

# CableFAX Daily™

Friday — February 29, 2008

What the Industry Reads First

Volume 19 / No. 040

## Synergy Energy? DirecTV Mum on Liberty Opportunities

New Liberty family member DirecTV held its "Investor Day" Thurs, but those hoping it would comment on synergies following the just completed Liberty deal were out of luck. CEO Chase Carey repeatedly said it was too early to get into hypotheticals regarding how DirecTV might leverage its new relationship with Starz, WildBlue, QVC and other Liberty properties. "What are the opportunities to find win-wins? I think we've probably got to sit down with them and see what's there," he said. He was just as mum on synergies between the content and distribution side. "Maybe you can launch channels, maybe you can just launch product extensions. You can use your distribution... [but] that doesn't mean, necessarily, you're going to acquire content," Carey said. "If there was something there that was really compelling and we thought made sense, I guess we'd look at it." DirecTV said sub growth was running slightly below '08 expectations, likely falling short of 18mln, but in the mid-17mln range. It predicted that revenue would climb 16% over the next 3 years to \$20bln in '10, with net subs adds of 1.5-2mln during that time. The provider continued its cocky stance on HD, with Charter-turned-DirecTV evp Derek Chang taunting that he's still trying to understand what an "HD option" is—a reference to cable's boasts of HD VOD offerings alongside HD linear channels. Chang provided a chart showing that DirecTV currently offers 92 national HD channels. By comparison, he pegged DISH national HD net offering at 51 as of a couple weeks ago, followed by Cablevision at 45, Comcast Philly at 27 and Time Warner Cable NY at 26. Sports continues to be an area of focus for DirecTV, but Chang issued a warning bell over escalating sports rights. "While sports is important to us, we clearly will not do deals that do not make sense for us in our business," he said. "And when they do make sense for us, we'll try to pursue them in a way where we can get out in front of the opportunity and use the opportunity, such as with the Big Ten." Retrans battles are also on his radar. "We cannot expect to be immune from this challenge," Chang said, referring to recent cable-broadcast scraps. Areas marked for improvement in '08 include service quality and efficiency, with Carey conceding that they're just not where they should be.

**FiOS Who? Cablevision** delivered the goods, with 4Q results sending shares up nearly 4% at Thurs' close. The MSO beat analyst expectations on most metrics. Rev rose 10.8% to \$1.84bln, as basic adds totaled 1K, digital 43K, HSD 62K and phone 102K. "That Cablevision reported positive basic subscribers is a remarkable feat given the extensive overlap with Verizon's FiOS," said Sanford Bernstein's Craig Moffett. CVC brass said that Verizon had 980K passings to which it could legally market video service at the end of Dec, and that it actually had constructed out to 1.2mln passings total. No surprise that Jim Dolan & Co declined to comment on speculation of asset sales, including Rainbow. "We feel strongly about our programming services," Dolan said. "They're doing very well, particularly this year with the new programming they've added. We think they still work well." Indeed, EBITDA at Rainbow rose 9%, and revenue climbed 12% to \$179mln, with AMC a current cable darling. "We have seen significant [advertiser] price increases. We're look-



## ONE NIGHT DEFINES A CHAMPION.

On March 10, GSN hosts the nation's brightest 50 student finalists in Los Angeles as they compete for the chance to win \$40,000 towards college tuition.

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CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.com ● fax:301/738-8453 ● Editor-in-Chief: Amy Maclean, 301/354-1760, amaclean@accessintel.com ● Exec Editor, Michael Grebb, 301/354-1790, mgrebb@accessintel.com ● Assoc Editor, Chad Heiges, 301/354-1828, cheiges@accessintel.com ● Asst VP, Ed Director, Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 240/753-5696, dvodenos@accessintel.com ● Acct Mgr: Erica Gottlieb, 212/621-4612 ● Marketer: Doreen Price, 301/354-1793, dprice@accessintel.com ● Marketing Director: Carol Bray, 301/354-1763, cbray@accessintel.com ● Prod: Joann Fato, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Paul Maxwell/Columnist.Subs/Client Services: 301/354-2101, fax 301/309-3847 ● Group Subs : Angela Gardner, 757/531-1369, cfaxgroupsub@accessintel.com

ing forward to an excellent upfront and strong '08," said Rainbow head *Josh Sapan*.

**Moving Out:** NTIA acting admin *Meredith Baker* plans to leave her post. She's been the point person for the gov't's digital coupon program since NTIA head left in Nov. Baker has committed to remain at the agency until a replacement is confirmed. Her departure comes at a critical time, with less than a year remaining before the DTV transition.

**DTV Transition:** CEA pres/CEO *Gary Shapiro* seems to be on a new kick these days: mocking the idea that a less-than-perfect DTV transition is cause for serious concern. "If a few Americans go without television service for a day or two, the Republic will survive," he told attendees of a **Media Institute** luncheon Thurs in DC, adding that short-lived DTV hiccups wouldn't compare to the subprime mortgage crisis. "I would submit to you that losing your home is a bit worse than losing your TV service for a few days," he said. During the Q&A portion, Shapiro said he sees some "reasonableness" to suggestions that people be allowed extensions on the current 90-day deadline to use DTV converter box coupons. In addition, Shapiro continued to rail against the **Community Broadcasters Association**, which represents low-power TV stations that want to mandate an analog pass-through capability on DTV converter boxes. "It's not the 11th hour," he said. "It's the 13th hour." He criticized CBA's "so-called public service announcement" on the DTV transition, which he called "mean spirited" and "irresponsible" for supposedly deriding the current DTV converter box program. CBA didn't respond to requests for comment by presstime.

**Earnings:** Liberty Media's celebration Thurs over the completion of the **News Corp-DirectTV** deal helped brighten the day despite continued challenges at **QVC**, which pres/CEO *Mike George* acknowledged showed "poor overall results." QVC's operating cash flow decreased 5% during the quarter to \$531mln and remained flat for the year at \$1.65bln; operating income, however, was \$396mln in 4Q, up from \$231mln in 3Q. Strength at e-commerce play **Backcountry.com** helped limit Liberty Interactive Group's operating cash flow decline to 3% in Q3. Liberty Media pres/CEO *Greg Maffei* also told analysts the company will be on the lookout to buy e-commerce plays in '08 but stressed that few attractive properties exist at reasonable prices. Meanwhile, **Starz Entertainment Group's** cash flow grew 42% year-over-year because of sub growth and reduced content costs in '07, although operating cash flow decreased 4% in 4Q. Starz's operating income was \$210mln in '07 vs \$163mln in '06. Liberty shares closed at \$14.71, down 2.5%.

**RSN Round-Up:** **Fox Sports Net NY** will be renamed **MSG Plus** on Mar 10. It will still feature **Fox Sports** programming, including "Best Damn Sports Show Period." The rebranding will mean a greater focus on sports in the local market and targeting of a younger age group, according to **Cablevision** vice chmn *Hank Ratner*. -- Fresh off its buyout of **News Corp's DirectTV** stake, **Liberty Media** announced the formation of the **Liberty Sports Group**. It's comprised of **FSN Northwest**, **FSN Pittsburgh** and **FSN Rocky Mountain**. The RSNs will continue to operate under the FSN brand and maintain their Fox Sports syndication relationship. Former FSN Northwest gm *Mark Shuken* will head the group.

**Spat:** **Cox** and Topeka, KS, **CBS** affil **WBIW** still hadn't reached a new retrans agreement Thurs afternoon. The 2 sides did come to an agreement on when their current contract expires—12:01 am Sat. If a deal's not reached by then, WBIW says it will pull its signal. The **Gray**-owned broadcaster had initially thought it ended at 12:01 Fri, while Cox maintained it was 12:01am Sat (**Cfax** mistakenly reported earlier that Cox thought it had 'til 12:01am Mon).

**Competition:** **AT&T's U-Verse** will add **Players Networks'** "Vegas on Demand" VOD channel, which features



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# BUSINESS & FINANCE

about 50 free shows/month. -- **Verizon** will make a \$200mIn investment in MA as it plans to expand its FiOS TV service to 30 more communities this year. It will also expand HSD service to 23 other communities in the western part of the state.

**Sprint Slump:** Sprint's crummy financials continued when it reported a \$29.45bln 4Q loss Thurs. One of the few bright spots remains its cable-centric IP business, which increased 42% to \$453mIn in annual revenue. Some 700K new cable customer lines were added in '07, with Sprint now serving 3.3mIn lines for cable.

**Programming:** When **Discovery's Planet Green** launches in June, it will be with celeb chef *Emeril Lagasse* on the payroll. Daily series "Emeril Green" (working title) will be shot exclusively at **Whole Foods Market** and is set for a July debut.

-- **Style** acquired 13 eps of career competition series "Making It Big," which debuts Mar 5, 7pm.

-- **MSNBC** re-telecasts the Tues' Democratic Debate Fri at 8pm ET, Sat at 8pm ET and Sun at 4pm ET.

-- **IFC Films** on Fri launches Festival Direct, which makes films that have premiered at major festivals available for a limited time on cable VOD platforms. MSO participants: **Cablevision, Cox, Time Warner Cable, Comcast and Charter.**

**People:** *Paul Navin* was named vp, tech ops for **Comcast's** Three Rivers Region.

## CableFAX Daily Stockwatch

Company	02/28 Close	1-Day Ch	Company	02/28 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	45.59	(0.98)	AMDOCS:	31.74	(0.45)
DIRECTV:	26.04	(0.45)	AMPHENOL:	37.97	0.03
DISNEY:	32.54	(0.56)	APPLE:	129.91	6.95
ECHOSTAR:	30.54	0.81	ARRIS GROUP:	5.95	(0.23)
GE:	33.85	(0.17)	AVID TECH:	24.27	(0.32)
HEARST-ARGYLE:	22.43	(0.18)	BIGBAND:	6.24	0.06
ION MEDIA:	1.45	0.00	BLNDER TONGUE:	1.60	0.01
NEWS CORP:	19.85	(0.38)	BROADCOM:	19.50	(0.86)
<b>MSOS</b>					
CABLEVISION:	27.90	1.00	C-COR:	11.00	0.00
CHARTER:	1.00	(0.03)	CISCO:	24.66	(0.29)
COMCAST:	20.12	(0.14)	COMMSCOPE:	38.45	(0.71)
COMCAST SPCL:	19.88	(0.12)	CONCURRENT:	0.82	0.02
GCI:	6.00	(0.36)	CONVERGYS:	14.64	(0.75)
KNOLOGY:	12.58	(0.07)	CSG SYSTEMS:	11.62	(0.09)
LIBERTY CAPITAL:	117.24	(1.46)	ECHOSTAR HOLDING:	39.13	0.38
LIBERTY GLOBAL:	39.77	0.50	GEMSTAR TVG:	4.85	(0.03)
LIBERTY INTERACTIVE:	14.71	(0.37)	GOOGLE:	475.39	2.53
MEDIACOM:	4.10	(0.29)	HARMONIC:	9.14	0.14
ROGERS COMM:	42.97	0.00	JDSU:	13.31	(0.46)
SHAW COMM:	20.38	0.13	LEVEL 3:	2.38	0.00
TELEWEST:	24.20	0.00	MICROSOFT:	27.93	(0.33)
TIME WARNER CABLE:	27.89	(0.12)	MOTOROLA:	10.40	(0.48)
VIRGIN MEDIA:	15.44	0.28	NDS:	50.90	(0.18)
WASH POST:	735.80	12.43	NORTEL:	9.07	(0.86)
<b>PROGRAMMING</b>					
CBS:	23.96	(0.03)	OPENTV:	1.35	0.02
CROWN:	5.50	(0.27)	PHILIPS:	39.84	(0.51)
DISCOVERY:	23.29	(0.26)	RENTRAK:	11.90	0.15
EW SCRIPPS:	43.00	(0.35)	SEACHANGE:	6.20	(0.1)
GRUPO TELEVISA:	22.68	(0.2)	SONY:	48.84	(0.81)
INTERACTIVE CORP:	21.47	(0.53)	SPRINT NEXTEL:	8.09	(0.86)
LIBERTY:	8.32	0.06	THOMAS & BETTS:	40.29	(0.7)
LODGENET:	9.61	(0.63)	TIVO:	8.90	(0.27)
NEW FRONTIER:	5.05	(0.01)	TOLLGRADE:	5.68	(0.09)
OUTDOOR:	7.55	0.01	UNIVERSAL ELEC:	23.49	0.08
PLAYBOY:	8.09	0.00	VONAGE:	1.95	(0.07)
TIME WARNER:	16.02	(0.51)	VYYO:	1.42	0.02
UNIVISION:	36.23	0.00	WEBB SYS:	0.07	0.00
VALUEVISION:	5.65	(0.04)	WORLDGATE:	0.30	0.00
VIACOM:	41.42	(0.37)	YAHOO:	28.15	(0.22)
WWE:	17.75	0.16	<b>TELCOS</b>		
<b>TECHNOLOGY</b>					
3COM:	2.91	(0.09)	AT&T:	35.96	0.76
ADC:	13.81	(0.39)	QWEST:	5.61	(0.01)
ADDVANTAGE:	4.29	0.01	VERIZON:	37.18	0.79
ALCATEL LUCENT:	6.17	(0.16)	<b>MARKET INDICES</b>		
DOW: 12582.18 (112.1)					
NASDAQ: 2331.57 (22.21)					

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**PROGRAMMER'S PAGE** with Chad Heiges and Seth Arenstein

**Suit Up Collier, Bench Thomas**

If any **Cablevision** shares were currently in my portfolio, I'm not sure what I would like to see the *Dolan* family do to increase their value. Stock buybacks, asset sales, acquisitions—the possibilities are numerous. But I do think that the MSO should hold onto **Rainbow Media** and jettison part or all of **MSG**. Let's put aside the segments' growth prospects and valuations for a moment to look 1st at perhaps the most important aspect of any business: core competencies. To me, it's clear that Rainbow counts as a CVC strong suit, while MSG, particularly the **NY Knicks**, better resembles a deuce of clubs. While **AMC** continues to lead Rainbow with sharp originals and solid distribution, *Isiah Thomas* and MSG continue to lead the Knickerbockers to awful records, both on the court and in court. Bottom line: the org looked and continues to look like a circus without a ringleader. Yes, *Forbes* estimates the franchise's worth at \$608mln, highest in the **NBA**, and US sports franchises rarely decrease in value. But the team delivered negative operating income last year, worst in the league, and its home, venerable **Madison Square Garden**, is a dinosaur compared to comparable US arenas. Plans for renovations or perhaps a new arena are in flux, but either would help turn around the team's finances. But when? Meanwhile, Rainbow offers steady distribution and ad rev, and arguably has more room for improvement. All of which leads to its approx \$3bln valuation versus the Knicks' \$608mln. Oh, the possibilities with a balance sheet stuffed with unfettered billions! But CVC already has munificent FCF and certainly doesn't need such a coffer boost. Nor do its shareholders, at least not at Rainbow's expense. They should just short the Knicks, historical cachet notwithstanding. *CH*

**Worth a Look:** "Deliver Me," Tues, 10pm, **Discovery Health**. Docu-reality series following friends who are mothers and ob gyn docs. A more personal show than anything seen on Health, but nicely done. – "Dirt," season II premiere, Sun, 10pm, **FX**. *Courtney Cox* returns to further distance herself from "Friends." She does it as the world's most gorgeous tabloid editor. The plots of the opening eps seem shamelessly ripped from real tabloids. – "Bizarre Foods w/ Andrew Zimmern," Tues, 10pm, **Travel**. Pass the penis soup and seasoned lamb's blood, please. *SA*

**Live/Not Reviewed:** "Twins at Yankees," Wed, 1pm, **ESPN**. Spring training games don't count, so why can't we wait for the regular season to begin? Why should we? – "Your Mama Don't Dance," Fri, 9pm, **Lifetime**. Will the ratings roll continue for Lifetime when this reality competition replaces *Carson Kressley*? The series features young, attractive dancers, who don't need Carson's help to look good naked, vying for \$100K with a relatively flat-footed parent as their partner. Mamas and papas are hoofing. So why the show's title? Sexism rears its ugly head again. – "Newsnight," Fri, 10pm ET, **BBC A**. The premiere for an international edition of the British news program, hosted by aggressive interviewer *Jeremy Paxman*. Paxo's guests include *Ralph Nader*, Nobel economist *Joseph Stiglitz* and pianist-conductor *Daniel Barenboim*. *SA*

Basic Cable Rankings (2/18/08-2/24/08)			
Mon-Sun Prime			
1	USA	2.4	2324
2	DSNY	1.8	1692
3	TNT	1.7	1659
4	ESPN	1.5	1470
5	CNN	1.4	1372
5	NAN	1.4	1342
5	FOXN	1.4	1316
8	TBSC	1.3	1238
9	FX	1.2	1098
9	HALL	1.2	977
11	LIFE	1	1009
11	SPK	1	997
11	TOON	1	972
11	A&E	1	968
11	DISC	1	960
11	HIST	1	910
11	TRU	1	907
18	HGTV	0.9	863
18	AMC	0.9	852
18	MTV	0.9	834
21	SCIF	0.8	781
21	FAM	0.8	760
23	CMDY	0.7	698
23	VH1	0.7	691
23	FOOD	0.7	645
23	TLC	0.7	638
23	MSNB	0.7	637
23	LMN	0.7	438
29	TVLD	0.6	600
29	BET	0.6	519
31	BRAV	0.5	481
31	EN	0.5	478
31	OXYG	0.5	400
31	NGC	0.5	325
35	ESP2	0.4	422
35	APL	0.4	409
35	TTC	0.4	373
35	WGNC	0.4	277
35	NOGG	0.4	271
35	SOAP	0.4	264
41	HLN	0.3	318
41	CMT	0.3	260
41	TWC	0.3	243
41	GOLF	0.3	241
41	TVGN	0.3	220
41	DHLT	0.3	196

\*Nielsen data supplied by ABC/Disney

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