

CableFAX Daily™

Monday — August 4, 2014

What the Industry Reads First

Volume 25 / No. 149

Merger Lookout: Reelz Wants MFN Conditions, Beach Has LPTV Worries

Fresh off of a legal victory, **ReelzChannel** and **Hubbard Broadcasting** execs swung by the **FCC** last week to speak to commissioners about the proposed **AT&T** and **DirecTV** merger. The ReelzChannel reps didn't oppose the deal but raised concerns "regarding certain practices or proposals with respect to independent non-broadcast networks that adversely affect competition and diversity of voices," an ex parte said. In June, a federal judge ruled that Reelz and **Ovation** (owned by **Hubbard Broadcasting**) effectively have perpetual rights to distribution by DirecTV, thanks to language included in the 1999 sale of Hubbard's **US Satellite Broadcasting** service to DirecTV (**CFX**, 6/18). DirecTV has said it's considering an appeal. During meetings, ReelzChannel execs pushed for conditions, such as one prohibiting unreasonable MFNs. "Some 'most favored nation' provisions [are] changing from traditional MFNs regarding price terms to 'unconditional' MFNs, which allow the MVPD to 'cherry pick' whatever terms it wants from each of that programmer's carriage deals," Reelz said in its filing. "Once an MVPD has demanded and obtained an unconditional MFN with a programmer, it may choose to import terms from any other distribution agreement involving that programmer, even if the MVPD does not intend to be bound by obligations that may apply to the MVPD that signed the other agreement." The programmer, which was represented by Reelz CEO *Stanley Hubbard* and others, said that these unconditional MFNs will reduce competition and diversity of voices. The FCC has not started its informal 180-day review clock on the AT&T-DirecTV merger yet, but it's expected soon. **Comcast-Time Warner Cable's** merger clock hit Day 22 on Fri. There's still a long way to go, but the docket already has some opponents. **Beach TV**, which owns and operates low-power TV stations in the southeastern US, complained about how Comcast charges it in excess of \$14K/month for leased access carriage, claiming that it carries the signals of other local LPTV stations without charge pursuant to retrans consent (the 2 are actually in litigation in a federal court over terms of carriage). Beach worries that the merger will accelerate the carriage of LPTV stations by free retrans consent and thereby edging out those without free retrans consent. It urged the Commission to reject the merger, but if it does approve it, condition it upon Comcast setting its rates for leased access for LPTV stations on equal footing with LPTV stations carried by retrans consent. Other detractors include someone who self-identifies as an "anonymous Time Warner Cable employee." This person complains that employees who make under \$100K face the loss of benefits

Dear ABC, CBS, FOX and NBC:

Hell didn't freeze over,
pigs didn't fly,
but lightning did
strike twice.

**Yes, Univision
is #1 again.**

For the 2nd consecutive July Sweep, Univision is the #1 Network among both A18-49 and A18-34, beating ABC, CBS, FOX and NBC.

- Youngest broadcast network by 17 years with a median age of 39
- Plus, Univision stations are #1 in New York, Los Angeles, Chicago, Dallas, San Francisco, Houston, Phoenix and Sacramento among A18-49

The power of Hispanic influence is here to stay.



Source: Nielsen, NPM, 7/3/14-7/30/14, Mon-Sat 8-11p/Sun 7-11p, A18-49 (000), A18-34 (000), Median age based on Persons 2+ for Univision and Persons 2+ weighted average of ABC, CBS, FOX and NBC, Live+SD. Source: Nielsen, NSI, 7/3/14-7/30/14, primetime defined as ABC/CBS/NBC/IND/UNI/UMA/TEL/AZA/MFZ/ETV M-Sat 8p-11p/Sun 7-11p ET/PT (M-Sat 7-10p/Sun 6-10p CT/MT) and FOX/CW M-Sat 8p-10p/Sun 7p-10p ET/PT (Mon-Sat 7-9p/Sun 6-9p CT/MT). Rankings based on average impressions. Live+SD.

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CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● 301.354.2101 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 323.380.6263, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Sr Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Dir of Market Dev: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Prod: Joann Fato, jfato@accessintel.com ● Diane Schwartz, SVP Media Comms Group ● Scott Gentry, Dir of Business Development, sgentry@accessintel.com ● Group Subs: Laurie Hofmann, 301.354.1796, lhofmann@accessintel.com ● Sub Questions, Client Services: 301.354.2101, clientservices@accessintel.com ● Annual subscription price: \$1,599/year ● Access Intelligence, LLC, 4 Choke Cherry Road, 2nd Floor, Rockville, MD 20850

and the possibility of a wage freeze. Late last month, **Charter** pres/CEO *Tom Rutledge* met with each of the commissioners to discuss the pending transaction. In an ex parte, Charter said its execs reiterated that the company plans to invest substantially in TWC infrastructure, including upgrading the acquired systems to all-digital within 2 years of closing.

At the Portals: The FCC Media Bureau opted to accept **Adams Cable Equipment's** late status report on its refurbished integrated boxes that it's selling thanks to an FCC waiver on the set-top integration ban. Adams filed the report 4 months late, but said the public wasn't harmed by the late filing because only a small number of boxes have been sold (850). The Bureau agreed, but cautioned the vendor to diligently meet its next reporting deadline of Jan 12.

SEC Distribution Expands: NCTC's nearly 1K member companies will carry soon-to-launch **SEC Net** as part of the group's multiyear distribution agreement with **Disney**. New deal features include TVE and VOD offerings, **Fusion, Longhorn Network** starting with the 2014-2015 college football season, **ESPN Goal Line, ESPN Buzzer Beater** and **ESPN Bases Loaded**. Still covered by the pact include **ABC Family, Disney Channel, Disney Junior, Disney XD, ESPN, ESPN2, ESPNU, ESPN Deportes, ESPNEWS, ESPN Classic** and **ESPN3**. Disney also inked a pact with **WOW!** to put SEC Net on expanded basic. A handful of distributors have confirmed carriage of the net, which goes live Aug 14, including **Time Warner Cable, Bright House, Comcast, AT&T, Cox** and **DISH**. A deal with **DirectTV** is expected.

Carriage: Fight Network, the 24/7 channel dedicated to combat sports, launched on TX-based **Grande Communications** Fri as part of a carriage agreement. The net launched on **Cablevision's** Optimum TV on June 26.

Comcast Renews Deal with CSG: CSG, the transaction service provider that counts several cable MSOs as customers, scored a renewed contract with **Comcast** to provide residential billing services through June 30, 2019. The company currently provides pre-integrated customer care and billing solution to 2/3 of Comcast's residential subs. The expanded agreement will enable Comcast to consolidate its residential business onto CSG's billing platform. The MSO will start adding around 2.3mln residential subs onto CSG's billing system in early 2015, with plans to migrate more customers.

Earnings: 2Q revenue rose 9% YOY at **Crown Media** to \$97.4mln, thanks in part to a 10% jump in ad revenue (\$75.8mln). Net income fell to \$16mln from \$16.5mln a year ago. CEO *Bill Abbott* boasted that in a soft upfront market, **Hallmark Channel** had single-digit revenue growth and double-digit growth for **Hallmark Movies & Mysteries**. "CMP growth remained consistent with the overall cable marketplace, which grew by an average of low-to-mid-single digit across the board," he said. "At the same time, 2Q14 scatter results have been especially strong for Crown Media Family Nets, outpacing the marketplace in both volume and CPM growth." -- It was a solid 2Q for **Starz**, which posted net income of \$70.1mln, compared with \$63.9mln in the year-ago period. Despite the profit growth, the company had 55.9mln subs at the end of the quarter, a decrease from the 56.9mln subs a year ago. Sub additions were "negatively impacted at certain distributors by reduced promotional activity and/or programming package changes," the company said in a release. During the quarter, Starz Net added 100K subs while **Encore** lost 500K subs. Revenue from the networks division increased 2% YOY to \$328.2mln, but the distribution unit's revenue declined \$96.9mln vs last year to \$75.1mln.

No Blackout: Despite some warning bells from **Draper Holdings**, there was no blackout of the **CBS** affil in Salisbury, MD or of digital channel **Fox21** Delmarva. The two reached a new retrans consent deal ahead of Thurs' midnight deadline.

Programming: A bite coming from a witted and sarcastic mouth might be scarier than sharks. **Logo TV** will launch its 1st "Snark Week" and "Snark Awards" starting Aug 10. The programming event will feature marathons of sitcoms known for their quick wit and biting one liners, including "The Golden Girls," "Will & Grace," "Designing Women," "The Nanny" and "Don't Trust the B in Apartment 23." -- **ESPN** nets will follow the USA Basketball Men's National Team leading up to the 2014 FIBA Basketball World Cup in Spain. Starting an intra-squad exhibition game on Aug 1, the nets will air 3 additional exhibition games and a practice session. Each game and the practice session will be available on computers, smartphones, tablets, Xbox, **Amazon Fire TV, Apple TV** and **Roku** via WatchESPN upon authentication.

Oops: Warner, Werner... we're obviously confused. In our excitement to tell you about **Time Warner Cable** CTO *Mike LaJoie's* lunch keynote at **Cablefax's** TV Innovation Summit on Sept 18, we accidentally swapped his name with that of **Comcast's** CTO. Rest assured, LaJoie's on board, and we're pumped.

Editor's Note: Technical difficulties prevent us from including the "Week in Review" stock chart in this issue. We apologize.