

# CableFAX Daily™

Thursday — March 15, 2007

What the Industry Reads First

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## Martin Time: Hill Panel Drills Down on FCC Video Franchising Rules

FCC chmn *Kevin Martin* was grilled during the House Telecom hearing Wed—just probably not as hard as cable would've liked. Some of the harsh words came from House Commerce chmn *John Dingell* (D-MI), who accused the Commission of overstepping its authority by approving an order that relaxes video franchise rules for telcos and thus stepping on local governments' toes. Cable doesn't like that decision either, but for different reasons—it doesn't apply the same rules to cable. Ranking member *Joe Barton* (R-TX) brought up that point, saying cable companies have visited him in the last few months. "They are of the opinion that you're picking on them," he said. Not true, the chmn said. "I have to confess that I think most of the industries we regulate say we're picking on them at one time or another," said Martin. He went on to explain that the FCC has committed to launching a proceeding to extend the franchising rules to cable. What Martin did not say is that cable likely wouldn't be afforded those rights until after its current franchises expire—a big bone of contention in the industry. Martin also took some heat for the **AT&T-BellSouth** merger and a never-released report that found satellite-based e-911 tech often can't pinpoint the location of cellphone users calling from indoor locations (see Wed's *USA Today*). House Telecom chmn *Ed Markey* (D-MA) promised to bring all 5 commissioners in again on a regular basis, with Dingell chiming in that Congress may need to schedule an oversight hearing every month to "keep the Commission on track." Wed's hearing was the first time the full Commission has appeared before Congress in years. See "Hill Hearing" below for more on the cable issues that were addressed.

## Fighting For Eyeballs: Multiplatform World Opens Several Video Fronts

The war for TV audience mindshare is just getting started—and it's about far more than that screen in the living room. "Video is the next killer app," said **Tandberg Television's** svp, corporate dev *Martijn Lopes Cardozo* at **iHollywood Forum's** Digital Media Summit in L.A. on Wed. While that statement may seem dated (video, after all, has been around for decades), panelists discussing the increasingly multiplatform battlefield for viewers said it makes strange sense these days: TV isn't dead—it's just becoming nomadic. "The people who are watching TV today will continue watching TV for the next 20 or 30 years," said **G4TV** vp, interactive *Josh Krane*, adding that they'll just get their video from multiple screens of all shapes, sizes and locations. *Bill Binford*, **Verizon FiOS TV's** dir, programming, said the telco's goal is to build the "best platform" that beats cable on every front (more HD, faster data rates, better mobile apps)—but that the underlying mission is to keep it "simple" despite the quad play's inherent complexity. "That's where we're going to monetize it," he said. "We're going to be able to reach out and touch everybody." (Hey, isn't that **AT&T's** line?). When it comes to new video frontiers such as the mobile platform, *Ian Blaine*, CEO of **thePlatform** and svp, content publishing at **Comcast Interactive**, said mobile investments will start to snowball as more firms put stakes in the ground and pressure competitors to do the same. But he said video over broadband continues to be the primary focus as companies "try

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to figure out the mix between advertising-supported content and premium content.” He said ad presentation itself is also under examination: For example, a broadband video interview of a celebrity could include an ad that pops up right as the interviewer asks about the star’s new movie.

**Hill Hearing:** Here’s a rundown of some of the cable issues that came up in the 4-hour House Telecom hearing on the FCC Wed. **Retrans:** Rep *Nathan Deal* (R-GA) was the most vocal proponent of retrans reform. “We do need to protect the consumer,” said Democrat commish *Michael Copps*. “I think there is a need for an overall look to see if retransmission has worked the way it’s supposed to.” FCC chmn *Kevin Martin*, an a la carte supporter, noted that cable nets often cost more and that it would be helpful for the public to see how much they are paying for all channels. **ACA** followed up by calling on the FCC again to take up its petition for a rulemaking on retrans consent, which was filed 2 years ago. **Set-top Ban:** A few members raised concerns over inaction on waiver requests pending at the FCC related to a July 1 rule requiring cable operators to deploy separable or downloadable security. Rep *Mike Doyle* (D-PA) said he believes the full Commission should vote on the waivers, noting that some have been awaiting action for more than 200 days. **Cable Ownership:** Rep *Chip Pickering* (R-MS) reiterated **NCTA** chief *Kyle McSarrow*’s musings (Cfax, 3/14)—why reinstitute a 30% cap restricting how many multichannel subs a cable operator can have when telco giants Verizon and AT&T are in the space? Martin countered that the cap applies to the telcos’ video services as well, and that it only applies to video because of concerns over the buying power of video content.

**Digital Media Summit Notebook:** **Viacom**’s lawsuit this week against **Google**’s **YouTube** fed plenty of buzz at **iHollywood Forum**’s Digital Media Summit, with many attendees calling it a predictable negotiating tactic. “Companies like Viacom are looking at lawsuits as a way to extract certain business terms,” said *Brian Gruber*, founder/CEO of **FORA.tv**, a sort of YouTube for serious public forum events. But video sharing site **Motionbox** CMO *Douglas Warshaw* said Viacom could have a strong case. “If you’re going to call it a shakedown, it’s a legitimate shakedown,” he said. *Joe Hurd*, video sharing site **VideoEgg** vp, biz dev, theorized that Viacom execs were simply irritated that more people were watching its content on YouTube than on its own corporate Websites. “People are much more likely to watch content if it’s part of a community,” he said. At a cocktail reception Tues night, one techie who claimed to know Google founders *Larry Page* and *Sergey Brin* said they probably expected to be sued before they bought YouTube—and didn’t care because they want to change the world. “It’s just paper money to them,” he said. Must be nice.

**Retrans Winback:** **Mediacom** is attempting to win back some 7K former customers who canceled their service when **Sinclair** pulled its stations from the MSO Jan 6 (albeit with no frozen pizza this time). Mediacom is offering those in markets affected by the retrans spat a rebate of up to \$300 and free service for up to 6 months, with reduced rates following the promotional period (a contracts covering at least 18 months is required), according to local papers. Loyalists, too, are being rewarded, with a free 3-month offer to try a service such as premium movies or HSD.

**Sports:** The **Sen Commerce Committee** will explore the **MLB-DirecTV** deal in a hearing on exclusive sports programming, Mar 27. -- **ESPN** inked a deal with **Major League Lacrosse** to televise 11 games per season through ’16.

**In the States:** Thanks to a deal with the local **CBS** affil, **Cox** customers in RI will receive access starting Thurs to additional NCAA basketball tourney games, which will air on 4 channels in the area.

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**TV GUIDE CHANNEL**

# BUSINESS & FINANCE

**Mobile:** NBCU and MobiTV broadened their mobile content deal to include full-length programming from series such as “Monk” and “Battlestar Galactica.”

**Emmys:** Food Net led cable with 7 Daytime Emmy Award noms, followed by Nickelodeon (5), A&E (4), and Discovery Channel (3). Cartoon Net, Noggin and SOAPNet all earned a pair, while Disney, HGTV, Lifetime, MTV, TLC and Travel Channel each garnered 1 nom.

**Online:** NBCU and U-G content site Break.com inked a deal to produce “The Breakers,” a broadband show featuring attractive women breaking various objects.

**Honors:** Congrats to Cox, winner of the Assoc of Cable Communicators’ (formerly CTPAA) Golden Beacon award for its “Take Charge! Takes on Internet Safety” campaign. 83 Beacon awards were handed out Tues night. Time Warner Cable NE won ESPN’s Good Sports Award for its h.s. football on demand, and the Joel A. Berger AIDS awareness award went to Cable Positive for its “Join the Fight: Weapons of Mass Instruction” campaign. Check out cable360.net for additional Beacons coverage.

**Business/Finance:** A stellar 82% surge in VOD systems rev powered SeaChange’s 28% jump in FY07 rev to \$161.3mln. Net loss for the year was \$8.2mln, compared to a \$12.3mln net loss in FY06.

## CableFAX Daily Stockwatch

Company	03/14 Close	1-Day Ch	Company	03/14 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	43.33	0.15	ALCATEL LUCENT:	11.93	0.06
DIRECTV:	22.46	(0.04)	AMDOCS:	34.89	0.13
DISNEY:	33.73	0.11	AMPHENOL:	64.33	0.47
EHOSTAR:	42.50	(0.43)	ARRIS GROUP:	12.98	(0.13)
GE:	34.31	0.22	AVID TECH:	32.79	(0.1)
HEARST-ARGYLE:	25.89	(0.07)	BLNDER TONGUE:	1.84	(0.08)
ION MEDIA:	1.30	0.00	BROADCOM:	34.05	0.62
NEWS CORP:	23.77	0.00	C-COR:	12.70	0.11
TRIBUNE:	30.12	(0.44)	CISCO:	25.85	0.35
<b>MSOS</b>					
CABLEVISION:	29.99	(0.66)	COMMSCOPE:	41.15	3.31
CHARTER:	2.93	0.04	CONCURRENT:	1.43	0.03
COMCAST:	25.83	0.32	CONVERGYS:	24.64	(0.03)
COMCAST SPCL:	25.59	0.16	CSG SYSTEMS:	24.71	0.35
GCI:	15.12	0.16	GEMSTAR TVG:	4.09	0.11
KNOLOGY:	14.40	(0.11)	GOOGLE:	448.00	4.97
LIBERTY CAPITAL:	107.79	(0.2)	HARMONIC:	10.27	(0.25)
LIBERTY GLOBAL:	30.28	(0.39)	JDSU:	15.25	0.18
LIBERTY INTERACTIVE:	21.95	0.51	LEVEL 3:	6.22	0.06
MEDIACOM:	7.92	0.18	MICROSOFT:	27.40	0.68
NTL:	28.22	0.00	MOTOROLA:	18.40	0.16
ROGERS COMM:	31.80	0.27	NDS:	47.80	1.10
SHAW COMM:	34.81	(0.15)	NORTELV:	27.03	0.26
TELEWEST:	24.20	0.00	OPENTV:	2.65	0.00
TIME WARNER CABLE:	36.50	0.04	PHILIPS:	36.66	0.36
WASH POST:	753.90	7.29	RENTRAK:	14.76	0.09
<b>PROGRAMMING</b>					
CBS:	30.50	(0.06)	SEACHANGE:	7.85	(1.75)
CROWN:	4.75	(0.05)	SONY:	50.56	(0.71)
DISCOVERY:	16.95	(0.02)	SPRINT NEXTEL:	19.40	0.36
EW SCRIPPS:	43.20	0.10	THOMAS & BETTS:	50.01	1.25
GRUPO TELEVISIA:	28.04	0.27	TIVO:	5.96	0.04
INTERACTIVE CORP:	36.48	(0.04)	TOLLGRADE:	11.99	(0.17)
LIBERTY:	8.32	0.06	UNIVERSAL ELEC:	27.74	1.21
LODGENET:	25.26	(0.21)	VONAGE:	4.19	0.03
NEW FRONTIER:	8.30	(0.18)	VYYO:	4.16	0.00
OUTDOOR:	10.36	0.43	WEBB SYS:	0.05	0.00
PLAYBOY:	9.99	(0.06)	WORLDGATE:	0.90	(0.05)
TIME WARNER:	19.45	0.03	YAHOO:	29.86	0.30
UNIVISION:	36.02	0.03	<b>TELCOS</b>		
VALUEVISION:	11.61	0.00	AT&T:	37.21	(0.05)
VIACOM:	39.84	0.34	QWEST:	8.57	0.00
WWE:	15.70	0.12	VERIZON:	36.28	0.15
<b>TECHNOLOGY</b>					
3COM:	3.80	0.04	<b>MARKET INDICES</b>		
ADC:	16.32	0.44	DOW:	12133.40	57.44
ADDVANTAGE:	3.38	(0.04)	NASDAQ:	2371.74	21.17

# THE TOP 10 NETWORK DELIVERS THE #1 CABLE MOVIE OF THE DAY

**SACRIFICES OF THE HEART** delivered nearly 3.2MM unduplicated viewers.



Source: Nielsen Galaxy Explorer (2/26-3/4/07), Live+SD Prime Time HH coverage area rating (M-Su 8-11p), ranked among all measured ad-supported cable networks. Nielsen Galaxy Explorer (3/3/07), Live+SD coverage are HH rating, ranked among all ad-supported cable movies. Nielsen NPower Reach & Frequency report (3/3/07), Live P2+ unduplicated audience. Further qualifications available upon request.

## Think about that for a minute...

### Google Groks

Apologies to science fiction writer Robert Heinlein's fans for the use of his term "grok," which roughly means to fully understand or appreciate. But there have been a few indications, lately, that Google may at last be coming around to a more honest understanding of the current capabilities of the broadband infrastructure.

Google has been at the forefront of pushing the legislative notion of net regulation. There is little mystery about that, because in its most draconian form, that regulation would effectively stall most new business initiatives, particularly infrastructure upgrades, and leave the current "winners" in place. If you're Google, and currently the clearly dominant "winner," what better time than now to wave the yellow flag and force everyone to stay in the position they are currently in?



**Steve Effros**

Google already has its own capability to "enhance" its services on the Web. It has distributed server farms all over the place to make sure of that enhancement. It's the world's fourth largest server manufacturer. Clearly if it could stop anyone else, particularly other big players, like the ISPs, from building similar server farms and offering similar enhancements to others for a fee, then it stays "top dog." The cry for legislation that would prohibit the offering of any enhanced services on the Internet would effectively do that.

But now that folks are taking a closer look at what all this noise is about, the true implications are starting to be appreciated. Medical imaging or emergency response services could not get priority, for instance. Not a good idea.

But a recent statement by a Google policy advocate indicates there may be a change in attitude. He did not push for lots of regulation. He thought the FCC was the

wrong place for Internet rules. He suggested that all that was needed was an assurance that if ISPs offered enhanced services they be offered equally to all, that the ISP should not be able to solely advantage owned and operated sites and services without offering those advantages to others. That's a long way from the original "net neutrality" noise.

Maybe they are beginning to understand that further development of the broadband infrastructure will be in their interest, too, and that net regulation is not the way to get there!

Another Google official made a possibly related eyebrow-raising statement last month at a technology meeting in Europe. He said that from everything Google has been able to see, the Internet infrastructure simply will not, in its current form, be able to support "streaming video." Wow. Now that notion has been stated here for several years, but there's a big difference when Google says it too!

Video downloading? Yes, that can be done using peer-to-peer distribution once the digital rights management issues are all cleared. Sharing and copying? Yup, again, the DRM stuff has to be resolved, but that's doable. But "over the top" video streaming, turning the Internet into a direct competitor with cable?

No, even Google now admits the infrastructure would collapse if you really tried that, and they seem to be acknowledging that if the "Internet" was (very expensively) re-built to do that, you would in essence simply be re-inventing the wheel! Cable's infrastructure already does a great job of video streaming to a viewing base whether they watch live, or delayed via DVR or VOD. Grok.

*Steve*

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