

# CableFAX Daily™

Thursday — June 2, 2011

What the Industry Reads First

Volume 22 / No. 105

## Ho Hum: CEOs Not Optimistic About Retrans Overhaul

The FCC may have just got its 1st batch of comments on its retrans consent reform proposal, but it doesn't sound like the industry has high hopes for big change. "I think that the political problem is that this looks like a bunch of well-heeled companies fighting with each other," **Time Warner Cable** chief *Glenn Britt* said during a **Sanford Bernstein** investor conference Wed. "We're always hopeful. I don't think anything real is going to happen right now. **DirecTV** pres/CEO *Mike White* lacks confidence in the FCC taking any meaningful steps toward retrans reform, adding that the Commission's initial comments on the subject struck him as inadequate. "I'm not sure the current FCC is prepared to do what's necessary" to level the playing field, he said during the investor confab. He expressed particular concern with the dearth of pricing benchmarks in the retrans marketplace. Britt stressed that TWC's view is not that it should not pay, but that "we shouldn't have public fights about it." The main problem is that it's not a free market with broadcasters helped by govt regulations, he said. (P.S. For those following TWC's retrans consent deal with **LIN**, the 2 reached an agreement before Wed's deadline) One of the issues addressed at Wed's conference was whether pay TV is getting too expensive. Britt thinks that the answer is no for most people, but said there is a segment of the population that is concerning. "There is another group of people who are sort of...falling out of the middle class," he said, suggesting that the industry needs to come up with an offering targeting this group. "We're all better off if they buy something instead of nothing," said Britt. DirecTV's White said it's difficult to offer lower-scale packages given the high cost of programming, though he did note how approx 20% of the DBS op's 1Q churn resulted from customers deciding to live only with OTA programming, mainly due to economic issues. TWC has launched the economy "TV Essentials" package and is going to start rolling it out more broadly, but Britt said he doesn't believe it's the ultimate answer.

**iPad App: Viacom** on Tues filed its response to **Time Warner Cable's** request that a federal court rule it's within its rights under its carriage agreement to deliver Viacom programming over devices in customers' homes, including iPads. Viacom argues that the court lacks jurisdiction over TWC's complaint. The programmer believes the matter should be addressed in the lawsuit it filed against TWC. One of Viacom's arguments is that TWC only has the rights to distribute its programming through services covered under Sect 6 of the Communications Act. The iPad app doesn't jive with

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Sect 6 since it doesn't provide parental control/blocking or emergency alerts, Viacom said. The programmer also claims that TWC's actions can interfere (and already have) with its ability to license content to 3rd-party broadband providers and to successfully distribute programming on its own broadband delivery sites. At a **Sanford Bernstein** conference Wed, TWC CEO *Glenn Britt* reiterated the MSO's belief that it has the rights to distribute Viacom's programming in the home on a myriad of devices. "What we're doing with the iPad is cable TV," he said.

**Payday(s) Ahead:** While Wall St was largely holding its collective nose and ditching shares en masse Wed, investors seemed to smell an opportunity in **Liberty Starz** (+2.37%)—likely due to **Netflix** chief *Reed Hastings*'s intimation the company is prepared to pay up for Starz content. At the **D9** conference, Hastings said it "wouldn't be shocking" for the expected Starz deal renewal to tally \$200mln, compared to a reported \$30mln the 1st go around. Hastings is most covetous, however, of **HBO's** "The Wire," and yearns for access to prior seasons of HBO shows and more from **Showtime**. Alas, "the check's not big enough yet," he said, adding that NFLX excels with serialized content because of its on demand thrust. While maintaining that NFLX complements current seasons of TV shows, Hastings said the company's "biggest competitor over time will be TV Everywhere" and called **Comcast's** Xfinity iPad app a "nice piece of work."

**AT&T-Mobile:** **DISH** filed with the **FCC** a petition to deny the proposed merger, alleging the union would "harm consumers by gravely reducing competition in many sectors of the communications market, in part by raising barriers to entry for potential new competitors." Its own possible wireless broadband play would be endangered by approval of the transaction, said DISH, which would also allow AT&T to "dominate the video market" due to its increased power in wireless broadband. The **US Hispanic Chamber of Commerce**, meanwhile, endorsed the deal, citing opportunities to create economic dev and increase supplier diversity for minority-owned businesses. At the **Sanford Bernstein** conference, **AT&T** chmn/CEO *Randall Stephenson* said there haven't been any surprises in the approval process yet, and that he's "really encouraged by the broad support the transaction is receiving."

**OTT:** A multi-year agreement with **Miramax** allows **Hulu** to offer hundreds of movies including "Pulp Fiction" and "The English Patient" to **Hulu Plus** subs, as well as select films to the ad-supported Hulu service. -- **Roku** inked a deal to feature 3 "Angry Birds" video games from **Rovio** on its platform, marking the company's foray into casual games, and will also launch a Birds video channel featuring animated shorts.

**Advertising:** To enhance the value of VOD ads, **BlackArrow** boosted its advanced ad system to include dynamic mid-roll functionality and app programming interfaces that support integrated workflows with 3rd-party ad systems. Also, programmers will now be able to pitch a program asset once and leverage the same asset for static or dynamic VOD distribution.

**In the States:** **DISH** and **NagraStar** were awarded \$25mln in their piracy case against *Warren Scheibe*, **www.nFusionOnline.com** and Scheibe's distribution companies. -- **Comcast Business Services** teamed with **Ascent Data** to provide clients of both companies with access, through the MSO's fiber network, to Ascent's local data center for collocation, managed hosting, virtualization, and disaster recovery and business continuity solutions.

**May Ratings:** If **ABC's** Tues night receipt of the highest overnight rating (10.7) for a game 1 of the **NBA Finals** since '04 isn't enough to again prove the NBA's enjoying a renaissance, consider **TNT's** postseason hoops-stoked prime viewership data for May—including 3.6mln total viewers and more than 1mln 18-34s, marking the biggest month in cable history in both demos. The net crushed the competition with a 2.6/2.61mln, leaving also-rans **USA** (2.1/2.12mln), **Disney Channel** (1.7/1.73mln), **ESPN** (1.6/1.56mln) and **Fox News** (1.5/1.50mln) behind like the Bulls and Thunder. Moreover, on the strength of 5 games in the monthly telecast top 8, led by a Bulls-Heat matchup (7.4/7.44mln), TNT achieved YOY surges for May in prime HHs (+19%) and total viewers (+23%). Meanwhile, 3 eps of HBO's "Game of Thrones" led all telecasts in the month, averaging a 7.8/2.37mln. -- **Brag Book:** **Discovery Channel**, **truTV**, **Bravo**, **Disney Channel**, **ABC Family** and **Style Net** are among the nets that established historical May records for delivery among at least 1 key demo. -- Among the leaders in YOY May growth in prime total viewership: **Nat Geo Wild** (+133%), **Hallmark Movie Channel** (+86%), **Investigation Discovery** (+66%), **MLB Net** (+56%), **NFL Net** (+53%) and **BBC America** (+44%). **MTV** (+31%) and **History** (+28%) led the large nets.

**Milestones:** Thurs marks 25 years of the US Senate on **C-SPAN2**. At its launch in '86, C-SPAN2 was available to 6.7mln HHs. Today, it can be seen in more than 89mln. 14 senators who were in the Senate in '86 are still serving

# BUSINESS & FINANCE

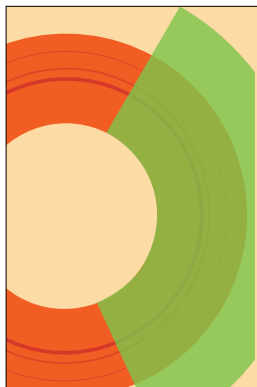
today, including **Sen Commerce** chmn *Jay Rockefeller* (D-WV) and **Sen Communications** subcmte chmn *John Kerry* (D-MA).

**Programming:** FX wasted little time in scooping up the basic cable rights to **Warner Bros'** "The Hangover 2," which earned approx \$137mln in its 1st 5 days of release. The net is expected to premiere the film in late '13. -- **Syfy** renewed "Ghost Hunters" for an 8th season. -- **A&E** formed with the **NY TV Festival** a program accepting original unscripted TV treatments from indie artists and prod firms, with 1 concept to be chosen for prod in partnership with the net. -- **BlueHighways** is transitioning its net to HD. As it makes the change, BHTV will maintain dual satellite locations until Sept. BlueHighways TV HD will be carried on AMC 18 Transponder 11 C and uplinked through **Encompass Digital Media**. -- **Comedy Central** and The NY Comedy Festival have signed a 3-year partnership extension.

**People:** *Beth Roberts* was elevated to COO, **Universal Cable Prod** and evp, business affairs, **NBCU Cable Ent and Cable Studios**, reporting to chmn *Bonnie Hammer*. -- **Turner Broadcasting** upped *Fabrizio Tapia* to svp, US network ops. -- **Syfy** named *Scott Vila* to the newly created post of vp, current programming, scripted. -- Turner vet *Patty Gillette* assumed the role as svp, **Cartoon Net/Adult Swim** ad sales.

## CableFAX Daily Stockwatch

Company	06/01 Close	1-Day Ch	Company	06/01 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	49.66	(0.6)	BLNDER TONGUE:	1.70	(0.06)
DISH:	29.53	(0.75)	BROADCOM:	35.11	(0.87)
DISNEY:	40.40	(1.23)	CISCO:	16.38	(0.42)
GE:	19.13	(0.51)	CLEARWIRE:	4.47	(0.13)
NEWS CORP:	18.22	(0.64)	CONCURRENT:	5.92	(0.29)
<b>MSOS</b>					
CABLEVISION:	34.59	(0.93)	CONVERGYS:	12.62	(0.16)
CHARTER:	56.70	0.21	CSG SYSTEMS:	18.78	(0.31)
COMCAST:	24.44	(0.8)	ECHOSTAR:	33.33	(0.36)
COMCAST SPCL:	22.99	(0.56)	GOOGLE:	525.60	(3.42)
GCI:	11.21	(1.14)	HARMONIC:	7.42	(0.37)
KNOLGY:	15.53	(0.08)	INTEL:	22.00	(0.51)
LIBERTY CAPITAL:	89.70	(1.44)	JDSU:	19.18	(1.01)
LIBERTY GLOBAL:	44.47	(0.58)	LEVEL 3:	2.20	(0.09)
LIBERTY INT:	17.93	(0.28)	MICROSOFT:	24.43	(0.58)
SHAW COMM:	20.73	(0.7)	RENTRAK:	19.85	(0.72)
TIME WARNER CABLE:	76.43	(0.79)	SEACHANGE:	10.93	(0.33)
VIRGIN MEDIA:	32.21	(0.41)	SONY:	26.50	(0.24)
WASH POST:	405.96	(4.63)	SPRINT NEXTEL:	5.83	(0.02)
<b>PROGRAMMING</b>					
CBS:	26.92	(1.03)	THOMAS & BETTS:	52.66	(2.09)
CROWN:	1.97	(0.07)	TIVO:	10.15	(0.19)
DISCOVERY:	42.71	(0.85)	UNIVERSAL ELEC:	24.64	(0.85)
GRUPO TELEVISIA:	23.02	(0.51)	VONAGE:	4.69	(0.08)
HSN:	34.69	(0.52)	YAHOO:	15.85	(0.7)
INTERACTIVE CORP:	36.91	0.13	<b>TELCOS</b>		
LIBERTY:	41.25	(0.77)	AT&T:	31.17	(0.39)
LIBERTY STARZ:	78.08	1.81	VERIZON:	36.27	(0.66)
LIONSGATE:	6.19	0.26	<b>MARKET INDICES</b>		
LODGENET:	3.47	(0.17)	DOW:	12290.14	(279.65)
NEW FRONTIER:	1.55	(0.01)	NASDAQ:	2769.19	(66.11)
OUTDOOR:	5.98	(0.12)	S&P 500:	1314.55	(30.65)
SCRIPPS INT:	48.42	(2.01)	<b>TECHNOLOGY</b>		
TIME WARNER:	35.35	(1.08)	ADDVANTAGE:	2.49	(0.15)
VALUEVISION:	7.12	(0.12)	ALCATEL LUCENT:	5.57	(0.1)
VIACOM:	59.52	(0.29)	AMDOCS:	30.12	(0.32)
WWE:	10.15	(0.25)	AMPHENOL:	53.16	(0.9)
<b>MARKET INDICES</b>					
			AOL:	20.56	(0.01)
			APPLE:	345.51	(2.32)
			ARRIS GROUP:	11.05	(0.24)
			AVID TECH:	16.80	(0.67)
			BIGBAND:	2.02	(0.08)



Which is the fastest growing segment of the multi-cultural nation?

- a) African-Americans
- b) Hispanics
- c) Asian-Americans

Answer: b) Hispanics

The Hispanic segment grew by 40% in the last 10 years to 50 million people. Hispanic households text more than any other race or ethnicity, and are more likely to have cell phones with Internet (55%) and video capabilities (40%).

To find out more about The New Digital American Family visit [Nielsenwire.com](http://Nielsenwire.com).



## Think about that for a minute...

### Priorities

Commentary by Steve Effros

Craig Moffett and the folks at Bernstein Research do an excellent job of keeping tabs on the economic reality of the telecommunications business. They have just published a new study, entitled "The Poverty Problem" which goes much farther. It focuses attention on the realities of the distribution of income in this country, and how that relates to the business plans we have all gotten used to assuming. It's sobering.



Bottom line: folks in the bottom two quintiles of this country are not likely prospects to fill out the ranks of those using large amounts of broadband or cable service, high-end cell phones or any other discretionary telecom. They can't. They don't have the money to do so.

Here's a sample of reality from the study: "There are 44 million Americans who now live below the poverty line. There are 50 million Americans on food stamps. Seventeen million Americans go to bed hungry each night. Forty-nine million Americans are considered "food insecure," meaning they do not know, with confidence, where their next meal will come from."

Put in the context of the business plans of the telecommunications industry this has to be grounds for serious re-thinking. As Moffett points out, these folks cannot be assumed to be part of an ever-expanding universe of customers for ever-more-costly services. That simply won't work. There is little surprise, he notes, that as we have reached the two-thirds penetration point in providing our services to a customer base, it's also getting more difficult to reach those who have yet to subscribe. There's a reason for that.

The math tells it all: "households in the top quintile account for fully 40% of smartphone owners, while the bottom quintile only accounts for 8.6%." Affordability, not in the way it's commonly debated in Washington, that is, an automatic

assumption that cable, or broadband, or wireless prices are too high and that is the driving factor in limited growth in poorer, or more rural unserved areas, but rather affordability of anything is the key driving factor.

Again, the numbers tell the tale: "...the bottom two quintiles subsisted on annual after-tax income of \$18,616 in 2009, down 3.2% from 2008. For these households, food alone consumes \$4,000 (21.7%) of their \$18,600 total. Housing consumes another \$9,500, (51.5%). After transportation and healthcare costs, these households are under water to the tune of \$1,000 per year. They have nothing left for clothing or debt service or debt retirement, not to mention money for cable TV or wireless phone service."

It's time that the FCC and Wall Street both appreciated that these numbers have major implications, and they have nothing to do with the narrow expectations of those two entities. Wall Street cannot expect telecommunications companies to continue to expand at break-neck rates. To "punish" those companies with lower stock prices because of the reality of current income distribution is foolish.

The FCC has to stop looking for more reasons why it should have more power and jurisdiction over telecom pricing and policies. Those 26 million people they cite as the reason broadband has not expanded "fast enough" are just a portion of the ones who have trouble finding enough money in this country to simply eat!

This is not to say we shouldn't all try to figure out more economical ways to serve these segments of our potential customer base. We should. But the priorities of government (and Wall Street) are badly screwed up if we don't all focus more on food, clothing and shelter than entertainment, tweeting and video chat.

*Steve*

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- Best Director
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- Children's
- Comedy
- Documentary
- Drama
- Education/Instructional
- Family Friendly
- Faith Based/Religious
- Fitness/Health
- Food
- Music
- News
- Public Affairs
- Reality/Game Show
- Sci Fi
- Sports

- Talk Shows
- Best Regional Program
- Other: enter your best in a genre not mentioned above

**By Genre: Best Actor/Actress/Host In The Following Genres**

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- Drama
- Family Friendly
- Food
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- News/Public Affairs
- Reality/Game Show
- Sports

- Talk Shows
- Best Regional Program
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- Tech Categories:**
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