

CableFAX Daily™

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What the Industry Reads First

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About-Face: Martin Proposes Dual-Carriage Exemption for Small Ops

At a surprise appearance at ACA's DC conference Tues, FCC chmn *Kevin Martin* delivered news many small operators had been hoping for since last fall. He announced that he's circulating a proposal that would automatically exempt cable systems that are 552Mhz or smaller from FCC rules requiring them to pass along must-carry broadcasters' HD signals in HD. Of course, in typical Federal Confusion Commission fashion, just what the chmn was proposing had folks a bit bewildered at first. ACA and NCTA have lobbied for a blanket waiver for ops 552Mhz or small (or with 5K subs or fewer) from a dual carriage order (or as Martin calls it, a "viewability order") that was approved by the FCC last fall. In many cases, that order will require cable operators to carry must-carry stations' digital and analog signals for 3 years post-transition. Martin has maintained that the viewability order does not increase operators' carriage burden, while cable has argued that systems would find themselves forced to carry digital and HD signals along with analog signals, thus creating a dual or triple carriage requirement. The FCC chmn said repeatedly that he would not back down from that fall order—and he technically did not. His proposal would exempt small ops from an '01 FCC order that requires HD signals to be passed along in HD—not the dual-carriage order. However, ACA chief *Matt Polka* said the proposal meets the association's prime objective—that small systems only be required to provide 1 signal. Martin made that point clear in his remarks to ACA. "If your system is analog-only, following the digital transition you can down-convert broadcasters' digital signals to analog and send them to your subscribers exactly as you do today," Martin told ACA members, who greeted the news with a standing ovation. "If your system has both analog and digital subscribers, and your digital subscribers are unable to view an analog signal, you can down-convert broadcasters' digital signals to analog and send them to your analog customers while making the signal viewable to your digital subscribers as you are doing today. Most likely, that is by carrying an SD feed." Polka said that about 800 of ACA's 1100 members have systems affected by the exemption. Without such an exemption, some have said they might shut down some small systems. "This buys us some time 'til we can come up with a longer term solution," said *Jim Beattie*, asst gen counsel for **Bevcomm**, which operates some small systems in MN. NCTA, which has also fought hard for the exemption, applauded the proposal, with pres/CEO *Kyle McSparrow* calling it a "positive step" for small ops that don't have capacity to carry signals in both digital and analog. Martin announced his proposal just hours before several senators were expected to grill him on the issue at a Sen Commerce DTV transition hearing. The order is expected to easily gain FCC approval, with Democratic commissioners *Michael Capps* and *Jonathan Adelstein* having previously called for small operator relief. -- Martin also joked about his surprise appearance, telling ACA members that he thought it "better be impromptu since some of you might be armed."

New A la Carte Song: Having been completely unsuccessful in his desire to force retail a la carte on the industry, FCC chmn *Kevin Martin* proposed a slightly different idea Tues to a sympathetic **ACA** crowd. He suggested that consumers

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be able to choose whether they want to receive channels that are extracting a certain per/sub amount, throwing out the example of anything over 75 cents to \$1. His remark met with enthusiastic applause by the independent cable operators gathered in DC for their annual Summit Tues. Unlike its larger cable brethren, ACA has asked the FCC to require programmers and broadcasters to unbundle their offerings. "I think what he's saying is very close to what we've been saying," ACA CEO *Matt Polka* said, noting that it would allow ops to put expensive services on tiers. ACA doesn't support a la carte, but it would like more flexibility in how operators offer programming. Later in the day, Sen Commerce vice chmn *Ted Stevens* (R-AK) told Martin that a la carte is a solution in search of a problem. Big programmers, including **Disney/ESPN**, have argued against govt intervention in programming negotiations. While ACA says tying networks is a major problem for members, an ESPN rep countered that 30% of all cable systems take only ESPN and **ESPN2**.

Retrans Worries: While cable network tying and a dual carriage exemption got play at **ACA's** Summit Wed, there was no mistaking the main thrust of the conference: retransmission consent. Members repeatedly expressed concern about the upcoming retrans election cycle for broadcasters, which they said could mean 300-500% increases in the amount they pay for retrans. "It's going to leave bodies in the streets, but often that's what makes Washington [act]," **Sunflower Broadband** COO and ACA chmn *Patrick Knorr* said Tues. He compared retrans to the coal mining industry, saying Congress didn't step in with safety regs until lives were lost. In this case, those "bodies" could be the businesses of some ACA members and consumers' pocketbooks, Knorr said. A few years ago, the argument was over whether cable ops should pay at all for the signals, but that has shifted. The message that ACA members will spread to the 150+ members of Congress they visit this week is that there is price discrimination, with smaller operators sometimes paying 10 times as much or more than what their larger counterparts pay for retrans consent, according to ACA outside lawyer *Chris Cinnamon*. ACA members will work this week to "educate Congress that this [FCC] rulemaking on tying and bundling is moving and will have a positive impact on their constituents," said ACA CEO *Matt Polka*. For its part, broadcasters ran ads in DC Hill pubs this week saying retrans is fine as-is and calling cable operators monopolists.

In the Courts: A DC Court of Appeals heard oral arguments Tues on **Comcast's** challenge to the **FCC's** refusal to grant it a waiver from the July '07 set-top integration ban. Investment firm **Stifel Nicolaus** isn't optimistic that the MSO will prevail. "The 3 judges did not seem as critical of the FCC's reasoning as we would expect them to be if they were inclined to reverse the agency," Stifel said in a research note. "The fact that one judge appeared more critical of Comcast's arguments (or of mixed views at best) and the other two did not really push back against the FCC seemed to us a concern for the company."

DTV: Consumer awareness of the DTV transition is notably increasing, although "too many Americans remain confused" about the steps required for compliance, admitted **FCC** chmn *Kevin Martin* during the Sen Commerce hearing on the matter Tues. This amid expressions of concern from numerous senators on several nagging transition issues: a lack of information to the elderly and rural inhabitants; a need for additional analog pass-through converter boxes for low-power stations; and the potential need to replace thousands of outdated antennas. The legislators also urged the FCC to make the transition its top priority this year. Martin said the commission's outreach efforts have netted helpful partnerships to enhance public education. Sports leagues such as the **NFL**, **MLB** and **NHL** have signed on to help, as have more than 1K state DMVs, mayors of rural towns, Hispanic chambers of commerce and the Bureau of Indian Affairs. Plus, Martin



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BUSINESS & FINANCE

said he and FCC commish *Michael Capps* are working to identify a test market where a small-scale transition can be staged to truly assess any problems. "It's very difficult to figure out what needs replacing before the transition begins," said Martin. As for the analog pass-through converter boxes, **NTIA's Meredith Baker** said more will be available at retail outlets beginning next month, and that the approval process for others has been expedited. "The consumer education plan is beginning to work," said Baker. Converter box coupon requests crossed the 10mln plateau Tues and cover 5.3mln HHs.

Carriage: Comcast plans to add later this month 20 HD nets to its channel lineup in IL, including **A&E HD, Nat Geo HD** and **USA HD**.

Programming: IFC original "Z Rock" (Sept) is based loosely on a real band that performs at children's birthday parties, and features guest appearances by *Joan Rivers* and rocker *Dave Navarro*. The net also greenlit season 3 of "The Whitest Kids U' Know."

People: AT&T appointed *John Donovan* CTO. -- **SNY** named former Met *Darryl Strawberry* a baseball analyst, primarily for the net's pre- and post-game shows.

Business/Finance: FOX Nets' intl ad network has acquired a majority stake in European ad network **utarget**, which will be used to forge relationships surround **News Corp** Websites.

CableFAX Daily Stockwatch

Company	04/08 Close	1-Day Ch	Company	04/08 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	45.39	(0.59)	AMDOCS:	28.46	0.51
DIRECTV:	26.26	(0.17)	AMPHENOL:	42.21	0.24
DISNEY:	31.07	(0.45)	APPLE:	152.84	(3.05)
ECHOSTAR:	31.23	0.69	ARRIS GROUP:	6.20	(0.02)
GE:	36.95	(0.31)	AVID TECH:	24.89	0.11
HEARST-ARGYLE:	20.42	(0.13)	BIGBAND:	6.05	(0.07)
ION MEDIA:	1.45	0.00	BROADCOM:	20.15	(0.53)
NEWS CORP:	19.91	(0.19)	CISCO:	23.96	0.02
MSOS					
CABLEVISION:	23.82	0.01	COMMSCOPE:	38.13	1.12
CHARTER:	0.97	0.00	CONCURRENT:	0.77	(0.03)
COMCAST:	20.51	(0.25)	CONVERGYS:	15.41	0.00
COMCAST SPCL:	20.25	(0.15)	CSG SYSTEMS:	11.46	(0.01)
GCI:	6.64	0.08	ECHOSTAR HOLDING:	29.79	(0.8)
KNOLOGY:	13.68	0.43	GEMSTAR TVG:	4.75	0.02
LIBERTY CAPITAL:	16.29	0.01	GOOGLE:	467.81	(9.01)
LIBERTY ENTERTAINMENT:	24.74	0.16	HARMONIC:	7.96	0.12
LIBERTY GLOBAL:	35.68	0.13	JDSU:	14.66	0.13
LIBERTY INTERACTIVE:	16.33	(0.26)	LEVEL 3:	2.20	(0.01)
MEDIACOM:	4.81	(0.09)	MICROSOFT:	28.75	(0.41)
ROGERS COMM:	42.97	0.00	MOTOROLA:	9.49	(0.35)
SHAW COMM:	19.99	0.34	NDS:	46.79	(1.02)
TIME WARNER CABLE:	27.06	0.15	NORTEL:	7.17	(0.38)
VIRGIN MEDIA:	14.31	(0.23)	OPENTV:	1.15	(0.03)
WASH POST:	682.25	2.56	PHILIPS:	38.82	(0.68)
PROGRAMMING					
CBS:	22.32	(0.19)	RENTRAK:	13.49	0.62
CROWN:	4.82	(0.08)	SEACHANGE:	7.19	0.09
DISCOVERY:	22.00	(0.3)	SONY:	40.56	(1.91)
EW SCRIPPS:	42.38	(0.48)	SPRINT NEXTEL:	6.64	(0.17)
GRUPO TELEVISIA:	24.51	(0.41)	THOMAS & BETTS:	39.81	1.43
INTERACTIVE CORP:	21.21	(0.28)	TIVO:	9.10	0.26
LIBERTY:	1.00	0.00	TOLLGRADE:	5.86	(0.19)
LODGENET:	6.41	(0.08)	UNIVERSAL ELEC:	25.97	0.17
NEW FRONTIER:	5.00	0.01	VONAGE:	1.93	(0.03)
OUTDOOR:	7.34	0.10	YAHOO:	27.70	0.00
PLAYBOY:	8.73	0.00	TELCOS		
TIME WARNER:	14.73	0.04	AT&T:	38.80	0.19
UNIVISION:	36.23	0.00	QWEST:	4.63	(0.12)
VALUEVISION:	5.05	(0.41)	VERIZON:	36.75	(0.22)
VIACOM:	41.14	0.29	MARKET INDICES		
WWE:	19.76	0.54	DOW:	12576.44	(35.99)
TECHNOLOGY					
3COM:	2.41	0.02	NASDAQ:	2348.76	(16.07)
ADC:	12.50	0.15			
ADVANTAGE:	3.67	0.05			
ALCATEL LUCENT:	6.25	(0.16)			

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April 9, 2008

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Please contact me to discuss the following partnerships with CableFAX:

* On the Road to NCTA, our FAXIES event honoring the top cable marketing and pr campaigns will take place May 6 at the National Press Club in Washington DC. View the FAXIES finalists at www.cable360.net/events/faxies/. Ask about sponsorship and key on-site and online exposure.

* CableFAX: The Magazine, debuts at the FAXIES event but extends through The Cable Show. Secure your spot in this must-read, coffee-table book profiling the leaders in cable communications. Ad Sales Close is April 11.

* NCTA/Cable Show Coverage from our award winning editorial team in CableFAX Daily the week of May 12- May 16.

* Online Coverage of The Cable Show at cable360.net and Cablefax.com, before, during and after the Show.

* Distribution: CableFAX: The Magazine and CableFAX Daily will be distributed to all attendees of The Cable Show (room drops, editorial panels, bins and more), at the FAXIES event on May 6, and to more than 20,000 cable executives.

What are your goals during NCTA? We want to be part of your team to achieve your objectives. Please contact me at your earliest convenience to secure your unique spot with the industry's most trusted information source, CableFAX.

Thank you in advance, we look forward to serving you.

Warm Regards,



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