

CableFAX Daily™

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What the Industry Reads First

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Gauging Value: FS1 Programming Strategy, Sports Rights' Steep Climb

Ahead of Sat's bow, **Fox Sports 1** execs divulged on the network's programming strategy at **CableFAX** sister pub's **Cynopsis Sports Business Summit**. Technology and availability of sports rights spurred the launch, according to Fox Sports svp, programming and research *Michael Mulvihill*. "We're in the DVR era now," he said, which provides a "scenario where live programming takes on more and more value." Mulvihill also said he won't overreact based on early numbers after launch and considers the net's first 100 days "a fair time to look." Other future markers include post-Super Bowl and a year from now. Execs also trumpeted the value of sports programming versus the cost. "We have to look at this as, how much value are you driving? We should be compensated for that value," said **YES Network** pres/CEO *Tracy Dolgin*. The sports world is the "life blood of cable television," he said, and is "the reason people are going to stick with cable." Evp, gm, sports and event programming *Stephen Espinoza* added that "the reason why license fees have skyrocketed is because the value has... It's not a sign of a market out of control, it's a sign of a market more valuable." In a later panel, Turner pres *David Levy* opened up the value discussion to the industry as a whole. "We've done a poor job of really marketing how good a value cable is to the consumer," he said. More worrisome to the new Turner chief than cord cutters is cord nevers. "That's happening," he said. If they want to watch a particular sports game, "they find away to maneuver around." So will a la carte happen to accommodate them then? "I haven't seen a model that works on an a la carte basis," he said. Instead, he predicts smaller packages—which, he added, are currently available to consumers. "There are mini-packs right now, they're just not marketed," he said.

Retrans: As **Time Warner Cable's** retrans spat with **CBS** and **Journal Broadcasting Group** dragged, subs continued to take their frustration to social media. With football season 3 weeks away, Time Warner Cable appears to be bearing the brunt of sports fans' ire on **Facebook**, but CBS is taking a lot of heat on **Twitter**. For Journal Broadcasting blackout, which affects Milwaukee **NBC** affil **WTMJ** and Green Bay's **NBC** station **WGBA**, it's uncertain whether an agreement can be reached before **Green Bay Packers** preseason game on Aug 17. "Talks are ongoing," a TWC spokeswoman said.



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On the Hill: The House Communications subcmte will hold a hearing focusing on video content delivery in Sept. The hearing is an extension of the subcmte's effort to examine the Satellite Television Extension and Localism Act, portions of which are set to sunset at the end of next year. "Whether over the air from local broadcasters, through a paid subscription to a satellite, cable, or fiber provider, or streaming over the Internet, consumers have unprecedented access to view quality video content," said subcmte head *Greg Walden* (R-OH). "Each of these technologies faces a different regime of laws and regulations that have been developed over the last four decades," he said. The subcmte will examine whether these laws are still "serving the needs of consumers, content creators, broadcasters, and video distributors in the modern communications marketplace," according to Walden.

Investor Conference: **Verizon** could potentially exceed its original goal of migrating 300K subs off the legacy copper network and onto FiOS, CFO *Fran Shammo* said during the **Oppenheimer Technology, Internet & Communications Conference** Tues. Meanwhile, wireline margin will be flat compared to last year because of the telco's investment in business like **Redbox**, Verizon Digital Media Service and **Hughes Telematics**, he said. However, the investments will start to contribute to wireline revenue next year.

TVE: MSG Varsity, exclusive for **Cablevision** Optimum subs, launched a multi-platform initiative enabling viewers to customize high school sports content on each platform. Starting Aug 29, the net will launch a redesigned Web site serving as a hub of all featured high school sports action. In addition, the net will live-stream on its Internet and mobile platforms more than 500 games and events. Optimum Online subs can access content through Web and mobile apps in and out of home with no data fees via Optimum WiFi hotspots across the tri-state area. The initiative also includes a DVR feature that allows viewers to pause, stop and rewind the games. The net claimed the new channel will feature a Web-like user experience with original programming and daily specials, as well as game analysis, scores and photo galleries. Meanwhile, dedicated regional pages will be available through a Website and mobile apps.

Carriage: Mnet America scored a carriage deal with **Hawaiian Telcom**. The English-language, Asian pop culture net is now available to the provider's basic digital subs.

Competition: AT&T U-verse inked a deal with **Camden Property Trust** to provide a fiber-to-the-premises network to new apartment homes in Atlanta, Austin and Orlando, with the 1st of the new properties opening in the fall.

From the Streets: Major programmers' 2Q earnings suggest that the advertising environment remains strong, **Bernstein Research** analysts wrote, noting every major programmer (except **AMC Networks**) posted ad revenue gains "well in excess of audience gains." **Disney** was "the most eye-popping" with flat YOY ad revenue despite ratings being down, the analysts said. Meanwhile, affil fees were "surprisingly weak" at many companies, with **Discovery**, **Time Warner**, and **Viacom** all reporting core domestic affil fees that slowed sequentially.

OTT: OTT tech firm **Azuki Systems** integrated its media platform with the new LG Android Stick IP set-top box, allowing service providers to offer broadband-based HDTV on any TV in the home. The Azuki platform seeks to turn the **LG** set-top into an interactive and portable device capable of delivering advanced TVE services, including time-shifted linear TV, network DVR and VOD, through a wireless broadband. The Android Stick is part of LG's newly launched smart set-top boxes.

International: Synacor scored a deal with South American cable operator **Grupo TVCable Ecuador** for consumer portal and email services. Although TVE wasn't part of the deal, Synacor cited future initiatives "bringing content, personnel and eventually infrastructure to the market."

Research: The number of US broadband households with a streaming video media device like **Roku** or **Apple TV** has doubled since '11, reaching 14% in 1Q this year, according to a **Park Associates** study, which surveyed 10K broadband HHs. Among the streaming HHs, 37% primarily use a Roku vs 24% that primarily use an Apple TV. The number of connected TV devices sold worldwide is expected to reach 330mln annually by '17. Although average product prices will decline, annual sales revenues are expected to increase almost 100% by '17 as more HHs buy smart TVs, streaming devices, gaming consoles and Blu-ray players. -- IPTV appeared to be the only segment of the US pay-TV market to grow in 2Q, according to **IHS**. While telcos like **AT&T U-Verse** and **Verizon FiOS** added net new subs during the period, the pay-TV industry as a whole shed around 352K subs, including the cable segment's loss of 588K subs, the

BUSINESS & FINANCE

research firm said. Satellite's sub decline widened to 162K, up from 62K a year ago. While retrans disputes "squeeze customers in the middle," satellite's lack of a true HSI service or a triple-play option remains a significant disadvantage vs IPTV and cable, IHS analyst *Erik Brannon* said. The firm predicts pay-TV subs will decline to 100.77mln this year from 100.89mln last year. Potential revenue boosters for cable and satellite operators include TVE services and initiatives like **Cox's** flarewatch IPTV service, IHS said.

People: **NatGeo** hired **BBC** exec *Tim Pastore* as evp, programming and development. -- **TiVo** hired **Nielsen** ad solutions svp *Sheryl Harkins* to lead TiVo Research & Analytics' CPG sales division.

Programming: Comedy Series "The Heart, She Holler." airs on **Adult Swim** on Sept 2. -- **History** premieres new original series "The Great Santini Brothers" on Sept 8. -- Season 5 of **NatGeo's** "Alaska State Troopers," dedicated to 2 troopers killed in action, premieres on Sept 15.

Editor's Note: Pssst... Have we mentioned **CableFAX's** TV Innovation Summit on Sept 24 at the Yale Club in NYC? Oh, we have? Well, then we're mentioning it again, mainly because we're so darned giddy over the incredible lineup! If you don't believe us, take a gander at today's full-page ad listing speakers. Register here: <http://tinyurl.com/nbuk4yf>

CableFAX Daily Stockwatch

Company	08/14 Close	1-Day Ch	Company	08/14 Close	1-Day Ch			
BROADCASTERS/DBS/MMDS								
DIRECTV:	61.41	(0.44)	GOOGLE:	869.81	(11.44)			
DISH:	44.76	(0.37)	HARMONIC:	7.85	(0.08)			
DISNEY:	63.96	(0.02)	INTEL:	22.57	0.05			
GE:	24.07	(0.13)	JDSU:	14.23	(0.57)			
NEWS CORP:	32.27	(0.25)	LEVEL 3:	22.95	(0.36)			
MSOS								
CABLEVISION:	19.13	(0.24)	MICROSOFT:	32.35	0.12			
CHARTER:	124.46	(1.64)	RENTRAK:	24.36	(0.28)			
COMCAST:	43.86	(0.99)	SEACHANGE:	11.34	(0.07)			
COMCAST SPCL:	42.30	(0.87)	SONY:	20.08	(0.05)			
GCI:	9.35	(0.01)	SPRINT NEXTEL:	7.00	(0.01)			
LIBERTY GLOBAL:	76.46	(1.34)	TIVO:	10.93	(0.07)			
LIBERTY INT:	23.08	(0.22)	UNIVERSAL ELEC:	32.10	0.20			
SHAW COMM:	24.83	0.19	VONAGE:	3.32	(0.02)			
TIME WARNER CABLE:	112.77	(1.03)	YAHOO:	28.05	(0.29)			
WASH POST:	583.73	(1.26)	TELCOS					
PROGRAMMING								
AMC NETWORKS:	66.45	(1.77)	AT&T:	34.77	0.05			
CBS:	53.01	(0.64)	VERIZON:	48.89	(0.26)			
CROWN:	3.03	(0.02)	MARKET INDICES					
DISCOVERY:	82.84	(0.65)	DOW:	15337.66	(113.35)			
GRUPO TELEVISIA:	27.85	(0.29)	NASDAQ:	3669.27	(15.17)			
HSN:	59.68	(0.95)	S&P 500:	1685.39	(8.77)			
INTERACTIVE CORP:	49.92	(0.26)	TECHNOLOGY					
LIONSGATE:	33.81	0.16	ADDVANTAGE:	2.53	(0.01)			
SCRIPPS INT:	75.36	(0.83)	ALCATEL LUCENT:	2.74	UNCH			
STARZ:	24.55	(0.66)	AMDOCS:	38.49	(0.14)			
TIME WARNER:	62.32	(0.78)	AMPHENOL:	76.80	(0.59)			
VALUEVISION:	6.06	0.06	AOL:	36.14	(0.06)			
VIACOM:	79.96	(0.21)	APPLE:	498.50	8.93			
WWE:	10.15	(0.09)	ARRIS GROUP:	16.90	(0.05)			
TECHNOLOGY								
ADDVANTAGE:	2.53	(0.01)	AVID TECH:	5.74	(0.03)			
ALCATEL LUCENT:	2.74	UNCH	BLNDER TONGUE:	0.87	(0.19)			
AMDOCS:	38.49	(0.14)	BROADCOM:	26.54	(0.02)			
AMPHENOL:	76.80	(0.59)	CISCO:	26.38	0.06			
AOL:	36.14	(0.06)	CONCURRENT:	8.02	0.01			
APPLE:	498.50	8.93	CONVERGYS:	19.25	(0.12)			
ARRIS GROUP:	16.90	(0.05)	CSG SYSTEMS:	25.33	0.01			
AVID TECH:	5.74	(0.03)	ECHOSTAR:	43.51	(0.29)			
BLNDER TONGUE:	0.87	(0.19)						
BROADCOM:	26.54	(0.02)						
CISCO:	26.38	0.06						
CONCURRENT:	8.02	0.01						
CONVERGYS:	19.25	(0.12)						
CSG SYSTEMS:	25.33	0.01						
ECHOSTAR:	43.51	(0.29)						



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Think about that for a minute...

Relativity

Commentary by Steve Effros

Einstein was right... you can take it from me (I'm sure he's relieved that I'm backing him up!)—time is relative. How do I know? Well, all you have to do is read all the commentary about what's going on in the program distribution business. According to most of the pundits and reporters, things are going so fast that in some cases change is happening before the changes they just predicted would happen! Now that's fast!



Of course we have all pretty much gotten used to the articles about how fast new technology is developing, and in a lot of ways they are accurate. Cell phones and tablets (iPads) in particular have been truly “disruptive technologies” that have swiftly changed how we communicate. The wireline telephone

lasted for almost a century as a dominant mode, only to quickly start losing dominance to the upstart cellular networks within less than a quarter of that time. To be sure, that transition will still take time, but in relative terms it was still pretty quick!

The laptop computer was in the process of becoming the substitute for the desktop unit when all of a sudden Apple came along with the iPad and things started to change again—with even more speed. Again, that doesn't mean either desktop or laptop computers will disappear any time soon, but it does mean a transition is under way.

And then we come to video distribution. The same folks who talk about and prognosticate regarding these swift technological changes are the ones claiming expertise about cable, broadband, “OTT” and the like. But they really haven't made the intellectual jump from consumer items to massive, expensive and difficult to build infrastructures and the business plans that have evolved to

support them. As I have said many times, we have to think in terms of evolution, not revolution.

This is particularly true when it comes to video distribution. The battles we are having over broadcast retransmission consent are happening precisely because the broadcasters relied on a business plan that suddenly, by Congressional fiat, imposed a dual revenue stream on a system that doesn't deal terribly well with rapid change.

The prognosticators have been writing for weeks, months, and in some cases years that cable and the program “bundle” are about to be swept away by the new streaming technology. But they seem to forget that while we can all see a process of transition in the works, the reality of how fast it will actually happen is relative. Yes, there are folks “cutting the cord”... Well, not really. They are using the cord in a different way, one that ironically may produce even better margins for the infrastructure owners than the current use. But regardless, there seems to be a willful effort to focus on the fact that some are transitioning rather than the equally important fact that a vast majority—well over 95 percent—are not, and are not likely to for quite some time.

Why? Well, take a look at the other realities of the bundle we offer. Sure, there are major fights over retransmission, but when they are done there are multi-year contracts in place. Same thing with all the deals for live sports. The bundlers have locked up that key programming segment for in some cases as long as ten years! So yes, change is coming. That's always true. But time frames are always relative.

That's a truism too, and in this case change will take time. More time than a lot of folks think.

Steve

T:202-630-2099
steve@effros.com

(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)

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