

CableFAX Daily™

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What the Industry Reads First

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Waive Bye: FCC Denies Comcast's Integration Ban Request

Just hours after FCC chmn *Kevin Martin* told a CES crowd that Comcast's request for a waiver of the set-top integration ban should be denied, the FCC's Media Bureau did just that. "It's time for us to move forward, and to say no to some of the larger operators asking for further delay without date certain," Martin said to the CES audience. Shortly thereafter, the Media Bureau denied Comcast's request to have certain low-end digital boxes waived from the rule requiring cable ops to offer separable security after July 1. The Bureau said that Comcast's request, if granted, would have exempted a vast majority of set-top boxes being placed into service today and in the future. It also said Comcast failed to demonstrate that the waiver would have a direct and immediate impact on its migration to an all-digital network. Comcast said it will appeal to the full Commission. "We are very disappointed in this regrettable FCC Media Bureau decision," said Comcast evp *David Cohen*. "This amounts to an FCC tax of hundreds of millions of dollars on consumers with no countervailing benefits." Don't be surprised if the country's largest MSO also seeks govt intervention, with outgoing Sen and House Commerce chmn *Ted Stevens* (R-AK) and *Joe Barton* (R-TX) appearing possibly sympathetic. Not everyone received bad news. The Bureau granted **Cablevision's** request for a waiver. The MSO's digital set-tops already provide separable security, though not through a CableCARD. "We appreciate the chmn's positive response to Cablevision's request and believe this action is in the interest of all Cablevision customers," the MSO said. **BendBroadband's** waiver also got a greenlight, on the condition it migrate to an all-digital network by '08. The Bureau specifically noted the difficulties that small cable operators may face with the July 1 rule, saying it would defer enforcement of the deadline for small ops who can demonstrate that they have placed orders for set-top boxes that comply but that their orders will not be fulfilled in time for them to comply with the deadline. Martin's also in favor of waivers for ops who will go all-digital before the Feb '09 DTV transition. Also getting good news is the trio of cable vets behind **Beyond Broadband Technology**. The Bureau noted that all cable ops may deploy a downloadable conditional access security solution to comply with rules, such as the one their company has created (*Cfax*, 12/22). Martin said that keeping the ban in place would foster competition and advancements in the consumer electronics market, and he'd like to see system-neutral boxes on store shelves by 4Q '08.

More Martin: Weeks after NCTA chief *Kyle McSarrow* blasted the FCC's relaxation of franchise rules because the changes didn't apply to all video providers (*Cfax*, 12/21), FCC chmn *Kevin Martin* offered his take on where the agency and industry diverge. "I think most significantly the cable industry didn't like that we were making changes to make it easier for people to offer cable services," Martin said during a **Citigroup** investor conference Wed. "I understand from the cable industry perspective why... but from a consumer, policy perspective, it's the right thing." The chmn, speaking hours before his CES presentation Wed, said there either has to be rate regulation or competition. Cable argues that competition already exists and that the franchise process is not unduly burdensome. Its chief



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Riding Giants	February 11th at 8pm
Drift: A Sideways Craze	February 13th at 9pm



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complaint with the new FCC rules, which require LFAs to act on video applications from competitors with access to local rights-of-way (ie., most telcos) within 90 days, is that the regulations don't apply to everyone.

Franchising: Two MA state legislators introduced state franchising legislation Wed to streamline processes for new entrants, like **Verizon**. "Verizon's special-interest legislation is both unnecessary and inconsistent with the principal of local control," the **New England Cable & Telecommunications Assoc** said. "The FCC just recently issued a ruling that dramatically speeds the cable licensing process. In addition, with two satellite providers, an overbuilder and numerous municipal light companies offering video, Massachusetts is not lacking for competition."

Chernin's Corner: **Fox's** business news channel will launch in the latter part of '07 (**Cfax**, 1/3), as it is close to the targeted 30mln HHs **News Corp** has set as a minimum sub base, said News Corp pres/COO **Peter Chernin** at the Citigroup conference Tues in Vegas. Chernin also said that Fox News has completed renewed carriage deals representing one-third of its sub base, and that News Corp's interactive revenues are tracking ahead of its \$500mln guidance for fiscal '07. The conglomerate will invest heavily this year in **MySpace** and focus on intl expansion of the online community, he said. Meanwhile an increasing number of marketers will shift ad dollars from TV to copyrighted versions of TV shows and other videos that appear online, posited Chernin, who noted that News' online ad rates are now at CPMs of \$25-\$30.

Citigroup Wrap: While **Verizon** svp, investor relations **Ron Lataille** failed Wed to preview any 4Q results, he said that the telco will focus this year on increasing collaboration between **FiOS TV** and its mobile services. Of the 118K video customers VZ reported after 3Q, one-third came from prior satellite subs, and the balance from cable, he said during **Citigroup's** conference. Even with the "unbelievable demand" for FiOS TV, Lataille said no alterations in the telco's **DirecTV** partnership are imminent. -- More than 40 additional wireless markets are expected to launch this year through the cable-**Sprint-Nextel** jv. Seven markets currently are in pilot trials and 4 markets have commercially launched. "We're starting to see recognition from customers that [the service] is unique," Sprint chmn/CEO **Gary Forsee** said Wed.

Competition: **Verizon** ramped up its FiOS Internet speeds in MA and RI to 50Mbps/5Mbps. Similar increases are expected later this year in some of the other 11 states where the service is available.

TCA Notebook: As cable's portion of the **TCA** grinds on, a few refreshing breezes blew in to the Ritz-Carlton Wed, mostly by way of Silver Spring, MD. Some of **Discovery Nets'** shows boast fairly radical concepts, at least for this country. **Animal Planet's** "Spring Watch USA" (Apr 14, 8pm) not only celebrates US wildlife, but will essentially be a report on the coming of spring, filmed as it happens over 6 weeks. Reporters will file stories from the coasts, while anchors **Jeff Corwin** and **Vanessa Garnick** observe animals emerging for spring from Kiawah Island. The network stressed that it's difficult to know the precise content, since nature is unpredictable, making Spring Watch reality TV the way nature intended. Based on a British concept, cameras also will be placed in nests and caves, affording 24/7 views online. Another Animal Planet show, "Saving Grace" (Mar 2), will document the plight of an injured otter, but the initial ep will be followed by daily broadband eps for an entire month until the finale appears back on Animal Planet. Further proof that Silver Spring is getting hip, **Travel** has offered a development deal to a young man from FL based on his user-generated video. **TLC**, too, is following a British-inspired concept, selecting 20 kids (ages 7-12) and equipping them with handheld cameras and asking them to film their lives for "My Life as a Child" (Feb 26). Producers pushed for diverse children, and a panel

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BUSINESS & FINANCE

here included a bright child with MS, a boy from inner city Baltimore, a male ballet dancer and a black girl adopted by a white woman. By contrast, **Discovery's** 11-hr "Planet Earth" (Mar 25, 8pm) seemed conventional, but gm *Jane Root* assured critics nature hasn't been shot this way before. She emphasized it took 71 camera people 5 years to make the HD special. – Another refreshing thought emanated from Silver Spring, when **TV One** touted the finale of its comedy competition "Bill Bellamy's Who's Got Jokes?" (Feb 3, 10pm), which disqualifies competitors who use foul language. – New and old ideas mixed during **Oxygen's** panel. The new, a doc series "Who Cares About Girls?" (Mar), investigates problems faced by girls worldwide, such as forced prostitution in India. The old? A reality show following a pregnant *Tori Spelling* and her new husband as they open a bed & breakfast in "Inn Love" (groan).

Mobile: Following the jump of **Amp'd Mobile's** series "Li'l Bush: Resident of the United States" to **Comedy Central**, the carrier and **MTVN** are partnering to create and distribute episodic series that will appear exclusively on Amp'd. MTVN will retain the rights to develop and cross-program the made-for-mobile projects for TV and other platforms. Current MTVN channels on Amp'd include **MTV**, **mtvU**, **VH1**, **Comedy Central**, **Spike** and **Logo**.

CableFAX Daily Stockwatch

Company	01/10 Close	1-Day Ch	Company	01/10 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	43.25	0.72	AVID TECH:	37.23	0.06
DIRECTV:	24.00	(0.14)	BLNDER TONGUE:	1.80	0.00
DISNEY:	34.49	0.04	BROADCOM:	33.19	(0.97)
ECHOSTAR:	39.53	0.10	C-COR:	11.79	(0.02)
GE:	37.56	0.01	CISCO:	28.68	0.21
HEARST-ARGYLE:	26.02	0.37	COMMSCOPE:	29.81	0.07
ION MEDIA:	0.55	(0.03)	CONCURRENT:	1.84	(0.02)
NEWS CORP:	23.52	0.70	CONVERGYS:	25.02	0.12
TRIBUNE:	30.78	0.03	CSG SYSTEMS:	26.04	(0.2)
MSOS					
CABLEVISION:	29.79	0.48	GEMSTAR TVG:	3.78	0.03
CHARTER:	3.40	0.09	GOOGLE:	489.46	3.96
COMCAST:	42.91	0.17	HARMONIC:	7.35	0.18
COMCAST SPCL:	42.24	0.08	JDSU:	16.76	(0.05)
GCI:	15.65	(0.11)	LEVEL 3:	6.03	0.00
KNOLOGY:	11.04	(0.19)	LUCENT:	2.55	(0.02)
LIBERTY CAPITAL:	100.76	0.69	MICROSOFT:	29.66	(0.3)
LIBERTY GLOBAL:	30.29	0.75	MOTOROLA:	18.16	(0.1)
LIBERTY INTERACTIVE:	22.61	0.45	NDS:	45.52	(0.26)
MEDIACOM:	7.86	0.00	NORTEL:	25.90	0.65
NTL:	24.94	0.09	OPENTV:	2.47	(0.01)
ROGERS COMM:	30.21	0.35	PHILIPS:	36.76	(0.33)
SHAW COMM:	33.49	0.93	RENTRAK:	14.75	(0.11)
TIME WARNER:	22.29	0.04	SEACHANGE:	10.38	(0.15)
WASH POST:	762.00	0.92	SONY:	45.78	(0.62)
PROGRAMMING					
CBS:	31.16	0.27	SPRINT NEXTEL:	17.85	0.40
CROWN:	4.00	0.01	THOMAS & BETTS:	45.85	(0.64)
DISCOVERY:	16.63	0.12	TIVO:	5.66	(0.14)
EW SCRIPPS:	51.92	1.92	TOLLGRADE:	10.33	(0.05)
GRUPO TELEVISA:	27.30	0.07	UNIVERSAL ELEC:	19.67	0.16
INTERACTIVE CORP:	38.32	0.81	VONAGE:	6.51	0.07
LODGENET:	25.75	0.12	VYYO:	4.36	0.03
NEW FRONTIER:	9.80	0.32	WEBB SYS:	0.03	(0.01)
OUTDOOR:	12.08	(0.34)	WORLDGATE:	1.35	(0.06)
PLAYBOY:	11.42	(0.03)	YAHOO:	28.70	1.12
UNIVISION:	35.72	0.04	TELCOS		
VALUEVISION:	12.69	(0.02)	AT&T:	34.03	0.09
VIACOM:	42.53	0.46	BELLSOUTH:	47.11	0.00
WWE:	15.99	(0.09)	QWEST:	8.29	(0.1)
TECHNOLOGY					
3COM:	4.11	0.05	VERIZON:	36.74	(0.22)
ADC:	15.02	0.30	MARKET INDICES		
ADDVANTAGE:	2.77	(0.03)	DOW:	12442.16	25.56
AMDOCS:	39.33	0.73	NASDAQ:	2459.33	15.50
AMPHENOL:	61.59	(0.46)			
ARRIS GROUP:	12.73	0.00			

ABC Family Sets Records in 2006!

- **Best Year Ever** in Prime and Total Day in A18-34, W18-34 and W18-49
- 4Q06 was Best Quarter ever in Prime and Total Day in A18-34, W18-34 and W18-49



Source: Nielsen NTI, Live 000s. Prime: M-Sun 8-11pm, Total Day: M-Sun 6am-6am, excluding non-commercial programming. ABC Family launched Nov 2001.

Think about that for a minute...

SAFETY NET

OK, they won. Can we go home now? The “net neutrality” enthusiasts are proclaiming a major victory regarding the imposition of rules that will allegedly protect the Internet from feared destruction caused by rapacious ISPs. The victory came in the form of conditions the FCC placed on the merger of AT&T and SBC. It seems to me the time has now come for us all to step back and watch whether the new rules have their intended result before anyone can reasonably argue that even more

rules are needed. Time for a break in the “net neutrality” battle.



Steve Effros

What some FCC Commissioners did was admittedly a little strange... They chose to impose “net neutrality” conditions on the merger, along with lots of other conditions, because they had the leveraged votes to do so, not because there had been any reasoned analysis completed as to the need for those

conditions. But unhappily, we are getting used to the FCC shooting before they aim. This was no exception.

You see there is an official “inquiry” under way at the Commission to determine what, if anything, is amiss that might require rules for “net neutrality” in the first place. The FTC has also said they are investigating the issue and have as yet not found what the current alleged problem is. Congress, of course, has already had hearings on the issue, and they, too are not sure what the real harm is, although they have heard a lot of fears expressed. As important, key members of Congress have acknowledged that there are so many definitions of “net neutrality” floating around, they don’t even know what it means!

But that didn’t stop the FCC from imposing conditions on the merger. That’s not because they were needed, it’s because the folks insisting on them had the power to do

so. Remember my column last week about Washington turning into a town focused on winning, not on reasoned policy. Well, here’s a great example. However we have to deal with what is, not what we wish would be, so we now have “net neutrality” rules imposed for the next two years on one of the biggest ISP conglomerates in order to “protect” the net. Isn’t it time to step back and see whether those rules work? Consumers will be protected since they will, in major portions on the country, be able to switch suppliers if all the others slip into the anti-competitive, destructive mode that the “net neutrality” promoters insist will happen if the government doesn’t step in beforehand to prevent their nightmares from becoming reality.

We can actually see over the next two years if anyone other than AT&T comes up with business plans for enhanced service offerings that might be injurious, or, on the other side, might be very good for the Internet. Wouldn’t it be valuable for the regulators to find out if they had gone in the wrong direction before driving all the way down the road? They have that option now, and they should take it.

Regulators and legislators have a unique chance to do something sensible. They can monitor the effect of what they have already done before doing anything more. They can avoid unintended consequences, and maybe even determine whether government regulation of the Internet was really truly necessary in the first place before unintentionally interfering with new, positive, market-driven Internet developments (the way it has developed so successfully to date.) The “safety net” is in place. Let’s go home and watch for a while to see if it was needed.

Steve

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