

CableFAX Daily™

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What the Industry Reads First

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Windbreaker: DirecTV Shrugging Off Recessionary Bluster

DirecTV's 4Q suggests that Americans continue to shop around in this tough economy, a competitive alarm that MSOs may have trouble silencing in the coming weeks. DirecTV counted 1.04mln gross adds and 301K net, its best respective results in 15 Qs and nearly 4 years. This sub growth was "clearly one of the highlights" of a solid Q, said pres/CEO *Chase Carey*, who attributed the results largely to more aggressive marketing and promotions that began last summer. The numbers impressed many analysts, including **Sanford Bernstein's** *Craig Moffett*. "DirecTV looks, at least up to now, positively immune" to the recession," he said. The DBS op's sub increases also spotlight what cable no doubt hopes is more fad than trend: a bleeding of video subs to the competition. Earlier this earnings season **AT&T** reported 264K video adds, **Verizon** 303K and **Time Warner Cable** just 44K (-119K basic). Moreover, **Collins Stewart's** *Thomas Eagan* expects **Comcast** to report 130-140K basic losses on Feb 18. "Given the significant sub losses expected among cable operators... DTV's sub gain is all the more impressive," said Eagan. Also notable: Carey said DirecTV's strength continues in the current Q and that the company's momentum appears solid through '09. Expected are 1Q and full-year net adds that are flat or above corresponding '08 numbers, even as many helpful promotions will soon end, said Carey. Stepping up to help will be the DBS op's fresh resale/marketing deal with AT&T, which has been enacted in 22 states since Feb 1, and a foray into wireless that will "put cable on its heels," said Carey. Execs did rue slower ARPU growth and a modest increase in subscriber acquisition costs, but DirecTV's results suggest that the latter has been money well spent.

Number Porting: Verizon (and *Kevin Martin*) lost one Tues in the DC Appeals Court, with a 3-judge panel ruling that the **FCC** was reasonable in ruling that the telco's retention marketing efforts violated the Telecom Act. The FCC decision issued in June put a stop to Verizon using proprietary number porting info as a way to market to defecting customers. Ex-FCC chmn *Kevin Martin* was the lone dissenting vote in the order. Verizon appealed the ruling, claiming it was anticompetitive. But the court said the ruling jives with a '98 FCC ruling on slamming in which the executing carrier is prevented from using an "opportunity fortuitously placed in its hands by a technological necessity—the fact that its technical cooperation is essential to implementation of the submitting carrier's competitive victory." Verizon's statement: "We are reviewing the order. This looks like a loss for consumers, who now will have less information available when choosing between different competitors. By denying consumers information, the FCC's order denies them choice." The complaint was filed at the FCC by **Bright House, Comcast** and **Time Warner Cable**. "Today's ruling promotes competition by protecting the rights of consumers when they make the switch to a new local telephone provider," **NCTA** head *Kyle McSorrow* said. "We are pleased that the court upheld the FCC's decision, which permits even greater numbers of consumers to seamlessly join the millions of other Americans who now enjoy the significant savings and benefits provided by our industry's competitive digital voice services."

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On the Hill: It's hammer time on the Hill as the **House** and **Senate** try to hammer out an agreement on the economic recovery package, which cleared the Senate Tues on a 61-37 vote. The Senate's bill provides \$838bln for economic stimulus vs the House's \$819bln version. Both include \$650mln for the govt's converter box coupon program. Key differences in the area of broadband include: \$6bln in broadband grants in the House version vs \$7bln in the Senate (down from \$9bln initially); broadband tax credits in the Senate's bill; the House divides administration of the grants between **NTIA** and the **USDA's RUS**, while the Senate puts it all under NTIA. House Commerce member **Zack Space** (D-OH) and 28 members of Congress sent a letter to House and Senate leadership Tues encouraging them to keep broadband funding in the bill. Some have argued that they will not generate employment opportunities. "Broadband projects serve two distinct goals: they put people to work immediately, and then create long-term economic growth," Space said. "Our rural areas specifically fall farther behind every day they do not have access to this vital technology."

DTV Doings: 491 of the 1796 full-power stations have notified the **FCC** that they plan to terminate analog service on Feb 17. Another 190 stations have terminated or will terminate their analog signals before Feb 17. The FCC could step in and stop some stations if the agency finds it's in the public interest—for example, if all or most of the stations in a market cut analog on Feb 17, and the market is one where viewers are unprepared or at risk. Check out the list of stations at www.fcc.gov.

Competition: Rep **Bart Stupak** (D-MI) introduced a bill Tues that would require satellite providers to carry local broadcasting in all 210 DMAs within 1 year of enactment. Cable is already required to carry local channels. The lawmaker says that DBS players have targeted urban and suburban markets with local-into-local service, while largely ignoring smaller, rural markets. "With the upcoming transition to digital television, and the Satellite Home Viewer Improvement Act up for reauthorization this year, there has never been a better opportunity to act," Stupak said. -- **Qwest's** mass market segment reported 54K net broadband adds in 4Q to 2.85mln, 37K video (DirecTV) adds to 798K and an 11% loss in access lines. Overall segment rev fell 7% to \$1.4bln.

In the States: **RCN** has begun testing DOCSIS 3.0 in Boston and NYC, and after the trials plans to roll the tech out in those markets followed by the remainder of its footprint. -- With the expanded basic tiers entirely digitized in **Comcast's** Chicago and Boston systems, the MSO is expanding its Hispanic programming tier to include 60 channels and 125 VOD choices. New programming includes **AYM Sports**, **Gran Cine TV** and **TV Colombia**. The package, bundled with basic cable, retails for \$29.95/month in both cities. -- **Insight** renewed its contract with **Convergys** for relationship management for 3 more years. The vendor will continue to supply the MSO with its ICOMS BSS solution, which allows collection of revenue for video, HSD, and phone via a single platform. -- **NRTC** said it will hold at '08 levels the rates for its expanded

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BUSINESS & FINANCE

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Ratings: Fox News paced the big 3 cable news nets in total viewership (Live+SD) for Pres Obama's press conference Tues night with 4.27mln. **CNN** got 3.24mln and **MSNBC** 2.08mln. Leading in 18-49 delivery (Live+SD) was CNN with 1.13mln, followed by Fox News (995K) and MSNBC (582K).

VOD: TVN inked with Fuse a VOD deal that includes for the net advanced asset management, programming stunts and services to accommodate VOD advertising sales timelines and programming across the on demand universe. -- On-demand content service **Vudu** slashed by half the retail price of its Internet movie player, to \$149. The service added in Dec a TV area with more than 120 channels and content including CNN's "Anderson Cooper 360" and "MTV News."

On the Circuit: Cox pres Pat Esser will deliver a keynote address at broadband event **Supercomm '09**, Jun 8-11 in Chicago.

People: Comcast Ent Group upped Steve Dolcemaschio to COO. -- Doug Seybert's role as vp, marketing, **HD Theater** was expanded to vp, marketing for **Discovery Emerging Nets**.

Business/Finance: Ticketmaster and Live Nation have agreed to a merger, with Barry Diller set to head the new live ent company **Live nation Ent**.

CableFAX Daily Stockwatch

Company	02/10 Close	1-Day Ch	Company	02/10 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/			AMDOCS:	18.44	(0.38)
BRITISH SKY:	26.59	(1.29)	AMPHENOL:	27.52	(1.13)
DIRECTV:	22.30	(0.28)	APPLE:	97.83	(4.68)
DISH:	13.15	(0.76)	ARRIS GROUP:	6.50	(0.32)
DISNEY:	18.76	(0.68)	AVID TECH:	10.48	(0.72)
GE:	11.62	(1.02)	BIGBAND:	4.55	(0.46)
HEARST-ARGYLE:	3.98	(0.5)	BLNDER TONGUE:	0.79	(0.03)
NEWS CORP:	7.01	(0.5)	BROADCOM:	17.53	(0.68)
MSOS					
CABLEVISION:	14.06	(1.07)	CISCO:	16.05	(0.8)
CHARTER:	0.08	0.00	CLEARWIRE:	3.46	(0.34)
COMCAST:	13.54	(0.87)	COMMSCOPE:	14.03	(0.56)
COMCAST SPCL:	12.66	(0.77)	CONCURRENT:	3.84	(0.12)
GCI:	6.35	(0.34)	CONVERGYS:	7.63	(0.39)
KNOLOGY:	5.40	(0.06)	CSG SYSTEMS:	15.20	(0.01)
LIBERTY CAPITAL:	4.99	(0.52)	ECHOSTAR:	15.75	(0.88)
LIBERTY ENT:	18.94	(0.06)	GOOGLE:	358.51	(20.26)
LIBERTY GLOBAL:	13.84	(1.05)	HARMONIC:	5.43	(0.29)
LIBERTY INT:	3.34	(0.3)	INTEL:	14.08	(0.83)
MEDIACOM:	4.79	(0.46)	JDSU:	3.30	(0.4)
SHAW COMM:	16.21	(0.74)	LEVEL 3:	1.00	0.03
TIME WARNER CABLE:	18.52	(0.48)	MICROSOFT:	18.80	(0.64)
VIRGIN MEDIA:	4.60	(0.38)	MOTOROLA:	3.90	(0.25)
WASH POST:	404.43	(14.07)	OPENTV:	1.08	(0.12)
PROGRAMMING					
CBS:	5.67	(0.55)	PHILIPS:	19.50	(1.28)
CROWN:	1.69	(0.03)	RENTRAK:	11.95	(0.46)
DISCOVERY:	13.66	(0.39)	SEACHANGE:	6.00	(0.1)
EW SCRIPPS:	1.71	(0.03)	SONY:	19.32	(1.12)
GRUPO TELEVISA:	13.28	(1.01)	SPRINT NEXTEL:	2.18	(0.27)
HSN:	4.88	(0.12)	THOMAS & BETTS:	26.35	(0.98)
INTERACTIVE CORP:	14.51	(0.47)	TIVO:	7.32	(0.3)
LIBERTY:	23.06	(2.01)	TOLLGRADE:	5.67	0.00
LODGENET:	0.59	0.00	UNIVERSAL ELEC:	11.72	(0.67)
NEW FRONTIER:	1.59	(0.06)	VONAGE:	0.49	(0.06)
OUTDOOR:	5.86	(0.17)	YAHOO:	12.75	(1.15)
PLAYBOY:	1.67	(0.09)	TCLCOS		
RHI:	4.10	0.06	AT&T:	24.56	(1.33)
SCRIPPS INT:	21.60	(0.41)	QWEST:	3.45	0.08
TIME WARNER:	8.66	(0.69)	VERIZON:	30.00	(1.39)
VALUEVISION:	0.20	(0.02)	MARKET INDICES		
VIACOM:	16.86	(1.26)	DOW:	7888.88	(381.99)
WWE:	9.12	(0.13)	NASDAQ:	1524.73	(66.83)
TECHNOLOGY					
3COM:	2.55	(0.09)			
ADC:	3.38	(0.14)			
ADVANTAGE:	2.00	0.17			
ALCATEL LUCENT:	1.77	(0.09)			

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