

CableFAX Daily™

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What the Industry Reads First

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Millions for His Thoughts: RSNs Await LeBron James' Decision

The big game hunt by several **NBA** franchises hoping to secure the services of *LeBron James* is nearing its chaotic conclusion. But as many rightly believe the anointed King's decision will deeply impact myriad teams, fans and cities, several cable RSNs also await their important fates. When James appears on **ESPN** Thurs night (9pm ET) to end the hunt, he will presumably present himself as a trophy to the Cleveland Cavaliers, NY Knicks, Chicago Bulls or Miami Heat—with execs at **Fox Sports OH**, **MSG Net**, **CSN Chicago** and **Sun Sports** either cursing or rejoicing in response. Should any of the latter 3 RSNs earn a victory by virtue of their broadcast deals with the respective teams, they could easily raise their related ad rates by 10-15%, attests sports consultant *Lee Berke* of **LHB Sports, Ent & Media**, and can also expect to clear the ad inventory before next season begins. Longer term, should James elevate his new team's play to championship caliber, said Berke, a future rise in affil rates is also likely, if not assured. For Fox Sports OH, however, the stakes may be highest. James' decision is "critical for [the net] because it's built on the Cavs product," said Berke, noting that **SportsTime OH** holds the rights to the Cleveland Indians. MSG, meanwhile, still has the NY Rangers, CSN Chicago the Blackhawks and White Sox, and Sun Sports the FL Marlins and others. **SNL Kagan** projects that Fox Sports OH's net ad rev will grow by approx 7.2% annually through '12 and its affil rev by 10% this year, 9.5% in '11 and 8.9% in '12, with those projections assuming that James remains a Cavalier. By comparison, the firm's net ad rev forecasts for MSG, Sun Sports and CSN Chicago all exhibit upward trends from '10-'12—the former 2 nets' growth is expected to exceed Fox Sports OH's in '12—and that's without a potential jump from James. Also, all 3 nets' '10 affil rev growth is projected to better OH's. SNL Kagan said it hasn't yet formulated changes to the projections depending on James' destination. None of the nets responded to requests for comment. MSG, meanwhile, is further impacted by the hunt because it's publicly tradable as part of its eponymous parent co that also owns the Knicks, Rangers and **Madison Square Garden**. Since Thurs, the opening of the NBA's free agent period, MSG shares have gained approx 9.7%, including 6.4% on Wed alone. **CNBC's Darren Rovell** cited speculation that James has chosen NY as a key reason for the rise, and also said that approx twice as many futures contracts were sold Wed to people betting MSG shares will rise by the end of month as compared to those expecting a drop. On Thurs, we'll all hear James roar.

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Hearing Time: Earthlink hopes federal regulators will create AOL-Time Warner-like open access merger conditions on the proposed \$30bln Comcast-NBCU transaction. In prepared testimony, Earthlink gen counsel *Samuel DeSimone* pushes for approval to be conditioned upon provision by Comcast of nondiscriminatory wholesale standalone Broadband Access Service to at least 4 independent ISPs across the Comcast territory at reasonable rates. DeSimone is slated to testify Thurs at a **House Communications** subcmte hearing, the 1st of 2 Chicago hearings on the proposed jv. With the hearing during the July 4 break and on the road, don't expect a huge Congressional contingent. Reps *Rick Boucher* (D-VA), *Bobby Rush* (D-IL) and *Maxine Waters* (D-CA) are expected to attend. Waters isn't actually on the subcmte but has made the proposed jv a pet project. The witness list includes **Rainbow PUSH's Jesse Jackson**, **Alliance for Digital Equality's Shirley Franklin**, **Hip Hop on Demand's Will Griffin** as well as Comcast and NBC reps. Unlike last month's **House Judiciary** committee field hearing, Thurs' event is expected to be Webcast.

More Merger Mania: *Michael Copps* is the only **FCC** commissioner expected to attend the agency's public forum on the **Comcast-NBCU** jv Tues. It takes place from 1-8pm CT at Northwestern Law School in Chicago. The marathon meeting features a lengthy list of panelists, including **DISH** deputy gen counsel *Jeffrey Blum*, **Nielsen** vice chair *Susan Whiting*, **Sezmi** exec *Travis Parsons*, **WOW!** CEO *Colleen Abdoulah*, **NBC** affils pres *Brian Lawlor* and **Tennis Channel** chmn/CEO *Ken Solomon* (recall that Tennis has a pending carriage complaint at the FCC against Comcast). It will be Webcast live, with a 2-hr, open mic segment for the public scheduled from 6-8pm. **C-SPAN** will tape the event to air at a later time. Individuals wishing to comments must sign up beginning at 5pm, with slots assigned on 1st-come, 1st-served basis. Questions can also be submitted via email and **Twitter**. **Free Press**, which is among the panelists, sent out a release Wed hyping rate increases of 4% in some areas of Comcast's footprint, calling it a reminder of what happens when 1 company holds "too much power." The rate increases are rolling out market-by-market, with some already in place. A Comcast rep said the avg customer bill will increase by 3.1%, blaming it on investments in next-gen technology, rising programming costs and the increased cost of doing business. Meanwhile, the FCC this week is expected to announce that the clock on the transaction review restarted, effective Mon (7/6). That's the day it received additional info from the companies.

Carriage: **Comcast**, **Cox**, **Cablevision**, **Blue Ridge Comm**, **Service Electric** and **FiOS** all signed on to feature **YES'** 3D Yankees telecasts scheduled for Sat and Sun. **DirectTV** and **Panasonic** are the telecasts' presenting sponsors.

Ratings: TNT's coverage of Sat night's **Coke Zero 400** at Daytona earned a 4.2/4.15mln to lead all cable telecasts last week, with 6.13mln total viewers (+16% YOY). Up were men 18-49 (+38%), men 25-54 (+34%) and 18-49s (+29%). -- Tues return of **Syfy's** "Warehouse 13" was the net's most-watched telecast of the year, with 2.96mln total viewers and a 2.03 HH rating. -- TNT's premiere of "Memphis Beat" earned a 3.0/3.02mln to notch 10th among cable shows last week.

Advertising: **Rentrak** agreed to integrate **Experian Simmons'** national and local consumer purchase propensity data into its national and local viewership measurement services, a move letting advertisers match their spots against programs that their target customers actually watch.

Marketing: **AMC** and **Banana Republic** will extend for a 2nd year a "Mad Men" promo featuring the series in all of the retailer's North American locations from Jul 21-Aug 11. A related contest offers a walk-on role and a \$1K Banana gift card.

Technology: **Clearwire** announced the online and in-store availability of a pair of 4G mobile hot spots offering connectivity to WiFi-enabled devices including laptops and smartphones. Pricing ranges from \$100-\$225 (monthly leasing \$5-\$6); monthly service plans start at \$40. -- **Best Buy** confirmed the planned Sun launch of mobile broadband service **Best Buy Connect**, which will use **Sprint's** 3G network. With a contract or without, plans start at \$30 for 250MB.

Programming: "Degrassi" enters its 10th season on **TeenNick** with a primetime telenovela-style format for the 1st time in show history. Following a 2-hr movie debut on July 19, the show will premiere in a serialized format for 6 straight weeks through Aug 26. -- As **Discovery** gears up for its 23rd Shark Week (Aug 1), it once again supports Sen *John Kerry's* (D-MA) Shark Conservation Act. -- **Turner** picked up the rights to **Fox's** animated series "The Cleveland Show."

On the Circuit: **WICT**, **SCTE** and **Cfax** sister pub **Communication Technology** announced independent tech consultant/analyst *Leslie Ellis* as the winner of the '10 **Women in Technology Award**, to be presented during the **SCTE Cable-Tec Expo** (Oct 19-22). Also, **Cox** svp, tech *Jay Rolls* will serve as Program Cmte chair for this year's Expo. -- **American Red Cross** pres/CEO *Gail McGovern* and **New Orleans Saints** owner and evp *Rita Benson LeBlanc* are among the

BUSINESS & FINANCE

keynote speakers for **CTAM Summit**, Oct 18-20, New Orleans.

People: FCC commish *Mignon Clyburn* tapped *Angie Kronenberg* as her chief of staff because *Rick Kaplan* is moving over to serve as chief of staff and legal adviser for FCC chmn *Julius Genachowski*. *Eloise Gore* will be on detail from the Media Bureau to advise Clyburn on media and consumer issues. -- **Comcast** extended chmn/CEO *Brian Roberts'* employment contract by 1 year, until Jun 30, '11. -- **Nick's** *Jimmy Blackburn* joined **Disney** as vp, programming research, **Disney Channels Worldwide**. -- *Eli Lehrer* was upped to vp, dev at **Bravo Media** on the heels of the net's best 2Q in history. -- **Motorola** named *John Holobinko* vp, strategy and business dev for the Access Networks part of its Mobile Devices and Home unit. He was previously a sr exec at **BigBand**.

Business/Finance: **Midcontinent** seeks a \$125mln revolving credit line, a \$200mln term loan A and a \$350mln term loan B to refinance debt and for a shareholder payout, **Moody's Investors Services** said. Moody's rated the debt B1. -- **Cequel Data Centers**, created by *Jerry Kent's Cequel III*, **Thompson Street Capital Ptnrs** and **Charterhouse**, acquired **Colo4Dallas**. Colo4 is a provider of carrier-neutral colocation services, with critical infrastructure support at a 68K-square-foot, state-of-the-art data center in Dallas. -- **Zacks Investment Research** upgraded **Viacom** to 'outperform.'

CableFAX Daily Stockwatch

Company	07/07 Close	1-Day Ch	Company	07/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	35.45	1.13	ARRIS GROUP:	10.24	0.29
DISH:	18.74	0.71	AVID TECH:	12.16	0.12
DISNEY:	33.14	1.42	BIGBAND:	3.18	0.12
GE:	14.62	0.65	BROADCOM:	35.62	2.12
NEWS CORP:	13.86	0.16	CISCO:	22.48	1.14
MSOS					
CABLEVISION:	24.82	0.93	CLEARWIRE:	7.09	(0.03)
COMCAST:	17.84	0.04	COMMSCOPE:	24.25	1.07
COMCAST SPCL:	16.69	0.06	CONCURRENT:	4.55	0.02
GCI:	7.86	0.17	CONVERGYS:	9.96	0.44
KNOLOGY:	10.78	0.06	CSG SYSTEMS:	18.19	0.54
LIBERTY CAPITAL:	43.90	1.92	ECHOSTAR:	19.36	0.40
LIBERTY GLOBAL:	27.30	0.86	GOOGLE:	450.20	14.13
LIBERTY INT:	10.50	0.15	HARMONIC:	5.54	0.19
MEDIACOM:	6.79	0.09	INTEL:	20.14	0.66
RCN:	14.89	0.07	JDSU:	9.97	0.68
SHAW COMM:	19.19	0.37	LEVEL 3:	1.02	0.00
TIME WARNER CABLE:	54.69	2.14	MICROSOFT:	24.30	0.48
VIRGIN MEDIA:	17.21	0.66	MOTOROLA:	6.79	0.25
WASH POST:	409.46	2.81	RENTRAK:	24.33	0.46
PROGRAMMING					
CBS:	13.33	0.41	SEACHANGE:	8.01	0.29
CROWN:	1.77	0.02	SONY:	27.05	0.17
DISCOVERY:	36.27	0.64	SPRINT NEXTEL:	4.26	0.12
GRUPO TELEVISA:	18.59	0.41	THOMAS & BETTS:	35.48	1.17
HSN:	26.39	0.70	TIVO:	7.37	0.38
INTERACTIVE CORP:	22.31	0.61	TOLLGRADE:	6.31	(0.03)
LIBERTY:	34.98	1.12	UNIVERSAL ELEC:	16.89	0.38
LIBERTY STARZ:	52.81	1.42	VONAGE:	2.30	0.12
LIONSGATE:	6.61	(0.3)	YAHOO:	14.39	0.27
LODGENET:	3.19	0.01	TELCOS		
NEW FRONTIER:	1.45	(0.01)	AT&T:	24.33	0.34
OUTDOOR:	4.85	0.22	QWEST:	5.36	0.09
PLAYBOY:	3.93	(0.06)	VERIZON:	26.52	0.39
SCRIPPS INT:	41.88	1.04	MARKET INDICES		
TIME WARNER:	29.12	0.90	DOW:	10018.28	274.66
VALUEVISION:	1.58	(0.01)	NASDAQ:	2159.47	65.59
VIACOM:	36.98	1.34			
WWE:	16.10	0.58			
TECHNOLOGY					
ADC:	8.07	0.44			
ADVANTAGE:	2.66	(0.04)			
ALCATEL LUCENT:	2.70	0.12			
AMDOCS:	27.83	0.92			
AMPHENOL:	40.28	1.40			
AOL:	20.69	0.62			
APPLE:	258.67	10.04			

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Working Cooperatively

There's a very fine and difficult line that must be walked when companies try to work together. We all know the drill: issues of combination in restraint of trade, collusion, antitrust and the like immediately jump to mind. But there's also an appropriate and honored place for "cooperatives" when they are well structured and work right. We've seen them work to everyone's benefit in the cable industry for years.

In terms of a "buying co-op" which puts aggregate numbers together to be able to buy at volume prices, cable has had a long and successful history. While we all think today of the NCTC, the National Cable Television Cooperative, it was not the first. A group of mid-sized operators put together a group called TeleSynergy many years ago.



Steve Effros

This works for both sides. The buyers get the advantage of volume discounts, the sellers get to deal with a single entity, have to "service" just one major contract and save a whole lot of administrative hassle and cost. NCTC was established back in 1984 when it became clear that the variation in pricing between the "small" and the "big" operators had become so great that it was affecting the ability of the small operators to remain independent. It was decided that a "co-op" was a better solution to the problem than seeking legislation or regulations (or a long, drawn-out antitrust lawsuit). That's still true. It worked.

Today NCTC represents an aggregate total of almost 27 million subscribers in 950 member companies. That's larger than Comcast. That's more than one-third of the entire cable MVPD customer base! NCTC primarily focuses on programming, but even their joint yearly hardware purchases exceed \$100 million. This is no small operation. It's powerful, and well run. But there are problems perceived from both sides.

The sellers, programmers primarily, see the co-op as trying to demand discounts it doesn't deserve because the way it's set up, it cannot "guarantee" purchases from all member companies but always touts that very big number. The buyers, particularly the smaller members, are now seeing the co-op "bulking up" with the very big operators (Cox, Charter, Cablevision and the like are all now members) who not only demand seats on the Board, but can choose to buy only those products that they can't get at a discount on their own. The result is a somewhat warped negotiating agenda, and the smaller, independent companies that started and paid for the successful development of the Co-op feel left behind.

The Co-op staff is bravely trying to reconcile all this, but I'm not sure they can. An effort to get the membership to "...choose to act more cohesively in their purchasing decisions" is laudable, but the "big" guys and the "smaller" guys have very different perspectives, needs and negotiating power. It's not clear that they can, or should.

The NCTC is a co-op that now reminds me of baseball players who started taking steroids. They've "bulked up," but it may not have been the best thing to do. They are powerful and clearly a major negotiating force, but the original intent of helping the independent operators seems to have atrophied.

There's no question co-ops work and are a healthy thing for the industry. Maybe, however, the "bigger" guys should start their own co-op instead of muscling the NCTC, and maybe the programmers should stop trying to force "minimum" fees on the smallest of operators because of "administrative costs" and encourage them to carry the programming for free for the promotional and advertising value. Everyone could win.

Steve

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