

CableFAX Daily™

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What the Industry Reads First

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'Game Changer': Netflix Deal Complements Disney Production Strategy

Looks like **Netflix** and Mickey have become BFFs. Calling Tues' streaming rights deal with **Disney** a "game changer," Netflix content chief **Ted Sarandos** said at the **UBS** Media & Communications conference Wed that having access to Disney assets "is going to be a huge step forward for our programming." The deal won't hurt traditional TV viewing because Netflix streams around 1bln hours of content every month, but networks like Disney still managed to grow, he said, adding that the company is working on a more kid-friendly user interface. **Bernstein Research** analysts disagreed, saying the deal increases the already "formidable threat Netflix poses to Disney linear kids TV networks, by increasing Netflix's appeal to families with kids." Additionally, the company doesn't plan on raising the \$8 per month subscription fee for unlimited online viewing, Sarandos said. Without getting into the specifics, Disney CFO **Jay Rasulo** said the deal "was the best and highest value creator for the company, and we are thrilled to have done it." The video streaming company will be a good platform for Disney as it focuses on "franchise films with enduring value," he said, noting that Disney studios are looking to maximize returns on their production. That means generating revenue on multiple platforms. He noted that Netflix wasn't the only company Disney approached. **Bernstein Research** analysts said Netflix might have out-bid **Starz** and acquired more rights than Starz's deal in the process. Video streaming has only had a minimal impact on the networks as it's not detracting from the networks' advertisers, Rasulo said: "At the end of the day, if you have great programming, you have great ratings." Both execs touched on sports programming. **ESPN** ad sales have seen slight improvement compared to a year ago, Rasulo said, and though the election has impacted sports programming, there's no "fundamental change" in terms of supply and demand of sports content, with improvements post-election. Disney manages sports content purchases in a "very strategic way," he said. Specifically, the company has locked up rights to major sports events in the future, he said. It has also sealed long-term affiliate deals. Internationally, Latin America perhaps holds the most growth potential for ESPN, he said, noting the net's share of the TV market in the region has grown. The 2nd most important international market is the Canadian market where the company has a joint venture with Canadian TV. Don't expect sports on Netflix any time soon. "I don't think that Netflix brings any unique properties to sports," Sarandos said.

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Net Neutrality: In challenging the FCC's net neutrality order, **Verizon** and **MetroPCS** asked the DC Circuit to extend by 2 weeks the current Dec 6 deadline to file the latest briefs. Additional time is needed to incorporate the court's recent ruling upholding the FCC's data roaming rules, which requires carriers to offer competitors data-roaming services on commercially reasonable terms.

At the Portals: The FCC is scheduled to vote during next Wed's open meeting on its **DISH** proceeding, which will determine whether the DBS company can use its satellite spectrum for terrestrial wireless broadband.

On the Hill: A Senate resolution calling on the US government to oppose UN control of the Internet was passed by the House unanimously Wed. Countries are meeting this week at a UN telecom conference to update an international telecom treaty. Some warned some proposals could allow UN regulation of the Internet. The resolution states that the US government should "continue working to implement the position of the United States on Internet governance that clearly articulates the consistent and unequivocal policy of the United States to promote a global Internet free from government control."

Social Circle: Charter is nixing its social media customer care group because few subs have interacted with the company through social media. The news was 1st reported by **DSL Reports**, which said many have been offered positions with Charter's call center operations, effective Jan 1.

In the States: States that actively invest in broadband see "stronger economic growth, better connected communities and enhanced quality of life," according to a study by **TechNet**. The tech advocacy group surveyed the states to compare indicators on broadband adoption, network quality and the degree to which the economic structure encourages development and makes use of broadband. Based TechNet's ranks, Washington came out on top, followed by Massachusetts and a few other Northeast states.

Programming: Bravo booked 2 new scripted pilots scheduled to go into production in early '13. Both pilots, "Rita" and "The Joneses," feature modern families and are part of Bravo's strategy to expand its non-scripted original programming slate into the scripted genre. The net plans to debut its 1st original scripted series in 4Q, '13. -- **Discovery Channel/BBC** co-production "Africa," 4 years in the making, premieres Jan 8 at 10pm. The 7-part series features never-before-filmed species and natural wonders of the world. -- **Oprah's** book club lives on with new selection "The Twelve Tribes of Hattie" by *Ayana Mathis*. The cross-platform book club (readers can buy special e-book versions complete with Oprah's notes on her favorite pages) culminates with a Mathis interview simulcast on OWN, Oprah.com and OWN's Facebook page, Feb 3.

CFax 100 & Top Women : After **TLC's** "DC Cupcake" stars *Sophie LaMontagne* and *Katherine Kallinis* spoke about following their dreams and trying something new (in their case that meant opening a successful bakery in Georgetown that now has expanded to several stores across the country), a panel of seasoned female cable execs discussed leadership at **CableFAX's** Most Powerful Women and 100 event Wed. Moderator *Donna Hanover*, an accomplished journalist, producer and actress as well as former First Lady of NYC, led the discussion. *Bridget Baker*, who is transitioning out of her role at **NBCU** as pres, TV distribution, told the crowd that we often don't have our "antennae up" when we're happy in a job, but that we should. On leadership, she said, "To be a great leader, you need followers. Direct reports are not followers." **Scripps Nets Interactive** svp/gm of digital media *Lisa Choi Owens* talked up oversharing. In other words, making sure your staff understands the good, bad and ugly of a company. It helps in digesting directives and following through on vision, she explained. **Science Channel** evp/gm *Debbie Adler Myers* fessed up about mistakes she's made in her career, saying she once took a job for money where the philosophy was so different than hers that her husband held an intervention. "If Mom's not happy, no one's happy," she said. The event also marked the unveiling of the **CableFAX 100** magazine. Who's in the #1 spot? **Comcast/NBCU's** *Steve Burke* and **Comcast Cable** pres/CEO *Neil Smit*. For the entire list, visit: accessintelligence.imirus.com/Mpowered/book/vcfax12/i4/p1

Marketing: Cablevision is rebranding **Optimum Lightpath** as simply **Lightpath**. The service provides Ethernet-based communication solutions for NY metropolitan area businesses. The change highlights the differentiation between Light-

BUSINESS & FINANCE

path's services for mid-market and large customers, and Cablevision's consumer Optimum brand, which focuses on services for residential and small business customers.

People: On Mon, former **Landmark Comm** pres and **Weather Channel Companies** pres **Decker Anstrom** was appointed to **Discovery's** board, according to an **SEC** filing. He fills the vacancy left by the resignation of *Lawrence Kramer* on June 1. -- Former **Nat Geo** vp, dev and prod *Kim Woodard* has joined non-fiction prod company **part2 pictures'** sr mgmt team as exec-in-charge, a newly created post with oversight of production and dev. Nat Geo is home to many of part2's shows, including its longest running series "Hard Time." -- *Ann Wells Crandall* was named svp, biz dev for **Pac-12 Ent.** She most recently was evp, biz dev and strategic partnerships for the **NY Road Runners.**

Public Affairs: The upcoming "12-12-12" concert for Sandy Relief will be simulcast live in select movie theaters in hurricane-affected areas throughout the tri-state area. The free presentation will include complimentary refreshments. Select theatres from **Clearview Cinemas, Bow Tie Cinemas, Frank Theatres, Marquee Cinemas, National Amusements** and **Rave Cinemas** will participate. Additionally, more than 30 nets will simulcast the event. Money raised goes to the **Robin Hood Relief Fund.**

CableFAX Daily Stockwatch

Company	12/05 Close	1-Day Ch	Company	12/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS			CONVERGYS: 15.92 0.19		
DIRECTV:.....	49.57	0.26	CSG SYSTEMS:.....	18.96	(0.2)
DISH:.....	36.13	(1.07)	ECHOSTAR:.....	32.77	0.06
DISNEY:.....	49.59	0.29	GOOGLE:.....	687.82	(3.21)
GE:.....	21.23	0.37	HARMONIC:.....	4.72	(0.06)
NEWS CORP:.....	24.94	(0.18)	INTEL:.....	19.85	(0.12)
MSOS			JDSU:.....	12.37	0.03
CABLEVISION:.....	13.80	(0.14)	LEVEL 3:.....	19.24	0.12
CHARTER:.....	69.74	(0.71)	MICROSOFT:.....	26.67	0.30
COMCAST:.....	36.88	(0.32)	RENTRAK:.....	19.01	(0.51)
COMCAST SPCL:.....	35.78	(0.26)	SEACHANGE:.....	10.00	0.92
GCI:.....	8.34	(0.05)	SONY:.....	9.70	0.07
LIBERTY GLOBAL:.....	58.76	1.57	SPRINT NEXTEL:.....	5.72	0.04
LIBERTY INT:.....	19.25	(0.01)	TIVO:.....	11.56	(0.26)
SHAW COMM:.....	21.94	0.18	UNIVERSAL ELEC:.....	16.87	(0.58)
TIME WARNER CABLE:.....	94.45	(0.52)	VONAGE:.....	2.45	(0.01)
VIRGIN MEDIA:.....	35.40	0.19	YAHOO:.....	18.89	(0.04)
WASH POST:.....	364.30	(0.47)	TELCOS		
PROGRAMMING			AT&T:.....	33.91	(0.01)
AMC NETWORKS:.....	52.41	0.16	VERIZON:.....	44.10	0.43
CBS:.....	35.47	(0.37)	MARKET INDICES		
CROWN:.....	1.79	(0.02)	DOW:.....	13034.49	82.71
DISCOVERY:.....	61.74	1.23	NASDAQ:.....	2973.70	(22.99)
GRUPO TELEVISIA:.....	24.18	0.90	S&P 500:.....	1409.28	2.23
HSN:.....	52.09	(0.12)			
INTERACTIVE CORP:.....	43.85	0.35			
LIONSGATE:.....	15.97	(0.2)			
LODGENET:.....	0.15	(0.02)			
OUTDOOR:.....	7.45	0.02			
SCRIPPS INT:.....	57.70	(1.52)			
TIME WARNER:.....	46.05	(0.65)			
VALUEVISION:.....	1.80	0.06			
VIACOM:.....	52.02	0.21			
WWE:.....	8.06	0.05			
TECHNOLOGY					
ADVANTAGE:.....	1.98	0.01			
ALCATEL LUCENT:.....	1.18	0.02			
AMDOCS:.....	33.73	0.06			
AMPHENOL:.....	60.97	0.01			
AOL:.....	31.73	0.49			
APPLE:.....	538.79	(37.05)			
ARRIS GROUP:.....	14.08	(0.18)			
AVID TECH:.....	6.77	(0.03)			
BLNDER TONGUE:.....	1.12	(0.05)			
BROADCOM:.....	32.34	(0.11)			
CISCO:.....	19.21	0.04			
CLEARWIRE:.....	2.37	(0.1)			
CONCURRENT:.....	5.60	0.19			



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Form Factors

Commentary by Steve Effros

A little over two months ago I wrote a column with a title very similar to this one. It was called "Form and Function." One of the main points of that piece was to emphasize that what we do as an industry is empower our customers to use whatever devices they want, in whatever ways they want, to both get the content we send as a cable provider and, as a broadband provider, allow them to use broadband communications at their discretion.



These are two different businesses, and they have entirely different challenges. In one form, we are an editor. We decide what "package" of video material we are going to offer, and sell it, usually in "bundles," to consumers. We use our own distribution

system which we built. There is, unfortunately, one caveat to all this; the government has gotten deeply involved in making some of those decisions for us; the "must carry" rules are the best example, but now there is an increasing list of others, such as the program carriage rules and the FCC's recent forays into even deciding what tiers certain "genres" of channels must appear on, and how. Eventually all that will be re-looked at by both the Courts and Congress. But for now, let's just stick with the core reality; we are, in the context of being a "multichannel video program distributor" an editor of aggregated content and a marketer of that content.

Think of a newspaper. The owners and editors decide what is going into that newspaper, where it will be placed, and how much it will be sold for. They also decide how to market it, with higher fees, or more ads, or electronically, or with emphasis on home delivery and the like. When there is some product (read "program" or "channel") that would be too extensive or ex-

pensive to include directly in the newspaper, they can decide to add a special section, or they could decide to publish it separately as a magazine supplement or maybe even a book. They could charge a different price for it or include it as part of the subscription. All of that is commonplace, and it should be for the MVPD editor as well.

One of our other businesses is broadband delivery. That could be to businesses or homes. Those are two different varieties, just like the newspaper or newsletter provider could offer versions to different audiences at different prices and with potentially even different content, or at least capabilities. In the context of our home broadband service, we compete to offer fast, efficient and reliable communications service and then stay out of the way. The user, the consumer, creates the content or has the ability to go out and get content of their choice, so long as in the process of doing that, they do not adversely affect the entire system and the experience of other customers.

This gets into the issues of "home servers" and very-high bandwidth users. So long as we make clear the service parameters we're offering, with, for instance, stated caps, buckets, or tiers, there should be no issue as to our right to condition that use of our system for both our own economic benefit (after all, it's our business, we built it) and to protect the quality of the service for all of our customers. The challenge we now have, as we start to move toward consideration of new telecommunications legislation, is to make sure others fully understand our different forms and functions.

T:202-630-2099
steve@effros.com

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



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