

CableFAX Daily™

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What the Industry Reads First

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Sports Conundrum: Top Content, Distribution Gurus Debate Value, Models

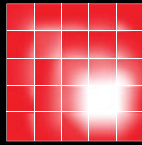
News flash: Sports content costs are going up, up, up. But can it continue? Will distributors and consumers rebel? How long before everything implodes? "It's beyond complicated," said **DISH** svp, programming *David Shull*, speaking Tues at the Silicon Flatirons Center in Denver. "But at some point there's got to be breaking point here... It's not something that's sustainable, and that's what's concerning." Shull and other panelists gathering for the U. of CO law school event agreed that rising sports costs have become a, uh... political football. But as might be expected, how they see the problem varies greatly depending on where they sit. **ESPN** evp, sales & marketing *Sean Bratches* framed it as more a perception issue rooted in the industry's inability (or unwillingness) to tout cable's overall value. "We'll continue to have this debate about alternatives unless we focus on the value that we provide," he said, noting that "the market has spoken" based on the fact that people haven't cancelled cable subscriptions en masse to protest pay TV costs. Still, distributors now face tough choices, said **Time Warner Cable** evp/chief video and content officer *Melinda Witmer*. "We are going to have to be more selective" about what nets to carry, she said, arguing that distributors can't raise prices indefinitely—especially with sports leagues starting their own cable nets and even selling content direct via online packages to fans. "There will be tug and pull around what it will make sense for us to spend money on," she said. She acknowledged the public's desire for a-la-carte pricing schemes, "none of which are viable economic models." So where does that leave the industry? Still banking on authentication. "It's very clear that customers want their sports and general entertainment on all these different devices," said Shull. "We want to make sure that relationship stays intact." -- Surprise, surprise. Just when many thought digital video was hurting traditional TV, it turns out that digital content has helped boost it, at least according to Silicon Flatirons Center panelists. However, launching a new linear TV net these days is almost impossible, said **Charter** svp *Allan Singer*. "It's too hard to be on that track even if you get millions of subscribers," he said. Existing linear nets need to be creative with their business models to survive, said **Lionsgate** pres *Jim Packer*. In terms of the growth of digital video and the potential disruption it brings to traditional TV, panelists were somewhat optimistic. "TV has new fresh content all the time, especially with regard to sports," said **NBCU** evp, content distribution *Matt Bond*. He said NBCU's London Olympics digital effort actually helped traditional TV viewing.

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Deals: Netflix shares closed down nearly 6.4% after **Epix** announced a streaming deal with **Amazon** Tues. The movie net's exclusive contract with Netflix ends this month, but Netflix will keep Epix movies on its service through Sept '13. During July's 2Q earnings call, Netflix CEO *Reed Hastings* downplayed the importance of Epix. "Epix is not a particularly large source of total viewing. Much more of our viewing is on our exclusives as was referenced, 'Mad Men,' 'Breaking Bad' and such shows," he said. Wall Street seemed to disagree, with Netflix shares falling as much as 11% during the day. Hastings also said in July that any cost savings from going nonexclusive with Epix would most likely be invested in additional content. As for Amazon, the Epix deal will more than double the number of titles available with Prime Instant Video since Amazon introduced Kindle Fire last Sept (the latest version of the tablet is expected to be unveiled this week).

Election 2012: The Democratic Party's '12 platform dedicates several sections to pushing for Internet freedom, broadband expansion and better spectrum and broadband policy. The party also supports requiring lobbying groups to reveal their donors "so the public will know who's funding the political ads it sees." The FCC recently voted to require broadcasters to publish online their public files, including political ad sales and kids TV programming requirements. The platform, unveiled Mon, touted efforts to "defend Internet freedom" but didn't state specific steps as to how the party would proceed if the net neutrality rules are shot down by the courts. Dems also promised to continue taking steps to deter, prevent, detect, and defend against cyber intrusions. The Cyber Security Act of '12, which would have created cybersecurity standards for critical infrastructure, didn't pass, but several legislators have since asked the President to issue an executive order to implement the measures. Dems also promised to expand HSI to 98% of the country and noted ongoing efforts to build a nationwide public safety network. As expected, the GOP platform, unveiled last week, is quite the contrary. The party took shots at the **FCC** over what they see as outdated regulations. "The current Administration has been frozen in the past. It has conducted no auction of spectrum, has offered no incentives for investment," the GOP wrote. The party slammed the agency's net neutrality rules, saying the agency's trying to "micromanage telecom as if it were a railroad network. "It inherited from the previous Republican Administration 95 percent coverage of the nation with broadband. It will leave office with no progress toward the goal of universal coverage—after spending \$7.2 billion more," the party said, referring to broadband stimulus grants. The GOP is calling for an inventory of federal agency spectrum to determine the surplus that could be auctioned.

Carriage: **INSP** scored carriage on **Comcast's** Freedom Region, which includes greater Philly and NJ systems. The net is now available in more than 72mln HHs. -- **Jewish Life TV** also just completed a launch in Comcast's Freedom Region. It also has picked up carriage to Comcast subs in greater Chicago and Northwest IN. With the addition of these 2 regions, JLTV is now available on cable in the top 5 metropolitan areas with the largest Jewish populations in the US (NY/NJ, L.A., South FL, Philly and Chicago), according to JLTV pres/CEO *Phil Blazer*.

Ratings: Sun's summer finale of "Breaking Bad" delivered 2.8mln viewers for **AMC**, up 47% over Season 4's finale. The ep marked the first half of Season 5, with the final 8 kicking off next summer. Sun's ep was up 37% in 18-49s (1.7mln) and 34% in 25-54s (1.5mln). -- Even though **Fox News** was the top net covering RNC with the most total viewers, **Comedy Central** was the choice among the youth vote. The net's late night block from 11pm to midnight was the top-rated and most-viewed among 18-34s, men 18-34 and men 18-24. The block, which features "The Daily Show with *Jon Stewart*" and "The Colbert Report," also won the week over **CNN** and **MSNBC** among the coveted advertiser demo of 18-49s. -- Season 5 of **HBO's** "True Blood" has been full of bloody drama. The finale of the vampire series sucked up 3627K live+SD viewers during the week of Aug 20 to become the #1 cable program, according to data provided by **Nielsen**. When it comes to movie-on-demand, **Lionsgate's** "The Hunger Games" dominated during the week ending Aug 26. **[Check out the latest ratings at www.cablefaxdaily.com].**

In the States: **Time Warner Cable** accelerated its Wi-Fi rollout in Charlotte for this week's **Democratic National Convention**. In the Charlotte metro area, TWC is up to more than 90 hotspots, including Charlotte's City Center and Midtown neighborhoods. **[More details at www.cablefax.com].**

On the Hill: **House Commerce** has updated its Website, with the aim to make it friendlier to the public. News clips (including a recent op/ed in *The Detroit News* by chmn *Fred Upton*) are featured prominently, as are video and photos. The new site also aggregates in the Subcommittee section all the info related to issues under the committee's jurisdiction. Check it out at energycommerce.house.gov. Maybe it'll go better than the **FCC's** Website relaunch last year. Everyone we know keeps using the old FCC site instead...

BUSINESS & FINANCE

Advertising: TiVo Research and Analytics signed a software licensing agreement with **Scripps Networks Interactive**, allowing the net to build a case for the level of auto ads it should be getting based on the proven purchases of audience. The deal would enable the net to better understand the correlation between exposure to ads and actual purchases across its media portfolio, including **HGTV, DIY Network, Food Network, Cooking Channel, Travel Channel** and **Great American Country**.

Business/Finance: Pivotal Research initiated **Viacom** with a “buy” rating and YE13 price target of \$73, with the firm saying its analysis has found that kids’ viewing is not meaningfully impacted by consumption of content on alternative viewing devices. Pivotal also initiated **Discovery Comm** at “hold” with a YE13 price target of \$58, saying that its story is “generally well-understood and priced accordingly.”

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| Company | 09/04 Close | 1-Day Ch | Company | 09/04 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| DIRECTV: | 52.30 | 0.21 | CONVERGYS: | 15.84 | 0.33 |
| DISH: | 31.02 | (0.97) | CSG SYSTEMS: | 21.47 | 0.26 |
| DISNEY: | 49.66 | 0.19 | ECHOSTAR: | 28.43 | 1.42 |
| GE: | 20.51 | (0.2) | GOOGLE: | 681.04 | (4.05) |
| NEWS CORP: | 23.68 | 0.13 | HARMONIC: | 4.59 | 0.02 |
| MSOS | | | | | |
| CABLEVISION: | 14.81 | (0.14) | INTEL: | 24.41 | (0.41) |
| CHARTER: | 77.08 | (0.72) | JDSU: | 11.19 | UNCH |
| COMCAST: | 33.52 | (0.01) | LEVEL 3: | 21.69 | 0.14 |
| COMCAST SPCL: | 32.78 | (0.09) | MICROSOFT: | 30.39 | (0.43) |
| GCI: | 9.46 | 0.64 | RENTRAK: | 17.52 | 0.07 |
| LIBERTY GLOBAL: | 56.01 | 0.74 | SEACHANGE: | 8.21 | 0.05 |
| LIBERTY INT: | 18.55 | 0.32 | SONY: | 11.30 | (0.01) |
| SHAW COMM: | 20.40 | (0.06) | SPRINT NEXTEL: | 4.80 | (0.05) |
| TIME WARNER CABLE: | 88.48 | (0.34) | TIVO: | 9.54 | 0.46 |
| VIRGIN MEDIA: | 27.44 | (0.13) | UNIVERSAL ELEC: | 15.57 | 0.30 |
| WASH POST: | 354.86 | 2.36 | VONAGE: | 2.11 | (0.03) |
| PROGRAMMING | | | | | |
| AMC NETWORKS: | 39.45 | 0.11 | YAHOO: | 14.89 | 0.24 |
| CBS: | 35.94 | (0.4) | TELCOS | | |
| CROWN: | 1.71 | (0.01) | AT&T: | 36.81 | 0.17 |
| DISCOVERY: | 55.28 | 0.44 | VERIZON: | 43.70 | 0.76 |
| GRUPO TELEVISA: | 23.12 | 0.14 | MARKET INDICES | | |
| HSN: | 45.48 | 0.45 | DOW: | 13035.94 | (54.9) |
| INTERACTIVE CORP: | 52.07 | 0.23 | NASDAQ: | 3075.06 | 8.10 |
| LIONSGATE: | 15.22 | 0.44 | S&P 500: | 1404.94 | (1.64) |
| LODGENET: | 0.36 | UNCH | | | |
| NEW FRONTIER: | 1.50 | 0.02 | | | |
| OUTDOOR: | 7.00 | 0.02 | | | |
| SCRIPPS INT: | 60.33 | 1.23 | | | |
| TIME WARNER: | 41.35 | (0.2) | | | |
| VALUEVISION: | 1.90 | UNCH | | | |
| VIACOM: | 49.97 | (0.43) | | | |
| WWE: | 8.77 | (0.11) | | | |
| TECHNOLOGY | | | | | |
| ADVANTAGE: | 2.25 | 0.05 | | | |
| ALCATEL LUCENT: | 1.11 | (0.02) | | | |
| AMDOCS: | 32.36 | 0.12 | | | |
| AMPHENOL: | 61.36 | 0.49 | | | |
| AOL: | 33.48 | (0.19) | | | |
| APPLE: | 674.97 | 9.73 | | | |
| ARRIS GROUP: | 13.75 | 0.12 | | | |
| AVID TECH: | 9.37 | 0.16 | | | |
| BROADCOM: | 35.34 | (0.19) | | | |
| CISCO: | 19.00 | (0.09) | | | |
| CLEARWIRE: | 1.53 | (0.07) | | | |
| CONCURRENT: | 4.05 | (0.23) | | | |

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