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Thursday — May 15, 2014

What the Industry Reads First

Volume 25 / No. 094

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Neutrality Showdown: Comcast's Cohen Asks What's a Fast Lane?

Comcast EVP *David Cohen* says he doesn't know what paid prioritization is, but whatever it ends up being, the 2010 open Internet order with which Comcast has to comply through '18 doesn't prohibit it. Even so, "whatever it is, we haven't done it," he said during **MoffettNathanson's** inaugural Media & Communications Summit Wed. He cautioned that no one has actually seen the NPRM that the **FCC** is slated to vote on Thurs. "I'm not being critical when I say this, so I want to be very careful, but it's been almost a hysterical reaction to an attempt by the chmn of the FCC to put in place legally enforceable open Internet protections that went further than the protections that were put in place in 2010. You have the whole world reacting to a document that no one has seen, which I always think is hazardous," he said. That should be remedied at Thurs' FCC open meeting, which is slated to get underway at 10:30am. Cohen believes Wheeler will propose a Title I rule, but will ask a lot of questions about Title II and say (again) that it's on the table. As for paid prioritization or fast lanes, he doesn't believe that has really been defined. "It's the specter that has been stirred up by the net groups and the opponents to what *Tom Wheeler's* doing because it sounds bad. But since we don't know what the definition of it is, it's a little bit hard to react to it," he said. "I believe that whatever it is... has been completely legal for 15-20 years" as it wasn't covered in the FCC's non-discrimination principles in '04 or the '10 open Internet order (though then-chmn *Julius Genachowski* said at the time, he would likely view such arrangement skeptically). **Charter** pres/CEO *Tom Rutledge* also tackled the net neutrality issue at the conference when asked about charging for transport. "I'd much rather have a clean subscription with my own customers in terms of pricing, and not have that other pricing," he said. "That said, if the network is being used and capital has to be invested because a particular vendor or company wants to use the network in a way that potentially takes all of its capacity, there has to be some way of allocating those costs. I'd rather see it allocated back to the provider in some cases. I guess there would have to be some reasonableness test there. When you charge [subscribers] by the minute or by the bit, total consumption falls, and you don't get the advantage of people discovering like they do today." Meanwhile, the last-minute lobbying continues. **House Commerce** Ranking Member *Henry Waxman* (D-CA) urged Wheeler to move forward with the vote, saying he supports the FCC using Sec 706 while using its authority of Title II as a backup. **NCTA** svp, law and regulatory policy sent a letter on the eve of the FCC vote, warning of its "deep

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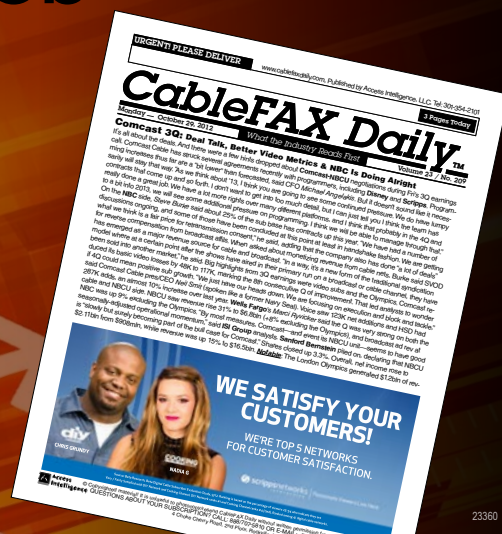
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concerns” regarding recent proposals to reclassify broadband under Title II. “NCTA seeks to be a constructive partner in any new dialogue about new Open Internet rules. While the substance of proposed rules can be fairly debated, there is no sound reason to pursue reclassification under Title II,” NCTA svp, law and regulatory policy *Rick Chessen* wrote.

What about AT&T-DirecTV?: Industry execs weighed in on reports that **AT&T** and **DirecTV** are moving closer to a merger agreement. A sampling of comments from Wed’s **MoffettNathanson** investor conference: Comcast evp David Cohen said, “I think in the popular press there will be an irresistible temptation to link all these deals and say ‘this is what we were worried about, industry consolidation... This is a reason why all these deals should be turned down.’ I think the teams at the **Justice Dept** and FCC are sufficiently professional and expert that that’s not the way they’ll think about it.” Cohen stressed that he doesn’t take positions on other people’s deals, but noted that AT&T and DirecTV overlap in 25% of the country, so a combo would eliminate competition in those markets. **Liberty** CEO *Greg Maffei* said he’s a happy shareholder of DirecTV watching this. “I think we’ll see if that rally gets done or not... It’s probably not the game changer that it might have been 5 years ago for AT&T,” he said, adding that he strikes him as a harder deal to get done than Comcast-**Time Warner Cable**.

Gannet Buys TX Stations: **Gannett** entered into a deal to acquire 6 **London Broadcasting** stations in TX for \$215mln in an all-cash transaction. The acquisition includes KCEN (NBC) in Waco-Temple-Bryan, KYTX (CBS) in Tyler-Longview, KIII (ABC) in Corpus Christi, KBMT (ABC) and its digital sub-channel KJAC (NBC) in Beaumont-Port Arthur, KXVA (FOX) in Abilene-Sweetwater and KIDY (FOX) in San Angelo. The deal is expected to close this summer.

UP, Aspire Carriage: **Cablevision** has launched **UP** and *Magic Johnson’s Aspire*, with a 4-week marketing campaign rolling out next week starring the former NBA star. The campaign includes transit ads on Long Island Railroad, Metro North trains and NYC subways, along with cross channel spots, social media and email blasts. CVC is the only provider of Aspire in the tri-state area footprint.

Synacor Numbers: **Synacor’s** 1Q rev was \$25.2mln, below 1Q13’s \$29.1mln but above the high end of company guidance. Adjusted EBITDA was negative \$0.7mln vs \$1.8mln last year. Subscription-based revenue was up 6% YOY, while search and display rev were down 11% and 26% respectively (execs cited seasonality). Search queries and advertising impressions were down for the company, something CFO *Bill Stuart* attributed to lower PC browser activity among consumers related to increase use of devices such as tablets and smartphones. Search queries were 154mln in the Q, down 27% from 1Q13 and ad impressions dropped 25% to 8.6bln. The good news? Synacor recently launched **Suddenlink’s** mobile TVE app and it expects to launch mobile TVE functionality to several customers over the remainder of the year.

Advertising in the Cloud: **Cablevision Media** Sales will use **Yangaroo’s** cloud-based ad content tool, which provides delivery of multiple types of media formats. The commercial content can be disseminated to all of the properties represented by or affiliated with Cablevision Media, including the New York Interconnect, News 12, and regional and local cable systems.

Upfronts: **Turner’s** upfront focus this year was **TNT’s** brand refresh. “Change is good. Sometimes change is even necessary,” said *Michael Wright*, pres, head of programming for TNT, **TBS** and **TCM**. “TBS is in great shape. For TNT, change is in the air,” and that starts with refreshing the brand’s look, tone and content. It’s going to be “younger, more dual and a little louder,” he said, but stressed that the company will continue to support the hits that “form the foundation of TNT.” The new tagline, “TNT Drama. Boom.,” reflects a focus on thrilling drama, action-adventure and crime genres. On the ad sales front, Turner Entertainment Ad Sales evp *Frank Sgrizzi* announced “Now Media,” a set of measurement, analytic and marketing tools that aims to combine opportunities between TV and digital. He called attention to Turner’s recently realigned sales team to reflect a multiplatform approach. “We will approach the market as one sales force,” said *Donna Speciale*, pres, Turner Broadcasting Ad Sales. Other announcements: Turner’s keeping *Conan* on TBS through 2018. Greenlit originals include TNT’s NYC crime drama “Public Morals” from writer/director *Ed Burns* and TBS’s “Angie Tribeca” (wt), a police procedural spoof from *Steve and Nancy Carell*.

Programming: **VH1** greenlit “TransAmerica,” (wt) which follows a group of Chicago women who are all transgender. The 8-ep, *Tyra Banks* and *Gay Rosenthal*-produced series is slated to premiere in late ’14 or early ’15. -- “Duck

BUSINESS & FINANCE

Dynasty" returns to **A&E** for a 6th season on June 11, 10pm. -- **SundanceTV** is co-producing original series "Babylon" with UK broadcaster channel 4. The drama set inside a modern police force will premiere on Sundance next year.

Which TV Tribe Are You?: Time Warner Cable Media introduced TWCM Audience Select, a cross-screen targeting tool that aims to give advertisers customized info to connect them more directly with the right consumers locally on specific platforms. It helps identify consumers they wish to reach utilizing specific household demographics, markets, networks, day-parts and custom data. TWC Media has identified 28 consumer viewing groups, called "TV Tribes."

On the Circuit: WICT is accepting nominations for Woman of the Year and Woman to Watch through 5pm ET on June 20. The honorees will be recognized during the WICT Leadership Conference, Sept 15 in NYC. Download the application at WICT.org.

People: Invidi promoted Lloyd Peterson to vp, system architecture and release mgmt and Matt Hillary to vp, customer service. -- Comcast Business vp, HR Rob Fodge and NJ Pesci, svp, HR for Scripps Networks Interactive, joined CTHRA's board. -- Kim Hart was named press sec to FCC chmn Tom Wheeler. Hart was Politico's sr tech report until '12 when she joined Neustar as dir, corp comm.

CableFAX Daily Stockwatch

Company	05/14 Close	1-Day Ch	Company	05/14 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	85.26	(0.82)	CONCURRENT:	8.09	(0.02)
DISH:	60.18	(0.87)	CONVERGYS:	21.89	(0.71)
ENTRAVISION:	5.16	(0.16)	CSG SYSTEMS:	25.42	(0.57)
GRAY TELEVISION:	10.23	(0.31)	ECHOSTAR:	49.46	(0.59)
MEDIA GENERAL:	16.34	(0.36)	GOOGLE:	526.65	(6.44)
NEXSTAR:	40.39	(0.96)	HARMONIC:	7.09	(0.13)
SINCLAIR:	27.56	(0.65)	INTEL:	26.33	(0.12)
MSOS					
CABLEVISION:	17.04	(0.32)	INTERACTIVE CORP:	63.92	(0.68)
CHARTER:	136.15	(0.47)	JDSU:	10.84	(0.12)
COMCAST:	49.83	(0.28)	LEVEL 3:	43.34	(0.7)
COMCAST SPCL:	49.32	(0.24)	MICROSOFT:	40.24	(0.18)
GCI:	11.00	(0.29)	NIELSEN:	47.34	(0.02)
GRAHAM HOLDING:	667.00	(6.38)	RENTRAK:	54.35	(3.5)
LIBERTY GLOBAL:	43.78	(0.18)	SEACHANGE:	8.89	(0.34)
LIBERTY INT:	28.41	(0.22)	SONY:	16.50	(1.14)
SHAW COMM:	24.92	0.11	SPRINT NEXTEL:	8.99	(0.04)
TIME WARNER CABLE:	135.23	(0.74)	TIVO:	11.71	(0.25)
PROGRAMMING					
21ST CENTURY FOX:	34.28	(0.62)	UNIVERSAL ELEC:	39.62	(1.07)
AMC NETWORKS:	58.45	(0.78)	VONAGE:	3.78	(0.07)
CBS:	55.94	(1.06)	YAHOO:	34.17	(0.23)
CROWN:	3.36	(0.09)	TELCOS		
DISCOVERY:	72.34	(0.46)	AT&T:	36.39	0.19
DISNEY:	80.92	(1.16)	CENTURYLINK:	37.66	0.69
GRUPO TELEvisa:	33.39	(0.48)	TDS:	27.14	(0.2)
HSN:	54.35	(0.99)	VERIZON:	48.01	0.16
LIONSGATE:	25.63	(0.36)	MARKET INDICES		
MADISON SQUARE GARDEN:	49.70	(0.12)	DOW:	16613.97	(101.47)
SCRIPPS INT:	73.97	(1.19)	NASDAQ:	4100.63	(29.54)
STARZ:	29.96	0.07	S&P 500:	1888.53	(8.92)
TIME WARNER:	68.95	(0.22)	TECHNOLOGY		
VALUEVISION:	4.78	(0.2)	ADDVANTAGE:	2.66	(0.1)
VIACOM:	83.28	(0.5)	ALCATEL LUCENT:	4.06	(0.03)
WWE:	19.35	0.95	AMDOCS:	47.09	(0.13)
TECHNOLOGY					
ADDVANTAGE:	2.66	(0.1)	AMPHENOL:	95.57	(0.55)
ALCATEL LUCENT:	4.06	(0.03)	AOL:	36.81	UNCH
AMDOCS:	47.09	(0.13)	APPLE:	593.87	0.11
AMPHENOL:	95.57	(0.55)	ARRIS GROUP:	28.77	(0.54)
AOL:	36.81	UNCH	AVID TECH:	7.40	0.05
APPLE:	593.87	0.11	BLNDER TONGUE:	0.91	UNCH
ARRIS GROUP:	28.77	(0.54)	BROADCOM:	29.83	(0.07)
AVID TECH:	7.40	0.05	CISCO:	22.81	(0.05)
BLNDER TONGUE:	0.91	UNCH			
BROADCOM:	29.83	(0.07)			
CISCO:	22.81	(0.05)			

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Let There Be Light

Commentary by Steve Effros

This isn't a column seeking to shed light on the inane current net neutrality PR battles. That will have to wait until next week. No rush, since so much nonsense is being spread around that it will take months to clean up the mess, if we can. Nope, today, as promised, I want to focus on the second of two "takeaways" from this year's **NCTA Show**; HDR- High Dynamic Range imaging.

Both **Dolby** and **Technicolor** had eye-popping but low-key demonstrations of some of the best pictures you are likely to see on a television screen. They are both promoting the idea of "High Dynamic Range" imaging. The easiest way I can explain the technology is with the analogy of good, high-end stereo equipment. The objective for (particularly classical) music listeners is to have a stereo system that can play the softest, quietest notes and the loudest, with as much "range" in between as possible. In other words, the least amount of "compression" of the sound. The better (wider, greater) the "dynamic range" the more realistic the sound.

Now take that same idea and apply it to video. There are two parts to this: the first is the "color gamut." That's the range of colors that can be seen, the palette. Currently, television sets only show a subset of the standard color palette. As Dolby notes on its web page, a Dolby Vision HDR TV has the capability to show more shades and colors than the human eye can perceive. The second part is "brightness" and "contrast." Currently, leaving out all the technical stuff, the "brightest" white we see on television screens is one-fourtieth of what HDR can deliver! Both Technicolor and Dolby were showing technology with the whitest of white spots on the screen capable of being



40 times brighter than what we now see.

Well, that's not actually true. They both have that capability, but they showed pictures at half that, (2000 nits rather than 4000 nits, for those of you who like the technical stuff) because 4000 is just plain overkill. At 2000 nits (current television sets generally display on average 200 nits), the "contrast" between the darkest darks and the brightest whites was just stunning, and the pictures were noticeably better in just about every way.

As usual, there is a technical contest going on here. First, Dolby has a proprietary system it is promoting. It's already got an end-to-end solution that would allow post processing of most the popular current film library. Technicolor is shooting for an MPEG standard. A more involved, likely slower track to getting to HDR television sets.

Yes, to see the difference you would have to have a new set that could display the full color gamut and brightness/contrast. But it doesn't have to be a "4K" set. It can use the current HD standard, and the pictures are just as spectacular! Remember, this is about brightness and color coding, not about more resolution and bandwidth. That's important, since the folks wanting to sell new sets are pushing, hard, for 4K to convince us that there is "something new" that we should buy. There is, but 4K would also require the delivery infrastructure to use four times more bandwidth! That's a total waste when you can actually see a bigger difference with HDR, with current bandwidth usage, but can't really see a difference with 4K on a set at the size and distance eye doctors tell us we should use. That's why HDR is so important.

Steve

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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