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What the Industry Reads First

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TV (and Viewers) Everywhere: Comcast, Cable Battle on Digital Front

The digital bombardments affecting cable ops seem to be coming from everywhere. Online video sites, Web-connected TVs, smartphones and arguably the greatest threat to ops, **Netflix**, continue to up the ante. If MSOs have an ace in the hole, it's their broadband provisioning—yet **Comcast** isn't resting on that positive alone and instead has officially launched its video-focused Web offering **Xfinity TV**. Free to Comcast's digital subs, the service now features 150K video choices and nearly 90 TV and movie partners, up from approx 27 participating cable nets during its beta rollout last Dec. Importantly, Xfinity TV now allows access from anywhere in the country and through any ISP, assets that no doubt help to slake consumers' rising demand of flexibility and convenience in their TV viewing. According to **Radius Global Market Research**, for example, the lion's share of current Internet TV viewers identified the ability to watch programming whenever they wanted as the platform's most valued benefit. A Comcast spokesperson said many Xfinity TV customers view the service as a nice value-add to their Comcast subscription. In 2Q, Xfinity TV users logged 3X more visits to the platform than the MSO's national **Fancast** offering, viewed 2X the video and are lingering for longer periods of time. Comcast has good reason to cater to its customers' whims: TV/movie content can now be found on virtually every platform and device. Even viewing via smartphones appears on the rise. **Sony Pictures Ent's** online video network **Crackle** expanded its relationship with **MobiTV** to include more wireless carriers, a reaction to MobiTV subscribers' engagement with the Crackle Movies channel at 3X the avg customer viewing length. Also citing the channel's growing session numbers, MobiTV said the data suggests that mobile viewers want movies on the go. Netflix, meanwhile, wants to maintain its recent momentum by offering customers myriad access points. The co, said **BTIG** analyst *Richard Greenfield*, "is quickly becoming accessible from any web-connected device on the planet, having expanded to iPhones in late August. In addition, a native (no disc needed) integration for both PS3 and Wii launched this past week." And the kicker: "These applications are far, far better than any multichannel operator Video-on-Demand (VOD) offering," said Greenfield. As Netflix said a majority of its subs will watch more streamed than DVD content beginning this Q, comments from CEO *Reed Hastings* during the co's Thurs earnings call underscore the content convenience factor. "Most subscribers watch content on a multiplicity of devices; they will watch on their PCs, they will also watch on an iPhone, they will watch on a game console," said Hastings,

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noting how anecdotes intimate that “streaming meets most [customers’] entertainment needs.” Xfinity TV to the rescue? **[See page 4 for more info on streaming video and Netflix].**

Day 10: Cablevision and **Fox** had to respond Mon to an **FCC** Media Bureau inquiry asking for info on how they are negotiating in good faith. Cablevision told the FCC that Fox parent **News Corp** has refused to negotiate in good faith by demanding a “take it or leave it” rate and that the Commission should order News to arbitrate and return the channels to CVC’s lineup immediately. Fox, of course, said it has always negotiated in good faith. “We have never made any ‘take it or leave it’ demands, nor are we asking for \$150mln in fees,” Fox said. “For Cablevision to still be making those claims is yet another example of their ploy to secure an advantage through government intervention.” In its FCC response, Fox recounted its efforts over many months to strike a deal with Cablevision, which originally told it to go negotiate with other carriers to establish a market rate; Fox claims that after it did that, it returned and still received resistance from CVC, which over the summer proposed a restrictive deal “that would have required us to terminate business relationships with other distribution outlets with which Cablevision competes, and would have materially restrained established distribution channels for our content... It was becoming clear that Cablevision intended to pursue a path geared to a larger agenda of political and regulatory intervention.” On Oct 20, Fox said News Corp COO *Chase Carey* “rearranged his schedule” to fly to NYC to meet personally with *Jim Dolan*, but no deal was struck. For its part, CVC told the FCC it had made numerous proposals but rejected a claim it said News is making that it can’t show flexibility based on the Most Favored Nation clause in its **Time Warner Cable** agreement signed earlier this year. CVC said that the TWC deal is a much broader, natl agreement and that the claim is a self-imposed limitation in violation of the FCC’s good faith rules. The MSO also argued that News has abused its power through FCC waivers that allow it to own multiple govt broadcast licenses and newspapers in the NY market. Cablevision said that after 15 years of a month-to-month retrans agreement, it received a 30-day termination notice from Fox last Oct that coincided with the American League Championship Series featuring the Yankees. It agreed to a 1-year extension and the launch of 2 new cable channels, **Fox Business** and **Nat Geo Wild**. CVC told the FCC it made an offer in Sept that would have nearly tripled the compensation for the Fox channel that it paid in the prior 1-year agreement. -- Cablevision’s calls for binding arbitration with Fox have piqued the interest of programmers not carried by the MSO. “We are absolutely open to arbitration with Cablevision, especially with our ‘Thursday Night Football’ games starting on Nov 11,” **NFL Net** told us late Fri. Network pres *Steve Bornstein* already has put the idea forth to Jim Dolan in a letter obtained by **CableFAX**, pledging to give him a call to see “if this is a path we can commit to taking.” Cablevision’s response: “This has nothing to do with broadcast network retransmission consent and if the NFL was serious about getting its network on Cablevision, it would make us a proposal for the NFL Sunday Ticket, a service the NFL only offers to a satellite competitor.”

Deals: CommScope shares skyrocketed Mon after the vendor announced it’s in talks with **The Carlyle Group** to take the company private in a deal valued at nearly \$3bln. The stock closed up 30% Mon. Carlyle is the same investment firm that took **Insight** private in ’05. Under potential terms, Carlyle would buy all outstanding shares of CommScope for \$31.50/share in cash. CommScope noted that no deal has been reached and that it does not intend to comment further right now. **Allen & Co** is financial adviser and **Gibson, Dunn & Crutcher** is serving as legal adviser to CommScope.

Comcast-NBCU: FCC commish *Michael Copps* toured **Allbritton**’s facilities last week for DC’s **NewsChannel 8**, **TBD** and *Politico*, and, of course, heard from *Robert Allbritton* about the company’s concerns regarding **Comcast-NBCU**. Specifically, Allbritton raised concerns that DC **NBC** affil **WRC**’s impending 24/7 news channel could receive preferential treatment from Comcast. Possible conditions pushed by Allbritton include divestiture of owned stations in markets where Comcast has a significant presence to requirements for non-discriminatory carriage terms at market-place rates. Comcast has repeatedly said the proposed transaction will not harm competition or media diversity.

Big Easy Crowd: The attendance numbers are in for last week’s Cable Connection Fall events in N’awlins: **SCTE**’s Cable-Tec expo attracted more than 8200 attendees and 400 exhibitors. That’s down slightly from the near 9K that attended the show in Denver last year. **CTAM** Summit reported 1678 for its final attendance—down from 1990 in ’09.

Election Dress Code: WWE must’ve expected the increased scrutiny it has endured since former CEO *Linda McMahon* entered the CT Senate race, but the co’s incredulous that CT Secretary of State *Susan Bysiewicz* gave local poll workers the authority to force Nov 2 voters sporting WWE merchandise to go home and change, cover it up, or take it off in order to vote. “Denying our fans the right to vote, denying them their First Amendment rights, regardless if they are Demo-

BUSINESS & FINANCE

crat, Republican or Independent, is un-American, unconstitutional and blatantly discriminatory,” said WWE chmn/CEO [and Linda’s husband] Vince McMahon in a release. According to **Rasmussen Reports**, as of Mon McMahon (43%) trails Dem Richard Blumenthal (56%).

Programming: Syfy greenlit a pilot of “Battlestar Galactica: Blood & Chrome,” continuing its franchise.

People: Marti Moore, former vp, tech for Media News Group Interactive, has joined Charter in the new position of vp, Web technology—customer experience. She’s tasked with leading the planning and execution of all areas of the online customer experience, and reports to CTO, evp, ops Marwan Fawaz. -- Kudos to our own Chad Heiges, who was promoted to senior online editor of CableFAX. In addition to his reporting for the Daily, he’ll oversee CableFAXDaily.com.

Business/Finance: One analyst lowered MSO sub estimates based on AT&T U-Verse and Verizon FiOS video adds last week. Miller Tabak now expects Comcast to lose 221K basic subs vs its prior 163K loss estimate when it reports Wed; it anticipates digital ads of 286K vs 351K. It predicts Time Warner Cable’s basic losses will hit 137K vs 101K, and foresees digital adds of 1K instead of 9K. That would turn its primary service unit net loss estimate to -19K from +17K, which fits with comments from TWC last month that PSU could go negative in 3Q.

CableFAX Daily Stockwatch

Company	10/25 Close	1-Day Ch	Company	10/25 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	43.22	0.50	ARRIS GROUP:	9.61	0.26
DISH:	19.49	0.08	AVID TECH:	12.80	0.05
DISNEY:	35.46	0.49	BIGBAND:	2.94	0.05
GE:	16.06	0.01	BLNDER TONGUE:	2.30	(0.05)
NEWS CORP:	16.08	0.02	BROADCOM:	37.51	(0.04)
MSOS					
CABLEVISION:	26.43	(0.06)	CISCO:	23.61	0.13
CHARTER:	32.50	(0.62)	CLEARWIRE:	7.36	0.19
COMCAST:	19.77	0.31	COMMSCOPE:	30.16	7.04
COMCAST SPCL:	18.63	0.38	CONCURRENT:	6.33	(0.03)
GCI:	10.79	0.35	CONVERGYS:	11.71	0.21
KNOLGY:	14.45	0.03	CSG SYSTEMS:	18.89	(0.02)
LIBERTY CAPITAL:	57.14	0.77	ECHOSTAR:	20.49	0.46
LIBERTY GLOBAL:	35.37	0.57	GOOGLE:	616.50	3.97
LIBERTY INT:	14.47	(0.16)	HARMONIC:	7.00	0.07
MEDIACOM:	6.86	(0.04)	INTEL:	19.87	0.04
SHAW COMM:	21.58	0.03	JDSU:	11.82	0.24
TIME WARNER CABLE:	57.88	0.49	LEVEL 3:	0.91	0.00
VIRGIN MEDIA:	24.59	0.30	MICROSOFT:	25.19	(0.19)
WASH POST:	370.57	(2.06)	MOTOROLA:	7.93	0.10
PROGRAMMING					
CBS:	17.26	0.08	RENTRAK:	26.19	(0.26)
CROWN:	3.14	(0.01)	SEACHANGE:	7.70	0.17
DISCOVERY:	44.28	0.55	SONY:	33.56	0.13
GRUPO TELEVISIA:	22.12	(0.14)	SPRINT NEXTEL:	4.75	(0.1)
HSN:	30.24	(0.38)	THOMAS & BETTS:	44.33	0.10
INTERACTIVE CORP:	26.21	0.11	TIVO:	10.86	0.53
LIBERTY:	39.65	(0.05)	TOLLGRADE:	7.50	0.09
LIBERTY STARZ:	66.66	(0.86)	UNIVERSAL ELEC:	21.14	0.12
LIONSGATE:	7.47	0.04	VONAGE:	2.63	(0.01)
LODGENET:	2.74	(0.04)	YAHOO:	16.40	0.10
NEW FRONTIER:	1.75	(0.04)	TELCOS		
OUTDOOR:	5.75	UNCH	AT&T:	28.36	0.07
PLAYBOY:	5.07	(0.04)	QWEST:	6.53	0.07
SCRIPPS INT:	48.63	0.35	VERIZON:	32.35	0.26
TIME WARNER:	31.64	0.12	MARKET INDICES		
VALUEVISION:	2.53	(0.04)	DOW:	11164.05	31.49
VIACOM:	41.83	0.44	NASDAQ:	2490.85	11.46
WWE:	13.92	(0.09)	S&P 500:	1185.62	2.54
TECHNOLOGY					
ADC:	12.70	(0.01)			
ADVANTAGE:	3.21	(0.04)			
ALCATEL LUCENT:	3.66	0.02			
AMDOCS:	30.07	0.03			
AMPHENOL:	50.04	0.92			
AOL:	25.76	0.43			
APPLE:	308.84	1.37			



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The CableFAX Best of the Web Awards will also salute the cable executives behind the scenes who make these digital initiatives shine. The awards are presented by the most trusted information source in cable: CableFAX Daily and sister brand CableFAX: The Magazine. The winners and honorable mentions will be saluted during an awards event in April 2011 in New York City.

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EYE ON INNOVATION

River of Streams

Netflix didn't invent online content streaming, but it may be the most important innovator in the space today. During 4Q, more Netflix subs will access content online than through DVDs, an inflection point with serious implications across the cable landscape (VOD, cord-cutting etc). Moreover, TV programmers and movie studios are moving to Netflix in droves, the service is featured on a raft of Web-connected TVs and other devices, and the co's YOY sub growth accelerated by 52% in 3Q. Even indirect positive confirmation of Netflix's operations and assumed clout is evident in the co's share price, \$166.84 at Mon's close.

"Netflix is smart... [and] should end up as the only 'TV' provider that truly works on the Internet," wrote HDNet boss Mark Cuban in a recent blog post. "Competitors have to figure out... not only how to overcome the technical hurdles of reduced available bandwidth, but also a business model since no one will want to give content away for free when Netflix can pay them."

Cuban's bandwidth comment stems from Sandvine's claim that Netflix represents 21% of US downstream Web traffic during peak times and is heaviest from 8-10pm. The cogent implication here is that as arguably cable ops' key asset in the streaming video arena, broadband provisioning is being impacted by heavy network traffic flowing to a key competitor.

Netflix, meanwhile, is pushing ahead, pedal to the metal. "Because of the improvements we've made in the quality of the streaming service, we can now say that actually retention for streaming customers has just crossed over the retention for... DVD only customers," said Netflix CFO Barry McCarthy during the co's earnings call last week. "...that's important of course because the majority of the growth is streaming related."

Added CEO Reed Hastings, "The big push over the next

two years will be as more and more TVs are Internet TVs, they have WiFi built in and we'll march along with that. And then in terms of quality, we are upgrading the user interfaces on all of these devices really at Web speed in the search of what the best user interface is... so, we've got a big investment program across all of those platforms."

Also last week, BTIG analyst Richard Greenfield poignantly posted the rhetorical question of whether Hastings (and Google's Eric Schmidt) are pushing cable to innovate, saying "the word 'glacial' comes to mind for most people" when thinking of cable tech advances.

Netflix, in fact, likely has a lot to do with cable initiatives such as Comcast's Web video play Xfinity TV, the MSO's planned iPad-based remote functionality and DVR scheduling apps from various MSOs. Indeed, content interaction across platforms is nearly becoming a non-negotiable "must have" for consumers.

Although Netflix's sub growth, rising incidence of streaming video adoption and expanding service availability fraught the co's earnings call with issues of concern, cable may be heartened by particular comments from Hastings.

"We still see no evidence that our subs cut cords at a greater rate than the general population. And that's something we survey on, now and then," he said.

And Greenfield believes that cable could end up achieving financial benefits from Netflix and other forward-thinking players in the multiplatform content arena.

"While investors worry about rising competition to control your in-home media life and ponder what that means for the cable industry, the silver lining of new entrants may be that the pace of innovation across the cable industry accelerates notably," he said. **[Go to CableFAXDaily.com for more subscriber-exclusive info].**

-Chad Heiges



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The annual CableFAX 100 issue salutes cable's leaders, pioneers, influencers and rainmakers. The Regional Top Players will also be profiled.

Sponsor the CableFAX 100 Awards Luncheon, December 9, 12-2:30pm in NYC. Go to www.cablefaxmag.com for details on registration and sponsorship opportunities.

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