

CableFAX Daily™

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What the Industry Reads First

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Sinclair-TWC: MSO Says It Has Back-Up Fox Network Feed

Sinclair and Time Warner Cable's negotiations took an unusual turn Mon when the MSO began telling media in local markets that it had secured the rights to Fox network programming—meaning if a Sinclair deal doesn't get done by Dec 31, Fox network programming like "Glee" and the Super Bowl could remain on the air. The so-called insurance feed was one of the components in TWC and Fox's massive programming deal reached in Jan and that prevented O&Os and most Fox cable nets from going dark. TWC would only have access to a network feed for 1-year, and whether it would be a national or local feed was unclear (a local feed could include local sports programming). Sinclair evp, gen counsel *Barry Faber* said that the Fox provided feed would only be about 2 hours of prime programming vs 24 hours from the local stations, noting that in Columbus, OH, (a TWC market) station **WTTE** did a 7 rating/13 share, while Fox prime did a 5.9/9 in the Nov book. What's more, Faber said it's his understanding that the fee TWC would pay for the network fee is more than what Sinclair is asking. "If they take this position and go down this road and pay more than what Sinclair is asking for, if I'm understanding this situation correctly, I would view them as acting in very bad faith," he said. "I believe it's a threat... There is no business analysis that says it'll make sense." Faber added that TWC would still have to negotiate for other Sinclair stations, such as **ABC** and **CBS**, saying he would make up the Fox stations in the group deal. A TWC spokesperson said that the notion it would pay more is "inaccurate," but declined to discuss specifics. "We'd still like to get a deal done with [Sinclair]," the rep said. "We consider this an insurance feed to protect our customers in case Sinclair pulls the plug on Dec 31." It's interesting that Fox would strike such a deal as it has publicly stated that it expects a cut of broadcast affiliates' retrans revenue. The insurance feed gives TWC some new leverage in negotiations with Fox broadcast affiliates. Fox couldn't be immediately reached for comment, and Faber declined to comment on Fox's role. This isn't the 1st time TWC has discussed using a replacement national feed. When negotiating retrans with **Univision** at the end of '08, the MSO said it was likely to substitute other programming from Univision's national feed on the local station slots if they went dark. They never did.

Cord Cutting Debate: At a **UBS** conference Mon, Pres/CEO *Glenn Britt* said **Time Warner Cable's** low-priced, smaller video offering known as TV Essentials was intro'd for 1 main reason: to offer a lifeline to struggling consumers who temporarily can't afford the MSO's typical packages because of economic woes. On a broader scale, it's about offering choice

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to specific segments. "It really has nothing to do with" OTT threats, said Britt, because "we can't find any meaningful evidence of so-called cord cutting." **Charter** chief *Mike Lovett* agreed with that view when discussing the MSO's pending decision to launch a similar package. "We don't feel that over-the-top is changing the dynamic of the pay-TV industry," said Lovett, claiming that OTT offers cable ops an opportunity to better serve customers across platforms and devices. Instead, Lovett has reservations about launching a package "in direct response to the economy" when the success and benefits may be short lived as economic conditions improve. Data from **ESPN**, meanwhile, appears to paint cord cutting as a non-issue currently. The programmer's study found that just 0.28% of homes in the Nielsen sample dropped multichannel service over the last 3 months while maintaining their broadband connections. And when accounting for the migration of broadcast-only homes to pay-TV over the same period, that cord-cutting incidence falls to 0.11% of all HHs. Moreover, ESPN found that cord-cutting homes mainly include middle-aged, middle-income consumers who are light or non-streamers—antithetical to the widespread cord cutter image of a young, high-tech viewer, it said, and proof that "cord cutters are more likely to be recession-challenged householders making hard choices about their expenses." Also at the conference, **Time Warner** chmn/CEO *Jeff Bewkes* said "there's not cord cutting issue" in the premium space, either, but did say ops should be cognizant of consumers' increasing demand for flexible content offerings. Britt agreed that the industry "should work to provide" more choice to consumers, and said negotiations with programmers for various packages are taking place now. Deal headlines are always about money, he said, when in fact the myriad complications involved because of tiers, Internet rights, etc often produce the sticking points. "Most people want to buy everything... but some people want more choice," said Britt. "I don't think people really want a la carte." **[For more info on OTT see page 5].**

Discovery's Stable: **Discovery** pres/CEO *David Zaslav* talked up his nets during a **UBS** conference Mon, particularly **Investigation Discovery**, which he describes as the fastest growing network he's ever been involved in. ID went from 54mln subs to 72mln this year and is expected to surpass 80mln by 1Q end. And it has been a top 25 net for the last 14 days (some of those days, it was a top 20 net), Zaslav said. But that doesn't mean ID chief *Henry Schleiff's* work is done. The programming is there, but only 22% of Americans know it exists, said Zaslav. "We think we've found the right voice, so we're going to spend more money on marketing because if that 22% of America that knows about ID can hit 40 or 50, we think it can really accelerate," he said. ID also has "a ways to go" on advertising, with it over delivering and carrying a low CPM, Zaslav said. Beginning in Jan, a team will sell ID as an independent network instead of an emerging network—though Zaslav admitted it would take a few years to get the CPM up where he wants it. As for **OWN**, **Discovery's** jv with *Oprah* that launches Jan 1, Zaslav believes there are a lot of signs that it will "resonate in the US and around the world." He said advertising is going strong for OWN, and that now OWN is working on affiliate fees. Because **Discovery Health** (soon to be OWN) was acquired from **Fox**, Zaslav said it has very low sub fees, and the majority of deals include no fees. "If we can get that sub fee... combined with Oprah.com, I think we have something that could be quite special," he said. Zaslav lauded **Animal Planet** for improving ratings, but said more growth needs to happen.

UBS Notebook: **Time Warner Cable** saw commercial rev grow more than 20% from Jan-Sept and counted \$1bln total through Nov, a new milestone for the MSO, said boss *Glenn Britt*. Such success hasn't yet been experienced in wireless broadband, as he said "we don't have a lot of customers right now." But the goal with RoadRunner Mobile has always been to determine if there's a product or set of products that can complement TWC's wireline services, and Britt said that answer won't be known definitively for another year or so. Three-quarters of the MSO's cable footprint will be offered mobile broadband services by early next year. Concerning the **Level 3-Comcast** spat, Britt said any Comcast indiscretions alleged by Level 3 are rather "business as usual" within a Web operations domain that remains inscrutable to most. Someone must pay for the explosion in Web traffic going forward due to the associated costs, he said, and that reality often leads to "pushing and shoving" among the parties involved.

Programming: Low ratings was the kiss of death for **FX's** "Terriers," which is being canceled after 1 season. -- Original series "Magic City" is coming to **Starz** in '12 to spotlight a hotel in the heart of sexy and exciting Miami at the dawn of the '60s when *Sinatra* reigned and changes were rampant as *Castro* took control of Cuba. -- **Showtime** greenlit a 6th season of "Dexter." -- **Logo's** '11 originals slate will include "Be Good *Johnny Wier*," focused on the eclectic Olympic figure skater, "Pretty Hurts," a comedy featuring a look at Hollywood cosmetic injectibles provider **Rand Rusher**, and docu-series "Setup Squad," that provides daters with pickup pointers.

Carriage: DISH launched movie channel PixL, dubbing itself as a family-safe channel for original movies and miniseries with no commercials. -- GSN HD upped distribution to 3.5mln subs through carriage on Time Warner Cable in NYC, Bright House in Detroit, Birmingham, Tampa, Orlando and Indianapolis, and Service Electric Cablevision in 3 PA towns.

Comcast-NBCU: The politicking over the jv continues with the Natl Coalition of African American Owned Media running a full page ad in the *Washington Post* Mon. The ad is an open letter to Pres Obama and expresses disappointment that he doesn't deliver diversity in media ownership regarding Comcast-NBCU. The group wants merger conditions that include Comcast devoting 10% of its channel capacity to wholly owned African American networks within 6 months of regulatory approval. Comcast stepped up its minority commitment earlier this year, pledging that at least 3 of the 6 indie nets it has promised to add over the 3 years post merger will have a substantial minority interest. Meanwhile, ivi, which is being sued by broadcasters for retransmitting their signals with no retrans deals, is in DC this week to oppose Comcast-NBCU. Ivi argues that many of Comcast's current contracts with programmers limit competition.

5 Qs with Bright House Networks chmn Bob Miron: As part of our series featuring members of the 2010 CableFAX 100 and Most Powerful Women, we grabbed a few minutes with cable veteran and CableFAX 100 honoree Bob Miron, whose retirement at year-end is much deserved but also loss to the industry (we suspect he'll keep in touch). Our women's breakfast is sold out, but we still have a few seats for our CableFAX 100 luncheon on Dec. 9. Register at http://www.cablefax.com/cfp/2010cablefax100_luncheon.html. For a full version of this interview, go to www.cablefax.com.

What are you going to miss most about your job? The relationships with all the people. I have many close friends and people that I have gotten to work with over the years. Plus, the opportunity I've had, which has been terrific, to work with [children] Steve and Nomi on an everyday basis for a bunch of years. That combination is really what I'll miss—the people and my kids. **What do you expect to happen with retrans—government intervention?** If you're talking about retrans and sports, I think the current system is under lots of strain. Parts of it are broken, and I think it's largely because of sports. The networks and programmers have developed sports into a very intense and excitable niche that really drives unreasonable behavior. And I think it starts with the bidding for sports rights... When they gain the rights, they gain the leverage in affiliate negotiations... I think absent some sort of fix, we'll see this continue and we'll see more and more problems develop—higher rates. **Sports is a huge factor. But it's also one of the things from keeping people from cutting the cord.** We obviously need it. Sports is an important part of the American tradition. But not by 100% of the people. By a very intense and excitable niche. In some cases, it's a large niche. In some cases, it's a small niche... I think it's important and there needs to be some rationalization of how the operation works... **What do you think is the next big thing for cable?** Right now, I think we're all involved in the many commercial opportunities. I think that holds potential. DOCSIS 3.0 is being rolled out across many of the MSOs. That offers lots of opportunity. And I think all the new technology that is out there and how we adopt it to our platform... and how we deliver content to all platforms... I think all these things are opportunities for cable. **What's next for you? Are you really going to retire? You will still be on Discovery's board, but are you going to take it easy?** I plan to retire. I'm not keeping the office. I'm not going into the office. If Steve or Nomi have something I can help them with, they're my children—I'm never going to back away. But this isn't the Brett Favre type of retirement. I'm not looking for anybody to ask me to come back. If there's something I can do to help in some way that doesn't require a full-time commitment, I'm always interested. The industry has been part of my blood for almost 50 years.

At the Portals: Rep Joe Barton (R-TX) is asking FCC chmn Julius Genachowski why a FCC doc titled "Strong and Wide Support for Chairman Genachowski's Open Internet Framework" features laudatory quotes, but leaves out other portions of those quotes. For example, a quote from AT&T doesn't include how they'd prefer the FCC to refrain from regulating the Internet. "I look forward to gaining a fuller understanding of what has happened and why," wrote Barton,

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BUSINESS & FINANCE

asking for a response by Wed. Just further evidence that the House Commerce cmte will be scrutinizing every FCC move next year...

Online: **Hallmark Channel** launched "The Ultimate Holiday App," a free holiday guide and gift book app in the Apple Store. -- **ESPN's** new business initiative for women, **EspnW.com**, launched Mon. This is version 1.0, with a more robust and personalized site planned for the spring.

People: As expected, former **Turner Ent Group** pres **Mark Lazarus** as sr sports adviser. He was pres, media and marketing for **Career Sports & Ent.** -- **Sportsman Channel** CEO **Gavin Harvey** turned to his **Versus** past in naming **Michael Magnotta** svp, creative dir. -- **Nick** promoted **Keiren Fisher** to svp, series production, West Coast. -- **Charter** named former **SBC** and **Birch Comm** exec **Allan Samson** as svp, marketing. -- **ABC News** tapped **Ben Sherwood** as pres.

Business/Finance: **Ascent Media Corp** agreed to sell **Ascent Media Group's** content distribution business to **Encompass Digital Media** for aggregate cash consideration of approx \$113mln. -- **Windstream** completed its approx \$818mln purchase of **CLEC Q-Comm**, a deal including a contiguous fiber network spanning nearly 30K fiber route miles in 23 states and D.C. **RBC Daniels** acted as financial adviser to Q-Comm.

CableFAX Daily Stockwatch

Company	12/06 Close	1-Day Ch	Company	12/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
ARRIS GROUP:	10.52	0.04	ARRIS GROUP:	10.52	0.04
DIRECTV:	40.34	(0.28)	AVID TECH:	16.88	0.18
DISH:	18.42	(0.16)	BIGBAND:	2.96	0.06
DISNEY:	37.56	(0.03)	BLNDER TONGUE:	2.12	(0.03)
GE:	16.70	(0.08)	BROADCOM:	45.57	(0.19)
NEWS CORP:	16.06	(0.08)	CISCO:	19.43	0.36
MSOS					
CABLEVISION:	32.94	0.34	CLEARWIRE:	6.19	0.16
CHARTER:	35.44	0.37	COMMSCOPE:	31.22	(0.47)
COMCAST:	20.60	(0.11)	CONCURRENT:	4.75	0.07
COMCAST SPCL:	19.51	(0.08)	CONVERGYS:	13.31	(0.14)
GCI:	11.68	(0.04)	CSG SYSTEMS:	18.63	(0.13)
KNOWLOGY:	15.52	(0.09)	ECHOSTAR:	20.58	0.08
LIBERTY CAPITAL:	60.32	1.26	GOOGLE:	578.36	5.36
LIBERTY GLOBAL:	36.98	1.52	HARMONIC:	6.99	0.09
LIBERTY INT:	16.03	0.08	INTEL:	21.70	0.01
MEDIACOM:	8.48	(0.02)	JDSU:	12.85	0.12
SHAW COMM:	20.59	0.03	LEVEL 3:	0.97	-0.00
TIME WARNER CABLE:	66.11	0.03	MICROSOFT:	26.84	(0.18)
VIRGIN MEDIA:	26.74	0.22	MOTOROLA:	8.19	(0.05)
WASH POST:	389.67	1.56	RENTRAK:	26.95	(0.11)
PROGRAMMING					
CBS:	17.63	0.10	SEACHANGE:	8.41	0.10
CROWN:	2.77	0.08	SONY:	36.57	0.25
DISCOVERY:	42.89	(0.03)	SPRINT NEXTEL:	4.17	0.25
GRUPO TELEVISIA:	24.78	0.39	THOMAS & BETTS:	49.52	(0.18)
HSN:	30.27	0.31	TIVO:	8.79	0.17
INTERACTIVE CORP:	30.52	0.29	TOLLGRADE:	8.80	UNCH
LIBERTY:	38.03	(0.1)	UNIVERSAL ELEC:	28.66	0.30
LIBERTY STARZ:	64.36	(0.55)	VONAGE:	2.30	(0.05)
LIONSGATE:	7.25	(0.11)	YAHOO:	16.33	(0.02)
LODGENET:	3.91	0.40	TELCOS		
NEW FRONTIER:	1.77	(0.05)	AT&T:	28.30	(0.19)
OUTDOOR:	6.94	UNCH	QWEST:	7.18	0.06
PLAYBOY:	5.01	0.13	VERIZON:	32.89	(0.01)
SCRIPPS INT:	52.06	(0.08)	MARKET INDICES		
TIME WARNER:	31.10	0.46	DOW:	11362.19	(19.9)
VALUEVISION:	3.65	0.05	NASDAQ:	2594.92	3.46
VIACOM:	46.00	(0.15)	S&P 500:	1223.12	(1.59)
WWE:	14.00	UNCH	TECHNOLOGY		
TECHNOLOGY					
ADC:	12.73	(0.01)	ADDVANTAGE:	3.62	0.21
ALCATEL LUCENT:	2.93	(0.02)	ALCATEL LUCENT:	2.93	(0.02)
AMDOCS:	27.00	0.10	AMDOCS:	27.00	0.10
AMPHENOL:	53.05	0.12	AMPHENOL:	53.05	0.12
AOL:	25.51	0.33	AOL:	25.51	0.33
APPLE:	320.15	2.71	APPLE:	320.15	2.71

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EYE ON INNOVATION

The Digital 411, Bewkes Style

Occasionally controversial, often outspoken and always forthright in the era of constant innovation to deliver content across platforms and devices—programmers must innovate digitally or die slowly!—**Time Warner** chmn/CEO **Jeff Bewkes** was at it again Mon.

Speaking at a **UBS** conference, he admitted to frustration with the recent underperformance of TWX shares and those of similar media companies because of investors' "anxiety about media business models" in the digital age, and reiterated that the changing digital dynamic is "more of an opportunity than a threat" to the industry. Many Time Warner moves illustrate that avowal, including its participation with numerous TV Everywhere-type initiatives and OTT plays such as **Google TV**, plus its deep foray into Web operations for numerous sports franchises such as the **NBA**, **PGA** and college basketball.

Much of Bewkes' focus, however, was trained on OTT plays in general and the large content aggregators such as **Netflix** and **Hulu** specifically. "Large aggregation and low price is not a particularly useful thing for consumers or content creation," said Bewkes, noting that a rationalization of the content featured on such services/Web-sites will happen soon. There is a natural place for those types of services, he said, though mainly in the realm of old movies and TV shows, or "content that doesn't have a higher use for other platforms and windows." But as they essentially devalue some TV content through overexposure, Bewkes believes services focused on TV programming are "unlikely to persist."

A turning point may be occurring in the form of more comprehensive content rights deals, he said. Even **Time Warner Cable's Glenn Britt** noted Mon the escalating complexity of programming pacts. Content owners should require partners to buy the rights to all platforms for the initial window, said Bewkes, which because of rising costs would likely prevent Netflix from getting involved in the

early bidding. Maybe when the 2nd syndication window opens, but not before. "Mid-term, there should be a clearer delineation between what types of programming goes on networks and what ends up on utility-type services" such as Netflix, said Bewkes, speaking for Time Warner's content prod arm. "It just doesn't make sense to license TV shows that show up on other services."



Bewkes also cautioned against pitting Netflix et al in a duel to the death with pay-TV ops, claiming most OTT services are more complementary than cannibalistic to traditional TV viewership. But as he has said before, Netflix, Hulu, Google and **Apple** all offer better user interfaces than does cable, and that must change to ensure the ongoing health of multichannel video. TWC's Britt admitted as much, saying the MSO's interface "isn't as good" as those of many online services. As a remedy, the MSO is working with CE manufacturers including Apple to improve the interfaces that will be part of its planned rollout of programming across every device. "If we do that, and it's reasonably priced, we'll do just fine," said Britt. In the same vein, Bewkes invited all software companies to develop better user interfaces that make content easier to find.

Bewkes often intimates that programmers hold all the cards in the current digital era and doesn't appear shy about possibly playing that hand against ops down the road. A showdown may come surrounding authenticated streaming service **HBO Go**, which Bewkes said will advise consumers on what's capable and available on alternative platforms where content is concerned. He's mindful and respectful of current relationships with multichannel ops and wants to see all of them take advantage of HBO content across devices before Time Warner will do "anything drastic." By that, he means offering HBO Go directly to consumers, which he said TWX has the right to do right now. But that won't happen yet; there's too much change facing the industry.

—Chad Heiges

CableFAX Webinar

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