URGENT! PLEASE DELIVER

www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

4 Pages Today

CableFAX Daily™

Thursday — March 25, 2010 | What the Industry Reads First | Volume 21 / No. 057

Future Gazing: A Closer Look at Where Telco TV is Headed

Couple interesting points of view from analysts this week on cable's future growth. Citing expected recovering in housing and advertising along with growing equipment rental income, **Moody's** expects a near-term boost to normal course cable industry growth over the next 18 months. It estimates industry revenue and EBITDA will rise between 3%-5% through 2011. But a report to clients warned that phone and DBS competition and deepening penetration of the pay TV market will force down growth to low-single-digits over the longer term and cautioned that the firm may lower the sector's "positive outlook" to stable later this year ahead of a potential 2011-12 slowdown. Compare that to **Sanford Bernstein**'s view that the telco TV threat is slowing, suggesting that "cable video sub losses peaked in 2009 and will now begin to moderate, with a return to growth after 2012." Bernstein points to **Verizon** pulling back on expansion nationwide of FiOS franchise agreements, suggesting that '08 was the peak year for telco TV gains. Bernstein projects net additions to fall to 1.8mln this year (from 2mln in '09), but steeper declines further out (1.4mln net adds in '11 and less than 1mln in '12). "It's definitely true that the telcos have taken their foot off the proverbial gas pedal," Moody's svp *Russell Solomon* told us. "But that doesn't mean that they're not going to continue to focus—and perhaps focus more pointedly—on the markets where they have built out. We think they will be more competitive over time with prices and promotional offerings." Case in point, **AT&T** announced this week a $99/mo triple-play bundle that lets customers choose wireless as their phone option—recognizing that consumers are cutting the cord *(**Cfax**, 3/23)*. "We didn't really think that was going to come to the forefront for some time, if at all," Solomon said of the wireless option. Meanwhile, telco expansion continues. AT&T recently rolled out its **U-Verse** video to Springfield, MO, and surrounding areas—making it a direct competitor to **Mediacom**. The MSO doesn't have much overlap with the telcos' video services (its IN systems are where AT&T is most active), but it had been expecting this launch.

In the States: **Time Warner Cable's NYC** region will announce Wi-Fi service Thurs, giving its HSD customers access to a free wireless connection at several locations in the NYC area. It's also partnering with **Cablevision** to give subs access to thousands of free Optimum Wi-Fi zones throughout CVC's footprint. In turn, Cablevision subs will have access to TWC Wi-Fi zones (which include several parks in Manhattan and Queens and some Long Island Railroad platforms).

Retrans: The **FCC** opened its docket on retrans Fri. On Mon, **CBS**' *Martin Franks* and *Anne Lucey* were at the Commission to make the net's case for why the retrans process isn't broken. They're also saying that the FCC lacks jurisdiction to impose arbitration, standstills or otherwise get involved in the retrans consent process beyond the rules now in place. Any governmental involvement "would lead to an FCC that does nothing but oversee retransmission consent negotiations," CBS said in a filing about the meeting with staffers from all 5 commissioners' offices and Media Bureau chief *William Lake*. On Mar 9, **Time Warner Cable, Cablevision, DirecTV** and 11 others filed a petition asking the FCC to consider arbitra-

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC • www.cablefaxdaily.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, 301/354-1695, dvodenos@accessintel.com • Advertising Mgr: Erica Gottlieb, 212.621.4612 • Marketing Director: Carol Brault, 301.354.1763, cbrault@accessintel.com • Prod: Joann Fato, 301.354.1681, cdaily@accessintel.com • Diane Schwartz/VP and Group Publisher • Subs/Client Services: 301.354.2101, fax 301.309.3847 • Group Subs: Carol Brault, 301.354.1763, cbrault@accessintel.com

tion and forcing continuation of a broadcaster's signal during a retrans consent dispute. **Stifel Nicolaus** doesn't view the fact the FCC put it out for comment as its endgame, but rather as a necessary follow-up to recent testimony by the FCC chmn after he was grilled on the topic by retrans flag waver *John Kerry* (D-MA). But the firm does expect continued scrutiny from Congress and the FCC, putting more pressure on broadcasters to be cautious about cutting signals.

At the Portals: **Tennis Channel** is using **Comcast**'s own words to argue its program carriage complaint at the **FCC**. In its rebuttal to Comcast's response to the FCC complaint, the net notes a section of **Comcast Spotlight**'s Web page focused on selling tennis content states, "Professional tennis is similar to the PGA in its appeal, lending itself not to large audiences, but, rather, to dedicated viewers with higher financial means, education and sophisticated lifestyles." Tennis filed the complaint in Jan, claiming that Comcast discriminates against the net in favor of its own channels, **Golf** and **Versus**.

Tauke Talk: In light of the National Broadband Plan, it's even more important to overhaul the Communications Act, according to *Tom Tauke*, **Verizon's** evp, public affairs, policy and communications. One concern: the murkiness of the **FCC's** authority to regulate broadband providers under the so-called "Information Services" or Title 1 portion of the Act and the idea pushed by some to put broadband under the much more restrictive Title II networks that applied to phone networks. Tauke urged Congress to get involved during remarks Wed at the **NDN and New Policy Institute**. Among Tauke's proposals is a behavioral advertising policy that would apply to all players and require affirmative consent from users before they can be tracked online. Rather than rulemakings, he suggested industry advisory boards to help make real-time decisions.

On the Hill: **Sen Commerce** approved the Cybersecurity Act, which the **NCTA** supports as a way for govt and the private sector to work together to develop emergency response plans to protect the nation's critical broadband infrastructure.

World Cup: **Univision** detailed its cross-platform coverage for the Spanish-language broadcast of the World Cup, with all 64 matches being show in HD. For the 1st time, all games will be available to subs via VOD the next morning after it airs live. Some distributors will also offer HD VOD of the games. Live streaming will be at www.UnivisionFutbol.com. Univision and **TeleFutura** programs, including "Despierta América" (Wake-Up America) and "El Gordo y la Flaca" (The Scoop and the Skinny), will feature special World Cup editions of their shows. ***Editor's Note: CableFAX*** will publish a special mid-day report on "The Road to the World Cup" on Thurs. Look for it!

Wonder Women: Girl power was in the air Wed at the *Multi*-**WICT NY** Wonder Women lunch in NY, with a crowd honoring 12 super ladies. **Univision** evp *Tonia O'Connor* drew parallels between the help she got from her parents as a kid and the support she's received from her mentors. Calling herself "a bonafide TV junkie," **IFC** evp/gm *Jennifer Caserta* said her 4 ½-year-old son has learned well and can set the DVR to his preferred programs. **Insight** svp *Melani Griffith* touted her good teachers, **WE tv** chief *Kim Martin* and **Scripps**' evp *Lynne Costantini*. **Rentrak** advanced media pres *Cathy Hetzel* was proud to be part of "an industry that embraces change." **Showtime** svp *Pearlena Igbokwe* spoke of how TV taught her important lessons as a child in Nigeria. **Time Warner Cable**'s evp *Gail MacKinnon* praised *Tony Horton*'s "Beach Body" workout series mantra: "Do your best and forget the rest." Also honored were **Comcast**'s *Diana Kerekes*, **Cablevision's** *Kathleen Mayo*, **HBO's** *Sue Naegle*, **Fox Net's** *Rita Tuzon*, **Discovery's** *Jennifer Dangar* and **Cox's** *Kristine Faulkner*.

Earnings: **Suddenlink**'s 4Q rev grew 6% YOY to $398mln, while adjusted EBITDA was up 9.5% to $150.8mln. RGUs increased by 43.9K (7.1%), with bundled customers representing 54% of total customer relationships. Suddenlink lost 15.4K

BUSINESS & FINANCE

basic subs in the Q vs a loss of 5.8K a year ago. Digital video subs increased by 14.3K vs an increase of 7.5K in 4Q08. At year-end, 51% of digital customers took an advanced digital service, like HD or DVR. The MSO added 17.8K HSD customers and 27.2K residential phone subs in 4Q.

People: Former **FCC** commish *Tyrone Brown* will succeed *Andrew Schwartzman* as pres of **Media Access Project** on Apr 1. Schwartzman, who has headed the nonprofit for 3 decades, will continue as svp and policy dir. -- Former **IAC** COO, programming *Nick Lehman* has joined lifestyle net **Plum TV** as evp, gm. -- *Shad Burke* resigned for personal reasons last week as **Outdoor Channel**'s CFO. He will receive severance payments equal to $25K/month (less applicable tax withholding) for 1 year and will continue to provide consulting service for 12 months, according to an **SEC** filing. Until a successor is named, chief accounting officer *Doug Langston* will serve as the principal financial officer. -- Former **APTS** pres *John Lawson* is no longer serving as evp, leading policy strategy, distribution relations and strategic initiatives for the programmer. He's re-launching his consulting firm **Convergence Services** Apr 19. -- **WICT** tapped *Talton Gibson* as vp, communications.

Business/Finance: It's official: **Lionsgate** unanimously rejected *Carl Icahn*'s $575mln buyout offer, on Wed calling his price "woefully inadequate."

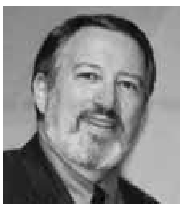
CableFAX Daily Stockwatch

Company	03/24 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
BRITISH SKY:	34.97	(0.06)
DIRECTV:	33.79	(0.21)
DISH:	20.67	(0.14)
DISNEY:	34.39	0.38
GE:	18.45	0.12
NEWS CORP:	16.83	0.09
MSOS		
CABLEVISION:	23.77	0.28
COMCAST:	18.18	0.09
COMCAST SPCL:	17.41	0.13
GCI:	5.73	(0.1)
KNOLOGY:	13.61	(0.35)
LIBERTY CAPITAL:	35.92	1.30
LIBERTY GLOBAL:	28.81	(0.14)
LIBERTY INT:	14.75	(0.08)
MEDIACOM:	6.00	0.03
RCN:	15.22	0.04
SHAW COMM:	19.54	(0.23)
TIME WARNER CABLE:	50.10	0.94
VIRGIN MEDIA:	16.89	(0.22)
WASH POST:	444.18	(5.17)
PROGRAMMING		
CBS:	14.24	(0.02)
CROWN:	1.96	(0.06)
DISCOVERY:	33.46	0.11
GRUPO TELEVISA:	20.62	(0.42)
HSN:	29.81	(0.54)
INTERACTIVE CORP:	23.70	(0.17)
LIBERTY:	37.25	(0.22)
LIBERTY STARZ:	52.64	0.64
LIONSGATE:	6.25	0.26
LODGENET:	7.10	0.10
NEW FRONTIER:	1.87	(0.08)
OUTDOOR:	6.58	(0.16)
PLAYBOY:	3.76	0.06
RHI:	0.30	0.02
SCRIPPS INT:	43.26	0.80
TIME WARNER:	31.25	(0.04)
VALUEVISION:	3.47	0.29
VIACOM:	34.91	0.26
WWE:	17.39	0.15
TECHNOLOGY		
3COM:	7.65	0.01
ADC:	7.32	(0.17)
ADDVANTAGE:	2.19	0.01
ALCATEL LUCENT:	3.16	(0.06)
AMDOCS:	30.45	(0.07)
AMPHENOL:	41.98	(0.27)
AOL:	25.94	0.02
APPLE:	229.37	1.01
ARRIS GROUP:	12.51	0.27
AVID TECH:	14.04	(0.19)
BIGBAND:	3.28	(0.05)
BLNDER TONGUE:	1.12	(0.03)
BROADCOM:	33.53	(0.67)
CISCO:	26.45	(0.19)
CLEARWIRE:	7.74	(0.13)
COMMSCOPE:	28.40	(1.16)
CONCURRENT:	5.38	(0.03)
CONVERGYS:	12.86	(0.08)
CSG SYSTEMS:	21.39	(0.38)
ECHOSTAR:	19.68	(0.07)
GOOGLE:	557.33	8.33
HARMONIC:	6.43	(0.06)
INTEL:	22.43	(0.24)
JDSU:	11.19	(0.14)
LEVEL 3:	1.67	(0.06)
MICROSOFT:	29.65	(0.23)
MOTOROLA:	7.25	(0.1)
OPENTV:	1.54	0.00
PHILIPS:	32.74	(0.68)
RENTRAK:	20.89	0.08
SEACHANGE:	7.43	(0.16)
SONY:	38.70	(1.74)
SPRINT NEXTEL:	3.94	0.11
THOMAS & BETTS:	38.15	(0.56)
TIVO:	16.59	0.41
TOLLGRADE:	6.76	0.47
UNIVERSAL ELEC:	23.05	(0.61)
VONAGE:	1.34	(0.04)
YAHOO:	16.09	0.06
TELCOS		
AT&T:	26.26	(0.29)
QWEST:	5.29	(0.07)
VERIZON:	30.46	(0.52)
MARKET INDICES		
DOW:	10836.15	(52.68)
NASDAQ:	2398.76	(16.48)

Think about that for a minute...

Convergence

Benjamin Kubelsky started out on stage, in vaudeville. He then moved to radio, then movies and television. He was dominant in his field at the time. Nobody ever suggested that Jack Benny not be allowed to move from radio to television because he would restrict competition and innovation in the "new converged" medium. Yet that seems to be the argument most heard these days when discussing "old" participants and business plans in existing technologies and the "new" technology of "broadband."



Steve Effros

The whole argument between "old" and "new," I think, is an anachronism. We're no longer in the era where, in theory at least, the broadcasters—had they been allowed to be cable operators at the same time—could have killed the industry to avoid competition in video programming. The same theory applied to newspaper ownership of television. Not that the papers would have intentionally suppressed the broadcaster, but that they would have locally dominated, and limited sources of news. That old restriction was just dealt yet another blow by the Courts, which seem to recognize that the old arguments about consolidation and power just don't seem to be as accurate today.

We've long discussed the potential implications of the idea that we have "converging" technologies. Print, video, voice, data are all in the process of being mixed together in various new ways. The definition of "convergence" by the way, is "the merging of distinct technologies, industries, or devices into a unified whole." The conceptual addition I would suggest is that it's not the technologies, themselves, that are necessarily important, it's what we do with them, and how they are used.

Let's take print as an example. We hear a lot about the "death" of newspapers. But I read more news now, in printed form, than I ever did. I dare say that was true of most of the students I taught in college telecom courses. The only difference is they weren't reading the print on compressed and processed wood, instead they were reading that print on a computer screen, or a Kindle, or soon an iPad or the like. They researched by subject matter rather than by an edited specific delivery mechanism, called a "newspaper," but they certainly read, and it was print, and in some cases it was written and edited by the same folks who wrote the "paper."

So is the "print" world dying? No. It's just using a different form of delivery. The same thing was true of Jack Benny when he moved from radio to television. The comedic entertainment was just delivered in a different form. *The New York Times* now has an extremely successful web presence. Same with the *Wall Street Journal*, and *USA Today*. Would anyone suggest that these "papers" not be allowed to use the new technology and different business plans because they were so dominant in the "old" technology? I think not.

Now the debate is starting about plans for additional broadband deployment and mergers between old and new technology companies like Comcast/NBCU. They, too, are moving toward that "unified whole" of converged telecommunications. Some are arguing that the "old" leaders should not be allowed to participate in some ways in the "new" technologies because they would present substantial competition to new entrants.

I think that's muddled thinking. The issue shouldn't be whether they present competition; they always have. It's only whether they present unfair competition based on abuse of some identifiable leverage or power, regardless of technology. That's a straight, established antitrust law analysis, with lots of existing precedent, and without institutional or technology bias.

Steve

T:703-631-2099
steve@effros.com