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Wednesday — July 11, 2012

What the Industry Reads First

Volume 23 / No. 132

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Abandon Hope? Little Interest in Retrans Blackout at House Hearing

Tues' House Communications subcommittee hearing offered little sense that retrans is a priority right now. Or maybe it's just that hope is lost that the FCC will do anything about it. Less than 24 hours after Time Warner Cable lost Hearst stations in 11 markets and Bright House lost the NBC affil in Orlando, there was nary a mention of it. The hearing on FCC oversight was near its conclusion when it was finally brought up by Rep Charles Bass (R-NH), who had constituents affected by the loss of WNNE in Moultonborough, NH. He pressed FCC chmn Julius Genachowski on when the FCC would complete its retransmission NPRM, opened in Mar '11. "I'd like to get back to you on that," the FCC chief said, after reiterating his stance that the agency's authority in the area is limited. As for Hearst-TWC, the FCC is monitoring it, but again, Genachowski said its power is limited. Genachowski told lawmakers that the FCC's proceeding should not hold up any inquiry by the committee into changing the law. It's clear that Congress is where disgruntled MVPDs should concentrate efforts, but in an election year, most don't expect much to happen. For months, the talk has been that Sen Jim DeMint (R-SC), who authored legislation that would repeal retrans consent and the compulsory copyright license, will get a hearing on retrans (Cfax, 4/25). The hearing is expected to take place July 24, according to sources. That would put it smack in the middle of retrans reform proponent ACA and NCTC's Independent Show in Orlando. At Tues' hearing, Bass was the only member to talk about retrans. Instead, most of the hearing was devoted to spectrum auctions, with Genachowski saying that the FCC will make public whatever it can that's relevant and helpful to the upcoming voluntary spectrum auctions and broadcast station repacking. Govt spectrum also took center stage Tues, with Rep Cliff Stearns (R-FL) urging the FCC to look closely at ways to use it. As has become custom, the issue of closing the Title II docket was brought up. While the FCC declined to reclassify broadband in its Open Internet order, the reclassification docket was left open. Genachowski said it would be inappropriate to close it, while the Commission's Republicans said they support such a move, saying it would bring more regulatory certainty. -- More on the TWC-Hearst below.

Viacom Showdown: This is a programming dispute that has analysts foaming with excitement. Given the ratings slippage at Viacom nets and the plethora of Netflix and OTT offerings, what will happen if a distributor stops carrying the channels? It's a question that has been posed several times, most recently by Sanford Bernstein analysts. We may get

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an answer at 12:01am Wed, with **DirecTV's** contract for **Nick, BET, Comedy Central, MTV** and the rest of the Viacom nets set to expire. Viacom has warned DirecTV customers they stand to lose 26 channels (DirecTV said it's actually 17 channels—the other 8 are just the HD feeds), while the DBS provider told subs that it has asked to keep the channels up while negotiations continue but Viacom has refused. Crawls and messaging appeared late Thurs night. (We have to hand it to Viacom for the clever use of "Jersey Shore's" *Situation* and other talent in a spot that talked about the "bad situation" DirecTV subs face). DirecTV claims Viacom wants a 30% increase that's equal to an additional \$1bln, while Viacom says it is 20% of the MVPD's viewership and just 5% of its programming costs. This isn't Viacom's first rodeo. At the end of '08, Time Warner Cable came close to losing the nets, with analyst *Tom Eagan* rating the down-to-the-wire deal as a win for Viacom and a slight negative for TWC. In '04, DISH did lose the Viacom nets for 2 days in a blackout that included 16 **CBS** O&Os (this was pre-Viacom split). **BTIG Rich Greenfield** filed a research blog post Tues asking if DirecTV CEO *Mike White* will make the same mistake *Charlie Ergen* did back then. "While Viacom's ratings have definitely softened from where they were 12-18 months ago..., we believe a multichannel video programming distributor would be making a serious mistake to not carry the Viacom suite of channels," Greenfield wrote. "While the demographics of Viacom's cable network viewers may be the most exposed to finding IP-based alternatives, the viewership of online programming is still dwarfed by the size and scale of Viacom's content." Last month, Bernstein analysts *Todd Juenger* and *Dave Beckel* sent out a note titled, "Drop Nick? From Inconceivable to Improbable—Which Makes a Big Difference." In it, the firm suggested the market would start to question the long-term sustainability of Viacom's affiliate fees.

Hearst-TWC: Looks like several **Hearst** stations didn't file network non-duplication notices because **Time Warner Cable** is importing distant signals into about half of the markets impacted by the retrans spat. **Nexstar** stations **WROC** (Rochester, NY), **WTWO** (Terre Haute, IN) and **WBRE** (Wilkes Barre, PA) are replacing the **Hearst NBC** affils in Cincinnati, Moultonborough, Plattsburgh and Greensboro/Winston-Salem as well as the **CBS** affil in Louisville, home of newly acquired **Insight** customers. **Bright House** is also importing **WBRE** in Orlando where it lost the local NBC affil. The distant signal importation gives subs access to network national programming. Generally, a blackout means no local programming for subs, but in Cincinnati, Hearst NBC affil **WLWT** told customers it would live stream on the Web all newscasts because of the disruption. All of the Hearst stations went dark at midnight local time, except **WISN**, the ABC Milwaukee affiliate. Time Warner Cable has an agreement to provide transport of the station to **Charter**. Hearst has agreed to allow TWC to continue to transmit the station for now.

Sold: As widely reported, **Comcast's NBC Universal** is selling its entire 15.8% stake in **A&E Networks** for about \$3bln in cash, the cable op said in an **SEC** filing Tues. **Disney** and **Hearst**, the other co-owners, will now each own 50% of the net. NBCU received favorable valuation for its stake and the use of the proceeds hasn't been determined, a source close to the situation told CableFAX. NBCU had been the junior partner in the net, which was formed in '09 from the A&E/Lifetime marriage, and had the option to redeem its stake. The price is well above the initial estimate of \$2bln from months ago, and even higher than the recent \$2.8bln reported price. Comcast might use the proceeds to help redeem half of **GE's** stake in NBCU for up to \$8bln in '14 if GE exercises its option or in '15 if Comcast opts to exercise its option, said **Wells Fargo** analysts. The firm sees the sale as positive for Disney. The value of A&E is now much higher than previously believed and should be reflected in Disney's "hidden value," said a Wells Fargo research note.

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Spectrum Watch: A day after the FCC decided to re-start the 180-day clock on the \$3.9bn Verizon Wireless/cable spectrum review process, Reuters reported that the Commission is prepared to approve the transaction, citing unnamed sources. The agency had no comment. However, it might be too early for celebration as DOJ reportedly is delaying that approval due to competition concerns. As a result, the FCC will hold off on giving its blessing until DOJ is prepared to sanction the transaction, the wire service reported. The sticking point is the "joint operating entity" between Verizon and the cable ops, the report said, suggesting the transaction won't be addressed until Aug at the earliest. Verizon and the cable ops have said nothing in the various commercial agreements changes their ability and incentive to continue to compete and grow their backhaul businesses.

In the Courts: NAB asked the DC Circuit to block the FCC's online political file rules, which require stations to post online political documents, including ad prices. The rules, taking effect Aug 2, will place NAB members "at a distinct disadvantage to their non-broadcast competitors, who will not be required to post rate information on the Internet," NAB said.

People: Gene Kimmelman is hanging up his hat at the DOJ. Kimmelman, who previously beat the a la carte drum at the Consumers' Union, will join Global Partners as a sr partner.

CableFAX Daily Stockwatch

Company	07/10 Close	1-Day Ch	Company	07/10 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	48.69	(0.3)	CONCURRENT:	4.02	(0.05)
DISH:	27.75	(0.51)	CONVERGYS:	14.94	(0.07)
DISNEY:	47.36	(0.64)	CSG SYSTEMS:	17.53	(0.28)
GE:	19.62	(0.42)	ECHOSTAR:	27.05	(0.83)
NEWS CORP:	22.00	(0.14)	GOOGLE:	581.70	(4.31)
MSOS					
CABLEVISION:	12.95	(0.15)	HARMONIC:	4.23	0.02
CHARTER:	72.10	0.08	INTEL:	25.56	(0.61)
COMCAST:	31.35	0.08	JDSU:	10.17	(0.05)
COMCAST SPCL:	30.81	0.05	LEVEL 3:	20.09	(0.59)
GCI:	9.57	0.41	MICROSOFT:	29.74	(0.26)
KNOWLOGY:	19.69	0.01	RENTRAK:	19.43	(0.63)
LIBERTY GLOBAL:	49.47	(1.34)	SEACHANGE:	7.98	0.25
LIBERTY INT:	17.60	(0.15)	SONY:	13.10	(0.35)
SHAW COMM:	19.29	0.01	SPRINT NEXTEL:	3.19	(0.02)
TIME WARNER CABLE:	81.85	0.40	TIVO:	7.87	(0.04)
VIRGIN MEDIA:	24.11	(0.2)	UNIVERSAL ELEC:	13.67	0.07
WASH POST:	364.03	3.34	VONAGE:	1.99	(0.04)
PROGRAMMING					
AMC NETWORKS:	39.87	0.36	YAHOO:	15.82	0.07
CBS:	31.58	(0.61)	TELCOS		
CROWN:	1.73	0.01	AT&T:	35.44	(0.1)
DISCOVERY:	50.25	(1.21)	VERIZON:	44.70	(0.04)
GRUPO TELEVISIA:	21.29	0.21	MARKET INDICES		
HSN:	41.50	0.24	DOW:	12653.12	(83.17)
INTERACTIVE CORP:	47.46	0.14	NASDAQ:	2902.33	(29.43)
LIONSGATE:	14.33	0.02	S&P 500:	1341.47	(10.99)
LODGENET:	1.32	(0.02)			
NEW FRONTIER:	1.59	(0.02)			
OUTDOOR:	7.30	0.04			
SCRIPPS INT:	54.14	(0.93)			
TIME WARNER:	37.73	(0.38)			
VALUEVISION:	2.33	(0.18)			
VIACOM:	49.73	(1.27)			
WWE:	7.66	(0.12)			
TECHNOLOGY					
ADVANTAGE:	2.10	UNCH			
ALCATEL LUCENT:	1.50	0.01			
AMDOCS:	29.71	(0.02)			
AMPHENOL:	52.48	(0.77)			
AOL:	27.87	(0.34)			
APPLE:	608.21	(5.68)			
ARRIS GROUP:	13.97	(0.01)			
AVID TECH:	8.16	(0.05)			
BROADCOM:	31.53	(0.11)			
CISCO:	16.41	(0.24)			
CLEARWIRE:	1.08	(0.01)			

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