

CableFAX Daily™

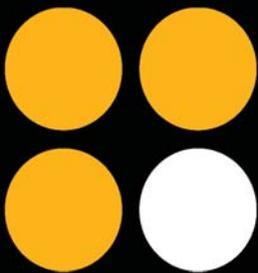
Tuesday — February 23, 2010

What the Industry Reads First

Volume 21 / No. 035

Net Neutrality: NCTA, Others Say No to Reclassification; Pew Probes Internet

Saying that certain groups are “advocating an extremist form” of net neutrality regulation, several trade groups and companies told the **FCC** Mon to resist calls to reclassify broadband as a telecom service subject to burdensome common carrier regulation. The letter was signed by **NCTA, CTIA, US Telecom Assoc** and lobbyists for **Time Warner Cable, AT&T, Verizon** and **Qwest**. “The proposed regulatory about-face would be untenable as a legal matter and, at a minimum, would plunge the industry into years of litigation and regulatory chaos,” the groups told FCC chmn *Julius Genachowski*. They argue that such a move would threaten to extend common carrier regulation to much of the Internet at large, including application and content providers. That potential list could include **YouTube** and **Hulu** (which provide or lease transmission capacity to offer video content), eReader services like **Amazon's** Kindle that include 3G connectivity and **Google, Microsoft** and **Yahoo** since they use Internet connections to transmit their customers' ad messages to end users. All of this would threaten the FCC's goal of 100mIn HH as 100Mbps by '20, the groups contend. While the net neutrality debate rages, the majority of Internet stakeholders surveyed for a **Pew Internet & American Life Project** report do believe that the Net will remain a technology based on the open, end-to-end principle envisioned by its founders. 61% of the nearly 900 interviewed believe most disagreement over the way information flows will be resolved in favor of a minimum number of restrictions over the information available online and the methods by which people access it. A less optimistic 33% believe intermediary institutions that control the architecture and significant amounts of content (ISPs, govts, etc) will be successful in gaining the right to manage info and the method by which people access/share it. This report is worth reading for the selections of the hundreds of written elaborations on questions posed. **Viewpoint West** managing dir *William Luciw* predicted that ISPs would become “Communications Service Providers,” that would offer IPTV or over-the-top services such as VOD for additional fees. “These CSPs effectively become gatekeepers for the ‘last mile’ of internet connectivity needed to deliver consumer services. This means that pricing and service offerings, availability, etc. are all under the control of the CSP,” he wrote. **Verizon's** vp, information tech *Link Hoewing* said he believes generally that the openness of the Internet will remain in place. “What will change is that people will want to access customized solutions, use special purpose devices like the Kindle, and will have a need for better connections for various things like



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telemedicine," he wrote. "All of this will not be in sync with the end-to-end principle but it will use the Internet architecture and provide value." Look for this study to make it into the FCC's record as it works on its net neutrality rules.

Advertising: Growth in the local US ad market will be sluggish through '11 before a noteworthy recovery commences in early '12, according to **BIA/Kelsey**, which posits local ad rev of \$145bln in '14, marking a 2.2% CAGR from '09. The firm said 55% of all ad spending is with local media, defined as spending by SMBs and national advertisers or regional advertisers making local buys. Against this backdrop, digital media ad sales continue to rise, with spending on online/interactive media projected to rise from \$15.2bln last year to \$36.7bln in '14, a CAGR of 19.3%. Spending on traditional media, meanwhile, is expected to dip from \$115bln in '09 to \$108.2bln in '14 (-1.2% CAGR). -- **Rainbow Media** said **Zenith Media** is poised to become the 1st ad agency to use **Cablevision's** suite of advanced and interactive TV ad apps as part of **AMC's** and **WE tv's** '09 upfront network buys. As part of the deal, the pair will collaborate on a dedicated interactive VOD channel (2Q) for **Pillsbury** featuring an array of remote control engagement features for viewers. -- **Comcast Interactive Media** tapped **Auditudo** to manage and serve its video ads across nets including **Comcast.net**, **Fancast** and **Fancast XFINITY TV**.

Carriage: Just in time for the start of the Winter Olympics, **Universal Sports** picked up carriage with **GCI** in Anchorage, Juno and Fairbanks, AK. **Comcast** also recently added the net in Savannah, GA.

Competition: **FiOS TV** customers gained access to **TV One's** VOD content featuring a minimum of 5 hours/month of short- and long-form programming, including full eps of series such as "The Hughleys" and "Divorce Court." -- **U-verse TV** added **CBS College Sports Net** to its Sports Package, a \$10/month tier featuring more than 25 channels.

Olympic Ratings: **NBCU** earned gold for its Sun Olympics coverage, as 87mln total viewers tuned in across its nets, the most of any Games day yet. An avg of 8.22mln watched the US hockey team defeat Canada on **MSNBC**, just short of its viewership record from '08 election night. To date, more than half of all Americans (167mln) have watched NBCU's coverage through the first 10 days of the event, compared to 164mln 4 years ago. Meanwhile, through Sat, Olympics coverage on NBCU's cable nets has reached 50mln total viewers, a 48% increase over the comparable '09 period. Through Feb 18, **USA's** telecasts are averaging 1.7mln viewers, **MSNBC's** 608k and **CNBC's** 788K. **USA's** avg audience age for the Games is 4 years younger than its Feb '09 avg, **MSNBC's** is nearly 11 years younger and **CNBC's** is nearly 12 years younger.

Tiger Mania: **ESPN**, **ESPN2** and **ESPNNEWS** averaged a 1.4 rating for *Tiger Woods' live statement* Fri—up more than 3 times the audience garnered in that timeslot 24 hours earlier (0.4). **ESPN2's** audience was 48% larger than the day before, and **ESPNEWS** was 4x larger. **ESPN.com** logged more than 5mln page views and 1.6mln video starts over a 60-hour time period from when Woods 1st made his remarks. The live stream marked the largest concurrent audience ever on **ESPN.com**. **ESPN Mobile** logged 1.1mln page views. **Golf Channel** also scored some impressive numbers with its "Golf Central Special Report" Fri (10:30-noon) notching 0.49 HH rating/521K total viewers. That makes it the highest news telecast since Aug 30. Including tournament coverage, it's the 2nd highest telecast of the year. **Golf** said its 0.67/745K total viewers for Tiger's statement outpaced **CNBC**, **MSNBC** and **ESPN2**.

Reading List: **ACA** chmn/**Wave Broadband** COO *Steve Friedman* railed against the retrans process in a *Seattle Times* op/ed Mon. He's not thrilled about must carry either. "FCC rules also guarantee that TV signals are seen in every cable home—consumers, in other words, are denied the choice to better control their cable bills by purchasing broadcast sta-

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Questions? Contact Awards Coordinator Rebecca Stortstrom at 301-354-1610; rebecca@accessintel.com.

Sponsorship Opportunities: Debbie Vodenos at 301-354-1695; dvodenos@accessintel.com.

BUSINESS & FINANCE

tions on an optional tier or potentially on an a la carte basis," he wrote. Friedman premised his column on explaining why cable prices continue to rise, also said govt should fix rules that give broadcasters an unfair advantage.

Honors: ABC got the most Writers Guild Awards Sat night with 4, and with fellow broadcasters Fox (2), NBC (2) and CBS defeated cable's overall haul of 7. AMC's "Mad Men" won top drama, and the net shared with IFC another win. Also honored: HBO, Lifetime, Comedy Central, Nickelodeon and ABC Family. PBS picked up 3.

People: Motorola Home div pres Dan Moloney will become the new CEO of Technitrol, which makes parts for the wireless, military, automotive and other industries. Moto co-CEO and CEO of Mobile Devices and Home businesses Sanjay Jha will continue to lead the previously combined Mobile Devices and Home businesses, as well as take the leadership role for the Home division, effective immediately. Moto recently announced that it plans to separate into 2 independent, publicly traded companies—Mobile Devices & Home and Enterprise Mobility Solutions & Networks. -- Chris Linn was upped to evp, MTV Production. -- The Readers' Digest Assoc tapped Time Warner Cable evp/chief strategy officer Peter Stern as a dir.

Business/Finance: Deutsche Bank upgraded Viacom to 'buy' from 'hold,' raising the price target to \$37 from \$28.

CableFAX Daily Stockwatch

Company	02/22 Close	1-Day Ch	Company	02/22 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	33.67	(0.08)	APPLE:	200.42	(1.25)
DIRECTV:	33.71	0.07	ARRIS GROUP:	10.42	0.10
DISH:	19.84	0.16	AVID TECH:	13.70	(0.1)
DISNEY:	31.12	(0.11)	BIGBAND:	2.95	(0.04)
GE:	16.25	0.08	BLNDER TONGUE:	1.10	0.04
NEWS CORP:	15.91	(0.11)	BROADCOM:	31.39	(0.21)
MSOS					
CABLEVISION:	23.05	(0.07)	CISCO:	24.30	(0.06)
COMCAST:	16.19	0.19	CLEARWIRE:	7.04	0.07
COMCAST SPCL:	15.30	0.17	COMMSCOPE:	27.58	(0.12)
GCI:	5.62	(0.09)	CONCURRENT:	4.76	0.06
KNOWLOGY:	11.50	(0.02)	CONVERGYS:	12.45	(0.08)
LIBERTY CAPITAL:	31.00	0.00	CSG SYSTEMS:	20.98	(0.13)
LIBERTY GLOBAL:	26.55	1.09	ECHOSTAR:	19.60	0.12
LIBERTY INT:	11.36	(0.16)	GOOGLE:	542.80	2.04
MEDIACOM:	4.32	(0.11)	HARMONIC:	6.57	0.16
RCN:	10.88	0.06	INTEL:	20.87	0.05
SHAW COMM:	19.15	(0.21)	JDSU:	9.88	0.33
TIME WARNER CABLE:	46.92	0.03	LEVEL 3:	1.56	(0.02)
VIRGIN MEDIA:	15.44	0.14	MICROSOFT:	28.73	(0.04)
PROGRAMMING					
CBS:	13.36	(0.47)	MOTOROLA:	6.87	(0.14)
CROWN:	1.62	(0.07)	OPENTV:	1.53	0.00
DISCOVERY:	32.09	0.08	PHILIPS:	30.32	0.27
GRUPO TELEVISIA:	19.66	(0.04)	RENTRAK:	18.91	(0.22)
HSN:	20.88	(0.02)	SEACHANGE:	7.26	0.24
INTERACTIVE CORP:	21.88	(0.29)	SONY:	34.78	0.35
LIBERTY:	36.70	0.15	SPRINT NEXTEL:	3.48	(0.01)
LIBERTY STARZ:	46.95	(0.03)	THOMAS & BETTS:	36.69	0.11
LIONSGATE:	5.27	0.02	TIVO:	9.62	(0.37)
LODGENET:	6.99	0.12	TOLLGRADE:	6.25	(0.02)
NEW FRONTIER:	1.85	(0.01)	UNIVERSAL ELEC:	21.78	0.18
OUTDOOR:	5.30	0.02	VONAGE:	1.79	0.10
PLAYBOY:	3.36	0.02	YAHOO:	15.49	(0.09)
RHI:	0.32	0.00	TELCOS		
SCRIPPS INT:	39.50	(0.2)	AT&T:	25.02	(0.08)
TIME WARNER:	29.01	(0.43)	QWEST:	4.41	(0.06)
VALUEVISION:	4.27	0.03	VERIZON:	29.00	(0.02)
WWE:	16.28	(0.16)	MARKET INDICES		
TECHNOLOGY			DOW:	10383.38	(18.97)
3COM:	7.66	0.04	NASDAQ:	2242.03	(1.84)
ADC:	6.84	0.06			
ADVANTAGE:	2.22	(0.09)			
ALCATEL LUCENT:	3.01	0.18			
AMDOCS:	29.00	0.06			
AMPHENOL:	41.76	(1.03)			
AOL:	24.71	(0.44)			

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EYE ON ADVERTISING

Go Bigger, Cable

How many clicks does it take to get to the center of cable's interactive advertising dream? *Brian Wieser*, global director of forecasting at **Magna**, tells **CableFAX** contributor *Cathy Applefeld Olson* why the world may never know.

In Magna's latest On Demand Quarterly report, you note expectations for interactive advertising should be restrained at best. Why?

BW: EBIF is becoming an industry consensus. But even that may not be sufficient in the context of advertisers' marketing objectives, which rely on the ability to communicate with virtually all of your target audience in a manner in which you can distinguish [a hit] from noise. When you do the math on how many impressions you could possibly gather, even if all the interactive inventory were accessible today—which it's not—it would still be difficult to identify how the money was spent.

How does cable measure up?

BW: Every case study a cable operator brings about has some basis in reality. But the industry needs to recognize that people in the business of selling are in the business of selling. Not to discredit what they're saying, but the applicability of those results are not necessarily applicable to the [advertising] industry.

What would change the equation for cable?

BW: Cable has to have an 'If you build it they will come' mentality, because if you don't build it, they can't come. Interactivity needs to be enabled on 80%-90% of set tops, and all programming needs to allow for the sale. All this ties in to how inventory is booked and billed and trafficked. To go through those operational processes takes years and hundreds and millions of dollars.

There are signs the industry is ramping up...

BW: Cable, in part, and most growth industries in general have been founded by people who have a strong be-

lief in what people will do. So there should be no shortage of individuals willing to invest the capital necessary to create the interactivity cable needs. But if you look at cable's track record, this has not been their priority. And the problem is, it is never going to be. At the end of the day, ad departments are judged on their ability to generate cash flow. They are unwilling to sacrifice this goal, so we've seen baby steps when what is really necessary is to go bigger.

Never is a strong word.



BW: If you go through the checklist of every cable CEO, number one might be preventing the company from becoming a dumb pipe, and depending on the individual company, that might be followed driving business subscription services, driving more high-speed data

services, reducing churn. Then somewhere down the line, around number six, comes interactive advertising. It's just not a priority. And you can just hold this story and repeat.

Comcast, as noted in your report, is providing some solid numbers: One-third of its subscriber base—13 million set-tops in 8 million homes—is EBIF-enabled.

BW: It'll be interesting with Neil Smit coming in. Charter was very innovative in a lot of ways. They were the most aggressive on data, for one, but it was all under the radar with respect to the industry because of their size. It wouldn't have made a big difference if they doubled their numbers; with Comcast it does. It'll be interesting to see how they prioritize [interactive advertising] going forward. If you put yourself in his shoes, what you care about is driving digital cash flow, reducing churn. Where would you spend your time? Probably not on this.

(Longtime entertainment industry reporter Cathy Applefeld Olson is delighted to be documenting media's wild ride into the 21st century)

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