

# CableFAX Daily™

Wednesday — April 16, 2008

What the Industry Reads First

Volume 19 / No. 073

## Feeling Strong: Insight's Got the Numbers

**Insight** CEO *Michael Willner* says he chuckles when he reads what the Wall St naysayers have to say about cable vs its competition. "If you ask me which hand I'd rather be playing, I like the one I have," he told **Cfax** Tues. He's got a reason to laugh. The MSO just released its full 4Q/YE '07 results, with records in almost every metric. Free cash flow for the year totaled \$82.5mln after being in the negative the prior year. The MSO posted a net basic sub gain of 45,700—an improvement of 4,500 from '06's net gain of 41,200. Insight added 134,500 phone customers—a record and a significant increase over the 34K adds in '06. Of course, with Insight private, Willner can afford to laugh at the whims of Wall St. He believes, however, that most cable companies are fundamentally strong, adding a lot more phone subs than they are losing video customers. As for Insight's successes, he attributes it to an operating change implemented a few years ago and that focuses completely on maintaining a sustainable growth model. "We're managing the business down to a granularity that in my 30 years in the business I've never seen a company do," he said. "We're very focused on sales and installation... We watch very closely the disconnects. We're blocking and tackling every single day, day after day. The net result is that when you add more customers than you lose" you increase revenue, cash flow, etc. Full-year revenue totaled \$1.4bln, up 14% over '06. Even though 4Q included the Insight Midwest cable systems owned by **Comcast** and Insight, Insight broke out some metrics for its new footprint that went into effect Jan 1, when its subscribers were cut in half and Comcast took ownership of the partnership's IL and IN systems. Net RGU additions for Insight's current footprint totaled nearly 236K for the year, with 34.6K basic RGU adds, 77.8K HSD adds, 55.2K digital and 68.2K phone. Total RGU growth for the new Insight increased 17% over '06. Last fall, **The Carlyle Group** put any plans to sell Insight on hold, not surprising given the weak debt financing. Willner and his team are ready to expand. "We always had the fall back of staying in the business," Willner said. "We explored that option, but on a parallel course we planned for running half the company. In this particular market, this could be an attractive time to think about growing it again."

## Retrans Détente? Looming DTV Transition Seen as Dampening Vitriol

The DTV transition may offer a 2nd benefit to cable beyond the expected new customers: less contentious retrans negotiations. A slew of fresh retrans deals must be forged this year ahead of the new legislative cycle, with broadcasters required by Oct 1 to select must carry or retrans for each cable op in every market. That's a lot of work to be done by cable, to be sure, but attorney *Kevin Latek* cautioned showgoers to tread carefully this cycle so as not to add further troubles atop the DTV transition. "It will probably be too much for customers to take if certain broadcasters aren't available in February," said Latek. Still, attorney *Wade Hargrove* was quick to point out that, based on data submitted by cable ops to the **FCC** last year, cable is paying 20 times more per rating point to the top 10 cable nets than it does to broadcasters (Read: fight for fair value in retrans fees). But panelists also cautioned broadcasters not to tie 2 or more signals together in nego-

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CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefax.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, 240/753-5696, dvodenos@accessintel.com ● Acct Mgr: Erica Gottlieb, 212/621-4612 ● Marketer: Doreen Price, 301/354-1793, dprice@accessintel.com ● Marketing Director: Carol Bray, 301/354-1763, cbray@accessintel.com ● Prod: Joann Fato, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Paul Maxwell/Columnist.Subs/Client Services: 301/354-2101, fax 301/309-3847 ● Group Subs : Angela Gardner, 757/531-1369, cfaxgroupsub@accessintel.com

tiations, but to hammer out deals 1 station at a time, which is often preferable to cable ops. -- Although the show's theme is "Where Content Comes to Life," arguments centered on how to make that life as vibrant as possible. One primary question: are standards to improve the quality of content across platforms more important than simply allowing customers to get content where and when they desire? **Sling Media** pres *Jason Hirschhorn* not surprisingly believes time and place-shifting features trump most everything else. "You'd be surprised how much quality customers are willing to give up for access," he said. "Even when [your tech] is imperfect, customer feedback helps you improve, and you're out there instead of waiting for everybody to agree on standards." But others said content monetization by owners and aggregators, while key to those stakeholders, also hampers forward movement in multiplatform content provision. "Platforms can be a leverage point instead of a threat," said *David Wertheimer*, exec dir, USC's Entertainment Tech Center. Hirschhorn was a bit more candid. "If cable and satellite companies did their jobs, Sling Media would have had no success," he said.

**Competition:** In a move that could mean unprecedented competition for incumbents **Time Warner Cable** and **Cablevision**, **Verizon** announced Tues it has applied for a 12-year franchise to deploy FiOS TV in all 5 boroughs of NYC, a response to the city's Apr 11 request for new franchisees. "For too long, residents have been locked in to one provider for their cable TV entertainment," said Verizon svp, NY/CT *Monica Azare*. "With an award of the first-ever citywide franchise, Verizon will be able to throw open the doors to competition, providing real choice and real value." Verizon, which already offers FiOS Internet to select NYC neighborhoods, proposes to wire the entire city for video service by mid-2014, build an institutional network for the city govt and pay standard 5% franchise fees. -- **AT&T** is having a hard time keeping up with demand for U-verse TV, with the training of install techs and slower-than-desired install times still critical, AT&T evp, programming *Dan York* told **NAB** attendees Tues. No new sub numbers for the service as the telco reports 1Q results next week, but York said the telco "will be more aggressive in '08 marketing U-verse and our quad play," he said.

**If You Can't Beat 'Em...:** Less than a month after **Comcast** buried the hatchet with **BitTorrent** (*Cfax*, Mar 28), the MSO on Tues said it will work with P2P firm **Pando Networks** to develop a "P2P Bill of Rights and Responsibilities." The goal: clarify what controls users should have when using P2P applications and how ISPs should manage such apps. **FCC** spokesman *Robert Kenny* called the joint effort an "interesting idea" that has prompted the Commission to invite Comcast CTO *Tony Werner* and Pando CEO *Robert Levitan* to participate in its Thurs hearing at Stanford on network management. Meanwhile, Comcast said it will test Pando's P2P tech to capture and analyze data flows, measuring performance, speed, distance, geography, etc. Comcast, Pando and the **P4P Working Group** plan to publish the test results to help other ISPs understand how P2P applications might be optimized for traveling over different types of networks in different environments and geographies. **NCTA** pres/CEO *Kyle McSarrow* lauded the Comcast-Pando effort as "further evidence that private sector collaboration, not government intervention, is the most appropriate way to address complicated technological issues." As might be expected, **Free Press** was less... impressed. "Slick press releases by a dishonest would-be gatekeeper do nothing to protect consumers," said gen counsel *Marvin Ammori*. "The need for net neutrality remains urgent. The FCC should do its job to uphold the existing bill of rights for consumers and should do so quickly."

**A la Cartel:** Count on programmers not to let any of **FCC** chmn *Kevin Martin*'s pro a la carte comments go unchallenged, including his recent suggestion to the **ACA** that nets that cost over a certain amount should be distributed a la carte by govt mandate (*Cfax*, 4/9). "The perverse result of your proposal is that the most successful and most watched programs



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# BUSINESS & FINANCE

and networks—typically those that invest the most in quality programming—would be penalized for their popularity to the detriment of consumers,” the heads of **ESPN/ABC Sports, MTVN, Universal, Disney-ABC, Turner and Fox Networks** wrote in a letter to Martin Ties. “If you plan is ever adopted, consumers will be outraged,” they concluded.

**Carriage: Black Television News Channel**, slated to launch next year, announced a multi-year agreement with **Comcast** Tues. The 24-hour news net “expects that it will be added to Comcast systems in the following key African American markets: Philadelphia, Chicago, Detroit, Washington, D.C., Atlanta and Baltimore.” BTNC is an endeavor of ex-US Congressman *J.C. Watts* and be HQ’d in DC.

**On the Circuit: ESPN’s George Bodenheimer, CableLabs’ Dick Green, Hearst Ent founder Raymond Joslin, Scripps Nets’ Susan Packard, Teleprompter’s Hub Schlafy and Insight’s Michael Willner** will be the newest inductees into the **Cable Center’s** Hall of Fame. The 6 will be honored during Cable Days in Denver, Oct 15-17. -- Apps for **WICT’s** Betsy Magness Leadership Institute are due May 23 ([www.wict.org](http://www.wict.org)). -- 29 **Cox** employees recently completed college course work requirements for the Cox-Delgado Community College Business Certificate Program in New Orleans. It’s a joint effort between Cox, the college and the state of LA.

## CableFAX Daily Stockwatch

Company	04/15 Close	1-Day Ch	Company	04/15 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
ALCATEL LUCENT:	5.78	(0.09)	AMDOCS:	27.59	0.09
BRITISH SKY:	43.09	0.16	AMPHENOL:	41.08	(0.53)
DIRECTV:	25.36	(0.18)	APPLE:	148.38	0.60
DISNEY:	29.93	(0.11)	ARRIS GROUP:	6.13	0.01
ECHOSTAR:	30.49	(0.25)	AVID TECH:	24.30	0.30
GE:	31.98	0.23	BIGBAND:	6.63	0.08
HEARST-ARGYLE:	20.28	0.33	BLNDER TONGUE:	1.41	0.01
ION MEDIA:	1.45	0.00	BROADCOM:	20.79	0.64
NEWS CORP:	18.07	(0.07)	C-COR:	11.00	0.00
<b>MSOS</b>					
CISCO:	23.11	(0.2)	COMMSCOPE:	35.94	(0.96)
CABLEVISION:	22.53	0.10	CONCURRENT:	0.72	0.01
CHARTER:	0.94	0.01	CONVERGYS:	15.24	0.25
COMCAST:	19.71	(0.06)	CSG SYSTEMS:	11.18	0.21
COMCAST SPCL:	19.44	(0.08)	ECHOSTAR HOLDING:	28.29	(0.14)
GCI:	6.16	(0.05)	GEMSTAR TVG:	4.78	0.01
KNOLGY:	13.70	0.67	GOOGLE:	446.84	(4.82)
LIBERTY CAPITAL:	15.87	0.32	HARMONIC:	7.65	0.06
LIBERTY ENTERTAINMENT:	24.27	(0.16)	JDSU:	13.19	(0.18)
LIBERTY GLOBAL:	33.32	(0.38)	LEVEL 3:	2.03	(0.03)
LIBERTY INTERACTIVE:	15.45	(0.02)	MICROSOFT:	28.25	0.19
MEDIACOM:	4.40	0.09	MOTOROLA:	8.98	0.02
ROGERS COMM:	42.97	0.00	NDS:	47.15	(0.07)
SHAW COMM:	19.61	(0.2)	NORTEL:	6.85	(0.08)
TELEWEST:	24.20	0.00	OPENTV:	1.14	(0.02)
TIME WARNER CABLE:	26.50	0.11	PHILIPS:	37.37	1.06
VIRGIN MEDIA:	12.01	(0.46)	RENTRAK:	13.00	(0.01)
WASH POST:	677.67	0.05	SEACHANGE:	6.93	0.09
<b>PROGRAMMING</b>					
SONY:	39.80	(0.06)	SPRINT NEXTEL:	6.31	(0.11)
CBS:	20.89	(0.07)	THOMAS & BETTS:	39.12	0.39
CROWN:	4.57	0.07	TIVO:	8.59	(0.21)
DISCOVERY:	21.53	(0.03)	TOLLGRADE:	4.92	(0.11)
EW SCRIPPS:	41.20	(0.21)	UNIVERSAL ELEC:	27.02	1.62
GRUPO TELEVISA:	23.74	0.42	VONAGE:	1.78	(0.01)
INTERACTIVE CORP:	20.15	(0.26)	WEBB SYS:	0.04	0.00
LIBERTY:	8.32	0.06	WORLDGATE:	0.30	0.00
LODGENET:	5.52	(0.08)	YAHOO:	28.17	0.37
NEW FRONTIER:	5.12	0.07	<b>TELCOS</b>		
OUTDOOR:	7.36	0.38	AT&T:	37.33	0.13
PLAYBOY:	8.17	(0.24)	QWEST:	4.50	(0.04)
TIME WARNER:	14.21	0.04	VERIZON:	35.11	(0.23)
UNIVISION:	36.23	0.00	<b>MARKET INDICES</b>		
VALUEVISION:	4.99	0.00	DOW:	12362.47	60.41
VIACOM:	39.11	(0.23)	NASDAQ:	2286.04	10.22
WWE:	18.99	0.01			
<b>TECHNOLOGY</b>					
3COM:	2.39	0.04			
ADC:	12.39	(0.03)			
ADDVANTAGE:	3.74	(0.02)			

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# CableFAX

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