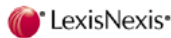


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Broadcast TV Networks Have Ace In The Hole: Content

BRIAN DEAGON -- *Investor's Business Daily*, April 6, 2009 Monday NATIONAL EDITION

There was a time, says Kevin Reilly, president of entertainment for Fox Broadcasting, that people believed broadcast TV networks were doomed by the rise of cable TV networks.

"That death was greatly exaggerated," said Reilly, speaking at the "Future of TV" conference in Hollywood last month, hosted by Digital Media Wire.

It's true that network TV's once near monopoly has been diminished greatly by the evolution of cable and satellite TV systems. But most of the highest-rated TV shows still come from ABC, CBS, NBC and Fox. In viewership, the four networks still dominate.

Now, some are predicting that broadcast TV networks are again headed for a world of pain -- as Web-based digital entertainment gains in the marketplace.

It started with digital video recorders from TiVo, which let people record shows and skip commercials. A slew of Internet-based TV services such as Hulu then arrived, so people can watch a lot of shows online with far fewer commercial interruptions. Along the way came movies and TV shows available on demand from cable and satellite TV services and from the likes of Netflix, Apple's Apple TV and others.

Put it all together and consumers have many more viewing options at their fingertips.

"We're not in denial that we are going through massive changes," Reilly said. But predictions about the impact of those changes "can be absolutely wrong," he said.

In an interview with David Wertheimer, executive director of the Entertainment Technology Center of the University of Southern California, Reilly held steadfast that TV networks and the shows they produce are in the driver's seat. As long as it's good stuff.

"Great content has value, and people will seek that out," he said. "The game has changed, and though some networks will go away, five years from now some of (today's) networks will still dominate the landscape."

Surviving the disruption will require taking big risks, says Reilly, which is why he says he's glad to be working at Fox, owned by Rupert Murdoch's News Corp.

"Murdoch is a risk taker," Reilly said. "He established a fourth network when nobody believed it was possible."

Fox is a partner with NBC Universal in Hulu, an Internet-based TV site that many critics said would be dead on arrival. It is now the fourth most-visited online video site.

News Corp.'s 20th Century Fox movie studio is also a partner with four other big Hollywood studios in ZillionTV, an Internet-based provider of TV shows and movies slated to launch later this year.

By endorsing these new modes of TV content delivery, Fox could be nibbling away at its mothership network.

A one-hour TV show has 10 minutes of high-paid commercials. A Hulu video has a minute or less.

But it's a risk they have to take, Reilly says.

"We have to create legitimate models before illegitimate ones take over," he said.

As to user-generated content (UGC) that dominates YouTube, the top online video site by a large margin, Reilly said it's not a threat.

"UGC has its place," he said. "It can be great entertainment, but a vast majority is crap."

Whatever the challenges, he says Hollywood and mainstream TV will figure out how to play the game.

"I do believe, ultimately, that this is a very responsive industry," he said. "It's not like trying to retool the auto industry."