

CableFAX Daily™

Monday — February 26, 2007

What the Industry Reads First

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B2B Barnstorming: Cable Attacking Business Services Market

Several cable MSOs see business services as the next great growth driver, which could mean plenty of new B2B initiatives in '07. **CVC's Optimum Lightpath** will launch this week a linear/online VOD channel to educate medium/enterprise firms on Metro Ethernet technology and its benefits. Along with 75 minutes of content that includes client testimonials, the channel provides sales and service links. "This provides a way to talk to business firms in an uncluttered way," said Optimum Lightpath vp, marketing *David Strauss*. "We are optimistic about this proposition... and over the next month, we will bake it into the fabric of our overall marketing [thrust]." Enormous potential exists for cable ops across all businesses, said Strauss, because of new technologies that increase commercial efficiency and because telcos now concentrate heavily on larger firms. **Cox, Time Warner Cable and Comcast** all plan to hit industry soft spots this year with business phone roll outs, primarily to SMBs. Time Warner, which counts 245K business customers, is now trialing such a product in Binghamton and Syracuse, NY, and plans a mid-late '07 market launch. "In a lot of our markets, small and medium-sized businesses only have one choice for services," said a rep, citing school systems, healthcare systems and government agencies as points of emphasis. Comcast already rakes in \$250mln annually from the business segment and estimates that 5mln SMBs inhabit its footprint. **Cox Business Services**, which receives 65% of its commerce from SMBs, places voice growth at the top of its '07 priority list. *Kristine Faulkner*, vp, product development and management said the company experienced 21% rev growth last year. Stay tuned for a busy B2B year in cable.

MCCC Earnings: Mediacom says its retrans standoff with **Sinclair** did impact 4Q sub numbers, with the MSO reporting 14K basic losses vs 6K a year ago. It attributed about 7K of those defections to the retrans spat. Sinclair didn't actually yank its signals until 1Q. Execs declined to provide specific guidance on the impact the loss of the stations had during the current Q. "It's fair to say in January that we lost subs," Mediacom pres/CEO *Rocco Commisso* said. "Those subscriber losses plus the expense associated with our fight—in retaining customers, providing antennas and incurring marketing expenses—are all embedded in our guidance." For 2007, Mediacom expects adjusted OIBDA growth of 7%-8% and revenue growth of 8%-9%, down from 9.3% and 10.2% growth, respectively, for '06. It projects full-year cap ex of \$215mln vs the \$210.2mln spent last year. Commisso said he thinks retrans laws will change in coming years. "While what we face today is an uphill battle, I'm confident that changes in the law will be made in the next 2 years to protect American television viewers," he said. -- While basic subs were down, Mediacom's digital customers rose by 14K, data grew by 34K and phone subs increased by 22K. The MSO has recently launched all-digital video to about 100K customers and plans to expand that solution to an additional 200K customers by year-end. Mediacom posted its highest level of VOD usage in Dec, with more than 47% of subs accessing VOD programming. For the year, it had more than 31mln VOD transactions. Mediacom's 4Q revenue rose 11.7% Y-over-Y to \$313.1mln; adjusted OIBDA was up 9.7% to \$111mln.



IFC ANIME GET DRAWN IN

GUNSLINGER GIRL

1 HOUR BLOCK
FRIDAYS @ 11PM ET

IFC
tv, uncut.

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Multicast: FCC chmn Kevin Martin is putting forward details on his multicast must carry plan, 1st reported by **Cfax** (**Cfax**, 2/12). "Small and independently owned businesses could take advantage of this capacity and use a portion of the existing broadcasters' digital spectrum to operate their own broadcast channel," Martin said in his prepared statement for Fri's media ownership hearing in Harrisburg, PA. "This new programming station would then obtain all the accompanying rights and obligations of other broadcast stations, such as public interest obligations and carriage rights." Martin threw out the idea as a way to ensure that more diverse viewpoints are heard.

Step Right Up: Leave it to showman Henry Schleiff to try and use the latest retrans headlines to bolster his case for rate increases as he works on contract renewals for the bulk of **Hallmark Channel's** sub base this year. Schleiff made the rounds with trade press Fri, describing the way he sees the multichannel world. His pitch: cable operators should do deals with Hallmark now or risk **CBS** or another broadcaster acquiring the net to bolster demands for cash. "Whatever increase we're asking for now in a 2- or 3-year deal, it's a lot less than would be demanded by someone like CBS if they owned us. That's why they should do a deal with us now," said Schleiff. It's unclear whether MSOs will buy Schleiff's argument, considering the channel hung out its shingle a year ago and no one snatched it up. Many attribute the lack of interest to its low affiliate fees. Schleiff's answer: "Their retrans deals weren't up. There was no reason to have those discussions then." Hallmark needs to do deals with operators representing approx 60% of its 75mln+ sub base. It recently announced a deal with **Mediacom** that represents 1mln+ subs (or about 1.3% of its subs). Schleiff, who is tasked with raising revenue, declined to reveal his asking price. "We're not closing deals unless it represents what I think makes sense," he said. "They're not taking off a top 10 family network in this environment." So, has anyone actually approached Hallmark about buying it? The net says it's not formally on the block but is always willing to talk to potential buyers. "We have totally no leverage," Schleiff said. "We're kind of a curious and interested pawn in these negotiations going forward."

More Retrans: All eyes are on **Comcast**, as it nears a Mar 1 retrans deadline with **Sinclair**. Comcast says both sides are talking. "I think this Comcast situation that's currently going on with Sinclair will be an indication of the balance of power here," **Mediacom** evp, ops John Pascarelli said during Fri's earnings call. "We were sitting there where [Sinclair] had 50% of our customers and we only represented a small piece of their revenues, so they were in a situation where they could be more aggressive." Neither Sinclair nor Mediacom have revealed details of their newly forged retrans pact; some estimated that the broadcaster was seeking 25-50 cents/sub. "At the end of the day, we caved in to their demands because we were being told that [FCC] chmn [Kevin] Martin was going to respond unfavorably," Commisso said, referring to press reports. The Mediacom chief predicted that Comcast and Sinclair would sign a deal, suggesting that Sinclair should offer his company the same deal it reaches with Comcast. "I'm betting today the same thing will not occur with Comcast," he said. -- **Hearst-Argyle TV** said 4Q retrans consent revenue increased by \$3.1mln. For the year, retrans revenue jumped to \$17.9mln from \$6.8mln in 2005. For 2007, Hearst expects retrans rev in the range of \$18mln-\$20mln.

Programming: **Starz InBlack** is celebrating this month its 10-year anniversary and Black History Month with "Conversations" (Mon), an original special offering intimate discourse with black actors such as *Phylicia Rashad* and *Harry Belafonte*. -- **Comcast's AZN** tips off Sun (8pm ET) the 2nd season of "NBA Timeout," a weekly series highlighting diversity in pro basketball.

This Sunday, witness 600 years of degenerate,
godless, inhuman behavior.

The Dark Ages



March 4th
at 9/8C



THE HISTORY CHANNEL.

CableFAX Week in Review

Company	Ticker	2/23 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	44.62	1.50%	8.30%
DIRECTV:	DTV	22.88	(4.2%)	(8.3%)
DISNEY:	DIS	35.14	0.70%	5.30%
ECHOSTAR:	DISH	42.52	0.00%	11.80%
GE:	GE	35.10	(2.1%)	(3.4%)
HEARST-ARGYLE:	HTV	26.67	1.60%	5.40%
ION MEDIA:	ION	1.28	0.80%	156.00%
NEWS CORP:	NWS	24.84	0.80%	11.60%
TRIBUNE:	TRB	30.70	(0.2%)	(0.3%)

Company	Ticker	2/23 Close	1-Week % Chg	YTD %Chg
MSOS				
CABLEVISION:	CVC	29.27	(2.4%)	2.80%
CHARTER:	CHTR	3.19		4.20%
COMCAST:	CMCSA	27.13	(2.2%)	(3.9%)
COMCAST SPCL:	CMCSK	26.97	(1.7%)	(3.4%)
GCI:	GNCMA	14.67	(3.3%)	(6.7%)
KNOLOGY:	KNOL	14.67	0.40%	37.90%
LIBERTY CAPITAL:	LCAPA	105.09	(1.8%)	7.30%
LIBERTY GLOBAL:	LBTYA	29.77	(0.4%)	2.10%
LIBERTY INTERACTIVE:	LINTA	23.89	(1.9%)	10.80%
MEDIACOM:	MCCC	8.00	0.10%	(0.5%)
NTL:	NTLI	28.22		11.80%
ROGERS COMM:	RG	34.22	(0.5%)	15.10%
SHAW COMM:	SJR	37.26	0.20%	18.80%
TELEWEST:	TLWT	24.20		
TIME WARNER:	TWX	21.50	(0.3%)	(1.3%)
WASH POST:	WPO	788.65	0.40%	6.60%

Company	Ticker	2/23 Close	1-Week % Chg	YTD %Chg
PROGRAMMING				
CBS:	CBS	31.32	(1.5%)	0.40%
CROWN:	CRWN	4.25	9.00%	17.10%
DISCOVERY:	DISCA	16.20	(1.2%)	0.60%
EW SCRIPPS:	SSP	48.59	(0.7%)	(2.7%)
GRUPO TELEVISIA:	TV	29.74	0.20%	10.10%
INTERACTIVE CORP:	IACI	40.58	1.90%	9.20%
LIBERTY:	L	8.32		
LODGENET:	LNET	27.42	1.60%	9.50%
NEW FRONTIER:	NOOF	9.34	0.40%	15.90%
OUTDOOR:	OUTD	12.01	1.10%	(6.4%)
PLAYBOY:	PLA	10.81	(1%)	(5.7%)
UNIVISION:	UVN	35.98	0.10%	1.60%
VALUEVISION:	VVTV	12.81	1.30%	(2.5%)
VIACOM:	VIA	40.37	(0.4%)	2.30%
WWE:	WWE	16.32	1.60%	4.50%

Company	Ticker	2/23 Close	1-Week % Chg	YTD %Chg
TECHNOLOGY				
3COM:	COMS	4.07	3.30%	(1%)
ADC:	ADCT	17.47	1.00%	22.30%
ADVANTAGE:	AEY	3.60	(2.7%)	29.00%
ALCATEL LUCENT:	ALU	13.36	2.00%	2.60%
AMDOCS:	DOX	35.50	2.60%	(8.4%)
AMPHENOL:	APH	67.83	1.30%	9.40%
ARRIS GROUP:	ARRS	15.29	3.80%	22.20%
AVID TECH:	AVID	33.86	0.40%	(9.1%)
BLNDER TONGUE:	BDR	2.18	(9.2%)	28.20%
BROADCOM:	BRCM	36.40	3.30%	12.60%
C-COR:	CCBL	14.75	2.20%	32.40%

Company	Ticker	2/23 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	27.51	0.00%	0.70%
COMMSCOPE:	CTV	39.14	7.40%	28.40%
CONCURRENT:	CCUR	1.53	15.00%	(15.5%)
CONVERGYS:	CVG	26.84	0.60%	12.90%
CSG SYSTEMS:	CSGS	25.51	0.10%	(4.6%)
GEMSTAR TVG:	GMST	4.25	1.90%	6.00%
GOOGLE:	GOOG	470.62	0.10%	2.20%
HARMONIC:	HLIT	9.10	3.40%	25.20%
JDSU:	JDSU	16.88	0.50%	1.40%
LEVEL 3:	LVLT	6.55	1.70%	17.00%
MICROSOFT:	MSFT	28.90	0.60%	(3.2%)
MOTOROLA:	MOT	19.15	(0.6%)	(6.1%)
NDS:	NNDS	51.29	3.30%	6.30%
NORTEL:	NT	31.42	(0.8%)	17.40%
OPENTV:	OPTV	2.83	1.80%	22.00%
PHILIPS:	PHG	39.03	0.20%	3.90%
RENTRAK:	RENT	15.19	0.30%	(2%)
SEACHANGE:	SEAC	10.74	0.80%	5.10%
SONY:	SNE	52.27	(0.6%)	22.00%
SPRINT NEXTEL:	S	19.27	1.60%	2.00%
THOMAS & BETTS:	TNB	53.81	3.30%	13.80%
TIVO:	TIVO	6.31	1.60%	23.20%
TOLLGRADE:	TLGD	12.67	5.10%	19.90%
UNIVERSAL ELEC:	UEIC	27.89	28.30%	32.70%
VONAGE:	VG	5.39	(0.7%)	(22.3%)
VYVO:	VYVO	4.20	(0.7%)	(7.3%)
WEBB SYS:	WEBB	0.06	50.00%	50.00%
WORLDGATE:	WGAT	1.15	(4.2%)	(14.2%)
YAHOO:	YHOO	32.10	0.60%	25.70%

Company	Ticker	2/23 Close	1-Week % Chg	YTD %Chg
TELCOS				
AT&T:	T	37.00	(1.3%)	6.50%
QWEST:	Q	8.54	1.10%	2.00%
VERIZON:	VZ	38.41	(0.2%)	6.40%

Company	Ticker	2/23 Close	1-Week % Chg	YTD %Chg
MARKET INDICES				
DOW:	INDU	12647.48	(0.9%)	1.50%
NASDAQ:	COMPX	2515.10	0.80%	4.10%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. WEBB SYS:	0.06	50.00%
2. UNIVERSAL ELEC:	27.89	28.30%
3. CONCURRENT:	1.53	15.00%
4. CROWN:	4.25	9.00%
5. COMMSCOPE:	39.14	7.40%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. BLNDER TONGUE:	2.18	(9.2%)
2. DIRECTV:	22.88	(4.2%)
3. WORLDGATE:	1.15	(4.2%)
4. GCI:	14.67	(3.3%)
5. ADVANTAGE:	3.60	(2.7%)

WANT SOME PERSPECTIVE?



CABLE360.NET, THE BIG PICTURE NETWORK.

MaxFAX...

What 1st Amendment?

Did anyone notice that *Mel Karmazin*, in pitching the concept of merging 2 DARS license holders (something specifically prohibited by his license and the other guy's), brought up the



Paul S. Maxwell

idea of a la carte satellite radio channel selection by consumers?

Think he might have been pandering a bit to Federal Confusion Commission chmn *Kevin Martin(et)*?

Kind of hoping a concession here or there might help get the merger of **Sirius** and **XM** past the **Commission**... well, might work.

Think the cable industry might have to do some pandering? *Martin(et)* is raising more and more anti-cable flags in Washington, D.C. almost every week. So far, these issues—some of which should go away—remain on the table:

- a la carte... sell individual channels.
- Indecency... liability for (and if you don't know it when you see it, well!).
- Violence... liability for.
- Parity... that is, cable and premium equal to broadcasting.
- Multicast must carry... whatever that means.

The Commission, for whatever reason, has apparently declared war on cable... and cable programming. The Chairman, responding to an order from Congress, now has a study that suggests violence can be regulated... much in the same way sexual content is regulated... at first, by time of day.

So what's happening? Well, just look at the five-sided war being waged on cable from his perspective:

- a la carte—remake the business model... "I don't like it"
- Indecency—fine them silly! Then they'll cover up.
- Violence—move it past 10 pm, then midnight, then...
- Parity—no free pass for cable or premium TV.
- Multicast must carry—let's take cable's spectrum!

It's a pentangle of possible penalties... and all attack the very basics of the cable television business. Washington just won't go away... vigilance and aggression are called for!

To arms! (Well, not quite that bad, yet. But stay tuned).

Random Notes:

- **Swing for the Fences:** Cool C.A.R.E.-like package from *Matt Polka* of the **ACA** promoting their 14th Annual Washington Summit (coming to the Wyndham in DC April 17-18; sign up @ <http://www.americancable.org/>). These guys hit better than the

Washington Nationals... only thing, they've banned the word "extortion" from conversations in case some lawyers are lurking about from the NAB. Come fight the good fight with a baseball theme... I'll be there (watching my language a bit more than usual).

• **EPG Integration?** Last time I was in the U.K., I played with **BT Vision**. It's a combination of the over-the-air **Freeview** service with **British Telecom's** broadband connection. It uses a combined EPG for subscriber navigation of both the over-the-air signals and the video on demand library from BT. So, why doesn't **CableLabs** develop a box that could combine cable network, local cable and over-the-air signal program listings into a combined EPG? Perhaps even including an antenna connection? Or a built-in antenna? Gee, maybe they already have? Stay tuned. Might be cheaper than retransmission payments.

• **It's a Love Thing:** Was going to join our friend *Ken Solomon* in Las Vegas this week for **The Tennis Channel** Open to watch *James Blake* defend his title... but, sad to say, had to really work this week instead! But I'll be watching!

Paul Maxwell

T: 303/271-9960

F: 303/271-9965

maxfax@mediabiz.com

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