

# CableFAX Daily™

Thursday — February 7, 2008

What the Industry Reads First

Volume 19 / No. 025

## HD Battle: Time Warner Prepping Its High-Def Fort

**Time Warner Cable** met every element of its '07 outlook, greatly aided by operational improvements in acquired systems such as L.A. and Dallas. But even as continued growth in these important markets is expected to join with healthy HSD, VoIP and commercial services to power the MSO this year, bread-and-butter video remains besieged by competition and a sluggish economy. 50K net basic subs were lost in 4Q, 10-15K of which were economy-related, execs estimate, with much of the remainder going to satellite. In preparing for further wrangling for video market share, Time Warner Cable's weapon of choice is HD. "We are not prepared to cede any ground in the HD battle," said COO *Landel Hobbs*. To build on 4Q success in the high-def space—including the installation of 358K HD set tops and a tally of 253K net DVR adds (42% digital penetration)—the MSO, similar to **Comcast**, will focus largely on content and marketing. Deals are in place to carry 78 HD channels (25 RSNs) and 20 more are pending. Albany and San Antonio, among the MSO's most advanced systems, currently offer 40. About half of these are delivered via switched digital tech, the buildout of which is complete in 9 systems and underway in another 9, with additional deployment expected this year in the "rest of the divisions that need it to compete," said Hobbs. Time Warner Cable also plans this year to expand its suite of enhanced TV services to HD programming, order only CPE that is HD-capable, and "dramatically expand HD VOD," said Hobbs. Lashing all these initiatives together will be improved marketing, which both Hobbs and CEO *Glenn Britt* admit requires marked improvement. "We have not told a great story there," said Hobbs, saying future campaigns will be more aggressive and "pointed." Meanwhile, record quarterly net VoIP adds (285K) and HSD market share gains (214K adds) versus **AT&T** and **Verizon** contributed to **Sanford Bernstein** analyst *Craig Moffett's* assertion that Time Warner Cable is "turning a corner." The MSO's 4Q revenue rose 7% over last year to \$4.1bln, while net profit rose to \$327mln from \$266mln. Digital adds for the Q totaled 168K digital subs.

**Corporate View:** *Jeff Bewkes'* 1st earnings call as CEO of **Time Warner** offered hope for those looking for change at the media company. The exec said Time Warner is talking to **Time Warner Cable** about possibly reducing its 84% stake in the MSO. "It appears that our current ownership structure ... is less than optimal for both companies," Bewkes said, adding that a decision on whether and how to change ownership level should be made by its 1Q earnings report in Apr. "Nobody should think that we've lost faith in cable's business prospects. Quite the opposite; we think it is undervalued, substantially undervalued." But that doesn't necessarily mean that TW Cable's best positioned within Time Warner, he added. Several times during the call Bewkes spoke of better managing margins by reducing costs. He announced plans to reduce more than 15% of costs at the corporate level (\$50mln) a year. Bewkes also talked up digital content and VOD, calling yet again for every net to make their content available on demand. "We're going to be aggressive in putting our own networks on demand so we can show the industry the benefits of this model. We think it will cement the long-term

## DISCOVERY'S FAMILY OF HD NETWORKS

FOUR NEW SIMULCAST NETWORKS JOIN HD THEATER



CALL YOUR DISCOVERY REPRESENTATIVE TO FIND OUT MORE ABOUT OUR HD SIMULCASTS

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● fax:301/738-8453 ● Editor-in-Chief: Amy Maclean, 301/354-1760, amaclean@accessintel.com ● Exec Editor, Michael Grebb, 301/354-1790, mgrebb@accessintel.com ● Assoc Editor, Chad Heiges, 301/354-1828, cheiges@accessintel.com ● Asst VP, Ed Director, Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 240/753-5696, dvodenos@accessintel.com ● Acct Mgr: Erica Gottlieb, 212/621-4612 ● Marketer: Doreen Price, 301/354-1793, dprice@accessintel.com ● Marketing Director: Carol Bray, 301/354-1763, cbray@accessintel.com ● Prod: Joann Fato, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Paul Maxwell/Columnist.Subs/Client Services: 301/354-2101, fax 301/309-3847 ● Group Subs : Angela Gardner, 757/531-1369, cfaxgroupsub@accessintel.com

prospects of these businesses," he said. As for **AOL**, Bewkes wants to separate its audience and access business.

**Storm Watch:** Cable operators were still assessing damage Wed from tornadoes that hit 5 Southern states, leaving at least 50 dead. **Comcast**, which has systems in Nashville, TN, Memphis, TN, and Little Rock, AR, said that all of its employees appeared to be safe. One employee in Nashville had suffered a death in his wife's family, Comcast spokesman *Reg Griffin* said. The MSO was mostly dealing with power outages Wed afternoon, as well as some fiber damage. At one point, about 18-20K subs were without service in the Memphis area due to commercial power outages, Griffin said.

**In the Courts:** Oral arguments are scheduled for Apr 8 in **Comcast's** challenge of the **FCC's** refusal to grant it a waiver to the set-top integration ban.

**At the Portals:** **NAB** pres/CEO *David Rehr* made sure **FCC** chmn *Kevin Martin* knows he's got his back when it comes to the agency's dual carriage order. Of course, he slammed cable in the process. **NAB's** engaged in a consumer DTV transition education effort, "but broadcasters cannot carry the torch of better local television without some cooperation from our cable partners," Rehr wrote in a letter late Tues that accused certain programmers of trying to "derail" the DTV transition. (Hmmm... no word in there about **NAB** supporting govt mandated DTV education efforts). 6 cable programmers filed a legal challenge Mon to the FCC viewability order, which requires most cable ops to carry must carry broadcasters' digital and analog signals for 3 years after the DTV transition. **NAB** has argued that the challenge sets the DTV transition back (even though the order takes place after Feb 17, '09), while programmers say the order steps on their 1st Amendment rights.

**Research:** Hispanics represent fertile business ground for cable ops, according to **SNL Kagan**, which estimates that 72% of households in this fast-growing US ethnic group had a multichannel subscription on '07, compared to 88% for the entire country. The firm postulates an 11% gain in Hispanic TV HHs by '11, to 13.4mln, and 11.5% growth in Hispanic multichannel homes over the same period to 9.7mln.

**Over-the-Airheads:** **Sinclair** expects 14% growth this year in retrans consent rev to \$67mln, including \$16.7mln (+53%) in 1Q. -- Digital multicast net **LATV**, which offers bilingual music and ent programming aimed at 12- to 24-year-old Latinos, inked **Cox**-owned **Fox** affil **KTVU** in San Francisco as its 27th national affil.

**Back on the Market:** Kicking yourself for not buying the *Rigas'* old stomping ground? You've got a 2nd chance. **Adelphia's** former HQ in Coudersport, PA, is back on the auction block after the winning bidder defaulted. The minimum bid on the 72K sq-foot building is \$3mln. Check it out at [www.LFC.com/715R2](http://www.LFC.com/715R2).

**VOD:** SVOD service **Howard TV** is running a penny preview Thurs-Wed, with "Best of 2007" eps (**Time Warner Cable's** charging 2 cents in the select markets offering the promo). **Cox**, **Comcast**, **Charter**, and **Rogers** are also participating ([www.howard.tv/preview/](http://www.howard.tv/preview/)). Most of the ops are offering a free month if subs sign up for the service. -- **Rentrak** inked a deal to provide **Time Warner Cable** with expanded VOD measurement services. The company now receives daily, census-level on demand data representing 45mln set-top boxes from 23 MSOs including **Bendbroadband** and **Buckeye Cablevision**.

**Shamrocking:** **Comcast** and **Comcast SportsNet** are attempting to capitalize on the **Boston Celtics'** early-sea-

AWARD SEASON 08

LIVE AT THE ACADEMY AWARDS WITH LISA & JOEY

HOLLYWOOD'S BIGGEST PARTY!

Lisa and Joey shine with Hollywood's biggest stars at the ultimate red carpet event.

Make it a big night for your advertisers.

Contact Rich Millar at 610-293-4811 for more information.

Sunday February 24<sup>th</sup> 6e/3p

TV GUIDE NETWORK

© 2007 TV Guide, Inc.

# BUSINESS & FINANCE

son success with VOD and HD initiatives. **Celtics On Demand** launched Wed in MA, NH, VT and ME, offering player features and game replays within 4 hours of game completion (available for 24 hours). On the linear side, CSN bowed HD coverage of road games, which begins Fri, and a standalone **CSN HD** channel checks in as well.

**Programming:** HBO's "Inside the NFL" was set to run its final show Wed night at 10. Arguably cable's oldest series, the football show apparently will continue elsewhere, perhaps on **NFL Net**. "We wish **NFL Films**, our partner for the past 31 years, all the best with continuing the great tradition of 'Inside The NFL,'" HBO Sports pres *Ross Greenburg* said. -- **YES! Turner Sports** re-signed *Marv Albert* as the lead play-by-play announcer for **TNT's NBA** telecasts through '15-'16, when the net's TV contract with the league expires. Starting next season, Albert will also call games on **NBA TV**.

**People:** **ION** appointed former **Disney-ABC** exec *Eleo Hensleigh* CMO.

**Earnings:** **IAC** chmn/CEO *Barry Diller* called "very promising" the continued turnaround at **HSN**, which reported 8% rev growth in 4Q, reflecting a 3% rise in units shipped and increases in the number and average spend of frequent customers. Internet sales now represents 35% of the net's business. Diller called IAC's legal spat with **Liberty** an "unfortunate situation."

## CableFAX Daily Stockwatch

Company	02/06 Close	1-Day Ch	Company	02/06 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	44.80	3.01	APPLE:	122.00	(7.36)
DIRECTV:	22.81	(0.01)	ARRIS GROUP:	8.91	(0.12)
DISNEY:	31.50	1.43	AVID TECH:	19.70	(0.3)
ECHOSTAR:	28.70	(0.93)	BIGBAND:	6.14	0.28
GE:	34.20	(0.01)	BLNDER TONGUE:	1.65	0.10
HEARST-ARGYLE:	22.22	(0.08)	BROADCOM:	20.70	(1.12)
ION MEDIA:	1.44	0.01	CISCO:	23.08	(0.18)
NEWS CORP:	20.26	0.18	COMMSCOPE:	44.07	(1.47)
<b>MSOS</b>					
CABLEVISION:	24.47	(0.49)	CONCURRENT:	0.84	0.00
CHARTER:	1.21	(0.01)	CONVERGYS:	14.79	(0.48)
COMCAST:	17.52	0.08	CSG SYSTEMS:	12.32	(0.01)
COMCAST SPCL:	17.34	0.06	ECHOSTAR HOLDING:	31.11	(0.2)
GCI:	7.10	0.02	GEMSTAR TVG:	4.25	0.00
KNOLOGY:	10.15	(0.37)	GOOGLE:	501.71	(5.09)
LIBERTY GLOBAL:	37.96	(1.35)	HARMONIC:	9.58	(0.74)
LIBERTY INTERACTIVE:	15.14	(0.41)	JDSU:	12.80	2.64
MEDIACOM:	4.87	(0.01)	LEVEL 3:	3.14	(0.12)
ROGERS COMM:	42.97	0.00	MICROSOFT:	28.52	(0.55)
SHAW COMM:	19.49	(0.17)	MOTOROLA:	11.47	(0.04)
TIME WARNER CABLE:	23.65	(0.75)	NDS:	51.90	(0.73)
VIRGIN MEDIA:	15.16	(0.62)	NORTEL:	11.55	(0.86)
WASH POST:	757.12	23.03	OPENTV:	1.09	0.00
<b>PROGRAMMING</b>					
CBS:	24.12	(0.13)	PHILIPS:	38.41	1.11
CROWN:	5.18	(0.2)	RENTRAK:	10.83	0.54
DISCOVERY:	22.25	0.16	SEACHANGE:	6.61	(0.18)
EW SCRIPPS:	41.75	0.25	SONY:	42.82	(0.46)
GRUPO TELEVISIA:	21.18	(0.12)	SPRINT NEXTEL:	9.62	(0.25)
INTERACTIVE CORP:	22.84	(1.71)	THOMAS & BETTS:	42.93	(0.7)
LIBERTY:	1.00	0.00	TIVO:	8.44	(0.26)
LODGENET:	15.36	(0.04)	TOLLGRADE:	5.68	(0.33)
NEW FRONTIER:	4.55	(0.25)	UNIVERSAL ELEC:	24.21	(0.03)
OUTDOOR:	7.65	(0.06)	VONAGE:	1.95	0.00
PLAYBOY:	8.23	(0.26)	VYYO:	1.62	(0.12)
TIME WARNER:	15.71	0.31	WEBB SYS:	0.04	0.00
UNIVISION:	36.23	0.00	YAHOO:	28.57	(0.41)
VALUEVISION:	5.72	(0.23)	<b>TELCOS</b>		
VIACOM:	39.14	0.58	AT&T:	36.40	(0.33)
WWE:	15.09	(0.07)	QWEST:	5.56	(0.05)
<b>TECHNOLOGY</b>					
3COM:	3.90	(0.01)	VERIZON:	36.70	(0.13)
ADC:	14.11	(0.42)	<b>MARKET INDICES</b>		
ADDVANTAGE:	5.88	0.04	DOW:	12200.10	(65.03)
ALCATEL LUCENT:	6.19	(0.01)	NASDAQ:	2278.75	(30.82)
AMDOCS:	31.39	(0.43)			
AMPHENOL:	38.03	(0.17)			

**ISSUES:** The Faxies • Top Independent Operators • Diversity • Top Cable Programs • Most Influential Women in Cable • CableFAX 100  
**EVENTS:** The FAXIES Awards • The Programmies • The Indie Reception • CFX 100 Awards Luncheon



For advertising/sponsorship opportunities, contact: Debbie Vodenos, [dvodenos@accessintel.com](mailto:dvodenos@accessintel.com), 301.354.1695 or Erica Gottlieb, [egottlieb@accessintel.com](mailto:egottlieb@accessintel.com), 212.621.4612

## Think about that for a minute...

### Dropping the Ball

Somebody else can do the math. In 1982 a Super Bowl 30-second ad went for \$324,000. This year that same thirty seconds (with a lower household Nielsen rating than that '82 game) cost \$2,700,000. Same product, same length, same audience. But a percentage increase of.....

And Kevin Martin spends his time lamenting the fact that cable prices increase. He wants to do something about that, clearly, because almost any time he is able to speak publicly, he raises the issue of cable prices having increased. This, apparently, is the primary public issue for the Chairman, who, as we all know, thinks the solution is for the government to jump in and regulate the offering of cable channels, requiring a la carte pricing. This, he assures us, would result in lower prices for consumers.



Steve Effros

But why are those prices for entertainment programming going up? Might costs have something to do with it? Might government regulation have something to do with it? And, as most economists have already testified, there is certainly no assurance that a la carte would result in lower prices for consumers, because, after all, the wholesale costs are going up, not down.

Let's get back to the Super Bowl for a second to get some sense of what is happening to the cost of entertainment. When the Super Bowl started, in January of 1967, the lowest retail price for a ticket (I assume in the nose-bleed seats) was \$6. Yes, six dollars. Last Sunday the cheapest nose-bleed seat, at retail, was \$700. Mr. Chairman, if you track that through, regarding all the other increases in entertainment costs (have you looked at movie prices? The cost of a hardcover book? A night at the opera?) you will see a trend; the reason folks are watching more and more of the wonderful programming available on cable, from book reviews and author interviews to nature shows, ballet

and all sorts of other stuff) is that it's the best entertainment deal there is! The price of an hour of cable has been going down consistently, based on the programming hours actually viewed. We have nothing to apologize for.

But the Chairman may. You see, while he has kept his eye firmly on what he still insists is the most important "ball" on the regulatory playing field; cable, the rest of us are getting increasingly concerned about another upcoming challenge; the DTV transition, and the potential problems we all see for the public just following the next Super Bowl game. But all we hear about is cable and a la carte! No urgency about educating the public regarding DTV. Why has there been no mention of the total irresponsibility of the broadcasters in dropping the ball regarding the DTV transition this past weekend?

I've made this point before. The most logical way to let television viewers know about the transition is on the programs they watch most! Fox had no trouble telling us over and over about the upcoming "House" episode, or the new "Terminator" series... but not one word, in a PSA or otherwise, about the DTV transition at a time almost 100 million viewers were watching!

My good friend and colleague Seth Davidson put it best in a note to me the other day:

*"Something to think about..."*

*Number of viewers for this year's Super Bowl on Fox: 97.5 million*

*Amount of money earned by Fox selling Super Bowl ads: \$250 million*

*Number of DTV transition PSAs Fox aired during Super Bowl: zero*

*Lost opportunity to educate viewers: priceless"*

*Steve*

T:703-631-2099  
steve@effros.com

## Call For Entries

Entry Deadline:  
February 20, 2008

# The CableFAXIES

The Benchmark of PR & Marketing Excellence

## awards

PRESENTED BY:

CableFAX Daily™

CableFAX  
MAGAZINE

CABLE 360 NET

The CableFAXIES Awards salute the year's most outstanding communications initiatives and programs in the highly competitive and dynamic Cable arena.

Your hard work is done — now it's time to get recognized for it! Visit [www.CableFaxiesAwards.com](http://www.CableFaxiesAwards.com) for more information.

**Sponsorship Opportunities:** please contact Debbie Vodenos at (240) 753-5696, or email [dvodenos@accessintel.com](mailto:dvodenos@accessintel.com)

**Entry Questions:** Please contact awards coordinator Saun Sayamongkhun at (301) 354-1610 or [ssayamongkhun@accessintel.com](mailto:ssayamongkhun@accessintel.com)