

CableFAX Daily™

Thursday — May 17, 2012

What the Industry Reads First

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Hill Day: House, Senate Committees Drill FCC, NTIA & RUS

Wed was our 1st chance to see all 5 **FCC** commissioners together, but newbies *Jessica Rosenworcel* and *Ajit Pai* didn't have much to say at the **Sen Commerce** FCC Oversight hearing. FCC chmn *Julius Genachowski* did most of the talking, with Senators' questions touching on everything from incentive auctions and spectrum (surprisingly, we didn't hear a single **LightSquared** question) to net neutrality. Even **News Corp** was on the agenda with Sen *Frank Lautenberg* (D-NJ) asking why the Commission hasn't announced plans to investigate whether the company is "fit" to hold broadcast licenses in the US in light of the hacking scandal in the UK. Genachowski told the senator that the FCC doesn't comment on the status of investigations and that News shouldn't be prejudged on licensing matters. Pai's response: "I will study the record carefully and support appropriate action." Rosenworcel said the Commission should monitor the situation, noting that the Comm act does talk about character requirements for licensees. (See, we told you they didn't say much). Also noteworthy during the hearing were the opening remarks from Sen *Jim DeMint* (R-SC), seeing as he's in line to potentially become chair or ranking Republican on the committee next year. "Our job is to make sure that the market works," he said, complaining that lawmakers sometimes forget that these are private companies and that the gov't's job is to "regulate" not "manage" them. Calling the marketplace dynamic, he said he believes there is "a growing case for lighter and lighter regulation." That brings us to net neutrality, which DeMint suggested is legislation for solving problems that aren't there. A different vein of questioning came from net neutrality champion Sen *John Kerry* (D-MA), who asked if Congress should codify the FCC's open Internet rules if they are overturned in the courts. Genachowski said yes, while his Republican colleague *Robert McDowell* said he thought it would complicate matters. -- Earlier in the day, House Republicans fired some tough questions at **NTIA** head *Larry Strickling* and **RUS** chief *Jonathan Adelstein* on broadband loans and grants during a House Communications subcmte hearing. A \$126mln grant to WV was repeatedly hammered, following reports that the state used \$24mln to buy more than 1K routers 2 years ago that are built to serve at least 500 computers, but are instead serving institutions with fewer than a dozen computers. Based on **NTIA's** review, the state has made



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justified economic decisions, Strickling told lawmakers. “As much as you try, you can’t defend what’s going on in WV,” said Rep *John Shimkus* (R-IL). As always, the issue of funding overbuilds came up. “Overbuilding has been a perennial concern when government gets involved,” said chmn *Greg Walden* (R-OR). Adelstein said the agency is careful about awarding money in places where competition exists, but said there sometimes is overlap because otherwise it wouldn’t be financially feasible to build out to unserved areas. “There is an issue about even though you build it, whether they will come. And can they afford it,” he said, calling for better planning with incumbents in a community. It’s clear that govt broadband funding will stay in the spotlight for some time.

In the Courts: The headline Wed was that **Time Warner Cable** and **Viacom** buried the hatchet in their in-home streaming app dispute, but a lower profile disagreement between the 2 also was resolved. TWC had filed suit in a TX state court, complaining that CMT isn’t country enough and is thus violating the content clause of the carriage agreement. That spat was resolved with TWC agreeing to continue to carry CMT. As for the TWC TV in-home streaming app for tablets and other devices, Viacom programming will be available again and the 2 have agreed to resolve lawsuits filed by both in Apr ’11. Following challenges from the programmer, TWC dropped Viacom channels shortly after debuting the service in Mar ’11. Viacom nets, including **MTV**, **Comedy Central** and **Nick**, will be added over the next several weeks. Some channels that weren’t offered when the service launched are also coming (**MTV Hits**, **MTV Jams** and **Centric**). Subs in some markets, including NYC, will gain access to **TV Land HD** and **BET HD**. As for the legal wrangling, neither side is conceding its original legal position, the 2 said. “In reaching the settlement agreement, Time Warner Cable and Viacom were also able to resolve other unrelated business matters to their mutual satisfaction,” they said.

Skype Me: Comcast launched its promised **Skype** on Xfinity HD video calling service in Boston and Seattle. It’s \$9.95/month for qualifying triple-play customers. Before the end of the week, it’ll be available in Atlanta, Augusta, GA, Chicago, Detroit, Harrisburg, PA, Indianapolis, Miami and Pittsburgh. The service allows customers to make and receive calls from their TV in HD quality, as well as send and receive instant messages via Skype while watching TV at the same time. Comcast will provide Skype Xfinity users with an all-in-one kit that includes a remote control with a keyboard on it, a video camera and adaptor box. The other party doesn’t need anything except their Skype account.

Competition: New agreements with satellite broadband providers **ViaSat** and **Hughes** will allow **DirectTV** subs to bundle video and HSD services no matter where they live. More details on special offers and marketing plans will be made closer to the launch of the bundles later this year.

Most Improved: Best to mention the elephant in the room—especially if it’s the very same room. In a nod to the embarrassing technical snafus that took place at last year’s Upfront presentation in the Hammerstein Ballroom, **Turner Ent Nets** pres *Steve Koonin* appeared on stage wheeling a squeaky, outdated contraption he called the “crash cart for the upfront”—an overhead projector combined with a cardiac defibrillator, for when things really fall apart. The message: we’ve learned from our mistakes. Koonin announced the nets’ strategy to transform **TBS** and **TNT** into “branded video destinations,” available anytime, anywhere. Additionally, the nets are accelerating original programming to year-round. Koonin also announced a partnership between TBS, **Adult Swim** and *Will Ferrell’s* comedy Website **Funny or Die**. Turner is taking a minority equity stake in the site, and the company’s digital sales team will be the site’s exclusive seller of ad opportunities. *Michael Wright*, pres, head of programming, TNT, TBS & **TCM**, announced TNT is moving into unscripted territory with reality-competition show “The Great Escape,” “Boston Blue” (wt) and “72 Hours” (wt). He insisted the shows’ characters will be equally complex to remain appealing to fans already coming to the network while touting “new forms, new genres... we’re reaching out to new audiences.” TBS darling *Conan O’Brien* appeared, and took shots at his bosses left and right (“I need a new network—fast,” he joked). Ad sales evp *Frank Sgrizzi* told advertisers Turner is “investing big in R&D,” because it’s the key to figuring out “what works and what doesn’t,” citing the Jan ’12 launch of the Time Warner Medialab as proof of their commitment to integrations moving “from TV screen to every screen.” *Donna Speciale*, pres, Turner Ent & Animation Sales, closed out the presentation with a promise of additional collaboration between all Turner divisions—one that’s “holistic and seamless”—and “more scalable” programs.

TV Everywhere: Time Warner Cable launched TV Everywhere access to movie service **Vutopia**, which is available at no additional cost to its MoviePass customers.

Technology: Avail-TVN will support the delivery of **NBC Olympics** VOD content to distribution partners. In participating systems, subscribers will be able to access Olympic highlights and full-event replays on demand just hours after it occurs live from London. Avail-TVN will also provide authentication services to select operators to enable access for content available on **NBCOlympics.com**.

Customer Care: **CSG** predicts that customer preferences and needs will change more in the next 5 years than in the past 20 combined. Therefore, it has introduced the “Customer Communication Center,” a central hub to automate personalized communication to customers through their channel of preference (voice, text and email). This solution aims to deliver an intelligent integration that links events such as delivering a bill, promotional offers, customer care communications, network utilization and other functions with the preferred way to communicate that event based on customer preferences.

Programming: **Sundance Channel** greenlit docu series “Get to Work” and slated it for an Aug premiere. The series is about a hardcore, back-to-work boot camp in San Diego. -- **Turner** revealed at its upfront that **TBS** is developing comedy programs for 2 types of comedy lovers: those who like comedy that reminds them of their own lives (“relatables”) and those who prefer the provocative (“rebels”). “Big Bang Theory” will lead in the former, while “Family Guy” will be the tentpole for the latter group. TBS will premiere 2 “relatables” sitcoms this summer, “Men at Work” (5/24) and “Sullivan & Son” (July 19). In Dec, it will launch new series “Wedding Band,” and “Cougar Town,” recently picked up from **ABC**, will premiere early '13. The rebellious lot at TBS will get the competition show “King of the Nerds,” (wt) and “Deon Cole’s Black Box” and “Who Gets the Last Laugh?” (wt) in 2013. **TNT** is launching 9 originals this summer, the most in network history. Along with 3 new unscripted series, the net will premiere scripted series “Dallas” (June 13), “Perception” (July 9), “Major Crimes” (Aug 14) and “Monday Mornings” (early '13). TNT also has 7 scripted and 4 unscripted series in development. TBS has 3 scripted series in development and 2 unscripted.

Digital Hot List: As we get ready for **CableFAX’s** May 21 breakfast event in Boston, we asked our Digital Hot Listers to chime in on everything from TV Everywhere to flying cars in the questionnaire we sent to them before the event. Here are some thoughts from a few of the more than 30 Digital Hot Listers who will be joining us Mon. The execs featured below are among guest presenters who will help us unveil awards... **Jennifer Kavanagh, svp, digital at Oxygen Media: What’s cable’s biggest opportunity in the next year?** With audiences being more socially connected than ever before, it’s our view that the “show” never has to end. With the proliferation of Social TV, Transmedia and screens in general, we have more touchpoints than ever before to richly entertain before, during and after seasons of shows’ traditional airdates. **Mike Biard, evp, distribution, Fox Networks: Without social media, the world would be just a little bit...** Less weird. There’s a reason high school reunions are only every 10 years... **Yvette Kanouff, evp, engineering/software design, Cablevision Systems: What digital strategy mistake must cable avoid at all costs?** We can never forget customer satisfaction and service as we launch all of our new digital toolkits. **Jennifer Robertson, svp, digital media and business development, WE tv: What digital strategy mistake must cable avoid at all costs?** It’s crucial to embrace change to succeed in the digital world. Growth stems from watching trends, anticipating consumer preferences and adapting to industry changes. Clinging to historic models and methods often results in being left behind. **Matthew Hong, svp/gm, sports operations, Turner Sports: The biggest challenge with TV Everywhere/authentication is...** The biggest challenge, and the biggest opportunity, is increasing consumer awareness. That’s why using tent-pole events like March Madness to grow such awareness is important. Additional programmers continue to come on board as well, and the increased volume of content made available via TVE will also speed adoption rates. [For info on the May 21 breakfast: http://www.cablefax.com/cfp/events/bow2012/digit_hot_list.html]

White Paper Alert: Looking to make billing easier? Download the free 2012 *Payment Technology Handbook* white paper here: <http://www.cablefax.com/cfp/paymenttechnology.html>.

Customer Satisfaction: The annual **American Customer Satisfaction Index** scores are out, and only newspapers and airlines ranked less satisfying than subscription TV among the 47 industries studied. **Verizon FiOS** led the TV category, climbing 3% from last year to 74 on a 100-point scale. **DISH** rose 3% to 69 for 2nd place, while **AT&T U-Verse** was flat at 68 and **DirecTV** slipped 1% to 68. **Cox**, which led the cable operators last

BUSINESS & FINANCE

year, fell 6% to 63. **Time Warner Cable** surged 7% to tie with **Cox**. **Comcast** gained 3% to hit 61, and **Charter** was unchanged at 59. Other interesting bits: for the 1st time, fixed-line phone didn't beat wireless in customer satisfaction (the 2 are tied at 70).

People: *Bonnie O'Donnell* and *Jody Vogelaar* were upped to vp, distribution marketing for **Fox Networks**. They are splitting the responsibilities of the post recently vacated by *Sol Doten*, who has become vp, comm for Fox Networks. -- *Marc Johnson* was named vp, digital media for **Ovation**. -- *Juan Carlos Rodriguez* was named pres, **Univision Deportes**.

Editor's Note: Yes, the Cable Show is calling, but don't forget about some upcoming deadlines, including June 1 to get in your nominations for the Most Influential Minorities in Cable (More info: <http://www.cable360.net/cablefaxmag/2012topminorities.html>) and our annual Program Awards (More info: <http://www.cablefax.com/cfp/events/program2012/>). We're also accepting nominations for the Top Places to Work in Cable, with a deadline of June 8. More info: <http://www.cable360.net/cablefaxmag/2012top10workplaces.html>. Don't miss out on the chance to get some worthy recognition of your shows, people and company.

CableFAX Daily Stockwatch

Company	05/16 Close	1-Day Ch	Company	05/16 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	46.87	(0.11)	CLEARWIRE:	1.14	(0.05)
DISH:	30.03	(0.14)	CONCURRENT:	3.55	0.03
DISNEY:	45.08	0.07	CONVERGYS:	13.28	(0.02)
GE:	19.00	0.60	CSG SYSTEMS:	16.83	UNCH
NEWS CORP:	19.99	(0.18)	ECHOSTAR:	28.13	0.09
MSOS					
CABLEVISION:	11.47	(0.49)	GOOGLE:	628.93	17.82
CHARTER:	65.30	(0.19)	HARMONIC:	4.26	(0.06)
COMCAST:	28.85	UNCH	INTEL:	26.50	(0.39)
COMCAST SPCL:	28.45	(0.01)	JDSU:	10.30	(0.25)
GCI:	6.87	(0.11)	LEVEL 3:	22.92	(1.09)
KNOLOGY:	19.51	0.01	MICROSOFT:	29.90	(0.31)
LIBERTY GLOBAL:	50.22	0.66	MOTOROLA MOBILITY:	39.35	(0.04)
LIBERTY INT:	17.89	(0.17)	RENTRAK:	16.19	0.19
SHAW COMM:	18.82	(0.14)	SEACHANGE:	7.97	(0.13)
TIME WARNER CABLE:	76.35	0.02	SONY:	13.76	(0.15)
VIRGIN MEDIA:	22.30	0.30	SPRINT NEXTEL:	2.40	(0.07)
WASH POST:	342.00	7.25	THOMAS & BETTS:	71.99	0.02
PROGRAMMING					
AMC NETWORKS:	42.18	(0.25)	TIVO:	9.58	(0.26)
CBS:	31.78	(0.19)	UNIVERSAL ELEC:	14.61	(0.15)
CROWN:	1.50	UNCH	VONAGE:	1.70	UNCH
DISCOVERY:	51.19	0.36	YAHOO:	15.28	(0.12)
GRUPO TELEVISA:	19.77	(0.16)	TELCOS		
HSN:	37.70	0.76	AT&T:	33.19	(0.16)
INTERACTIVE CORP:	47.48	(0.48)	VERIZON:	40.88	(0.17)
LIONSGATE:	12.28	0.49	MARKET INDICES		
LODGENET:	1.66	(0.05)	DOW:	12598.55	(33.45)
NEW FRONTIER:	1.53	(0.02)	NASDAQ:	2874.04	(19.72)
OUTDOOR:	6.86	(0.14)	S&P 500:	1324.80	(5.86)
SCRIPPS INT:	52.99	(0.39)			
TIME WARNER:	35.27	(0.01)			
VALUEVISION:	1.56	0.02			
VIACOM:	51.79	0.80			
WWE:	8.66	(0.1)			
TECHNOLOGY					
ADDVANTAGE:	2.25	UNCH			
ALCATEL LUCENT:	1.45	0.01			
AMDOCS:	29.81	(0.19)			
AMPHENOL:	52.69	(0.49)			
AOL:	26.76	(0.35)			
APPLE:	546.08	(7.09)			
ARRIS GROUP:	12.25	(0.12)			
AVID TECH:	7.05	(0.17)			
BLNDER TONGUE:	0.98	(0.07)			
BROADCOM:	32.18	(0.96)			
CISCO:	16.69	0.15			



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Think about that for a minute...

Exclusivity

Commentary by Steve Effros

Jessica Rosenworcel and Ajit Pai have just joined a very exclusive club. They were both just sworn in as the newest Commissioners at the FCC. Congratulations, and condolences. Congratulations because it's an important and significant job. Condolences because they are now going to be part of a select group of five who will take the first shot at trying to unravel an increasingly impossible set of rules and laws that simply can't keep up with technical and business reality.



It's hard to miss all the strange things going on right now in "the business"... however you want to define that. We have "cable" companies buying broadcast networks, the government encouraging television stations to sell their spectrum, the wireless industry trying

to deal with usage loads that exceed 100% increases a year, and new players trying to either get in under the definition of "Multichannel Video Programming Distributor" or trying to evade that definition depending on how the regulations affect them.

I'll be writing a whole lot more about that in upcoming columns, since I think it's likely to be the primary issue we have to deal with in the next few years: how do we define what it is we do, and is there really a need to heavily regulate it any more. Alternatively, is competition, which everyone now agrees is fierce, sufficient to deal with whatever "issues" are identified? All of this, of course, must also be looked at through the lens of anti-trust law, which is the ultimate back-up.

Let's start by taking one example; exclusivity. Is it good or bad? Given that we now have multiple ways to deliver video to the home, for instance, isn't it now going to become more likely that different players start writing exclusive deals for programs to differentiate themselves?

Apple, after all, is doing that now with some of the programs and games it offers. The broadcast networks have always had "exclusive" product. If you want to see "Game of Thrones" you have to have HBO. The NFL "Sunday Ticket"? Only on DirecTV. There's now exclusive product being developed by Netflix. But current rules prohibit some cable operators from making their programming exclusive. There has to be "program access."

Well, that may have made sense when there was little or no competition, but it doesn't make sense any more. What about information exclusivity? That includes the whole question of whether Google is not being "neutral" regarding the search results it supplies. There was just a story about Apple's Siri service changing its answer when its normal search engine started reporting that a Nokia phone was the "best phone!" Should that be allowed? Different answers based on competitive considerations? Good or bad? Now that there's a whole lot of competition in the delivery of both data and video programming, isn't it to be expected that the companies doing that delivery are going to seek other ways to differentiate themselves, and that will include differentiated and exclusive product? So long as consumers are informed of the differences, shouldn't they have the right to choose?

Those are the type of questions that the FCC's newest Commissioners are going to be faced with. The reality is that in many cases they will just be taking the "first shot" at those issues... the likelihood is Congress will ultimately have to get involved. So this is going to be a long process, and one that will challenge us all as we wrestle with technology and business models that change before they can even be defined.

Steve

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