

CableFAX Daily™

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What the Industry Reads First

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Zas' World: Why He's Not Sweating Underperforming Nets

Discovery Fit & Health is not doing very well, and that's good for **Discovery Comm**. Sounds weird, but pres/CEO *David Zaslav* sees the potential. "We have another channel we can try to figure out what to do with," he told an investor conference Wed. Discovery's followed that playbook several times over the years, most recently with **Military Channel's** renaming as **American Heroes** and **Planet Green's** total relaunch as **Destination America**. "Our culture is that we should mistakes. It's a tough business. You can't get every channel right," Zaslav said, noting that there are also underperforming channels in intl markets that present growth opportunities. But as a whole, he believes Discovery Comm is performing very well and will "fight for more value" as carriage deals come up for renewal. "From the distributor perspective, we've been a great actor. Our cost to them has gone up mid-single and we've been investing [in content in the] mid-teens. And we've been aggregating big audience," Zaslav said. "We've been doing it because it's important for us to have channels that really matter, that people really care about so when our deals do come up we have a good story... but more importantly that we're very strong strategically. We have 14 channels that come up all at once. Our scale is up and we have affinity groups [among nets]." Yes, he spent much of the 50-min chat talking up Discovery's growing intl footprint. One of the reasons it's so important is the lack of sub growth in the US. To do well, it means you're taking share from other nets instead of growing through new viewers. That's the "baddie" (Zaslav's word, not ours!). But there's also a "goodie": "More people want our content for more windows... Every new window is more money for us," he said. Why no OTT deal with **Amazon**? Simply put, Discovery thinks its content is more valuable than Amazon does. Up next is its soon-to-expire **Netflix** deal. A few things amaze the Zas... Like how folks are watching more TV than ever before, but still watching crazy amounts of online video. He's also "meaningfully surprised" that the money he thought 3-4 years ago would migrate to new media just hasn't happened. "It's surprising to even us that TV is as strong as it was even several years ago," he said. As for the upfront market, it "feels good," the CEO said. He treaded lightly on the subject of MVPD mergers, saying that "consolidation raises some real issues" and that "we're studying it." Like many, he doesn't see **Comcast-Time Warner Cable** closing by year-end, suggesting it goes into possibly 1Q or 2Q of next year. "We have some time to look at what this means to us and make a determination," he said.

A Million Copyright Alerts: ISPs sent out 1.3mln alerts in the first 10 months of the Copyright Alert System (CAS) program, with most of those coming in the initial educational phases of the program. Only 265 challenges were filed in the copyright violation early warning system, with no finding of any invalid notices, the **Center for Copyright Information** said. There were only 47 successful challenges, with most of those based on unauthorized use of someone's account. Less than 3% of the alerts sent occurred in the final mitigation stage. CAS is the voluntary program developed by the Center for Copyright Information and the 5 largest ISPs to combat P2P piracy. Content owners generate notices of alleged copyright infringement with ISPs, who then deliver alerts to account holders without

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Sponsorships: Amy Abbey, aabbey@accessintel.com, (301) 354-1629

Registration Questions: Saun Sayamongkhun, saun@accessintel.com, (301) 354-1694

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sharing personally identifiable info with content owners. The number of alerts sent and processed is expected to at least double in size next year, CCI said.

Murdoch Talks Pay TV: The US pay TV industry is not innovating fast enough compared to Europe, especially in the multiplatform space, *James Murdoch*, co-COO of **21 Century Fox**, said at the **Sanford Bernstein** Strategic Decisions Conference on Wed. US MVPDs have been “much less innovative in implementing TV Everywhere properly,” while in EU, TVE has been the center of strategy for years for some operators, Murdoch said. He feels good about **Fox Sports 1's** initial growth, but said its performance should really be judged over the next 2-3 years. With the ever rising content costs, especially in sports, the company's strategy is to invest in content “that is big and matters.” If the price is too high, “we will walk away from certain competitions [such as the **LA Dodgers** deal],” Murdoch said. As for **FXX**, he expects “The Simpsons” to “really make the channel a greater standout in the cable universe.” 21CF scored the rights to the animated series in a deal valued at \$750mln+ over the life of the deal. The net will start a Simpsons viewing marathon from Aug 21 through Labor Day, airing all 552 installments of the series. Regarding pay TV consolidation, the **Comcast-Time Warner Cable** and **AT&T-DirecTV mergers** didn't concern Murdoch too much. “We think we are big enough.”

Nielsen Expands Sampling: To expedite increases in local TV markets, **Nielsen** launched a broad expansion to its ongoing sample improvement plan with the addition of 6,200 homes over the next few years. That's a 50% increase in sample size across the footprint. Starting this year, the company will up the sample size in 15 Local People Meter markets. Five markets – Dallas, DC, Houston, Miami and Denver – will see an increase of 200 homes while 2 large markets, NY and LA, will see an increase of 300 homes this year. In addition, the following 8 markets will each have their sample size increased by 200 homes in 2015: Charlotte, St Louis, Chicago, Philadelphia, San Francisco, Boston, Atlanta, and Phoenix. In the 31 set meter markets, Nielsen will expand the sample by 200 homes in each market over the next 2 years.

Quantum Leap: **Verizon** launched its Quantum TV in Southern CA, MA and RI. The telco plans to launch in NY and NJ next week. The expansion followed the launch in parts of TX and PA in April. The telco has also rolled out the service in parts of PA, DE, FL as well as DC and its surrounding areas. The plan is to roll it out in all FiOS TV markets in the next few months.

In the Courts: Spanish-language broadcaster *Fernando Gonzalez* filed a discrimination and harassment lawsuit against the Lakers and **Time Warner Cable**, claiming he's treated less favorably than his Anglo-American counterparts in terms of wages, hours and conditions of employment. TWC said the suit was without merit and intends to vigorously defend itself. Gonzalez is seeking at least \$1mln.

Carriage: **Longhorn Net**, **ESPN's** 24-hour channel devoted to the Univ of TX, rolled out to **DISH** subs Wed night. Launch of the net was one component of the massive pact DISH reached with **Disney** in March.

Programming: **NBCU** is going all out for the upcoming Belmont Stakes, more than doubling the number of hours initially scheduled for the June 7 race to 16. Coverage spans NBCU properties, with **NBCSN** presenting 30-min doc “California Chrome: The Unlikely Champion,” June 4, 6:30pm ET. On June 5, NBCSN looks at past Belmont Stakes winners with “Belmont Classics” (5:30pm ET). The net will have live coverage of Belmont Gold Cup as well as pre-race



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Cablefax will also honor the Sales Executive of the Year Award winners, honorable mentions and The FAXIES finalists at an awards breakfast on June 10 in NYC. Tables will be positioned on a first come basis.

Register/Questions: Saun Sayamongkhun at saun@accessintel.com or 301-354-1694.
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BUSINESS & FINANCE

interviews on Fri, with race coverage beginning at 2:30pm ET on Sat (the actual race takes place at 4:30pm ET on NBC). -- **Pivot's** live coverage of the 73rd Annual Peabody Awards is on Sun. The 1-hour event celebrates 13 of this year's 43 winners, including **Netflix's** original "Orange is the New Black" and **BBC America's** "Orphan Black." -- Sorry, Hollywood. There's no such group as The Society for the Prevention of Celebrity Divorce. And the billboards and buses that circulated throughout LA featuring messages urging celebrities to keep up with their marriage vows were just part of **Wetv's** campaign to promote its original series "Marriage Boot Camp Reality Stars," which debuts Fri. -- **Starz** will host #DaVinciThon, a dual-screen social media event featuring the cast of the fantasy series "Da Vinci's Demons" engaging with fans (begins at noon ET Sat). It culminates in the season finale at 9pm.

USA Celebrates Pride Month: USA is expanding its partnership with **CB2**, the home furnishing and accessories company, to celebrate Pride Month for the 2nd straight year with a multi-platform promotion to combat hate and discrimination. The month-long campaign aims to encourage greater acceptance and benefit **GLSEN** (Gay, Lesbian & Straight Education Network). USA will run a customized Characters Unite "I Won't Stand For..." Public Service Announcement on-air throughout June.

CableFAX Daily Stockwatch

Company	05/28 Close	1-Day Ch	Company	05/28 Close	1-Day Ch
BROADCASTERS/DBS/MMDS			CONVERGYS:22.17(0.1)		
DIRECTV:	82.29	(0.45)	CSG SYSTEMS:	26.35	(0.04)
DISH:	59.19	(0.67)	ECHOSTAR:	51.20	(0.07)
ENTRAVISION:	5.25	0.03	GOOGLE:	561.68	(4.27)
GRAY TELEVISION:	11.55	0.52	HARMONIC:	7.40	0.04
MEDIA GENERAL:	18.36	0.96	INTEL:	26.88	0.17
NEXSTAR:	45.93	0.17	INTERACTIVE CORP:	65.31	0.90
SINCLAIR:	30.34	0.28	JDSU:	11.16	0.24
MSOS			LEVEL 3:	43.96	0.20
CABLEVISION:	17.44	(0.11)	MICROSOFT:	40.01	(0.18)
CHARTER:	143.59	0.68	NIELSEN:	47.69	(0.34)
COMCAST:	51.85	(0.21)	RENTRAK:	49.30	(1.8)
COMCAST SPCL:	51.42	(0.21)	SEACHANGE:	9.51	(0.05)
GCI:	11.25	(0.1)	SONY:	16.33	(0.31)
GRAHAM HOLDING:	681.19	2.48	SPRINT NEXTEL:	9.20	(0.03)
LIBERTY GLOBAL:	45.44	0.22	TIVO:	11.99	(0.27)
LIBERTY INT:	29.02	(0.18)	UNIVERSAL ELEC:	44.23	(0.53)
SHAW COMM:	24.85	(0.11)	VONAGE:	3.71	0.09
TIME WARNER CABLE:	140.35	(0.29)	YAHOO:	34.78	(0.34)
PROGRAMMING			TELCOS		
21ST CENTURY FOX:	35.16	0.38	AT&T:	35.34	0.13
AMC NETWORKS:	61.72	(0.19)	CENTURYLINK:	37.80	0.48
CBS:	60.48	0.02	TDS:	26.70	(0.06)
CROWN:	3.58	(0.05)	VERIZON:	49.74	0.12
DISCOVERY:	79.05	0.55	MARKET INDICES		
DISNEY:	83.60	(0.14)	DOW:	16633.18	(42.32)
GRUPO TELEVISA:	33.82	0.60	NASDAQ:	4225.07	(11.99)
HSN:	55.16	(0.51)	S&P 500:	1909.78	(2.13)
LIONSGATE:	28.78	(0.01)			
MADISON SQUARE GARDEN:	52.48	0.06			
SCRIPPS INT:	76.59	(0.02)			
STARZ:	30.52	(0.12)			
TIME WARNER:	70.67	0.08			
VALUEVISION:	4.48	(0.14)			
VIACOM:	85.73	0.19			
WWE:	11.31	(0.04)			
TECHNOLOGY					
ADVANTAGE:	2.58	(0.17)			
ALCATEL LUCENT:	3.99	0.01			
AMDOCS:	47.89	(0.2)			
AMPHENOL:	95.31	(0.19)			
AOL:	36.39	0.34			
APPLE:	624.01	(1.62)			
ARRIS GROUP:	32.59	0.89			
AVID TECH:	7.40	0.08			
BROADCOM:	31.40	0.45			
CISCO:	24.82	0.11			
CONCURRENT:	8.02	(0.09)			



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Think about that for a minute...

The Google Bamboozle

Commentary by Steve Effros

OK, I admit it, I'm jealous. I've never seen a company as powerful and overwhelming as Google is in the telecommunications sphere get away with the public relations gambits it gets away with! In the process it gets hosannas from the editorial boards and the public interest lobbyists to boot. Never mind that it's financing many of those same groups. That never seems to reach the consciousness of the reporters and bloggers who sing the praises of its latest sleight-of-hand trick. Where is the concept of "transparency" when we need it?



This week it was a Google announcement which was widely praised as "proof" that all other ISPs are greedy and power hungry, ready to bleed the "Internet as We Know It" dry and control all that we read or watch. Google said that charging for colocation or specialized connections to their fiber system is just something they would never do! That would just be wrong and counter-productive, they say, to the openness and "neutrality" on the Internet that they strive for. Priceless.

The reason I'm jealous is that the news stories and blogs that followed, swallowed that line whole. Google is wonderful, everyone else is evil. Of course what wasn't mentioned, and the "reporters" and most "experts" missed, is that Google has a tiny presence as an Internet Service Provider. Sure, they get lots of publicity for their "Google Fiber" systems in a few neighborhoods in a few towns (.we don't release subscriber numbers, says Google...) but compared to the number of broadband subscribers in the United States, Google is a very small ISP.

Meanwhile, they own YouTube, the second largest "edge" provider of video in the world, one of the largest sources of traffic broadband delivers. And, of course, Google, as Craig Moffett of MoffettNathanson noted the other day,

operates one of the largest Internet backbones in the world. It's also the largest Internet content company in the world by revenues. So on which side of the ledger, the ISP or the "edge" provider, do you think they're going to fall when it comes to maneuvering for advantages? That's the part the reporters and bloggers didn't see.

The bottom line: of course Google wants to push "net neutrality" so there would be no payments required for special services to CDNs and large "edge" users. They're one of the companies that would gain the most from that policy! The fact that they don't really seem to care about breaking even on their own infrastructure expenditures may be just as much because they are writing them off as a lobbying cost as anything else.

Google is massive. Now, because of the EU decision I mentioned last week, they are going to start editing and blocking even more of what you find on the web. The Internet you see in Europe is going to be different from the one you see here. But is there any public interest angst about that? Of course Google already "edits" all the time with their search algorithms, but nobody seems to worry that a company far larger than any broadband provider, with a direct editorial link to what you read and watch, is at the helm, and is, as I noted, financing the "public interest" lobbying against its competitors. Nope, just keep the focus on the ISPs, which don't do any editing or blocking.

Damn impressive what they've done; the Google Bamboozle. I wonder how long it will be before folks realize they've been taken by yet another "misdirection" ploy.

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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