

# CableFAX Daily™

Monday — April 26, 2010

What the Industry Reads First

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## McDowell's Take: Open Net Proceeding Has Big Problems, Retrans Arbitration Iffy

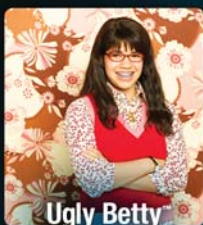
Never a big fan of net neutrality regulation, FCC commish *Robert McDowell* warned Fri that the recent **Comcast** court decision puts the agency's open Internet proceeding in "big trouble." Net neutrality is teed up in the Broadband Plan, and a rulemaking is pending at the FCC. Speaking to reporters Fri, McDowell said he doesn't think the courts will allow the FCC to classify broadband under Title II, nor does he believe there is any avenue under Title I. But he rejected the idea that the DC Circuit decision nixes other key areas of the Broadband Plan. For example, he doesn't believe the decision, which said the FCC overstepped its bounds in sanctioning Comcast in the **BitTorrent** case, impacts the FCC's authority to reform universal service or increase wireless spectrum. So, does the decision mean broadband providers can block P2P traffic? "Someone else would have to look at that under an antitrust context. I think there are laws on the books right now that help prevent anticompetitive conduct. The word that we really need to use is 'anti-competitive' vs 'discriminatory,'" McDowell said. The Republican's briefing with reporters touched on a myriad of issues, including retrans. McDowell has always doubted the FCC's statutory authority to change the retrans process and noted Fri that the "vast majority" of retrans negotiations are worked out in the market. "We are limited at looking at good faith vs bad faith behavior," he said. "The statute is actually very clear that merely asking for more money does not constitute bad faith." The FCC is currently soliciting comment on a petition to reform retrans, including setting up an arbitration process. It sounds like that will be a hard sale for McDowell. "I do have concerns that should the Commission set up a regime for arbitration here at the Commission, that it might not survive on appeal," he said. Also of note, McDowell suggested it may be time to revive downloadable security for set-tops—an issue that pretty much died when the FCC's set-top integration ban went into effect in '07. He raised the specter at Wed's open meeting, which included approving a Further Notice of Proposed Rulemaking on CableCARD issues. The commish said Fri that he believes downloadable security could be "very consumer friendly" and a "win-win" for all parties.

**On the Hill:** The **Sen Committee on Small Business** holds a hearing Tues on federal efforts to expand small business Internet access. The witness list includes FCC chmn *Julius Genachowski*, **NTIA's** *Larry Strickling*, **RUS** admin *Jonathan Adelstein*, **ACA** chmn/**Wave Broadband** COO *Steve Friedman* and **NAB** chief *Gordon Smith*.

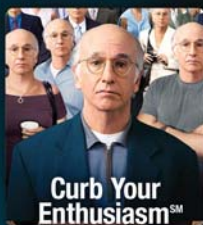
**Online:** Netflix's bang up 1Q included a record addition of 1.7mln subs, record low churn and news that 55% of all the co's customers streamed a TV ep or movie for more than 15min during the Q, up from 36% a yr ago and 48% in 4Q. "Our approach and objective with respect to the streaming is to improve the overall quality of the service by year-end," said CEO *Reed Hastings*. "That serves the long-term strategic objective of improving the value proposition." Hastings cited VOD product improvement by MSOs as a key competitive threat, and said **TV Everywhere** initiatives compete "for [customers'] time at least." There's not much evidence that consumers are cutting the cord in favor of Netflix only, he said.

**Ratings:** ESPN's 230min block of 1st-round **NFL Draft** coverage earned a 5.3 HH rating and delivered 7.29mln avg

## The Ugly, The Bald and The Beautiful.



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viewers, marking a 23% YOY increase in the former metric. The telecast now ranks as the 5th most-watched cable program of the year among HHs (5.27mln) and the 8th most-watched among viewers. Together, coverage on ESPN and **NFL Net** drew 23.3mln total viewers (+48% YOY), according to the NFL, and avg viewership of 8.3mln viewers (+33%).

**Earnings:** **LodgeNet** reported a 8.2% dip in 1Q hospitality rev to \$116mln, owing to an 9.7% decline in guest ent rev that was partially offset by a 4.6% rise in hotel services rev.

**Programming:** **Cooking Channel**, launching May 31, revealed its programming slate, which includes **Iron Chef Michael Symon's** "Cook Like an Iron Chef" and "Drink Up" hosted by Dr. Mixologist, *Darryl Robinson*. Also on the schedule is a classic cooking block featuring *Julia Child* and "Galloping Gourmet." -- **Showtime** picked up *Lisa Kudrow's* Web series "Web Therapy" for air beginning in '11. Kudrow plays a self-professed psychotherapist who treats patients via webcam in the series now available at [www.1studio.com/web-therapy](http://www.1studio.com/web-therapy). -- Spotighting comedian *Louis C.K.*, **FX's** "Louie" bows Jun 29 following the season 6 premiere of "Rescue Me." -- Narrated by *John Goodman*, **TLC's** "Best Food Ever" (May 3) counts down in each ep the country's top ten food destinations in a specific category.

**Honors:** **HBO** led all recipients in earning 4 **NAMIC Vision Awards**, including for Best Drama ("The No. 1 Ladies' Detective Agency"), Best Comedy ("George Lopez: Tall, Dark & Chicano") and Best Doc ("By the People: The Election of Barack Obama"). **Nickelodeon** and **NBC** notched 2 honors apiece, and 1 each went to **Comcast**, **Discovery en Espanol**, **Ebru TV**, **CNN**, **TNT**, **VH1**, **ESPN**, and **BET**. Go to [www.namic.com](http://www.namic.com) for complete info.

**On the Circuit:** The **PA Cable Academy** has rounded up an excellent group of cable execs for its Apr 29-30 confab at the Sheraton Harrisburg-Hershey. The lineup includes **Bresnan** evp/COO *Steve Brookstein*; **Cox** svp/GM *Paul Cronin*; **Comcast** svp *Rick Germano*; and presidents *Ed Holleran* of **Atlantic Broadband**, *Jeff Ross* of **Armstrong** and *Tom Marturano* of **MetroCast**. -- **NCTA** bowed a new smartphone app for attendees of **The Cable Show** that's compatible with iPhone OS and Blackberry handsets and features detailed exhibitor info, real-time alerts and session schedules. -- The pres and/or CEO of all 11 recipients of **WICT's PAR Excellence Awards**, including pres *Pat Esser* for top op **Cox** and pres/CEO *David Zaslav* for top programmer **Discovery Comm**, will accept the honors at **The WICT Signature Luncheon** during **The Cable Show**. **Style Net** pres *Salaam Coleman Smith* is the event's honorary chair, and *Lisa Ling* will keynote.

**Business/Finance:** **Barclays Capital** analyst *Anthony DiClemente* his **CBS** target share price to \$18 from \$17, citing the broadcaster's March Madness deal with **Turner** that's expected to improve the tourney's profitability going forward. DiClemente expects CBS broadcast will report 1Q rev growth of 12.4%, the co's cable nets 7.3%. -- **Time Warner's** Baa2 rating for new note issuance is unaffected by **Turner's** March Madness rights partnership with **CBS**, said **Moody's**, which nonetheless noted that "despite equal upside potential [for Turner] on the direct advertising and sponsorship profits, and the potential for raising carriage fees... there is added risk to profitability if those carriage fee increases cannot be achieved given what we expect to be thin ad generated profit margins at best on these expensive rights." The firm also called it "highly likely" that airing more games means "a greater revenue pool opportunity to be shared by both companies." -- **Atlantic-ACM** said the proposed merger of **CenturyLink** and **Qwest** will form the 3rd-largest business player holding 7.6% market share (behind AT&T and VZ) and 4th-largest consumer phone provider (also behind **Comcast**). The entity would count 17.3mln access lines, 5.2mln broadband subs, 174K miles of long-haul fiber and approx \$5bln in pro forma enterprise revenues.



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## CableFAX Week in Review

Company	Ticker	4/23 Close	1-Week % Chg	YTD %Chg
<b>BROADCASTERS/DBS/MMDS</b>				
BRITISH SKY:	BSY	38.99	1.99%	7.65%
DIRECTV:	DTV	36.64	3.07%	9.87%
DISH:	DISH	22.49	4.51%	8.28%
DISNEY:	DIS	36.79	2.68%	14.08%
GE:	GE	19.07	0.53%	26.04%
NEWS CORP:	NWS	18.50	2.10%	16.21%

**MSOS**

CABLEVISION:	CVC	26.26	2.14%	1.70%
COMCAST:	CMCSA	18.96	3.49%	12.46%
COMCAST SPCL:	CMCSK	18.05	3.20%	12.74%
GCI:	GNCMA	6.16	0.16%	(3.45%)
KNOLOGY:	KNOL	13.24	(1.41%)	21.25%
LIBERTY CAPITAL:	LCAPA	44.26	3.17%	85.34%
LIBERTY GLOBAL:	LBTYA	29.34	1.35%	34.03%
LIBERTY INT:	LINTA	16.38	(0.06%)	51.11%
MEDIACOM:	MCCC	6.65	6.23%	48.77%
RCN:	RCNI	14.72	(0.41%)	35.67%
SHAW COMM:	SJR	19.38	0.62%	(5.79%)
TIME WARNER CABLE:	TWC	54.22	5.00%	31.00%
VIRGIN MEDIA:	VMED	18.76	7.75%	11.47%
WASH POST:	WPO	538.77	0.57%	22.56%

**PROGRAMMING**

CBS:	CBS	16.48	6.25%	17.30%
CROWN:	CRWN	1.94	0.00%	33.79%
DISCOVERY:	DISCA	37.30	6.00%	21.62%
GRUPO TELEvisa:	TV	21.16	1.00%	1.93%
HSN:	HSNI	33.14	4.91%	64.14%
INTERACTIVE CORP:	IACI	23.54	(0.51%)	14.94%
LIBERTY:	L	38.37	1.51%	5.56%
LIBERTY STARZ:	LSTZA	55.39	0.07%	20.02%
LIONSGATE:	LGF	7.18	4.51%	23.58%
LODGENET:	LNET	6.88	1.47%	24.41%
NEW FRONTIER:	NOOF	2.04	3.03%	7.94%
OUTDOOR:	OUTD	7.06	(0.14%)	21.72%
PLAYBOY:	PLA	4.46	7.47%	39.38%
RHI:	RHIE	0.38	(15.56%)	22.58%
SCRIPPS INT:	SNI	45.27	4.36%	9.08%
TIME WARNER:	TWX	33.14	0.42%	13.73%
VALUEVISION:	VTV	3.39	13.38%	(29.38%)
VIACOM:	VIA	40.09	3.91%	27.27%
WWE:	WWE	18.67	6.20%	21.79%

**TECHNOLOGY**

ADC:	ADCT	8.30	(0.24%)	33.66%
ADVANTAGE:	AEY	2.33	1.30%	18.27%
ALCATEL LUCENT:	ALU	3.42	2.40%	3.01%
AMDOCS:	DOX	31.52	2.94%	10.48%
AMPHENOL:	APH	46.97	7.19%	1.71%
AOL:	AOL	28.45	2.12%	22.21%
APPLE:	AAPL	270.83	9.47%	28.52%
ARRIS GROUP:	ARRS	12.60	(1.56%)	10.24%
AVID TECH:	AVID	15.62	(9.87%)	22.41%
BIGBAND:	BBND	3.55	(0.56%)	3.20%
BLNDER TONGUE:	BDR	1.04	0.00%	(8.77%)
BROADCOM:	BRCM	35.63	1.48%	13.22%

Company	Ticker	4/23 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	27.47	1.82%	14.75%
CLEARWIRE:	CLWR	7.85	6.22%	16.12%
COMMScope:	CTV	31.85	4.08%	20.05%
CONCURRENT:	CCUR	5.90	0.17%	48.99%
CONVERGYS:	CVG	13.72	4.02%	27.63%
CSG SYSTEMS:	CSGS	22.79	3.83%	19.38%
ECHOSTAR:	SATS	19.72	0.00%	(2.09%)
GOOGLE:	GOOG	544.99	(0.94%)	(12.1%)
HARMONIC:	HLIT	7.17	1.27%	13.45%
INTEL:	INTC	24.04	0.50%	17.84%
JDSU:	JDSU	13.70	2.39%	66.06%
LEVEL 3:	LVL	1.55	(7.19%)	1.31%
MICROSOFT:	MSFT	30.96	0.95%	1.57%
MOTOROLA:	MOT	7.09	(3.01%)	(8.63%)
PHILIPS:	PHG	35.41	7.89%	20.28%
RENTRAK:	RENT	22.16	6.13%	25.41%
SEACHANGE:	SEAC	8.59	4.00%	30.95%
SONY:	SNE	34.98	(1.63%)	20.62%
SPRINT NEXTEL:	S	4.32	5.88%	18.03%
THOMAS & BETTS:	TNB	43.31	5.33%	21.01%
TIVO:	TIVO	18.49	4.29%	81.63%
TOLLGRADE:	TLGD	6.41	(3.17%)	4.91%
UNIVERSAL ELEC:	UEIC	22.55	(0.92%)	(2.89%)
VONAGE:	VG	1.65	14.58%	17.86%
YAHOO:	YHOO	17.64	(2.92%)	5.13%

**TELCOS**

AT&T:	T	26.25	1.23%	(6.35%)
QWEST:	Q	5.28	(1.31%)	25.42%
VERIZON:	VZ	29.05	(1.79%)	(12.32%)

**MARKET INDICES**

DOW:	DJI	11204.28	1.68%	7.44%
NASDAQ:	IXIC	2530.15	1.97%	11.50%

## WINNERS &amp; LOSERS

**THIS WEEK'S STOCK PRICE WINNERS**

COMPANY	CLOSE	1-WK CH
1. VONAGE:	1.65	14.58%
2. VALUEVISION:	3.39	13.38%
3. APPLE:	270.83	9.47%
4. PHILIPS:	35.41	7.89%
5. VIRGIN MEDIA:	18.76	7.75%

**THIS WEEK'S STOCK PRICE LOSERS**

COMPANY	CLOSE	1-WK CH
1. RHI:	0.38	(15.56%)
2. AVID TECH:	15.62	(9.87%)
3. LEVEL 3:	1.55	(7.19%)
4. TOLLGRADE:	6.41	(3.17%)
5. MOTOROLA:	7.09	(3.01%)

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**Allen Ecker**  
Executive Vice President of Scientific Atlanta, Retired



**Terence F. McGuirk**  
Chairman and CEO, Atlanta Braves



**Marc B. Nathanson**  
Chairman, Mapleton Investments



**Abbe Raven**  
President and CEO, A&E Television Networks



**JR Shaw**  
Executive Chair, Shaw Communications Inc.

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**6:00 p.m.**  
Cocktail Reception/Check-in

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