

CableFAX Daily™

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What the Industry Reads First

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What, Us Worry? DirecTV Likes Its Positioning Amid Unstable Times

Sure, the economy is exerting “some pressure” on DirecTV’s business, said pres/CEO Chase Carey at the Citi media conference Wed, mainly due to consumers shopping for better deals among multichannel providers. But as much of the industry begins ’09 fearing slowing growth, ramping competition and shrinking valuations, Carey is far more bull than bear when it comes to his own company. “We’ll get stronger, probably first and foremost as mobility becomes a bigger part of the story, which I do think is a place the cable guys really don’t have an answer for today” said Carey. Breeding optimism is DirecTV’s marketing and resale agreement with AT&T that kicks off next month. “We’re naturally and/or contractually natural allies with telcos,” he said. “As we launch with AT&T, we’re going to have an array of functionality.” On tap is on-screen caller ID and the integration of additional broadband services and content into DirecTV’s video product. Currently, the DBS op offers a nascent VOD product through the Web and certain DVRs, plus a remote scheduling option. Carey’s underlying message: DirecTV has been performing well without a triple-play, so imagine the possibilities as we expand our offerings of non-video products and services. Carey also said that AT&T’s U-verse TV “has real limitations” as a holistic challenger to cable, a fact he believes will unlock further collaboration between the telco and DirecTV. And then there’s the MDU market, in which Carey said the DBS op is targeting 8-10mln homes. “We penetrate it woefully” right now, said Carey of the market, but significant growth lies ahead thanks to an effective tech solution, an established sales group and partnerships in the space with telcos.

At Deadline: DirecTV says it gave Comcast notice Wed that it intends to request commercial arbitration after being unable to reach an agreement for carriage of Comcast SportsNet New England and Comcast SportsNet Bay Area. The deals expired at the end of ’08, according to Derek Chang, evp, content strategy. “They are asking for a pretty significant increase of 25-40%,” he said. “In the Bay Area, they are asking for 40%, even though they are actually reducing games by as much as 30%.” Comcast has said it’s moving programming to better balance Comcast SportsNet Bay Area and Comcast SportsNet CA, and is actually increasing the amount of content—both live games and original programming. The Oakland As will move from Bay Area to CA, while the San Francisco Giants will stay on Bay Area. There’s talk that the San Jose Sharks may also migrate to CSN CA. “We continue to negotiate in good faith and have put a fair offer on the table that reflects the growing value of our networks, the investments we have made in them, and is reasonable based on market trends,” Comcast said. “As a company with several regional sports networks of their own, DirecTV should be familiar with the rising cost of sports and the negotiation process. We would prefer to resolve this at the negotiating table, but are prepared to proceed with the arbitration process because our goal has always been to serve our viewers without interruption.” Comcast acquired the 2 RSNs from Rainbow Media in May of ’07. DirecTV says it will seek arbitration under the FCC’s Adelfphia merger order, which established commercial arbitration procedures surrounding Comcast and Time

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Jeff Shell
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Warner Cable. The process keeps the channels from going dark while in arbitration.

Conference Notebook: Mediacom CFO Mark Stephan offered up a little bit of insight into the MSO's 4Q during Citi's media conference Wed. "We were having a super 2008 leading into 4Q. We were just shy of annual record RGU growth with only 9 months under our belt... In the 4Q, we saw a slow down. Oct and Nov were slower than what we had seen leading up to that point and compared to the Oct and Nov to the prior years," he said. However, "Dec did snap backed favorably. We'll see what 2009 brings. I'm not ready to throw in the white towel on what the economic slowdown will bring to us." -- **Fox's** cable nets are seeing a little softer scatter than broadcast in terms of volume, but they are writing at or slightly above upfront prices, according to **Fox Networks Group** pres/CEO **Tony Vinciguerra**. Nonetheless, "national networks really haven't seen a significant impact from what we're seeing now," he said. The **Fox Sports** RSNs are being "affected slightly" by the decline in advertising, but are still up over last year, Vinciguerra said.

Accounting Clarity: Time Warner Cable said it expects to incur in 4Q an approx \$15bln non-cash pretax impairment charge on its cable franchise rights and a non-cash pretax impairment charge of approx \$350mln related to its investment in **Clearwire**. Based on the slumping share prices of TWC and Clearwire, respectively, the charges are expected to necessitate the MSO's incurrence of a net loss and a loss per diluted share in '08. Despite the announcements, **Sanford Bernstein** analyst **Craig Moffett** maintained his "outperform" rating on Time Warner Cable shares, heartened by the MSO's failure to update its outlook for other items such as rev and free cash flow. "We believe that if TWC had any negative revisions to make regarding Q4 it would have done so," wrote Moffett, noting that the Clearwire writedown "should not come as a surprise to investors." **S&P** isn't worried either, maintaining its "strong buy" opinion on TWC. "Size of impairment was unexpected, but the issue does not seem to us to be company-specific," wrote the firm. On a related note, **Comcast** sources said the MSO will "most likely" incur a 4Q impairment charge related to its own Clearwire investment.

Dear Mr President: NCTA has offered some thoughts on the telecom space to the **Obama** transition team. The trade group joined other industry stakeholders in a meeting with the transition team last month. In a letter dated Dec 22 that was released Wed, NCTA chief **Kyle McSarrow** expounded on some of the group's recommendations, including Congress possibly funding a program to make computers or laptops available at a discount—at least to homes with children—so that every American can take advantage of broadband. NCTA also weighed in on ways to reform the **FCC**, including providing adequate notice of issues to be addressed in rulemakings and acting on all matters in a timely fashion (waiver requests within 180 days; texts of orders released within 30 days of adoption).

SCTE Chief: SCTE has tapped **Mark Dzuban** from **Cedar Point** as its new pres/CEO. He starts the gig, vacated by longtime chief **John Clark** in July, on Feb 2. At Cedar Point, he served as vice chmn and evp, strategic accounts. Dzuban's 40-year cable career also includes 9 years at **AT&T**, where he once served as svp, **AT&T Broadband** Telephony Operations. "Mark owns a vision for taking SCTE to the forefront of engineering and technology for the cable industry," said SCTE board chmn **Tom Gorman**.

Pink Slips: ShopNBC said it has reduced its salaried work force by about 11%—that's a 27% overall decline from fiscal '07. The home shopping net is also freezing salaries and suspending its 401K match for FY09. Separately, ShopNBC said it is making "meaningful" progress on the renewal of cable and satellite deals, with agreements covering



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BUSINESS & FINANCE

18mln homes renegotiated to date. It remains in talks with the cable ops representing the majority of the HHs up for renewal.

In the States: Reelzchannel will move from its Twin Cities HQ to Albuquerque, NM, early this year. The 43mln-HH net said it was "lured" by NM Gov *Bill Richardson* (D), with the state looking to attract the net to its "flourishing movie and television industry" (NM's home to 30+ film festivals and has attracted more than 115 Hollywood feature film productions). ReelzChannel's programming, production and promotion, currently housed in L.A., will also move to NM. Reelz will establish an L.A. bureau for coverage of major entertainment and movie stories. Ad sales will remain in NYC, Chicago and L.A.

Oops: ION's upcoming original series "Durham Counties" spans 12 eps—not 11—across 2 seasons.

Business/Finance: Time Warner said the unexpected strength of economic forces and a trio of items expected to be recorded in 4Q are expected to lower the growth rate in '08 adjusted operating income before depreciation and amortization by 4 percentage points to approx 1%. Time Warner also said an impairment charge of approx \$25bln related to goodwill and intangible assets at **Time Warner Cable** and its publishing and **AOL** segments will lead to an operating loss in '08, compared to operating income of \$8.9bln in '07.

CableFAX Daily Stockwatch

Company	01/07 Close	1-Day Ch	Company	01/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	28.47	(0.29)	AMPHENOL:	26.14	(0.88)
DIRECTV:	22.72	(0.75)	APPLE:	91.01	(2.01)
DISNEY:	23.18	(1.13)	ARRIS GROUP:	8.07	(0.16)
ECHOSTAR:	12.02	0.04	AVID TECH:	11.76	(0.08)
GE:	16.11	(0.75)	BIGBAND:	5.93	(0.49)
HEARST-ARGYLE:	6.25	(0.31)	BLNDER TONGUE:	1.02	0.00
MSOS					
CABLEVISION:	16.60	(0.33)	BROADCOM:	17.83	(0.94)
CHARTER:	0.17	0.07	CISCO:	17.32	(0.47)
COMCAST:	16.64	(0.59)	COMMSCOPE:	16.58	(0.91)
COMCAST SPCL:	16.04	(0.72)	CONCURRENT:	3.84	0.09
GCI:	8.43	(0.13)	CONVERGYS:	7.27	(0.46)
KNOLOGY:	5.26	(0.25)	CSG SYSTEMS:	16.26	(0.24)
LIBERTY CAPITAL:	5.10	(0.49)	ECHOSTAR HOLDING:	15.25	0.27
LIBERTY ENT:	18.16	(0.24)	GOOGLE:	322.01	(12.05)
LIBERTY GLOBAL:	17.53	(0.51)	HARMONIC:	6.42	(0.12)
LIBERTY INT:	3.49	(0.23)	JDSU:	4.73	(0.52)
MEDIACOM:	4.12	(0.5)	LEVEL 3:	0.96	0.04
SHAW COMM:	17.94	(0.38)	MICROSOFT:	19.51	(1.25)
TIME WARNER CABLE:	21.56	(1.09)	MOTOROLA:	4.43	(0.21)
VIRGIN MEDIA:	4.90	(0.08)	NDS:	56.90	(0.76)
WASH POST:	418.50	(3.48)	NORTEL:	0.28	(0.01)
PROGRAMMING					
CBS:	8.51	(0.41)	OPENTV:	1.20	(0.03)
CROWN:	2.57	(0.16)	PHILIPS:	20.14	(0.28)
DISCOVERY:	14.56	(0.43)	RENTRAK:	11.57	(0.01)
EW SCRIPPS:	2.17	(0.11)	SEACHANGE:	6.95	0.01
GRUPO TELEVISA:	15.73	(0.93)	SONY:	23.77	0.92
HSN:	6.56	(0.68)	SPRINT NEXTEL:	2.38	0.06
INTERACTIVE CORP:	15.69	(0.66)	THOMAS & BETTS:	24.45	(0.8)
LIBERTY:	28.20	(1.72)	TIVO:	7.11	(0.2)
LODGENET:	1.05	0.03	TOLLGRADE:	4.84	(0.15)
NEW FRONTIER:	2.03	(0.06)	UNIVERSAL ELEC:	16.20	(0.33)
OUTDOOR:	7.33	(0.16)	VONAGE:	0.63	(0.02)
PLAYBOY:	2.40	(0.13)	YAHOO:	12.71	(0.29)
RHI:	7.21	(1.18)	TELCOS		
SCRIPPS INT:	23.67	(0.7)	AT&T:	27.21	(0.68)
TIME WARNER:	10.29	(0.69)	QWEST:	3.58	(0.03)
VALUEVISION:	0.54	0.11	VERIZON:	31.90	0.40
VIACOM:	20.97	(1.01)	MARKET INDICES		
WWE:	11.10	(0.47)	DOW:	8769.70	(245.4)
TECHNOLOGY					
3COM:	2.54	(0.1)	NASDAQ:	1599.06	(53.32)
ADC:	5.77	(0.17)			
ADVANTAGE:	2.27	(0.07)			
ALCATEL LUCENT:	2.33	0.04			
AMDOCS:	20.82	(0.64)			

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Think about that for a minute...

Transparency

It's the word of the moment. Transparency. Everything has to be out in the open, above board, available for anyone to see. But there's good news and bad news about transparency.

The good news is directly related to what's been happening over the past decade regarding regulation and legislation. Things were being done with no clear rhyme or reason. They were being done with few really knowing what was going on. The introduction of "transparency" in



Steve Effros

that case can be very good, and the new administration is making that a central theme of how they are going to try to govern. As a general proposition, that's great, and I think it will be to everyone's benefit.

However there are some downsides to "transparency" as well. It's a standard sight-gag on television or in a

movie for someone to stride right into a clear glass door and be knocked down. We all laugh. The door was so transparent no one knew it was there until a nose got crunched. There's a reason that a lot of glass doors now have logos or other designs etched on them, just to make them a little less transparent, a little less potentially deceiving.

And that's what we have to do with government "transparency" as well. I have long argued that, for instance, the "Sunshine Laws" are a good thing (transparency-wise) but had the unintended result at the FCC of reducing the reasoned debate between Commissioners. It's also true that the Commission has been ignoring the Administrative Procedure Act's intention of having "inquiries" before proposing "rules" and that "rulemakings" should include published language of a proposed rule so that anyone could comment on it and hopefully suggest improvements or explain how that rule's language might

inadvertently backfire.

So having transparency is good, so long as the purpose is to make sure everyone knows what's going on, and can participate in the process of developing rules, regulations and legislation. But it's not a be-all and end-all in itself, and there are times when unadulterated transparency can actually create more problems than it solves.

Why talk about this? Well, if there's one thing that's clear as we move into a new political era in Washington, it's that our industry, along with all others, will be subject to lots of new scrutiny as to how, particularly in telecommunications, we all interrelate, and how we should all be treated in a new regulatory setting. This has been coming for a while, and now it's upon us. Luckily, this new scrutiny is likely to happen in the open, as opposed to what's taken place over the past decade where rules and regulations suddenly appeared full-blown at the end of an opaque political and ideological process.

But it means we're going to have to participate in a new way if we're to avoid crunching our noses against that glass! Reread my column just before Christmas about sending me information on what systems are doing to promote new and unique uses of broadband. That's the type of information we're going to have to come forward with all the time, in every area of endeavor, to explain what we are doing in this new environment.

We're the only ones who can adequately, transparently explain what we're doing and why, to those who now want to explore, in the open, what should, or should not, be addressed in regulations. You've heard this plea to get involved before from the NCTA and others, but now it's going to be critical. If we don't respond, who do you think will?

Steve

T:703-631-2099
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