

# CableFAX Daily™

Wednesday — September 11, 2013

What the Industry Reads First

Volume 24 / No. 176

## State of the Industry: As TV Biz Evolves, Measurement Still Lags Behind

TV chiefs featured Tues at the **HRTS** luncheon in L.A. seemed to agree on one thing: The TV universe has never been more fragmented, time shifted and incompletely measured. “For those of us who want to sell commercial time, it’s becoming more and more difficult to do so,” said **FX Nets** and **FX Productions** CEO *John Landgraf*. For example, FX’s Season 5 premiere of “Sons of Anarchy” last year got a 75% lift from DVR usage vs a whopping 125% for “The Bridge” when it premiered this July. Sounds peachy until you realize that advertisers only pay for viewing up to 3 days after the live premiere. But **Magna Global** Worldwide CEO *Tim Spengler* said measurement must get more granular (tracking which specific commercials viewers watched and when) before many advertisers will consider recognizing viewing for up to 7 days, as many nets now advocate. “As soon as the networks are ready to have that conversation, we’re ready to have the other conversation,” he said. **NBC Broadcasting** chmn *Ted Harbert* said the measurement mess stems partly from **Nielsen**’s slow progress on multiplatform. “Everybody in this room knows that they’re a monopoly, and they’ll get to it when they get to it,” he said. “It’s always coming next year. I hope it comes next year.” Harbert also said he hopes “everyone gets a hold of themselves” on retrans disputes, although “we spend so much money on this product that there really has to be fair payment from the MVPDs.” He said he was glad he could at least watch **CBS**’ “Under the Dome” on **Amazon** Prime during last month’s dispute with **Time Warner Cable**. One exec firmly under the dome of protection from advertising-related chaos is **HBO** pres, programming *Michael Lombardo*. But despite carrying no ads, HBO still relies on ratings to assess shows and gain press attention. So Lombardo marveled that **Netflix**, which often compares itself to HBO to the chagrin of HBO execs, gets away with not releasing any viewing data. “I didn’t know there was an option of not reporting things,” he joked. Acting **Hulu** CEO *Andy Forssell* said any issues around binge viewing or cord cutting come down to the consumer experience, arguing that “if you make it easier for people to watch, they’ll watch more.” He said the industry must devise better multiplatform ad models that go beyond the norm and re-engage with binge viewers (for example, including recaps for viewers who haven’t binged for a while). “With a great user experience, I don’t think these are problems,” he said. “I think they’re solutions.”

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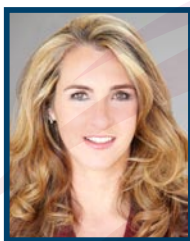
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**STELA is the New Black(out):** Fresh off **Time Warner Cable** and **CBS'** month-long retrans dispute, it's no surprise that Tues' **House Judiciary** subcmte hearing on the Satellite Television Extension and Localism Act spent a great deal of time on blackouts. **NAB** attorney *Gerard Waldron* called blackouts a "manufactured crisis" with 90% of blackouts involving **DirectTV**, **DISH** and **Time Warner Cable**. "We would, of course, take the view that 100% of the blackouts are caused by 4 companies—**ABC**, **CBS**, **NBC** and **Fox** and their affiliates," said fellow witness *Stanton Dodge*, evp, gen counsel, for **DISH**. "But putting that aside for the moment, if you look at the facts, it's not surprising that **DISH**, **DirectTV** and **Time Warner Cable** represent, as they assert, 90% of the blackouts because we represent 50% of the marketplace today. The other 25% is owned by **Comcast**, which owns **NBC** and is conflicted. The remaining 25% is folks like [CenturyLink], so in many ways, **DISH**, **DirectTV** and **Time Warner Cable** are the only ones able to negotiate effectively with the broadcasters." The takeaway from the 2.5 hour hearing may be that several members of Congress seemed willing to entertain adding other issues to reauthorization of **STELA**, even though **NAB** would prefer a clean reauthorization of the act. Of course, it's still early in the ball game (**STELA** sunsets at the end of next year) with more hearings expected. But cable, which would love to revisit retrans, network non-duplication and other issues, can take some pleasure from comments by ranking member *Mel Watt* (D-NC), who said the act is part of a complex statutory framework that makes it "virtually impossible to consider whether to reauthorize the provision in a vacuum." **STELA**, among other things, is the compulsory license that allows satellite providers to import distant network signals. *Waldron* raised questions about how many people are actually getting distant signals today. **MLB** rep *Robert Garrett* urged lawmakers to abolish the compulsory licenses for cable and satellite, saying they deprive **MLB** and other copyright owners the ability to control distribution of their works and receive fair market compensation. Blackouts will likely take center stage again at a House Communications subcmte hearing Wed. Ranking member *Anna Eshoo* (D-CA) unveiled draft legislation this week to authorize the **FCC** to grant interim carriage of a station during a retrans impasse.

**Moffett on Usage-Based Pricing:** Given the direction of yesterday's proceedings in the **Verizon/FCC** case, "it may be that the cable industry is too late to the party in charging" for bandwidth usage, **MoffettNathanson** senior analyst *Craig Moffett* said Tues at the NYC **CTAM** Think conference. "The question now is, has the window already closed?... I would argue that maybe we already missed it and the alternative models already emerged." *Moffett* said he believes the DC Circuit will throw out the **FCC's** argument, arguing that cable ops must "make explicit the function of transport" as their service moves from linear to the Internet. But using **Netflix's** 30mIn US subs as an example, he said "it may be too late to start charging them significant amounts of money for usage without a backlash from the **Department of Justice**." Ultimately it may reason that such an occurrence "will be too injurious to companies that might otherwise be perceived as competitors." If usage-based pricing occurs, he added, "every single business model changes," and "all the disruptive business models are going to have to be restarted from the ground up" because of the change in the value proposition. When net neutrality is thrown out, he predicted, "on paper that gives network operators like **Comcast**, **Verizon** and **AT&T** and **Time Warner Cable** the ability to charge for transport in ways that are unfettered by the **FCC's** regulation."

**New Kid on the Block:** So what does the entrance of **Fox Sports 1** into the market do for properties like **MLB**? "It's not 'a new kid arrived in town,'" said **MLB** evp, business *Tim Brosnan* at the **Bloomberg** Sports Business Summit Tues in NYC. Still, "it's great for a rights seller to have more competitive bidders," he said. "We get to pick and choose how our game is presented." *Norby Williamson*, **ESPN** evp, programming & acquisitions, said the net thrives off the competition, and in fact for many years the network competed against itself. "Competition was instilled in our DNA even when there wasn't overt competition," he said. "There's an internal competition that happens all the time," between different shows, for one. **Fox Sports** pres/COO *Randy Freer* said "we find it kind of humorous, the kind of attention [that's] given to new entrants." **FS1** was a better way to aggregate the company's rights, he said. Over the last 3 years they competed for sports rights of live events in order to make a sustainable, relevant network, as "a broader platform to expose that innovation" of the company's resources.

**In the Courts:** **Invidi** and **Cablevision** have mutually agreed to dismiss their claims against each other regarding one of **Invidi's** patents. The upshot? The 2 will test **Invidi's** addressable ad solution in the context of exploring a

potential business relationship. Neither admitted any liability in the litigation.

**Across the Pond:** Virgin Media signed a deal making it the first pay-TV operator to carry **Netflix** on cable set-top boxes. Virgin's UK subs who have a **TiVo** box (some 1.7mln homes) will receive Netflix this year, with a pilot launching this week with some 40K HHs.

**On the Hill:** The House unanimously passed legislation Mon evening that reduces the number of reports the **FCC** must produce. The FCC Consolidated Reporting Act, sponsored by Rep *Steve Scalise* (R-LA) along with House Communications subcmte chair *Greg Walden* (R-OR) and Ranking Member *Anna Eshoo* (D-CA), will instead require 1 Communications Marketplace Report instead of 8 separate reports. Now it heads to the Senate.

**Research:** Total time with live-only TV was flat year-over-year, per person, despite a higher share of time-shifted viewing, concludes a **Pivotal Research** analysis of **Nielsen's** "Cross-Platform" report for 2Q13. Pivotal also said on-line viewing reported by Nielsen equated to 2.3% of total TV viewing among the whole population, but unmeasured tablet viewing should add significantly to this. "Virtually, the entire population continues to watch significant volumes of traditional TV (even the lightest 17% of TV viewers continue to watch 8x more traditional TV than they watch on-line video)," analysts said, adding that 10% of the population that are the heaviest users of online video account for 84% of total online video viewing.

**Advertising:** Total ad spend in 2Q increased 3.5% from a year ago to \$35.8bln, with cable TV spending jumping 14.9% due to a larger number of NBA playoff telecasts as well as higher primetime ad prices, according to **Kantar Media**. Network TV was up 4.9%, while Spanish-Language grew 6.1% and spot TV declined 3.5%. Among the top 10 advertisers for 2Q were **AT&T** (#2 at \$501.8mln), **Comcast** (#4 at \$393.2mln), **Verizon** (#6, \$335.1mln), **News Corp** (#7, \$322.5mln) and **Time Warner** (#8, \$316mln).

**Ratings:** Last week was a good one for **OWN**, which recorded its highest-rated week in net history. Leading the pack was the fall finale of "The Haves and the Have Nots" (2.6mln total viewers) and the premieres of "Six Little McGhees" (796K) and "Oprah's Lifeclass" (687K).

**Programming:** **TLC** renewed "Who Do You Think You Are?" for another season (10 eps) to air next year. -- **E!** debuts "Society X with *Laura Ling*," investigating pop culture trends gaining momentum on the fringes of society (like getting high on bath salts), Oct 3 at 10pm. -- **Sundance Channel** acquired the rights to French zombie series "The Returned," and will premiere it appropriately enough on Halloween (9pm). -- **USA** ordered a sophomore season of "Graceland," not surprising given its status as summer's #1 scripted show in cable for 18-49s (1.8mln viewers). Season 1 wraps up on Thurs. -- **Sportsman Channel's** "NRANews Cam & Co" is broadcasting live Tues and Wed (5pm) from Colorado Springs during a recall election for 2 state senators who supported a package of gun-control bills earlier in the year.

**Online:** Following the popularity of its Web animation series "How It Should Have Ended" and "30-Second Bunnies Theater," **Starz Digital Media** launched an entertainment and comedy channel on **YouTube** called, "Union Pool." Initial programming includes acting school spoof "Hollywood Acting Studio" and animated puppet series "Captain Cornelius Cartoon's Cartoon Lagoon." -- **Cablevision** subs now have unlimited access to **Music Choice** anywhere in the US on any Internet-connected device via Optimum's TV to Go. CVC is the 1st service provider to offer Music Choice's TVE service.

**NBCU Studios:** **Comcast** exec *Jeff Shell* was moved over to lead **Universal Studios**, with longtime chief *Ron Meyer* becoming vice chmn of NBCU. Shell has been overseeing NBCU International since **Comcast** acquired NBCU in 2011. *Donna Langley* was named chmn of Universal Pictures, reporting to Shell. She replaces *Adam Fogelson*, who is leaving.

**Honors:** And the winner is... **HBO's** "True Blood." It was chosen as the latest inductee to **CTAM's** Hall of Fame, which honors marketing that launched at least 5 years ago and has proven to have made a lasting impact on the company and cable. -- Kudos to **Comcast SportsNet Philadelphia**, which received 15 Emmy Awards from the **Mid-Atlantic Chapter of the Natl Academy of TV Arts & Sciences**. That's the most Emmys in network history.

**Editor's Note:** We'll recognize the best cable shows and talent at the Program Awards breakfast Sept 25 and also induct the Program Hall of Fame, Class of 2013. In addition, we'll celebrate our Top Ops winners. Don't miss it. More info at <http://www.cablefax.com/cfp/events/Program2013a/> ... And that's not all. The day before the festivities, CableFAX will host the TV Innovation Summit focused on monetizing multiplatform. Package deals available. More info at [www.cablefaxtvsummit.com](http://www.cablefaxtvsummit.com)



# BUSINESS & FINANCE

**People:** Kevin Beggs advances to chmn, **Lionsgate Television Group** as part of his new long-term deal with the company. He'll continue to oversee development and production for all scripted and non-scripted programming for broadcast, cable and digital, reporting to **Lionsgate CEO Jon Feltheimer**. -- **Time Warner Cable** tapped **Mark FitzPatrick** as svp, CFO for residential services, reporting to evp, CFO **Artie Minson**. FitzPatrick most recently served as svp, finance for TWC. -- Veteran communications exec **Mary Stutt**, most recently vp, corp comm at **Bristol-Myers Squibb**, was named to the newly-created post of regional vp, external affairs for CA. -- **Starz** announced 2 promotions in its business & legal affairs group: **Kevin Cross** was named svp for the group and **Todd Hoy** was upped to vp.

**Business/Finance:** **Benu Networks**, which provides solutions to address the proliferation of carrier WiFi and HetNet deployments, snagged \$26.6mln in Series B funding. The round was led by venture capital firm **Sutter Hill**, but existing investors **Comcast Ventures** and **Spark Capital** also participated. -- **ISI Media** initiated **Madison Square Garden** with a "Buy" rating and a \$70 price target.

## CableFAX Daily Stockwatch

Company	09/10 Close	1-Day Ch	Company	09/10 Close	1-Day Ch			
<b>BROADCASTERS/DBS/MMDS</b>								
21ST CENTURY FOX:	32.22	0.09	GOOGLE:	888.67	0.62			
DIRECTV:	60.84	1.19	HARMONIC:	7.45	0.09			
DISH:	46.73	0.62	INTEL:	22.98	0.07			
DISNEY:	62.83	1.24	JDSU:	15.13	0.25			
GE:	23.87	0.48	LEVEL 3:	24.49	1.18			
<b>MSOS</b>								
CABLEVISION:	17.84	(0.04)	MICROSOFT:	32.39	0.73			
CHARTER:	127.44	0.74	RENTRAK:	26.82	1.36			
COMCAST:	42.84	0.55	SEACHANGE:	11.54	0.11			
COMCAST SPCL:	41.51	0.40	SONY:	21.72	0.11			
GCI:	9.11	(0.09)	SPRINT NEXTEL:	6.33	(0.04)			
LIBERTY GLOBAL:	77.48	0.70	TIVO:	12.06	0.10			
LIBERTY INT:	24.05	(0.07)	UNIVERSAL ELEC:	31.98	0.39			
SHAW COMM:	23.44	(0.16)	VONAGE:	3.08	(0.03)			
TIME WARNER CABLE:	110.13	0.57	YAHOO:	29.48	0.24			
WASH POST:	578.20	4.22	<b>TELCOS</b>					
<b>PROGRAMMING</b>								
AMC NETWORKS:	63.51	(0.02)	AT&T:	33.97	0.34			
CBS:	54.05	0.47	VERIZON:	46.47	0.56			
CROWN:	3.12	(0.01)	<b>MARKET INDICES</b>					
DISCOVERY:	77.94	(0.52)	DOW:	15191.06	127.94			
GRUPO TELEVISIA:	27.73	0.19	NASDAQ:	3729.02	22.84			
HSN:	56.20	0.25	S&P 500:	1683.99	12.28			
INTERACTIVE CORP:	52.73	0.37						
LIONSGATE:	37.46	0.57						
MADISON SQUARE GARDEN:	54.66	(1.22)						
SCRIPPS INT:	74.94	(0.11)						
STARZ:	25.99	0.01						
TIME WARNER:	62.94	0.70						
VALUEVISION:	4.73	(0.16)						
VIACOM:	80.91	0.25						
WWE:	10.38	0.12						
<b>TECHNOLOGY</b>								
ADVANTAGE:	2.48	0.02						
ALCATEL LUCENT:	3.52	0.08						
AMDOCS:	37.48	0.24						
AMPHENOL:	78.02	1.82						
AOL:	32.49	(0.42)						
APPLE:	494.64	(11.53)						
ARRIS GROUP:	15.87	(0.08)						
AVID TECH:	5.90	0.41						
BROADCOM:	26.76	(0.17)						
CISCO:	24.16	0.23						
CONCURRENT:	7.76	0.02						
CONVERGYS:	18.41	0.14						
CSG SYSTEMS:	24.06	0.05						
ECHOSTAR:	42.58	0.62						



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