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What the Industry Reads First

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Talking Shop: Small Ops See Big Numbers with Commercial Services, HSD

With the large, publicly traded MVPDs having wrapped up quarterly earnings reports, smaller operators on Wed got a turn to present their 1Q views at the **Broadband Cable Assn of PA's** annual Cable Academy. And like their larger brethren, they are seeing plenty of opportunities in the commercial business space. "We're taking 2K unsolicited calls from business every month looking for alternatives to ILECs for DSL and even phone," said *Dave Dane*, **Atlantic Broadband's** svp, ops. Making commercial even more attractive is that the existing residential infrastructure has been able to serve business customers thus far, he noted. The spike in commercial services business was reported by others. **Service Electric Cable-vision** svp *Mark Walter* said that even when his company isn't the primary provider for a business, it's getting business as a back-up provider to provide redundancy given the importance of data. "And that's a foot in the door," he said. While HSD and voice are the primary products for commercial services, video is also seeing traction. Residential video has seen losses, but **Atlantic Broadband's** commercial video business has been growing nicely at nearly 5%/year, Dane said. All of the companies on Wed's panel obviously operate in PA, which has fared better than many other states in the economic downturn. The Bureau of Labor and Statistics shows the state ranked 28th in Mar for unemployment. Atlantic Broadband is seeing some new HH formation in some areas of the state that Dane believes is coming from the fracking and mining industry. For the much smaller **Nittany Media**, there haven't been a lot of housing starts, said vp, gm & CTO *Michael Hain*. But there is growth, and Nittany is getting a few more of the nonvideo subs. "I'm not sure if that's related to over-the-top or competition with satellite," he remarked. Non-video sales are making up about 35% of Atlantic Broadband's connect activity, according to Dane. "I don't think it's cord cutting. I think it's the faster speeds chipping away at the DSL market," he said. **Armstrong** vp, cable marketing *David Wittmann* noted that bandwidth usage is accelerating exponentially at his company, in some cases it's gone up by 40% YOY. Nittany saw similar spikes in Dec '10, but it has since leveled off. Hain attributes some of that to people becoming less infatuated with **Netflix**. "I think people have watched all the shows of 'Lost' they need to see. It was sort of a fad," he said, reminding the audience of how much **Napster** helped the cable modem business in its heyday. In other trends, the operators are generally seeing declines in call volume thanks to improving reliability of plant, more info available online and less billing questions due to bundles. "Those calls that do get through are more detailed



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questions about products or how to help with what they're trying to accomplish," said Wittman. Similarly, Dane reported a trend toward longer calls with Atlantic Broadband seeing the avg length of time for a call increase to about 6 min. Programming costs didn't come up as much as one might expect, but Hain did raise the alarm about "unbridled" growth. He said Nittany recently had to implement its largest rate increase ever, 10%, to cover retrans costs. HSD, which the panel agreed is the future of the industry, is another matter. "Our Internet product is going to continue to grow. [And we've] never increased its price in 15 years," Wittmann said. Walter said Service Electric Cablevision's 50Mbps Wideband offering is "probably our hottest product right now." And customers are buying it in bundles—meaning it's not the cord-cutters wanting it.

At the Portals: Public Knowledge continued its quest to shed more light on the **Verizon Wireless** and cable's deals, asking the **FCC** to make more info of the Joint Operating Entity available to the public. While the companies say the JOE is a precompetitive R&D jv to develop and license new technologies integrating wireless and wireline networks, PK argues that it's a template for a cartel between the providers. "This information is not commercially confidential and offers no competitive advantage to other companies, but does shed light on the management and motivations of the JOE, information that is critical to public review and input in this proceeding," PK said in a FCC filing.

Daytime Emmys: Disney may be making some ratings gains on **Nick**, but the **Viacom** net has the bragging rights for Daytime Emmy nominations. With 40 nominations, Nick has the most of any cable net. **ABC** has the most nods overall (56). Other cable nets scoring multiple nods include **The Hub** (14), **Food** (12) and **Disney** (6). Nick's "Penguins of Madagascar" and "Kung Fu Panda: Legends of Awesomeness" lead the cable show nominations with 8 apiece. The Hub's "R.L. Stine's The Haunting Hour" received 6 noms, as did Nick's "The Fresh Beat Band."

On the Hill: The House Communications subcmte has scheduled a hearing Wed on broadband loans and grants. Witnesses haven't been announced yet. The hearing will continue the cmte's oversight of how taxpayer dollars are being spent on broadband loans and grants created by the American Recovery and Reinvestment Act and other subsidy programs.

BCAP Notebook: Miller Tabak's David Joyce told the PA state association that he doesn't think there is much fear at all over OTT. "Investors are finally saying 'OK, it's going to be a particular kind of user, but not the whole business model,'" he said, noting that people spend on avg less than an hour week with online viewing vs 30+ hours/week with traditional TV. Noting **Nick** and **MTV's** rating declines, he raised questions about whether it's the programming or the measurement. "We are a proponent of the industry working more with **Rentrak** to get data," he said, adding that **Nielsen's** sample includes 25K homes while Rentrak has set-top data for some 8mln homes. Asked whether he thought any public companies might soon go private, he said it's possible something might happen in the next 3-5 years with **Cablevision** and **Charter**. But it would be hard for anything to happen sooner than that given Charter's debt and Cablevision's hit to EBITDA this year by not raising prices. -- **Frank Eliason** is now the svp, social media for **Citibank**, but he'll forever be remembered in the industry as the original **Twitter** voice of ComcastCares. He told the crowd that their customers have an extreme passion for their companies because "cable connects them to the world." That also is why they get so upset when they have service problems. "The opposite of love is not hate. It's apathy. Your customers don't have apathy at all," he said. He stressed that customers don't want their problems solved via social media, but instead it's where they turn when an issue isn't fixed right the 1st time. "Social service is a necessary evil because brands are being talked about [in social media]," he said. Ideally, companies should address issues in a more private setting such as email—with all complaints treated like an exec complaint and resolved in 24 hours. -- **CableFAX** columnist **Steve Effros** spoke at the gathering on **NimbleTV**, **Aereo** and all things cable. He gave **NCTA** a tip of the hat for new marketing, being rolled out in DC now, that features the tagline "It's More Than TV. It's the Way We Connect." He said: "That is the job we do.. and we do it with an infrastructure that happens to be cable." He also commended NCTA on the line, noting it doesn't say what cable connects. It could be **Hulu**, **Wikipedia** or **CNN**.

Programming: ESPN reupped its agreement with the **ACC** through the '26-'27 season. New to the agreement: more title sponsorship rights, 30 more men's regular season basketball games per year and 2 more conference tournament games, 14 more conference football games (including the right to televise 3 Fri ACC match-ups annually, which includes a standing commitment to Boston College and Syracuse). and dozens more Olympic sports competitions. The title sponsorships are subject to conference approval, but represent some firsts. For example, the ACC Men's Basketball Tournament has never been sponsored in its 59-year history. -- **TV Land** is revamping its logo for the first time since it launched 16 years ago. The classic TV and retro style graphics will be replaced Wed with a

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more modern look. The new logo looks a little like TV Land has broken out of the old classic TV set. That's appropriate given its shift to more originals and not just classic shows from the past. Case in point, it's adding a 2nd night of original sitcoms to the scheduled this summer. Three originals debut June 20, including *Cedric The Entertainer's* "The Soul Man." On June 26, Season 2 of "Retired at 35" debuts. -- **WE** ordered a 2nd season of "Mary Mary" to debut early next year. -- **A&E** ordered new real-life series "Southie Rules," which follows a Boston family as they fight among themselves and against gentrification of their neighborhood. -- **AMC** picked up "Comic Book Men" and "Talking Dead" for 2nd seasons.

Show Biz: Here's one sign of cable's partnership with **Verizon**. Verizon Wireless pres/CEO *Dan Mead* is slated to be on one of the Cable Show's general session panels. **NCTA** announced the full line-up of participants for the gen sessions Wed. The list includes **AOL** chmn/CEO *Tim Armstrong*, **Discovery Comm's** *David Zaslav*, **Time Warner Cable's** *Glenn Britt*, **Netflix's** *Ted Sarandos*, actor/writer/director *Edward Burns*, **VEVO** pres/CEO *Reo Caraeff*, **News Corp's** *Chase Carey*, **FCC** chmn *Julius Genachowski*, **MSNBC's** *Chris Matthews*, **CNN's** *John King*, **Univision's** *Maria Elena Salinas*, **CNBC's** *Darren Rovell* and oh, so many more. Things kick off in Boston on May 21.

CableFAX Daily Stockwatch

Company	05/10 Close	1-Day Ch	Company	05/10 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	47.64	(0.39)	CLEARWIRE:	1.31	UNCH
DISH:	30.29	(0.61)	CONCURRENT:	3.52	UNCH
DISNEY:	45.02	0.72	CONVERGYS:	12.99	(0.04)
GE:	18.91	(0.34)	CSG SYSTEMS:	16.38	0.09
NEWS CORP:	19.60	(0.02)	ECHOSTAR:	28.01	0.24
MSOS					
CABLEVISION:	12.53	(0.36)	GOOGLE:	609.15	(3.64)
CHARTER:	67.14	2.17	HARMONIC:	4.40	0.01
COMCAST:	29.17	(0.23)	INTEL:	27.19	(0.18)
COMCAST SPCL:	28.85	(0.24)	JDSU:	10.81	(0.06)
GCI:	7.49	(0.11)	LEVEL 3:	24.60	(0.71)
KNOLLOGY:	19.48	UNCH	MICROSOFT:	30.76	0.26
LIBERTY GLOBAL:	49.16	(0.73)	MOTOROLA MOBILITY:	39.32	0.07
LIBERTY INT:	18.32	(0.01)	RENTRAK:	16.93	(0.68)
SHAW COMM:	19.47	(0.1)	SEACHANGE:	8.43	(0.03)
TIME WARNER CABLE:	77.05	(1.67)	SONY:	15.23	0.21
VIRGIN MEDIA:	22.45	(0.09)	SPRINT NEXTEL:	2.40	0.05
WASH POST:	338.93	(6.07)	THOMAS & BETTS:	71.90	(0.04)
PROGRAMMING					
AMC NETWORKS:	39.62	(0.72)	TIVO:	9.99	(0.17)
CBS:	32.94	0.04	UNIVERSAL ELEC:	14.86	(0.15)
CROWN:	1.53	(0.01)	VONAGE:	1.78	(0.01)
DISCOVERY:	50.47	(0.33)	YAHOO:	15.30	(0.06)
GRUPO TELEVISIA:	21.32	(0.09)	TELCOS		
HSN:	36.49	(0.02)	AT&T:	32.81	(0.23)
INTERACTIVE CORP:	49.01	0.10	VERIZON:	40.25	(0.3)
LIONSGATE:	11.84	0.06	MARKET INDICES		
LODGENET:	2.14	(0.01)	DOW:	12835.06	(97.03)
NEW FRONTIER:	1.52	(0.06)	NASDAQ:	2934.71	(11.56)
OUTDOOR:	7.09	(0.08)	S&P 500:	1354.58	(9.14)
SCRIPPS INT:	54.77	0.10			
TIME WARNER:	35.64	(0.05)			
VALUEVISION:	1.54	0.03			
VIACOM:	50.94	0.09			
WWE:	8.93	(0.02)			
TECHNOLOGY					
ADVANTAGE:	2.37	(0.1)			
ALCATEL LUCENT:	1.50	UNCH			
AMDOCS:	30.26	(0.07)			
AMPHENOL:	54.75	0.22			
AOL:	26.47	0.89			
APPLE:	569.18	1.00			
ARRIS GROUP:	12.55	UNCH			
AVID TECH:	7.79	(0.15)			
BLNDER TONGUE:	1.13	(0.03)			
BROADCOM:	33.64	(0.31)			
CISCO:	18.78	0.07			



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Aereo Arbitrage

Commentary by Steve Effros

How small a regulatory loophole can you squeeze through? That's the game of regulatory arbitrage; find the miniscule difference between what you are doing and what the regulations say you are supposed to be doing and take advantage of that small difference. We generally think of arbitrage as taking financial advantage of the small differences between currencies, but in Washington, regulatory arbitrage is the name of the game.



That's what the legal fight over the new Diller-financed service Aereo is all about. Aereo says it has figured out a way to pick up broadcast signals in a local community and deliver them to consumers in that community over the Internet without incurring the cost that

has been legislatively imposed on cable systems through the "retransmission consent" rules.

As any cable operator will tell you, we don't like retransmission consent. We think broadcasters, who got free public spectrum, should not be allowed to then charge for the reception of their "free, over the air" broadcasts if folks find it convenient or necessary to use a service, like cable, to help deliver that signal to them. We also know we lost that legislative battle. Congress decided that the broadcasters needed financial support in the brave new world of telecommunications competition, and the way they provided that largess was by imposing a tax on viewers in the form of retransmission consent fees. OK, we don't like it, but we understand those are the rules we have to play under for now.

Along comes Aereo, with press releases and interviews saying they will provide both "live" streamed video feeds of local broadcasts as well as DVR storage for their customers. Sounds like the same type of service a cable system offers. But no, says Aereo, they are not a cable system because they have invented this neat new

"thumbnail sized" antenna and the customer controls that centrally located antenna, so everything is done by the customer and therefore—based on the "Cablevision" decision, which OK'd remote DVRs—Aereo is not "retransmitting" anything and need not get, or pay for retransmission consent! Quite an argument.

The broadcasters have sued, but they got mouse-trapped. They said in their first court filings that they weren't complaining about the DVR service, only the live streaming service, which looks very much like a retransmission. Aereo responded with a surprise; we all misunderstood. They now say they don't provide anything "live." It's all delayed (albeit by maybe less than a second...) and all recorded. So it's all "remote DVR" service! Cute.

Clearly the Aereo lawyers are looking to slip through a very small hole. But I think they have a fundamental problem; the antenna. What is an antenna, after all? The easiest definition, it seems to me, is a device that can be connected to the back of a consumer television set and deliver the signals that the consumer is seeking to tune on that set. But from all the information we have heard so far, those little thumbnail things that Aereo "assigns" to each subscriber can't really do that on their own! Those little things have to be a part of a much more sophisticated apparatus, either an antenna array or a tuner/computer or both before they can actually render those necessary signals.

So Aereo's regulatory arbitrage game may be a good one, they have found a neat little loophole. But they may have to supply an entire antenna array with computer for each subscriber before it can work! That should plug up the hole pretty effectively.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)

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