

CableFAX Daily™

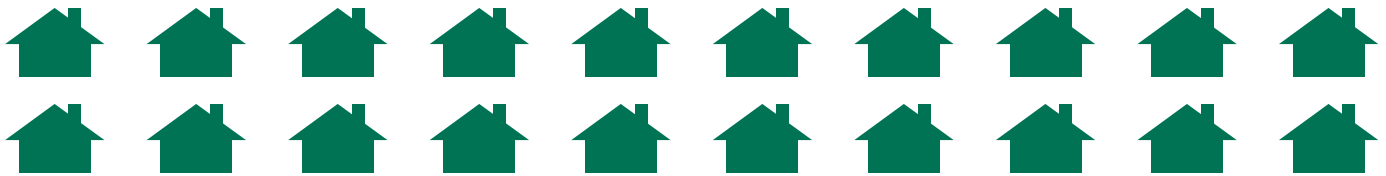
Tuesday — June 22, 2010

What the Industry Reads First

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The Deal: Comments on Comcast-NBCU Flowing In, More to Come

FCC comments on the proposed **Comcast-NBCU** JV trickled in Mon, with many expected to be filed late in the evening given the midnight deadline. At our deadline, **DISH Network** filed a petition to deny the deal, saying it "is a horizontal combination of two leading providers of a new product altogether—online video—who together would reduce competition, particularly from an industry that has driven competition in video and related markets for over a decade: Direct Broadcast Satellite." DISH and **EchoStar** said a combined entity would have the incentive and ability to take anticompetitive action against DISH's online video products by giving Comcast "unique visibility to Hulu;" combining Comcast's broadband gatekeeper position and NBCU's key role in VOD; blending Comcast's broadband traffic management power and NBCU's online video content; joining Comcast's and NBCU's ability to interfere with EchoStar's 'Sling' place-shifting tech; and leveraging the combined companies' ability to offer a multi-platform advertising product. The usual suspects said the usual things, with **Free Press, Bloomberg, CWA, WealthTV** and a hodgepodge of public interest, consumer and business groups saying they oppose the \$30bln transaction as filed. Their list of concerns in a letter Mon to the FCC and **DOJ** include hampering independent programming, the potential to drive up the cost of cable and satellite, the ability to harm online video and "unprecedented" power in shaping the media landscape. The groups called on the agencies to "exercise their authority to protect the public using whatever means deemed appropriate." **ACA** doesn't object to the deal but wants conditions. It's not talking specifics, however. "We expect that the Commission will recognize the harms we've identified and at the appropriate time enter into a discussion on appropriate remedies," said ACA vp, govt affairs **Ross Lieberman**. ACA focuses on how the deal is horizontal as well as vertical, which it says could allow the newly formed company to charge higher programming fees. The group also worries about retrans, saying ACA's work concludes that Comcast-NBCU could double its retrans consent take in the 6 TV markets that contain an NBC O&O and where Comcast has significant presence as the incumbent cable provider. The greatest horizontal harm, ACA argues, would be in regions served by and NBC O&O and a Comcast RSN, estimating that about 12% of all TV HHs are in such DMAs (Chicago, Philly, San Fran-Oakland-San Jose, DC, Miami-Ft Lauderdale and Hartford and New Haven, CT). The NBC affiliates have telegraphed support of the deal (**Cfax**, 6/10). Key to the stations' support is Comcast agreeing not to shift major sporting



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events from broadcast to cable. Comcast evp *David Cohen* took to the blogosphere Mon, noting support from the Governors of CA, NY and PA (VA gov *Bob McDonnell* is the latest to sign on) as well as more than 46 members of the House and Senate. "Some commenters, including certain competitors and programmers, appear to be attempting to use the transaction review process as an opportunity to seek advantages and concessions outside of marketplace negotiations. We believe these efforts should be rejected," writes Cohen, specifically referencing attempts to change how the program access rules work. More in Wed's issue as others, such as **DirectTV**, are expected to weigh in on the proposal.

Complaint Dept: As expected, the **FCC's** rules on program access complaints related to the terrestrial exemption are now fully in effect (*Cfax*, 6/17). Last week the Office of Management & Budget rejected **NCTA's** paperwork complaint about how info is collected, allowing the rules to go into effect Mon. Distributors denied terrestrial programming can file a complaint at the Commission. The rule could be big news for **DirectTV** and **DISH**, which have long bellyached over their lack of access to **Comcast Sports Net Philly**. "We look forward to negotiating a deal with Comcast," a DirecTV spokesman said Mon. If Comcast denies the programming (it has been pretty vocal over the years that it won't give it up as long as DirecTV has exclusive access to **NFL Sunday Ticket**), then DirecTV could file a complaint at the FCC; Comcast would have 45 days for rebuttal. The rules apply primarily to terrestrially delivered sports nets, as news and community nets can be replicated. The rules could also mean complaints against **Cablevision** for the HD feed of its **MSG** net. "At the end of the day, no matter what process **Verizon** or **AT&T** tries to employ, the idea that the nation's two largest phone companies need a regulatory bailout to make up for their own lack of investment is absurd," said CVC, which has asked a federal court to review the rules.

Carriage: Just in time for Wimbledon, **AT&T U-verse** reached a deal with **Tennis Channel** that puts the net on its U450 package as well as its sports tier. The 2 said there are plans for expanded future distribution across multiple AT&T screens, including AT&T Mobile and U-verse Online services. -- **C-SPAN** has hit 100mln+ homes.

On the Hill: Sen Commerce will host a hearing Thurs on transforming the Universal Service high-cost fund for broadband, with **FCC** commissioners *Michael Copps*, *Mignon Clyburn* and *Meredith Atwell Baker* scheduled as witnesses. Other witnesses include **NCTA's** *Kyle McSparrow* and **Windstream's** *Jeff Gardner*.

Linear Scare: VOD horror channel **FEARnet** will launch a linear net (SD and HD) Oct 1, and pres *Diane Robina* doesn't foresee any trouble scaring up distributors. None have signed on yet, but she said ops have been asking for a new FEARnet platform. "They understand the value of our genre," she said, adding that "movies are the number one requested item for customers who want HD." Currently available in more than 28mln homes on **Comcast**, **Cox**, **FiOS**, **U-verse** and others, the net's VOD version averages approx 12mln views/month, and Robina said it has been either the top- or 2nd best-performing FVOD net each month for some time. A dearth of content won't be a problem for the linear net, she said, as owners **Lionsgate** and **Sony** (along with Comcast) bring a vast film library to the table. Originals will also be included, be it short-form, series or movies. It's safe to assume Comcast will carry the net linearly, and perhaps that **Time Warner Cable** will not. The MSO dropped FEARnet last spring in an apparent monetary dispute and still does not carry the net.

Competition: Following free HD for life offers from **DISH** and **DirectTV**, **FiOS TV** is now offering new customers a month-to-month payment option for bundled services at the same prices charged to contract subs (m-to-m options previously ran approx \$20/month higher) and allows for 1-year pricing protection without an early termination fee. For new customers in 13 FiOS markets who order a VZ bundle as part of a 2-year contract, the telco now offers a guarantee allowing for service cancellation within 30 days of activation with no penalty. Also, new triple-play subs will get **Epix** or the FiOS TV Movie Package including 40 channels such as **Showtime** and **Starz** free for 1 year, while new double-play subs get 3 months free.

In the States: Clearwire expanded the availability of its **Clear** mobile broadband service to include nationwide **Best Buy** stores and BestBuy.com, where customers can now purchase more and discounted equipment offers on **Intel**-based, embedded WiMAX laptops with access to the service.

Technology: Comcast tapped **NDS** as the Prime Integrator of its **tru2way** software integration project using **CableLabs'** tru2way Reference Implementation. The pact call for NDS to lead set-top testing, code development and success validation for the integration of new tru2way apps and devices.

Asset Liberation: Following a year of asset/stock machinations that included **Liberty Starz'** (Starz, **Encore**) 1st public trading day in Nov, **Liberty Media** is at it again. The co's board approved a plan to separate its **Liberty Capital (Starz Me-**

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dia) and Liberty Starz tracking stock groups from its **Liberty Interactive (QVC)** tracking stock group. Liberty Media pres/CEO *Greg Maffei* said the move results in better transparency, more efficient capital raising and strategic benefits. The proposed split-off will be effected by the redemption of all the outstanding shares of the Liberty Capital (LCAPA) and Liberty Starz (LSTZA) tracking stocks in exchange for shares in a newly formed co (Newco) that will hold substantially all the assets and liabilities currently attributed to those stocks. Then, the new co's common stock will be divided into 2 stocks tracking the assets of Capital and Starz. Holders of Liberty Capital shares will get shares of Newco Capital, holders of Liberty Starz shares of Newco Starz. After the redemption, Newco and Liberty will be separate public companies. See stock chart on page 4 for Thurs movement in Liberty stocks.

People: *Andrew Portnoy* was upped to **MTV** svp, prod, East Coast. *Kimberly Rach* joined **MTV** from **Walden Media** as svp, production West Coast. -- **LodgeNet** tapped *David Goldstone* as vp, sales and hotel relations.

Honors: **Time Warner Cable** pres/CEO *Glenn Britt* will get the Steven J. Ross Humanitarian Award Thurs at the **UJA-Federation of NY's** Entertainment, Media & Communications Div's Leadership Awards Dinner. **NCTA's** *Kyle McSarrow* will present the honor. Past recipients include *Jeff Zucker*, *Michael Eisner* and *Rupert Murdoch*.

CableFAX Daily Stockwatch

Company	06/21 Close	1-Day Ch	Company	06/21 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	37.39	(0.04)	ARRIS GROUP:	10.92	(0.04)
DISH:	21.04	(0.27)	AVID TECH:	13.23	(0.1)
DISNEY:	35.06	(0.09)	BIGBAND:	2.90	(0.04)
GE:	16.10	0.15	BROADCOM:	35.52	0.11
NEWS CORP:	15.84	(0.2)	CISCO:	23.34	(0.15)
MSOS					
CABLEVISION:	25.06	(0.15)	CLEARWIRE:	7.43	(0.19)
COMCAST:	18.35	(0.16)	COMMSCOPE:	26.63	0.07
COMCAST SPCL:	17.41	(0.17)	CONCURRENT:	5.43	0.33
GCI:	6.63	(0.15)	CONVERGYS:	10.37	(0.21)
KNOLOGY:	11.66	0.06	CSG SYSTEMS:	19.70	(0.49)
LIBERTY CAPITAL:	43.95	2.17	ECHOSTAR:	20.91	0.09
LIBERTY GLOBAL:	26.43	(0.26)	GOOGLE:	488.56	(11.47)
LIBERTY INT:	12.56	0.21	HARMONIC:	5.76	(0.02)
MEDIACOM:	6.77	(0.08)	INTEL:	21.19	(0.21)
RCN:	14.82	0.02	JDSU:	11.47	(0.15)
SHAW COMM:	19.33	(0.13)	LEVEL 3:	1.17	(0.04)
TIME WARNER CABLE:	55.00	(0.16)	MICROSOFT:	25.95	(0.49)
VIRGIN MEDIA:	17.42	(0.08)	MOTOROLA:	7.17	(0.09)
WASH POST:	456.09	(1.81)	RENTRAK:	24.99	(0.49)
PROGRAMMING					
CBS:	14.78	(0.15)	SEACHANGE:	8.31	(0.22)
CROWN:	1.79	(0.01)	SONY:	28.40	0.47
DISCOVERY:	39.37	0.11	SPRINT NEXTEL:	4.50	(0.09)
GRUPO TELEVISA:	18.97	0.02	THOMAS & BETTS:	40.38	0.27
HSN:	25.01	0.11	TIVO:	7.88	(0.1)
INTERACTIVE CORP:	23.51	(0.15)	TOLLGRADE:	6.38	(0.17)
LIBERTY:	33.77	(0.13)	UNIVERSAL ELEC:	18.40	(0.35)
LIBERTY STARZ:	52.35	(0.07)	VONAGE:	2.46	(0.23)
LIONSGATE:	7.00	(0.06)	YAHOO:	15.21	(0.33)
LODGENET:	4.44	(0.36)	TELCOS		
NEW FRONTIER:	1.67	(0.08)	AT&T:	25.44	0.01
OUTDOOR:	5.11	(0.14)	QWEST:	5.43	0.03
PLAYBOY:	3.78	0.02	VERIZON:	29.06	(0.07)
SCRIPPS INT:	44.92	(0.4)	MARKET INDICES		
TIME WARNER:	32.54	(0.42)	DOW:	10442.41	(8.23)
VALUEVISION:	2.15	0.17	NASDAQ:	2289.09	(20.71)
VIACOM:	39.47	(0.03)	TECHNOLOGY		
WWE:	16.21	(0.28)	ADC:	7.92	(0.07)
TECHNOLOGY					
ADDVANTAGE:	3.01	(0.08)	ALCATEL LUCENT:	2.78	(0.06)
ALCATEL LUCENT:	2.78	(0.06)	AMDOCS:	28.05	(0.18)
AMDOCS:	28.05	(0.18)	AMPHENOL:	42.57	(0.07)
AMPHENOL:	42.57	(0.07)	AOL:	22.98	0.24
AOL:	22.98	0.24	APPLE:	270.17	(3.9)
APPLE:	270.17	(3.9)			

Applying Social Media to Customer Experience Management

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EYE ON INNOVATION

The Game Within the Games

At last month's Cable Show, execs including **Cox** pres *Pat Esser* said gamers could help spur a widespread and quicker-than-expected adoption of 3DTV through heavy demand for a new dimension to video games. That may well happen, but ongoing improvements to games and gaming consoles could also wreak havoc on a media industry already exhibiting signs of splintering due to the proliferation of multiplatform video.

In many ways the danger is already real. Citing advancing capabilities of gaming consoles as a primary reason, **Yankee Group** predicts that 1 in 8 consumers will forgo pay TV service over the next 12 months and instead rely on gaming consoles, PCs and other connected devices for access to video programming. While digesting that prognostication, consider that **PricewaterhouseCoopers** foresees a 6.4% CAGR in video game advertising going forward—slightly below the 6.5% for TV subscriptions but higher than TV advertising's 5.3%.

By continually adding access to more content from the Web and cable nets through their consoles, **Microsoft**, **Sony** and **Nintendo** are adding further wattage to the spotlight that's now steadily trained on the sometimes divergent maneuverings of programmers and operators in an increasingly multiplatform content world. And recent news from last week's **E3 Conference** and other sources may prove to be accelerants to the hot-button issue.

Of greatest note is the announcement that beginning in Nov, Microsoft's **Xbox Live Gold** members who receive their Internet connection from an affiliated service provider will have access to more than 3,500 live events every year via **ESPN3**. In this instance, MSOs such **Comcast**, **Cox** and **Charter** that offer the broadband net, are likely assuaged by the offerings' Internet provider requirement, thus preventing an over-the-top play. And distributors of **HBO** may be similarly tolerant of the net's deal to offer downloads of 11 series through **Sony Playstation 3** be-

cause the eps won't be available until they're available on DVD, approx 11 months after their linear premiere.

But what happens when execs such as **Disney** chief *Bob Iger*, who insists that programmers have the upper hand in a multiplatform world, begin widening the availability of content through consoles and narrowing the windows? Or when **AT&T** begins offering **U-verse TV** through Microsoft's Xbox as expected? Like with questions concerning future developments in the online space, these have no

finite answers for operators. Nervous Nellies believe gaming consoles will lead to more cord-cutting, while Optimistic Ollies think they don't pose any greater threat to pay TV than Smartphones do. What is clear is programmers' increasing gravitation toward consoles and gaming in capacities beyond content provision.



NBC recently tapped **Microsoft Advertising** to digitally promote its fall programming slate through outlets including Xbox, for example, and **Syfy** is also using the console to promote the 2nd season of "Warehouse 13." And uber-marketer **Nickelodeon** partnered with **2K Play** for **Nickelodeon Fit**, a video game for the **Nintendo Wii** that offers kids ways to stay fit while engaging with net characters/shows such as "Dora the Explorer" and "The Backyardigans."

No doubt beguiling to nets seeking to exploit every media outlet possible is the growing number of console gamers that subscribe to premium content services. To wit: more than 20mln monthly Xbox Live subs can watch myriad movies and TV eps, and Sony said last week that more than 50mln people worldwide have an account registered on its PlayStationNetwork. Specifically, **ESPN** sees particular value in related advertising, noting earlier this year that three-fourths of sports fans say in-game advertising plays a part in reinforcing a company's real-world sponsorship of that sport. The net also said approx half of US homes own a gaming console.

Let the games begin.

—Chad Heiges

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