

CableFAX Daily™

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What the Industry Reads First

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Viacom View: Dauman Waxes on Discovery, Ad Market and Epix

When it comes to **Discovery** and **Hasbro's** upcoming, unnamed kids' net, **Viacom** pres/CEO *Philippe Dauman* says he isn't worried. "Discovery had a totally under-utilized asset [**Discovery Kids**]. We continue to lead very strongly against **Disney** and **Cartoon**," he said during an investor conference Wed. "We don't think that you can base a network on just one type of programming. You always have to look for the right kind of programming. You can't force programming that's promotional, promoting a particular product. We welcome any competition because we're going to beat them." Discovery and Hasbro have said the net, which launches next year, will be a mix of existing Discovery Kids shows and new programming based on Hasbro brands such as "My Little Pony" and "Scrabble." Dauman spoke about a stabilizing ad market. "Visibility is still low... The tone is much better" than a few months ago, he said, adding that he's OK getting less done in the upfront if prices are too low and turning to the scatter. **TV Land** and **Nick at Nite** are doing very well because they're benefiting from the fall out of broadcast, Dauman said. He acknowledged that **MTV's** ratings have lagged, partly due to appealing more to young women than men (ie, "The Hills"). MTV is refocusing itself, but he noted that sister—er, brother— **Viacom** nets **Comedy Central** and **Spike** have been successful in reaching males. As for **Epix**, the upcoming pay TV channel from **MGM**, **Lionsgate** and Viacom's **Paramount**, Dauman said margins out of the gate may not be as big as the incumbents, but the company's OK waiting for them to build. Right now, Epix is showing distributors its beta format for online viewing of content. "We're offering distributors and [authenticated] customers the ability to securely view content—all of it on the 1st day of the window—in HD on every platform," Dauman said. "We're agnostic about how people view our content as long as we get paid for it." He touched briefly on renewals, which included an end-of-the-year dust up between **Time Warner Cable**. Calling it the "worst possible market" for affiliate renewals at the end of '08, he boasted that Viacom completed 4 significant deals (including **TWC** and **DISH**). "We successfully accomplished them on terms we were happy with," he said.

Ahead for DTV: Following blowout 1Q sub acquisition numbers, **DirectTV** has seen its competition become "a little tougher" over the past month, said pres/CEO *Chase Carey* at the **Barclays** conference, particularly among cable ops. Still, Carey said the DBS op "is really well situated" as it prepares for what should become a busy next couple of years. During the remainder of '09, DirectTV's pressing issues include its planned spinoff from **Liberty Media** and merger with **Liberty Ent**, plus laying the groundwork for wireless, broadband and other technological expansion. Regarding the Liberty transaction, Carey is most concerned about dealing with the \$2bln in debt it's assuming, working to establish solid post-deal credit ratings, and having the IRS determine share buyback legalities for '10. On the tech advancement side, partnerships and **NFL Sunday Ticket** will play starring roles. Carey continues to tout the ability of wireless services to clearly offer DirectTV "an advantage over traditional competitors." In the works are wireless apps surrounding the Sun Ticket package, plus increased symbiosis with telcos beyond remote DVR scheduling. Neither **Verizon** nor **AT&T** has any restrictions governing where DirectTV can offer wireless services or packages, said Carey; it's just a matter of structural relationships



JON & KATE ^{PLUS} **Eight**

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evolving over time. "We are incredibly compatible" with forthcoming 4G platforms, he said. After closing on its hefty VZ landline purchase, **Frontier Comm** may also offer some nice partnership opps, said Carey. Many DirecTV/VZ subs are part of the deal, said Frontier CEO *Maggie Wilderotter* during the conference, noting that the telco will explore the establishment of an exclusive arrangement with either DirecTV or **DISH**. Sun Ticket, meanwhile, will propel DirecTV's further foray into the broadband landscape, said Carey, and will particularly help with market share gains in locales such as NYC where there are myriad transplants. "If we do our job, we should be the gateway to the Web," said Carey. Also likely to help: the HD DVR **TiVo** is developing for DirecTV. The device is due out later this year.

Bon Voyage: **Travel Channel** pres/gm *Pat Younge* will leave in Jan to return to London. **Cox** sr mgmt and the Travel Channel staff have known since '07 of his plans to move when his youngest child entered high school. Despite the long lead time, no successor was announced. A Cox rep said the search begins in June. "I have a terrific team here at TCM, and despite these unprecedented economic conditions we are enjoying record ratings, audience delivery and web traffic," Younge said. "Pat Esser and the TCM staff have long known of my plans, and they also know they can rely on me to continue to give this business 100% through year-end to ensure our upfront commitments are delivered and there is a smooth handover to my eventual successor." Esser credited Younge with "unleash[ing] the network's full potential."

New Life: It's official. **CableFAX** broke the news back in Mar that a private equity fund focused on family-friendly, faith-based media appeared to have purchased **AmericanLife TV Network** (*Cfax*, 3/12). **ComStar Networks**, a subsidiary of **ComStar Media Fund**, announced Wed that it has indeed bought the baby boomer net for an undisclosed sum. It has been quietly operating ALN for the past couple months. Assuming ownership of the net is ComStar pres/CEO *Chris Wyatt* (**GodTube** co-founder) and ComStar chmn *Dr Robert Schuller*, a televised minister ("The Hour of Power") who will return to TV through the net. The 2 stressed that the channel is not a religious network. "This is not going to be a preaching channel... It's going to be family entertainment," Schuller said. "So my TV show has to be that [kind of entertainment]. Instead of telling people what to do to be more Christ-like, I want to show them." The AmericanLife name stays "for now," Wyatt said, and new programming will start appearing next month. New movie packages are planned for July. The net will continue to focus on baby boomers and their children, Wyatt said. ALN has 12.7mln subs, with Wyatt saying there's an opportunity to increase the number to 40mln+ over time (he called out its lack of carriage on satellite). As *Cfax* reported back in Mar, AmericanLife's DC staff was not part of the acquisition and were let go. ComStar is based out of Dallas.

Competition: **AT&T** plans to begin later this year upping its 3G mobile broadband speeds, with completion in '11. Also, the telco will nearly double spectrum dedicated to 3G in most metro areas. AT&T plans **LTE** trials next year, with deployment beginning in '11. -- **Verizon** made its up-to-7.1Mbps DSL speeds available to 23K additional MA homes and businesses.

At the Portals: *Jack Nicholson's* known for "Heeere's Johnny!" *Bart Simpson's* catchphrase is "Eat my shorts." And acting **FCC** chmn *Michael Copps* has his "5th Internet principal on nondiscrimination," which appeared again in the Commission's just released report to Congress on rural broadband. "The principle would allow for reasonable network management but make crystal clear that the transformative power of the Internet is not to be limited by such techniques," Copps' report said, noting a particular need in rural areas. The '08 Farm Bill required the FCC chmn, in coordination with the Sec of Ag, to submit a report describing rural broadband strategy. **ACA**, which represents many rural cable ops, had positive things to say about the report—particularly the conclusion that the FCC should address middle-mile connectivity. ACA also was

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BUSINESS & FINANCE

pleased the report recommended the FCC consider the impact on rural broadband deployment.

Earnings: TiVo reported gross subs adds of 37K (-19%) and a slight uptick in churn to 1.4% on service and tech rev of \$48.5mln (-12%). At the end of 1Q, the company counted 1.6mln TiVo-owned subs, flat versus 4Q, and 3.2mln total, a sequential dip of approx 100K. Pres/CEO *Tom Rogers* said **Comcast** is "enthusiastic about the TiVo results so far in New England," where the MSO plans to launch this summer a TV Online Scheduler to allow customers with TiVo plus HSD service to manage and schedule recordings from anywhere they have Internet access. Also, Rogers said Comcast is close to launching the DVR with TiVo service in Chicago, and plans to offer TiVo as the primary DVR option going forward in a yet-to-be announced tru2way market.

Business/Finance: According to reports, **Time Warner's** board plans to make a final decision on a potential **AOL** spinoff at a Thurs meeting. CEO *Jeff Bewkes* speaks Fri at the **Sanford Bernstein** conference. -- **Fitch** affirmed **Mediacom's** "B" issuer default rating and stable ratings outlook, citing anticipation that the MSO's "credit profile will strengthen within the current ratings category during the course of 2009 as modest EBITDA growth coupled with reduced capital expenditures is expected to yield positive free cash flow during 2009."

CableFAX Daily Stockwatch

Company	05/27 Close	1-Day Ch	Company	05/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	29.31	0.22	AMPHENOL:	32.94	(0.54)
DIRECTV:	23.24	(1.07)	APPLE:	133.05	2.27
DISH:	16.40	(0.69)	ARRIS GROUP:	11.31	(0.26)
DISNEY:	23.87	(0.67)	AVID TECH:	14.29	(0.22)
GE:	12.99	(0.4)	BIGBAND:	5.11	(0.09)
HEARST-ARGYLE:	4.48	(0.01)	BLNDER TONGUE:	1.49	(0.19)
NEWS CORP:	10.59	(0.11)	BROADCOM:	23.79	0.90
MSOS					
CABLEVISION:	18.95	(0.89)	CISCO:	18.22	(0.27)
COMCAST:	14.30	(0.38)	CLEARWIRE:	4.37	(0.06)
COMCAST SPCL:	13.34	(0.41)	COMMSCOPE:	24.79	(0.11)
GCI:	6.75	(0.32)	CONCURRENT:	4.72	0.32
KNOLOGY:	8.12	(0.21)	CONVERGYS:	9.35	(0.29)
LIBERTY CAPITAL:	13.58	(0.27)	CSG SYSTEMS:	13.52	0.11
LIBERTY ENT:	24.38	(0.5)	EHOSTAR:	15.67	(0.49)
LIBERTY GLOBAL:	14.20	(0.5)	GOOGLE:	405.56	1.20
LIBERTY INT:	5.65	(0.23)	HARMONIC:	5.57	(0.18)
MEDIACOM:	6.21	(0.18)	INTEL:	15.46	(0.02)
SHAW COMM:	17.00	(0.25)	JDSU:	5.17	(0.07)
TIME WARNER CABLE:	32.03	(0.9)	LEVEL 3:	1.17	(0.02)
VIRGIN MEDIA:	7.60	0.31	MICROSOFT:	20.13	(0.21)
WASH POST:	361.34	(1.43)	MOTOROLA:	5.92	(0.07)
PROGRAMMING					
CBS:	6.98	(0.21)	OPENTV:	1.60	(0.03)
CROWN:	3.01	(0.05)	PHILIPS:	19.13	(0.63)
DISCOVERY:	21.87	(0.39)	RENTRAK:	10.25	(0.05)
EW SCRIPPS:	2.32	0.29	SEACHANGE:	6.74	(0.1)
GRUPO TELEVISA:	17.35	(0.21)	SONY:	25.56	(1.02)
HSN:	11.08	0.54	SPRINT NEXTEL:	5.07	(0.13)
INTERACTIVE CORP:	16.03	(0.01)	THOMAS & BETTS:	30.70	(0.35)
LIBERTY:	25.39	(1.14)	TIVO:	6.98	(0.3)
LODGENET:	5.85	0.12	TOLLGRADE:	5.40	(0.11)
NEW FRONTIER:	2.10	(0.09)	UNIVERSAL ELEC:	19.75	(0.74)
OUTDOOR:	6.62	(0.43)	VONAGE:	0.48	(0.04)
PLAYBOY:	3.11	0.13	YAHOO:	14.94	(0.34)
RHI:	3.31	(0.07)	TELCOS		
SCRIPPS INT:	27.33	(0.68)	AT&T:	24.07	(0.44)
TIME WARNER:	23.00	(0.32)	QWEST:	4.32	(0.01)
VALUEVISION:	0.74	(0.01)	VERIZON:	28.95	(0.68)
VIACOM:	23.60	(0.42)	MARKET INDICES		
WWE:	12.16	(0.19)	DOW:	8300.02	(173.47)
TECHNOLOGY					
3COM:	4.28	0.00	NASDAQ:	1731.08	(19.35)
ADC:	7.01	(0.08)			
ADVANTAGE:	1.85	0.00			
ALCATEL LUCENT:	2.42	(0.01)			
AMDOCS:	21.32	(0.43)			

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Think about that for a minute...

Intellectual Firepower

We haven't seen this much intellectual firepower in Washington in a long time, and it's going to have a major impact on what we do, and how we do it. That goes not only for how we run our businesses (there is obviously more than one of those now) but also how we explain them, categorize them and present them to our various customer bases.

I know it was frustrating over the past eight years, especially the last four or five, when we had to deal with an FCC, in particular, that was run based almost exclusively on ideology. In our case, that meant "leadership"... and I do put that in quotes... intent on forcing the cable industry to change the way it offers its product. Nothing else rose to the level of importance of the a la carte agenda. Indeed, everything fell prey to that agenda.



Steve Effros

If we didn't toe that line, we would not get any other reasoned decisions. We would be "hurt" until we acquiesced.

Well, clearly we didn't give in, and almost all economists and policy folks who looked at the issue agreed with us: government mandated a la carte would have resulted in higher fees and less diversity. It made no sense, and I don't think it's going to become a big issue now that there is new leadership, both at the FCC and in the Halls of Congress and the White House. But that doesn't mean that it's "clear sailing" for the cable industry. Far from it.

We are at the center of the telecommunications storm these days. We have built the infrastructure that's now considered a "necessity" by many policy wonks when considered in the context of broadband Internet distribution, and also a necessity by programmers who want to provide "cable" programming to mass audiences.

The third leg of our stool, telephony, has been considered a necessity for a long time now, but competition from various technologies, including ours and wireless, has changed the paradigm there, too.

So no matter what, we are going to be central to the thinking of those now seriously considering new policy directions in Washington. These folks are not wont to simply say "...because I said so," as was the case before. They are going to back up their intellectual positions on net neutrality, copyright, fair use, trademark use, antitrust and the like with lots of firepower. Some of it we will agree with, some we won't, but it's a fair bet that we are going to have to do and say things differently in order to be heard.

This isn't going to be a "screaming match" type of policy development. It's going to be much more academic, and much more populist at the same time. Arguments are going to be made to the public that will sound very sensible, like the net neutrality mantra that ISPs should not be allowed to block where folks search on the Internet. We agree. That was never the issue. But it sure does sound good leading into the far more complex issues of network management, doesn't it? We have to learn how to do that.

We're going to have to back up our positions with just as much intellectual vigor, and we're going to have to couch our positions, and, indeed, characterize what we do far more carefully, understanding that this is a new day, and what you say will really be listened, and responded to.

It's a new challenge—not a bad one, but one we have to be prepared for.

Steve

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CableFAX Daily will publish a special supplemental Mid-Day Report, June 11, profiling the winners of the Sales Executive of the Year Awards and the Sweet 16—with special mention of the 2009 Hall of Fame Inductees. For event information and list of Honorees go to: www.CableFAX.com/SEOY.

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