

CableFAX Daily™

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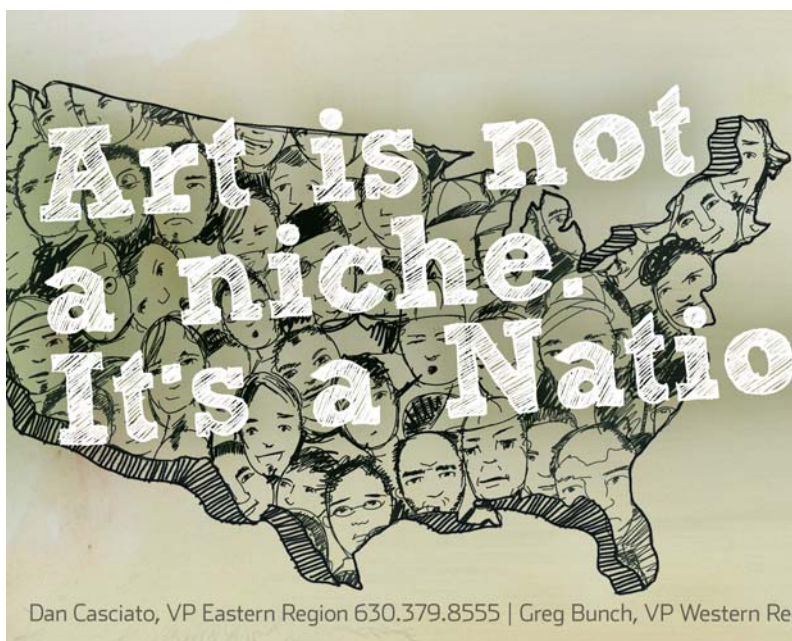
What the Industry Reads First

Volume 21 / No. 077

Line Dancing: AT&T's Wireline Woes Endure As Service Results Vary

Seasonality may have helped boost AT&T's 1Q broadband business, but the telco's overall wireline segment, albeit with a few bright spots, appears to be mired in a chilly winter rather than a spring full of sunshine and blooms. To be fair, though, slowing growth in consumer services, save for wireless data and broadband, is plaguing many multichannel ops. AT&T's report included a 255K net gain in wireline broadband connections, its highest total since 1Q09, and a 33% increase in consumer IP-based rev. But that data was tempered by a 231K net gain in U-verse TV subs, an inferior tally to those from all '09 quarters, a continuing decline in satellite subs and, of course, access line losses. "Wireline was mixed at best," said **Sanford Bernstein's Craig Moffett**, noting the telco's strong broadband adds and improving enterprise business. "Still, a fixed cost business losing revenues at a nearly 5% annual rate is tough to love." AT&T CFO **Rick Lindner** notably underscored the co's 1st sequential rise in wireline consumer rev in 2 years, an achievement aided by improving U-verse economics as install costs scale. The rebound in broadband can be attributed in part to seasonality, he said, but it "also reflects that across our broadband product set, churn is lower." That includes DSL, said Lindner, noting that nearly 60% of AT&T's Internet subs receive speeds greater than 3Mbps. Companywide wireless broadband speeds, meanwhile, were up 25% YOY and 14% sequentially, he said, while WiFi connects grew fivefold, iPhone activations numbered 2.7mln and wireless rev jumped 30%. "We're on a terrific technology path going forward," said Lindner. As cable ops are well aware, that lane is integral to driving future growth, yet extremely crowded. **S&P** maintained its 'strong buy' opinion on AT&T shares, citing stronger-than-expected wireless results and wider operating margins "even with access line losses and weak enterprise wireline revenues." Moffett, however, wonders where AT&T will find future expansion. Its wireless segment, he said, is growing 6.1% annually, compared to 9.6% a year ago, and its wireline side "is now shrinking at -4.6%, with EBITDA declining at an -8.1% rate. And U-Verse's growth rate is ebbing just as Enterprise shows signs of bouncing off the bottom, suggesting little promise for aggregate wireline improvement." After **Verizon** reports earnings Thurs, **Comcast** will provide the 1st snapshot of cable MSOs' current health Wed.

Setopia: Cable came away from Wed's FCC meeting pleased with an NOI on a universal gateway and a NPRM on CableCARDs that includes a proposal extending the industry's ability to deploy low-cost, HD DTAs. The CableCARD NPRM



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also looks to remedy shortcomings in the existing system, by proposing things such as streamlining installations and making CableCARD pricing more transparent. The NOI seeks comment on a standardized interface that wouldn't require replacement of a consumer's home device and would foster a competitive retail market. "We are very pleased that the [NOI] appears to be consistent with the series of consumer principles governing video devices which we have submitted to the Commission, especially in its recognition that the appropriate solution must involve all multichannel video providers," said **NCTA's Kyle McSlarrow**. -- The **FCC** ran through a host of items Wed related to the National Broadband Plan, including reforming universal service. It also launched an inquiry into the ability of existing broadband networks to withstand significant damage or severe overloads as a result of natural disasters, terrorist attacks, or other public emergencies.

Broadband: Free Press raised questions at a **House Communications** hearing Wed on the accuracy of data used in the **FCC's** National Broadband Plan, with research dir **Derek Turner** testifying that it overstates the availability of high-quality broadband. He's not alone, with subcmte chmn **Rick Boucher** (D-VA) questioning the Plan's report that 95% of Americans have access to download speeds of at least 4Mbps. "I have serious concerns about the accuracy of this number and the methodology the broadband team used to derive it," he said, questioning accuracy of state broadband maps for DSL and the team's assumptions that cable ops have deployed service throughout their franchises and that each provider was using at least DOCSIS 2.0. **Sharon Gillett**, chief of the FCC Wireline Competition, said the data wasn't perfect, but she stood by the estimate. She also noted that better data about deployment is on the way, pointing to the **NTIA** administered broadband mapping and an upcoming FCC proposal to revise its broadband data gathering.

Competition: FiOS TV and **Showtime** are partnering again on interactivity, this time surrounding the net's Sat night "Super Six World Boxing Classic." During the fight, FiOS/Showtime subs with HD set tops will be able to access on-screen fighter stats, bios and quotes, plus take part in polls and games. -- **Media General** saw a 12.1% increase in 1Q broadcast rev, including a 27.5% jump in retrans rev and respective gains of 12.3% and 13.1% in local and national time sales.

Inside the Beltway: The **Commerce Dept** is seeking public comment from all Internet stakeholders on the impact of current privacy laws on the pace of innovation. It's also launching a task force to identify public policy and operational issues impacting the private sector's ability to realize the potential for economic growth and job creation through the Internet. The task force also will examine cyber security and online copyright protection.

Upfronts: Cartoon Net pulled back the curtain to reveal 25 new series/specials/movies as part of an expansion beyond traditional kid's content into event-quality ent in prime. "Cartoon Network's Hall of Game" ('11), for example, is a sports award event featuring pro/amateur athletes and live ent. The net is also touting a pair of scripted, live-action 1hr series: "Unnatural History" (Jun 13), a serial mystery featuring a highly-skilled teen, and "Tower Prep," chronicling a rebellious teen's plight when he awakens to find himself trapped at a mysterious prep school with no way out.

Programming: A&E original scripted drama "The Glades" (Jul 13) features a Chicago homicide detective who relocates to FL after being wrongfully accused of sleeping with his former Captain's wife. -- **President Obama** will open **History's** 6-night, 12hr series "America the Story of Us" (Sun) with reflections of the spirit and resilience that characterize the US. -- **Investigation Discovery** picked up a 3rd season of "On the Case with Paula Zahn," which returned Sun to garner the net's highest HH delivery ever with 541K.

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BUSINESS & FINANCE

Public Affairs: 55K Comcast employees, their family and friends are set to volunteer more than 33K hours of service Sat to help improve communities throughout the US. This year's "Comcast Cares Day" features a partnership with **Food Net** to build community gardens, plant trees, beautify schools and clean up neighborhoods in Philly, D.C., Chicago and Portland, OR.

People: Former **Cox** CTO *Chris Bowick* was named to the board of **ViXS**, a provider of smart network multimedia processor solutions that enable rich video. Bowick currently serves as pres of **The Bowick Group**, where he provides strategic advice to clients in cable and telecom. -- **Syfy** promoted *Dana Ortiz* to vp, brand marketing and *Shara Zoll* to vp, operations, Syfy.com.

Business/Finance: *Carl Icahn* may have upped his offer covering all the shares of **Lionsgate** he doesn't own to \$7 per from \$6, but the co's board rejected the bid in much the same way as it did the 1st. In urging shareholders to reject the unsolicited offer, the board deemed it "financially inadequate, opportunistic and coercive and is not in the best interests of Lionsgate, its shareholders and other stakeholders." -- **Time Warner Investments** led a \$8mIn 2nd funding round for **Simulmedia**, a media marketing firm that drives TV viewership through set top date-driven program promos. -- **Warner Bros Home Ent Group** acquired **Turbine**, the largest privately-held online gaming studio in North America.

CableFAX Daily Stockwatch

Company	04/21 Close	1-Day Ch	Company	04/21 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	38.60	(0.04)	AOL:	29.18	1.09
DIRECTV:	36.09	(0.01)	APPLE:	259.22	14.63
DISH:	21.62	(0.2)	ARRIS GROUP:	12.85	(0.11)
DISNEY:	36.56	0.02	AVID TECH:	17.64	(0.17)
GE:	19.03	0.03	BIGBAND:	3.57	(0.03)
NEWS CORP:	18.46	0.23	BLNDER TONGUE:	1.04	(0.02)
MSOS					
CABLEVISION:	25.96	0.25	BROADCOM:	35.23	(0.39)
COMCAST:	18.53	(0.01)	CISCO:	27.24	0.06
COMCAST SPCL:	17.66	(0.07)	CLEARWIRE:	7.51	0.02
GCI:	6.13	(0.13)	COMMSCOPE:	31.50	0.01
KNOWLOGY:	13.47	(0.04)	CONCURRENT:	5.94	(0.01)
LIBERTY CAPITAL:	44.24	(0.16)	CONVERGYS:	13.36	0.08
LIBERTY GLOBAL:	29.31	0.34	CSG SYSTEMS:	22.24	0.15
LIBERTY INT:	16.08	(0.31)	ECHOSTAR:	19.40	(0.29)
MEDIACOM:	6.19	(0.09)	GOOGLE:	554.30	(0.74)
RCN:	14.76	0.01	HARMONIC:	7.11	0.06
SHAW COMM:	19.72	0.00	INTEL:	23.80	(0.32)
TIME WARNER CABLE:	52.63	(0.11)	JDSU:	13.61	0.23
VIRGIN MEDIA:	18.75	0.87	LEVEL 3:	1.58	(0.03)
WASH POST:	540.06	1.52	MICROSOFT:	31.33	(0.03)
PROGRAMMING					
CBS:	16.10	0.15	MOTOROLA:	7.34	(0.08)
CROWN:	1.91	(0.05)	PHILIPS:	34.93	(0.05)
DISCOVERY:	36.45	0.43	RENTRAK:	21.78	(0.1)
GRUPO TELEVISA:	20.80	(0.56)	SEACHANGE:	8.45	0.00
HSN:	32.59	0.49	SONY:	35.49	(0.18)
INTERACTIVE CORP:	23.52	(0.25)	SPRINT NEXTEL:	4.10	(0.07)
LIBERTY:	38.57	(0.1)	THOMAS & BETTS:	41.25	(1.88)
LIBERTY STARZ:	54.91	(0.11)	TIVO:	18.17	0.28
LIONSGATE:	6.87	0.07	TOLLGRADE:	6.56	(0.17)
LODGENET:	6.84	(0.02)	UNIVERSAL ELEC:	22.60	0.05
NEW FRONTIER:	2.07	0.05	VONAGE:	1.67	0.05
OUTDOOR:	7.07	(0.07)	YAHOO:	17.45	(0.93)
PLAYBOY:	4.32	0.10	TELCOS		
RHI:	0.38	(0.01)	AT&T:	26.34	(0.32)
SCRIPPS INT:	44.32	0.15	QWEST:	5.24	0.06
TIME WARNER:	33.08	(0.09)	VERIZON:	29.56	(0.2)
VALUEVISION:	3.26	0.11	MARKET INDICES		
VIACOM:	39.46	0.13	DOW:	11124.92	7.86
WWE:	18.50	0.25	NASDAQ:	2504.61	4.30
TECHNOLOGY					
ADC:	8.13	(0.09)			
ADDVANTAGE:	2.31	(0.03)			
ALCATEL LUCENT:	3.45	0.10			
AMDOCS:	30.99	0.08			
AMPHENOL:	46.74	(0.7)			

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Think about that for a minute...

South Korean Models

It's curious that serious people looking at Broadband development in the United States would choose to make comparisons with places like South Korea to allegedly buttress their policy preferences. This usually takes the form of saying that we are "losing" some imaginary "race" regarding broadband deployment, speed or use.

Any reader of this column knows that in my view the comparison is totally bogus. Government subsidies, very high density construction, and a lack of substitutable technology (prior to their fiber build, all data connections were by telephone and were metered) all tell you that the "logic" of arguing for policy changes here because of what is being done there is highly questionable. Yet the Chairman of the FCC trotted those comparison numbers out yet again recently when he testified before



Steve Effros

Congress.

Ok, so let's play the game their way. It turns out that the South Korean government, the generator of the industrial policy that led to having a highly penetrated, fully fiber-backbone broadband system, is now trying to figure out what to do about the results of that policy.

It seems, as noted here several years ago, that one of their biggest uses of broadband is for gaming. The very high speeds delivered are not really being used for remote medical delivery or reading CT scans. That speed is being used mostly by teenagers who have gotten totally hooked on video games. So hooked, in fact, that it has turned into a legitimate health and education problem in South Korea. So hooked that the government is now considering a law that will prohibit the young from playing those games on the broadband Internet in that country after midnight. Apparently kids have gotten so hooked, they don't sleep until they drop. Not good for

class the next day.

Now let's think about the implications of using that South Korean model here. The very folks who point to other countries to insist that we should have a more proactive industrial policy toward building out broadband are also those who push for "net neutrality," where no one and nothing can interfere with the free flow and use of the Internet. No discrimination. But wait, their "model," South Korea, is now proposing to impose all sorts of limits on the use of the Internet. They are going to define what can and can't be done on broadband at what times of day by what classes of people! Should we emulate that, too?

Of course if we did encourage more government regulation of the Internet by, say, calling it a "common carrier" and thereby giving the FCC almost unlimited power to impose conditions, restrictions and price controls on it, then where would it end? We may not politically decide to control violent games, but what about sex? We always seem to want to regulate sex. And how about certain types of unhealthy advertising? Can't you see some "lowest unit charge" for political advertising as another logical step?

We really need to reconsider the implications of our models. Regrettably, a recent study showed that suicide rates in South Korea are the highest in the industrial world. They have doubled in the last decade, and some of the blame is being ascribed to the results of excess broadband use! I'm not saying that's right, or applicable here, just that it underlines why it's wrong to use "comparisons" of broadband in any other nation with the U.S. Let's create our policies based on how things are actually happening here, not "model" them on imagined but illusory ideals.

Steve

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