

CableFAX Daily™

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What the Industry Reads First

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Conference Speak: Rutledge Says It's All About Execution for Charter

When *Tom Rutledge* joined **Charter** as its new CEO in Feb, there was a notion that he would drive penetration and whip the company into **Cablevision**-like shape. During an investor conference Wed, it sounded like he was trying to temper Charter-Cablevision comparisons. "The opportunity to grow in the marketplace is significant if we're able to execute. What worries me is the ability to execute," he said, adding that he needs to "reverse the culture" of the organization since it has been so focused on making debt covenants to get it to be a revenue-focused, growth-oriented business. "I'm confident we'll do it and be successful at it, but it's a lot of work." Rutledge noted that Cablevision spent years developing its market share strategy and invested appropriately to make it happen. "I can't say that 5 years from now Charter will look like my predecessor company looked 5 years ago. I don't expect that at all. But I do think the fundamental network will look very similar," he said. "I think certain things from a technological perspective will be very different. I think CPE will be less expensive going forward... It ought to be able to grow incrementally from a revenue dollar at a lower capital dollar cost per revenue dollar going forward than what we've realized in the past in this industry because of the changing nature of IP." Bottom line: Charter's penetration and cash flow per home passed is the lowest among its peers, so the question of growth is "when." Rutledge was very upbeat on Charter's infrastructure, particularly its call centers. "The issues are how you project marketing into an area where you have had reputational issues and how do you project marketing in marketplaces where you're not a substantial part of the DMA," said the Charter chief. Part of Cablevision's marketing strategy was the launch of the "Optimum" brand. **Comcast** followed suit with "Xfinity." Will Charter go that same route? It's not clear yet. "I'm not sure it needs to be done. It certainly is an opportunity, and I think Cablevision did it very successfully and Comcast is doing it very successfully," Rutledge said. "It's something we need to consider. But I can't tell you yet that we want to do that or that the cost of doing it is worth it or that there isn't other low-hanging fruit that is more opportunistic from a marketing perspective." So, what does Rutledge think about the topic du jour—programmers licensing content to online video providers such as **Netflix**? "I think some companies have went right up to the edge and a little over... I think **Starz** would say they did and have changed their strategy as a result of that... But there are others who have pushed the envelope and have to think about what they're doing." Earlier in the day, **Disney's Bob Iger** tackled the issue, indicating



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Who are cable's most powerful women executives? Help us decide by nominating the executives you think should be included in our annual list of the Most Powerful Women in Cable. We will rank the most powerful women in the November 2012 issue of *CableFAX: The Magazine*. Nominations are open to all cable operators, programmers, vendors and trade associations. www.cablefax.com/powerfulwomen



Nomination Deadline: Friday, June 22, 2012

Submit your colleagues, your boss or even yourself for consideration for the CableFAX 100! This annual cable industry power list will appear in the December edition of *CableFAX: The Magazine*. www.cablefax.com/cablefax100

Please Contact Shannon Nelligan, Senior Marketing Manager,
SNelligan@accessintel.com with any questions.

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that Disney is likely to continue licensing product to **Netflix**. However, he noted that the company's windowing strategy has morphed from "super aggressive to slightly less aggressive," with more windowing of out-of-season programs. Meanwhile, Disney is gearing up to launch a **WatchESPN**-like TVE app for Disney Channel with **Comcast** as soon as next week. An **ABC Family** app is expected to follow shortly. More from Iger in our Conference Notebook below.

CableLabs CEO: *Phil McKinney* was tapped as the next pres/CEO of **CableLabs**. He writes a regular column in *Forbes* called "The Objective," hosts the "Killer Innovations" podcast and has nearly 8K followers on **Twitter**. McKinney is the former vp and CTO for **Hewlett-Packard's** Personal Systems Group. "Phil's expertise in innovation and consumer technologies will ensure that CableLabs stays ahead of the technology curve and fuels cable's continued growth with innovation," said CableLabs chmn and **Time Warner Cable** CEO *Glenn Britt*. McKinney replaces *Paul Liao*, who announced in Oct he would not renew his contract, which was set to expire in Dec. McKinney starts the job Fri.

Deals: **Atlantic Broadband** is reportedly exploring a sale and could be worth about \$1.4bln, *Bloomberg* reported, citing unnamed sources. While the article talked about private equity firms as possible buyers, it would seem like **Comcast** would be a perfect fit. Atlantic operates all around Comcast's footprint, with systems in Miami Beach, Western PA and parts of MD. Bloomberg said 1st-round bids were reportedly due last week, so stay tuned.

Conference Notebook: **Disney** chmn/CEO *Bob Iger* defended the rising cost of **ESPN** and other programming during **Sanford Bernstein's** investor conference Wed, telling the crowd that it's unfair to talk about price without looking at the value. While there is a lot of talk that cable bills are outpacing the rate of inflation, he would argue that the money invested in programming has probably outpaced the rate of inflation as well. "For ESPN, and the same is true for **Disney Channel** and **ABC Family**, we have invested aggressively to increase the quality of the programming we're putting on and the results speak for themselves," he said. "They're more in demand by distributors; they're more in demand by advertisers and they're more in demand by subscribers." He also called it "odd" that distributors complain about the cost more than selling the value of the product to consumers. At the same time, Iger said the company is "not trying to kill the golden goose" and is mindful of not pricing itself out of the marketplace. -- **ABC** hasn't joined **Fox**, **NBC** and **CBS** in suing over **DISH's** ad-skipping Hopper service (yet?), but Iger made it clear he's not a fan. "I believe what they're doing is harmful both to our business and theirs," he said. "It feels like a bite-the-hand-that-feeds-you approach."

Retrans: Former **Insight** subs are part of the latest retrans squabble. **Block Comm** is warning that **Time Warner Cable** (formerly **Insight**) could lose Louisville **Fox** affil **WDRB** and **My Network TV** affil **WMYO** if a deal isn't reached by Thurs' deadline. "There is a fair chance that both stations will be removed by Time Warner from the local lineup," warned the broadcaster. Block is no stranger to retrans payments as it owns OH-based **Buckeye Cablevision**. "We're still hopeful that we'll reach an agreement without disruption of service," TWC said Wed.

On the Hill: The House approved **FCC** reform legislation that reduces the FCC's non-essential Congressional reporting requirements. Sponsored by Rep *Steve Scalise* (R-LA), the bill is intended to cut down on the number of reports the FCC submits to Congress. **NCTA** applauded the passage.

Competition: Next month, **Verizon** will more than double the speeds of several of its **FiOS** Internet tiers and introduce 2 new, faster tiers. In June, FiOS will offer a new 300Mbps download/65Mbps upload service as well as a 75Mbps/35Mbps tier as well as speeds of 50/25 and 150/65. Pricing for the new portfolio will be announced next month. Existing subs can opt to upgrade to the new speeds. Verizon will keep its entry level service at 15Mbps/5Mbps.

Ratings: The miniseries is alive and well at **History**. Night 2 of "Hatfields & McCoys" held on to much of the premiere's audience, notching 13.1mln total viewers. History is on a serious streak, with the only non-sports programming in last week's top 7 rankings belonging to History's "Pawn Stars" (#6 and #7). **NBA** playoffs on **TNT** and **ESPN** dominated spots 1-5. History also had the 8th most-watched show "American Pickers" and the 12th ("Swamp People"). Meanwhile, **NBA** helped **TNT** to the #1 basic cable spot for the month of May in prime delivery of viewers and all key adult demos. The May 21 matchup between the Lakers and Oklahoma City Thunder led the way with more than 8.1mln viewers, followed by the May 27 Oklahoma City Thunder/San Antonio Spurs contest with 7.8 million viewers. **Brag Book:** **ID** is also on a hot streak, posting delivery increases for the month of May that ranged from 22-43% in primetime demos. It cracked the top 10 on total programming day ratings (tied for 9th with 7 other nets, including **ESPN** and **TBS**).

BUSINESS & FINANCE

P2+ delivery climbed 22% to 590K in prime, while 18-49 prime delivery rose 43% to 253K.

TV Everywhere: RCN will use the**P-platform's** cloud-based video publishing system for the backend of RCN's forthcoming TV Everywhere portal across devices. **TiVo** will manage the user interface for consumers. The experience will include a single sign on, embedded playback, and integration with DVR features where a TiVo DVR is present including remote scheduling and set-top box management. RCN plans to initially offer thousands of free on-demand titles.

Programming: **Weather** ordered a full season of "Iron Men." It 1st appeared as part of "Braving the Elements," but will now be a stand-alone series moving to its own timeslot on Aug 30, 9pm ET. -- Hey, premium nets still do care about movies. **Showtime** touted Wed that it's the home of the world TV debut of "The Help" (debuts June 24, 10pm).

People: *Curtis Lelash* was upped to vp, comedy animated for **Cartoon**. -- More exits at the **FCC**, with *Rick Kaplan* stepping down as chief of the Wireless Bureau in mid-June. He'll be replaced by *Ruth Milkman*, currently special counsel for the chmn for innovation in govt. She will continue her engagement in the implementation of incentive auctions. -- **Style** named *Alicia Muntzner* as vp, ad sales.

CableFAX Daily Stockwatch

| Company | 05/30 Close | 1-Day Ch | Company | 05/30 Close | 1-Day Ch |
|------------------------------|-------------|----------|---|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | CLEARWIRE: 1.20 0.02 | | |
| DIRECTV: | 45.74 | (0.66) | CONCURRENT: | 4.00 | 0.15 |
| DISH: | 28.47 | (0.51) | CONVERGYS: | 14.07 | (0.13) |
| DISNEY: | 45.20 | (0.28) | CSG SYSTEMS: | 16.64 | (0.16) |
| GE: | 19.04 | (0.31) | ECHOSTAR: | 27.82 | (0.07) |
| NEWS CORP: | 19.59 | (0.31) | GOOGLE: | 588.23 | (6.11) |
| MSOS | | | HARMONIC: | 4.29 | (0.1) |
| CABLEVISION: | 11.43 | (0.37) | INTEL: | 26.13 | 0.04 |
| CHARTER: | 63.19 | (1.44) | JDSU: | 10.00 | (0.17) |
| COMCAST: | 28.95 | (0.27) | LEVEL 3: | 21.48 | (0.86) |
| COMCAST SPCL: | 28.74 | (0.21) | MICROSOFT: | 29.34 | (0.22) |
| GCI: | 6.28 | (0.05) | RENTRAK: | 16.21 | (0.18) |
| KNOWLOGY: | 19.56 | (0.06) | SEACHANGE: | 8.00 | (0.06) |
| LIBERTY GLOBAL: | 46.48 | (1.06) | SONY: | 13.03 | (0.52) |
| LIBERTY INT: | 16.95 | (0.41) | SPRINT NEXTEL: | 2.58 | (0.09) |
| SHAW COMM: | 19.00 | (0.12) | TIVO: | 8.96 | (0.28) |
| TIME WARNER CABLE: | 75.83 | (0.88) | UNIVERSAL ELEC: | 13.02 | (0.2) |
| VIRGIN MEDIA: | 22.49 | (0.34) | VONAGE: | 1.79 | 0.01 |
| WASH POST: | 349.00 | (1.76) | YAHOO: | 15.25 | (0.22) |
| PROGRAMMING | | | TELCOS | | |
| AMC NETWORKS: | 38.16 | (0.85) | AT&T: | 33.84 | (0.1) |
| CBS: | 31.54 | (0.82) | VERIZON: | 41.42 | (0.33) |
| CROWN: | 1.47 | (0.02) | MARKET INDICES | | |
| DISCOVERY: | 50.21 | (0.85) | DOW: | 12419.86 | (160.83) |
| GRUPO TELEVISA: | 19.25 | (0.62) | NASDAQ: | 2837.36 | (33.63) |
| HSN: | 39.14 | (0.53) | S&P 500: | 1313.32 | (19.1) |
| INTERACTIVE CORP: | 45.17 | (0.66) | | | |
| LIONSGATE: | 12.85 | (0.06) | | | |
| LODGENET: | 1.48 | (0.07) | | | |
| NEW FRONTIER: | 1.72 | 0.01 | | | |
| OUTDOOR: | 6.45 | (0.18) | | | |
| SCRIPPS INT: | 54.57 | (0.32) | | | |
| TIME WARNER: | 34.50 | (0.77) | | | |
| VALUEVISION: | 1.75 | (0.05) | | | |
| VIACOM: | 53.10 | 0.17 | | | |
| WWE: | 7.85 | (0.11) | | | |
| TECHNOLOGY | | | | | |
| ADVANTAGE: | 2.19 | 0.03 | | | |
| ALCATEL LUCENT: | 1.62 | (0.09) | | | |
| AMDOCS: | 28.88 | (0.46) | | | |
| AMPHENOL: | 53.27 | (0.8) | | | |
| AOL: | 27.18 | (0.27) | | | |
| APPLE: | 579.17 | 6.90 | | | |
| ARRIS GROUP: | 12.34 | (0.16) | | | |
| AVID TECH: | 7.09 | 0.18 | | | |
| BLNDER TONGUE: | 1.00 | (0.02) | | | |
| BROADCOM: | 32.19 | (0.6) | | | |
| CISCO: | 16.39 | (0.2) | | | |

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Reaching Cusp

Commentary by Steve Effros

How long does a business plan last? We're in the process of finding out regarding broadcast television, and the broadcasters know it. That's why their lawyers are running to various courts, almost weekly, as the current broadcast business plan is buffeted from every direction.

For a while it looked like their business plans, slightly modified, were saved by Congress when the "retransmission consent" rules were adopted in the early '90s. That legislative victory allowed the broadcasters, who had relied purely on an advertising model to pay for "free TV," to position themselves to get a form of subscription revenue as well. All they had to do was make sure they failed at what they were supposed to do; see that everyone in their "service area" could easily



get the "free (digital) over-the-air" television promised in exchange for free public spectrum. Folks who still couldn't get those signals turned to community antennas... cable. Retrans let the broadcasters charge cable subscribers to get supposedly "free" programming.

It's been working. Win by nonperformance! Some broadcasters are boasting huge increases in the millions they are charging cable subscribers to get "free TV." But it may not last long.

Whether it's the ivi, Aereo, or now the Dish case, the broadcasters are being technologically challenged, and I suspect it's now only a matter of time before one of the new technologies starts to significantly eat away at the advertising value of broadcast television. At least that's what they're saying in a suit against Dish for the new home device being offered to consumers that, with a few button pushes, records the entire primetime lineup of the networks. Then, with a few more pushes the next day, gives the option of skipping all the commercials. A significant seachange, and

one that can be emulated by anyone who wants to build a device or software for consumers to do it.

Television watchers have, of course, been doing ad-skipping for years. We have also been able to record a whole night's primetime programming. So none of this is really new, and anyone with knowledge of how to program "macros" on a good remote control can do it all with one button-push! Yet the broadcasters are in court screaming foul.

I wouldn't put too much money on them winning this one, just as I haven't put any on Aereo winning its retrans-avoiding gambit against the broadcasters. In the Dish case, there is already federal copyright legislation that specifically exempts from liability equipment or methods that delete portions of a recorded program done by the individual viewer. That seems to be what Dish's "Hopper" does. It just makes it easier to do than what we can do right now.

But with courts you can never tell. It's always true that any one of these cases could be decided in a strange way, like the broadcasters "winning" the Dish case and in essence reversing the old BetaMax decision that authorized VCRs, or, with Aereo, legalizing remote "mini-antennas." The result would be an immediate and massive push on Capitol Hill to "undo" whatever the Court did that changed consumer's current ways of watching TV. And Congress, after the SOPA/PIPA fiasco of being inundated by Internet outrage, is not likely to want to support old business plans, or additional "retrans" restrictions thereby hurting viewers, no matter how successful they have been in the past.

We're reaching cusp. Potentially rapid technical and legal changes are coming, like it or not. We should think them through and be prepared. The broadcasters haven't.

Steve

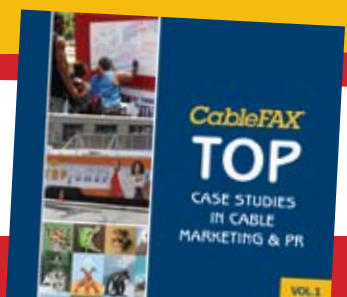
T:202-630-2099
steve@effros.com

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

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