

CableFAX Daily™

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What the Industry Reads First

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USF Download: Big Debate Coming Over Reform

The USF reform debate heated up last week, with reply comments due at the **FCC** on proposals, including the ILEC's ABC (America's Broadband Connectivity) plan. While cable has some major problems with that plan—chiefly, the ILECs' right of 1st refusal and its lack of a hard financial cap—it has said that the plan's problems can be fixed. All of this back-and-forth should be heating up in the coming months with the Commission signaling it wants to tackle USF reform this fall (by year-end seems most realistic). USF and intercarrier compensation are intended to help ensure that all Americans have access to affordable telecommunications service, but cable has argued for years that it's time for these support mechanisms to be revisited. "[The] national priority has long been met, but these programs still chug along propelled by past history rather than the facts of today's reality—rewarding legacy telephone companies with financial support even where such companies face competitors who enjoy no such subsidies," **NCTA** pres/CEO *Michael Powell* wrote in a blog post last week. NCTA has joined with **ACA** in a united front on the issue, with the heads of both groups recently submitting a letter outlining their stance that the Commission should limit the size of the high-cost program. USF reform has long been on govt's to-do list. ACA—which counts both cable operators and telcos as members—decided 2 years ago that smaller ILECs needed a longer transition period from the high-cost fund. "We crafted a compromise that telcos with 100K access lines or less should be treated differently," said ACA vp, govt affairs *Ross Lieberman*. "That's the position we've had from the start, and it continues to be the view. It was a difficult compromise way back when, but it has been a good one." As such, ACA generally accepts the RLECs' USF reform proposal, although it has concerns that the plan doesn't impose a hard, permanent cap on funding. ACA filed reply comments on the USF proposals Tues and met with FCC staffers on Wed. ACA noted that ILECs have lost 40% of their access lines in the past decade, while cable ops and other competitors have captured 30% of the wireline market. Additionally, 30% of wireline subs have gone wireless only, and cable now has the predominant share of the broadband market. All that competition, ACA said, gives the FCC greater ability to most efficiently achieve its universal broadband objective. The debate on this should heat up quick, especially considering that the ILECs don't want any tinkering with their plan, saying that it could cause the whole thing to implode. Don your hard hats...

Big Bad Wolf: The public flogging of **ESPN** for leading the drive of pay TV costs to the moon was bound to happen

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following its **MNF** extension, but the sports giant said a *NY Post* article claiming **DISH** wants to carry ESPN on a sports tier to help defray programming costs is bogus. "The Post story is untrue. We have had no discussions of this nature with Dish," said ESPN in a statement. According to a source, the pair isn't even currently involved in distribution talks. Not that DISH wouldn't consider such a demand, what with its refusal to carry **YES**, **MSG** and **SNY** due to price. The DBS op didn't reply to requests for comment. **ACA** pres/CEO *Matthew Polka* said ESPN's "financially wanton deal will push the cost of pay-TV service into the stratosphere, making the product less and less affordable during a time of severe economic stress and high unemployment. Consumers need to understand that programmers like ESPN are responsible for the rising cost of cable and satellite TV." In response, ESPN said it has "long-term deals with our operators and... does not set retail pricing. No one does more to drive our affiliates' business than ESPN. ACA's statement does nothing to support the extraordinary value that the industry affords consumers." **Sanford Bernstein's Craig Moffett** said ESPN and **ESPN2** alone account for nearly 20% of the wholesale cost of the avg pay TV subscription, and that all sports content "easily" accounts for more than half of the cost. "In short, sports fans are overwhelmingly being subsidized by non-sports fans," said Moffett. Meanwhile, **NBC's** Thurs night season opener proved that scores of people are interested in the NFL. The net averaged 24.5mln total viewers for its Saints-Packers coverage, according to early **Nielsen** data, marking its 2nd highest-rated regular season prime game in more than a decade.

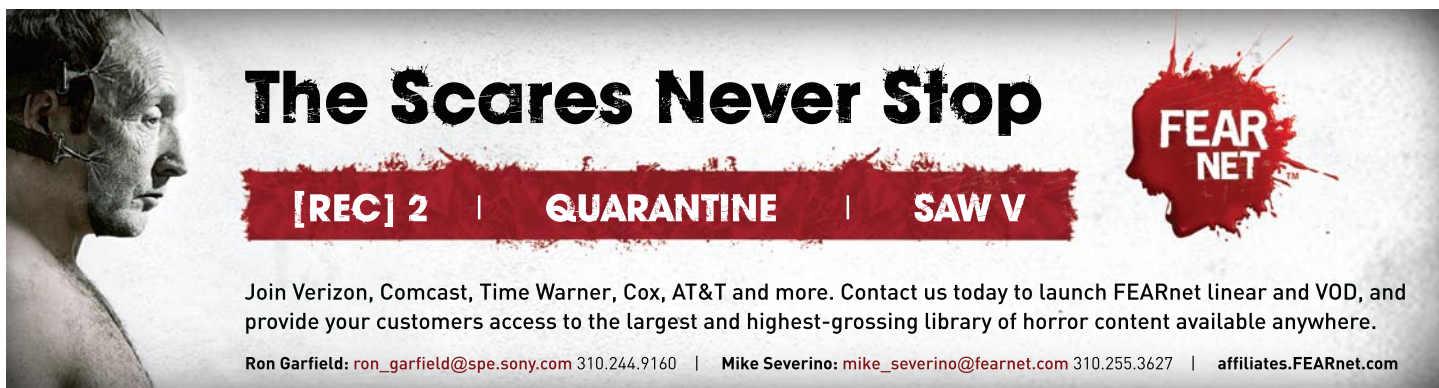
Next Volley: With an **FCC** admin law judge weighing **Tennis Channel's** carriage complaint against **Comcast**, the MSO says that recent drops of the channel by **Cablevision** and **Verizon** "strongly refute" Tennis' claim that Comcast discriminates against it by carrying it on a sports tier. In an FCC filing Fri, Comcast also cited a **CableFAX** report that other MVPDs (including **Suddenlink**, **Mediacom**, **WOW!**, **Knology** and **GCI**) elected to drop Tennis rather than move it off a sports tier, per a new **NCTC** contract (*Cfax*, 9/7). The MSO told the FCC that evidence at the hearing earlier this year showing the levels at which others carry the net is no longer accurate. Tennis has argued that Comcast discriminates against it by relegating it to a sports tier, while carrying its own nets, **Golf** and **Versus**, on broadly distributed tiers. The FCC's Enforcement Bureau recommended that the ALJ mandate broad carriage for Tennis on Comcast, but the judge has not issued his decision yet.

Ratings: A Wed ep of **A&E's** "Storage Wars" notched a series high of 5.3mln viewers to become the net's top original series telecast in history. -- Based on Live+SD data, the 4th season premiere of "Sons of Anarchy" joined with lead-in film "Wolverine" to drive **FX's** Tues night cable leadership among every key adult and male demo, total viewers, HHs and women 25-54.

Programming: **HBO** picked up a series from *Aaron Sorkin* about a cable TV newsroom and stars *Jeff Daniels*. -- **Oxygen's** "Best Ink" (winter) features tattoo artists competing for \$100K and a cover and feature spread in *Tattoo* mag. -- **SNY's Big East** lineup includes 30 conference football games and more than 350 hours of multi-platform coverage.

People: **TiVo** appointed *David Yoffie* a board member.

Business/Finance: **Cablevision** shares established a new 52-week low of \$15.89 Fri, part of a precipitous slide in which they have shed approx 56% since June 30. **Miller Tabak's David Joyce** believes it's time to climb aboard. Joyce instituted a \$27 short-term price target and maintained is \$35 long-term outlook, citing the MSO's strong FCF generation and industry-best 3.5% dividend yield.



The Scares Never Stop

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CableFAX Week in Review

Company	Ticker	9/09 Close	1-Week % Chg	YTD %Chg
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BROADCASTERS/DBS/MMDS

DIRECTV:	DTV	41.42	(1.91%)	3.74%
DISH:	DISH	24.42	0.49%	24.21%
DISNEY:	DIS	31.04	(4.37%)	(17.25%)
GE:	GE	15.09	(4.25%)	(15.75%)
NEWS CORP:	NWS	16.26	(4.41%)	(0.97%)

MSOS

CABLEVISION:	CVC	15.99	(5.61%)	(52.75%)
CHARTER:	CHTR	46.71	(4.44%)	19.95%
COMCAST:	CMCSA	20.91	(0.43%)	(4.82%)
COMCAST SPCL:	CMCSK	20.53	(1.3%)	(1.35%)
GCI:	GNCMA	7.90	(8.35%)	(37.6%)
KNOLOGY:	KNOL	12.96	(3.28%)	(17.08%)
LIBERTY CAPITAL:	LCAPA	66.61	(1.87%)	6.47%
LIBERTY GLOBAL:	LBTYA	36.70	(4.03%)	3.73%
LIBERTY INT:	LINTA	15.59	0.26%	(1.14%)
SHAW COMM:	SJR	21.52	(0.92%)	0.65%
TIME WARNER CABLE:	TWC	60.85	(4.25%)	(7.84%)
VIRGIN MEDIA:	VMED	24.53	0.82%	(9.95%)
WASH POST:	WPO	330.00	2.84%	(24.91%)

PROGRAMMING

AMC NETWORKS:	AMCX	32.98	(3.06%)	(17.24%)
CBS:	CBS	22.14	(5.22%)	16.22%
CROWN:	CRWN	1.20	2.56%	(54.2%)
DISCOVERY:	DISCA	38.31	(5.03%)	(8.13%)
GRUPO TELEVISIA:	TV	18.98	(6.5%)	(26.8%)
HSN:	HSNI	31.40	1.39%	2.45%
INTERACTIVE CORP:	IACI	39.22	1.63%	36.66%
LIBERTY STARZ:	LSTZA	68.06	2.84%	2.38%
LIONSGATE:	LGF	6.86	(2.14%)	5.38%
LODGENET:	LNET	1.74	(10.77%)	(59.06%)
NEW FRONTIER:	NOOF	1.19	(4.03%)	(37.04%)
OUTDOOR:	OUTD	6.07	(6.33%)	(15.34%)
SCRIPPS INT:	SNI	40.53	(0.47%)	(21.68%)
TIME WARNER:	TWX	28.89	(5.59%)	(10.2%)
VALUEVISION:	VVTV	3.53	5.37%	(42.23%)
VIACOM:	VIA	54.61	(1.64%)	19.08%
WWE:	WWE	9.10	0.66%	(36.1%)

TECHNOLOGY

ADVANTAGE:	AEY	2.23	(4.7%)	(28.98%)
ALCATEL LUCENT:	ALU	3.11	(11.4%)	5.07%
AMDOCS:	DOX	26.89	2.99%	(2.11%)
AMPHENOL:	APH	42.98	0.16%	(18.57%)
AOL:	AOL	14.72	1.52%	(37.92%)
APPLE:	AAPL	377.48	0.92%	17.03%
ARRIS GROUP:	ARRS	10.40	0.19%	(7.31%)
AVID TECH:	AVID	8.45	(9.14%)	(51.6%)
BIGBAND:	BBND	1.33	(4.32%)	(52.5%)
BLNDER TONGUE:	BDR	1.23	(3.15%)	(41.43%)
BROADCOM:	BRCM	33.44	(3.27%)	(23.21%)
CISCO:	CSCO	15.82	2.66%	(21.8%)
CLEARWIRE:	CLWR	2.63	(15%)	(48.83%)
CONCURRENT:	CCUR	5.54	(6.73%)	9.49%
CONVERGYS:	CVG	9.56	(1.44%)	(27.41%)
CSG SYSTEMS:	CSGS	12.80	0.47%	(32.42%)

Company	Ticker	9/09 Close	1-Week % Chg	YTD %Chg
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ECHOSTAR:	SATS	23.20	0.35%	(7.09%)
GOOGLE:	GOOG	524.85	0.00%	(11.64%)
HARMONIC:	HLIT	4.51	(1.74%)	(47.37%)
INTEL:	INTC	19.70	0.31%	(6.32%)
JDSU:	JDSU	12.34	(3.48%)	(14.81%)
LEVEL 3:	LVLT	1.52	(11.34%)	55.61%
MICROSOFT:	MSFT	25.74	1.94%	(7.77%)
MOTOROLA MOBILITY:	MMI	37.50	(0.66%)	28.87%
RENTRAK:	RENT	12.10	(3.28%)	(59.88%)
SEACHANGE:	SEAC	7.64	3.24%	(10.64%)
SONY:	SNE	19.63	(5.31%)	(45.03%)
SPRINT NEXTEL:	S	3.45	(2.27%)	(18.44%)
THOMAS & BETTS:	TNB	41.14	0.64%	(14.82%)
TIVO:	TIVO	10.54	(1.86%)	22.13%
UNIVERSAL ELEC:	UEIC	16.46	(7.27%)	(41.98%)
VONAGE:	VG	3.02	(4.13%)	34.82%
YAHOO:	YHOO	14.48	12.51%	(12.93%)

TELCOS

AT&T:	T	27.54	(1.82%)	(6.26%)
VERIZON:	VZ	35.24	(0.9%)	(1.51%)

MARKET INDICES

DOW:	DJI	10992.13	(2.21%)	(5.06%)
NASDAQ:	IXIC	2467.99	(0.5%)	(6.97%)
S&P 500:	GSPC	1154.23	(1.68%)	(8.22%)

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. YAHOO:	14.48	12.51%
2. VALUEVISION:	3.53	5.37%
3. SEACHANGE:	7.64	3.24%
4. AMDOCS:	26.89	2.99%
5. LIBERTY STARZ:	68.06	2.84%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. CLEARWIRE:	2.63	(15%)
2. ALCATEL LUCENT:	3.11	(11.4%)
3. LEVEL 3:	1.52	(11.34%)
4. LODGENET:	1.74	(10.77%)
5. AVID TECH:	8.45	(9.14%)

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