

CableFAX Daily™

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What the Industry Reads First

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Bargain Bundle: Is a Discount Package the Wave of the Future?

Time Warner Cable CEO *Glenn Britt*'s consistent call for smaller programming packages is moving beyond talk, with execs promising lower cost, value bundles "in the very near future." But while the bundles dominated Thurs' 3Q earnings (and was later mentioned during a Britt **CNBC** appearance), details were scarce. "We have negotiated some flexibility beyond what we had a few years ago [with programmers]. We're probably not all the way where we want to be, but we're moving in the right direction," said Britt. **Scripps Nets Interactive**, which entered into multi-year deals for **Food** and **GAC** with TWC in Jan, didn't sound too concerned about MSOs introducing lower-tiered video products. "I don't think that talk is all that serious at this point," said Scripps pres/CEO *Ken Lowe* during his company's earnings call. "The brands we have are very powerful—if anything we've seen all of our networks expanding their distribution over the past several years. I think that's probably just talk at this point." Asked whether Cablevision is considering a similar value bundle, COO *Tom Rutledge* called it "a great idea if it could be implemented." The problem isn't technical, but securing the rights, he said. "It's difficult to do with marquee product because contractually powerful programmers don't want to be relegated to smaller tiers in their view," Rutledge said, adding that there is also a regulatory issue since OTA channels must be in the broadcast basic service. As the economy continues to eat into subs (TWC's basic subs declined by 155K, worse than analyst estimates of about 130K), the case is being made that consumers under economic duress need other options. TWC execs said that most of the video subs it lost appeared to be going to satellite or leaving pay TV entirely. HSD continued to be strong for TWC, with its 104K 3Q adds beating Street expectations. Phone grew by 34K subs. -- TWC shares closed up nearly 4.5% on the news of a \$4bln share repurchase program. "\$4bln. Wow," was the title of a research note from **Collins Stewart**, which said the amount was larger than it had anticipated and represents 20% of shares outstanding at the current price. There's no set time frame for the stock purchases. As the MSO had telegraphed, it was in the red for PSUs (-17K). Revenue was up 5.2% to \$4.7bln.

CVC Earnings: Cablevision COO *Tom Rutledge* defended the MSO's 2-week war with **Fox**, calling it necessary. "It's a very unpleasant way of doing business, but we are trying to save our customers cost," he said during Thurs' 3Q earnings call. He didn't get into specifics as to what sort of impact the fight could have on 4Q, but did tell ana-

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lysts that programming rates and losses incurred are “rational, meaning the losses are worth what we ended up paying.” Consolidated revenue grew 5.6% in 3Q to \$1.8bln (thanks to **Rainbow**). 3Q is traditionally a seasonally weak Q for the MSO, which reported sub metrics below Street expectations. It lost 24K basic subs, gained 10K HSD subs and added 9K voice consumers. “With growth slowing, the overriding question is, of course, what will Cablevision do with its cash? Peer Time Warner Cable delighted investors today by doing what they promised (they announced a \$4bln buyback). They have been rewarded for it. The same expectation is growing for Cablevision,” wrote **Sanford Bernstein’s Craig Moffett**. “Cablevision has long been the best operator in the business. Unfortunately, they can’t say the same about capital return.” Investors saw enough to like to send shares up 2.6% at close.

DTV: DirecTV’s momentum continued in 3Q despite lingering economic woes. The DBS op counted 174K net adds, up 28% YOY and well above Wall St estimates. ARPU rose 4.3% to approx \$89, and gross adds (1.14mln) and churn (1.70%) both showed YOY improvement in the same Q for the 1st time since early ’09. “We’re picking up subs pretty much across the board,” said pres/CEO *Mike White*. Nitpickers may underscore higher-than-expected SAC as a negative, but White said the ROI from attracting higher-end customers easily makes the metric’s expansion palatable. More than 75% of gross adds ordered advanced services and approx half took HD/DVR, he said, the latter group returning 2X more rev than other subs. The take rate for whole-home DVR services was approx 40% of new subs in the Q, and DirecTV’s “Free HD” promo appealed greatly to high-income homes, said White. Moreover, buy rates for premium nets and PPV content increased YOY for the 2nd consecutive Q, with PPV rev up 30%. Execs believe the co’s focus on connecting more consumer boxes to the Web will only help drive rev further. White said DirecTV is looking into providing greater flexibility in packages and pricing, provisions that are “important to the entire ecosystem.” DTV shares shed 3.6% Thurs, closing at \$42.59. **[Go to CableFAXDaily.com for more subscriber-exclusive info].**

Blame Game: Cablevision should have never sought govt intervention, said **News Corp** COO *Chase Carey* of the high-profile Fox-CVC carriage spat, but the govt was also responsible for protracted negotiations. “I think if the government had been clear up front that they were going to stay out of it... [Fox programming] may not have gone off the air at all,” he said during News’ earning call late Wed, painting a positive picture of News/Fox. “We’ve approached this realistically with a spirit of fairness... we should be looking for a lot more than we are, and I think we’ve tried to be constructive,” said Carey. Expect Fox’s hardball approach to continue. “Over the next couple of years, as we continue to close new agreements, we will be taking this business to a whole new level of profitability,” he said. The goal is to wipe away the differentiation between broadcast and cable nets. Broadcasters have the strongest programming and largest audiences, so “they’ve got to become dual revenue businesses that receive revenues that are reflective of their strength,” said Carey. “That’s what we’re driving the Fox network to be, is a business that looks essentially much more like our cable networks.”

Ratings: No pressure, *Conan*, but **Comedy Central’s** “Daily Show” has become the 1st late night talker other than “The Tonight Show” or “Late Night with David Letterman” to finish a full month as #1 among 18-49s. *Jon Stewart’s* show averaged 1.3mln viewers in the demo vs 1.2mln for its broadcast brethren.

Earnings: Hallmark Channel parent **Crown** media saw 3Q rev dip less than 1% YOY to \$62.5mln. Sub fee revenue decreased 13% to \$14mln from \$16mln due to the lack of distribution agreements with 2 MSOs (**AT&T U-Verse** and **NCTC**). Ad rev climbed 4% to \$48.5mln, with higher CPM rates offset by declines in viewer ratings across demos. **Hallmark Movie**, which has added nearly 15mln subs in 12 months, saw ad rev increase to \$4.6mln from \$2.4mln. Ratings for the introduction of “The Martha Stewart Show” and a lifestyle programming block in Sept were below initial expectations, but Crown said in the 6 weeks since launch “they are showing a positive trend with a steady building audience.” -- **Travel Channel** helped take **Scripps Nets** shares for a ride Thurs (+3.9%). The co’s overall rev increased 40% to \$509mln—22% excluding Travel—and overall ad and affil rev growth totaled a respective 34% and 72%, yet a relatively modest 19% and 40% excluding Travel. The net’s rev rose 14% to \$62.3mln on a pro-forma basis, and it gained 1mln in distribution over 3Q09 to 96mln homes. Scripps’ lifestyle media segment delivered solid growth across total (+42%), affil (+71%) and ad (+34) rev. Like Travel, all the segment nets grew rev, including **HGTV** (+14%), **Food** (+35%), **DIY** (+29%), **Cooking** (+9.3%) and **GAC** (+18%), and segment digital rev increased 23%.

3DTV: ESPN found that 3DTV advertising can be more effective than 2D spots, invoke more enjoyment and increase

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viewers' sense of presence, according to its in-depth 3D study centered on the '10 FIFA World Cup. Meanwhile, up-converted 2D did not far as well with participants as regular 3D or even regular 2D, and active and passive 3D viewing systems were virtually indistinguishable. ESPN conducted the research over a one-week period in the **Disney Media and Ad Lab** in Austin, TX. 3D ads shown to participants got better scores on recall, purchase intent and simple liking. The study found no adverse health effects (surprisingly, viewers with worse depth perception enjoyed a better 3D experience), and viewers were found to acclimate after prolonged exposure to viewing. ESPN plans to roll out 100 3D sports events this year, with the focus "on making the programming look as good as possible, then going from there," said *Bryan Burns*, ESPN vp, business and strategic dev.

People: Congrats to *Alyssa Corcoran* who was elevated to svp, comm for **NBCU's** TV nets distribution and digital distribution divisions. -- **Discovery Comm** upped *Elisa Freeman* to svp, global distribution ops and education business dev.

Editor's Note: Time's almost up! It's the last day to nominate candidates for **CableFAX's** "Best of the Web" awards. More info at <http://www.cablefax.com/cfp/bow/>.

Oops: **Azuki Systems'** new wireless platform distributes content from **Fox Mobile**, not **Fox News**.

CableFAX Daily Stockwatch

Company	11/04 Close	1-Day Ch	Company	11/04 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	42.59	(1.59)	ARRIS GROUP:	10.11	0.25
DISH:	20.69	0.04	AVID TECH:	13.17	0.26
DISNEY:	37.03	0.74	BIGBAND:	3.26	0.14
GE:	16.51	0.45	BLNDER TONGUE:	2.30	(0.15)
NEWS CORP:	16.55	0.12	BROADCOM:	42.46	0.97
MSOS					
CABLEVISION:	28.36	0.72	CISCO:	24.21	0.50
CHARTER:	35.75	2.40	CLEARWIRE:	7.17	0.14
COMCAST:	21.06	0.39	COMMSCOPE:	31.47	0.01
COMCAST SPCL:	19.88	0.39	CONCURRENT:	4.79	(0.06)
GCI:	10.99	0.69	CONVERGYS:	11.76	0.31
KNOWLOGY:	14.50	0.19	CSG SYSTEMS:	20.10	0.20
LIBERTY CAPITAL:	59.09	(0.13)	ECHOSTAR:	21.35	0.06
LIBERTY GLOBAL:	40.15	1.89	GOOGLE:	624.27	4.09
LIBERTY INT:	15.01	0.22	HARMONIC:	6.85	0.11
MEDIACOM:	7.05	0.05	INTEL:	20.97	0.49
SHAW COMM:	21.52	0.16	JDSU:	11.12	0.18
TIME WARNER CABLE:	62.33	2.67	LEVEL 3:	0.89	0.02
VIRGIN MEDIA:	26.07	0.06	MICROSOFT:	27.14	0.11
WASH POST:	383.90	(3.4)	MOTOROLA:	8.10	0.05
PROGRAMMING					
CBS:	17.66	0.37	RENTRAK:	27.40	0.45
CROWN:	2.80	(0.12)	SEACHANGE:	8.65	0.26
DISCOVERY:	41.95	(0.65)	SONY:	33.21	0.35
GRUPO TELEVISIA:	23.08	0.18	SPRINT NEXTEL:	4.09	0.02
HSN:	26.17	(0.38)	THOMAS & BETTS:	45.63	1.00
INTERACTIVE CORP:	28.01	0.17	TIVO:	11.50	0.36
LIBERTY:	40.07	0.30	TOLLGRADE:	8.22	0.04
LIBERTY STARZ:	65.38	0.01	UNIVERSAL ELEC:	21.24	0.41
LIONSGATE:	7.50	0.20	VONAGE:	2.15	(0.17)
LODGENET:	2.92	0.21	YAHOO:	16.20	0.03
NEW FRONTIER:	1.90	(0.02)	TCLCOS		
OUTDOOR:	5.85	0.51	AT&T:	29.44	0.38
PLAYBOY:	4.95	0.10	QWEST:	6.92	0.17
SCRIPPS INT:	52.47	1.97	VERIZON:	33.52	0.53
TIME WARNER:	31.76	(0.31)	MARKET INDICES		
VALUEVISION:	2.37	(0.01)	NASDAQ:	2577.34	37.07
VIACOM:	43.60	0.51	S&P 500:	11434.84	219.71
WWE:	13.96	0.30	S&P 500:	1221.06	23.10
TECHNOLOGY					
ADC:	12.69	0.01			
ADVANTAGE:	3.18	0.03			
ALCATEL LUCENT:	3.25	(0.32)			
AMDOCS:	27.38	(2.62)			
AMPHENOL:	52.95	1.45			
AOL:	25.60	(0.5)			
APPLE:	318.27	5.47			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Prolific Pastime

It's difficult to overestimate the power enjoyed by the **NFL** in America. League games comprise the top 13 most-watched broadcast telecasts since Sept 9, and 4 of them easily led cable in Oct viewership. Next up is **NFL Net** and its live 8-game schedule that kicks off Nov 11. With solid '09 audience growth under its belt, the net's expanding its game coverage and talent pool this year, ostensibly to capitalize on the league's allure. "Interest is kind of at an all-time high," said new NFL Net svp, programming and prod *Mark Quenzel* during a recent conference call, adding that he enjoys "almost an embarrassment of riches" where talent's concerned. Shrewd moves by the net include bringing in *Joe Theismann* for color commentary and *Kurt Warner* for studio time. Theismann's a broadcast vet with great knowledge of the game, and Warner may be the most likeable person in football today. His knowledge runs deep, too, and he provided sound analysis of current issues during the call. NFL Net's goal with the live telecasts, said Quenzel, is 2-fold: provide the best in-depth coverage around and stoke fans' enthusiasm for the weekend slates. The latter push is by far the easier to attain, what with widespread fantasy football participation adding import to nearly every game and, as Quenzel said, league parity producing a great number of compelling matchups every week. Still, some are better than others, and NFL Net kicks off with a doozy, Falcons-Ravens. The Dec 9 Colts-Titans tilt will be a blockbuster and Texans-Eagles will provide fireworks, but the Cowboys' shocking slide helps steal some thunder from a remaining slate that gets a B- overall grade from this camp. Collectively, though, the 8 contests should exceed last year's counterparts in avg viewership. The NFL doesn't know any other way. *CH*


Highlights: "Move, move, move... and live," is how *Alec Baldwin* summarizes **Nat Geo's** "Great Migrations" (Sun, 8p). He's describing migrations of species from butterflies to sperm whales shown in wonderful detail through great camera work—even animals' distinct sounds are included and are a highlight. Yet Baldwin could be speaking of *Hillary Clinton*. Nat Geo's "Inside the State Dept" (Mon, 9p) portrays the 67th Sec of State as the Traveler in Chief, jetting between global hot spots. It's exhausting and exhilarating. *SA* -- "Wartorn, 1861-2010," Thurs, 9p, **HBO**. *James Gandolfini* exec prods this intensely somber doc chronicling US soldiers' battle with post-traumatic stress disorder. At first unacknowledged, its devastation is realized today. (Review by *Billy Miltenberg*)

Worth a Look: "The Best That Never Was," Tues, 8p, **ESPN**. The sad saga of a herculean HS footballer whose demise begins in college. *BM*

Notable: Is it coincidence the most significant football game ever on **CBS College Sports** lands during the net's free preview? (# 3 TCU faces #5 Utah, Sat, 3:30p ET) CBS' *Steve Herbst* dishes at cablefax.com. -- Off-beat comedy "The Increasingly Poor Decisions of Todd Margaret" wraps Fri, 10p, **IFC**, followed by the IFC premiere of *Judd Apatow's* "Undeclared" (11p). -- Speaking of comedy, a tall, redheaded comedian premieres Mon, 11p, **TBS**; *George Lopez* follows (midnight). *SA*

Basic Cable Rankings (9/27/10-10/31/10)			
Mon-Sun Prime			
1	ESPN	2.7	2687
2	TBSC	2.2	2245
2	USA	2.2	2166
4	DSNY	1.9	1872
5	FOXN	1.7	1706
6	NAN	1.3	1295
6	TNT	1.3	1271
8	HIST	1.2	1226
9	TOON	1.1	1066
10	MTV	1	1037
10	A&E	1	980
12	HGTV	0.9	923
12	SYFY	0.9	918
12	TLC	0.9	861
12	AMC	0.9	860
12	FX	0.9	828
17	LIFE	0.8	827
17	FOOD	0.8	784
17	CMDY	0.8	756
17	TRU	0.8	737
17	NKJR	0.8	572
22	FAM	0.7	728
22	DISC	0.7	725
22	SPK	0.7	706
22	TVLD	0.7	686
22	MSNB	0.7	666
22	BRAV	0.7	655
28	ESP2	0.6	566
28	EN	0.6	565
28	BET	0.6	548
28	LMN	0.6	470
32	HALL	0.5	476
32	CNN	0.5	465
34	APL	0.4	410
34	TRAV	0.4	375
34	OXYG	0.4	341
34	ID	0.4	309
34	NGC	0.4	273
34	NKTN	0.4	227
40	HLN	0.3	328
40	VH1	0.3	321
40	DXD	0.3	256
40	GSN	0.3	255
40	CMT	0.3	248
40	SOAP	0.3	243
40	WE	0.3	217

*Nielsen data supplied by ABC/Disney



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