

CableFAX Daily™

Monday — April 30, 2007

What the Industry Reads First

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Fireside Chat: NCTA Chief Opines on Week in Washington

Given the busy week in DC, we decided to pick **NCTA** pres/CEO Kyle McSarrow's brain to see how he thinks things are shaking out. **The FCC's long-awaited violence/a la carte report is out. Now what?** I'm not sure. I assume at some point there will be hearings. They may be broader than just violence—about content regulation in general. There may be some type of legislation introduced. Beyond that, it's hard for me to say what the possibilities are of whether it moves or what it looks like. The a la carte sections leap out at you as completely disconnected to the rest of the report. It's just sort of gratuitously thrown in there, and it's not surprising to me because the benefits of a la carte are really a myth. It will destroy diversity and impose higher costs on consumers. If you force networks into an a la carte world where the incentives to hang on or increase market share become even more onerous, you're actually living in a world, I think, that is more likely to drive you to be edgier. I'm not sure a la carte wouldn't make that problem even worse. **One of the findings was that cable's parental controls aren't effective enough right now and that the advanced controls are only available on digital boxes. Cable has been pushing these features hard. Why isn't this resonating?** I think we can accept that parental controls, like any other technology, are evolving. Clearly they're better on digital boxes than analog. Clearly they're better this year than last year. For the first time, I think, we've just tipped over 50% of our cable subscriber base becoming digital. It's true to say not everyone has the most sophisticated tools today, but the trend is clearly moving in that direction. A helpful and constructive approach to that would be how to accelerate it as opposed to just trashing it and saying the only recourse is more govt legislation. **Anything cable likes in this dual-carriage DTV rulemaking?** Based on what we know, it does seem like that in the section dealing with degradation, they originally were going down a very bad road that seemingly didn't understand that everybody in this universe is multiplexing signals and trying to deliver signals using a variety of technologies. So, it seems there are a couple options there they provided for comment. On dual carriage, I'm still just puzzled on what the problem is that they're trying to solve. **Any idea what FCC chmn Kevin Martin will speak about next week at the Cable Show in Vegas?** Not a clue. **I know you share our sorrow over the passing of Jack Valenti. Do you have a favorite memory?** I've known Jack for 20 years. A funny memory on Capitol Hill was him lobbying me to persuade my wife to come work for him. I think he always thought she was his favorite McSarrow, which puts him in a fairly large category. In this job, I worked with him primarily on this coalition to focus on content regulation and the 1st Amendment. He never lost sight of zeroing in on the person he was talking to and making them understand in a sincere way that he wasn't just there to deliver a message; he was there to listen. And he did it with everybody.

Edward Moves Onward: Talk about going out on top. **AT&T** chmn/CEO *Ed Whitacre* shockingly announced at the telco's annual meeting Fri that he will retire in June, following a whirlwind end to his 17-year tenure that

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included a 76% stock price surge since late '05, the \$86bln acquisition of **BellSouth** and, most recently, a jaw-dropping 1Q performance. COO **Randall Stephenson** will succeed the 65-year-old Whitacre, who will receive a whopping \$159mln retirement package, according to **SEC** filings.

State Franchising: No word by deadline Fri from the **FL Senate**, which was expected to vote on a statewide cable franchising bill. The sticking point of a similar bill that failed last year was buildout requirements for new entrants, and this year's version doesn't have any, although the FL Attorney General's Office may fine providers \$15K/month if they purposely avoid a certain neighborhood because of residents' race or income. The House already passed the measure.

Competition: **DirectTV** will add **The Weather Channel HD** to its lineup in Sept, and will upconvert the standard-def feed to HD until the net's HD studio is completed next year.

Cable Ads Decelerate: Ad spending on cable TV by the automotive industry fell 9% last year to \$1.54bln, as network TV (+3% to \$2.85bln) and Spanish-language TV (+9% to \$313mln) both experienced gains, according to **Nielsen Media Research**. No cable shows hit the list of top 10 programs for '06 automotive product placement.

In the Courts: An IA judge ruled Tues that the cable franchise fees charged by the cities of Davenport and Bettendorf are akin to illegal taxes, a decision that could eventually result in refunds to thousands of cable subs. State law prohibits the collection of electric franchise fees that exceed the costs of regulating the service, and the 2 cities were judged to be unlawfully placing into their coffers funds from the 5% franchise fees they charge cable ops. Similar cases are pending in 5 other IA cities.

Programming: **Hallmark Channel** surpassed 80mln subs, according to **Nielsen** universe estimates. -- **Adult Swim** will add a 7th programming night Jul 6 (11pm) and plans 3 new series, including "Lucy, the Daughter of the Devil" (summer). Also announced was a Star Wars-themed ep of "Robot Chicken" (Jun 17), to which **George Lucas** lends his voice.

Show News: If you don't get enough tchotchkeys at **The Cable Show** next week in Vegas, try your luck at the **Natl Kitchen & Bath Assoc's** concurrent industry convention. **NCTA** worked out a proposal that gives show attendees free admission. The agreement is reciprocal, and stems from both a **Scripps Nets** proposal and the "great opportunity to demonstrate the advantages of the broadband platform to the nation's leading home builders and designers," said NCTA svp, industry affairs **Barbara York**. -- **Retirement TV** will host with NCTA a discussion on seniors and the DTV transition, with net host **John Palmer** to moderate a panel featuring NCTA's **Kyle McSarrow** and **FCC** cmsr **Deborah Tate** (May 7).

On the Circuit: Last week was National Karaoke Week (trust us, we would know), but it was also when **Hallmark Channel's Henry Schleiff** decided to declare Employee Appreciation Week. We got the scoop as staffers were skipping out of work for their half-day Friday. Other perks included free lunches and a jelly-bean filled Hallmark Channel cap featuring the net's new "H" logo. (No truth to the rumor that employees were given an extra day off if they congratulated Schleiff on the hole-in-one he shot more than two years ago).

Business/Finance: **RCN** issued a tender offer and consent solicitation to buy any and all of the outstanding \$125mln principal amount of its 7.375% Convertible Second Lien Notes due '12. Holders of accepted notes will receive \$1,133 in cash for each \$1K of principal notes. -- **Hearst-Argyle** reported a 12% rise in 1Q retrans consent rev to \$5.2mln.



Need to move a 3000-ton bridge? How about a 150-year-old brewery? Or an entire hotel? Get set for an all-new season of the machines employed to relocate the least mobile structures imaginable.

Premieres May 3 at 9PM/8C



CableFAX Week in Review

Company	Ticker	4/27 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	46.00	(0.6%)	12.90%
DIRECTV:	DTV	23.89	(0.9%)	(4.2%)
DISNEY:	DIS	34.98	(0.9%)	4.80%
ECHOSTAR:	DISH	46.29	(1.2%)	21.70%
GE:	GE	36.84	4.90%	2.80%
HEARST-ARGYLE:	HTV	26.36	(4.4%)	4.20%
ION MEDIA:	ION	1.23	(3.1%)	146.00%
NEWS CORP:	NWS	24.35	(2.2%)	9.60%
TRIBUNE:	TRB	32.80	1.70%	7.70%

MSOS

CABLEVISION:	CVC	32.65	(0.1%)	14.60%
CHARTER:	CHTR	3.20	(3.3%)	4.60%
COMCAST:	CMCSA	26.93	(3.5%)	(4.6%)
COMCAST SPCL:	CMCSK	26.66	(2.6%)	(4.5%)
GCI:	GNCMA	14.59	(2.7%)	(7.2%)
KNOLOGY:	KNOL	18.32	6.00%	72.20%
LIBERTY CAPITAL:	LCAPA	113.20	(4.2%)	15.50%
LIBERTY GLOBAL:	LBTYA	35.93	2.70%	23.30%
LIBERTY INTERACTIVE:	LINTA	25.36	5.00%	17.60%
MEDIACOM:	MCCC	8.78	(2.4%)	9.20%
NTL:	NTLI	28.22		(54.5%)
ROGERS COMM:	RG	38.02	1.60%	28.00%
SHAW COMM:	SJR	39.08	(0.8%)	25.40%
TIME WARNER CABLE:	TWC	36.52	(5.3%)	(4.6%)
WASH POST:	WPO	744.19	(1.4%)	0.60%

PROGRAMMING

CBS:	CBS	32.04	1.00%	3.50%
CROWN:	CRWN	5.81	(7.2%)	60.10%
DISCOVERY:	DISCA	21.74	2.70%	48.60%
EW SCRIPPS:	SSP	43.27	(4.8%)	(12.9%)
GRUPO TELEvisa:	TV	28.63	(4.5%)	6.00%
INTERACTIVE CORP:	IACI	38.78	0.80%	4.40%
LODGENET:	LNEL	34.77	3.80%	38.90%
NEW FRONTIER:	NOOF	8.60	(3.5%)	8.20%
OUTDOOR:	OUTD	10.17	0.80%	(20.7%)
PLAYBOY:	PLA	9.81	(1.1%)	(14.4%)
TIME WARNER:	TWX	20.61	(0.5%)	(5.1%)
UNIVISION:	UVN	36.23		2.30%
VALUEVISION:	VVTV	11.59	(4.1%)	(11.8%)
VIACOM:	VIA	41.85	(0.1%)	(3%)
WWE:	WWE	17.12	1.50%	10.90%

TECHNOLOGY

3COM:	COMS	4.26	0.70%	3.60%
ADC:	ADCT	18.73	3.10%	14.30%
ADVANTAGE:	AEY	4.20	4.00%	50.50%
ALCATEL LUCENT:	ALU	13.33	5.50%	2.40%
AMDOCS:	DOX	38.34	1.10%	(1.1%)
AMPHENOL:	APH	35.50	(1.9%)	14.60%
APPLE:	AAPL	99.92	9.80%	10.60%
ARRIS GROUP:	ARRS	15.49	2.30%	23.80%
AVID TECH:	AVID	33.98	(8.2%)	(8.8%)
BLNDER TONGUE:	BDR	1.74	(8.9%)	2.40%
BROADCOM:	BRCM	33.40	0.50%	3.40%
C-COR:	CCBL	12.65	(7.7%)	13.60%

Company	Ticker	4/27 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	27.03	0.10%	(1.1%)
COMMScope:	CTV	48.85	9.50%	60.30%
CONCURRENT:	CCUR	1.52	3.40%	(16%)
CONVERGYS:	CVG	25.08	(7%)	5.50%
CSG SYSTEMS:	CSGS	26.77	2.90%	0.10%
GEMSTAR TVG:	GMST	4.48	(2.6%)	11.70%
GOOGLE:	GOOG	479.01	(0.7%)	4.00%
HARMONIC:	HLIT	8.58	(17%)	18.00%
JDSU:	JDSU	16.69	5.60%	0.50%
LEVEL 3:	LVL	5.76	(5.9%)	2.90%
MICROSOFT:	MSFT	30.12	3.80%	1.90%
MOTOROLA:	MOT	17.57	(3.5%)	(13.6%)
NDS:	NNDS	51.50	(1.7%)	6.70%
NORTEL:	NT	23.25	(2.3%)	(13.1%)
OPENTV:	OPTV	2.47	(0.4%)	6.50%
PHILIPS:	PHG	41.45	(0.3%)	12.40%
RENTRAK:	RENT	14.50	(2%)	(6.5%)
SEACHANGE:	SEAC	8.75	(2.9%)	(14.4%)
SONY:	SNE	53.48	(2.2%)	25.10%
SPRINT NEXTEL:	S	20.21	(1.1%)	7.10%
THOMAS & BETTS:	TNB	55.79	4.60%	18.00%
TIVO:	TIVO	6.38	(2.6%)	24.60%
TOLLGRADE:	TLGD	11.55	(1.9%)	9.30%
UNIVERSAL ELEC:	UEIC	27.66	(2.4%)	31.60%
VONAGE:	VG	3.11	4.00%	(55.2%)
VYIO:	VYIO	8.01	2.00%	76.80%
WEBB SYS:	WEBB	0.07	(22.2%)	75.00%
WORLDGATE:	WGAT	0.81	12.50%	(39.6%)
YAHOO:	YHOO	28.34	3.20%	11.00%

TELCOS

AT&T:	T	38.64	(3.1%)	11.10%
QWEST:	Q	8.90	0.20%	6.30%
VERIZON:	VZ	37.89	(0.1%)	5.00%

MARKET INDICES

DOW:	INDU	13120.94	1.20%	5.30%
NASDAQ:	COMPX	2557.21	1.20%	5.90%

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. WORLDGATE:	0.81	12.50%
2. APPLE:	99.92	9.80%
3. COMMScope:	48.85	9.50%
4. KNOLOGY:	18.32	6.00%
5. JDSU:	16.69	5.60%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. WEBB SYS:	0.07	(22.2%)
2. HARMONIC:	8.58	(17%)
3. BLNDER TONGUE:	1.74	(8.9%)
4. AVID TECH:	33.98	(8.2%)
5. C-COR:	12.65	(7.7%)



is for highly successful



The Top 10 network now happily at home in 80 million households.

Source: Nielsen Galaxy Explorer, 1q'07 (1/1-4/1/07) Prime Time (M-F 8-11p) Live+SD coverage area HH ratings among all ad-supported cable networks; Nielsen People Meter Sample May '07 Further qualifications upon request.

MaxFAX...

In the Public Interest?

Well, maybe.

Maybe not.

But so-called "Public Policy" issues are front and center on the smorgasbord that will be in the Mandalay Bay Hotel/Convention-Center/Casino in Las Vegas next week.



Paul S. Maxwell

And we got "issues" galore.

Can you say a la carte?

Or retransmission consent?

Or multicast must-

carry?

Or CableCARD?

Or any of another dozen issues.

So pay attention next week ... and look for some allies in unusual places. While the **Federal Confusion Commission** seems to be on a cable witch hunt, not all Federal, state and/or local legislators and regulators share the same goals.

Beginning Mon morning, local and state officials will convene and gab ... Ballroom D at 10 am. Officials from Indiana, Utah, Virginia, Rhode Island, Massachusetts and Wisconsin will join officials from **NARUC**, **NATOA** and **NBCSL**. Cable has worked with local officials forever ... seems only right that competitors should also. Doesn't

work that way ... but that's an opportunity.

At 1pm Monday, the schedule says that "The Honorable *Kevin Martin*" of the FCC will be the keynote speaker in Ballroom J. **Don't miss it.**

Whether he'll actually say anything or not is a moot point. His appearance is important like a lot of things from this Administration: just because. This is a chairman with an agenda ... one that makes very little sense. Help the poor little telephone companies. Push cable's buttons ... all of them. Steal bandwidth that the industry paid for to run programming from those poor over-the-air put upon broadcasters. Trash the 1st Amendment (amazing FCC violence report concludes that American parents are too dumb to monitor their kids' use of TV and Martin[et] says they need to be able to buy cable channels a la carte ... gee, that makes sense ... maybe he can test the new restrictive kids' remote from **UEI** on the floor). Force onerous costs on cable customers for (1) transition to digital, (2) broadcasters new revenue source, and (3) CableCARDs. My guess on what Martin(et) will say: It's all cable's fault for not doing things his way.

After Martin(et), a panel on "21st Century Communications Policy: The Role of the States" will convene at Breakers J at 2pm with speakers from five states plus the **NCTA** and the FCC (a *McDowell* aide).

On Tuesday and Wednesday, invitation-only public policy luncheons will be held ... if you got invited ... go.

Also on Tuesday, at 3:45pm, seven different staffers from the FCC will attempt to make sense of what Martin(et) said on Monday ... but don't count on it making much sense.

Random Notes:

• **Cable Show Time!** Ready for what happens there, stays there?

• **Missing?** A couple of the usual folks won't be in Vegas with us ... *Barry Diller* is in his own new way-cool building as part of the *New Yorker Conference 2012: Stories from the Future*. OK. I'm sure he'll have some. Also missing will be our good friend and mentor *Bill Bresnan* ... for only the second time since 1964. But Bill is doing something that is truly way-cool ... he's proudly watching his son, *Mike*, "walk" as Mike graduates from NYU with a Ph.D. in psychology (thanks a bit to *Paul Allen*). Another cool part: Mike interned at a **VA** hospital counseling veterans (God bless). So now Mike can run the following letters after his name: BS, MBA, MA, and Ph.D. Not bad at all. Or, as Bill commented, "Enough already!"

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Source: 1) Horowitz Associates, Inc. and Nielsen Entertainment October/November 2005. 2) Leichtman Research Group December 2006
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