

CableFAX Daily™

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What the Industry Reads First

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Show Accounting: Content Costs Seen as Posing Risk to Cable

The economics of cable nets continue to beguile investors and analysts alike, their dual rev streams, healthy cash flows and relatively solid ad performance amid the recession acting as key catalysts to the warm feelings. But with **SNL Kagan** predicting further ad market deterioration this year and with the recent affil fee run-up expected to slow, some danger lurks—particularly related to programming costs. Escalating costs—not just for sports content but also originals—is “definitely a risk to the bullish outlook for the industry,” said **Northlake Capital Management** founder/pres *Steve Birenburg* during an SNL Kagan Webcast Tues. While noting the potential for those costs to chew up cable nets’ margin expansion, Birenburg importantly underscored a recent breakdown—chiefly stemming from the economy—of the historical correlation between ratings increases and ad growth. Irrespective of who’s watching what’s and on what channel, “advertisers want to go where the eyeballs are.” As a result, **Big Ten Net** pres *Mark Silverman* believes rising cable programming costs are “something to definitely be concerned about.” Silverman believes very few original series warrant the \$2m/ep costs that are no longer atypical, and that cable nets should instead leverage their full-day programming slates and branding to further differentiate themselves from the broadcasters. SNL sr analyst/assoc dir *Derek Baine* said cable execs nonetheless remain committed to increasing programming spends, noting a key potential benefit to these outlays: cable nets’ usurpation of additional viewership share from broadcasters, which have had to be more cost conscious lately. Determining any precise benefits or losses from an increased programming spend is largely a nebulous exercise, but rising content costs in cable is a clear trend. According to SNL data, '08 saw **ESPN/ESPN HD** up its programming investment by 10%, **Fox News** by 15%, **FSN** by 13.5%, **TNT** and **ESPN2** by 11% each and **TBS** by 10%. Still, Birenburg believes cable nets and corresponding stocks retain a brighter future than most media entities. He cited **Discovery Comm**, whose non-fiction model he called “just superior.” He also likes **Turner**, where the “current management is doing a good job in rationalizing the business,” and **Scripps Nets**, though its smaller opportunity for intl growth compared to many of its peers limits upside.

Launch Pad: It's official. **Rainbow** launched **WE tv** spinoff net **Wedding Central** Tues on **Cablevision (Cfax, 7/2)**. No other carriage deals yet for the 24/7 multiplatform channel devoted to all things wedding-related. WE pres/gm *Kim Martin* will oversee day-to-day operations of the channel, which will have more than 300 hours of series, specials and movies amassed from WE's library. Wedding Central plans to offer channel-specific programming next year, but there are no plans at this point to move WE staples, such as “Bridezillas,” to the new channel. It's being built as an interactive net that will allow viewers to interact with programming and ads via their remotes (that's not up and running at this point). Rainbow also launched **WedCentral.com**. “It has been said that weddings are to women what sports are to men, and the success and popularity of wedding-themed programming on WE tv certainly bears that out,” said Rainbow National Services pres/COO *Ed Carroll*. “There is such a large audience—especially among women 18-49—interested in this type of content that it has become a genre unto itself. By targeting this desirable

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demographic, Rainbow will offer distributors and advertisers an attractive new venue in the marketplace.”

In the States: Suddenlink has more than 250K active phone lines for residential and business customers, a 30K line gain since the beginning of '07. Suddenlink customers are now placing and receiving up to 6mln calls a day, about twice as many daily calls as the company's network handled 14 months ago and 6 times as many as it did 2 years ago. -- **Cablevision's** Optimum Lightpath bowed an Ethernet-based Virtual Private Ring Service for businesses that leverages shared bandwidth and bundled comm. services to reduce costs and simplify billing and customer care.

Carriage: Cox launches this week 7 new HD channels in the Hampton Roads, VA, region, including **Bio, Fox Business** and **MLB Net**. A week later, the region's York County will gain access to 24 new HD nets.

Online: Twitter just got a bit wonkier with the **FCC** joining in (follow @fccdotgov). The Commission also launched a blog, dubbed “Blogband,” to stimulate public dialogue over the natl broadband plan (<http://blog.broadband.gov>). -- **Golfchannel.com** exceeded 3mln users in July, according to **comScore**, making it the #1 golf site for 5 of the past 7 months.

Research: 37% of respondents in the latest **Harris Poll** said cable is doing a bad job with customers, while 32% said the same about telephone companies. The silver lining? Cable's score actually improved by 3 points over last year, while the telco's dropped 2 points. And phone is down 26 points since Harris' first poll in '97 (that poll didn't include cable). Industries scoring lower than cable include tobacco (63% said it's doing a bad job), health insurance (58%), managed care (54%), investment and brokerage firms (46%) car makers (45%), pharmaceuticals (45%) and banks (38%). -- While predicting an ad market rebound for broadcasters next year, **SNL Kagan** said '09 should bring the group a 48% surge in retrans rev to \$739mln, and that by '11 that number should surpass \$1bln. Also, SNL estimates online rev for station ops to eclipse \$1bln by '12.

Competition: Qwest plans to discontinue Oct 31 its Qwest Wireless service, which has been a resale of **Verizon Wireless** service since last year.

Earnings: Univision reported flat TV rev of \$414mln, and CEO *Joe Uva* said the company's upfront is showing positive signals and “trending towards outperforming the English-language networks.” **TeleFutura** delivered more total viewers than any other 2Q in history while increasing its prime audience by 18%. **Galavision** delivered more total day Hispanic viewers than all but 1 unnamed English-language cable net.

Technology: Motorola agreed to feature the **Blockbuster** OnDemand movie download service in select phones. -- **Discovery Channel** launched a free iPhone app featuring clips from net shows including “Deadliest Catch” and “Dirty Jobs.”

Programming: *Oliver Stone* is creating and exec producing a 10-ep documentary series for **Showtime** titled, “Oliver Stone's Secret History of America,” which will premiere next year. The net says the 1-hour series will focus on events that at the time were under-reported, but crucially shaped America. -- **Spike** and **TNA Wrestling** extended their broadcast partnership by 3 years, adding a new original series of 1-hr specials to TNA's weekly “Impact!” show. -- **ESPN** inked with **Harrah's Interactive Ent** a 7-yr extension covering the World Series of Poker telecast rights through '18. The net will air a minimum of 32 hours of event coverage annually. -- **Nat Geo's** “Rescue Ink Unleashed” (Sept 25) features a group of tattooed, motorcycle-riding New Yorkers on a mission to save helpless, abandoned and abused animals.

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PROGRAM AWARDS

Saluting Cable's Top Shows and People

*Also Honoring
the Top Ops Winners*

Below are companies being honored at the CableFAX Program Awards. You can get information on individual finalists, see a list of the Top Ops winners and discover who CableFAX has chosen to be inducted into the Hall of Fame by visiting www.CableFAX.com/ProgramAwards

ABC Family	CNBC	G4	Showtime Networks, Inc
AMC	Comcast Entertainment Group	Gospel Music Channel	SiTV
Animal Planet	Comcast CN100 Chicago	HBO	Starz
BBC America	Comcast SportsNet	HDNet	Sundance Channel
Biography Channel	Comedy Central	History	Syfy
Brainstorm Media	Discovery Channel	Investigation Discovery	Time Warner Cable
Bravo	Disney Channel	LMNO Productions	Travel Channel
Bright House Networks	E! Entertainment	M2 Pictures	Turner Broadcasting
Bright House Networks/ Central Florida News 13	ESPN	MTV Networks	TV Guide Network
Bright House Networks/Tampa	EWTN	National Geographic Channel	USA Network
Bay on Demand	FamilyNet	Nickelodeon	Veria TV
Cable Positive	FEARnet	PBS Kids Sprout	WE tv
CBS College Sports Network	Food Network	Retirement Living TV	World Wrestling Entertainment, Inc.
CN 8 The Comcast Network	Fuse	RFD-TV	YES Network
	FX	Science Channel	

Sponsorships and Advertising Opportunities

CableFAX: The Magazine presents:

The Programming Issue: The Best & Next

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Special Distribution at the Program Awards & Top Ops Event, plus CableFAX Ad Forum, October 6.

Program Awards Luncheon (joined by the Top Ops)

Wednesday, September 16, 2009

Grand Hyatt Hotel, NYC

Register to Attend at www.cablefax.com/programawards.



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BUSINESS & FINANCE

Advertising: ESPN's MNF campaign kicks off Wed with "Brady's Back," the 1st of 4 planned spots. It features a fan working at a mall kiosk selling loop-de-loop airplanes on a Mon, fantasizing about his dream job—head coach of the New England Patriots. The thought of Brady returning to MNF helps him get through another dull Mon. -- Miller Lite and Wendy's signed on as full-season sponsors of truTV's "Black Gold" (Wed).

On the Circuit: The group of panelists and keynote speakers slated for the **Assoc of Cable Communicators'** Forum '09 (Oct 26-28 in Denver) includes: **NCTA** pres/CEO *Kyle McSarrow*, **Starz** chmn/CEO *Robert Clasen*, **Suddenlink** chmn/CEO *Jerald Kent*, **CableLabs** pres/CEO *Paul Liao* and **Rainbow Media** chmn/CEO *Josh Sapan*. -- Kudos to **CableFAX: The Magazine** contributor and former **CableFAX Daily** staffer *Daisy Whitney* on her 2-book deal with **Little Brown**. Her young adult novel "The Mockingbirds" and its sequel likely will appear on shelves in '10 or '11.

People: *Kitric Kerns* left **ABC Daytime/SOAPnet** to become vp, exec producer for **Cartoon Network Digital**. -- Former **Willkie, Farr & Gallagher** associate *Stephanie Poday* joined **NCTA** as assoc gen counsel. -- **Current Media** tapped *Ken Ripley* as evp, ad sales. -- **Time Warner Cable Northeast OH** appointed *Sally DeStefano* vp, HR.

CableFAX Daily Stockwatch

Company	08/18 Close	1-Day Ch	Company	08/18 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	34.92	0.54	AMPHENOL:	32.34	(0.07)
DIRECTV:	23.86	(0.19)	APPLE:	164.00	4.41
DISH:	16.56	(0.25)	ARRIS GROUP:	13.30	0.31
DISNEY:	25.20	0.11	AVID TECH:	12.20	0.09
GE:	13.59	0.23	BIGBAND:	3.89	0.10
NEWS CORP:	12.51	0.28	BLNDER TONGUE:	1.25	(0.01)
MSOS					
CABLEVISION:	20.46	(0.03)	BROADCOM:	26.83	0.89
COMCAST:	14.34	(0.22)	CISCO:	21.01	0.28
COMCAST SPCL:	13.57	(0.16)	CLEARWIRE:	6.44	0.04
GCI:	6.68	0.11	COMMSCOPE:	26.89	1.18
KNOWLOGY:	8.00	0.00	CONCURRENT:	4.40	(0.12)
LIBERTY CAPITAL:	16.11	(0.09)	CONVERGYS:	10.66	0.04
LIBERTY ENT:	27.02	(0.09)	CSG SYSTEMS:	15.81	0.19
LIBERTY GLOBAL:	20.73	0.18	ECHOSTAR:	19.01	0.33
LIBERTY INT:	9.46	0.17	GOOGLE:	445.28	0.39
MEDIACOM:	5.42	0.14	HARMONIC:	6.49	0.17
RCN:	8.83	0.14	INTEL:	18.77	0.32
SHAW COMM:	16.83	0.23	JDSU:	5.81	0.11
TIME WARNER CABLE:	33.06	0.30	LEVEL 3:	1.19	0.08
VIRGIN MEDIA:	10.41	0.29	MICROSOFT:	23.58	0.46
WASH POST:	456.08	(2.17)	MOTOROLA:	7.21	0.15
PROGRAMMING					
CBS:	9.87	(0.02)	OPENTV:	1.29	0.04
CROWN:	1.72	(0.06)	PHILIPS:	22.20	0.05
DISCOVERY:	24.63	0.35	RENTRAK:	15.00	(0.51)
EW SCRIPPS:	6.84	0.00	SEACHANGE:	8.79	(0.11)
GRUPO TELEVISA:	17.42	(0.07)	SONY:	27.57	0.55
HSN:	10.81	0.06	SPRINT NEXTEL:	3.85	0.04
INTERACTIVE CORP:	18.56	0.16	THOMAS & BETTS:	25.72	0.56
LIBERTY:	31.32	0.29	TIVO:	9.98	(0.02)
LODGENET:	6.68	0.59	TOLLGRADE:	5.60	0.05
NEW FRONTIER:	2.33	0.05	UNIVERSAL ELEC:	19.40	0.30
OUTDOOR:	6.58	(0.02)	VONAGE:	0.39	0.01
PLAYBOY:	2.44	0.06	YAHOO:	14.75	0.19
RHI:	2.60	(0.02)	TELCOS		
SCRIPPS INT:	32.79	0.28	AT&T:	25.10	0.08
TIME WARNER:	26.84	0.12	QWEST:	3.81	(0.03)
VALUEVISION:	3.12	0.13	VERIZON:	30.28	0.06
VIACOM:	24.85	0.03	MARKET INDICES		
WWE:	13.97	0.00	DOW:	9217.94	82.60
TECHNOLOGY					
3COM:	4.10	0.13	NASDAQ:	1955.92	25.08
ADC:	9.01	0.59			
ADVANTAGE:	1.80	(0.01)			
ALCATEL LUCENT:	3.32	0.12			
AMDOCS:	23.52	(0.06)			



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