

CableFAX Daily™

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What the Industry Reads First

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Time's Ticking: Cable Hopes For Dual Carriage Compromise Before Tues Vote

With the FCC's Sept meeting less than a week away, cable is trying to work out a compromise on an agenda item that would require carriage of must carry broadcasters' analog and digital signals unless a system was all digital. Cable's hoping instead for some sort of voluntary carriage commitment, but it's not clear exactly what the industry is willing to do. One possibility: something similar to the language in the House DTV legislation that didn't pass in '05 and would have required cable to offer dual carriage for 5 years. There's concern that the order actually requires triple carriage—HD, SD and analog signals. **ACA**, which represents small and independent operators, hit the FCC last week to argue that the item would force some operators to shut down their systems altogether. The group estimated that equipment and labor costs to comply with such an order would likely exceed \$100K for most cable systems. "For smaller systems, the cost per subscriber to comply with a triple-carriage obligation would exceed the asset value of the entire cable system," the ACA told the FCC. If the Commission does vote to mandate dual (or triple) carriage, expect a court battle. -- **Place Your Bets:** The FCC's Tues meeting is slated to start at 9:30am with 8 items on the agenda, including program access and extending streamlined franchising requirements to cable. Given the *Kevin Martin*-led Commission's penchant for starting meetings late—sometimes several hours behind schedule—send your best guess for when it will actually begin to amaclean@accessintel.com. We'll report back the results (anonymously).

Competition: AT&T said U-verse TV has surpassed 100K customers, and according to the announcement's headline, "More Than 100,000 Customers Choose AT&T U-verse Over Cable," apparently all subs are cable defectors. While that seems unlikely, the telco declined to say just how many have made the switch. The video service now passes 5mln households. Additional features will be added to U-verse later this month, including customizable weather, stock, traffic and sports news, and video games such as Sudoku and Chess. HD nets slated for delivery by year's end include **Lifetime Movie Network HD**, **History Channel HD**, **Animal Planet HD**, **TBS HD**, and **Versus/The Golf Channel HD**. -- **DirectTV** inked a deal with **Spanish Broadcasting** to add Spanish-language net **MEGA TV** to its "Mas" programming package Oct 17. -- **DISH** and **ESPNU** are bringing an interactive "Fan Fest" to various net football game sites this fall, featuring a WR and QB challenge and an information center.

At the Portals: Comcast was once again denied by the FCC. Late Tues, the Commission announced that it is upholding the Media Bureau's Jan decision to deny the MSO's request for a set-top integration ban waiver. Comcast said it will now turn to the courts. One positive takeaway for Comcast was that Commissioners *Jonathan Adelstein* and *Robert McDowell*—while voting with the majority—did criticize the FCC's "inconsistent and arbitrary application of the waiver standard to applicants." They questioned why some video providers were granted waivers covering the exact same boxes for which Comcast sought waivers. Under the FCC's set-top integration ban, cable providers who did not

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receive waivers had to stop deploying boxes with integrated security (ie, no CableCARDS) as of July 1. -- **FCC** chmn *Kevin Martin* told members of Congress that it's too soon to tell whether private equity ownership of media properties has a negative impact. He made the comments in a letter responding to questions from Reps John Dingell (D-MI) and Ed Markey (D-MA). Martin said the Commission would monitor the role of private equity and "consider whether certain changes to our attribution rules may be warranted." The Dems' questions stemmed from deals such as **Univision's** sale to a group of private equity firms and **Verizon's** sale of a HI phone company to the **Carlyle Group**.

Queen of Comedy: *Michele Ganeless* was upped to pres, **Comedy Central** from evp, gm. The top spot has been vacant since her long-time colleague *Doug Herzog* left to become pres, **MTV Nets Ent Group** in Dec. Ganeless is now in her 3rd stint at Comedy, having served as research manager at its inception in the early '90s before moving to **MTV** and then returning as svp, programming in '96. She rejoined the net from **USA** in '04 when Herzog tapped her as gm in '04.

In the States: **The Sportsman Channel** bagged carriage on **Comcast** in Manitowoc, WI, and Detroit; on **Charter** in Bay City and Grand Haven, MI; and on **Time Warner Cable** in Burney and Susanville, CA. -- **Cox** San Diego launched new channel **Discovery Familia** this week. The channel features Spanish-language preschool programming during the day and programming geared toward women and children in the evening. -- **Comcast** launched VoIP service in the Elk Grove area of Sacramento, CA.

Research: Owing to increasing market share in advanced services and slowing churn, among other factors, cable RGUs are expected to grow 25% to 200mln by '12, according to **SNL Kagan**. MSO revenues are expected to surge 46% to \$115bln over the same period. Cable VoIP homes marketed will be an estimated 96mln by year's end when subs will number approx 12mln. Residential ARPU is expected to rise 9% in '07 to \$95.37.

Mayoral Call Up: **MASN** added a pair of NC mayors to its rotation of pitchers asking **Time Warner Cable** to carry MASN in the state. Within virtually identical letters submitted to the MSO (only the letterhead and 2 words are different), Raleigh Mayor *Charles Meeker* and Durham Mayor *Bill Bell* urge carriage of the net for the area's "significant customer base," citing widespread demand for MASN's coverage of area colleges and universities. Time Warner Cable and MASN are now in arbitration over the matter.

Apple World: You knew the price would drop eventually. The 8GB version of **Apple's** iPhone dropped to \$399 from \$599 (sorry, early adopters). At a press conference today, *Steve Jobs* said the 2-month-old phone is on track to sell a million units by the end of the month. Funniest bit: Jobs, in demo-ing iPhone's ability to take an iTunes song and make it a ringtone, selected "Give Peace a Chance." "That's [for] when **NBC** calls," he said, referring to their spat over the continued availability of NBC shows at the iTunes store.

Programming: **Retirement Living TV** inked a production deal with the **AARP** that includes the net originating a number of series from the org's D.C. studios, as well as AARP production of several programs to premier on the net. -- *Bill Cosby's* animated series "Little Bill" hits **Noggin** Mon (11am ET). -- **Versus** toughened up its partnership with **World Extreme Cagefighting** to include additional live WEC events and 20 eps of "WEC WrekCage," featuring matches new to TV and classic net events.-- **Tennis Channel** welcomed silver-tongued commentator *Bud Collins* onto its court where he will add color to net matches, serve content to Tennis.com and collaborate on original series.

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BUSINESS & FINANCE

On the Circuit: NAMIC announced a leadership panel during next week's "The 50th Mid-America Cable Show" (Sept 11-13 in NYC). -- *Martin Luther King III* will introduce this year's Diversity Advocate, US Rep *Edolphus Towns* (D-NY), at the **Kaitz Dinner** (Sept 19, NYC). King is attending on behalf of **AmericanLife TV**, on which his "Poverty in America" documentary will premiere later this year.

People: **Discovery** tapped former **AOL** exec *Joshua Freeman* as evp, digital media. -- **Cox** named *Kathy Gillis* vp, human resources, New England. -- Former **TiVo** CEO *Michael Ramsay* resigned from the company's board last Thurs, according to an **SEC** filing. Ramsay has been named a venture partner at Silicon Valley venture capital firm **New Enterprises Assoc**, which already has representation on TiVo's board. Ramsay will serve as a consultant to the company. -- **BETN** named *Brett King* svp, scripted programming; *Sitarah Pendelton* vp, development; *Audrey LaCatis Onyeike* vp, talent; and *Shaun Williams* vp, business ops. Promotions include *Robyn Lattaker-Johnson* to svp, development and *Melanie Massie* to vp, talent. -- Happy to hear that former **BET** PR hand *Michael Lewellen* has landed as PR chief for Universal Orlando Resort. -- University and college telecom expert *Walt Magnussen* joins **Cedar Point's** advisory board.

Oops: **Comcast** invested \$200mln to upgrade its Houston systems.

CableFAX Daily Stockwatch

Company	09/05 Close	1-Day Ch	Company	09/05 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/			AMPHENOL:	37.45	0.48
BRITISH SKY:	54.42	(0.98)	APPLE:	136.76	(7.4)
DIRECTV:	23.26	(0.18)	ARRIS GROUP:	14.90	(0.33)
DISHNET:	34.04	(0.09)	AVID TECH:	30.78	0.02
ECHOSTAR:	42.55	(0.24)	BIGBAND:	10.05	(0.05)
GE:	38.75	(0.29)	BROADCOM:	35.03	(0.41)
HEARST-ARGYLE:	25.31	(0.24)	C-COR:	11.03	(0.22)
ION MEDIA:	1.30	(0.01)	CISCO:	32.22	(0.1)
NEWS CORP:	21.77	(0.48)	COMMSCOPE:	57.63	0.15
TRIBUNE:	27.51	(0.39)	CONCURRENT:	1.35	(0.01)
MSOS					
CABLEVISION:	33.81	(0.01)	CONVERGYS:	16.27	(0.03)
CHARTER:	2.92	0.05	CSG SYSTEMS:	22.83	(0.2)
COMCAST:	25.77	(0.17)	GEMSTAR TVG:	6.14	(0.38)
COMCAST SPCL:	25.61	(0.16)	GOOGLE:	527.80	2.65
GCI:	12.48	(0.14)	HARMONIC:	10.03	(0.3)
KNOLOGY:	15.37	(0.36)	JDSU:	14.88	(0.25)
LIBERTY CAPITAL:	111.57	0.20	LEVEL 3:	5.14	(0.17)
LIBERTY GLOBAL:	41.60	(0.19)	MICROSOFT:	28.48	(0.33)
LIBERTY INTERACTIVE:	19.05	(0.18)	MOTOROLA:	17.19	(0.01)
MEDIACOM:	8.21	(0.38)	NDS:	49.50	(0.35)
NTL:	28.22	0.00	NORTEL:	17.36	(0.41)
ROGERS COMM:	42.97	0.00	OPENTV:	1.22	(0.03)
SHAW COMM:	22.84	(0.26)	PHILIPS:	39.38	(0.41)
TIME WARNER CABLE:	35.65	(0.95)	RENTRAK:	12.01	0.04
WASH POST:	779.87	7.76	SEACHANGE:	7.10	(0.13)
PROGRAMMING					
CBS:	30.81	(0.77)	SONY:	49.63	0.56
CROWN:	6.91	0.19	SPRINT NEXTEL:	18.53	(0.54)
DISCOVERY:	25.25	(0.18)	THOMAS & BETTS:	55.55	(0.57)
EW SCRIPPS:	41.59	(0.25)	TIVO:	5.74	(0.11)
GRUPO TELEVISIA:	26.36	(0.43)	TOLLGRADE:	10.18	0.06
INTERACTIVE CORP:	27.69	(0.3)	UNIVERSAL ELEC:	27.77	(1.9)
LODGENET:	25.77	0.01	VONAGE:	2.03	(0.05)
NEW FRONTIER:	6.78	0.27	VYYO:	5.70	(0.14)
OUTDOOR:	8.98	0.04	WEBB SYS:	0.06	0.00
PLAYBOY:	11.22	0.18	WORLDGATE:	0.48	0.01
TIME WARNER:	19.00	(0.25)	YAHOO:	24.10	0.13
UNIVISION:	36.23	0.00	TELCOS		
VALUEVISION:	8.20	(0.07)	AT&T:	39.73	(0.55)
VIACOM:	38.08	(1.96)	QWEST:	8.79	(0.09)
WWE:	15.18	(0.05)	VERIZON:	41.95	(0.72)
TECHNOLOGY					
3COM:	3.95	0.28	MARKET INDICES		
ADC:	18.56	0.16	DOW:	13305.47	(143.39)
ADVANTAGE:	7.35	0.30	NASDAQ:	2605.95	(24.29)
ALCATEL LUCENT:	10.60	(0.37)			
AMDOCS:	36.58	0.56			

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Think about that for a minute...

Whose Transition is This?

For the next year-plus we're going to hear a lot about the "DTV Transition." It's going to get as over-analyzed for those of us in the industry as the "Presidential election campaign" already is, more than a year before the election. One of the most important things we can do, right now, is to make sure everyone is clear on whose "transition" we are talking about, and whose responsibility it really is.

There are already signs that somehow the cable industry (and to some degree the satellite folks as well) are being targeted as the ones primarily responsible for assuring the success of this "transition." But it's not our transition!



Steve Effros

The broadcasters started all this by demanding that the government not give away "their" extra spectrum to anyone else. They said they needed it for future "high definition" broadcasting. They changed course later, saying

maybe not HD, but "Advanced" television (read multicasting). The government obliged. It assigned a second FREE chunk of the spectrum to broadcasters, and then said they were required to switch from "analog" to "digital" transmission. That's the part the broadcasters had not anticipated. They thought they could keep both channels.

The government, however, had other ideas. That "retrieved" spectrum would be auctioned and lots of money. Billions would flow to the federal treasury. After 9/11, there was also mention of using some new spectrum for emergency services, but the primary focus has always been how much money the auction would bring. Congress already budgeted it!

So the "transition" by broadcasters from analog to digital transmission of their over-the-air signals really has nothing to do with cable or satellite; it is a transition the broadcasters asked for and benefit from, and the government required. And it gets financial and new telecommunications

benefits as well. Cable and satellite are private businesses that built their own infrastructures to deliver video, among other things, to the home. Part of the "DTV Transition" was sparked by the broadcasters proclaiming loudly that they should be considered the primary "national information infrastructure" because they already have, over the air, penetration into virtually every home in the country.

So how is it that now we are hearing the FCC and some legislators saying it is cable that is the "key" to this "transition?" We should be required to do all sorts of things (uncompensated, of course) to make sure it works so they can make more money. How did we get here?

It's easy. Once the government starts regulating something (especially if many of the regulations, like "must carry," are designed for the benefit of another private group), amnesia tends to take over... they begin to think they own us, that they can do anything they want with our property for the "good" of the (fill in the word, "public," "national security," etc.) But the reality is, this all goes back to money, lots of money. And they want us to spend it to make sure the "transition" works so they (government and broadcasters) can benefit.

Well, sorry folks, but while the "expert agency" FCC may conveniently forget this, and the NAB always does, we still have a Constitution (check out the Fifth Amendment and recent Supreme Court decisions on eminent domain excesses). We still have Courts. Unfortunately, we may have to go there to make the point that yes, we are totally supportive of the "DTV Transition." (If allowed, we will always take care of our customers. Delivery, after all, is our business). But the "transition" is theirs, and their responsibility.

Steve

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