

# CableFAX Daily™

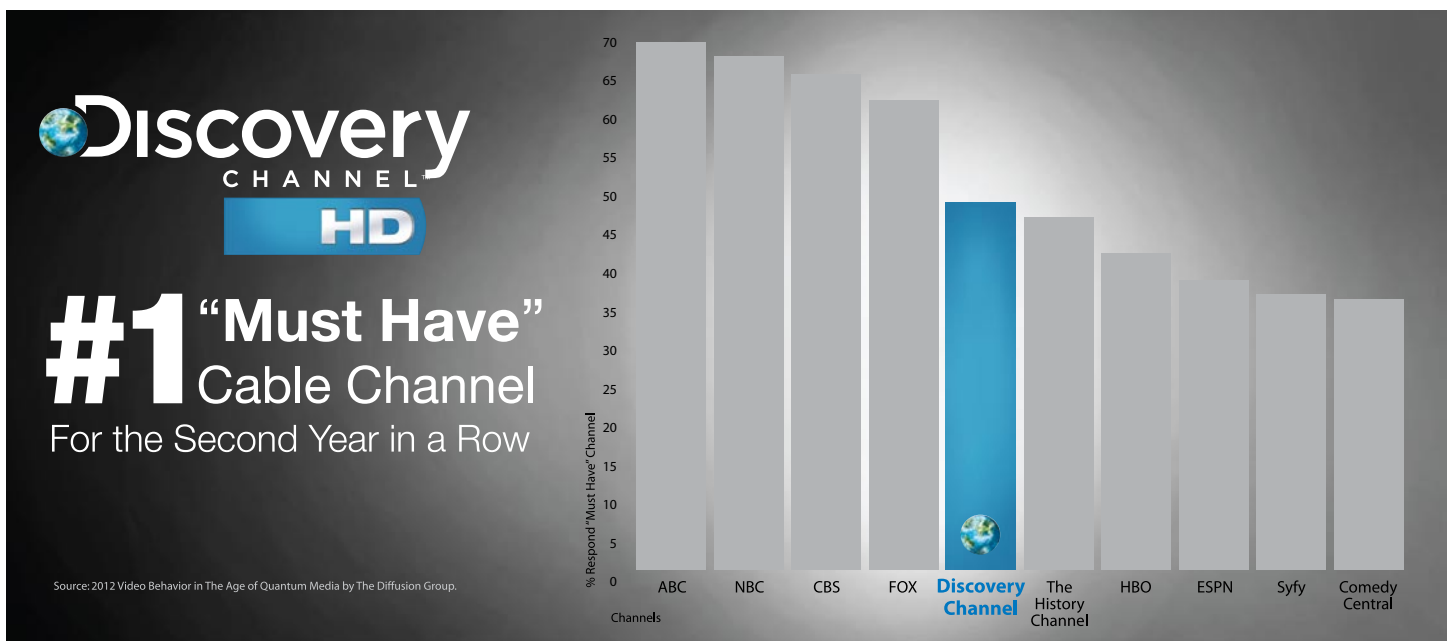
Thursday — September 27, 2012

What the Industry Reads First

Volume 23 / No. 187

## 5 Questions: Cox's Payne On When Programming Negotiations Go Bad

It's probably past time to add programming disputes to that old adage about the only thing certain in life being death and taxes. Cox vp, content acquisition *Kathy Payne* chatted with us on her view from the MSO side of the table, including of the recent flap that saw **Viacom** nets dark on **DirectTV** for 9 days this summer. **It was interesting to see Cox side with a competitor during the DirecTV/Viacom feud. Do you see a trend where cable ops are joining forces when it comes to blackouts, retrans disputes?** While all MVPDs fiercely compete for video market share, we also all face the same and, in some ways, greater challenge of exponential increases in the cost of programming. The business can't sustain these significant increases that are the main driver of rising cable and satellite TV service bills. The few customers we might pick up from a competitor in these disputes pales in comparison to the effect of being complicit in the game of programmers pitting distributors against one another, which helps programmers push through big rate increases. Cox has made a conscious, unilateral decision not to play that game. We also look at the increasing frequency of media focus on these disputes as good vehicles to help consumers understand why their TV service bills are rising so dramatically. **From an operator's standpoint, have there been more blackouts in the last 2-3 years? What are the impacts of these blackouts on an MVPD?** There have been more blackouts, and they have been more contentious and more visible. These feuds have intensified as a result of the increasingly unbalanced multichannel video business model, which is having major effects on operators and, more importantly, consumers, and is creating wide disparities between what large and small distributors pay for programming. All of this gets passed through to our customers, and especially customers of the smaller companies bear a disproportionate and unfair cost. **Any solutions?** Unfortunately no one wins in these battles, especially our customers, whose awareness of these issues has increased but, at the end of the day, just want to watch their favorite shows at a reasonable cost. The decision to go dark should never be taken lightly. As programmers and operators work through the negotiation process, there must be a commitment to reach an agreement that ultimately does not unnecessarily burden consumers. **Is there a role for regulators and legislators?** We regularly share our concerns about increasing programming costs and the unbalanced model we operate under with our local public officials and in Washington. None of us believes government intervention is the way to go, as ultimately the market should determine



Source: 2012 Video Behavior in The Age of Quantum Media by The Diffusion Group.

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax:301.738.8453 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 818.945.5309, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Group Publisher, Media Entertainment: Denise O'Connor ● Publisher: Debbie Vodenos, 301.354.1695, dvodenos@accessintel.com ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Marketing Dir: Barbara Bauer, 301.354.1796, bbauer@accessintel.com ● Prod: Joann Fato, 301.354.1681, jfato@accessintel.com ● Diane Schwartz/SVP Media Communications Group ● Subs/Client Services: 301.354.2101, fax 301.309.3847 ● Group Subs: Amy Russell, 301.354.1599, arussell@accessintel.com

prices and other private distribution practices. However, the constant disruption in customers' services risks forcing the government to more closely examine the process. Programmers and distributors alike have to recognize that greater risk if the current trajectory of rising programming costs and practices like forced channel bundling imposed by programmers continues. **What's the key in reaching an agreement?** Mutual commitment to the customer and a sense of fairness.

**At the Portals:** Big coalition at the **FCC** Mon to oppose the agency allowing the exclusive contract prohibition to sunset next Fri, according to an ex parte filing. Reps from **DISH, DirecTV, Verizon, AT&T, CenturyLink, Sports Fan Coalition** and **Public Knowledge** met with the Office of Gen Counsel and Media Bureau staffers to plead their case. They attempted to counter a '10 DC Circuit ruling that suggested the Commission might "soon" allow the rule to sunset if the market continues to evolve at a rapid pace. The opponents argued that it hasn't, with cable ops still vertically integrated with many of the top national nets and controlling half of all RSNs. So why should satellite-delivered programming be banned outright while terrestrial programming is on a case-by-case approach? The argument boils down to the FCC's terrestrial programming decision under Sect 628(b), which they argue addressed the more fact-driven "purpose and effect." They argue that Sect 628(c)(5) indicates the FCC should maintain the exclusive prohibition where necessary to preserve and protect competition and diversity. **ACA** also made an appearance at the Commission this week, arguing against dropping the blanket prohibition, or, at the very least, making some rebuttable presumptions, including that exclusive sports programming contracts are unfair. -- The **FCC** chmn circulated a proposed order Wed to enable LTE mobile broadband deployment in 20 megahertz of long-dormant spectrum in the WCS band. If adopted, it would also make an additional 10 megahertz available for fixed broadband, with the possibility of mobile broadband use in the future.

**Editor's Note:** We're gearing up for what promises to be a fascinating Webinar Thurs on how operators and programmers are using games and apps to engage with customers and viewers. Hear from experts at **AMC, Discovery Comm** and **Verizon FiOS**. Don't miss out. More info: [http://www.cablefax.com/cfp/webinars/2012\\_September27/](http://www.cablefax.com/cfp/webinars/2012_September27/)

**VOD: Cablevision** added **CBS** primetime shows to its lineup of free on demand programs. Available to digital cable subs, shows can be viewed the day after they 1st air on CBS. The launch means primetime shows from all 4 major broadcast nets are now available to Optimum subs for free on demand viewing. The launch also includes a Fall Preview video showing highlights from upcoming new and returning CBS fall series. All titles are available to subs with Broadcast Basic service and above, and a digital set-top box. -- **Christian Library on Demand's** subscription VOD service **EnLife** (Entertainment for Life) snagged a 3-year carriage agreement with **Armstrong**. It launches Oct 1 and will retail for \$4.99. EnLife features family-friendly kid, drama/movies, music and lifestyle programming.

**Competition: AT&T** is leveraging its strength in voice and data communications as it develops **U-Verse TV** apps. The telco launched the Easy Remote app Wed that allows subs to use voice and gesture to remote control TV programs. **CableFAX** spoke with AT&T on the latest offering. Check out the full story at **CableFAX.com**.

**Ratings:** Seattle Seahawks' controversial 14-12 last-second victory over the Green Bay Packers helped **ESPN** win Mon night among all nets in HH, viewers and all key male and AD demos. Similarly, Monday Night Football led all TV programs. The game, which earned a 12.0 HH rating, peaked between 11:45pm and 12am at a 13.8 HH coverage rating. The 90-min postgame "SportsCenter" scored a 5.2 rating, ranking as the net's most-viewed SportsCenter on record. Digitally, ESPN.com's **NFL** section had an average minute audience of 36K, up 32% YOY with an average 4.3mln unique visitors. The Fantasy Football section had an average minute audience of 61k, up 20% YOY. ESPN mobile Web's NFL section saw an average minute audience of 27K, up 6% YOY. It reached 3.8mln unique visitors, up 17% YOY.

**Programming: TLC** ordered additional eps of "Here Comes Honey Boo Boo" as more people "redneckcognized" the spinoff of "Toddlers & Tiaras." The net also booked 3 **HOLLA** day specials. The series premiered in Aug and has averaged 2.3mln viewers to date. -- Former vp *Al Gore* will lead **Current TV's** 1st presidential debate coverage and analysis on Oct 3. Gore will lead a roundtable joined by other Current anchors who include former Michigan Governor *Jennifer Granholm*, former New York Governor *Eliot Spitzer*. **Time Warner Cable SportsNet** and **Time Warner Cable Deportes** announced 2 original, unscripted series. "Backstage: Lakers" will give fans access to the organization and players on and off the court (Oct 1, 9pm premiere). "Laker Girls" is a reality series on the making of the dance squad (Oct 2, 8pm).

**Educationally Speaking: Discovery** has so many new initiatives, it's hard to keep track of them all. This week it an-

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nounced a \$7.5mIn commitment to extend the nonprofit **Discovery Channel Global Education Partnership's** efforts to use media to transform education and improve lives in the developing world in support of the **UN's** "Education First" initiative and the **Global Business Coalition for Education**.

It also announced "STEM Power!," **Discovery Education's** program dedicated to empowering girls in the US with success tools in STEM fields, and "Discovery Girls," a DCGEP program in Africa focused on improving education outcomes for marginalized girls. And it seems like Discovery execs are everywhere. Founder *John Hendricks* joined UN Sec *Ban Ki-Moon* and former UK Prime Minister *Gordon Brown* at UN General Assembly events this week to address business' role in acting on global education priorities. On Mon, Discovery Educ head *Bill Goodwyn* represented Discovery on a plenary panel at the **Clinton Global Initiative Annual Meeting** to discuss Discovery's overall commitment to improving global education. And last Fri, **FCC** chmn *Julius Genachowski* was at Discovery's HQ along with 5 school district leaders to discuss the future of education.

**On the Circuit: A&E, Discovery Comm, Showtime, Syfy, Turner and USA Nets' apps** are finalists in **CTAM's** "Sync to TV Competition." The companies' respective apps will compete at Summit, with session attendees voting on their favorite (Oct 16, 9am).

## CableFAX Daily Stockwatch

Company	09/26 Close	1-Day Ch	Company	09/26 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	52.00	(1.01)	CONCURRENT:	4.38	(0.06)
DISH:	30.41	(0.73)	CONVERGYS:	15.36	(0.74)
DISNEY:	51.94	(0.6)	CSG SYSTEMS:	22.26	0.41
GE:	22.10	(0.21)	ECHOSTAR:	28.04	(0.15)
NEWS CORP:	24.56	(0.13)	GOOGLE:	753.46	4.30
<b>MSOS</b>					
CABLEVISION:	15.87	(0.03)	HARMONIC:	4.62	(0.09)
CHARTER:	74.89	(0.55)	INTEL:	22.64	0.11
COMCAST:	35.12	(0.73)	JDSU:	12.14	(0.2)
COMCAST SPCL:	34.19	(0.71)	LEVEL 3:	22.56	(0.4)
GCI:	10.10	0.01	MICROSOFT:	30.16	(0.23)
LIBERTY GLOBAL:	60.05	(0.25)	RENTRAK:	16.85	0.02
LIBERTY INT:	18.26	0.11	SEACHANGE:	7.85	(0.01)
SHAW COMM:	20.51	(0.05)	SONY:	11.85	(0.2)
TIME WARNER CABLE:	94.01	(0.69)	SPRINT NEXTEL:	5.46	(0.07)
VIRGIN MEDIA:	29.27	(0.17)	TIVO:	10.01	(0.16)
WASH POST:	360.78	0.44	UNIVERSAL ELEC:	17.43	0.42
<b>PROGRAMMING</b>					
AMC NETWORKS:	42.37	0.31	VONAGE:	2.27	(0.02)
CBS:	35.57	(0.77)	YAHOO:	15.61	(0.07)
CROWN:	1.69	(0.01)	<b>TELCOS</b>		
DISCOVERY:	58.28	(0.17)	AT&T:	38.08	0.02
GRUPO TELEVISA:	23.16	0.04	VERIZON:	45.59	(0.03)
HSN:	48.17	(0.05)	<b>MARKET INDICES</b>		
INTERACTIVE CORP:	51.60	(1.09)	DOW:	13413.51	(44.04)
LIONSGATE:	14.74	(0.01)	NASDAQ:	3093.70	(24.03)
LODGENET:	0.38	(0.02)	S&P 500:	1433.32	(8.27)
NEW FRONTIER:	1.28	(0.04)	<b>TECHNOLOGY</b>		
OUTDOOR:	7.34	0.07	ADVANTAGE:	2.14	(0.04)
SCRIPPS INT:	60.19	(1.04)	ALCATEL LUCENT:	1.09	(0.03)
TIME WARNER:	44.64	(0.35)	AMDOCS:	32.66	(0.07)
VALUEVISION:	2.29	0.02	AMPHENOL:	59.20	(0.98)
VIACOM:	53.95	(1.03)	AOL:	33.62	(0.04)
WWE:	8.20	(0.07)	APPLE:	665.18	(8.36)
<b>MARKET INDICES</b>					
			ARRIS GROUP:	13.00	(0.2)
			AVID TECH:	9.29	(0.23)
			BLNDER TONGUE:	1.04	0.03
			BROADCOM:	34.09	(0.47)
			CISCO:	18.57	(0.09)
			CLEARWIRE:	1.55	0.07

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## Think about that for a minute...

### Form and Function

Commentary by Steve Effros

It's amusing that folks are just now beginning to acknowledge in the television business that consumers will always gravitate to the "best available screen." Of course they will! This is a point many of us have been making for a long time; if you're at home you are going to watch the game on the largest, nicest television screen you have. If you're stuck in an airport you may wind up using a tablet screen, and when things really get tough and you want to see that last, crazy, game-changing call one more time, you might use your smartphone. But you sure as heck won't watch the game on your smartphone when you're at home.



This is all about form and function.

When I need to haul some stuff to the dump I don't use a sedan, I use a pickup truck. Now granted, things get a little more subtle when it comes to our electronic lives these days, but form and function play an ever increasing role.

As an example, I have an iPad and a Kindle. I use the iPad for information surfing all the time and it really has become almost a substitute for "sitting in front of the computer" except when I have to do heavy-duty keyboard work, like writing this column.

But when I'm cruising through the latest book which has grabbed my attention, a light, simple screen that is essentially the same size as a paperback book is very comfortable to use. Form and function.

The importance to us in the cable industry about all this is that rather than tell folks they need to choose between various forms, we have moved into the enviable role of working to make sure they can use any of them, based on what the consumer sees as the function at any given moment. Our job is to make sure they get

delivery. They can then decide how they want to use it. Thus, offering things like "TV Everywhere" does not require us to endorse, push, extol or in any other way tell consumers how they are going to consume. That's up to them, and we should leave it that way.

Our job is to let them know that we have built—and are continuing to build—a delivery system that allows them to make those choices.

I'm making a point of this because I have seen too many ads and articles lately that have suggested the "new" way to watch television, or the way the "young folks" are going to deal with both video and data in some particular way (like "over the top" or "multi-screen") and that we all have to move in that direction.

No we don't.

What we as an industry have to do is make sure that whoever wants to use what we deliver, be it television or "video" or data or voice, has the opportunity to use it in whatever form they want. We're in the process of doing that.

Probably the most important move in that direction, and one I want to focus on in future columns, is the industry effort to expand and link WiFi capability. I think this could be one of the most powerful unifiers and competitive advantages the cable industry is deploying. It allows the individual to decide form and function with regard to how they choose to partake of the various services we deliver, and it is a proved technology that fits right in with our mission; that is, we deliver.

*Steve*

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

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