

# CableFAX Daily™

Wednesday — June 27, 2012

What the Industry Reads First

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## **Powell's Take: Antitrust Allegations Wrong, New Regulatory Regime Needed**

NCTA chief *Michael Powell* is ready to vigorously defend the cable industry at the **House Telecom** subcommittee "Future of Video" hearing Wed. Claims that cable ops would use their control over broadband nets to stifle online video are "simply not borne out by the facts," he said at a pre-hearing briefing Tues. Powell, who worked at **DOJ's** antitrust division, sees the reported DOJ probe in cable practices as routine. He questioned the motives of the people who leaked the details of the investigation to the media. Whoever leaked the story must have a "very compelling" reason to see the probe publicized, he said. It would be "very surprising" if the investigation would lead to an antitrust case, he said. While cable ops themselves are creating online video services, such offerings don't hinder any other providers in the online video market, he said. He also noted that broadband has become more profitable than linear TV as program costs rise. The growth of video undercuts any argument that cable is standing in the way of the business, he said. "Why would you want to frustrate consumers?" Meanwhile, as data usage grows, practices like tier pricing is a model that ensures the heaviest users pay their fair share, Powell said, arguing that data capping isn't congestion management but an effort to allocate cost fairly. Powell also emphasized the need to re-examine legacy rules. He cited program access rules designed to nurture facilities-based competition to cable and content carriage rules designed to protect programmers unaffiliated with cable—even though cable's main competitors are among the largest providers in the country and the vast majority of programming already is unaffiliated with cable. He said it's also time to re-examine rules affecting the cable carriage of broadcast signals like must carry, retrans, and non-duplication rights. Wonder what the future of video is like? Here are some hints from Powell: "We can envision a world free of set-top boxes... The marketplace of the future is apt to move from being hardware-centric to software-centric..." He also envisioned a vast array of cloud-based service and apps that would make available "a new generation of interactive and multimedia offerings, and dissolve the lines between video, data, graphics, voice and text."

**Ratings:** The story for 2Q ratings is that for the most part, networks in a decline stayed in a decline. **CNN's** HH prime rating dropped 33% to a 0.38. How bad is that? CNN's 2Q numbers reflect 21-year lows in total viewers and the important 25-54 news demo, according to reports. By comparison, **Fox News'** HH prime rating was down 3% YOY, while **MSNBC's** dropped 12%. Other nets struggling with ratings include **Nick**. Its HH rating for prime dropped 32% to 1.46 compared to 2Q11, while siblings **MTV** and **Comedy Central** were down 16% and 14%, respectively. Among those posting gains were **TBS**, whose primetime HH rating climbed 39% YOY to a 1.33. **ESPN** rose 22% to a 1.57 HH rating, and **History** was up 14% thanks in part to its record-setting "Hatfields & McCoys" miniseries. **NBA** playoffs and feuding families couldn't knock **USA** off its 1Q prime ratings perch, with the net averaging a 2.1 HH rating/2.11mIn HH delivery for the period between Mar 26 and June 24. That's down 9% over 2Q11. The only programs to crack the top 15 that weren't hoops or History's miniseries were an ep of "Rizzoli & Isles" on TNT (13th) and History's "Pawn Stars" (15th). Other winners for the Q included Sun's series high for **Disney's** "Good Luck Charlie," Nick's Kid's Choice Awards on





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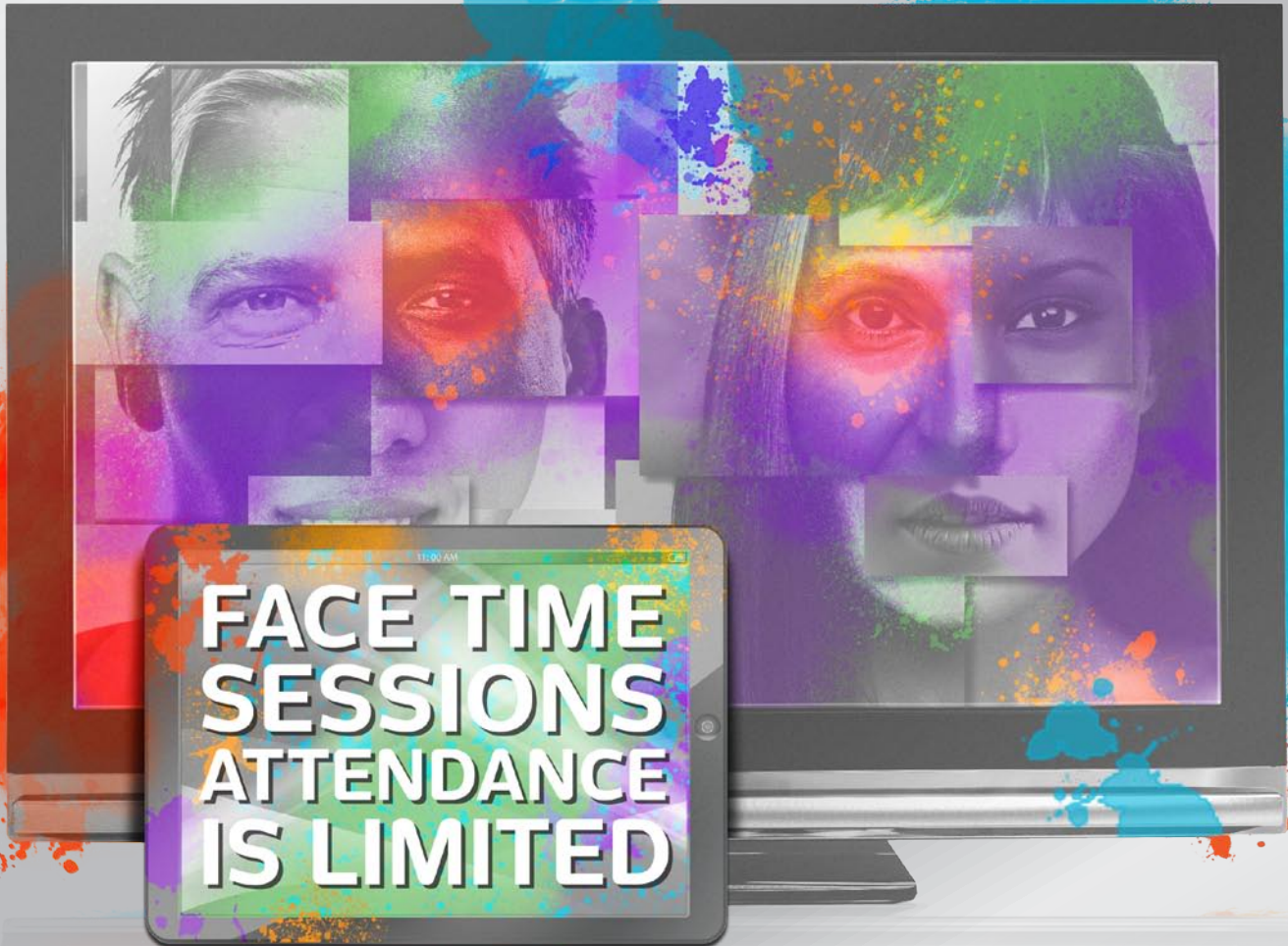
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**1** Jerry Dow, Chief Marketing & Sales Officer, Suddenlink Communications **2** Jeffrey Hirsch, EVP and Chief Marketing Officer, Time Warner Cable **3** Benjamin Pyne, President, Global Distribution, Disney Media Networks **4** Henry S. Schleiff, President and General Manager of the Investigation Discovery, Military Channel and Destination America portfolio **5** Evan Shapiro, President, Participant Media TV

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Mar 31 and the premiere of TNT's "Dallas." TNT was the 2nd-highest rated net in prime for the Q (1.9/1.933mln), followed by History (1.8/1.8mln), Disney (1.7/1.64mln) and ESPN (1.6/1.55mln).

**Future of Video:** It's not a hearing on future of video without witnesses like **Netflix**. During Wed's hearing, look for the online video provider's gen counsel *David Hyman* to make clear its stance that issues like data usage caps and IP inter-connection must be examined "with a much more discerning eye." Traditional platforms and nets, which are adapting to the changing video marketplace, shouldn't be permitted to "unfairly leverage their data delivery networks or content distribution relationships to stifle unaffiliated video providers," according to his prepared testimony. His concerns will be echoed by **Public Knowledge** chief *Gigi Sohn*. In her testimony, she called for the Congress to "stand behind the **FCC's** attempts to protect Internet openness." These protections "need to be strengthened, their loopholes need to be closed." Another witness calling for a revamp of the retrans/must-carry regime will be *Charlie Ergen* of **DISH**. He also plans to defend DISH's Hopper digital video ad-skipping service that lets parents protect kids from commercials for "junk food and alcohol." **NBC, CBS** and **Fox** sued the satellite firm over the service, saying it violates contracts and copyrights. Ergen also will plead for DISH's petition at the FCC to use satellite spectrum to build a mobile broadband network competing with **Verizon, AT&T** and others. "Given the overwhelming support of the comments received to date, we hope that the FCC will act, and finalize the new rules by the end of the summer." **Sky Angel** CEO *Robert Johnson* will be vocal about program access at the hearing. Calling the process "an ongoing failure," Johnson will urge Congress to level the playing field for new entrants, citing disputes with **Discovery** and other programmers. The hearing starts at 10am ET and will be on **C-SPAN3** as well as c-span.org.

**In the States:** **Cablevision** launched a new app in the **Apple** App Store to help customers find the nearest Optimum WiFi hotspot. It's also launched a new animated ad campaign with "Hotspot" the dog, who educates his owner about the service.

**News Views:** In a 20-word statement Tues, **News Corp** confirmed the *WSJ* report that it is considering a restructuring to separate its businesses into 2 distinctly publicly traded companies—publishing and everything else (cable nets, filmed ent, broadcast, **Sky Italia**, etc) And while News had nothing more to say about that, everyone else did. **Canaccord Genuity's Tom Eagan** said that separating News' publishing assets into a separate stock would benefit the company's overall market value by removing the drag from the slower-growing publishing assets. He thinks a spin of the publishing assets may be a compromise step, with UK regulators set to rule soon on whether news is fit to hold the **BSkyB** broadcasting license following the hacking scandal. The market likes the news, with shares up more than 8% at close.

**Deals:** In a move that should benefit **Fuse**, **The Madison Square Garden Company** acquired the **Forum** in Inglewood, CA, for \$23.5mln. It gives MSG a West Coast presence and music net Fuse access to performers on both coasts.

**Carriage:** **Mediacom** has launched **RLTV** in several markets, including Apache Junction (Phoenix DMA), Menifee-Sun City (L.A. DMA) and Clearlake (San Fran DMA).

**Beta:** When it comes to emerging networks, **Fox Movie Channel** is hands down the channel viewers are most interested in viewing, according to the latest **Beta Research** study. 71% of those surveyed said they were very interested in viewing the net, giving it a 4 or 5 on a 5-point scale. Other top ranked emerging nets: **CI** (53%), **Weatherscan** (46%) and **Military History** (39%). **Nat Geo** was most cited among mid-sized nets (62%), followed by **ID** (55%) and **Nat Geo Wild** (55%). Top ranked HD nets were **Discovery** (58%), **Nat Geo** (54%), **TNT** (52%) and **USA** (52%). For VOD, USA and Discovery



## Pinterest and Cable: Capitalizing on a Social Media Phenom

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tied for 1st place (43%). On their heels was Nat Geo at 41%. Beta also found a jump in the number of adults interested in viewing TV on a smartphone or tablet. Among 18-34s, 50% are interested vs 39% in '11. The interest level for all adults hit 31% compared to 22% in last year's survey.

**Sports: Fox Sports Southwest** will be relaunched as **Fox Sports New Orleans** in Oct to coincide with the start of the Hornets' '12-'13 season. Under the new agreement, the RSN will televise approx 75 regular-season Hornets games preseason. Games had previously been televised on **Cox's CST** network.

**In the Courts: Vivendi** plans to appeal a nearly \$1bln verdict in **Liberty Media's** suit against it over its stake in **USA**. Liberty sued in '03 claiming that Vivendi inflated its share value. Liberty received 37.6mln Vivendi shares as part of its \$10bln buy of USA Nets.

**On the Circuit: WICT** announced Classes 26 and 27 of the Betsy Magness Leadership Institute. Visit [WICT.org](http://WICT.org) to see the women selected to participate in the year-long program. **WE** will continue as the program's premiere sponsor, with **Suddenlink** serving as supporting sponsor.

**People: Free Wheel** is expanding its Advisory Services business and hiring **Time Warner Cable's James Rooke** to lead the business.

## CableFAX Daily Stockwatch

Company	06/26 Close	1-Day Ch	Company	06/26 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	46.40	(0.41)	CONCURRENT:	4.02	0.22
DISH:	27.09	0.10	CONVERGYS:	14.31	0.07
DISNEY:	47.30	0.60	CSG SYSTEMS:	16.77	(0.1)
GE:	19.80	0.28	ECHOSTAR:	26.15	(0.24)
NEWS CORP:	21.96	1.68	GOOGLE:	564.68	3.98
<b>MSOS</b>					
CABLEVISION:	12.18	0.08	HARMONIC:	4.18	0.13
CHARTER:	67.70	1.09	INTEL:	26.00	(0.04)
COMCAST:	30.57	0.25	JDSU:	10.03	0.05
COMCAST SPCL:	30.17	0.23	LEVEL 3:	21.20	0.14
GCI:	7.96	(0.04)	MICROSOFT:	30.02	0.15
KNOLOGY:	19.70	(0.01)	RENTRAK:	19.57	0.19
LIBERTY GLOBAL:	47.84	(0.12)	SEACHANGE:	7.93	0.02
LIBERTY INT:	17.12	0.34	SONY:	13.84	(0.12)
SHAW COMM:	19.01	0.16	SPRINT NEXTEL:	3.13	0.04
TIME WARNER CABLE:	78.38	1.42	TIVO:	7.98	(0.05)
VIRGIN MEDIA:	23.80	0.24	UNIVERSAL ELEC:	11.89	0.40
WASH POST:	363.55	0.65	VONAGE:	1.91	0.03
<b>PROGRAMMING</b>					
AMC NETWORKS:	36.49	(0.18)	YAHOO:	15.35	(0.09)
CBS:	31.56	0.47	<b>TELCOS</b>		
CROWN:	1.67	0.01	AT&T:	34.98	0.03
DISCOVERY:	52.84	0.41	VERIZON:	43.84	0.19
GRUPO TELEVISIA:	20.48	0.45	<b>MARKET INDICES</b>		
HSN:	39.25	0.66	DOW:	12534.67	32.01
INTERACTIVE CORP:	45.42	1.03	NASDAQ:	2854.06	17.90
LIONSGATE:	14.90	0.04	S&P 500:	1319.99	6.27
LODGENET:	1.44	0.03	<b>NEW FRONTIER:</b> 1.65 UNCH		
NEW FRONTIER:	1.65	UNCH	<b>OUTDOOR:</b> 7.20 0.12		
OUTDOOR:	7.20	0.12	<b>SCRIPPS INT:</b> 55.65 0.34		
SCRIPPS INT:	55.65	0.34	<b>TIME WARNER:</b> 37.15 0.53		
TIME WARNER:	37.15	0.53	<b>VALUEVISION:</b> 2.32 0.20		
VALUEVISION:	2.32	0.20	<b>VIACOM:</b> 51.33 (0.24)		
VIACOM:	51.33	(0.24)	<b>WWE:</b> 7.62 (0.03)		
WWE:	7.62	(0.03)	<b>TECHNOLOGY</b>		
<b>TECHNOLOGY</b>					
ALCATEL LUCENT:	1.51	(0.03)	<b>ALCATEL LUCENT:</b> 1.51 (0.03)		
AMDOCS:	29.06	(0.26)	<b>AMDOCS:</b> 29.06 (0.26)		
AMPHENOL:	53.46	(0.06)	<b>AMPHENOL:</b> 53.46 (0.06)		
AOL:	27.25	0.10	<b>AOL:</b> 27.25 0.10		
APPLE:	572.02	1.26	<b>APPLE:</b> 572.02 1.26		
ARRIS GROUP:	13.63	0.28	<b>ARRIS GROUP:</b> 13.63 0.28		
AVID TECH:	6.89	(0.28)	<b>AVID TECH:</b> 6.89 (0.28)		
BLNDER TONGUE:	1.14	UNCH	<b>BLNDER TONGUE:</b> 1.14 UNCH		
BROADCOM:	32.31	0.01	<b>BROADCOM:</b> 32.31 0.01		
CISCO:	16.82	(0.12)	<b>CISCO:</b> 16.82 (0.12)		
CLEARWIRE:	1.18	0.01	<b>CLEARWIRE:</b> 1.18 0.01		

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**OTT Musings: Stakeholders Debate Evolving Content Delivery at CES**

With the Comcast/Disney distribution deal a harbinger for TV Everywhere and Fox's move last summer to put select content behind a pay wall, panelists mulled the ins and outs of over-the-top delivery at an OTT panel at CES. "The tablet, the device, is going to control the TV experience at U-verse," said Jeff Weber, AT&T VP, product and strategy, noting the company's drive into tablet apps and model of providing APIs for developers to send content from device to television. But discernment is critical, panelists agreed. While AT&T has an approval process in place, YouTube abandoned its API-based partnership model two years ago "because we ended up with different apps on different TV, and performance differed," said Francisco Valera, dir/global head of platform and games partnerships. Touting YouTube's deals with Samsung, LG and its new Xbox partnership, "if we can't control the app, and update features quickly, it's a lost cause," he said. YouTube's recent-day model of investment in original content will stretch the company's presence in specific categories such as "niche cooking and unique travel" channels. "We don't see ourselves becoming a large studio, but we're more than dogs on skateboards," Valera quipped. "We want to bring in proven providers of broadcast quality content that's not sustainable in the cable universe." Valera said YouTube is working on its fourth UI, and moving toward the HTML 5 standard. Noting that unlike other video distributors YouTube always owns its TV and mobile content rights, "Can we bring our content to an AT&T, Cox or Comcast? We can, and that's where we are excited," he said. Initial deals with distributors are rolling out in Europe and Asia, he said. At Cox, focus remains on the UI. "It's important to get the user interface right, especially as more content is added in," said Lisa Pickelsimer, executive director, video product development. Integrated search, recommendations and social media will become more key, Pickelsimer said, noting the bigger role of metadata and the need