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'We're Great': Britt, Burke Project Long-Term Confidence in Cable

Cable MSOs endured a long, hot August due to disappointing 2Q video sub metrics and the resulting pressure applied to their stocks by wary investors. There's still heat in the kitchen because of the beleaguered housing market, but **Time Warner Cable** pres/CEO *Glenn Britt* and **NBCU** CEO *Steve Burke* cautioned against writing the industry off at the **Bank of America Merrill Lynch Conference** Wed. "We're fine in this business… long run, we're going to be great," said Britt. TWC's rolling out products that are resonating with consumers such as its in-home iPad app, he said, and once housing rebounds it will goose the overall business. Expected next year is customer access to all cable channels through **Samsung** smart TVs. Importantly, sub trending has improved since last month, and Britt expects the momentum to continue through Dec. "We're feeling a lot better than we felt back in the 2nd quarter," he said. The MSO has decided to amp up its marketing in hopes of generating a tail wind, but Britt stressed that the increased aggressiveness won't necessarily include price concessions. Burke, meanwhile, said Wall St shouldn't overreact to the industry's seasonality-affected 2Q results, and he expects a notable turnaround in the year's latter half. Yet Burke declined to note **Comcast**'s current trends specifically—he is running NBCU, after all—though he did allow that "Comcast Cable's in great operating form" and that *Brian Roberts, Neil Smit* and *Michael Angelakis* are "all feeling cable's still a great business." On the cable net side, the future remains bright for most, said Burke. "The profitability of the top 30 networks is so great" that they'll continue to lead despite the ramping threats of fragmentation, he said, and those brands will continue to shine for years to come. Burke is tickled by the "extremely well run" NBCU channels Comcast picked up and said NBCU's portfolio is "in terrific shape." But he did say cable nets in the bottom quartile may struggle going forward, and a similar disparity may also be playing out in the ad market. National "remains very strong," said Burke, noting better-than-expected upfronts for both cable and broadcast. NBC, for example, has nearly sold out its Super Bowl inventory. But while Burke said local "seems to have stabilized" following wild Aug gyrations, Britt said "we certainly are seeing softness in the local market." Both execs said things are happening with interactive advertising, but still too slowly. Big cable stocks all advanced Wed, led by **Cablevision** (+6.96%) and including TWC (4.31%), **Charter** (3.34%) and Comcast (0.64%).

WICT NY: It felt a bit like déjà vu at the **WICT NY** Executive Women's Luncheon Wed, with moderator *Jami Floyd* of **WNYC** asking panelists the predictable cord-cutting question. There was a little less doom and gloom in the room compared to the opening session at this year's **Cable Show**, however. **Time Warner Cable** evp, chief strategy officer *Peter Stern* noted that grim numbers cited by Floyd were from Q2, "the hardest quarter in this business." Combine that with the economy, the contraction of the housing market and the near saturation of multichannel, and you have a public that expects a choice of ways to view content. All that creates "an obligation to make sure premium content is available when they want it," he said. *Laura Martin*, senior analyst for investment banking and asset mgmt firm **Needham & Co,** doesn't see consumers flocking to alternative ways of viewing content. Take a look at **Google TV**, for instance. "The customer

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doesn't care," she said. The big future trend to watch is the viewing habits of 20-somethings. "More likely you're going to see programmers doing something that brings 22-year-olds back to TV, with interactive, etc. I think it's in the hands of the programmers. And I think the cable guys are hedged," Martin said. Relevancy is a big factor, with *Rebecca Glashow*, svp, digital media distribution for **Discovery Comm**, seeing "a pressure on programmers to be meaningful in the eyes of a younger audience." Content companies are coming to grips with consumers penchant for free Internet content, Martin said. "Each of the content CEOs has a different strategy. I have seen a much more thoughtful stance about protecting what they have… without undermining unbundling the golden goose," said Martin. Watch **ESPN**, **Scripps Networks** and **CW** closely., she said: "Watch how they'll bring 20-year-olds back to TV." Also worth watching: **Amazon**. "You're going to watch online come to TV. TV is the game." **Univision**'s pres, distribution sales and mktg *Tonia O'Connor* said TV Everywhere is the right business model over time. "We expect there's going to be huge engagement through authenticated platforms," O'Connor said. "Board members want a piece of the over-the-top… but we made the decision to stick by traditional MVPDs." Speaking of change, Stern predicted more fragmented content packages. "The world does not come to an end," he said. "I know it's going to be hard for all of us, but we're going to have to have more choices."

BOA ML Notebook: **NBCU**'s cable channels are blazing, said NBCU CEO *Steve Burke*, noting how they all and particularly **USA** should outperform going forward due to CPMs and affil fees that don't match their stellar performances. But Burke said NBC is the company's biggest near-term opportunity, fueled largely by a retrans rev upside equaling "millions and millions of dollars." Affil stations will contribute to the tally, he said, noting a plan to represent the stations in negotiations in exchange for half the fees. NBC's goal is to get compensation similar to what CBS, Fox and ABC receive. As for the synergistic NBC/cable relationship, "when it works, it's far more powerful than we could've hoped," said Burke. For example, after making NBC's "The Voice" a corporate priority and inundating cable properties with marketing, said Burke, ratings for the show came in 40% higher within Comcast markets than without. -- Sure, residential will rebound, said Britt, but "the really exciting part is the business market." Although an impressive 20%+ annual growth rate currently defines the unit, Britt muses, "how about 40%... the market is there." Following the MSO's WiFi launch in L.A., Britt said he believes the tech can satisfy a lot of customers' needs. He's not ready to give up on mobile broadband plays such as the **Clearwire/Sprint** partnership, however, even if "for all our mighty efforts we have very few customers to show for it."

Retrans (continued): **LIN** on Wed shot back at **Mediacom**, which in a Tues letter to the **FCC** accused the broadcaster of "dilatory tactics" in its 2-week-old retrans dispute. "We have not been 'dilatory' in any way," LIN responded in a statement. As to Mediacom's contention that LIN failed to respond to the MSO's last sweetened carriage offer, LIN said "We responded to Mediacom's last proposal within seven days. Mediacom took ten days to respond to our prior offer, and Mediacom let the prior deal lapse without responding at all to the offer we had on the table. Mediacom appears to be much more interested in waging a PR battle to advance its political agenda in Washington than in closing a deal that would restore service to its subscribers." And so it continues…

CARD Check: When *NY Times* writer *Joshua Brustein* had trouble getting a CableCARD installed from **Time Warner Cable** for a new **TiVo** Premiere DVR box, he wrote about it (NY Times, "Gadgetwise," 7/18). His experience, which included several miscommunications, prompted a letter in July from TiVo, requesting that the FCC intensify its enforcement of CableCARD rules. Time Warner Cable sent its own letter to the Commission this week, saying that TiVo's request is based primarily on the Times' columnist's experience—which it called an "isolated incident that does not demonstrate any lack of compliance." After hearing a plug for TWC's DVR, Brustein wrote that he was told he needed to exchange his STB for a CableCARD, which he could pay $40 to have installed or he could do in person. He packed up his box and took it in, but then was told that they couldn't give him a Card. He scheduled a service appointment, and was told the Card would add $14 to his bill because he could no longer get his current set-top & Internet bundle. The tech did not show up for the appointment. Brustein reported that the rescheduled service appointment took several hours. TWC disputed TiVo's allegations that the columnist was a victim of anti-competitive practices, saying that his difficulties were primarily the result of incorrect info provided by customer service reps. It also said its response—reminding personnel of policies, waiving the installation fee and direct communication with TiVo over any lingering concerns—demonstrates how today's market-place can rectify problems more effectively than "heavy-handed regulation." "The isolated incident addressed by TiVo also should serve to caution against reflexive intervention before all relevant facts are known," TWC said, noting that records show Brustein is actually receiving a monthly discount of $7.75 from his bill instead of a $14 hike. Bottom line: TWC regrets the situation and will take TiVo's concerns into account and work toward ensuring similar incidents do not happen.

Gimme a U-S-F: Some of **NCTA**'s smaller members are in DC this week to talk up problems they have with a ILEC-backed USF reform plan. But it isn't all bad. "75% of it is to the good," said NCTA evp *James Assey* of the telco-backed ABC (America's Broadband Connectivity) plan, pointing to the move to more of a procurement model that redirects subsidies to truly unserved areas. What concerns NCTA and ops most are the plan's right of 1st refusal, ensuring subsidies are targeted to unserved areas, concerns over whether it creates a real hard cap on the fund and that cable's VoIP is on par with telco voice calls when it comes to intercarrier compensation *(**Cfax**, 9/12)*. NCTA's team was working right up to the last minute on improving the telco-backed plan, which is why it didn't prepare an overall proposal, according to *Tom Simmons*, **Mid-continent** svp, public policy. Now, NCTA and its members are hoping to work on tweaking the 25% of the plan they don't like. Simmons as well as **Suddenlink** EVP *Dave Rozelle*, **Mediacom**'s *Tom Larsen* and **Sjoberg** pres/CEO *Dick Sjoberg* held a briefing with reporters Wed before hitting the Hill and FCC. Also in DC this week are **Bend Broadband** chief *Amy Tykeson*, **Massillon** pres *Bob Gessner*, **Midcontinent** pres/CEO *Pat McAdaragh* and **Suddenlink** CEO *Jerry Kent*.

In the States: **Verizon's** lighting its 4G LTE network in 26 additional cities Thurs, including Austin, Reno and Iowa City. The launches will bring the market total to 143. -- **Comcast** holds an event at Ballou High School in D.C. Tues that will feature **FCC** chmn J*ulius Genachowski,* DC Public School chancellor *Kaya Henderson* and Comcast evp *David Cohen*. Comcast's Internet Essentials will be rolled out in more than 4K school districts in 39 states and DC in the '11-'12 school year.

Ratings: **ESPN**'s MNF double-header earned a combined 25.42mln P2+, including 14.57mln for the Patriots-Dolphins contest and 10.85mln for the Raiders-Broncos matchup. The former now ranks as the 2nd most-watched opening-night game behind last year's, and the latter also fell YOY. It was the most-watched NFL opening weekend in history with 107.4mln viewers across ESPN, **Fox**, **CBS** and **NBC**. NBC drew a Sunday Night Football record 2.74mln Hispanic viewers.

Programming: **The Weather Channel**'s new 6-ep series, "Weathering Disaster" (Sat, 8pm) shares the stories of individuals's efforts to rebuild homes destroyed by natural disasters. -- **Spike TV** picked up a second 10-ep season of "Bar Rescue." -- What happens in Vegas now gets aired on **Oxygen** with the new reality series "Bachelorette Party: Las Vegas." A different bride-to-be gets featured each week beginning Oct 17 at 10pm. -- **Nat Geo WILD**'s new series, "Outback Wrangler," follows animal rescuer/helicopter pilot Matt Wright as he relocates dangerous animals to keep wildlife and locals safe (Oct 5, 9pm).

Online: A partnership featuring **NASCAR**, **ESPN** and **Turner Sports** will make NASCAR.com's interactive live video product available during NASCAR's postseason series for the 1st time and also bring ESPN's live coverage of the series' 9 races to its WatchESPN app. -- **Comcast's** RSNs will roll out redesigns of their digital platforms this month and next to

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include customization options and localized versions of **NBC Sports Talk** integrated with local sports news. -- A new 3-year partnership calls for **Univision** and the **NFL** to jointly operate NFL.com/espanol as part of expanded multi-platform coverage of league content across Univision properties. -- **USA** is integrating its Character Chatter propriety SocialTV messaging platform with **Facebook**. Kicking off Oct 14 during the "Necessary Roughness" season finale, viewers will be able to find and chat with their friends, interact with stars and writers, etc.

Public Affairs: **ABC Family** and *Seventeen Magazine*, as part of their "Delete Digital Drama" anti-cyberbullying initiative, will participate in a panel on "Using Media Campaigns to Inspire Action around Bullying" at the 2nd Annual Federal Partners in Bullying Prevention Summit in DC on Sept 21.

On the Circuit: **NAMIC** announced **Telemundo** host *Ana Maria Polo* as the recipient of this year's *Mickey Leland* Humanitarian Achievement Award. Polo will be honored Oct 5 during the NAMIC Conference in NYC. -- **SCTE Cable-Tec Expo**'s MSO Technology panel will feature **Bright House**'s *Nomi Bergman*, **Cablevision**'s *Jim Blackley*, **Comcast** CTO *Tony Werner*, new **Cox** CTO *Kevin Hart* and **Time Warner Cable** CTO *Mike LaJoie*. Expo is slated for Nov 15-17 in Atlanta.

People: **Univeral Sports** welcomed *Scott Brown* as svp/general counsel.

CableFAX Daily Stockwatch

Company	09/14 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	42.95	0.47
DISH:	25.71	0.62
DISNEY:	32.29	0.84
GE:	15.79	0.38
NEWS CORP:	16.33	0.02
MSOS		
CABLEVISION:	17.83	1.16
CHARTER:	49.23	1.59
COMCAST:	21.98	0.14
COMCAST SPCL:	21.74	0.23
GCI:	8.29	0.27
KNOLOGY:	13.62	0.35
LIBERTY CAPITAL:	71.58	2.91
LIBERTY GLOBAL:	36.87	0.19
LIBERTY INT:	15.87	(0.14)
SHAW COMM:	21.85	0.21
TIME WARNER CABLE:	64.65	2.67
VIRGIN MEDIA:	25.02	0.78
WASH POST:	343.06	1.57
PROGRAMMING		
AMC NETWORKS:	36.25	2.42
CBS:	23.36	0.37
CROWN:	1.32	0.05
DISCOVERY:	39.22	0.81
GRUPO TELEVISA:	19.20	0.12
HSN:	33.33	0.66
INTERACTIVE CORP:	39.77	0.07
LIBERTY STARZ:	70.66	2.43
LIONSGATE:	6.96	0.04
LODGENET:	1.84	0.09
NEW FRONTIER:	1.30	0.08
OUTDOOR:	6.30	0.17
SCRIPPS INT:	41.54	1.26
TIME WARNER:	29.91	0.47
VALUEVISION:	3.77	(0.03)
VIACOM:	55.18	(0.17)
WWE:	9.15	0.13
TECHNOLOGY		
ADDVANTAGE:	2.15	(0.05)
ALCATEL LUCENT:	3.20	0.13
AMDOCS:	27.96	0.53
AMPHENOL:	44.85	1.19
AOL:	14.15	(0.23)
APPLE:	389.30	4.68
ARRIS GROUP:	10.89	(0.07)
AVID TECH:	9.10	0.29
BIGBAND:	1.39	0.04
BLNDER TONGUE:	1.25	0.02
BROADCOM:	34.77	0.55
CISCO:	16.33	(0.02)
CLEARWIRE:	2.73	0.18
CONCURRENT:	5.75	0.15
CONVERGYS:	9.78	0.12
CSG SYSTEMS:	13.41	0.18
ECHOSTAR:	24.08	0.68
GOOGLE:	532.07	2.55
HARMONIC:	4.82	0.13
INTEL:	21.11	0.35
JDSU:	13.51	0.48
LEVEL 3:	1.61	0.07
MICROSOFT:	26.50	0.46
MOTOROLA MOBILITY:	37.75	0.18
RENTRAK:	12.98	0.53
SEACHANGE:	8.19	0.10
SONY:	19.88	0.34
SPRINT NEXTEL:	3.53	(0.04)
THOMAS & BETTS:	43.55	0.92
TIVO:	11.07	0.14
UNIVERSAL ELEC:	17.19	0.56
VONAGE:	3.13	0.09
YAHOO:	14.55	0.29
TELCOS		
AT&T:	28.26	0.14
VERIZON:	35.60	0.10
MARKET INDICES		
DOW:	11246.73	140.88
NASDAQ:	2572.55	40.40
S&P 500:	1188.68	15.81

Think about that for a minute...

Be a Sport

Commentary by Steve Effros

It shouldn't come as any surprise that the folks who are atop the world of sports, particularly the commercial promotion of sports, apparently have no real interest in "being a sport" themselves. Playing as part of the team, or doing something that will help the broader endeavor, or even the folks who they are trying to attract, is not part of the game plan.

We're about to hear a lot about sports. On the one side, in the dire economic and political times we find ourselves in, sports is a wonderful escape. It's easy to understand, there are clear winners and losers, it takes a defined amount of time and then it's over, and of course this week's winner could be next week's loser and everyone accepts that. Not many other things you can say that about. It's an escape, and a valuable one. The opening ratings of the professional football season proved that lots of folks are happy to have it, and that's great.

But at the same time, recognizing that they have a very good product that is valued by an important (but NOT majority) part of the entertainment audience, the professional sports teams, players, leagues and the associated distributors of their product have taken a "... because we can" attitude to what their efforts are worth, and have basically said that they can demand however much money they want since they are "the only game in town."

This resulted in negotiations between the football league and a major distributor, ESPN, that just added $800 million a year to the cost for a Monday Night Football distribution package. A 70% increase. The total yearly bill now for that one package of rights is nearly $2 Billion! That's absurd. But of course so are the salaries some of the players are now demanding, and the cost of the stadiums (palaces) that are being built and supported by states and communities instead of things like, say, schools. The whole thing is totally out of control.

I know, the latest ESPN deal is, allegedly, not going to lead to any "direct" increase in price of the ESPN package. That was announced at the same time the extra $800 million got inked. But we all know that ultimately the consumer will pay. That's where all the money comes from, after all, whether it's part of a subscription fee or part of the cost of goods that reflect advertising costs. One way or another it's coming out of consumer's pockets. And those consumers are hurting right now. Not only that, but the aggregated attributable "sports" costs are now calculated as being more than half of the wholesale cost of cable programming. Sports viewing is not nearly that high. ESPN and ESPN2, for example, represent only a reported 2.5% of total viewership.

I wrote recently about an excellent report on the "poverty problem" now confronting us. A government report out this week reinforces that reality. In short, a significant part of the reason folks can't or won't buy our offerings as much any more is because they simply can't afford it!

This is not just about ESPN et. al., the "regional sports network" phenomenon, both pro and college, is a big part of the problem too. It can't continue this way. These escalated "must have" costs are going to force sports programming to be segregated in some way, whether a la carte, or on a special pay tier, I don't know. But it's time to throw out the current model for "unsportsmanlike conduct."

Steve

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