

# CableFAX Daily™

Thursday — June 14, 2012

What the Industry Reads First

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## DOJ Watch: Cable Braces for More Net Neutrality Fun


Cable was in the spotlight Wed, and not in a good way, with the *WSJ* breaking the news that the **Dept of Justice** is examining whether operators are acting improperly to suppress online video competition. Have to wonder if cable's old foe *Gene Kimmelman* (formerly at **Consumers' Union**) will be lending a hand as DOJ's chief counsel for Competition Policy and Intergovernmental Relations. **Netflix** and **Hulu** are among several online video providers with which Justice officials have spoken, while MVPDs, including **Comcast** and **Time Warner Cable**, have faced questions on data caps, the *WSJ* said. No doubt, Comcast (and other MSOs) not counting content viewed using a private network against a broadband cap is among the issues being probed. DOJ often opens investigations following complaints, and **Public Knowledge** has been grumbling about the issue to Justice and the **FCC** for the past 6 months. "The future of online competition for cable is being decided right now, and it is crucial that government agencies responsible for protecting the public interest do so," PK said in a statement. "Media and telecommunications giants, which can be one and the same, should not be able to take advantage of their size and reach to eliminate competition and to harm consumers through data caps which favor some content over other based on business relationships, through contract terms that could restrict where programming can be shown, or other means." Of course, whether anything comes from the investigation remains to be seen. The story traveled quickly Wed, with cable just as quick to respond. "Consumers are the beneficiaries of tremendous choice, competition and innovation in the video marketplace with dozens of alternatives now available for viewing content on multiple devices through a variety of service options," an **NCTA** spokesman said. "The innovative offerings by cable companies are positive developments for consumers and represent accepted and legitimate business practices as well as sound network management. All the industry's actions are intended solely to ensure consumers get the highest value for their subscription." Other areas under DOJ scrutiny include programming contracts and whether most-favored nation clauses and other terms are intended to stop programmers from experimenting with other forms of online distribution, the *WSJ* said, citing a person familiar with the matter.

**Retrans:** **DISH** and **Hoak Media** made nice Tues night, with the broadcaster's 14 stations returning to the DBS service. As per usual, no one's talking details. **Diversified Comm** and **DirecTV** haven't settled their ongoing dispute,

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#### CONTACT

Debbie Vodenos, Publisher  
(301) 354-1695 or [dvodenos@accessintel.com](mailto:dvodenos@accessintel.com)

Amy Abbey, Associate Publisher  
(301) 354-1629 or [aabbey@accessintel.com](mailto:aabbey@accessintel.com)

[www.CableFAX.com](http://www.CableFAX.com)

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which has seen stations in Bangor, ME, and Gainesville, FL, go dark. "A reasonable person could not see DirecTV's actions as helpful in resolving this impasse, but rather seemingly designed to delay the settlement of an agreement," ME station WABI said on its Website, complaining that DirecTV hasn't responded to its latest proposal. Both sides are still talking, so maybe there will be some news soon.

**Spectrum Watch:** A group of House Dems, led by Reps *Ed Markey* (D-MA) and *John Conyers* (D-MI), asked the **FCC** and Atty Gen *Eric Holder* to carefully scrutinize the proposed **Verizon Wireless'** and cable's spectrum deal, taking into consideration the pro-consumer, pro-competition provisions of the '96 Telecom Act. "To fulfill the purpose and promise of the Act, it is essential that competition and consumer choice continue to animate our nation's communications policies," said the letter, which also was signed by 5 other Dems.

**Broadband:** The White House announced the **US Ignite Partnership**, which will create a national network of communities and campuses with ultra-fast, programmable broadband services operating at speeds of up to 1GB per second. The network will become a test-bed for designing and deploying next-gen applications to support national priorities such as education and healthcare. Industry partners include **Comcast, Verizon** and **Cisco**. Verizon will partner with US Ignite to offer a testbed with very high FIOS connections in the Philly area (up to 300Mbps). Other components include a \$20mln commitment from the **National Science Foundation** for the prototype and deployment of new technologies to advance deployment of ultra-high speed. *President Obama* also signed an exec order aimed at speeding up broadband deployment while reducing the expense. It directs departments to help carriers time their deployment activities to periods when streets are already under construction—an approach that the administration said can reduce network deployment costs along federal roadways by up to 90%. This is similar to "dig once" legislation introduced last year in the House and Senate. The order also includes requiring the Departments of Agriculture, Commerce, Defense, Interior, Transportation, and Veterans Affairs as well as the US Postal Service to offer carriers a single approach to leasing Federal assets for broadband deployment.

**Online:** **CNBC** friended **Yahoo** to expand **CNBC's** online presence and provide a broadcast platform for Yahoo Finance. Like the Yahoo/**ABC News** partnership last year, the **CNBC/Yahoo** deal will include co-branded original videos that will premiere on both sites this fall. Yahoo Finance's journalists will appear on-air as part of **CNBC's** programming. Both companies will retain full editorial control over their respective sites.

**Programming:** "John King, USA" ends its run June 29, with King becoming the net's lead national campaign correspondent providing reports for various programs and **CNN** platforms. "The Situation Room with Wolf Blitzer" will extend to 3 hours as of July 2. **CNN** said it's also expanding its Washington coverage, tapping *Joe Johns* as the **CNN** Crime and Justice correspondent. Sr prod *Suzanne Kelly* becomes the net's Intelligence correspondent. -- **Showtime's** "Weeds" will come to an end after its 8th season, which kicks off July 1.

**Ratings:** "Annoying Orange" made the jump from **YouTube** to **Cartoon** Tues, and kids followed. It was the #1 telecast of the day among boys 6-11.

**Digital Hot List:** At our *Digital Breakfast at the Cable Show*, **CableFAX** honored our 2012 *Digital Hot List* and 15-to-Watch list. Over the next few weeks, we'll be featuring those honorees in our pages as we share some of their answers to our wide-ranging questionnaires. **Eric Bruno, vp, Marketing, Verizon: What's your favorite digital toy?** The new iPad. It's fast and simple access to all of the digital content that I want at my fingertips—in phenomenal clarity. **The biggest challenge with TV Everywhere Authentication is:** The proliferation of apps. It is not simple for consumers to find the content they want, as they have to find and download different apps with different UIs and navigation. **Without social media, the world would be a little less:** Reactionary. Which is good and bad. Social media has proven to be tremendously effective at mobilizing people for good (Disaster Relief) and bad (London Riots). **What's on your wish list for iPhone 5?** Unfettered in-app transactions without a 30% revenue share to Apple... A man can dream.

**Research:** Global E&M spending is projected to rise from \$1.6 trillion in 2011 to \$2.1 trillion by 2016, according to a report by **PwC**, with digital spending accounting for 67% of all growth in the next 5 years. More at [CableFAXDaily.com](http://CableFAXDaily.com).

**Trade Winds:** Many in the audience at the Mirror Awards for Journalism Wed at the Plaza Hotel in NYC didn't know the late cable trade reporter *John Higgins*. But after Cable Hall of Famer *Leo Hindery's* excellent speech about Higgins followed

# BUSINESS & FINANCE

by a video tribute, nobody doubted for whom the Mirror award for Investigative Journalism was named. While Hindery praised Higgins—"he was the smartest journalist I ever met"—he also captured the Higgins spirit. "He was always gruff," loved to drink and knew where to get Hindery a tattoo (don't ask). "Higgins had only 2 stories: no shit stories and holy shit stories," Hindery said. But his integrity is "what made him a friend," he added. But "Lord help you if you thought" being his friend exempted you from his tough "but fair" reporting. Indeed, the large cable contingent and Higgins' family agreed that Higgins would have enjoyed seeing journalists honored, been proud his award carried a large cash prize courtesy of **Time Warner Cable** and **Discovery** and would have worked the room of celebs like host *Anderson Cooper*, *Ariana Huffington* and *George Stephanopoulos* to perfection.

**On the Circuit:** **SCTE** wants nominations for its Cable-Tec Expo Awards, which will be presented Oct 17 during Expo in Orlando. The deadline is July 1. More info at <http://expo.scte.org>

**Business/Finance:** **Knology** said 2 proxy advisory firms support **WOW!**'s acquisition of the company, recommending that Knology stockholders vote for the adoption of the merger agreement. Under the previously announced merger deal, **WOW!** will buy all outstanding Knology shares for \$19.75/share in cash. A shareholder meeting is set for June 26.

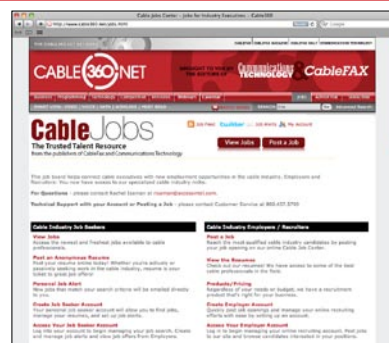
## CableFAX Daily Stockwatch

Company	06/13 Close	1-Day Ch	Company	06/13 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	42.99	(0.23)	CONCURRENT:	3.97	0.18
DISH:	26.95	(0.52)	CONVERGYS:	14.14	(0.12)
DISNEY:	46.23	(0.15)	CSG SYSTEMS:	16.10	(0.27)
GE:	19.37	(0.11)	ECHOSTAR:	26.33	(0.34)
NEWS CORP:	19.74	(0.12)	GOOGLE:	561.09	(4.01)
<b>MSOS</b>					
CABLEVISION:	11.58	0.04	HARMONIC:	4.11	(0.09)
CHARTER:	64.93	0.20	INTEL:	26.54	0.02
COMCAST:	29.98	(0.47)	JDSU:	9.90	(0.31)
COMCAST SPCL:	29.52	(0.43)	LEVEL 3:	20.23	(0.87)
GCI:	7.51	0.22	MICROSOFT:	29.13	(0.16)
KNOLLOGY:	19.55	(0.04)	RENTRAK:	18.40	(0.35)
LIBERTY GLOBAL:	46.04	(0.46)	SEACHANGE:	7.91	(0.1)
LIBERTY INT:	16.45	(0.24)	SONY:	12.76	(0.31)
SHAW COMM:	18.60	(0.01)	SPRINT NEXTEL:	2.94	0.02
TIME WARNER CABLE:	77.02	(0.86)	TIVO:	8.05	(0.18)
VIRGIN MEDIA:	22.15	(1.23)	UNIVERSAL ELEC:	12.21	(0.35)
WASH POST:	364.91	(2.61)	VONAGE:	1.76	0.01
<b>PROGRAMMING</b>					
AMC NETWORKS:	38.38	0.49	YAHOO:	15.34	(0.14)
CBS:	31.41	(1.05)	<b>TELCOS</b>		
CROWN:	1.53	(0.01)	AT&T:	34.98	UNCH
DISCOVERY:	50.32	(1.81)	VERIZON:	42.99	0.05
GRUPO TELEVISIA:	19.62	0.24	<b>MARKET INDICES</b>		
HSN:	39.52	(0.73)	DOW:	12496.38	(77.42)
INTERACTIVE CORP:	44.99	(0.38)	NASDAQ:	2818.61	(24.46)
LIONSGATE:	13.82	0.16	S&P 500:	1314.88	(9.3)
LODGENET:	1.41	0.01			
NEW FRONTIER:	1.65	0.01			
OUTDOOR:	6.45	(0.01)			
SCRIPPS INT:	55.90	(0.91)			
TIME WARNER:	34.83	(0.5)			
VALUEVISION:	1.70	(0.02)			
VIACOM:	51.49	(0.71)			
WWE:	7.65	(0.04)			
<b>TECHNOLOGY</b>					
ALCATEL LUCENT:	1.50	(0.06)			
AMDOCS:	28.85	0.07			
AMPHENOL:	54.92	0.23			
AOL:	27.10	(0.11)			
APPLE:	572.16	(4)			
ARRIS GROUP:	13.00	(0.14)			
AVID TECH:	6.71	(0.17)			
BLNDER TONGUE:	1.10	0.05			
BROADCOM:	33.80	(0.33)			
CISCO:	16.66	(0.14)			
CLEARWIRE:	1.10	(0.09)			

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## Think about that for a minute...

### Lightening or Lightning?

Commentary by Steve Effros

Too much happening at once. First, the good news. Kudos to the NCTA, and the ACA for being instrumental in explaining to the FCC why the “viewability” rules should end. The FCC voted 5-0 to sunset them at the end of this year.

Those rules required cable operators to carry both an analog and a digital copy of all must-carry broadcast signals in a local community. This, long after the government allowed the broadcasters themselves to stop transmitting in analog, and only deliver a digital signal! Analog broadcasting was supposed to be so important and fundamental that the government, when requiring a switch to digital transmission for the broadcasters, subsidized and helped distribute boxes that consumers could get to continue to watch television on their older analog television sets.

Cable operators didn't get any subsidies. We had to carry both an analog and a digital feed of those broadcast signals. Of course this required extra bandwidth and extra equipment. Our customers wound up paying for that. But the government went one step further; they required the carriage of all those signals in both formats so “basic” cable subscribers could see the analog signals on analog sets without the need for a set top box. That's the rule that is expiring.

The FCC is finally lightening the load of technical regulation on how we operate in a highly complex field that moves so swiftly there are times, as you will see, when the ink hasn't been used yet, let alone dried, before the rules are obsolete.

An example; CableCards. An obsolete technology that did not accomplish much of anything other than increased costs for cable operators and their customers. The “uniformity” of equipment that could theoretically be sold retail never happened. This can't be a surprise,

since the rules weren't applied to DBS MVPD delivery (the second and third largest customer bases in the country) and to “Telco Cable” either! One wonders why the Commission doesn't finally abandon that fictional technological “fix” and lighten the load there as well.

And then there's the “1394” port (originally Apple's “FireWire”). A connector that was required on cable set top boxes even though most of the CE industry stopped supporting it years ago. Happily, the Commission has now said it will no longer require the 1394 connector, but is blessing other types, such as the currently popular USB port, in its stead. That, too, is a mistake. After all, at the Apple conference earlier this week they touted their newest “Thunderbolt” connector... faster and better, they say, than the USB! Hold the ink! The Commission should just stay out of this stuff altogether. Technology is moving too fast, and is too competitive. There's no need for the FCC to get into the middle.

And while mentioning “Thunderbolts,” we may as well talk about the lightning strike this morning in a Wall Street Journal rumor that the Justice Department is investigating the antitrust implications of cable's broadband caps, or usage based pricing, or maybe even the allowance of other set top boxes, like the “X-Box” to be used with our preexisting service! I thought that's what the CableCard debacle and the awkward effort to define an “AllVid” box were trying to require!

So here we go again. But this time, as with the FCC conclusion on UBP, I think the result will be a finding that the cable infrastructure is, indeed, a private business, that we do have competition, and that efforts at technical or business micromanagement are destined to fail.

Steve

T:202-630-2099  
steve@effros.com

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

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