

# CableFAX Daily™

Thursday — February 15, 2007

What the Industry Reads First

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## Retrans Revival: Smith Calls on Broadcasters to Demand Cash

**Sinclair** CEO *David Smith* called on fellow broadcasters to rise up and push for cash from cable operators. "It is now incumbent upon the rest of the industry to kind of recognize what we've been able to accomplish and kind of step up and start asking for what their due is," Smith said during Wed's 4Q earnings call. The broadcaster expects revenues generated this year from retrans agreements to be nearly \$48m, up almost 90% from the \$25.4m retrans generated in '06. The projection comes after Sinclair recently wrapped up a highly contentious retrans deal with **Mediacom** and a much quieter deal with **Time Warner Cable**. Sinclair says it still needs to secure retrans deals for about 25% of its viewers who are multichannel video subs. Smith didn't release details but said "there are rate increases in all our retrans deals. They vary deal-to-deal." The Sinclair chief said this is a significant time in history in which the broadcaster can get something approaching the fair value of its content. "By 2010 there's no reason why our numbers probably... couldn't double if the industry moves in the right direction," he said. Smith sees **CBS** as the next big driver in retrans. CBS has publicly said it wants 50 cents/sub. "We think that's a very doable number," Smith said. "It's time for the consumer to let the cable company know it's OK to pay for content that we choose to watch." As for the Mediacom deal reached earlier this month after Sinclair stations were pulled from the MSO Jan 6, Smith called it "one of the most difficult things" he and gen counsel *Barry Faber* had ever been through. "It was necessary to stay above the foolishness, as you suggested, because I think if we hadn't, then it would have just degenerated into a name-calling kind of thing," Smith said. "It's sometimes difficult to stay on the outside of that and say, 'We're just going to be really good guys here and do the right thing and let the chips fall where they're going to.'... The most important thing is we got it done, and everybody got what I think they needed to get a deal done." When asked if Sinclair was hurt by having stations off the air in those Mediacom markets, Smith said, "Anything we lost there was immaterial relative to what we got."

**Ripping the Band Aid:** MTVN's affiliate sales dept has suffered some casualties as the programmer trims 250 staffers to shore up its bottom line (Hello *Philippe Dauman*). No word on numbers, but sources said the L.A. and Chicago offices will apparently take a substantial hit. Among those gone is affiliate sales' *Susan Keith*. NYC-based *Jessica Heacock* also appears out (*Cfax*, 2/14), with *Denise Dahldorf* getting the net's top affil gig (*Cfax*, 2/13). MTV shuttered its Atlanta office a couple years back. An MTVN rep said the L.A. and Chicago offices are not closing but declined further comment. Pink slips also went to *Salli Frattini*, svp, production; *Paul DeBenedittis*, evp, multiplatform, content strategy and scheduling; and *Kathy Flynn*, svp, production events, according to sources. **MTV World**—which includes **MTV Desi**, **MTV Chi** and **MTV K**—is rumored to be shutting down completely (which will likely mean goodbye to svp, gm *Nusrat Durrani*).

**Public Affairs:** It's official. A coalition comprised of the **CEA**, **NAB** and **NCTA** will develop and implement a consumer education campaign regarding the Feb '09 DTV transition. It will include a website and ads in cable, broadcast and



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print media, and will be designed to: help TV viewers better understand the nature of the transition; become educated about the changes that will occur before the transition date; and provide information about steps consumers may need to take to maintain their over-the-air TV signals. CEA pres/CEO *Gary Shapiro*, NAB pres/CEO *David Rehr*, and NCTA pres/CEO *Kyle McSarrow* signed letters apprising the Senate and House of the campaign. "I am particularly pleased that the broadcasting, cable and consumer electronics industries are joining to educate consumers on the transition and on how to obtain the converter box coupons to help keep their TVs functioning," said energy and commerce cmte chmn Rep *John Dingell* (D-MI), citing the nearly 21mln US homes dependent on over-the-air TV.

**Storming Ahead:** A nasty winter storm bearing down on the Northeast created minor hiccups on Wed but few major issues. **Comcast**, **Time Warner Cable** and **Cablevision Systems** reported no major disruptions while **Cox** was bracing for a stormy Wed night. "New England expects to be hardest hit tonight," said a rep. "Right now, we are experiencing driving rain and sleet. Conditions are expected to worsen tonight as the precipitation freezes." Cox's RI system has already had some problems related to drivers hitting telephone poles (Cox technicians were working on 3 downed poles when we checked in with the MSO). In the D.C. area, the **NCTA**, **CTAM** and **Discovery Communications** followed the federal govt's lead by opening 2 hrs late (D.C.-based **National Geographic Channel** kept normal office hours, with employees allowed to telecommute if they couldn't make it in safely). NCTA pres/CEO *Kyle McSarrow* stuck to a round of appointments on Capitol Hill despite the weather. D.C.-based **C-SPAN** had no major troubles but did need to rearrange some Hill events. It also had to cancel a taping of "After Words" because a guest couldn't make it into the city. The **FCC** got a reprieve from appearing before the House Telecom subcmte for a hearing Thurs, but the cancellation wasn't because of the weather; it was postponed for the funeral services of Rep *Charlie Norwood* (R-GA). No word yet on its new date.

**Competition:** **Nielsen** will develop new metrics to measure interactive usage using aggregated and anonymous click-stream data from 300K **DirectTV** interactive customers. -- **Verizon Wireless** acquired **West Virginia Wireless'** operating assets, including spectrum licenses covering 1.2mln people in 22 WV counties, 5 in KY, 3 in VA and 2 in OH. Over the next 15 months, VW will convert to a HSI-capable network. -- **Verizon** launched in 6 markets a new TV and print ad campaign to inform African American customers about "Freedom" bundled services. The campaign, which runs through Apr in NY, D.C., Baltimore, Philly, Richmond and Norfolk, VA, directs people to **personalizemylife.com** for info.

**Carriage:** **DirectTV** agreed to launch **Ovation TV** around mid-year. It's a huge victory for the recently acquired Ovation, making it available to DirectTV's Total Choice Plus customers. The net now reaches 5.3mln customers, mostly through **Time Warner Cable**. DirectTV has 16mln subs, though not all take the Total Choice Plus package. Ovation was acquired by a group of private investors that includes **Arcadia Investment Partners**, **Corporate Partners II**, **Hubbard Media Group**, **Perry Capital** and **The Weinstein Co**. The net plans to re-launch by the end of 2Q (its name will stay the same).

**State Franchising:** 4 state legislators introduced "The Competitive Cable and Video Services Act" in the TN General Assembly Wed, hoping to enact statewide video franchising. The companion Senate and House bills would grant the Secretary of State franchising authority. -- Undaunted by a tabling of similar legislation in CO, **Qwest** now leads the charge for statewide video franchising in WA. The telco backs a bill—filed Tues by Sen *Erik Poulsen* (D-Seattle)—that would assign franchising authority to the **WA State Utilities and Transportation Commission**. Bill opponents such as

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# BUSINESS & FINANCE

the **Broadband Comm Assoc of WA** and the **Urban League of Metropolitan Seattle** say the bill's lack of build-out rules will cause cherry-picking.

**PPV:** Snip some space on your calendar for this one! **WWE** honcho *Vince McMahon* and coiffure captain *Donald Trump* will square off during **WrestleMania 23** (Apr 1), with the loser slated to shave his head. Trump's match challenge will air during Thurs' **WWE** telecast on USA (8pm).

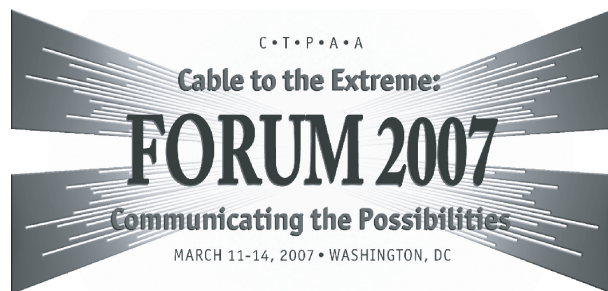
**VOD:** The **Sportsman Channel** on Wed fired out a new VOD channel, offering 16 hours of initial programming.

**On the Circuit:** Lotta big names at **WICT's** Leadership Conference, including **Time Warner Cable's** *Melinda Witmer*, **Disney-ABC's** *Anne Sweeney*, **BET's** *Debra Lee* and **Oxygen's** *Gerry Laybourne* (Mar 7-8, NYC). -- The **ACA** introduced as a speaker for its Washington Summit (Apr 17-18) **C-SPAN** founder/CEO *Brian Lamb*. Also at the event: Rep *Rick Boucher* (D-VA), **Stifel Nicolaus** managing partner *Blair Levin* and **CableLabs** evp/coo *Chris Lammers*. -- The deadline to enter **CTAM's** Mark Awards is Feb 21, 5pm ET. Visit [www.ctam.com/awards/markawards/howto.htm](http://www.ctam.com/awards/markawards/howto.htm).

**People:** Former **Adelphia** svp, marketing & sales *Nancy McGee* joined **Starz** as svp, marketing. -- **Turner Net Sales** appointed former **Gospel Music Channel** vet *Heather Symmes* dir, MSO marketing strategy.

## CableFAX Daily Stockwatch

| Company                      | 02/14 Close | 1-Day Ch | Company               | 02/14 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| <b>BROADCASTERS/DBS/MMDS</b> |             |          |                       |             |          |
| ARRIS GROUP:                 | 14.41       | 0.13     | ARRIS GROUP:          | 14.41       | 0.13     |
| BRITISH SKY:                 | 44.37       | 0.21     | AVID TECH:            | 32.54       | 0.34     |
| DIRECTV:                     | 23.92       | (0.03)   | BLNDER TONGUE:        | 2.05        | 0.12     |
| DISHNEY:                     | 34.75       | 0.16     | BROADCOM:             | 34.50       | 0.98     |
| ECHOSTAR:                    | 42.04       | (0.08)   | C-COR:                | 14.10       | (0.1)    |
| GE:                          | 36.37       | 0.60     | CISCO:                | 27.46       | 0.27     |
| HEARST-ARGYLE:               | 26.25       | 0.16     | COMMSCOPE:            | 34.73       | 0.76     |
| ION MEDIA:                   | 1.33        | 0.10     | CONCURRENT:           | 1.39        | 0.02     |
| NEWS CORP:                   | 24.79       | (0.08)   | CONVERGYS:            | 26.55       | 0.22     |
| TRIBUNE:                     | 30.69       | 0.29     | CSG SYSTEMS:          | 25.07       | 0.01     |
| <b>MSOS</b>                  |             |          |                       |             |          |
| GEMSTAR TVG:                 | 4.19        | 0.13     | GEMSTAR TVG:          | 4.19        | 0.13     |
| CABLEVISION:                 | 28.89       | (0.2)    | GOOGLE:               | 465.93      | 6.83     |
| CHARTER:                     | 3.18        | (0.02)   | HARMONIC:             | 8.85        | 0.11     |
| COMCAST:                     | 41.36       | 0.36     | JDSU:                 | 15.99       | 0.37     |
| COMCAST SPCL:                | 40.96       | 0.27     | LEVEL 3:              | 6.27        | 0.19     |
| GCI:                         | 15.15       | (0.25)   | MICROSOFT:            | 29.40       | 0.37     |
| KNOLOGY:                     | 14.20       | 0.48     | MOTOROLA:             | 19.21       | (0.13)   |
| LIBERTY CAPITAL:             | 106.22      | (0.52)   | NDS:                  | 48.65       | 0.49     |
| LIBERTY GLOBAL:              | 29.97       | 0.28     | NORTEL:               | 30.47       | 0.18     |
| LIBERTY INTERACTIVE:         | 23.44       | 0.00     | OPENTV:               | 2.60        | (0.02)   |
| MEDIACOM:                    | 7.92        | 0.03     | PHILIPS:              | 39.15       | 0.44     |
| NTL:                         | 28.22       | 0.00     | RENTRAK:              | 14.60       | 0.32     |
| ROGERS COMM:                 | 32.32       | 0.95     | SEACHANGE:            | 10.57       | 0.10     |
| SHAW COMM:                   | 36.08       | 1.02     | SONY:                 | 51.99       | 2.28     |
| TIME WARNER:                 | 21.48       | (0.02)   | SPRINT NEXTEL:        | 18.51       | 0.15     |
| WASH POST:                   | 789.27      | 14.17    | THOMAS & BETTS:       | 51.14       | 0.26     |
| <b>PROGRAMMING</b>           |             |          |                       |             |          |
| TIVO:                        | 5.93        | 0.04     | TIVO:                 | 5.93        | 0.04     |
| CBS:                         | 31.99       | 0.11     | TOLLGRADE:            | 12.06       | 0.13     |
| CROWN:                       | 3.99        | (0.01)   | UNIVERSAL ELEC:       | 20.61       | (0.63)   |
| DISCOVERY:                   | 16.52       | 0.19     | VONAGE:               | 5.84        | (0.05)   |
| EW SCRIPPS:                  | 48.79       | 0.36     | VYYO:                 | 4.17        | 0.00     |
| GRUPO TELEVISA:              | 30.12       | 0.66     | WEBB SYS:             | 0.04        | 0.00     |
| INTERACTIVE CORP:            | 39.85       | 0.11     | WORLDGATE:            | 1.15        | 0.02     |
| LODGENET:                    | 26.74       | (0.01)   | YAHOO:                | 30.66       | 1.10     |
| NEW FRONTIER:                | 9.42        | 0.16     | <b>TELCOS</b>         |             |          |
| OUTDOOR:                     | 11.85       | 0.02     | AT&T:                 | 37.19       | 0.00     |
| PLAYBOY:                     | 10.77       | (0.44)   | QWEST:                | 8.19        | 0.05     |
| UNIVISION:                   | 35.89       | 0.00     | VERIZON:              | 38.63       | 0.59     |
| VALUEVISION:                 | 12.67       | (0.13)   | <b>MARKET INDICES</b> |             |          |
| VIACOM:                      | 40.14       | 0.16     | DOW:                  | 12741.86    | 87.01    |
| WWE:                         | 16.11       | 0.06     | NASDAQ:               | 2488.38     | 28.50    |
| <b>TECHNOLOGY</b>            |             |          |                       |             |          |
| 3COM:                        | 3.97        | 0.01     |                       |             |          |
| ADC:                         | 16.99       | 0.34     |                       |             |          |
| ADDVANTAGE:                  | 3.74        | 0.57     |                       |             |          |
| ALCATEL LUCENT:              | 13.27       | 0.24     |                       |             |          |
| AMDOCS:                      | 33.58       | (0.05)   |                       |             |          |
| AMPHENOL:                    | 67.55       | (0.01)   |                       |             |          |



To register, view the preliminary program or for more information, go to [www.ctpaa.org](http://www.ctpaa.org) or call **800-210-3396** or **202-222-2370**.

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## Think about that for a minute...

### No Consent Necessary

For the last two weeks, I have been providing all the background arguments regarding the logical inconsistencies of the “retransmission consent” rules. I did that because it’s clear there will be an increasing number of public battles over retransmission consent as broadcasters decide to exercise their leverage in local markets and demand payment if consumers need, or find it convenient, to get delivery of the broadcast signals via their cable system.



**Steve Effros**

The broadcasters are demanding “Fee TV” as opposed to their license obligation to provide “Free TV.” Cable is not selling the broadcaster’s programming. Cable is delivering the programming that the broadcaster has tried but failed to effectively deliver over the air. They should be paying us!

But never mind all that. Now that you know the background and the arguments, what can we do about it? Clearly the broadcasters, or at least some of them, have decided to go for the fee, and smaller cable operators in smaller markets have very little leverage to protect their customers from “Fee TV”... Or do they? How about not “retransmitting” the signal at all? Notice I didn’t say the customer didn’t get the signal, I just said the cable operator need not “retransmit” it.

There is a very important date coming up to keep in mind with this idea. It’s Feb. 17, 2009. On that day, if we are to believe the government, all broadcasters will turn off their analog transmitters and send signals only digitally. Now as we all know, if a digital signal is properly received, it results in a perfectly good picture—a “crystal clear” picture as it was described in the early days of DBS delivery of digital signals. No snow, no multi-path distortion, no “ghosts.”

So why should we “retransmit” it at all? Why not start developing equipment in television sets, DVRs, set top boxes, etc., that can take that digital broadcast signal picked up in the customer’s home and show it on the television along with all the cable channels, or the video game, the VOD feed or the DVD? It’s not technically hard, and the consumer won’t see any difference between all those digital feeds. The cable operator will no longer be “retransmitting.” No consent necessary.

As many of you know, I have been consulting for the past two years with a group of friends to help develop new cable technology that would allow for cable program delivery with “downloadable security” at low cost. The “BBT” technology (*Cfax*, 12/22) was noted by the FCC recently. This new technology will be licensed and could be in a low cost “set top” box or even built right into the television set, the DVR or whatever.

What’s important here, however, is that the designs already include a connector so cable customers can simply attach a digital antenna at home and receive their perfect, digital “DTV” signals. Any manufacturer could do that. It’s similar to what the government is going to fund for folks who have analog sets and don’t get cable or satellite delivery, and who want to see the new DTV signals. It’s the same approach DBS used until they got “local into local” authority to “retransmit” via the satellite. But now, the digital signal comes directly into the home. No “retransmission.” No consent necessary.

Do I think this is a great way to go?

No, it would be simpler for our customers if the broadcasters worked with us to deliver their signals. But if they insist on “Fee TV,” it’s certainly a reasonable alternative.

*Steve*

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