

CableFAX Daily™

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What the Industry Reads First

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Ready to Rumble: NFL, Comcast Finally Get Another Day in Court

NFL and Comcast will face off Tues in an FCC courtroom over their carriage dispute, but just what spectators at the administrative law judge proceeding will hear is a bit of a mystery given the amount of protected, sensitive business info involved. Both parties have lined up a list of big name witnesses, with Comcast calling in CEO *Brian Roberts* and COO *Steve Burke* along with *Matt Bond* and *Jeff Shell*. NFL's list of witnesses, which will testify 1st, includes former League commissioner *Paul Tagliabue* and former svp, biz affairs *Frank Hawkins*. The hearing follows NFL Net's FCC carriage complaint against the MSO, with the programmer arguing that Comcast favors its own networks (**Golf** and **Versus**) over other programmers by relegating NFL Net to a digital sports tier. It also claims NFL Net was moved to the tier after the League opted not to sell 8 live games to Comcast. No matter what chief administrative law judge *Richard Sippel* decides, the FCC's commissioners will have to agree to it. And then, of course, it's quite likely the losing party will appeal to federal court. While the ALJ proceeding is open, it's expected that much of the hearing won't be public because of confidentiality agreements. Spectators and reporters will be asked to leave the courtroom when discussions of private matters arise. Skim through the pre-trial briefs that both parties filed this month, and you'll find many lines blacked out. For example, here's an excerpt from Comcast's filing that takes aim at NFL expert witness Dr. *Hal Singer*, pres of economic consulting firm **Empiris**: "The NFL offers the testimony of Dr. Hal Singer, who purports to [blacked out] but his estimate is grounded in 'junk' science. Among the most obvious flaws in Dr. Singer's analysis is that it fails to take account of [blacked out]." (May not provide much insight, but it makes for a fun game of Mad Libs). Of course, Comcast will argue against the ALJ imposing mandatory carriage, but if Sippel does find for it, the MSO said it would only be appropriate to require digital carriage for no more than a certain number of subs per month. Of course, that specific number is blacked out... In arguing for mandatory carriage, NFL says that Comcast should be required to carry the channel on its mostly broadly penetrated tier for the entire length of the soon-to-expire contract. That's 4 years, 8 months and 19 days. The Comcast-NFL Net contract expires at the end of the month, long before any of this is resolved since it will likely be at least 4 weeks before Sippel issues his recommendation and possibly many months for the FCC to vote on it (remember, there's only 3 commissioners now, and *Julius Genachowski* hasn't yet been approved as chmn). Considering that NFL Net settled with **DISH** and let it keep the net on a lower-penetrated tier, we guess there's always a chance these 2 will kiss and make up, but we aren't holding our breath.

Inside the Beltway: Comments were due Mon on implementing the \$7.2bln broadband stimulus program. Interested parties reiterated their previous comments, with **ACA** saying that funds should go to both unserved and underserved areas. The group said **NTIA/RUS** should give priority to proposals that seek to invest in middle-mile infrastructure over last-mile infrastructure in underserved areas, while giving both equal priority in unserved areas.



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Verizon called for the program to focus on extending broadband to unserved areas and addressing demand-side factors that limit broadband adoption. The telco warned against imposing “regulatory ‘strings’ or eligibility criteria” that it said would deter participation. **NCTA** pushed for all entities, including private companies, to be allowed to apply for funding and for awards be made on a competitively and technologically neutral basis.

Competition: YES has become the 1st RSN in the county to gain distribution in all **FIOS TV** markets, with its HD feed now available as part of the platform’s Extreme HD package. For customers outside the net’s home markets of NY and NJ, substitute YES programming will air in place of Yankees and Nets games. Last week, the telco added in NY and NJ on-demand access to the net’s Yankees telecasts and other content.

Carriage: Cox added **NESNplus** and **NESNplus HD** in RI. -- **Comcast** launched **RFD-TV** on its sports/ent tier in Chattanooga. -- **DirecTV** added a 2nd nationwide **ION West** feed to serve customers in the Pacific and Mountain time zones.

On the Hill: After sharply rebuking **Time Warner Cable** last week for metered broadband pricing plans (**Cfax**, 4/9), Rep **Eric Massa** (D-NY) announced he is drafting legislation designed “to prevent job killing broadband Internet downloading caps.” Dubbed the **Broadband Internet Fairness Act**, the measure also seeks to enhance competition in areas currently served by a single provider and help ISPs create jobs and increase bandwidth.

Technology: Scuttle on **BroadbandReports.com** is that **Cablevision** is testing a 101Mbps/15Mbps service for \$289.95/month. The MSO’s fastest tier available now is 30Mbps/5Mbps. CVC declined to comment. -- 2 embedded digital voice adaptors from **Ambit** and **Thomson** have become the 1st PacketCable 2.0 equipment to receive **CableLabs** certification. Also, CableLabs has certified 7 DOCSIS 3.0 cable modems from companies including **Cisco**, **Netgear** and **SMC**.

Marketing/Advertising: Discovery Channel has devoted its entire online ad budget surrounding the new season of “Deadliest Catch” (Tues) to a 3-screen campaign spearheaded by **Microsoft Advertising**. For Tues’ big push, the net has purchased more than 90% of the day’s ad inventory owned by **MSNBC**, **Fox Sports**, **MSN**, **MSN Mobile** and **Xbox Live**, part of a campaign that includes the first-ever home page conjunction takeover across MSN and MSN Mobile plus a panoply of Microsoft-developed video, mobile and interactive media.

Upfronts: IFC and **Sundance** have bowed “Indienomics,” a new ad platform aimed at showing advertisers how the pair compares to competitors including **FX**, **Spike** and **Bravo** in terms of spending habits across multiple categories, perception of TV ads, the scope of influence among peers, and media habits. According to the viewer engagement study that serves as the platform’s foundation, the networks’ audiences “are significantly more likely to engage with these two networks across all platforms” and “spend more on everything [and] intend to keep spending, despite a weakening economy.” Sundance’s forthcoming programming slate includes series “Be Good Johnny Weir,” which follows the eponymous figure skater as he attempts to make his final Olympics in Feb, and “Cities on Speed” (’10), a 4-parter exploring the intense growth in mega cities such as Mumbai and Shanghai.

Programming: Spike is partnering with **44 Blue Prod** for pilot “USN” (wt), offering a look at the US Navy operation to end piracy in the Gulf of Aden. -- **Showtime** greenlit a 4th and final season of “The Tudors” (’10).

People: Dan Gonzalez, chief of staff for ex-FCC chmn **Kevin Martin**, has joined lobbying firm **IGR Group** as

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BUSINESS & FINANCE

a managing dir in the DC office. -- *Kelly Day* was upped to COO of **Discovery's** digital media and commerce division, reporting to *Bruce Campbell*. -- **Time Warner Cable** hired *Fernando Laguarda* as vp, external affairs and policy counselor. He was previously a partner at **Harris, Wiltshire & Grannis**. -- **SeaChange Intl** appointed former **Comcast** exec *Ed Dunbar* pres/COO.

Obit: **Phillies** broadcaster *Harry Kalas*, who appeared on **Comcast SportsNet** and the team's broadcasting partners, died after passing out in the **Nationals'** press box Mon. "Harry set the tone for the Phillies' successes, hopes and triumphs for 38 seasons and fittingly he died where he lived so large—in the broadcast booth at the ballpark," said Comcast Sports Group pres *Jon Litner*.

Business/Finance: *Al Gore*-backed **Current Media** has withdrawn its registration for an IPO, citing current market conditions. The parent of **Current TV**, which had filed in Jan '08 for an IPO to sell up to \$100mln in Class A common stock, requested that the **SEC** credit its account for fees already paid for possible future use. -- A special cmte of **Hearst-Argyle TV's** board has retained **Morgan Stanley** to assist with a review of **Hearst's** proposed tender offer to acquire all of the outstanding H-A TV shares it doesn't own for \$4/share in cash.

CableFAX Daily Stockwatch

Company	04/13 Close	1-Day Ch	Company	04/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	25.55	0.59	AMPHENOL:	29.86	(0.46)
DIRECTV:	24.37	0.11	APPLE:	120.22	0.65
DISH:	13.51	(0.17)	ARRIS GROUP:	8.95	0.00
DISNEY:	19.53	(0.35)	AVID TECH:	10.00	(0.29)
GE:	12.13	0.80	BIGBAND:	5.68	(0.19)
HEARST-ARGYLE:	4.51	0.23	BLNDER TONGUE:	0.95	0.05
NEWS CORP:	8.63	(0.1)	BROADCOM:	22.79	(0.38)
MSOS					
CABLEVISION:	17.39	0.81	CISCO:	17.89	0.07
COMCAST:	14.35	(0.27)	CLEARWIRE:	5.22	(0.37)
COMCAST SPCL:	13.48	(0.33)	COMMSCOPE:	17.41	(0.62)
GCI:	7.43	(0.04)	CONCURRENT:	3.74	(0.05)
KNOLOGY:	5.08	(0.06)	CONVERGYS:	9.46	(0.13)
LIBERTY CAPITAL:	9.97	0.36	CSG SYSTEMS:	14.88	(0.2)
LIBERTY ENT:	22.43	0.32	EHOSTAR:	16.01	0.03
LIBERTY GLOBAL:	17.11	(0.17)	GOOGLE:	378.11	5.61
LIBERTY INT:	3.74	0.00	HARMONIC:	6.78	(0.34)
MEDIACOM:	4.84	(0.09)	INTEL:	15.98	0.00
SHAW COMM:	15.53	0.16	JDSU:	4.27	(0.03)
TIME WARNER CABLE:	28.14	0.42	LEVEL 3:	1.03	(0.01)
VIRGIN MEDIA:	6.54	0.05	MICROSOFT:	19.59	(0.08)
WASH POST:	384.58	(4.27)	MOTOROLA:	4.81	(0.09)
PROGRAMMING					
CBS:	5.47	0.11	NDS:	62.93	0.00
CROWN:	2.17	(0.03)	OPENTV:	1.62	(0.03)
DISCOVERY:	17.66	(0.29)	PHILIPS:	16.53	0.27
EW SCRIPPS:	1.85	(0.24)	RENTRAK:	10.23	0.13
GRUPO TELEVISA:	16.30	0.08	SEACHANGE:	6.37	0.16
HSN:	5.64	(0.09)	SONY:	25.84	(0.15)
INTERACTIVE CORP:	16.60	0.09	SPRINT NEXTEL:	4.19	(0.1)
LIBERTY:	25.53	0.98	THOMAS & BETTS:	29.32	0.49
LODGENET:	1.65	0.10	TIVO:	7.40	(0.09)
NEW FRONTIER:	1.73	(0.02)	TOLLGRADE:	5.36	(0.19)
OUTDOOR:	7.25	0.08	UNIVERSAL ELEC:	18.56	(0.54)
PLAYBOY:	2.08	0.01	VONAGE:	0.40	0.00
RHI:	3.03	0.12	YAHOO:	14.42	0.95
SCRIPPS INT:	26.66	0.74	TCLCOS		
TIME WARNER:	22.04	(0.2)	AT&T:	26.02	(0.08)
VALUEVISION:	0.74	(0.05)	QWEST:	3.85	0.02
VIACOM:	20.66	0.28	VERIZON:	31.74	(0.36)
WWE:	11.58	(0.13)	MARKET INDICES		
TECHNOLOGY					
3COM:	3.66	(0.05)	DOW:	8057.81	(25.57)
ADC:	5.21	0.21	NASDAQ:	1653.31	0.77
ADVANTAGE:	1.49	(0.09)			
ALCATEL LUCENT:	2.14	0.06			
AMDOCS:	19.51	(0.47)			

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EYE ON DIGITAL

Give Us Our Free TV

It's déjà vu all over again. When the economy tanked, the dotcom bubble burst, and advertisers fled the Internet like the plague in 2001, publishers started chanting the mantra of the fee-based Web content model. Content costs money to produce, they chanted. Users must learn to pay. In 2009, the economy tanks and media models are struggling. Advertisers aren't necessarily jumping the digital ship this time around, but certainly the double-digit growth rates many digital units were modeling for the next few years is not going to happen. And like the predictable workings of the clock of doom we hear the lament again. This stuff costs money to make, you know? Users will have to pay.

And yet there is evidence that consumers of online TV content like the ad model, or at least tolerate it well enough. According to a new Knowledge Network study, 80% of downloaders of network TV video prefer ad-supported models and 69% of those streaming that content also would opt for pre-rolls over pay models.

The pre-roll ad format is becoming more commonplace as more Internet users embrace Web-based TV content. Since 2006, the share of onliners streaming TV episodes and clips over the Web has risen from 30% to 37%, while the share of those users who watch video without any pre-rolls has dropped from 15% to 10%. As video use rises, the ad-supported model has itself become ubiquitous.

Perhaps the most interesting wrinkle in user adoption of pre-roll models is the style in which we absorb these ad units. While 37% of video streamers actually watch the ads, another 32% say they only listen to the ads while doing something else. In other words a pre-roll habit seems to have set in online. Users understand the necessity of the pre-roll but leverage the digital environment to multitask while they run. This finding could have an interesting impact on how digital ads are designed, of course. The overwhelming majority of pre-roll advertising still includes re-purposed TV creative, all visually orient-

ed for a single screen audience. Knowledge Networks' research suggests that digital media planners might consider new or repurposed creative that emphasizes the audio channel as much as the video.

Another interesting implication of the study shows that users of different types of online TV content have varied attitudes towards advertising. For instance, among viewers of full-episode TV streams, 39% watched pre-roll ads, while 76% say they watched or listened to the ads. Among viewers of episode clips, 26% watched the pre-roll and 57% watched or listened to the ad. The research suggests that receptiveness to online advertising increases among viewers as they get greater value from the content providers. For example, 49% of video downloaders of TV content say the ads on their favorite TV programs are more relevant

to them than the 34% of TV video streamers who think so. Downloaders even are more likely to buy from companies that advertise on their favorite programs. In fact, downloaders are twice as likely to say that the pre-rolls they see on these portable formats are more relevant to them than the ads they see on TV. Alas, this core constituency for advertiser messages still represents a fraction of the digital video audience. In the Knowledge Networks survey, only 11% of online TV consumers were downloading the content, presumably to portable media players (i.e. iPod/iPhone).

Even in a preliminary way, the Knowledge Networks survey suggests a relationship between video formats and ad receptiveness. Not coincidentally, the formats that are perceived to have higher value (full TV episodes and downloadable video) engender greater tolerance for pre-roll ads. Understanding this dynamic could and should lead video providers to serve their advertisers better by also giving their consumers greater value.

(Steve Smith is a lapsed academic turned media critic and consultant. He is the Digital Media Editor for Min, conference programmer for Mediapost, and longtime columnist for eContent Magazine).



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