

CableFAX Daily™

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What the Industry Reads First

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Broadband Question: Are AT&T's Dismal Broadband Adds a Bad Omen?

Here's something to keep an eye on as cable starts reporting 2Q results in the coming weeks: What do broadband adds look like? **AT&T** posted a decline in broadband adds, signing up only 46K net adds during the Q. The number's especially startling when you consider that AT&T added nearly a half million broadband subs in 1Q08. CFO *Richard Lindner* chalked it up partly to normal seasonality, but he also cited the economy. While he said the telco is not seeing significant increases in non-pay disconnects or churn, it is finding that some customers are disconnecting broadband all together and not going to a competitor. "I think these tend to be more customers that are in the value segment," he said during AT&T's earnings call. "Customers that have more incidental usage of broadband and Internet in the home, and as a cost-cutting measure are just saying we'll use wireless access or we'll use Internet access through our work, and they are just doing it to cut costs." While **Collins Stewart's Tom Eagan** wondered if AT&T's weak broadband adds suggests an overall slowing of broadband growth, **Sanford Bernstein's Craig Moffett** suggested cable could end up achieving its highest share of broadband net adds this quarter. "As we have long argued, cable is surely and not-so-slowly winning the broadband wars," Moffett said. U-Verse TV adds were healthy at 170K, giving AT&T about 500K total subs for its video service. Lindner said U-Verse now has more than 10% penetration, and execs are comfortable with a target of 1mln subs by year-end. AT&T's results brought bad news for **DISH**, with the telco adding only 3K DBS subs through their joint marketing partnership vs 40K in 1Q08. That doesn't bode well for DISH's 2Q net adds, with the DBS provider coming off a rocky 1Q. Primary consumer access lines fell 8.7%, but margins were better than Bernstein expected. As for cable competition in the small-medium business market, Lindner's take: "While they are making some progress, at this point to us, it looks pretty small." He estimated that cable has about 2%-2.5% of voice share for regional businesses and about 20% share in broadband for these businesses.

Competition: Verizon is boosting its **FiOS** Internet service, announcing new broadband routers that will increase speeds over coaxial cable to up to 175 Mbps from 75 Mbps and allow for up to 4 WiFi networks in each home. The new routers will be ready for deployment this Q. -- **Verizon's FiOS TV** service picked up a franchise in Everett, WA.

Deals: **SportsNet NY** announced a multi-year deal with the **Big East**, making the net the official home of the conference in the NY region. It will feature more than 800 hours of Big East programming beginning this Sept, including a minimum of 16 football games/season. In addition, SNY will be the exclusive TV home for Rutgers football, and will air more than 100 men's and women's basketball games.

Carriage: **RCN** will launch **ION's Qubo** in Boston. -- **ReelzChannel** has launched on **Midcontinent Communications** systems in SD's Rapid City, Sioux Falls and Pierre, and in Bismarck, ND.

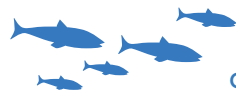
At the Portals: The **FCC** hosts another field hearing next week. Tues' hearing at NY's Barnard College will focus on

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overcoming barriers to communications financing and look at how to get more ownership diversity. -- **Time Warner Cable** has 2 extra business days to respond to **MASN's** objections to its request to have the **FCC** review an arbitrator's decision. The FCC-appointed arbitrator found that the MSO was discriminating against the RSN in NC and ordered it to be carried in more than 1mln state homes (**Cfax**, 6/11). TW's comments are now due on Mon.

Programming: Cartoon Network will develop original movies for 3 comic-book titles. "Firebreather" and "Mice Templar" will air as animated movies; "The Vanishers" will be live-action.

Ratings: Spike's Sat telecast of a live "UFC Fight Night" garnered 3.1mln total viewers. Men especially tuned in. Male 18-34 viewership totaled 903K, while male 18-49s reached 1.55mln. The 3-hour telecast peaked at 3.8mln viewers.

Marketing: Yes, it must be **Discovery Channel's** "Shark Week." Why else would commuters near Manhattan's 32nd and 7th Ave Thurs morning be able to catch a free ride in a shark-mouth outfitted pedi-cab with drivers dressed as lifeguards? The net's event will also feature "lifeguards" sitting on tall chairs. -- **LG** and **VH1's** Save the Music Foundation have partnered with singer/songwriter *Natasha Bedingfield*. The ringtone "Angel" off Bedingfield's latest album will be available at save.vh1.com until Sept 28, with proceeds going to Save the Music. -- Back-to-school time. Wal-Mart and **Disney** are presenting customized wake-up calls from "Hannah Montana" for children who are fans of Disney's hit show. Parents can register at www.hannahmontanacalls.com for their children to get free wake-up and reminder messages.

Merger Mania: Word is that the **FCC's** 3 Republicans will vote to approve the **XM-Sirius** merger, with *Deborah Taylor Tate* reportedly to cast the last vote in favor of the deal in exchange for a consent decree that resolves enforcement issues for the companies. The *WSJ* reports that could include a combined fine of about \$20mln for the 2 companies. **NAB** blasted the imminent approval as a "sweetheart deal," adding "we're not convinced the final chapter of this book has been written."

Online: Hallmark Channel will launch its first-ever online series, "Hallmark Channel on Location," on Aug 15 at hallmarkchannel.com. Hosted by *Stacey Gualandi*, it will feature interviews with Hallmark actors, writers and producers and will also go behind the scenes for the making of Hallmark original movies.

Multiplatform: NBC Digital Health Network added 4 new distribution partners: **Wellness Wireless** will provide mobile content; **National Cable Communications** (the ad firm owned by **Comcast**, **Cox** and **Time Warner Cable**) will launch the "MyLife on Demand" free VOD channel in Nov '08 in more than 30mln digital homes; digital marketing co **eTAGZ** will promote DHN on 1mln cough-drop packages; direct marketing firm **Family Marketing** will add DHN content. In addition, **The Patient Channel** and **The Newborn Channel**, in-hospital networks that had been part of **iVillage**, will join DHN.

Campaign Trail: Si TV might lack cable carriage in the D.C. area, but the Latino-themed, English-language net was top of mind Tues on Capitol Hill as it and advocacy group **Voto Latino** packed a House committee room to introduce 2 young adults they will imbed as journalists at this summer's conventions. College grad/radio broadcaster *Wendy Carrillo* of LA will cover the Democrats, college freshman *Michael Monroy* of VA will imbed with the Republicans. They will blog, and stream video online and on Si TV. The net plans a documentary about their experiences; it could be seen first at festivals and in schools, svp *Lisa Black* says. **CNN** reporter *Rick Sanchez* told us he had to be convinced to study journalism. "When I was growing up, there were no Latinos on TV news casts, I figured there were no jobs for me," he said. Sanchez has invited Carillo and Monroy to trail him in Atlanta for 2 weeks where he'll teach them tricks of the trade.



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BUSINESS & FINANCE

On The Circuit: NAMIC is accepting entries from minority writers for its fall 2008 Writers Workshop. The Sept 15-16 Workshop will be lead by TV exec/producer *Carole Kirschner*.

-- The **NC Technology Assoc/Time Warner Cable Business Class**

Open Championship will be held Aug 6 at Pinehurst resort. The golf tournament will begin at 8:30 am, with the NC's group's annual leadership conference taking place the following day.

People: **Broadstripe** pres/CEO *Bill Shreffler* is resigning his position. He plans to leave later this year, after he serves as a consultant to the board in its search for a new CEO. -- **Time Warner** officially announced the hiring of **NCTA's Steve Vest** as svp, global public policy. He starts Sept 2, replacing *Gail MacKinnon*, who is joining **Time Warner Cable** as evp, chief govt relations officer. "As the leader of NCTA's government relations efforts, Steve has been a pleasure to work with and an invaluable asset to the cable industry over the past two years," NCTA pres/CEO *Kyle McSlarrow* said. "His move to Time Warner Inc is a well-deserved opportunity, and we wish him continued success. While NCTA will miss Steve, the good news is that we'll continue to work closely with him as he represents Time Warner Inc in Washington." Time Warner Cable also announced Wed that it is hiring Time Warner vp, global public policy *Rachel Welch*. She joins as group vp, federal legislative affairs.

CableFAX Daily Stockwatch

Company	07/23 Close	1-Day Ch	Company	07/23 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	36.69	0.62	ADC:	10.30	(3.07)
DIRECTV:	26.80	0.32	ADVANTAGE:	2.80	0.04
DISNEY:	31.15	0.74	ALCATEL LUCENT:	6.07	0.11
ECHOSTAR:	28.11	(0.06)	AMDOCS:	28.80	(0.45)
GE:	29.33	0.83	AMPHENOL:	49.15	(0.2)
HEARST-ARGYLE:	20.02	0.59	APPLE:	166.26	4.24
ION MEDIA:	1.44	0.00	ARRIS GROUP:	8.98	(0.03)
NEWS CORP:	14.97	0.56	AVID TECH:	19.82	(0.47)
MSOS					
CABLEVISION:	21.58	(0.07)	BIGBAND:	4.18	0.02
CHARTER:	1.15	0.01	BLNDER TONGUE:	1.14	0.09
COMCAST:	20.05	0.22	BROADCOM:	26.24	(1.4)
COMCAST SPCL:	19.92	0.24	C-COR:	11.00	0.00
GCI:	8.91	0.30	CISCO:	22.17	0.27
KNOWLOGY:	11.67	0.24	COMMSCOPE:	52.83	(0.45)
LIBERTY CAPITAL:	15.78	0.25	CONCURRENT:	6.30	0.00
LIBERTY ENTERTAINMENT:	24.18	0.22	CONVERGYS:	12.72	(1.36)
LIBERTY GLOBAL:	29.78	0.26	CSG SYSTEMS:	16.94	1.43
LIBERTY INTERACTIVE:	14.07	0.19	ECHOSTAR HOLDING:	32.50	0.35
MEDIACOM:	5.98	0.21	GOOGLE:	489.22	12.11
ROGERS COMM:	42.97	0.00	HARMONIC:	9.60	0.14
SHAW COMM:	22.82	0.40	JDSU:	11.03	(0.13)
TELEWEST:	24.20	0.00	LEVEL 3:	3.56	0.43
TIME WARNER CABLE:	27.36	0.84	MICROSOFT:	26.43	0.63
VIRGIN MEDIA:	11.99	0.09	MOTOROLA:	7.47	0.06
WASH POST:	613.40	12.90	NDS:	57.40	(0.12)
PROGRAMMING					
CBS:	18.06	0.76	NORTEL:	7.14	0.23
CROWN:	4.26	0.00	OPENTV:	1.73	0.02
DISCOVERY:	21.71	0.43	PHILIPS:	35.13	(0.21)
EW SCRIPPS:	9.20	0.35	RENTRAK:	14.05	0.00
GRUPO TELEVISA:	23.88	0.21	SEACHANGE:	7.11	0.12
INTERACTIVE CORP:	18.53	0.34	SONY:	41.06	(0.44)
LIBERTY:	43.42	(0.69)	SPRINT NEXTEL:	8.51	0.09
LODGENET:	3.74	0.43	THOMAS & BETTS:	39.80	1.02
NEW FRONTIER:	3.21	0.02	TIVO:	7.84	0.21
OUTDOOR:	6.86	0.01	TOLLGRADE:	4.35	0.05
PLAYBOY:	4.88	0.23	UNIVERSAL ELEC:	23.60	0.59
RHI:	12.60	(0.17)	VONAGE:	1.60	0.01
SCRIPPS INTERACTIVE:	39.94	0.85	WEBB SYS:	0.04	0.01
TIME WARNER:	14.71	0.20	WORLDGATE:	0.30	0.00
UNIVISION:	36.23	0.00	YAHOO:	20.39	(1.01)
VALUEVISION:	3.25	0.10	TELCOS		
VIACOM:	31.16	1.28	AT&T:	33.06	1.24
WWE:	16.74	0.12	QWEST:	3.81	0.05
TECHNOLOGY					
3COM:	1.97	0.00	VERIZON:	35.84	1.16
MARKET INDICES					
		DOW:		11632.38	29.88
		NASDAQ:		2325.88	21.92

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2008 Most Powerful Women in Cable

Who are cable's most powerful women executives? Help us decide by nominating the executives you think should be included in our annual list of the Most Powerful Women in Cable. We will rank the top 50 most powerful women, and run a list of the second 50, in the November issue of CableFAX: The Magazine. Nominations are open to all cable operators, programmers, vendors and trade associations.

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Think about that for a minute...

Chain Rattling

I was walking across the Capitol grounds many years ago with then Telecommunications Subcommittee leader Congressman Billy Tauzin (R-LA). The “hot” topic of the day: HBO starting to scramble its satellite signal to cut down on theft. Billy was vociferously challenging the “blackout” of the satellite signals, threatening sweeping legislation. We were on good terms, and I finally said to him “...you’ve got to be kidding... we have to protect those signals from theft!” He laughed and said of course

he knew that, he didn’t really expect to legislate on the issue, that he was just “rattling your chain to keep you in line.” That, he said, was what his job was all about.



Steve Effros

I am always reminded of that comment when I see or hear some member of Congress, or, indeed, member of the FCC or “interest group” say or

suggest some far-out regulatory proposal or make some roundhouse attack on whoever they are battling with at the moment. To be sure, they may be concerned, for instance, about the cost of internet connections, or cable rates, but in most cases they don’t really want to adopt regulations or legislation. They are “rattling chains.” They are warning the companies directly involved that there might some day be consequences if moderation is not on the menu.

All of that is well and good, but unfortunately “chain rattling” has become so common, and gotten so loud, and is now amplified by multiple news outlets and the Internet, that the very act of rattling the chain may now result in numerous unintended consequences. What used to be called “regulation by raised eyebrow” has turned too often into uncontrolled stock market reaction to the slightest tick.

Examples abound. The most recent colossal one has been the reaction to the suggestion that Fannie Mae and

Freddie Mac might not have enough in their “reserve” funds. Now that “raised eyebrow” may have been correct, but the instant reaction to it in the stock market resulted in the potential destruction of those institutions, and a subsequent decision by the government to request the capability for an up-to \$25 billion-dollar restructuring.

The improper accounting and management decisions at Adelphia, as another example, all came to light because of one analyst’s series of questions during a quarterly call. The company was not in extremis or faltering at the time. It was only after the chain got rattled that the market reacted by instantly tanking the stock. It was that reaction that resulted in the bankruptcy of the company. The company had not been inherently unstable (although its books were, indeed, in need of correcting) before the market reaction.

Now this is not to say that when things may be out of kilter, they should not be discussed. But given the instant reactions to news reports or “raised eyebrows” today, it is to suggest that a great deal more caution is needed, especially on the part of government officials, before they “rattle a chain” to try to have an effect on the performance of a company or industry. There needs to be a better understanding that while that may be all they are intending to do, the headlines, blogs, emails etc, and the ability to instantly respond—even to bad information or ideas—can result in far worse consequences than were intended.

Should cable be forced into “a la carte”? Should ISPs be “dumb pipes”? How about wholesale price controls? Legitimate questions, but ones that should be taken up in very controlled ways, not through hyperbolic “chain rattling.”

Steve

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