

CableFAX Daily™

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What the Industry Reads First

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Pushback: Sinclair Resists Senate Pressure on Mediacom Dispute

Mediacom received some powerful backing this week, with Sen Commerce chmn *Daniel Inouye* (D-HI) and vice chmn *Ted Stevens* (R-AK) asking **FCC** chmn *Kevin Martin* to take immediate action to resolve the MSO's dispute with **Sinclair**. It's a subject the 2 plan to address at this morning's (Thurs) Sen Commerce FCC oversight hearing. In a letter dated Tues, the 2 stressed that binding arbitration could be a possibility and that the FCC does have the authority to step in where arms length negotiations have failed. Some 700K Mediacom subs have been without Sinclair stations since Jan 6. "At minimum, Americans should not be shut off from broadcast programming while the matter is being negotiated among the parties and is awaiting action by the full Commission on appeal," the 2 wrote. But responded Sinclair gen counsel *Barry Faber*: "I hope you can understand the danger of suggesting the government should order private parties to enter into an agreement when they are not able to reach agreement on their own." In an interview Wed, Mediacom CEO *Rocco Commisso* repeated that he would be willing to testify before Congress on the retrans spat and called on Sinclair CEO *David Smith* to do the same. Sinclair didn't respond to a request for comment. -- Meanwhile, Sinclair granted **Comcast** a retrans extension until Mar 1. Some markets could have lost Sinclair stations as early as Feb 5.

Doubting Kerry: Senator Plans Tough Questions on DirecTV-MLB Deal

That **DirecTV-MLB** deal isn't even official yet, and it's already drawing the ire of Hill. Sen *John Kerry* (D-MA) plans to ask the **FCC** this morning (Thurs) about the DBS provider's pending exclusive deal with the MLB for its "Extra Innings" out-of-market baseball package. "I am opposed to anything that deprives people of reasonable choices," Kerry said in a statement. "In this day and age, consumers should have more choices—not fewer." The 7-year deal is reportedly worth \$700mIn and would mean consumers used to watching the package on cable would no longer be able to. "I'd like to know how this serves the public—a deal that will force fans to subscribe to DirectTV in order to tune in to their favorite players," Kerry said. "A Red Sox fan ought to be able to watch their team without having to switch to DirectTV." Kerry will be able to quiz FCC chmn *Kevin Martin* on the deal during the Senate Commerce's FCC oversight hearing Thurs. Meanwhile, House Telecom subcmte chmn *Ed Markey* (D-MA) and House Commerce chmn *John Dingell* (D-MI) have put together their own list of questions for Martin and plan to hold Telecom subcmte FCC oversight hearing on Feb 15. One of the questions, directed at Martin and Republican commissioner *Deborah Taylor Tate*, asks why the **AT&T-Bell-South** merger was approved if the 2 disapproved of the net neutrality conditions placed on AT&T.

Cable's Broad Shoulders: Joining **Comcast** in projecting huge growth in business phone services, **Time Warner** will begin this year targeting small and medium-sized businesses throughout most of its legacy footprint, said chmn/CEO *Dick Parsons* during a Wed earnings conference call. Wireless services expansion and public trading of **Time Warner Cable** shares (delayed until at least Feb 6) are also hot-button '07 topics, yet the '06 performance of the

"Tribute to the Troops"

On Valentine's Day, a special programming event.

This February 14th, Military Channel will be airing personal video valentines connecting our troops to their loved ones back home.



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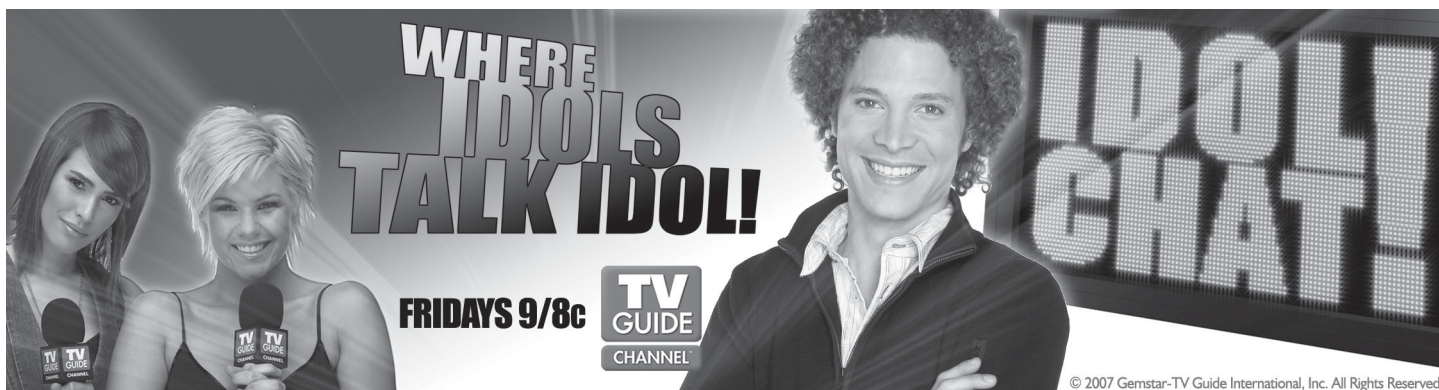
still-private cable segment stole the Wed show. The segment carried its parent last year, achieving a 34% Y-over-Y surge in '06 rev to \$11.8bln and a 22% increase in op income to \$2.2bln. Meanwhile the media giant's TV networks earned \$5.87bln in '06 sub rev, up 9% over '05. As of Dec 31, 42% (6.2mln) of cable customers subscribed to 2+ services, while 10% (1.5mln) were triple play subs. TWC added 675K RGUs in 4Q, the 7th consecutive Q in which it added at least 500K. ARPU grew 7% in the Q to \$96. Results would have been even better if not for lagging markets acquired from **Adelphia** and/or swapped with Comcast, especially Dallas and L.A. 80% of TWC's 4Q sub loss occurred within these 2 markets, and OIBDA margins are 10 percentage points less in all former Adelphia markets, where a \$17 gap in ARPU also exists, said pres/COO *Jeffrey Bewkes*. But both Bewkes and Parsons noted upside as most of those markets don't yet offer VoIP or other advanced services. The company is spending \$450-\$550mln on upgrades. Bewkes said allaying customer concerns over channel lineup changes and glitches with HSD migration continue to be priorities in these markets, as does phone penetration, currently at 11%.

On the Hill: Rep *Rick Boucher* (D-VA) offered a sliver of hope Wed that the net neutrality fight may have room for more compromise this year. Boucher, a member of the powerful House Commerce Committee and a staunch supporter of net neutrality, appeared a little more cautious on the subject—though still in favor of some sort of legislation. "I don't want to do anything in terms of a legislative remedy that ensures an open and accessible Internet but has the effect of hobbling innovation inside the network," Boucher told a conference organized by the advisory committee to the Congressional Internet Caucus. He warned against advancing content applications at the expense of network innovation. The Dem said that until net neutrality is resolved, every "positive item that broadband providers" bring up for action will be blocked. Also on Boucher's list of action items is USF reform. He and Rep *Lee Terry* (R-NE) plan to introduce legislation soon that would ensure that companies receiving money from the universal service fund can use those dollars to deploy broadband. The bill would have all companies offering a network connection contribute and would impose a fee on local phone calls. Boucher also wants local govts to be able to offer WiFi and other telecom services, and telcos to offer standalone broadband service. -- The confab had one of the more interesting net neutrality panels of late, with a group of academics debating the issue. The one thing all could agree on is that there should be more disclosure among network providers on what they block, how much bandwidth is being used and other related issues.

Black History All Year: As Black History Month begins, cable360.net reports **History Channel** and **Red Lobster** are discussing sponsorship to let the net to feature black-history programs throughout the year. Red Lobster is in its 4th year of sponsoring Black History Month programs on History.

Competition: **Verizon** expanded its **FiOS TV** service to 30 Prince Georges County, MD, communities. -- **Verizon Business** extended its \$3mln/year contract with the **TX Parks and Wildlife Dept** for an automated system that processes state hunting and fishing licenses. -- Former NFL QB *Steve Young* and model *Stacey Keibler* are among those slated to participate Thurs in the "**DirecTV** Celebrity Beach Bowl," to be held in Miami Beach and sponsored by **Spike**.

HD Plans Up In Smoke?: **Sanford Bernstein's** *Craig Moffett* said **DirecTV's** aggressive HD expansion plans took a hit Tues night when an SES New Skies satellite and rocket exploded during liftoff from a **Sea Launch** platform. Of the 2 new satellites that DirecTV plans on launching this year to expand its HD channel capacity, 1 was slated to be



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launched from the eviscerated platform. The satcaster told Moffett that the affected satellite will primarily expand local HD channel capacity and that alternatives for launch are being sought. Moffett predicted a "relatively modest" effect on DirecTV. Check out the explosion at <http://www.youtube.com/watch?v=eMG2SBwlcRM>.

OCAPitalizing: Comcast and Time Warner Cable have agreed to license intellectual property and security certificates related to the OpenCable Applications Platform, **CableLabs** announced Wed. CableLabs also granted Comcast, Time Warner Cable, **Cox** and **Charter** OCAP code verification signing certificates used to sign and validate interactive OCAP apps. OCAP is CableLabs' middleware spec designed to let interactive services run on a broad range of devices.

Ratings: Hallmark Channel's basic cable premier of "Troy" earned a 1.5/1.16mIn, ranking it in the time period's top 5 for HHs and demos including adults 18-49 and 25-54. -- **Disney** (2.3 HH rating/2.03mIn HH delivery) took home the blue ribbon for Jan prime ratings, led by the month's top 2 telecasts. **USA** (2.2/2.04mIn) got the red, while **TNT** (1.7/1.54mIn) pulled down the white.

People: CableLabs appointed former **Comcast** deputy genl counsel **Lee Zieroth** svp/genl counsel, promoted **Judson Cary** to vp, video tech policy, and promoted **Simon Krauss** to deputy genl counsel.

CableFAX Daily Stockwatch

Company	01/31 Close	1-Day Ch	Company	01/31 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	43.61	0.59	AVID TECH:	37.00	(0.04)
DIRECTV:	24.38	0.05	BLNDER TONGUE:	1.83	(0.03)
DISNEY:	35.17	0.13	BROADCOM:	31.92	0.49
ECHOSTAR:	40.34	1.25	C-COR:	13.69	(0.02)
GE:	36.05	0.02	CISCO:	26.62	0.37
HEARST-ARGYLE:	26.12	(0.02)	COMMScope:	32.31	(0.12)
ION MEDIA:	1.23	0.03	CONCURRENT:	1.50	(0.02)
NEWS CORP:	24.45	0.29	CONVERGYS:	26.03	0.06
TRIBUNE:	30.54	0.09	CSG SYSTEMS:	25.08	0.10
MSOS					
CABLEVISION:	30.27	0.06	GEMSTAR TVG:	4.04	(0.05)
CHARTER:	3.50	0.14	GOOGLE:	501.50	7.18
COMCAST:	44.35	0.65	HARMONIC:	9.05	0.10
COMCAST SPCL:	43.46	0.49	JDSU:	17.78	0.49
GCI:	15.46	0.01	LEVEL 3:	6.20	0.09
KNOLOGY:	13.30	0.26	LUCENT:	2.55	(0.02)
LIBERTY CAPITAL:	102.30	0.97	MICROSOFT:	30.86	0.38
LIBERTY GLOBAL:	30.06	0.11	MOTOROLA:	19.85	0.27
LIBERTY INTERACTIVE:	24.37	0.27	NDS:	47.36	(0.14)
MEDIACOM:	7.93	0.06	NORTEL:	26.78	(0.24)
NTL:	27.25	0.05	OPENTV:	2.34	0.03
ROGERS COMM:	30.95	(0.05)	PHILIPS:	39.15	0.15
SHAW COMM:	35.45	0.05	RENTAK:	16.06	(0.33)
TIME WARNER:	21.87	(0.17)	SEACHANGE:	10.00	(0.15)
WASH POST:	762.70	(0.1)	SONY:	46.33	0.03
PROGRAMMING					
CBS:	31.17	0.15	SPRINT NEXTEL:	17.83	0.18
CROWN:	4.08	(0.09)	THOMAS & BETTS:	47.89	(0.2)
DISCOVERY:	16.57	0.06	TIVO:	5.35	(0.07)
EW SCRIPPS:	48.83	(0.68)	TOLLGRADE:	10.06	(0.01)
GRUPO TELEvisa:	29.46	0.26	UNIVERSAL ELEC:	20.88	0.26
INTERACTIVE CORP:	38.40	0.28	VONAGE:	5.68	(0.19)
LODGENET:	27.19	(0.04)	VYYO:	4.48	0.29
NEW FRONTIER:	9.19	0.13	WEBB SYS:	0.06	0.02
OUTDOOR:	13.52	0.11	WORLDGATE:	1.30	0.01
PLAYBOY:	11.04	(0.3)	YAHOO:	28.31	0.27
UNIVISION:	35.71	(0.13)	TELCOS		
VALUEVISION:	12.26	0.21	AT&T:	37.63	0.54
VIACOM:	40.73	0.35	QWEST:	8.15	(0.06)
WWE:	16.08	0.00	VERIZON:	38.52	(0.06)
TECHNOLOGY					
3COM:	3.91	0.01	MARKET INDICES		
ADC:	16.14	(0.06)	DOW:	12621.69	98.38
ADVANTAGE:	3.00	0.01	NASDAQ:	2463.93	15.29
AMDOCS:	34.68	(0.28)			
AMPHENOL:	67.62	0.69			
ARRIS GROUP:	14.21	0.68			

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Think about that for a minute...

Fee TV

I've been inundated with calls from reporters since the latest round of retransmission consent battles broke out at the end of 2006. Lots of cable folks are sending them to me to get clarification on this whole mess. I'm happy to provide it. Some of the questions are so basic, however, that I thought I'd write some of it down so you, too, could help these folks out when they call in confusion.

First, let's get some fundamental stuff out of the way.

"Retransmission consent" is required before a cable operator is allowed to help his or her customer receive local, over-the-air, so-called "free TV." This idea was adopted by Congress in 1992 after years of cable being required to carry all local broadcast signals by the FCC. Now, the logic behind the "must carry" rule was that "free" over-the-air television was licensed by the federal government and the television sta-



Steve Effros

tions have a "public interest" obligation. Thus, the theory goes, local broadcast stations should always be available to everyone in the local community, including those who need a "community antenna" (the earlier name for cable systems) to see them.

Most cable systems have always carried most local television stations regardless of whether they were required to or not. That, after all, is what the "community antenna" service was all about. Instead of each homeowner going out and buying an antenna to put on the roof to get reception of "free TV," they used one "community antenna". Even today cable customers are not paying for the local broadcast channels. They are paying for the delivery and reception of that programming, which is allegedly "Free TV," a term the broadcasters have bandied about for years. Note that viewers also need to pay for a television set, as well as an antenna (either on the roof or a "community" one) to see that local pro-

gramming. Interestingly, the broadcasters are not, yet, arguing that they should get a "cut" of TV manufacturers' revenue on the theory that they are somehow unfairly making money on local TV viewing and not sharing it with the stations!

The licenses for local television stations were given away, for free, in the mid 1940s. The deal was that there was some "public interest" obligation attached to being a broadcaster, and that the broadcaster could put on commercials to make money, but the signal had to be distributed for free. Most broadcasters, to this day, don't spend lots of money on the distribution, the transmitters, repeaters, etc... because consumers have come to rely on other means—mainly cable television—to assure good pictures. But because the marketplace was skewed by free licenses for more than half a century, the local broadcasters now find themselves with tremendous leverage. They are the ones viewed by lots of folks, and they want to make more money than just advertising revenue.

Here's where "retransmission consent" comes in. If the broadcaster is powerful in the local market, according to these rules, it can demand money from consumers who want to receive "Free TV" along with other programming from a cable operator. If it doesn't have leverage, it can still demand "must carry!" Don't try to figure out the "logic" of that... there is none. Also don't think local broadcasters are just like cable programmers. The latter, while paid for their product, also give the cable operator advertising time to sell so that the cost can in part be recovered. No broadcaster has offered that. All they want is to become "Fee TV." More next week.

Steve

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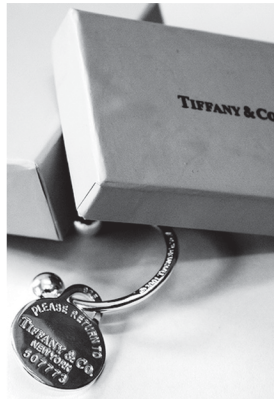
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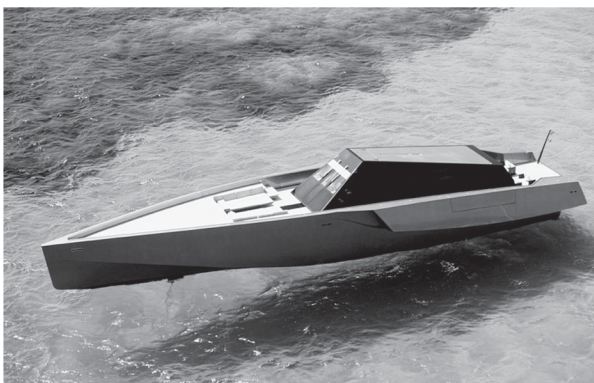
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