

CableFAX Daily™

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What the Industry Reads First

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Verizon's Numbers: Can Cable Phone It In?

With Verizon and AT&T's 1Q earnings behind us, all eyes will be on cable's upcoming results to see if the industry has played a part in the telcos' wireline losses. "It's clear that access line losses were worse than expected" at both telcos, UBS' John Hodulik said in an interview Mon. Verizon reported residential access line losses of 10.9% (2.9mln)—the "worst ever" according to a research note by Sanford Bernstein. Last week, AT&T reported a record high 10% disconnect rate for wireline. "They are definitely seeing the effects of competition. The strength in the wireless market allows them to power through," Hodulik said. Wireless was indeed the quarter's shining star, with 1.5mln net additions and revenue of \$11.7bln. FiOS also was noteworthy, with Verizon adding 263 video subs and 262K FiOS Internet customers. FiOS Internet adds resulted in some cannibalization of DSL, which posted just 4K net adds. Verizon expects this to continue, but it is boosting DSL speeds to 7Mbps in some areas to make the product more attractive. On the video side, adds were better than expected, but Hodulik said the numbers are still too small to make any broad generalizations. Perhaps more telling from a trend perspective was Verizon CFO Doreen Toben disclosing during Mon's earnings call that the company will probably increase FiOS pricing by the end of this Q or early next Q. "It's a good sign for the overall health of the industry that Verizon has enough momentum to do that, especially at a time when people are worried about a price war," Hodulik said. Toben said that Verizon will most likely keep its \$99 bundle because "that is where everybody else is." Instead, the telco's looking at increasing rates for set-tops, premium channels, etc. FiOS now has more than 1.2mln video customers for a penetration of 19%, with some markets in the 40% range, according to Toben. FiOS Internet is at 23% penetration (1.8mln subs). As a whole, Verizon recorded \$23.8bln in revenue (+5.5% vs 1Q07) and \$4.3bln in operating income (+14.1%). Shares closed up almost 2.5% Mon.

Waiver Time: It's that time of year—in which operators that received waivers for last year's FCC set-top integration ban make their case for why their exemptions should be extended. James Cable was granted a waiver last year based upon its "dire financial straits." The operator wrote the FCC last week saying it needs at least a 1-year extension based on its finances. The ban prevents operators from deploying set-tops with integrated security (ie, without a CableCARD). In '07, despite savings from its partial integration ban waiver, James Cable said it suffered negative free cash flow in the amount of nearly \$900K, lost another 4% of its basic subs and has a penetration rate of only 36%.

Upfronts: History greenlit 7 new series for '08/'09, but if you're expecting them to all be clones of mega-hit "Ice Road Truckers," think again. They run the gamut from trains to ancient battles. "I'm a big believer in diversity in your portfolio," History gm Nancy Dubuc told Cfx. "You can't go out and be repetitive and derivative. I wouldn't want to be derivative of our competition, and I don't want to be derivative of ourselves." History will feature shows in the "Truckers"



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HeadlineNews



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vein when it's appropriate, she said, pointing to the newly announced "Sandhogs." The show, which bows in 3Q, will look at the world of underground construction in NYC. "Truckers," History's most popular series ever, will return June 8. Other new shows include: "Evolve," a look at innovations that have driven nature's evolutionary path (premieres 2Q), "Extreme Trains," the longest, strongest, fastest and coolest trains out there (4Q), "The Works," the history of complex subjects such as motorcycles and power tools (3Q), "Surviving History," history buffs test historic artifacts and weapons (2009) and "Battles B.C.," focuses on heroes and military strategy of the ancient world. -- **A&E's** new branding campaign will launch at the end of May featuring a fresh logo and carrying the tagline "Real Life. Drama." Included will be national and local TV spots, online brand positioning, print ads and out-of-home in NYC, L.A., Detroit and Chicago. The net plans to continue investing in original dramas such as initial scripted project "The Cleaner" (summer), and intends to add a pair/year to its lineup. Forthcoming new series include "The Squad," spotlighting the overseers at Tehachapi max security prison, and "Jacked," which follows The Auto Theft Task Force in NJ.

Competition: DISH's new Optical Network offers FTTH satellite programming to MDUs while supporting up to 128 customers within a single MDU. The system is scalable to support thousands of subs as required, and can deliver up to 400 HD channels to each sub using a single fiber optic strand. -- **Verizon** enhanced the availability of its high-end DSL service to include more than 105K consumers in 50 MD communities. The service offers download speeds of up to 7Mbps.

In the States: Charter has launched in WI its "Internet Max" service, featuring download speeds of up to 16Mbps. Charter Business offers the same speeds in the state.

Oopsie: Free Press has been working overtime to get the public to submit comments in the FCC's broadband network management proceeding, and it has done an impressive job—getting thousands to chime in. However, it hasn't done such a great job filing those comments. The organization notified the FCC Fri that an error caused the bulk of those comments to be filed under the wrong proceeding, one involving modifying antenna requirements. "We've determined that 26,457 additional comments that were submitted to WC Docket No. 07-54 starting on January 16, 2008 were misfiled. Free Press would like apologize for the inconvenience that this may have created," the group said, promising to refile the comments along with 50 docs compiling signatures from each state.

Carriage: ESPN Deportes launches Tues on Grande Comm's digital basic lineup in TX cities including Austin, Corpus Christi, and San Antonio. -- **FIOS TV** will launch **BlueHighwaysTV** later this year.

Advertising: Following its recent study of **BET** and **MTV** shows that revealed "the highest degree of explicit adult content on programs with a large 18 and under viewership" it has ever found, the **Parents TV Council** said **P&G** has set up a toll-free hotline seeking customer input about its ads on the nets' music video programs.

Online: Rainbow's **VOOM HD Nets** will offer content for purchase through **Amazon.com** beginning this summer. Available on DVD on demand will be series/shows from **Rush HD**, **Treasure HD**, **Gallery HD**, **Ultra HD**, **World-Sport HD**, **Gameplay HD** and **Equator HD**. -- **Nat Geo** has redesigned and relaunched **NatGeoTV.com** to include an enhanced TV schedule, content sharing capabilities, dedicated pages for every net show, new message boards and more than 800 videos.

Programming: Spike's 1st original comedy "Factory" (Jun 29) chronicles the lives of 4 disengaged small-town fac-

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BUSINESS & FINANCE

tory workers. The series is produced by **3 Arts Ent**, which is behind NBC's "The Office" and FX's "It's Always Sunny In Philadelphia."

People: **Insight** named former **Charter** exec *John Grismore* vp, **Insight Business Services**. -- **OpenTV** appointed **Comcast**

Spotlight exec *Paul Woidke* svp/gm, advanced advertising. Woidke is expected to join OpenTV in mid-May. -- **ESPN** tapped as vp, multi-media sales *Chris Eames*, who will head a new Atlanta sales office.

Business/Finance: **Pali** analyst *Richard Greenfield* has numerous questions concerning the planned **Paramount/MGM/Lionsgate** premium channel (*Cfax*, 4/22), including "Why would any US consumer actually want to pay monthly for it?" Premium nets' main draw is original programming, and even if the venture features originals, contends Greenfield, it will lack important consumer awareness. Plus, he said, "the movie output from [the trio] is among the worst in the movie industry." Greenfield believes it's possible that **Netflix** or **Google** is the rumored unnamed 4th venture partner, and that **Comcast**, **Time Warner Cable**, **Blockbuster** and **DISH** are unlikely candidates. Producing additional questions: former Showtime evp *Mark Greenberg*, who **Business-Week.com** reported will head the new channel, has reportedly been a consultant to Blockbuster.

CableFAX Daily Stockwatch

Company	04/28 Close	1-Day Ch	Company	04/28 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
AMDOCS:	31.73	0.23	AMPHENOL:	46.72	0.42
BRITISH SKY:	43.35	(0.05)	APPLE:	172.24	2.51
DIRECTV:	25.22	(0.03)	ARRIS GROUP:	7.18	0.07
DISNEY:	32.43	0.07	AVID TECH:	20.47	(0.5)
ECHOSTAR:	31.20	0.61	BIGBAND:	7.45	(0.02)
GE:	33.17	(0.16)	BLNDER TONGUE:	1.40	(0.05)
HEARST-ARGYLE:	20.60	(0.22)	BROADCOM:	26.78	(1.21)
ION MEDIA:	1.45	0.00	CISCO:	25.35	(0.25)
NEWS CORP:	18.13	(0.2)	COMMSCOPE:	41.43	0.46
MSOS					
CABLEVISION:	23.17	0.23	CONCURRENT:	0.71	0.00
CHARTER:	0.97	0.00	CONVERGYS:	16.46	0.05
COMCAST:	19.85	0.32	CSG SYSTEMS:	12.13	(0.16)
COMCAST SPCL:	19.55	0.31	ECHOSTAR HOLDING:	30.47	0.72
GCI:	6.31	0.01	GEMSTAR TVG:	4.06	(1.09)
KNOLGY:	12.97	(0.06)	GOOGLE:	552.12	8.06
LIBERTY CAPITAL:	15.61	0.03	HARMONIC:	8.53	(0.06)
LIBERTY ENTERTAINMENT:	25.92	0.26	JDSU:	14.59	(0.26)
LIBERTY GLOBAL:	33.74	0.29	LEVEL 3:	2.82	0.09
LIBERTY INTERACTIVE:	15.21	(0.08)	MICROSOFT:	28.99	(0.84)
MEDIACOM:	4.15	(0.12)	MOTOROLA:	9.46	0.22
ROGERS COMM:	42.97	0.00	NDS:	50.25	0.00
SHAW COMM:	20.94	0.34	NORTEL:	8.28	(0.08)
TIME WARNER CABLE:	26.89	0.24	OPENTV:	1.18	0.03
VIRGIN MEDIA:	12.89	0.26	PHILIPS:	37.73	(0.6)
WASH POST:	676.97	(11.03)	RENTRAK:	13.67	0.06
PROGRAMMING					
CBS:	22.54	0.29	SEACHANGE:	7.27	0.24
CROWN:	4.64	0.13	SONY:	45.96	0.33
DISCOVERY:	22.24	0.02	SPRINT NEXTEL:	7.78	(0.13)
EW SCRIPPS:	44.58	0.13	THOMAS & BETTS:	41.00	0.21
GRUPO TELEVISA:	25.22	(0.82)	TIVO:	8.46	0.03
INTERACTIVE CORP:	20.42	0.13	TOLLGRADE:	5.02	0.01
LIBERTY:	1.00	0.00	UNIVERSAL ELEC:	26.04	(0.38)
LODGENET:	5.75	0.12	VONAGE:	2.00	(0.02)
NEW FRONTIER:	5.06	(0.09)	WEBB SYS:	0.04	0.01
OUTDOOR:	7.48	0.03	YAHOO:	26.43	(0.37)
PLAYBOY:	8.56	0.07	TELCOS		
TIME WARNER:	15.11	(0.15)	AT&T:	38.30	(0.28)
UNIVISION:	36.23	0.00	QWEST:	4.92	0.02
VALUEVISION:	5.38	0.21	VERIZON:	37.79	0.75
VIACOM:	38.54	(0.27)	MARKET INDICES		
WWE:	17.59	(0.1)	DOW:	12871.75	(20.11)
TECHNOLOGY					
3COM:	2.30	(0.08)	NASDAQ:	2424.40	1.47
ADC:	13.64	(0.14)			
ADVANTAGE:	3.76	(0.03)			
ALCATEL LUCENT:	6.84	0.01			

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