

CableFAX Daily™

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What the Industry Reads First

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Day-O: It's 6 Bucks, 7 Bucks, 8 Bucks... BUNCH! (of 'Arrested' Eps)

If you didn't notice the line for the Bluth Frozen Banana Stand on Columbus Circle this week, chances are you've at least seen some of the many news articles trumpeting the revival of "Arrested Development" on Netflix May 26, some 7 years after its last ep aired on Fox. The buzz is enormous, so it was refreshing to hear Netflix CFO *David Wells* take a low-key tone at JP Morgan's investment conference Wed. Still, he's willing to prognosticate more than Netflix did for "House of Cards," saying it "might" have a positive impact on 2Q, which is historically lower YOY on subs based on seasonal patterns. "Arrested Development" is a wild card. It has some really funny stuff in it if you are a fan," he said. BTIG's *Rich Greenfield* and team surveyed some 427 consumers at the frozen banana stand marketing stunt in NYC this week and collected some interesting stats: 86% of those the team spoke with already had Netflix. Of the 59 non-subs, 63% in the banana poll said they would likely sign up for "Arrested Development." Of course, that figure might not be that surprising considering they are also waiting in a long line (sometimes hours) for a free frozen banana on a stick. For \$8/month, it seems believable fans of the canceled critic favorite might be willing to sign up for the service, though BTIG noted that some folks they spoke with thought the price point was still too high (preferred \$4.99/month) and others still were rankled by the 2011 price increase disaster when Netflix tried to spin off the DVD business. Wells acknowledged Wed that recovery from the '11 mis-step will take about 3 years. "We still feel like there is more recovery to have... We're still mindful that any sort of negative pricing things could set that fire off again," he said. Any sort of price increase would have to wait until there was some real time away from the July '11 event. And it also relates to what Netflix's competitors are doing, he said. As for partnering with cable ops and telcos, he said Netflix is doing that with smaller ops through its Open Connect program, Netflix's private CDN that saves it money on 3rd-party CDN fees. "To the extent cable companies view us as a competitor, the less willing to partner... We're certainly open to partnerships." Other tidbits from the investor conference: Don't look for any sporting events to migrate to Netflix. Wells said there isn't any interest in live events at this time. Similar story with advertising. After experimenting with it in the past, "we didn't feel it was conducive to the brand we have today."

Investor Conference: DirecTV is revisiting OTA integrated technology as programming costs continue to rise, CFO *Patrick Doyle* said at JP Morgan's telecom and media conference Wed. The satellite company will be spending "a lot of

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time looking at over-the-air" technology and potentially integrating it with set-tops, he said. DirecTV will test the technology in some markets, starting with new customers. Historically, the DBS provider used integrated antenna technology before it started to deliver broadcast programming through satellite. With retrans fee hikes, it makes sense to revisit integrated antenna solutions now, Doyle said. He also said content providers have too much leverage and called it "encouraging" that Washington is trying to address issues like bundling and retrans. With DirecTV launching new satellites in '14 and '15, it will reserve additional capacity for 4K programming. Meanwhile, the company rebranded "Nomad," a service that allows subs to move content from DVRs to other platforms, to "GenieGo." The new offering also allows subs to stream live programming from set-tops to laptops and mobile devices. -- Watch out **Google Fiber**, **AT&T** is after your fiberhoods. The telco is likely to "piggyback on the rules and terms and conditions that Google received in Austin and do our own build in Austin," CEO *Randall Stephenson* said at **JP Morgan's** telecom and media conference Wed. The rollout of fiber networks will start throughout the country, and "you will see others doing this because the demand for really high-speed broadband via gigabit-type fiber-based solutions on a targeted basis is going to be very, very high," Stephenson said. The key is rolling out fiber in places where "you know there's going to be high demand and people willing to pay the premium for those type services," he said. Meanwhile, he said AT&T is taking "considerable share" in its fiber deployment for the SMB market.

Call Completion: **ACA** wants the **FCC** to address rural call completion issues by holding long distance providers responsible. In a filing with the Commission this week, the group urged the FCC not to impose new requirements on local exchange voice providers that aren't facilities-based, long distance providers. That's because these providers "do not control call routing and do not have direct access to complete information to track a call to completion." The Commission issued an NRPM in which it described the call completion issue in rural areas as serious and widespread.

TVE: **Turner** kicked off its upfront Wed by announcing that **TNT** and **TBS** will offer live streams this summer. "Basic cable is an oxymoron. There's nothing basic about it," **Turner Ent** pres *Steve Koonin* told the audience of media buyers. "Now we're looking toward the next horizon to becoming a multiscreen video company." The 24/7 live stream, which includes **NBA**, **MLB** and **NCAA** hoops coverage, will be available across multiple platforms, including through the networks' Website as well as Watch TNT and Watch TBS apps. A launch date will be announced in coming weeks. Turner's upfront emphasized the multiscreen. "Demos don't tell the story any more. Demos measure eyeballs. It's about engagement," Koonin said. New series coming to TNT this year include scripted drama "Lost Angels" ('13) and "The Last Ship," starring *Eric Dane* ('14). TNT also has 2 pilots under consideration, a bounty hunter drama starring *Geena Davis* and a *Steven Bochco* crime drama called "Murder in the First." TBS scripted series in development include half-hour comedy "Bad Parents" and *Jamie Foxx's* "Dad, Stop Embarrassing Me." In unscripted, TBS is working on "Cheeseheads," (wt) which explores the Wisconsin subculture.

On the Hill: The House approved legislation Tues evening affirming the policy of the US to keep the Internet from international control. -- **House Commerce** scheduled a hearing titled "Cyber Threats and Security Solutions" on May 21. Later in the day, the Communications subcmte will examine security in the communication industry's supply chain.

New Blood: **Universal Sports** svp, gen counsel *Scott Brown* ascends to pres as CEO *David Sternberg* leaves to pursue another opportunity (details to come). Brown was on hand at Universal Sports' open house event Wed for its new production facility at the CMC in Centennial, CO. The net also announced "Countdown to Sochi," its original, studio news show premiering Oct 30 (100 days before the opening ceremonies in Russia). Commentator *Craig Hummer* will host.

In the States: **Comcast** launched a "Welcome Back" campaign targeting NJ shore subs impacted by Hurricane Sandy last year. The op has upgraded 144 miles of infrastructure in the hardest hit Jersey Shore communities with newly-renovated service centers, added approx 170 area technicians and doubled the number of workstations at area service centers.

Marketing: **DISH** is offering an iPad promotion to give new subs signing up for the Hopper DVR the option of an iPad instead of 1st year programming discounts. The offer starts May 22 and runs through Sept 18.

Business & Finance: **Comcast** declared a quarterly dividend of \$0.195 a share, payable on July 24, to shareholders of record as of COB July 3.

Programming: **Comedy Central** will go dark at midnight ET Sun to celebrate the launch of its 24/7 channel debuting on **SiriusXM** satellite radio. The net will simulcast the audio feed of the launch. It's only the 2nd time the net has gone dark. The 1st was May 22, '92 for *Johnny Carson's* final "Tonight Show" broadcast. -- **ABC Family's** reality dance show "Danc-

BUSINESS & FINANCE

ing Fools” premieres May 29 at 9pm.

People: Bravo’s *Eli Lehrer* is headed to **Lifetime** as svp, head of non-fiction dev. He formally joins the company July 8 and will report to programming chief *Rob Sharenow*. Lifetime’s non-fiction current programming slate will be headed by svp *Gena McCarthy*, who will continue to report to Sharenow. -- **Cablevision** promoted *Clifford Harris* to svp, law, programming. -- **Warner Brothers** re-orged its TV and home ent operations, with *Peter Roth* now serving as pres, chief content officer for Warner Bros TV Group while remaining pres, Warner Bros Television, Warner Horizon Television and Animation. He will add creative oversight of Telepictures Productions and Warner Bros International Television Production to his responsibilities. *Craig Hunegs* will now serve as pres, business and strategy, Warner Bros. Television Group. *Jeffrey Schlesinger* will now serve as pres, Warner Bros. Worldwide Television Distribution and be responsible for content distribution, including sales of previously produced series and feature films, domestic syndication and sales to SVOD and AVOD platforms. *Thomas Gewecke*, previously pres, Warner Bros Digital Distribution, has been named Chief Digital Officer and evp, Strategy and Business Development, Warner Bros Entertainment. -- Social TV player **Viggle** appointed *Christopher Traynor*, formerly CTO at communications tech firm **IPC**, to CTO.

CableFAX Daily Stockwatch

Company	05/15 Close	1-Day Ch	Company	05/15 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	65.17	0.76	CONVERGYS:	18.19	0.09
DISH:	39.20	0.36	CSG SYSTEMS:	21.64	(0.25)
DISNEY:	67.67	0.20	ECHOSTAR:	39.83	0.41
GE:	23.24	0.23	GOOGLE:	915.89	28.79
NEWS CORP:	33.54	(0.11)	HARMONIC:	6.00	0.10
MSOS					
CABLEVISION:	15.58	UNCH	INTEL:	24.20	0.36
CHARTER:	114.53	0.75	JDSU:	13.36	0.06
COMCAST:	43.73	0.40	LEVEL 3:	23.54	(0.32)
COMCAST SPCL:	41.82	0.29	MICROSOFT:	33.84	0.32
GCI:	9.72	0.14	RENTRAK:	24.24	(0.44)
LIBERTY GLOBAL:	76.60	(0.69)	SEACHANGE:	11.40	0.31
LIBERTY INT:	23.35	(0.02)	SONY:	20.45	(0.31)
SHAW COMM:	22.73	0.01	SPRINT NEXTEL:	7.25	(0.01)
TIME WARNER CABLE:	99.24	1.07	TIVO:	12.42	0.05
VIRGIN MEDIA:	50.86	(0.24)	UNIVERSAL ELEC:	26.77	0.28
WASH POST:	456.43	4.78	VONAGE:	2.79	0.03
PROGRAMMING					
AMC NETWORKS:	66.19	(0.21)	YAHOO:	27.34	0.70
CBS:	50.40	0.37	TELCOS		
CROWN:	2.05	(0.01)	AT&T:	37.53	0.30
DISCOVERY:	79.35	1.03	VERIZON:	53.60	0.43
GRUPO TELEVISA:	26.83	0.22	MARKET INDICES		
HSN:	56.26	0.54	DOW:	15275.69	60.44
INTERACTIVE CORP:	51.36	1.14	NASDAQ:	3462.61	23.82
LIONSGATE:	27.59	0.64	S&P 500:	1658.78	8.44
OUTDOOR:	10.35	UNCH			
SCRIPPS INT:	68.64	0.50			
STARZ:	22.74	0.19			
TIME WARNER:	61.13	(0.14)			
VALUEVISION:	4.04	0.03			
VIACOM:	70.22	0.82			
WWE:	9.16	(0.28)			
TECHNOLOGY					
ADVANTAGE:	2.23	(0.04)			
ALCATEL LUCENT:	1.53	0.02			
AMDOCS:	36.25	0.04			
AMPHENOL:	81.36	0.54			
AOL:	37.60	(0.05)			
APPLE:	428.85	(15.01)			
ARRIS GROUP:	16.83	(0.03)			
AVID TECH:	6.95	0.06			
BLNDER TONGUE:	1.02	(0.1)			
BROADCOM:	36.68	0.11			
CISCO:	21.21	(0.06)			
CLEARWIRE:	3.20	0.06			
CONCURRENT:	7.09	(0.34)			

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Think about that for a minute...

History 101

Commentary by Steve Effros

John McCain has become a little forgetful. So have a host of other folks now talking about his newest idea for leveraging current legal provisions imposed by the government into a pseudo “non-mandated” form of creating an a-la-carte business model for cable.

Yes, I know. It's an easy PR score to get up and say that folks don't like the prices they have to pay for their MVPD service, whether it's cable, satellite, or “telco-tv.” All three get reduced into an intentionally pejorative “cable” for the sake of brevity. John's been here before, and in some ways he's right. Folks don't like the perception that they are paying for things they “don't use” (except, according to “public interest” folks, when it comes to opposing usage-based pricing for



broadband!). Cable operators have said for more than 10 years that we don't particularly like it either. Some program channels have become too expensive to be forced into the traditional consumer-friendly “bundle.” We'd like a way of segregating those few exceptionally expensive channels out, allowing consumers to buy those individually. I wrote a series of columns suggesting how back in 2002.

It hasn't happened because programmers have sufficient leverage to stop it from happening. They also force an uneconomic bundle by tying their products together and telling the operator there is no realistic way to separate them. McCain knows all this, yet his newest foray into a la carte says nothing about wholesale pricing. It only says programmers would have to offer their programs separately at the wholesale level. Well, most of them (ask ESPN or Viacom) will tell you they already do! But the wholesale price differential is so great, that's meaningless. McCain knows that, too.

So his idea now is to force “voluntary” a la carte by threat-

ening to remove the “benefits” that cable allegedly got from the government in the form of the compulsory copyright license to carry broadcast stations, and retransmission consent rules, too! History 101, John: those weren't “benefits” the cable industry sought. Let's remember that prior to the adoption by Congress of the 1976 Copyright Act, cable operators didn't have to pay copyright fees at all for the carriage of broadcast signals! Think Aereo. Lots of us fought to keep it that way, but Congress chose to impose fees for the delivery of “Free TV.” Congress also supported and then imposed both “must carry” and “retransmission consent” mandates on cable. So far from cable seeking “benefits” that are now the subject of McCain's ire, in fact it's Congress that did the deed that's part of the ongoing problem of giving leverage to the broadcasters and programmers resulting in escalating sports rights fees and increased costs for consumers. As Pogo once said, “...we have met the enemy, and he is us!” Don't just blame the cable industry for this mess. The FCC and Congress helped create it.

By the way, there's a certain irony to the fact that “public interest” groups are now supporting the McCain effort to force a la carte, which just about every known economic study suggests would hurt the average consumer if imposed across-the-board the way McCain proposes. The fastest growing segment of programming costs, spurred by sports costs, is “Free TV” broadcaster “retransmission consent.” In 1992, Consumer's Union was the main “public interest” lobbying force pushing both “retransmission consent” and “must carry”—making folks pay for broadcast channels they didn't necessarily want! Why should we consider those folks “experts” again now, with their newest solution? Just a little history lesson.

Steve

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

CableFAX

PROGRAM AWARDS

From the most outstanding cable programs to the best surprise ending, the annual CableFAX Program Awards honor the best in cable programming, content and people. This unique awards program from the industry's most trusted brand, CableFAX, raises the bar on what's good on and about cable. Now's your chance to win a CableFAX Program Award and get recognized for bringing value to your viewers.

It's simple to compete, as your content and people speak for themselves. But you have to enter to be considered, so don't let your competitors steal the show. We'll be honoring the winners and honorable mentions in September.

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