

# CableFAX Daily™

Thursday — July 5, 2007

What the Industry Reads First

Volume 18 / No. 129

## Members Only: Cable, Telcos Duke it Out Over MDU Contracts

The telcos are asking the **FCC** to immediately step in to prevent cable operators from inking exclusive deals for video service with apartments, condos and other multiple dwelling units. "The cable incumbents' exclusive access arrangements—especially those negotiated as a last-ditch response to a telecom provider finally gaining entry—are clearly intended to be anti-competitive, since they have no need to rely on them as a means of market entry or capturing customer share as a relatively unknown provider," **US Telecom**, whose members include **Verizon** and **AT&T**, told the FCC this week. The group's comments come as the FCC is seeking input on exclusive MDU contracts. The Commission previously concluded that there was no reason for it to take action. **Time Warner Cable** noted that exclusive MDU contracts aren't limited to cable ops, with new entrants and overbuilders competing head-to-head with incumbent cable ops for contracts. The MSO said the FCC should prohibit exclusive multiple dwelling unit contracts only if there is clear evidence of harm to competition, adding that there is no such need. **NCTA, Comcast** and other cable operators argue that the FCC doesn't have the authority to prohibit such contracts. If it does intervene, NCTA argued, the same rules should apply to all video providers. AT&T said it would support prohibiting exclusive MDU contracts for all providers, but added that it's "essential" the FCC nullify existing exclusive contracts because of the large number possessed by cable incumbents. "Although the FCC would be justified in limiting such a prohibition to providers with market power ... in the interest of competitive neutrality, AT&T supports adoption of rules that apply equally to all providers of video service," the telco said. Verizon called for a "narrowly tailored" rule that would prohibit video providers from entering into exclusive agreement for a limited period of time (5 years), or until wireline video competition is "given a chance to firmly take hold." US Telecom said that nearly 70% of all multichannel customers in the US are served by incumbent cable ops. It noted that **SureWest** found that 28% of the MDUs its network passes are locked up into exclusive contracts, with the status of an additional 31% unverifiable.

**Deals:** **Google** acquired for an undisclosed amount **GrandCentral Comm**, a service that consolidates phone numbers and voice mailboxes into a single Web-based account. The purchase is consistent with Google's focus on software solutions over network pieces in an effort to "change the way consumers think of voice communications," said **Stifel Nicolaus**. This gambit "has the potential to shift the loyalty of voice customers from...the telcos, most notably the Bells, and cable," wrote the firm.

**Competition:** Even though lengthy customer lines were seen Fri night at several **AT&T** stores where the iPhone was unleashed to a beguiled public, the jury's still out on the device's impact on the telco. As CEO **Randall Stevenson** has been touting the iPhone as a "game changer" since early last month, AT&T refused to provide sales numbers Tues and numerous published reports have lambasted the telco's exclusive arrangement with **Apple**. Ev-

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everything from the mandatory 2-year service contract to the alleged insufficiency of AT&T's "Edge" network has been called out, with former **FCC** chmn *Reed Hundt* even dubbing the iPhone "a Ferrari forced to drive on dirt roads."

**Stifel Nicolaus**, too, is unimpressed. "We still believe the device, while totally cool, will not revolutionize the wireless or voice markets," wrote the firm, which also questioned the 5-year relationship between Apple and AT&T. "We think the simplest explanation is probably right: Apple agreed because it didn't have a better alternative."

**In the States:** **Cox** added the **Middle Eastern Broadcasting Network of America** (MBN TV) to its digital lineup in northern VA. -- **Comcast** submitted Mon a \$2mln bid for the cable and Internet systems of New Wilmington, PA, a borough near Pittsburgh that provides 70 cable channels to 1K residents and Web service to 200. -- TX overbuilder **Grande Comm** deployed **CSG's** "Workforce Express" across 9 markets to improve the efficiency of its field techs.

**Intl:** **TiVo** ended its licensing agreement that gave **TGC** the exclusive rights to use certain aspects of TiVo tech and intellectual property in China, Singapore, Hong Kong, Macau and Taiwan. As a result, TiVo now has the ability to pursue licensing opportunities through direct relationships with video operators and other companies in those countries.

**Summer Slam:** In what is rapidly becoming an annual celebration like colorful bursts on the 4th of July, cable produced fireworks of its own with impressive 2Q ratings results. With popular originals and sports action lighting the fuse, cable scorched the 6 broadcast nets in the Q, garnering 57% of overall prime HH viewing and 46% of prime viewing among adults 18-49, according to a **Turner** analysis of **Nielsen** data through Jun 24. And while each of the percentages has increased in each of the last 5 years, maybe more important is that the broadcasters' corresponding percentages have dipped or remained flat each year over the same period. Helping these trends is a maturation of cable programming—particularly that of summer series—and assists from a surprising source, said **Lifetime's** research boss *Tim Brooks*. "Broadcasters inadvertently promoted this cable season by signaling explicitly to viewers in May the end of their season," said Brooks. "Cable has jumped right in with promotional campaigns that bring broadcast-style branding." It should be noted that new cable shows don't own a better success rate than their broadcast counterparts, he said, but the increasing annual amount of fresh cable series does produce more success for the industry.

**By the Numbers:** Broadcasters aside, **USA** (2.1/1.92mln) was fitted with 2Q prime ratings crown, followed by **Disney** (2.0/1.80mln) and **TNT** (1.9/1.82mln), which had 6 telecasts hit the quarterly top 10, including the season premiere of runaway hit "The Closer" and **NBA** playoff action. Completing the top 5 were **TBS** (1.3/1.19mln) and **Fox News** (1.3/1.18mln). -- **Brag Book:** 2Q produced superlatives for myriad nets, including **History**, which recorded historical June bests among adults 25-54 (572K) and adults 18-49 (494K). -- **Oxygen** scored its best 2Q viewership ever among HHs (163K) and across several demos, including women 18-49 (80K). -- **Lifetime** original "Army Wives" became the most-watched series in net history, and is averaging a 3.0 HH rating and 1.4mln viewers among the women 18-49 and 25-54 demos. -- **Bravo** delivered its best 2Q ever in both prime and total day in the 18-49 demo (282K, 284K). -- **Hallmark Channel** achieved historically high ratings in both June and 2Q.

**Programming:** **BBC America** inked a deal with **Sony Pictures** to air "Layer Cake" (Jul 29, 8pm), a feature film starring *Daniel Craig*, who played *James Bond* in "Casino Royale." -- **Gospel Music Channel** is offering 4 hours of coverage this Sat from the "94.9 KLTY/Interstate Batteries Celebrate Freedom 2007," a concert event in Parker, TX, whose acts include *Natalie Grant*. -- **Jet Blue** will feature for the 4th consecutive year **Versus'** coverage of the

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# BUSINESS & FINANCE

**Tour de France**, beginning Sat on a dedicated in-flight channel. -- **Cartoon** series "Out of Jimmy's Head" (fall) continues the animated adventures introduced last year in the net's original movie "Re-Animated." -- **TLC's** "Street Customs" (fall) will add custom car-building muscle to the net's "Turbo on TLC" Thurs night lineup.

**Online: C-SPAN2's Book TV** bowed an enhanced **BookTV.com**, offering expanded video offerings, improved video and site search capabilities and detailed linear program information.

**Marketing: Gemstar-TV Guide** signed on as a sponsor of the "American Idols Live! Tour 2007," which travels to more than 50 venues with this year's 10 "American Idol" finalists. Included is a "Red Carpet" booth at each venue, where fans can have their pictures taken and later retrieve them at **TvGuide.com/idoltour**.

**Honors: VERSUS** garnered 5 awards in the **Outdoor Writer's Assoc of America '07** "Excellence in Craft" competition, with series "Life in the Open" and "Pheasants Forever" earned top honors in their respective categories.

**People: Vyvo** tapped former **Charter** exec **David Feldman** as CTO. -- **RSN Altitude Sports & Entertainment** appointed **Steve Thomas** svp, production.

## CableFAX Daily Stockwatch

Company	07/03 Close	1-Day Ch	Company	07/03 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	51.95	0.34	AMPHENOL:	35.85	(0.16)
DIRECTV:	23.30	0.14	APPLE:	127.17	5.91
DISNEY:	34.54	0.02	ARRIS GROUP:	17.50	0.00
ECHOSTAR:	43.53	(0.41)	AVID TECH:	35.36	0.51
GE:	38.70	0.44	BLNDER TONGUE:	1.79	0.10
HEARST-ARGYLE:	23.77	(0.26)	BROADCOM:	29.58	(0.19)
ION MEDIA:	1.45	0.01	C-COR:	14.57	0.17
NEWS CORP:	22.74	(0.28)	CISCO:	28.10	0.21
TRIBUNE:	30.14	0.23	COMMSCOPE:	60.10	1.03
<b>MSOS</b>					
CABLEVISION:	36.43	0.20	CONCURRENT:	1.80	0.02
CHARTER:	4.21	0.04	CONVERGYS:	24.34	0.01
COMCAST:	28.59	0.15	CSG SYSTEMS:	26.52	(0.06)
COMCAST SPCL:	28.34	0.10	GEMSTAR TVG:	4.93	(0.03)
GCI:	12.93	0.15	GOOGLE:	534.34	3.96
KNOLOGY:	17.40	(0.01)	HARMONIC:	8.88	(0.04)
LIBERTY CAPITAL:	119.60	0.91	JDSU:	13.88	0.33
LIBERTY GLOBAL:	41.68	(0.06)	LEVEL 3:	6.01	0.19
LIBERTY INTERACTIVE:	22.65	(0.07)	MICROSOFT:	30.02	0.28
MEDIACOM:	9.81	(0.02)	MOTOROLA:	17.88	0.04
NTL:	28.22	0.00	NDS:	46.95	(0.17)
ROGERS COMM:	42.97	0.00	NORTEL:	24.08	0.02
SHAW COMM:	41.75	(0.67)	OPENTV:	2.23	0.02
TIME WARNER CABLE:	40.07	0.32	PHILIPS:	44.19	0.89
WASH POST:	778.01	0.33	RENTRAK:	15.02	0.02
<b>PROGRAMMING</b>					
CBS:	34.23	0.00	SEACHANGE:	8.03	0.16
CROWN:	7.07	0.15	SONY:	50.67	(0.9)
DISCOVERY:	22.90	(0.15)	SPRINT NEXTEL:	21.74	0.16
EW SCRIPPS:	45.61	(0.27)	THOMAS & BETTS:	61.07	2.01
GRUPO TELEVISA:	27.50	(0.25)	TIVO:	5.87	0.11
INTERACTIVE CORP:	34.31	(0.13)	TOLLGRADE:	10.67	0.37
LODGENET:	32.23	(0.33)	UNIVERSAL ELEC:	36.60	0.47
NEW FRONTIER:	8.66	(0.05)	VONAGE:	3.10	(0.05)
OUTDOOR:	11.64	0.17	VYYO:	7.16	0.11
PLAYBOY:	11.21	(0.03)	WEBB SYS:	0.15	0.00
TIME WARNER:	21.41	(0.1)	WORLDGATE:	0.45	0.03
UNIVISION:	36.23	0.00	YAHOO:	27.00	0.14
VALUEVISION:	11.50	(0.07)	<b>TELCOS</b>		
VIACOM:	42.26	0.07	AT&T:	41.50	(0.35)
WWE:	16.11	0.00	QWEST:	9.86	0.21
<b>TECHNOLOGY</b>					
3COM:	4.28	0.13	VERIZON:	42.12	0.54
ADC:	18.69	0.25	<b>MARKET INDICES</b>		
ADVANTAGE:	5.66	0.06	DOW:	13577.30	41.87
ALCATEL LUCENT:	14.55	0.31	NASDAQ:	2644.95	12.65
AMDOCS:	39.96	0.09			

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**CableFAX Daily™**

# WHAT THE INDUSTRY READS FIRST.

## Think about that for a minute...

### HOLD THE MUSTARD

Hopefully you have all had a pleasant and quiet July 4th. This being written a few days in advance, and with things happening at such a lightning pace these days, it's not easy to write a column "in advance" any more. But let's hope that we all had a good one.

In anticipation of the day, and the picnics, I was at my local grocery store and watched and listened to all the mothers with their kids going through the aisles picking up stuff for the cook-outs. I just couldn't help but think (I know, it's a sickness of mine....) about the politicians and regulators in Washington who are now suggesting that the government somehow regulate the food ads on children's programming. It just boggles the imagination to try to figure out exactly how they would do this.



**Steve Effros**

Let's start with breakfast. If the objective is to fight the newly defined epidemic of obesity, the ads for sausage and bacon are clearly out. But what about milk? Very high in fat, at least the whole milk. Maybe the rule is you can only advertise low-fat or 2% milk during the hours children may be watching. And then there's orange juice. Whew! The sugar content is off the charts. Nope, no orange juice commercials. But the diet colas have no sugar, so maybe we can substitute diet colas for milk and orange juice. Oh, no, there's something wrong with colas, too. They're out.

Eggs? Well, well, if cholesterol is the real killer, eggs are out as well. How about bread? Not if we put the kids on a low-carb diet. Well, maybe the folks in Washington will relent a little and we can run ads for whole wheat bread, but the white stuff is clearly verboten.

I know, a lot of the recent Congressional hearing focus was on the "sugary cereal" stuff that is really not good for anyone. But Cheerios, at least the regular type, are very good, and healthy. So we can't just say no ads for cereals on children's programming, and what about dried fruit rollups? Plenty of sugar, bad for the teeth, but hey, it's pure fruit which is supposed to be good for us, right?

The point here is not that we don't have a challenge to teach our kids, and a lot of adults for that matter, how to eat a healthy diet. Sure we do. I suspect portion control is as important if not more important to what is happening today than anything else. But regulating speech on television in order to allegedly accomplish behavior modification is a cop-out. It won't work.

Just look at the examples above and start thinking of all your own—do you buy hot dogs and marshmallows for the picnic? Neither are on the "approved list" of any nutritionist! Of course nor is the soda, the beer, the pie, ... well, you get the idea.

I think this is another of those issues, just like violence and sex, where parents have to take some responsibility. Yes, the government and industry have a role in educating, and showing the controls and power parents really do have, but the idea that the government should step in and act "in loco parentis" is a very bad idea and as soon as you consider the practical questions surrounding how, exactly, it would be done, you realize the effort is misplaced and doomed to failure. The decision whether or not to "hold the mustard" is a personal one, not one for the FCC.

*Steve*

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## WANT SOME PERSPECTIVE?

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Help us fill  
in the blanks

As you all know, our highly scientific selection process depends on precise industry knowledge, charmed intuition and approximately 73 gallons of very strong coffee. As part of this caffeinated adventure, we ask you, the readers, to submit worthy candidates for our consideration. These could include friends, colleagues, enemies, rivals... "frienemies"... and even yourself (you're probably your own number one fan, after all).

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For questions, please contact:  
CableFAX Executive Editor, Mike Grebb, [mgrebb@accessintel.com](mailto:mgrebb@accessintel.com).

You may nominate as many times as you wish.  
CableFAX 100 will be published in December.