

CableFAX Daily™

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What the Industry Reads First

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Retrans Talk: Disney Puts Forth New Study in FCC Review

A Disney entourage, including *Sean Bratches, Ed Durso, Richard Bates* and *Susan Fox*, met with FCC staffers last week on retrans, delivering a new study on video programming costs and cable prices from **Navigant Economics**. The study, of course, puts forth the idea that programming costs are not driving higher cable prices. How did author *Jeffrey Eisenach* arrive at the conclusion? Partly because programming costs are declining relative to relevant MSO financial metrics, such as company revenue, profits and other components of cable company costs, he wrote. Using 10-Ks from **Adelphia, Charter, Comcast, Knology** and **Time Warner Cable** for '03-'08, industry reports and Navigant's own calculations, he concludes that programming costs as a share of cost revenues actually declined from 63% in '03 to 50% in '08. Count on cable operators to introduce their own study picking apart Eisenach's numbers (there are a lot of them). Given Time Warner Cable's public Roll Over or Get Tough campaign, the study specifically breaks down TWC, estimating that programming costs accounted for 48% of rev in '03 and 46% in '08. Also noteworthy, Time Warner Cable faces a **Disney/ESPN** contract expiration at the end of Aug. The Ph.D argues that there is no basis for believing programmers have the ability to charge higher-than-competitive prices given that there are more than 565 networks, and no single company accounts for more than 16% of the market. He also points to cable networks consistently taking share from broadcast and claims that Time Warner Cable's recent spin-off from **Time Warner** is "an indication that TWC does not believe programmers have market power." Comments on a petition by Time Warner Cable and others for changes to the retrans process are due May 18; replies June 3.

Broadband \$: **One Economy** was awarded a \$28.5mln broadband adoption grant to implement a program of computer training, wireless Internet access, broadband awareness marketing to residents of 159 affordable and public housing developments. It was among the last grants announced for Round 1 BTOP funding. One Economy has filed for a similar grant in Round 2 with the support of **NCTA, AT&T, Dell** and several cable ops. That money would support digital literacy training, discounted computers, and project administration. The Coalition said it would work with **HUD** to increase broadband outreach efforts in public housing, project-based Section 8 properties and multi-family assisted communities. -- **County Execs of America** has applied for \$122mln of stimulus broadband grants in hopes



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of eventually providing free wireless broadband service to the residents and public service employees of its 700 member counties. The org's plan initially targets 12 major-market counties for deployment, including Cook County, IL (Chicago), and call for use of the unused AWS-3 broadband spectrum being held by the **FCC**. CEA selected **M2Z Networks** to build out the networks in each county.

Competition: **DirectTV** and **DISH** jointly launched the Advanced Satellite Advertising Platform, which aims to give advertisers a turnkey, 1-stop approach for a national interactive campaign aimed at the DBS ops' collective sub base of nearly 30mln. Ad options include additional product info, photo galleries, simple gaming, regional locators and RFIs.

At the Portals: **FCC** chmn *Julius Genachowski* launched the Spectrum Task Force to advance the agency's spectrum agenda and promote collaboration. Spectrum recommendations are a key part of the National Broadband Plan. The task force will be co-chaired by the FCC's chiefs of the Office of Engineering Tech and Wireless Telecom bureau.

On the Hill: **Senate Commerce** holds a hearing Thurs examining children's privacy and new technologies. **Facebook's** dir of public policy is among the witnesses.

In the States: **Insight** will begin an all-digital upgrade for customers in Lexington, KY, in early May. Once Insight completes its digital upgrade project to all districts (a process that will continue into '11), it will start working on a bigger upgrade to deliver around 100 HD channels, a 50Mbps broadband service and multi-room DVR. -- **Armstrong Cable** has upgraded to DOCSIS 3.0 in parts of MD and PA to offer broadband of up to 50Mbps, according to *Broadband Reports*. -- Pleased with a turnout to its inaugural Hollywood event that featured attendees from 45 states and 10 countries/territories, including Italy, Romania, Argentina and Guam, **TCM** said its Classic Film Festival will return next spring.

Carriage: According to **Nielsen's** May universe estimates, **Discovery Channel** eclipsed the 100mln US HH distribution plateau (100.1mln) and is now available to 380mln overall subs in more than 180 countries. The net moves to 2nd in the metric behind **TBS** (100.6mln) and is the 5th overall to exceed 100mln (**Nick at Nite**, **Nickelodeon** and **Weather Channel**).

Dubious Win: **Consumerist.com** announced **Comcast** as the winner of its annual "Worst Company in America" bracket-style tourney. After losing in the final the last 2 years, Comcast outlasted industry players including **Time Warner Cable**, **DirectTV** and **AT&T**, and beat **Ticketmaster** in the final. Interestingly, **Comcast-Spectacor** recently purchased ticketing software provider **Paciolan** from **Live Nation Ent** (**Live Nation**+**Ticketmaster**) and **Liberty Media's** looking to up its significant stake in Live Nation.

Intl: A Spanish-language version of **MGM HD** will launch this month in Argentina and Mexico.

Ratings: The Sun premiere of **History's** "America the Story of Us" delivered a 4.0 HH rating and 5.7mln total viewers to become the net's highest-rated and most-watched special ever. The 8-11pm feature now marks the net's best night ever across all demos. -- **ESPN/ESPN2's** 14.5 hours of live '10 **NFL Draft** coverage over 3 days averaged 2.85mln HHs and 3.72mln viewers, marking respective YOY increases of 24% and 27% and the sports giant's most-watched draft ever among viewers. Across the 2 nets and **NFL Net**, a record 45.4mln viewers tuned in to draft coverage, with a record 32.9mln watching for at least 6min. **NFL.com** notched a record 12.5mln visits during the draft, up 61% YOY, and viewers watched 40% more video than last yr. The site's live coverage garnered 1.1mln users.

CableFAX PROGRAM AWARDS

Sponsorship Opportunities: Debbie Vodenos at 301.354.1695 or dvodenos@accessintel.com
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BUSINESS & FINANCE

People: NAB chief Gordon Smith's former chief counsel on communications policy joins the trade group May 10. Chris Ornelas had served in the DC offices of **Brownstein Hyatt Farber Schreck**. -- **Discovery Comm** promoted *Robert Voltaggio* to svp, national ad sales pricing and planning. -- **Playboy** appointed *Christoph Pachler* evp/CFO, effective May 24.

Business/Finance: According to an SEC filing last week, **Charter** has registered for listing of its shares on the **The NASDAQ Global Market**, as expected. Current holders of the MSO's shares including *Paul Allen* are collectively offering for sale nearly 90mln shares at a price not to exceed \$35.51 each. Charter won't receive any of the proceeds. After the offering, approx 112mln Class A Charter shares will be outstanding. -- **Sanford Bernstein** raised to \$28 from \$23 its price target on **Cablevision** shares, noting falling capex, increasing FCF and an improving liquidity profile. Analyst *Craig Moffett* wonders what CVC will do with its swelling cash reserves. -- **Lionsgate** altered course and will now allow *Carl Icahn* to vote Tues along with all of its shareholders on a shareholder rights plan featuring anti-takeover provisions. Since Icahn, who recently offered to purchase all of the LGF shares he doesn't own for \$7 per, was previously barred from participating in the vote, analysts point to Lionsgate's confidence in the plan's ratification.

CableFAX Daily Stockwatch

Company	04/27 Close	1-Day Ch	Company	04/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
AOL:	28.26	(0.19)	APPLE:	269.50	(1.33)
BRITISH SKY:	38.08	(0.91)	ARRIS GROUP:	12.74	0.14
DIRECTV:	37.01	0.37	AVID TECH:	15.10	(0.52)
DISH:	22.54	0.05	BIGBAND:	3.48	(0.07)
DISNEY:	37.04	0.25	BLNDER TONGUE:	1.08	0.04
GE:	19.30	0.23	BROADCOM:	36.03	0.40
NEWS CORP:	18.60	0.10	CISCO:	27.57	0.10
MSOS					
CABLEVISION:	26.90	0.64	CLEARWIRE:	7.83	(0.02)
COMCAST:	19.08	0.12	COMMSCOPE:	31.50	(0.35)
COMCAST SPCL:	18.19	0.14	CONCURRENT:	6.01	0.11
GCI:	6.11	(0.05)	CONVERGYS:	13.72	0.00
KNOLGY:	13.56	0.32	CSG SYSTEMS:	22.71	(0.08)
LIBERTY CAPITAL:	43.79	(0.47)	EHOSTAR:	19.59	(0.13)
LIBERTY GLOBAL:	28.53	(0.81)	GOOGLE:	531.64	(13.35)
LIBERTY INT:	15.89	(0.49)	HARMONIC:	7.15	(0.02)
MEDIACOM:	6.97	0.32	INTEL:	23.82	(0.22)
RCN:	14.68	(0.04)	JDSU:	13.81	0.11
SHAW COMM:	19.40	0.02	LEVEL 3:	1.56	0.01
TIME WARNER CABLE:	55.13	0.91	MICROSOFT:	31.11	0.15
VIRGIN MEDIA:	18.52	(0.24)	MOTOROLA:	7.16	0.07
WASH POST:	532.27	(6.5)	PHILIPS:	35.90	0.49
PROGRAMMING					
CBS:	16.32	(0.16)	RENTRAK:	22.48	0.32
CROWN:	1.89	(0.05)	SEACHANGE:	8.49	(0.1)
DISCOVERY:	37.00	(0.3)	SONY:	35.07	0.09
GRUPO TELEVISA:	21.15	(0.01)	SPRINT NEXTEL:	4.23	(0.09)
HSN:	32.99	(0.14)	THOMAS & BETTS:	43.62	0.31
INTERACTIVE CORP:	23.44	(0.1)	TIVO:	18.53	0.04
LIBERTY:	38.50	0.13	TOLLGRADE:	6.55	0.14
LIBERTY STARZ:	54.71	(0.68)	UNIVERSAL ELEC:	22.42	(0.13)
LIONSGATE:	6.99	(0.19)	VONAGE:	1.68	0.03
LODGENET:	6.66	(0.22)	YAHOO:	17.39	(0.25)
NEW FRONTIER:	2.05	0.01	TELCOS		
OUTDOOR:	7.07	0.01	AT&T:	26.27	0.02
PLAYBOY:	4.61	0.15	QWEST:	5.31	0.03
RHI:	0.42	0.04	VERIZON:	28.94	(0.11)
SCRIPPS INT:	45.00	(0.27)	MARKET INDICES		
TIME WARNER:	33.51	0.37	DOW:	11205.03	0.75
VALUEVISION:	3.25	(0.14)	NASDAQ:	2522.95	(7.2)
VIACOM:	40.13	0.04			
WWE:	18.88	0.21			
TECHNOLOGY					
ADC:	8.22	(0.08)			
ADDVANTAGE:	2.41	0.08			
ALCATEL LUCENT:	3.43	0.01			
AMDOCS:	31.74	0.22			
AMPHENOL:	47.39	0.42			

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EYE ON INNOVATION

At the Vanguard

The alacrity and frequency with which TV viewers are altering their consumption patterns across locations, devices and time periods has no doubt made media execs' sleep more fitful. Yet the tossing and turning may be even more prevalent at **Nielsen**, which in order to satisfy clients' measurement demands must adapt to viewership trends both quickly and effectively.

"All the things I don't know about, that's what keeps me up at night," said Nielsen svp, insights *Dounia Turrill*. "We need to be one step ahead of the shift in consumers' viewing habits."

One of Nielsen's most vital initiatives is its "Extended Screen" service, which come Feb will integrate online viewing of TV shows with traditional linear metrics. As TV Everywhere plays such as XfinityTV roll out, this amalgamation is a hot-button issue in cable—so much so that the **Coalition for Innovative Media Measurement**, whose membership includes **Time Warner**, **ESPN** and **Discovery Comm**, is busily focused on spurring innovation in set top and cross-platform measurement.

CIMM's thrust "appends everything we're doing," said Turrill, eschewing the notion that CIMM's efforts indict Nielsen's digital-era measurement goals as dilatory. "It's a way to say 'let's work together as we try to understand all the pieces'"

Nielsen's working specifically with **TNT**, **TBS** and others on TV/Web integration, the collaboration a nod to the fact that, like an advanced jigsaw puzzle, the pieces comprising a complete picture of Americans' viewing habits are myriad and far from straightforward. As such, said Turrill, the key to developing the picture is determining the interplay between parts. Hopefully, then, additional clarity and actionable results will follow.

"Part of the evolution of measurement and media use is to see how all the pieces interact," said Turrill. "The belief I have is that as consumers of media we are adding to our plethora of media options... one mode is not replacing

another."

Nielsen data from 4Q informs on that assertion and other notable trends. Each week, the typical American consumes nearly 35 hours of TV, 2 hours of time-shifted TV, 4 hours of Web content, 22min of online video and 4min of mobile video. Yet even as all other platforms exhibit better growth, TV consumption continues to rise. Perhaps underscoring the importance of integrating TV and online content consumption, Nielsen data show that 59% of Americans



now simultaneously use the TV and Internet at least once a month, to the tune of 3.5 overlapping hours/month. That time amount marks YOY growth of 35%. Turrill postulates that both simultaneous TV/Web use and online video consumption will become "much more significant in the next year or two," thus Nielsen's move toward fresh and innovative measurement methods.

The co has encountered numerous technical issues surrounding its "Extended Screen" initiative, but Turrill said none have proved "a stumbling block." As of now, the Feb timeline lives on.

Also alive is a relatively small but growing current in cable to update the traditional TV ad pricing bellwether, Nielsen's C3 ratings. With time-shifting becoming a force—far more than half of certain cable series' audiences tune in after the linear premiere—many believe Live+7 data would better reflect shows' true viewership levels. But any change to the status quo appears a long way off, as Nielsen's "Extended Screen" initiative calls for the integration of online metrics into, you guessed it, linear C3 data.

Turrill insists the lion's share of TV viewing still occurs within the traditional 3-day window, and notes that more than 90% of it happens within a 7-day period. "If our different clients wanted to open that conversation, we'd take a look at it," she said of a standard change to Live+7.

For now, though, Nielsen's focus is clear.

-Chad Heiges

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