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If Time Warner Inc. CEO Jeff Bewkes is to fight off 21st Century Fox's takeover advances, he must show his media company would be better off on its own. Key to this is fixing the Turner Broadcasting unit, which houses TNT, TBS and CNN, and accounts for half the company's profits.

While Turner has enjoyed five years of double-digit operating profit growth, it is grappling with steep ratings declines at several of its networks—a situation even Mr. Bewkes has called unsatisfactory. The declines reflect changing viewer tastes. For a decade, TNT and TBS had a successful formula that emulated the programming of broadcast networks like CBS, with legal "procedurals" and reruns of broadcast shows. But viewers are gravitating to original dramas on FX, AMC and other cable channels, including dark, edgy, serialized programming—i.e. "The Walking Dead" and "Sons of Anarchy"—something Turner hasn't been producing. "They don't have shows that are buzzed about," said Billie Gold, vice president director of programming research at media buyer Carat. "They are stable and they are core, but shows that are really pulling in that 18 to 49 audience...are not Turner shows."



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The company is searching for an executive to take the reins at TNT and TBS, the two biggest Turner channels, and help engineer a turnaround. So far, however, some job candidates have expressed a range of concerns, people familiar with the search say: among them, that the job doesn't offer enough authority, that Turner's managerial structure is too convoluted, and that Turner doesn't have a clear programming strategy. TNT's prime-time viewership among adults 18 to 49, a group advertisers covet, slid 16% through July 19 from the same period in 2013, according to Nielsen. TBS was down nearly 10% in that category, and is heavily reliant on reruns of the CBS comedy "The Big Bang Theory" to carry the load. TruTV, which airs mostly unscripted fare, was down 29%. News channel CNN was down 21% in its target demographic of 25- to-54-

year-olds.

Mr. Bewkes acknowledged some of those issues in April when he said TNT "didn't take enough creative risks with its programming," adding that the network needs to do better

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law restricts
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at targeting younger viewers. To some extent, there was already a shift in programming under way before John Martin was elevated to Turner CEO at the start of the year, following the departure of long-time veteran Phil Kent. In June TNT premiered "The Last Ship," a big-budget, serialized drama from Michael Bay with an apocalyptic theme—about a ship that is humanity's last hope to develop a vaccine for a disease sweeping the planet. It has been one of the top scripted shows on cable this summer.

Fox's \$80 billion takeover offer was rejected by Time Warner earlier this month. People in the Fox camp argue that Fox could improve on Turner's performance, and some question whether Mr Martin—a former CFO at Time Warner—is the right man to run Turner. People close to Time Warner say the critique is off base—that Mr. Martin had a hand in the big strategic decisions Time Warner has made under Mr. Bewkes's leadership. They argue that Fox has its own leadership issues to consider, with uncertainty around how long president and co-COO Chase Carey will remain at the company and whether there is anyone capable of filling his shoes. Mr. Martin doesn't claim to be a TV tastemaker, people who know him say. He is hoping the creative mojo will come through hiring the best person to replace Steve Koonin, the entertainment chief who left in April after 14 years steering the Turner networks.

Among the many people approached thus far for the job, which would involve overseeing TNT and TBS, are Kevin Reilly, who recently stepped down as entertainment chief of the Fox broadcast network; Gail Berman, another former Fox executive; Jeff Gaspin, former chairman of NBCUniversal Television Entertainment, and former NBCUniversal executive Lauren Zalaznick, according to people familiar with the matter. Turner programming executive Michael Wright, the acting head of TNT and TBS, is also a candidate for the job.

Turner is also considering an alternative structure that would create separate heads for TBS and TNT. People close to Time Warner say the company isn't in a rush and is carrying out a thorough search to find the best fit, with the help of consulting firm Sucherman. (21st Century Fox and News Corp, parent of The Wall Street Journal, were until mid-2013 part of the same company.)

Through an initiative dubbed "Turner 2020," Mr. Martin is carrying out an organizational review meant to find cost savings, through layoffs and other changes, to free up money for original programming, said a person familiar with the matter. Original shows account for only 8% of TNT's programming hours and 10% of TBS's, according to MoffettNathanson Research. But Mr. Martin doesn't see a need to accelerate spending on originals beyond current growth levels to achieve better ratings results, say people familiar with the company's thinking. The feeling is that Turner—which spent \$3.6 billion on programming last year, a 6% increase—has overpaid in some cases for reruns or originals that were left on the air despite chronic underperformance.

A big variable in the programming budget is the cost of sports. The company is negotiating now, for example, with the NBA to renew TNT's TV rights, which expire after the 2015-2016 season. The basketball league is seeking to double the \$445 million in fees it gets annually from Turner, people familiar with the situation have said. Carrying sports, one of the few types of programming almost all viewers watch live, is a big reason TNT collects the second-highest carriage fee of any TV network, behind only ESPN. Time Warner says its cable networks will average double-digit percentage growth in subscription fee revenue for the next five years, thanks to lucrative renewals with distributors. Time Warner is in negotiations with Vice Media over a joint venture that would involve CNN's struggling sister channel, HLN.

Beyond TNT and TBS, Mr. Martin has big plans for other networks. At Cartoon Network, the company sees an opportunity to increase its consumer products licensing business, which makes up just \$100 million of its \$1.5 billion in revenue, said a person familiar with the matter. At Adult Swim, a network that shares program space with Cartoon Network, there are high hopes for a show revolving around "Triumph the Insult Comic Dog." — *Wall*

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