

CableFAX Daily™

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What the Industry Reads First

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Imperfect Timing: FCC Holds 700MHz Auction Amid Economic Turmoil

Credit markets are dysfunctional. The stock market is psychotic. And the media's we're-all-gonna-die recession talk has grown to a cacophonous roar. Gee—what a great time for the federal government to try to squeeze billions of dollars out of the telecom industry. Some 214 entities, including **Advance/Newhouse**, **Cablevision**, **Cox** and **DISH** (under the name **Frontier**), on Thurs will start bidding in the **FCC's** 700MHz auction—even though FCC chmn *Kevin Martin* has acknowledged that it may not be the “ideal time” to do so (*Cfax*, Jan 13). Nonetheless, the FCC will hold the auction now as required by law, offering up 62 MHz of spectrum broken into 1,099 licenses in 5 blocks. Also in the hunt for 700MHz spectrum is **Verizon Wireless** and **AT&T**, as well as **Google** and **Qualcomm**. Notably bowing out, however, are **Sprint-cable** jv partners **Comcast** and **Time Warner Cable**, **DirecTV** and **Clearwire**, whose one-time partner Sprint just backed away from a deal to deploy WiMAX networks across the country (*Cfax*, Nov 12). In a research note, **Stifel Nicolaus** predicted the auction would take about 4-6 weeks, although the anonymous nature of the bids means it will be hard to figure out what companies are gaining ground during the process. The firm does see Google bidding up the C-block in order to trigger the open-access condition, and then jostling with **Verizon** and **AT&T** for other upper-band licenses. Cox and Cablevision are expected to focus on the A-block licenses—along with other mid-sized players like **Alltel**, **Leap** and **Metro PCS**. But big questions surround the D-block, which policymakers want used to create a national public-safety network and whose major proponent **Frontline** recently disbanded after failing to secure funding (*Cfax*, Jan 10). The startup, backed by former FCC chmn *Reed Hundt*, had reportedly even sought funding from Comcast and Time Warner Cable.

Multiple Legal Units: **NCTA** this week stepped up its challenge of the **FCC's** Nov 13 order barring exclusive contracts between cable operators and MDUs, filing late Tues with the US Court of Appeals in D.C. a Motion for Stay Pending Judicial Review. Last week, the assn petitioned the court for review of the order, which is set to take effect Mar 7, and last month asked the FCC to stay the order part covering existing contracts. “There are strong arguments that the FCC has no statutory authority to address this entire subject and that, in any event, it was arbitrary and capricious for the Commission to refuse to grandfather existing contracts,” reads the motion, which also notes a past decision by the FCC not to regulate the contracts in question. Meanwhile, **Verizon** has repeatedly talked up the prospective upside in selling to MDUs.

Competition: **Verizon** inked a carriage deal with **MGM HD**, which rolls out in FiOS TV systems later this year. -- Tampa Bay Bucs WR *Joey Galloway* signed on as a **FiOS TV** spokesman for the Tampa area. Radio, outdoor and print ads are part of the campaign highlighting the service's sports offerings. -- **AT&T** next month will launch a new Internet service tier offering speeds of up to 10/1.5Mbps. The service will be available only to U-verse customers,

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for \$55/month when bundled with **U-verse TV**. -- **DirecTV** launched local HD programming in Tyler-Longview, TX, and Knoxville, TN.

In the States: **Bresnan** plans to launch in the Gillette, WY, area a \$2.95/month sports tier that includes **NFL Net** and 3 **Fox College Sports** nets. The op also plans to add **RFD Net** and **Fox Reality** to the area's digital basic tier.

Beta: More than four-fifths of cable ops are interested in carrying **Outdoor Channel** by the end of this year, the greatest percentage received by any emerging net/package, according to the latest **Beta**. Trailing were **Fox Business Net** (72%), **PBS Kids Sprout** (69%) and **ESPNU** (67%). **DIY Net** (76%) narrowly led mid-sized nets, followed by **Lifetime Movie Net** (75%), **Discovery Home** (71%) and **Discovery Times Channel** (68%).

Online: **TBS** inked a deal to operate through '14 **Nascar.com**, and to collaborate in content creation, e-commerce and race ticket sales direct from track operators. The site logged 1.4bln page views last year and 25mln video streams. -- **CSTV.com** struck a deal allowing **USAToday.com** to feature select assets such as **CSTV XXL** and **GameTracker**.

Editor's Note: Check out our new video feature "The CableFAX Show" at www.cable360.net. **CableFAX Magazine** editor **Seth Arenstein** and **CableFAX Daily** exec editor **Michael Grebb** rant about everything from new HD launches to... uh, *Oprah*. And find out what 120-pound tchotchke we got in the mail last week. It's really "cool."

Ratings: The premiere of **AMC's** original "Breaking Bad" (1.1/1.02) didn't perform quite as well as sibling show "Mad Men" (1.4/1.30mln) when it bowed last summer, but **AMC** was still ecstatic about the debut, noting that the M18-49 tune-in grew by 107% vs the net's average for full-year '07. An impressive premiere considering that critically acclaimed "Bad" also faced the **NFC Championship game** and subsequent post-game coverage, which absorbed big audiences in its 1st half hour. -- **Catherine Bell** helped **Hallmark's** "The Good Witch" (3.8/3.18mln) toll loudly, allowing the net (1.4/1.14mln) a tie for 4th in prime ratings average with **Fox News** (1.4/1.36mln) and **Nick at Nite** (1.4/1.31mln). **USA** (2.2/2.08mln) claimed the week's throne, followed by **Disney** (1.9/1.83mln) and **TNT** (1.6/1.52mln). **Brag Book:** **Oxygen's** original movie "Husband for Hire" employed a 1.2 rating, becoming the most-watched original movie premiere in net history.

Programming: **Versus** has exercised a contract option to continue airing **NHL** games through '11. Through 29 games, average viewership is up 34%. -- **Starz Ent** has extended its 1st run output deals with **Sony Pictures TV** and **Disney-ABC Domestic TV**, and also forged a new library agreement with **Warner Bros Domestic TV**, **MGM Worldwide TV** and **Universal Pictures**, securing the rights to approx 1.2K movie and TV titles. -- **Sci Fi** has picked up the off-net cable rights to **CBS'** "Jericho," which will debut on the net Feb 11.

On The Circuit: Hand it to the public affairs crew at **Lifetime**: they're loyal. For 12 years, they've been pushing Capitol Hill to approve legislation abolishing "drive-through mastectomies," in which women are forced out of hospital by insurance companies within 24 hours of having the operation. The bi-partisan bill has yet to get a vote and no hearings have been held, owing partly to powerful HMO and insurance lobbies. **Lifetime** was back on the Hill Wed, this time armed with 20mln signatures on a petition and spokesperson **Marcia Cross** of "Desperate Housewives" fame. After a packed press conference, the actress told **Cfax** she wanted to meet lawmakers who are against the bill. "I'm here, I want to be influential," she said. Rep. **Rosa DeLauro** (D-CT) said there's new hope for the bill as it's an election year and both houses have new leadership. Said Cross: "I thought making movies was slow. I now realize Washington is slower."

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BUSINESS & FINANCE

Time Running Out: Feb 20 is the deadline to enter our revamped **CableFAXIES** awards program, which will recognize cable's best PR/marketing people and campaigns. Potential winners from networks, PR firms, vendors, corporations, agencies, nonprofits and other entertainment companies will be honored on May 6 at the National Press Club in DC. Enter at <http://www.cable360.net/cablefaxies2008.html>.

People: Scripps Nets Interactive, slated to publicly trade this summer, appointed *John Viterisi* vp, tax; *Mary Ray* deputy general counsel/asst corp secretary; *Mark Schuermann* vp/treasurer; and *Julie Elliott* vp, compensation and benefits. -- **Turner Ent** promoted *Patty Gillette* vp, promotions management and *Michelle Spinale* vp, promotions development. -- *Adina Pitt* has been named vp, content acquisitions and co-productions, **Cartoon Net** and **Boomerang**.

Business/Finance: Motorola's 4Q net income plummeted to \$100mln, down from \$623mln a year earlier, and sales for its Mobile Devices segment slipped 38% to \$4.8bln. A bright spot is the company's cable-related Home and Networks Mobility segment, which recorded sales of \$2.7bln (+11%) and shipped 3.4mln digital ent devices during the Q. Moto's beleaguered stock was hammered Wed (-19%), and has lost nearly half its value since Oct.

CableFAX Daily Stockwatch

Company	01/23 Close	1-Day Ch	Company	01/23 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	41.24	0.05	APPLE:	139.07	(16.57)
DIRECTV:	21.35	1.29	ARRIS GROUP:	7.49	0.09
DISNEY:	28.53	0.41	AVID TECH:	28.05	3.04
ECHOSTAR:	28.61	0.48	BIGBAND:	4.28	0.00
GE:	34.59	0.54	BLNDER TONGUE:	1.56	(0.07)
HEARST-ARGYLE:	20.63	0.52	BROADCOM:	21.18	(1.23)
ION MEDIA:	1.39	0.04	CISCO:	24.03	0.61
NEWS CORP:	19.36	0.31	COMMSCOPE:	42.15	0.93
MSOS					
CABLEVISION:	21.68	(0.09)	CONCURRENT:	0.69	0.01
CHARTER:	1.10	0.03	CONVERGYS:	14.76	0.49
COMCAST:	17.26	0.61	CSG SYSTEMS:	13.35	0.50
COMCAST SPCL:	17.10	0.49	ECHOSTAR HOLDING:	28.80	0.08
GCI:	7.76	0.25	GEMSTAR TVG:	4.51	(0.04)
KNOLOGY:	10.04	0.67	GOOGLE:	548.62	(35.73)
LIBERTY CAPITAL:	103.94	1.92	HARMONIC:	8.69	(0.35)
LIBERTY GLOBAL:	36.97	(0.59)	JDSU:	10.08	(0.01)
LIBERTY INTERACTIVE:	14.99	0.89	LEVEL 3:	2.96	0.15
MEDIACOM:	4.65	0.17	MICROSOFT:	31.93	(0.06)
NTL:	28.22	0.00	MOTOROLA:	10.01	(2.31)
ROGERS COMM:	42.97	0.00	NDS:	44.01	(4.29)
SHAW COMM:	17.82	(0.32)	NORTEL:	12.79	0.27
TIME WARNER CABLE:	24.80	(0.07)	OPENTV:	1.15	0.04
WASH POST:	732.50	(16.75)	PHILIPS:	37.38	0.54
PROGRAMMING					
CBS:	23.10	0.22	RENTRAK:	11.24	(0.51)
CROWN:	5.81	0.10	SEACHANGE:	7.13	0.28
DISCOVERY:	23.29	0.37	SONY:	48.56	(1.5)
EW SCRIPPS:	39.08	0.17	SPRINT NEXTEL:	8.72	(0.08)
GRUPO TELEVISIA:	21.72	0.87	THOMAS & BETTS:	42.15	1.40
INTERACTIVE CORP:	24.75	0.87	TIVO:	6.83	(0.25)
LODGENET:	14.16	0.29	TOLLGRADE:	6.71	(0.06)
NEW FRONTIER:	4.69	0.09	UNIVERSAL ELEC:	23.97	1.33
OUTDOOR:	6.45	0.01	VONAGE:	1.99	(0.02)
PLAYBOY:	8.38	0.23	VYYO:	2.30	(0.2)
TIME WARNER:	15.22	0.04	WEBB SYS:	0.04	(0.03)
UNIVISION:	36.23	0.00	YAHOO:	20.01	0.09
VALUEVISION:	5.78	0.28	TELCOS		
VIACOM:	38.17	0.04	AT&T:	36.69	0.73
WWE:	14.51	0.26	QWEST:	5.93	0.49
TECHNOLOGY					
3COM:	4.18	0.16	VERIZON:	38.07	0.24
ADC:	13.43	0.04	MARKET INDICES		
ADDVANTAGE:	4.80	0.06	DOW:	12270.17	298.98
ALCATEL LUCENT:	5.93	(0.14)	NASDAQ:	2316.41	24.14
AMDOCS:	32.89	1.94			
AMPHENOL:	39.99	1.49			

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Think about that for a minute...

Giants Die First

Remember "Andre the Giant"? André René Roussimoff, aside from being a famous wrestler, the 7-foot-plus Frenchman was best known for his brief acting career, especially in the movie Princess Bride. He died prematurely because of the condition that made him so physically large. His growth hormones never stopped pumping.

I mention Andre because we are now watching the stock markets crash around the world based on the "credit crunch," and the "subprime housing market" problems that have beset us. The "giants" of the market run-up, Countrywide, Citibank, Merrill Lynch, and so on, the companies that became huge in part because of the artificial pumping up of the market based on bad decisions and easy money, are now being decimated. Most will survive.



Steve Effros

Some may not. But they will certainly no longer be the out-sized players they once were.

There is a lesson here. From my point of view, it has to do with what seems to me an obvious false notion: that it's good to continually grow at an ever-faster pace.

That's what public companies are currently expected to do. They're supposed to report "double digit" increases all the time. They're expected to meet or exceed the projections of the stock analysts each quarter. They are, in other words, supposed to constantly grow. The "market" seems to have missed the fact that very often, giants die first.

Giants have other problems as well. They tend to get so big, and so strong, that they sometimes misuse their power. They do things they shouldn't, often in the quest to keep growing and get even more powerful. Or more likely they do it because there's a demand that they keep growing and if they do not, the market punishes them.

That, I think, is what has caused the current market col-

lapse, and it's also what has badly dis-served the cable industry. The stock traders have put such pressure on companies to continue to produce double digit growth that they have lost sight of the true nature of many businesses. Greed has destroyed good judgment.

Let's get back to basics. Cable companies have built an infrastructure that no one else currently has, and no one else is building. Let's not forget that our phone company competitors freely admit they have no intention of "building out" their new fiber lines to all customers. They are what we used to call "cherry pickers." That may be a good business for them, depending on the true cost of their plants, but they never intend to fully compete with cable.

Our other major competitor, DBS, does compete nationwide, but only for one of our service offerings: video delivery. Their platform, excellent for video delivery, cannot effectively provide Internet access or voice service.

But what is also true is that there is a saturation point in each of the markets we compete in. Video is essentially a "mature" market today. Hence we will not see the massive growth of the early years since most folks are already getting their video through a multichannel video delivery service.

Similarly, the folks who have computers at home are already hooked up to some form of wireline data provider. Voice is still new, for cable, and there are numerical gains to be made, but again... not at the pace of years past.

Is this bad? I don't think so. We should consolidate our gains, operate responsibly, improve our customer services, and be good, solid, long-term players. Look what's happening. Don't just blindly follow Wall Street demands. Giants die first.

Steve

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