewers saw the average broadcast network as one of their favorite channels.

People: **ActiveVideo** upped *Ronald Brockmann* to CTO.

CableFAX Daily Stockwatch

Company	04/24 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	56.30	0.24
DISH:	39.26	(0.6)
DISNEY:	61.94	(0.65)
GE:	21.96	0.46
NEWS CORP:	31.13	(0.54)
MSOS		
CABLEVISION:	14.38	(0.11)
CHARTER:	103.05	(1.36)
COMCAST:	40.67	(0.23)
COMCAST SPCL:	38.91	(0.08)
GCI:	9.59	0.20
LIBERTY GLOBAL:	72.44	(0.56)
LIBERTY INT:	20.36	(0.04)
SHAW COMM:	22.48	(0.01)
TIME WARNER CABLE:	92.73	0.28
VIRGIN MEDIA:	48.73	(0.42)
WASH POST:	440.31	2.95
PROGRAMMING		
AMC NETWORKS:	64.00	(1.85)
CBS:	46.06	(0.69)
CROWN:	2.05	UNCH
DISCOVERY:	79.15	0.17
GRUPO TELEVISA:	25.74	(0.22)
HSN:	53.07	0.07
INTERACTIVE CORP:	45.62	0.84
LIONSGATE:	24.71	0.77
OUTDOOR:	8.73	(0.01)
SCRIPPS INT:	66.59	(0.84)
STARZ:	23.10	0.30
TIME WARNER:	59.59	(0.81)
VALUEVISION:	4.33	0.01
VIACOM:	65.29	(0.85)
WWE:	9.09	0.08
TECHNOLOGY		
ADDVANTAGE:	2.33	(0.02)
ALCATEL LUCENT:	1.40	0.08
AMDOCS:	34.54	(0.12)
AMPHENOL:	74.37	0.39
AOL:	38.65	0.39
APPLE:	405.46	(0.67)
ARRIS GROUP:	16.64	0.17
AVID TECH:	6.69	0.21
BLNDER TONGUE:	1.00	UNCH
BROADCOM:	35.09	2.10
CISCO:	20.39	(0.52)
CLEARWIRE:	3.33	0.04
CONCURRENT:	6.66	(0.11)
CONVERGYS:	16.10	(0.14)
CSG SYSTEMS:	21.39	0.20
ECHOSTAR:	39.43	0.79
GOOGLE:	813.45	5.55
HARMONIC:	5.79	(0.23)
INTEL:	23.66	0.28
JDSU:	13.38	(0.07)
LEVEL 3:	20.27	(0.39)
MICROSOFT:	31.76	1.16
RENTRAK:	23.13	0.46
SEACHANGE:	10.85	(0.03)
SONY:	16.49	(0.18)
SPRINT NEXTEL:	7.09	(0.01)
TIVO:	11.26	0.23
UNIVERSAL ELEC:	22.80	1.76
VONAGE:	3.07	(0.04)
YAHOO:	24.75	0.37
TELCOS		
AT&T:	37.04	(1.96)
VERIZON:	51.80	(0.52)
MARKET INDICES		
DOW:	14676.30	(43.16)
NASDAQ:	3269.65	0.32
S&P 500:	1578.79	0.01

Think about that for a minute...

HBOFLIX – Consumers Lose

Commentary by Steve Effros

I wrote a column in February 2011 titled "Netflix is HBO." The consumer and business press is finally catching up. They just haven't figured out what it means.

It really started with the whole thing about "House of Cards" and the understanding that simply selling a movie library service, whether "on demand" or linear, the way HBO started out in the 1970s, is not a sustainable business. Folks want original, new, captivating programming. HBO learned that and has been remarkably successful ever since, spending a whole lot of money on original programming in the process.

Along comes Netflix. They understand the same thing. It really doesn't matter whether the movie library is streamed linearly, like HBO on multiple channels, or "on demand" as you can now also do on many cable systems with HBO, or "OTT" as it's delivered by Netflix, without the "grab" of original programming—the "nicotine" that hooks you and convinces you to stay with them for the long haul—these services would not survive.

The numbers tell a lot. The first real PR blockbuster for Netflix cost about $4 million per episode. One analyst has calculated that in order to simply break even, Netflix will have to get 520,834 new subscribers that it otherwise would not have gotten, and keep them on the hook for 2 years. And that's just to break even. Unfortunately for Netflix, they didn't get the syndication rights for "House of Cards," so they won't really get the full benefit of that particular winner. Nevertheless, that's clearly the path they'll have to go to compete with HBO, which is now their stated goal. As a Netflix honcho said recently, their objective is to "...become HBO faster than HBO can become Netflix." The OTT crowd cheered. But they haven't figured out what it really means for them, either.

The honcho misses the point. HBO has clearly learned how to develop, and pay for, top notch original programming. Netflix is just learning. They both use technology in various forms to distribute that programming. To be sure, right now HBO doesn't "stream" to individuals who aren't cable subscribers, and Netflix doesn't work with cable systems. But I suspect that's a detail that's going to disappear, in both directions. The competition is going to be in creating programming, and HBO has major advantages: size, experience and money.

There's now lots of buzz that Netflix has "more US subs" as of the end of the first quarter of 2013 than HBO: 28.7 million versus 27.15 million. We'll leave out the little detail that the HBO number doesn't yet include Q1/2013. We'll also sort of ignore the fact that internationally, Netflix has 7.1 million subs while HBO's total count is 114 million. These numbers don't mean much except as an indication of who can pay for the best programming. That's where the competition lies, and, sorry bloggers, it may not serve consumers well.

Wait, what? Think about it. The "cut the cord" crowd is crowing about the Netflix growth. But consumers pay about the same for both. They either pay a package "delivered" price of around $15 to HBO/cable or $8 for Netflix plus paying their own delivery cost for broadband. But when the battles really start between Netflix, HBO, Showtime, Amazon, Hulu etc. for exclusive programming, the only natural result is that the price for all good product will go up. We've seen that with sports. Think the consumer is going to get lower prices at the end of this competitive fray? I don't.

Steve

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