

CableFAX Daily™

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What the Industry Reads First

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Retrans Rise: Panel Discusses Cons of Long-Term Deals, Noneconomic Terms

Broadcasters deserve their fair share of retrans fees was the unsurprising consensus of a broadcast-heavy panel at the **SNL Kagan TV and Radio Finance Summit** Tues. Broadcasters see on average 11% of their cash source from retrans fees, according to **Moody's** vp, sr analyst *Carl Salas*. By '17, he expects that average to be 20% of revenues for pure-play broadcasters. **Fisher Comm** evp, ops *Robert Dunlop* also predicted strong growth in retrans, saying there's "a lot of headroom for broadcasters to increase retrans consent revenue. When you start with zero, you have a long way to go." One word of caution he gave broadcasters when negotiating with MVPDs: watch the concession of noneconomic terms, which he sees more MVPDs seeking these days. He said broadcasters, in exchange for dollars today, have been quick to concede noneconomic terms like inventory, access to online content and rights to that content. **FCC Media Bureau** chief *Bill Lake* shied away from commentary on retrans, instead listing trends and posing questions. Lake has noticed a trend in longer-term deals for retransmission consent, and that despite all the talk about broadcasters being properly compensated, he wondered if longer-term and broader deals could "subordinate" retransmission consent. Whereas they started out as 3-year deals, some recent longer ones were in terms of 8 or 10 years, he said. "We're seeing some much broader deals," citing **Time Warner Cable/Disney's** pact, which included not only retrans but also multiplatform assets. Broadcast counsel *John Hane* of **Pillsbury Winthrop Shaw Pittman** seemed to second Lake's notion, calling cutting long-term deals with MVPDs "one of the biggest mistakes stations make." The big MVPDs have teams of full-time negotiators, with much greater visibility of the market, he said. "The MVPDs know more than the broadcasters do," he said. "You need to go in knowing what your number is, and have a rational metrics of determining what your number is based on your cost and margins you want to make. If you go beyond 1 or 2 years, add a risk premium." FCC's Lake also noted that despite the thousands of deals that are reached each year, "there are a few complaints of bad faith." Interestingly in previous years, all those complaints were made by pay TV providers. "This year, 2 of the 3 were received from broadcasters... What does that mean?" He also questioned what actually drives prices in these deals. "I wonder whether what drives prices is not ratings per se, but some part of the population that won't go to a TV provider that doesn't have X." And one of those X's is sports, he added. **ACA** will be happy to hear Lake also posed questions over whether shared service agreements give

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broadcasters bargaining power and impact retrans. Despite the questions, the panel's consensus was that fees will continue to rise and changes in retrans will be profound. As it "levels out," Hane said, "I think we'll begin to see broadcast nets seen as essential elements of programmer's distribution portfolio. As we normalize these rates, it will incentivize major programmers to put more quality programming on broadcast." -- You can't wrap a broadcast panel without touching on **Aereo**. Hane's take: "I think Congress will address it if the courts don't, but I think the courts will get it right."

Cable IPv6: Looks like major MSOs are ready for World IPv6 Launch Day Wed. **Time Warner Cable** is rolling the protocol out and expects broad deployment this year, a spokesman said. The best approach is "dual stack," which supports both Ipv4 and IPv6, he said. At least 1% of TWC high-speed data subs will reach IPv6 Websites by Wed, he said. Wide-band tier subs and Signature Home subs will automatically have IPv6 enabled when it's available in their area. Production service may not be immediately available in all areas because not all vendors have met TWC's standards. However **Cox**, which participated last year in World IPv6 Day, is not taking part this go-round, a spokesman said. The MSO is focusing on lab and field testing for now. Cox has configured its routing protocol, and its net backbone is fully IPv6-enabled, he said. The company already has deployed IPv6 to some biz customers. Cox hasn't announced any plans for broader deployments. Over 1/3 of **Comcast's** broadband net is IPv6-enabled, in areas served by **Arris** CMTSes. Deployment on all of Arris CMTSes will be completed in a few months, the MSO said in a blog post. Comcast will then progress to the **Cisco** CMTS platform, and will continue to work with cable modem and home router vendors to deploy IPv6-enabled firmware to more devices. At **Charter**, IPv6 is 1st being deployed with a select group of business class customers. "We've been preparing for this change for several years. Most customers will not need to take any action for IPv6, because Charter has planned to add IPv6 seamlessly to its network," said a Charter rep. "We've conducted an extensive campaign of testing that enabled us to identify and fix issues sooner rather than later and to get it right." Meanwhile, MSOs are hoping CE vendors, including home networking equipment vendors, can start to offer new equipment and firmware upgrades that ensure devices are IPv6 ready. According to a survey by DNS-based service provider **Nominum**, the majority of the 67 major ISPs worldwide already implemented or plan to implement IPv6. The survey included 67 top ISPs throughout North America, Japan, Europe and Latin America and have a combined total of 110mln households.

Last Frontier: **GCI** and **Alaska Communications Systems** have agreed to form **The Alaska Wireless Network**, which will hold and operate both companies' wireless facilities. It's meant to provide next-generation, statewide wireless service plans for GCI and Alaska Comm wireless customers. The 2 companies will continue to market and sell these plans independently to their respective retail customers. They will contribute their respective wireless assets, including spectrum licenses and backhaul facilities, to AWN. Under the agreement, GCI will purchase \$100mln of wireless assets from Alaska Comm and contribute them to AWN. GCI will own 2/3 of AWN and manage it, while Alaska Comm will own the remaining 1/3. GCI's current COO *Wilson Hughes* will serve as AWN's 1st pres/CEO. *Greg Chapados* is stepping into the COO role at GCI. During the first 4 years of AWN's operations, Alaska Comm will be eligible to receive preferential cash distributions totaling \$190mln. GCI will receive all remaining available cash distributions over the same period. Following the initial 4-year period, GCI and Alaska Communications will receive distributions proportional to their ownership interests in AWN. The deal is expected to close in 2Q13.

In the States: Cable companies in NJ would stop paying a tax designed to subsidize cable bills for low-income elderly and disabled people under state bill S1500. The state Senate Economic Growth Committee OKed the bill Tues. It now heads to Senate Budget & Appropriations Committee.

Ratings: Not surprisingly, **History's** red-hot "Hatfields & McCoys" mini beat out everyone on cable and broadcast last week. That easily gave History the #1 spot in the primetime cable race, with the net scoring a 4.1 HH rating and 4mln total viewers. The miniseries pulled 13.9mln, 13.1mln and 14.3mln total viewers each night. The closest broadcast could come was Tues' "America's Got Talent," which delivered 11.5mln for **NBC**. **NBA** playoff action couldn't bring **ESPN** and **TNT** close to the top of the heap, with the nets finishing 2nd (3.4/3.41mln) and 3rd (2.3/2.3mln), respectively, among cable in prime. Rounding out the top 5 were **USA** (1.9/1.84mln) and **Disney** (1.5mln/1.52ml). After Hatfields, the highest-ranking programs of the week belonged to the Boston-Miami series on ESPN. **Brag Book:** **Nat Geo's** "Wicked Tuna" finale Sun earned a P25-54 0.7, the highest-rated episode this season, up 37% from the series premiere average. Nearly 1mln viewers over age 2 tuned in. -- **The Hub** is cheering last week's premiere of new series "Care Bears: Welcome to Care-a-Lot," which

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- Food
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- Talk Shows
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BUSINESS & FINANCE

posted 108% YOY delivery gain among kids 6-11 (*1K) and a 284% increase among kids 2-11 (215K).

Chef Mickey: Disney got a lot of attention Tues for stepping up as the 1st media company to introduce standards for food advertising on programming targeting kids and families. It unveiled the news at an event with First Lady *Michelle Obama*. Under the new standards, all food and beverage products advertised or promoted on Disney properties geared toward younger children (including **Disney Channel, Disney XD**, etc) will be required to meet Disney's nutrition guidelines by '15. Aligned to federal standards, the guidelines promote fruit and veggie consumption, limit calories and reduce fat, sodium and sugar consumption.

Trade Winds: Join us in welcoming a new editor to **CableFAX**, *Joyce Wang*. She's based in our Rockville, MD, office and comes to us from *Communications Daily*. Reach out and say hello: jwang@accessintel.com or 301/354-1828.

Honors: HBO had the most Critics' Choice Television Awards nominations, tallying 12. It was followed by **AMC** and **FX** with 11 nominations each. **NBC** was the most nominated broadcast network. For a complete list of nominees, visit **CableFAX.com**.

People: Current named **NBCU** vet *Francis Kane* as svp, ad sales marketing.

CableFAX Daily Stockwatch

Company	06/05 Close	1-Day Ch	Company	06/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	44.23	(0.28)	CLEARWIRE:	1.19	UNCH
DISH:	27.09	0.24	CONCURRENT:	3.97	0.05
DISNEY:	44.84	0.43	CONVERGYS:	13.96	0.16
GE:	18.24	0.09	CSG SYSTEMS:	16.37	(0.02)
NEWS CORP:	18.83	0.02	ECHOSTAR:	26.91	0.53
MSOS					
CABLEVISION:	11.44	0.43	GOOGLE:	570.41	(8.18)
CHARTER:	63.51	2.23	HARMONIC:	4.33	0.15
COMCAST:	29.03	0.08	INTEL:	25.43	0.39
COMCAST SPCL:	28.59	0.03	JDSU:	9.75	0.30
GCI:	6.71	0.14	LEVEL 3:	20.10	0.38
KNOWLOGY:	19.52	0.07	MICROSOFT:	28.50	(0.04)
LIBERTY GLOBAL:	46.15	0.47	RENTRAK:	15.80	(0.29)
LIBERTY INT:	16.59	0.41	SEACHANGE:	8.18	0.16
SHAW COMM:	18.70	0.16	SONY:	13.20	0.41
TIME WARNER CABLE:	75.19	1.20	SPRINT NEXTEL:	2.53	(0.01)
VIRGIN MEDIA:	21.79	0.01	TIVO:	8.32	0.19
WASH POST:	351.24	(0.39)	UNIVERSAL ELEC:	11.99	0.07
PROGRAMMING					
AMC NETWORKS:	38.23	0.12	VONAGE:	1.77	0.07
CBS:	31.47	0.85	YAHOO:	15.10	0.09
CROWN:	1.52	(0.01)	TELCOS		
DISCOVERY:	49.02	0.52	AT&T:	34.06	(0.09)
GRUPO TELEVISA:	19.03	0.05	VERIZON:	41.20	(0.14)
HSN:	38.97	0.74	MARKET INDICES		
INTERACTIVE CORP:	44.41	0.41	DOW:	12127.95	26.49
LIONSGATE:	12.11	0.29	NASDAQ:	2778.11	18.10
LODGENET:	1.46	(0.01)	S&P 500:	1285.50	7.32
NEW FRONTIER:	1.62	(0.06)			
OUTDOOR:	6.18	(0.05)			
SCRIPPS INT:	53.78	(0.13)			
TIME WARNER:	34.04	(0.08)			
VALUEVISION:	1.73	0.04			
VIACOM:	50.07	(0.05)			
WWE:	7.70	(0.08)			
TECHNOLOGY					
ADDVANTAGE:	2.21	-0.00			
ALCATEL LUCENT:	1.50	0.01			
AMDOCS:	28.75	0.38			
AMPHENOL:	53.27	1.05			
AOL:	27.19	(0.2)			
APPLE:	562.83	(1.46)			
ARRIS GROUP:	12.16	0.23			
AVID TECH:	7.40	UNCH			
BLNDER TONGUE:	1.00	(0.02)			
BROADCOM:	32.70	0.68			
CISCO:	16.12	0.01			



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