

CableFAX Daily™

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What the Industry Reads First

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Difference of Opinion: MLB Balks at Cable's 'Extra Innings' Offer

In Demand and **MLB** exchanged dueling statements Wed over baseball's out-of-market package. Hours after In Demand announced that cable agreed to match **DirectTV's** \$700mln "Extra Innings" and **Baseball Channel** deal, the league came back to say the proposal does not match the MLB-DirectTV terms. "In spite of their public comments, the response falls short of nearly all of the material conditions (among them requirements for carriage of The Baseball Channel and their share of the rights fees for Extra Innings) set forth in the Major League Baseball offer made to them on March 9," said MLB pres/COO **Bob DuPuy**. He said **DISH Network** and In Demand, which represents cable, have until Mar 31 to match DirectTV's 7-year deal (baseball's first pitch is Apr 1). One of the key sticking points is the carriage of the Baseball Channel, which is scheduled to launch in 2009 and would reportedly only feature 26 games at launch. In Demand's owners and affiliates must agree to carry the Baseball Channel on programming packages that reach more than 80% of their total digital residential subs—which is approx 40% of their total sub base, DuPuy said in a letter sent to the **FCC** Wed. In Demand pres/CEO **Rob Jacobson** says the company's 3 owners—**Comcast, Cox** and **Time Warner Cable**—have agreed to carry the channel to at least the same number of subscribers as DirectTV. DirectTV will offer it as part of its basic package, which could mean 15mln+ homes. Cable, on the other hand, has not committed to carrying the channel on any particular programming package. "By rejecting this matching offer, MLB has proven it never intended for In Demand to have a fair and equal opportunity to bid for Extra Innings," said Jacobson in a statement following MLB's response. Another point of contention: licensing fees. DirectTV has agreed to an upfront fee for Extra Innings based on how many digital HHs it serves instead of a fee based on subs who actually take the package. But DuPuy told the FCC the per-sub served fee is "entirely fair and reasonable." In Demand and MLB have gone back and forth on proposals before, but this offer represents the most cable subs ever for the MLB channel, Jacobson told us in an interview. He pointed out that MLB could still do deals with other operators, including **Cablevision** and **Charter**, to put the Baseball Channel in millions more homes—potentially making it one of the biggest network launches in cable history. "This is an extremely fair and extremely good faith offer to meet the terms," Jacobson said. -- Look for the fireworks to continue, with a Sen Commerce hearing set for Tues on the issue. Sen **John Kerry** (D-MA) said Wed that MLB "must sit down with the carriers and come to an agreement that ensures all fans continue to have access to baseball as we begin the 2007 season."

West Side Story: It has been a discouraging tale thus far for **Time Warner Cable** in L.A., where the MSO has experienced problems integrating the former area systems of Adelphia and Comcast (**Cfax**, 3/1). Add to the headaches a Mon letter from **Dean Hansell**, pres of the city's **Board of Information Technology Commissioners**, to the MSO asking for an explanation for the ongoing transition troubles. Hansell cited a spike in customer complaints



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to the city as a cause for concern and asked for newly named L.A. evp **Barry Rosenblum** (**Cfax**, 3/16) to update the board in person. The MSO has added 500 customer service reps in the city and plans to hire more this year.

Competition: New Port Richey, FL, granted **Verizon** a video franchise Tues, marking the 13th state community to approve FiOS TV. -- **Verizon Wireless** launched Wed "The Limbo Show," an original game show mixing current events and pop culture with chances to win prizes such as TVs or trips.

Phone: The 8th Circuit Appeals Court on Wed affirmed a 2004 **FCC** order that classified **Vonage's** VoIP offering as an "interstate" service and therefore not subject to state public utility regulation. The court said an issue raised by the state of NY on regulation of fixed VoIP service—ie, what cable offers—was "not ripe for review." Cable and fixed VoIP services continue to be exempt from state regulation.

Advertising: **Nielsen** bowed "Place*Values," a software app letting users determine the past performance of product placements and evaluate new opportunities based on brand recognition, attitudes toward a brand and purchase interest. The app leverages the findings from Nielsen's product placement valuation study, in which 10K persons screened 50 cable and broadcast programs with commercials and product placements for nearly 200 consumer brands.

In The States: The **IA Senate** approved Tues a measure that would allow ops to apply for a statewide video franchise. The bill, being heavily pushed by **Qwest**, next moves to the state House. -- Everyone's aware of the indecency hullabaloo pertaining to programming, but if Sen **Doug Jackson** (D-TN) has his way, cable outlets will face sanctions for airing lurid ads. Jackson presented refined state legislation Tues in Nashville that would fine cable ops up to \$50K for airing ads for racy products such as "Girls Gone Wild" videos. Action on the bill is expected next week. -- **Optical Entertainment Net's** "Fision" IPTV service, which launched this month in Houston, added music/entertainment and sports net **ANTV** to its channel lineup. -- The 65K-seat **Citrus Bowl** in Orlando will host next year's "WWE's WrestleMania 24" (Mar 30).

Ratings: Premieres of "Til Death Do Us Part," **Court TV's** 1st original scripted series, garnered 1.2mln total viewers.

Programming: Hidden camera practical joke show "Prankville" (May) and "Ty Murray's Celebrity Bull Riding Challenge" (Aug) are among the 7 new programs announced by **CMT**. The net also picked up a 2nd season of "Dallas Cowboys Cheerleaders: Making the Team" (Sept) and a 3rd season of "Trick My Truck" and "Country Fried Home Videos" (July). -- **HBO's** doc "The Trials of Darryl Hunt" explores the titular character's fight for freedom following a NC murder conviction later disproved by DNA evidence.

Online: VOD net **HealthiNation** now provides content like 3-D animations and videos to **Yahoo! Health's** Website.

Technology: After a month delay, **Apple** is now shipping its touted Apple TV device that wirelessly transfers video and music stored on PCs to the set-top through a DVD player-like connection. The \$299 device could substantially shake up the home media market, according to several analysts.

Marketing: We don't think it'll start a "LonelyGirl15" phenomenon, but **S-A** is viral, posting a video on **You Tube** (<http://www.youtube.com/watch?v=zeFhzkUAYvw>). We're not sure how "it" will translate to YouTube junkies, but c'est la vie.

B2B: **CVC's** business broadband service provider **Optimum Lightpath** reported gaining more than 100 new

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Continued Giving: Former cable mogul and Washington-and-Lee alum *Gerry Lenfest* is giving the university \$33mln to be used to increase and maintain faculty salaries, bringing the former **Suburban Cable** chief's school endowment to \$63mln.

On the Circuit: The **CTAM Education Foundation** is accepting through Mon apps for diversity fellowships to its '07 "Executive Management Program." **Lifetime, Scripps Nets** and **Turner** are sponsoring the fellowships.

Honors: **Turner** is ranked 21st on *DiversityInc's* list of the top 50 cos for diversity, followed by **Cox** (25th) and **Comcast** (49th). But in a development that likely has **NAMIC** cringing, both **AT&T** (3rd) and **Verizon** (6th) trumped the cable properties. -- **Tandberg** took home the "Corporate Achievement Award" from *InteractiveTV Today* for launching **HSN's** "Shop by Remote" program, allowing users to purchase items while watching on-air broadcasts.

People: **Lifetime** promoted *Julie Stern* to vp, production. -- Congrats to our own *Amy Abbey*, who was promoted to associate publisher of sales for **CableFAX** and **CableWorld**.

CableFAX Daily Stockwatch

Company	03/21 Close	1-Day Ch	Company	03/21 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	45.60	1.80	AMPHENOL:	65.76	0.63
DIRECTV:	23.75	1.13	ARRIS GROUP:	13.76	0.27
DISNEY:	35.17	0.79	AVID TECH:	35.40	0.63
ECHOSTAR:	44.04	0.70	BLNDER TONGUE:	1.80	(0.02)
GE:	35.48	0.71	BROADCOM:	33.40	(0.16)
HEARST-ARGYLE:	26.50	0.24	C-COR:	13.53	0.14
ION MEDIA:	1.30	(0.01)	CISCO:	26.79	0.45
NEWS CORP:	24.80	0.36	COMMSCOPE:	43.40	0.19
TRIBUNE:	29.10	0.29	CONCURRENT:	1.40	0.02
MSOS					
CABLEVISION:	30.70	0.29	CONVERGYS:	25.66	0.34
CHARTER:	2.91	0.02	CSG SYSTEMS:	25.05	0.22
COMCAST:	26.85	0.57	GEMSTAR TVG:	4.37	0.15
COMCAST SPCL:	26.44	0.47	GOOGLE:	456.55	11.27
GCI:	14.51	0.16	HARMONIC:	10.41	(0.09)
KNOLOGY:	14.64	0.10	JDSU:	15.40	0.19
LIBERTY CAPITAL:	110.25	1.78	LEVEL 3:	6.17	(0.01)
LIBERTY GLOBAL:	32.24	0.42	MICROSOFT:	28.52	0.68
LIBERTY INTERACTIVE:	23.56	0.90	MOTOROLA:	18.74	(0.08)
MEDIACOM:	7.97	0.03	NDS:	49.48	1.10
NTL:	28.22	0.00	NORTEL:	26.11	0.24
ROGERS COMM:	33.12	0.16	OPENTV:	2.59	(0.04)
SHAW COMM:	36.28	0.95	PHILIPS:	39.30	0.97
TIME WARNER CABLE:	38.26	(0.04)	RENTRAK:	15.40	(0.02)
WASH POST:	763.00	1.00	SEACHANGE:	8.23	0.09
PROGRAMMING					
CBS:	30.67	0.18	SONY:	52.77	0.95
CROWN:	5.25	(0.03)	SPRINT NEXTEL:	19.29	0.14
DISCOVERY:	17.90	0.82	THOMAS & BETTS:	49.40	1.15
EW SCRIPPS:	44.45	0.42	TIVO:	6.18	0.10
GRUPO TELEVISIA:	29.60	1.08	TOLLGRADE:	11.84	0.03
INTERACTIVE CORP:	37.43	0.45	UNIVERSAL ELEC:	29.02	1.06
LODGENET:	27.50	(0.22)	VONAGE:	3.99	0.00
NEW FRONTIER:	9.16	(0.13)	VYYO:	6.31	1.38
OUTDOOR:	10.40	0.32	WEBB SYS:	0.05	0.00
PLAYBOY:	10.40	0.10	WORLDGATE:	0.84	0.13
TIME WARNER:	20.21	(0.04)	YAHOO:	31.29	0.96
UNIVISION:	36.14	0.04	TELCOS		
VALUEVISION:	11.90	(0.3)	AT&T:	38.86	0.95
VIACOM:	42.00	1.01	QWEST:	8.85	0.10
WWE:	15.75	0.16	VERIZON:	37.68	0.70
TECHNOLOGY					
3COM:	3.87	(0.06)	MARKET INDICES		
ADC:	16.67	0.22	DOW:	12447.52	159.42
ADVANTAGE:	3.45	0.05	NASDAQ:	2455.92	47.71
ALCATEL LUCENT:	11.98	0.02			
AMDOCS:	35.68	0.12			

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WHAT THE INDUSTRY READS FIRST.

Think about that for a minute...

Power Corrupts

Lord Acton's well used observation, "power corrupts, and absolute power corrupts absolutely," could probably be cited as the predominant theme in Washington these days. To be sure, that is the case in the increasingly acrimonious battles between Congress and the President. The entire debate over war and peace, civil liberties and security and economic "haves" and "have-nots" is being played out on a stage where leveraging power is the single constant.

The current administration came into office with at least one clearly defined goal: to bolster the power of the Chief Executive to the point where other "checks and balances" ceased to have a meaningful role. We see that fight continuing to play out even with Congress now in the hands of the "opposition." It's tough to wrest power away from those who accumulate it, once they've got it.



Steve Effros

Lord Acton suggested that the more power one accumulates, the more it corrupts the possibly benign intentions of the possessor. The signs are easy to spot; replace all the key decision-makers who access the levers of government with those who are loyal and friendly. It is not necessary that these people have knowledge or expertise in what they are doing, just who they are working for. Control the agenda. Don't allow issues to get raised until, so to speak, the "fix is in." If you don't have the votes, don't allow a vote. Delay.

Only release information that supports your point of view. If the data does not do that, get new data or change the assumptions of the data collection and reporting so that the preconceived position turns out to be supported.

Does all this sound familiar? Sure, I could be writing about the White House and Congress, the Iraq war, or "Brownie" doing a good job. But I'm not. I'm looking at what has happened to the FCC.

A spate of articles have appeared recently—from Wall Street analysts to trade and consumer press reports—about Chairman Martin and what or why he is doing what he is doing. In a hearing last week, a member of Congress even asked the Chairman why he appeared to be introducing so many proposals antithetical to the cable industry. His response was predictable, and in a way correct: the Chairman of the FCC is usually criticized by most industries the FCC regulates. True enough, but there is a difference.

As I have noted before, ever since the so-called "Sunshine Rules" inadvertently concentrated power in the Chairman's office (long before Chairman Martin got there), that office has accumulated power that appears to have reached its unfortunate peak. The result is that the processes of the Commission itself are being corrupted. I am not going to engage in the "...is Chairman Martin cable-bashing?" debate. What is clear is that Chairman Martin has some "favorite" issues, among them a la carte and indecency. He is a true believer in those issues and has found that he also has almost total control of the levers of power at the FCC. So he is using them to achieve what he sees as righteous ends, by whatever means.

Not a good sign, but a clear trend around Washington.

The fact that the other Commissioners seem to be frozen out of much of the decision-making process doesn't help either. It's the overall structure that has become dysfunctional, not just one person. The "corruption" is taking its toll. Lord Acton also noted that "...public discussion demands at least the profession of good faith." We can at least hope for that.

Steve

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