

CableFAX Daily™

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What the Industry Reads First

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Ethernet Turns 40: Cable Taking Market Share

May 22 marks the 40th anniversary of Ethernet, the LAN technology that was developed at CA-based research firm **Xerox PARC** by *Robert Metcalfe*. Initially populated by traditional providers like incumbent carriers and CLECs, the Ethernet market has since attracted cable operators. Early adopters, like **Time Warner Cable** and **Cox**, had a strong lead in the cable MSO segment at the end of '12, followed by **Charter**, Lightpath (formerly **Optimum LightPath**) and **Comcast**, according to **Vertical Systems Group's** US Ethernet Leadership Board, which tracks providers based on their market share. There has been more aggressive marketing as cable ops step up efforts against the traditional Ethernet vendors, according to the research firm's principal *Rick Malone*. Comcast, a bit later to the game (its Ethernet service debuted in '11), is one of the fastest growing Ethernet providers, he said. The advantage of being relatively new is "we don't have legacy technology," *Karen Schmidt*, vp, enterprise marketing for Comcast Business Service, told us. However, the company is still building awareness, she said. Comcast's strategy is to target regional business, especially mid-sized ones. Looking back, one of the biggest changes in the Ethernet business is the demand for bandwidth, Schmidt said, explaining that Ethernet bandwidth in the US has exceeded the total aggregate bandwidth of legacy circuits. Comcast recently became the first provider to receive the Metro Ethernet Forum's Carrier Ethernet 2.0 certification. In addition to acquiring customers in vertical markets like healthcare, banking and education, Comcast is looking to provide Internet and video services to sports teams as well. The **Washington Nationals** struck a multi-year contract with the op in April to provide the Nationals Park with fiber-based Ethernet delivering up to 1Gbps. Going forward, Schmidt said Comcast needs to ink interconnection agreements with network providers to serve customers outside its footprint. Of course, a Cisco report noted that 80% of the current commercial customer base for most major MSOs are companies with 20 employees or less, with a heavy concentration of below 5-employee businesses. Cisco said tapping the \$4bln Ethernet and VPN managed service market could help MSOs boost commercial rev as businesses upgrade. As for Ethernet's future, ultra-fast speeds appear likely. Network standard group IEEE recently launched its IEEE 802.3 study group to explore the development of a 400 Gbps Ethernet spec to support apps and services in areas like energy efficiency, smart grid, data centers and super-computing, access networks, healthcare, entertainment and networking for automotive. As *Joe Gervais*, sr dir of product management of Ethernet vendor **Emulex**, said in a recent blog post, it's hard to project what the next networking technology will look like, but "it will most certainly be named Ethernet." And cable will be part of it. Happy Birthday, Ethernet.

M&A: **Clearwire** OKed **Sprint's** higher bid, calling it the most favorable potential transaction when compared with other potential transactions. The company's shareholders will reconvene on May 31 to vote on the offer.

Retrans: **LIN Broadcasting** is making some noise, alerting viewers that **Time Warner Cable's** contract to carry its stations expires at 5pm ET on Fri, May 31. LIN has several stations in TWC's footprint, including in Buffalo, Austin and Green



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Bay, WI. TWC is balking at what it describes as a 50%+ increase over the contract signed 2 years ago, but a spokesperson said the MSO is hopeful a deal will be reached. LIN has provided several similar notices in the past few months, with deals being reached with **Charter** and **Verizon FiOS** before contracts expired.

Storm Recovery: **Cox Comm** has secured the programming rights to make its Cox TV Connect streaming app available outside customers' homes in and around Oklahoma City for the next 90 days. Video can be viewed live on supported **Apple** and Android devices via authentication. Cox also is offering free WiFi, local and long distance calling and HD at 2 telecommunications centers in Moore. Cox parent **Cox Ent** has pledged \$1mln in support for OK's tornado victims, \$500K in cash to the **American Red Cross** and \$500K of in-kind support, including PSAs. In addition, Cox's local media properties in Tulsa are hosting a series of community fundraisers. -- **Weather Channel** will present "The Oklahoma Tornado Tragedy," chronicling the tornado that devastated Moore, OK, this week (Thurs at 9pm ET).

In the States: **AT&T** announced it would launch its "Digital Life" home automation service in Baltimore, KS City, Minneapolis, Phoenix, Pittsburgh, Sacramento and D.C.

At the Portals: **FCC** acting chmn *Mignon Clyburn* announced up to \$485mln in new Connect America Fund investments to expand fix rural broadband in unserved areas. It marks the 2nd tranche of Phase 1 fund. Phase II will provide ongoing annual support of \$1.8bln for voice and broadband. ACA lamented the move, saying "the FCC has given another year of life to this troubled program. The program's new version suffers from the same problem as last year's, but made worse in that it is now less focused on serving the most unserved areas and funded at a significantly higher level. The FCC should have struck a better deal for consumers and competitors."

The New HLN: **Court TV**, err... make that **HLN** braces for life after the *Jodi Arias* trial. It's hoping the *George Zimmerman* trial over the death of *Trayvon Martin* will help it retain some of the viewers it has picked up for Arias' 4-month long trial. It debuts special "Zimmerman Police Tapes" on Mon ahead of its coverage of the trial (begins June 10). The net saw a 13% uptick in total day ratings in 1Q; prime was up 9%. Arias' fingerprints will remain on the net, with HLN giving viewers a special preview of upcoming series "Secret Lives with *Jane Velez-Mitchell*" On May 30. The series, which formally launches in July, looks at secrets that brought down some of the world's most notorious public figures, with the sneak peek ep focusing on Arias. "Nancy Grace Behind Bars" goes to the women's jail outside Phoenix where Arias has been held (June 5-6, 8pm ET), and "as a timely follow-up to the issues raised during the Jodi Arias trial," HLN will roll out "Stalked: A *Dr Drew* on Call Special." "HLN After Dark," with an audience that serves as a jury, has been a hit for the net since its March debut. In June, the program will start to air regularly at 10pm ET Mon-Thurs and focus on trials and other stories in the court of public opinion. A different kind of jury weighs in June 16, the **National Academy of TV Arts & Sciences**. HLN will televise the Daytime Entertainment Awards live from L.A., starting at 8pm ET.

From the Street: A day after the reveal of **Microsoft's** new Xbox, **BTIG** analyst *Rich Greenfield* wondered if cable (and telco video) will partner up and "crush satellite." He argues that cable and telcos are unique because they serve as MVPDs and ISPs, while satellite ops can offer an IP-feed but not guarantee QoS as they don't control the broadband pipe. "Hopefully the cable industry sees the opportunity to work with Microsoft's Xbox One (and others) to create a superior video product that begins to meaningfully recapture video market share from satellite distributors," Greenfield wrote in a blog.

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BUSINESS & FINANCE

Honors: The Broadcast TV Journalists Assn announced the nominations for its 3rd annual Critics' Choice TV Awards (June 10, Beverly Hilton). **HBO** led the networks in nominations, with 21, followed by **FX** (19). Among series, FX's "American Horror Story" and **CBS'** "Big Bang Theory" were tied for the most nods, at 6 apiece. **Sundance's** "Top of the Lake" and **NBC's** "Parks and Recreation" each have 5 noms.

People: Time Warner Cable promoted **Deborah Picciolo** to svp, technical ops, residential. She'll be based in L.A.

JLo Taking Over the World: *Jennifer Lopez*, **NuvoTV's** newly installed chief creative officer, will be among guest speakers at the **Cable Show** (June 10-12, D.C.). Lopez is making the rounds. **CNBC's** *Julia Boorstin* interviewed her at **CTIA** on Wed for "Closing Bell." Lopez talked about **Viva Movil**, her new retail venture with **Verizon Wireless**.

Business/Finance: Turns out it's *Charlie Ergen*, not **DISH**, making a \$2bln bid for radio frequencies from bankrupt wireless broadband company **LightSquared**, *Bloomberg* reported. -- **Viacom** increased its quarterly dividend to \$0.30 from \$0.275. The last dividend increase was a year ago. The move suggests mgmt's "continued confidence in underlying trends," **Wells Fargo** analysts said. The dividend yield is one of the highest among the diversified entertainment companies, they noted, reiterating their "Outperform" rating on the company.

CableFAX Daily Stockwatch

Company	05/22 Close	1-Day Ch	Company	05/22 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	63.97	(1.03)	ECHOSTAR:	39.29	(0.95)
DISH:	39.32	(0.61)	GOOGLE:	889.42	(17.55)
DISNEY:	65.57	(0.26)	HARMONIC:	6.05	(0.02)
GE:	23.86	0.20	INTEL:	24.07	(0.08)
NEWS CORP:	33.32	(0.05)	JDSU:	13.29	(0.56)
MSOS					
CABLEVISION:	15.34	(0.21)	LEVEL 3:	21.96	(0.34)
CHARTER:	112.94	(1.06)	MICROSOFT:	34.61	(0.24)
COMCAST:	41.78	(0.45)	RENTRAK:	22.63	(0.74)
COMCAST SPCL:	40.18	(0.27)	SEACHANGE:	10.91	(0.35)
GCI:	9.02	(0.28)	SONY:	22.15	(0.76)
LIBERTY GLOBAL:	75.50	(0.55)	SPRINT NEXTEL:	7.30	(0.09)
LIBERTY INT:	22.90	(0.29)	TIVO:	12.81	(0.11)
SHAW COMM:	23.04	(0.36)	UNIVERSAL ELEC:	26.34	0.27
TIME WARNER CABLE:	95.56	(1.45)	VONAGE:	2.70	(0.05)
VIRGIN MEDIA:	50.45	(0.09)	YAHOO:	26.54	(0.46)
WASH POST:	468.50	(0.88)	TELCOS		
PROGRAMMING					
AMC NETWORKS:	67.05	(0.67)	AT&T:	36.62	(0.32)
CBS:	51.26	0.23	VERIZON:	51.47	(0.6)
CROWN:	2.05	(0.02)	MARKET INDICES		
DISCOVERY:	79.15	(0.85)	DOW:	15307.17	(80.41)
GRUPO TELEVISIA:	25.76	(0.48)	NASDAQ:	3463.30	(13.81)
HSN:	55.14	(0.53)	S&P 500:	1655.35	(13.81)
INTERACTIVE CORP:	50.47	(0.85)			
LIONSGATE:	26.55	(0.76)			
SCRIPPS INT:	67.88	(0.98)			
STARZ:	22.81	(0.15)			
TIME WARNER:	59.96	(0.51)			
VALUEVISION:	4.02	0.16			
VIACOM:	70.27	0.08			
WWE:	9.04	(0.12)			
TECHNOLOGY					
ADVANTAGE:	2.22	(0.01)			
ALCATEL LUCENT:	1.45	(0.06)			
AMDOCS:	36.15	(0.21)			
AMPHENOL:	77.64	(3.36)			
AOL:	36.23	(1.04)			
APPLE:	441.35	1.69			
ARRIS GROUP:	15.01	(1.24)			
AVID TECH:	6.82	(0.05)			
BROADCOM:	36.70	(0.7)			
CISCO:	23.34	(0.67)			
CLEARWIRE:	3.38	(0.02)			
CONCURRENT:	6.87	(0.07)			
CONVERGYS:	17.89	(0.25)			
CSG SYSTEMS:	21.17	(0.54)			

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CableFAX Daily
WHAT THE INDUSTRY
READS FIRST.



Think about that for a minute...

Short Takes

Commentary by Steve Effros

So many things going on at the moment and so little time! Here are some initial reactions that I will fill in the details on in future columns, but I know you're reading about all this at the moment, and I thought it might be useful to get somewhat of a different "spin".

The Supreme Court came down with a decision on how much "deference" should be given to administrative agency decisions, like those of the FCC. It's been written up as a harbinger of what might happen in the challenge that is currently before the DC Court of Appeals on the issue of the FCC's "net neutrality" rules. While what the Supreme Court did is certainly important, and provides instruction to the lower court, they said in no uncertain terms that administrative agencies are due "deference" with regard to interpreting the statutes that apply to them, even as to "jurisdictional issues." I wouldn't go overboard and suggest that this gives a firm indication of where the Court of Appeals might go, or the Supreme Court for that matter, regarding "net neutrality."

Why? Because the principal argument in the case just decided was that the FCC should not be its own judge on whether it has jurisdiction to deal with a given issue. That "jurisdictional" argument was the primary thing that was shot down. Justice Scalia made it abundantly clear that he saw no distinction between an agency deciding "jurisdictional" issues and other issues. The decision says that trying to make such a distinction is a waste of time for the courts, that they should look at the much more basic and fundamental question of whether the agency has reasonably interpreted the statute. If they have, then they win, but if the argument is that



they haven't, that they have either expanded their authority beyond the statute, or adopted regulations not consistent with it, they can still lose.

So the "net neutrality" case is not a "slam dunk" no matter what you may have read. We'll just have wait for the arguments and the outcome. I should also note that there are a lot of folks who argue that it wouldn't be so bad if the current "net neutrality" rules stayed in place, either because the lower Court decided against the appeal or because the case was dropped (one of the two parties filing in the case has already dropped out). That's because the options that would appear to be left might be worse than what we have! Common carrier status would once again raise its ugly head at the FCC.

And if that's not enough to get you worried, consider how functional Congress is these days. The other most talked about option is a new telecommunications act. But that would take years, and at the moment there is no telling where it would end up. So everyone should just take a deep breath on this one and not take any bets.

Another thing that caught the attention of the press this week was the introduction of Microsoft's new X-Box. It's designed, as they say, for "more than just gaming"... and the requisite next sentence is that the days of cable television are numbered! Well, again, don't bet on it. Microsoft, it appears, has designed a box that links through and HDMI connector, to a cable box. Folks can use the Microsoft EPG or the cable EPG. Smart. This is just the beginning of lots of retail boxes offering lots of different alternatives for consumers. A good thing.

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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