

CableFAX Daily™

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What the Industry Reads First

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Multi-Platform Moguls: Media Summit NY Spurs Talk of Evolving Landscape

Leave it to *Barry Diller* to come up with a unique take on the morphing TV industry, which he called “not lousy” but still fraught with “an enormous amount of creative destruction.” The **IAC** chmn/CEO was among those gathered Wed at the Media Summit NY where summit panelists said gauging consumer desires is key despite widespread sparring over content ownership and monetization. One hiccup: the difficulty surrounding content search and navigation on both VOD and broadband platforms. “We need better browsing capabilities and search engines [across platforms]—sort of like a car dashboard,” said **Time Warner Cable** svp/chief business affairs officer *Lynne Costantini*. “He who develops that wins the game.” **Comcast Interactive Media** svp, strategy development *Samuel Schwartz* said that’s a “big priority” for the MSO. Solving the problem amounts mainly to sharing solutions among platforms, said **MTVN** and **Logo** vp, product development *Ty Ahmad-Taylor*. “For TV, it’s a matter of adopting Web [search and discovery] paradigms that are relevant,” he said. Another common topic on the summit’s 1st day was the need to let consumers use content on multiple devices, with many execs lamenting antiquated DRM schemes. “From a consumer perspective, it sucks,” said *Ira Rubenstein*, evp, digital sales, **Sony Pictures**. Said **HBO** svp, new media business planning *John Penney*: “DRM would be less of an issue if ads could be inserted within content across platforms.” Diller and others said technology needs time to develop. “Radical revolution means destruction and invention,” Diller said. -- **Media Summit Notebook**: User-generated video sites aren’t “vibrant advertising vehicles” because the distribution tools used by sites like YouTube will soon be ubiquitous, said Diller, but they’re ideal for content promotion. Meanwhile the media industry vet, who turned 65 last week, blamed merchandising mistakes for the woes of lagging **HSN**, which did experience moderate 4Q rev growth. “We really took our eye off the [net’s] daily business a couple of years ago, but I see a turn around ahead,” he said.

DirecTV 4Q: **DirecTV** pulled out impressive 4Q sub growth (275K net subs—the highest since 1Q05) and significantly improved churn (1.57% vs 1.7%). **DirecTV**’s numbers may have been helped by **Mediacom** and **Sinclair**’s retrans dispute and a court order that forced rival **EchoStar** to shut down distant network signals to all subs by Dec 1. 4Q ARPU “continued to defy gravity,” according to **Sanford Bernstein**, coming in at \$80.70. **DirecTV** shares reached a new 52-week high Wed on the strength of the earning report. A **Merrill Lynch** research note reiterated the firm’s “neutral” rating, saying it remains unclear if **DirecTV**’s quarterly growth is sustainable. **DirecTV**’s rev climbed 16% to \$4.18bln, while net income soared to \$356mln from \$121.2mln a year earlier.

In the Courts: **DirecTV** and **EchoStar** reached a confidential settlement in their lawsuits over the use of Internet search engine words, according to court documents. The spat, which hit the courts last year, stemmed from **EchoStar** using the search term “**DirecTV**” to trigger **DISH** advertisements. No **DISH** Net ads appeared on **Google** or **Yahoo** Tues during **Cfax**’s unscientific test.

“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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Deals: Motorola formally completed its \$208mln acquisition of modem and software maker **Netopia**.

Dog Eat Dog: Hallmark's brand can give folks the warm fuzzies, so we were a little surprised to see that **Hallmark Channel** is now into trampling things warm and fuzzy (*Henry Schleiff's* influence?). "Hallmark Channel's 'Commercials' stomp 'Puppies' during Super Bowl Halftime Special," read the headline on a press release touting the 0.7 HH rating/507K HHs for its 28min special on favorite Hallmark Card commercials. The pummeled (and recently adopted) puppies are canines from **Animal Planet's** "Puppy Bowl III." We hope Hallmark cares enough to send the very best get well card.

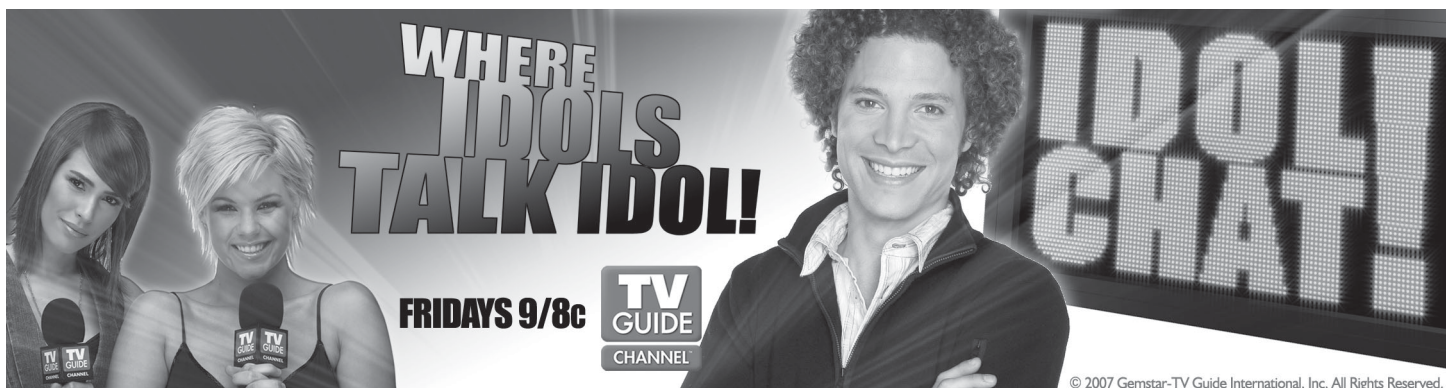
Carriage: Cross **Mediacom** off **Hallmark Channel's** lengthy list of contract renewals (agreements for approximately 80% of the net's sub base expire prior to or on Dec 31). Under the deal, Hallmark will continue to be available to more than 1mln customers. -- **Gospel Music Channel** says it added 1mln+ subs in 4Q, its highest increases since launching in 2004 (thank **Comcast**). The net's newest launches were in Jan with **Metrocast Cablevision** and **Blue Ridge Comm**.

Web-to-TV: **TiVo** and **Amazon** announced a test that lets TiVo users watch video content from Amazon's "Unbox" online download service on their TV sets. The technology is expected to soon be made available to all of TiVo's boxes with high-speed connections. **Friedman Billings Ramsey** muses that the arrangement may mean a way "through the thicket of content license issues that have kept broadband video largely confined to the PC/iPod."

Competition: **LIME** may no longer be pursuing linear carriage, but it's still signing deals. **Verizon Wireless** will feature the broadband channel on its V CAST service, marking LIME's entry into the mobile space. -- **Music Choice's** digital audio music channels will be part of **AT&T's U-verse** lineup. -- Local papers report that **AT&T** will create 200 new jobs in Milwaukee to help launch its **U-Verse** service. The telco hasn't said when it will rollout the service in the city. -- **Verizon** added **Bridges TV** to its FiOS TV channel lineup on Long Island, NY. -- **DirecTV's** channel 101 will provide the 1st national TV coverage (Mar 15-17) of the **SXSW** music festival in Austin, TX.

Charlie Ergen Hates Cfax? Well, maybe not... but it kind of appears that way based on a telemarketing call a **CableFAX** editor received from someone appearing to represent a **DISH Network** retailer. When the editor pointed out that she's on the **FTC's Do-Not-Call Registry** and asked for the name of the caller's company, the response was, "Shut up, bitch." We're not suggesting that *Ergen* prepared that script just for **CableFAX**. But we are wondering if DISH's telemarketers are interrupting *McNews'* editors during "Oprah," as well... All kidding aside, **EchoStar** was extremely apologetic, with its sr corporate counsel telling us the company has received more of these types of complaints in the past few months. EchoStar is working to identify these callers, she said, pointing to the recent termination of 2 independent retailers in CA for do-not-call violations. She also noted that sometimes the calls aren't even from DISH retailers, with the company discovering that some other companies have used the DISH name to peddle other services.

Safety Net: Several cable companies, telcos and trade associations are launching **Project Online Safety**, an educational campaign aimed at promoting Internet safety for kids (www.ProjectOnlineSafety.com). Part of the campaign includes a law enforcement training session, traveling education programs and a series of PSAs sponsored by the **DOJ**, **Ad Council** and **Natl Center for Missing & Exploited Children**. Partners include **AT&T**, **BlogSafety.com**, **Cable in the Classroom**, **Charter**, **Comcast**, **Cox**, **Facebook**, **Fox Interactive Media (MySpace)**, **NCTA**, **News Corp**, **Qwest** and **Time Warner Cable**.



BUSINESS & FINANCE

Earnings: News Corp's cable nets posted 2Q operating income of \$275mln, up 5% from a year ago. Programming costs and sports rights dragged operating profits, though **Fox News** posted operating income growth of 25%. Cable net revenue was up 14% to \$920mln. *Peter Chernin* said **Fox Business Channel** should launch later this year. The net already has carriage deals with **Time Warner Cable** and **Comcast**. -- **Disney's** cable net revenue climbed 12% to \$2.09bln in 1Q07 vs \$1.87bln a year ago. Operating income rose 22% to \$453mln. Smash hit "High School Musical's" DVD sales drove domestic cable growth. Higher affil rev and ad sales at ESPN were more than offset by the higher programming costs associated with "MNF" and higher revenue deferrals related to programming commitments. Revenue deferrals for the quarter increased by \$60mln compared to the prior-year quarter from annual programming commitments in new affiliate contract provisions.

People: *Christine Kurth* will replace *Lisa Sutherland* as Republican staff dir for the Sen Commerce cmte. -- Former **Tennis Channel** marketer *Faye Walker* has joined **MGM** as vp, worldwide TV marketing.

Business/Finance: **Adelphia** and its creditors have asked for court approval of a \$5.2mln retention plan to keep accounting personnel in place while its reorg plan is on hold, *AP* reports.

CableFAX Daily Stockwatch

Company	02/07 Close	1-Day Ch	Company	02/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	44.52	(0.23)	AMDOCS:	34.50	0.05
DIRECTV:	25.35	1.38	AMPHENOL:	68.22	0.48
DISNEY:	35.48	0.29	ARRIS GROUP:	14.58	0.09
ECHOSTAR:	42.07	0.78	AVID TECH:	33.02	(0.11)
GE:	36.10	(0.21)	BLNDER TONGUE:	1.85	(0.08)
HEARST-ARGYLE:	26.22	0.12	BROADCOM:	33.50	1.51
ION MEDIA:	1.21	0.01	C-COR:	14.10	0.45
NEWS CORP:	24.70	0.55	CISCO:	28.09	0.81
TRIBUNE:	30.95	0.00	COMMScope:	33.55	0.59
MSOS					
CABLEVISION:	29.66	(0.22)	CONCURRENT:	1.36	0.03
CHARTER:	3.36	(0.02)	CONVERGYS:	26.11	(0.12)
COMCAST:	42.55	0.10	CSG SYSTEMS:	24.84	0.16
COMCAST SPCL:	41.89	(0.06)	GEMSTAR TVG:	4.13	(0.04)
GCI:	15.39	(0.12)	GOOGLE:	470.01	(1.47)
KNOLOGY:	13.59	(0.15)	HARMONIC:	9.35	0.10
LIBERTY CAPITAL:	106.82	3.73	JDSU:	16.44	0.18
LIBERTY GLOBAL:	30.11	(0.02)	LEVEL 3:	6.57	0.23
LIBERTY INTERACTIVE:	24.63	0.53	MICROSOFT:	29.37	(0.14)
MEDIACOM:	7.89	0.20	MOTOROLA:	19.91	0.18
NTL:	28.22	0.46	NDS:	46.22	0.22
ROGERS COMM:	31.30	0.01	NORTEL:	28.26	2.33
SHAW COMM:	35.05	(0.63)	OPENTV:	2.60	0.08
TELEWEST:	24.20	0.00	PATH 1:	1.34	0.00
TIME WARNER:	21.76	0.15	PHILIPS:	38.74	0.29
WASH POST:	758.95	1.70	RENTRAK:	15.90	(0.45)
PROGRAMMING					
CBS:	31.79	0.20	SEACHANGE:	10.70	0.20
CROWN:	4.17	(0.02)	SONY:	48.75	(0.06)
DISCOVERY:	16.13	(0.09)	SPRINT NEXTEL:	18.05	0.30
EW SCRIPPS:	48.93	(0.18)	THOMAS & BETTS:	49.65	1.19
GRUPO TELEVISIA:	28.96	(0.11)	TIVO:	5.97	0.49
INTERACTIVE CORP:	39.83	1.11	TOLLGRADE:	11.88	0.01
LIBERTY:	8.63	(0.07)	UNIVERSAL ELEC:	21.06	0.04
LODGENET:	27.28	(0.22)	VONAGE:	5.77	0.06
NEW FRONTIER:	9.57	(0.16)	VYYO:	4.35	(0.04)
OUTDOOR:	13.40	(0.27)	WEBB SYS:	0.04	0.00
PLAYBOY:	10.39	0.09	WORLDGATE:	1.23	0.00
UNIVISION:	35.86	(0.01)	YAHOO:	29.89	0.54
VALUEVISION:	12.52	0.20	TELCOS		
VIACOM:	40.89	(0.17)	AT&T:	37.16	(0.35)
WWE:	16.20	(0.02)	QWEST:	8.25	0.17
TECHNOLOGY					
3COM:	4.04	(0.04)	VERIZON:	38.09	0.01
ADC:	16.78	0.38	MARKET INDICES		
ADDVANTAGE:	3.06	0.03	DOW:	12666.87	0.56
ALCATEL LUCENT:	13.09	0.24	NASDAQ:	2490.50	19.01

Free Webcast

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Fee TV II

From the email reaction to last week's column looking at the migration of "Free TV" to "Fee TV," I'd say I hit a nerve. Not surprising. Lots of us in the cable industry have been unable to figure out the whole concept of putting the alleged "public interest" free-spectrum, "free-TV" signals up for sale as part of the "retransmission consent" regime. That, however, is what has happened.

The highly-publicized and now settled retransmission consent dispute between Mediacom and Sinclair has brought the whole question of this policy to the fore, and I suspect there will be more fights in the near future. The pressure of the Super Bowl forced a settlement this time, but that will not always be the case as major broadcasters decide to demand lots of money for folks to actually receive their "free-TV" programs.



Steve Effros

As pointed out last week, the difference is that broadcasters are trying to portray cable as "reselling" their television programming, while our entire history, and the original reason for cable's existence, was not to "resell" anything. It was to deliver something that was inadequately distributed by those who got free government licenses to provide "free TV" to everyone in their service area. They never did that. Hence another service, "community antenna" or cable television, was created to do it for them. Broadcasters have never truly lived up to their license obligations.

So let's look at a series of questions relating to "retransmission consent." As the title of this column suggests, think about these, for a minute:

- If broadcasters have failed to comply with their free spectrum license obligations to actually provide good, viewable signals to their entire service area and now rely on cable for that delivery, shouldn't the broadcasters have to pay the cable operators?

- If broadcasters have the option of denying service to anyone based on how viewers choose to receive "free, over-the-air broadcasting" how can they justify keeping licenses that require free service to the entire community?

- If broadcasters now claim they should be treated the same way cable programmers are treated and get paid for cable carriage, shouldn't they also do what cable programmers do and compensate the cable operator with advertising availabilities to offset the cost of carriage?

- If broadcasters are paid for a vast majority of the delivery of their programming, wouldn't it make sense for the government to take back the spectrum now being wasted on duplicative and incomplete delivery and use it for far more important things, like emergency, first-responder services? After all, they are using the "best" spectrum available, and more than 80 percent of the viewing public doesn't benefit from that use of the "public spectrum."

- If the broadcasters and some government officials insist that "retransmission consent" is just a way to allow "the marketplace" to operate, then why doesn't the government prohibit broadcasters from carving out "exclusive" broadcast areas and let the "market" really operate by letting cable operators negotiate and carry programming from anywhere it is distributed "over the air"? That would be a true "marketplace." What we have now is a government-abetted cartel.

There are, of course, more questions that should be asked about a government-imposed system that says broadcast signals are so critical to local communities that they "must" be carried unless the broadcaster decides to block reception if they are not paid. How can those two concepts coexist? Hopefully Congress will start taking a careful look at all of this soon.

Steve

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