URGENT! PLEASE DELIVER

www.cablefaxdaily.com, Published by Access Intelligence, LLC, Tel: 301-354-2101

5 Pages Today

CableFAX Daily™

Thursday — August 9, 2012 | What the Industry Reads First | Volume 23 / No. 153

Charlie Chat: A Cuban Bromance, A la Carte, Wireless and More

No tiptoeing around the cord cutting question for **DISH** chmn *Charlie Ergen*. "Personally, I think it's happening," he said during Wed's 2Q earnings call. His point was that people want to save money and have other options, including the Internet. In the long-term, he expects a virtual a la carte offering. "I don't see consumers paying $2K a year for TV." He predicted that eventually an MVPD will launch a sports-free service, arguing that not everyone likes sports, and "virtually every sporting event is on the Internet for free because of piracy." A provider without **ESPN** and other sports nets would lose about 20% of viewers who are sports fans but could benefit in the long run, he said. Ergen also had a lot to say about DISH's drop of **AMC Nets** on July 1. While AMC has blamed it on **Voom** litigation, Ergen maintained it's due to the channels' poor showing related to price. And he repeatedly praised *Mark Cuban* and his **AXS TV** (formerly **HDNet**), which replaced AMC. His take: AMC has materially better viewership for movies than series, and AMC and AXS offer a lot of the same films. Except AXS has them commercial free (and it doesn't cost as much). Ergen described his business relationship with Cuban as "Godfather"-like, with each doing favors for the other, and contrasted it to others who rely on contractual language for everything. "We have a strong relationship with someone who is fun to do business with and who has given us a comparable product and in some cases better" product, Ergen said, adding that Cuban will spend hours brainstorming with him. DISH CEO *Joseph Clayton* said the company will lose some subs over the spat, but he thinks that it's "manageable." Ergen pointed to **DirecTV-Viacom** as evidence that the programmer-distributor dynamic is changing. "You don't necessarily have to have it if the price is that expensive," he said. "Everyone's looking at those numbers. When they do that, AMC is going to be one of the more vulnerable [nets]. I don't think **Disney**'s vulnerable. But for us, the economics [of dropping the AMC Nets] was not a hard decision." Look for AMC's response Thurs, when it reports 2Q results. As for the Voom litigation, it doesn't look like DISH will back down. "For better or worse, when we think we're right, we're like a dog with a bone. We're going to continue on with what ultimately will be a very long process," said Ergen. Similarly, DISH continues to stand by its Auto Hop feature, which lets Hopper uses automatically skip commercials on the Big 4 broadcast nets. CEO Clayton said the reaction to the service was swift, with consumers loving it and "hell and damnation" from broadcasters (not to mention a lawsuit). "Giving the consumer what he or she wants will lead to success every time," said

CALL FOR EXHIBITORS

NAMIC

2012 TECHNOLOGY EXPO & DIVERSITY CAREER FAIR!

2012 Annual NAMIC Conference
diversity⁴
Culture • Audience • Innovation • Leadership

Presented in partnership with CableFAX as part of the 26th Annual NAMIC Conference during Diversity Week

CableFAX
www.cablefax.com

CableJobs
The Trusted Talent Resource
from the publishers of CableFax and Communications Technology

Tuesday, September 11, 2012
10:00 a.m. - 6:00 p.m.
at the Hilton New York

CAREER FAIR

Is your company looking to further diversify its workforce and attract talented professionals?

Do you need bilingual and culturally competent employees in key positions at all levels to serve your growing diverse consumer base?

If so, then exhibiting at this Diversity Career Fair is a MUST. It's an ideal diversity recruitment opportunity.

TECHNOLOGY EXPO

A great opportunity to promote your latest products and services to an audience of technology decision makers and influencers from the telecommunications industry.

Exhibit space is available, but on a first-come, first-served basis. Reserve your space by August 10, 2012 to receive a 20% discount! To confirm your exhibit space or for additional information, contact Monique Wells at (212) 594-5985 or monique.wells@namic.com.
For more information, visit namic.com

Want Conference updates? Follow us at:

Official Twitter hashtag is #NAMICConference

National Association for Multi-Ethnicity in Communications

www.namic.com

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax:301.738.8453 ● Editor-in-Chief: Amy Maclean, 301.354.1760, amaclean@accessintel.com ● Exec Editor: Michael Grebb, 818.945.5309, mgrebb@accessintel.com ● Editor: Joyce Wang, 301.354.1828, jwang@accessintel.com ● Community Editor: Kaylee Hultgren, 212.621.4200, khultgren@accessintel.com ● Advisor: Seth Arenstein ● Publisher: Debbie Vodenos,301.354.1695,dvodenos@accessintel.com ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ●Marketing Dir: Barbara Bauer, 301.354.1796, bbauer@accessintel.com ● Prod: Joann Fato, 301.354.1681, jfato@accessintel.com ● Diane Schwartz/SVP and Group Publisher ● Subs/Client Services: 301.354.2101, fax 301.309.3847 ● Group Subs: Amy Russell, 301.354.1599, arussell@accessintel.com

Clayton. "I don't know how the courts will rule, but we do know we have already won in the court of public opinion." As for DISH's wireless doings, Clayton said the company continues to work with the **FCC** on the AWS-4 rulemaking and expects a favorable resolution in the next few months. "We've been actively developing relationships with companies throughout the wireless sector" in preparation, he said. DISH provided a sneak peek of its 2Q results in an **SEC** filing last month *(**Cfax**, 7/20)*. It lost 10K net subs and posted a monthly churn rate of 1.6%. Revenues fell 0.5% YOY to $3.57bln, while net income slipped to $226mln from $335mln a year earlier. DISH attributed the decline partly to increases in programming costs and the loss of the 148-degree orbital slot license during the Q.

Spinning Starz: **Liberty Media** shares closed up 2.5% after it announced it would separate **Starz**. "We think the spin optimizes Starz' capital structure, creates more flexibility for capital market positions and partnerships, provides better transparency on Starz' operating business and will highlight the values and strengths of the underlying company," said Liberty CEO *Greg Maffei*. "Ultimately, we think this company is more valuable as a standalone company with its own currency and will create shareholder value for the Liberty Media shareholders." The spinoff, which should be complete later this year, also frees up cash at Liberty Media—important given its stakes in **Sirius XM** (46% ownership), **LiveNation** (26% ownership) and **Barnes & Noble**. Starz CEO *Chris Albrecht* said there is a long list of companies interested in forming alliances with Starz. The spin "provides us with a currency to explore potential strategic alliances, acquisitions and other value enhancing strategies for our businesses," he said. "We have broad and deep relationships in both the content and distribution communities." In making an argument for why Starz needs to be part of a larger media entity, **BTIG's** *Rich Greenfield* said it can't fund the level of original programming it would like to compete with **HBO** and **Showtime**—plus, competition for studio deals has increased substantially. Greenfield & Co offer commentary on 9 potential buyers, dubbing **Comcast NBC** as "ideal" because it would let NBCU control a channel with **Universal's** content. Other possibilities include **Time Warner, Netflix** and **CBS**. Starz ended 2Q with 20.7mln subs (+9%), and **Encore** had 34.2mln (+4%). Starz' 2Q rev was flat at $403mln, while adjusted operating income before depreciation and amortization fell 8.5% to $108mln. Revenue at Liberty Media was flat at $537mln. Operating income increased 7% to $101mln.

Spectrum Dealings: As the informal Aug 21 deadline to review the **Verizon**/cable spectrum deal nears, fights over issues like commercial agreements intensifies. **Comcast**, **Time Warner Cable**, **Bright House Networks** and **Cox** countered criticism that the company's commercial agreements would harm backhaul services and Wi-Fi networks. No provision in the commercial agreements prohibits the MSOs from providing backhaul to any other party, or prohibits Verizon Wireless from purchasing backhaul services from any providers other than one of the MSOs, said the cable ops in a recent **FCC** filing. They acknowledged the agreements do give the MSOs opportunities to grow their backhaul businesses but said they don't restrict the provision of backhaul as the critics claimed. In addition, Wi-Fi offload services aren't currently sold or being provided by the cable MSOs directly to any wireless carrier, including Verizon. The WiFi offload market has yet to develop and may never become an input into wireless service, the cable firms said. They noted entering the market of WiFi, currently an unlicensed service, doesn't require FCC approval. "If a market develops for WiFi offload services, there's no reason to believe the MSOs could impede entry." Meanwhile, the FCC has decided to consolidate its reviews of all of Verizon's spectrum deals. "After review of the record… we conclude that there is a commonality of issues, particularly with respect to the aggregation of spectrum and the public interest arguments raised by the applicants and various petitioners and commenters," the agency said in a public notice. The other Verizon deals include swaps with **T-Mobile USA** and **Leap Wireless,** which involve PCS, AWS and 700 MHz bands.

On the Hill: Rep *Edward Markey* (D-MA), ranking Dem on House Commerce, wants *President Obama* to issue an executive order to ensure "all necessary measures be taken to secure system reliability when cyber threats and vulnerabilities" are known. His letter to the President comes after Senate Republicans blocked the Cybersecurity Act last week. The White House hasn't ruled out the executive order option.

London Olympics: The London Olympics could become the most-watched TV event in the US history as **NBC** averaged 30.1mln viewers Tues night. That's the 11th time in 12 nights that the average viewership surpassed Beijing. Viewership for last night's coverage is up 11% from the comparable night at the Beijing games.

Programming: Former veep *Al Gore* usually stays off camera at **Current**, but that's changing. He'll lead the net's coverage of the Republican and Democratic National Conventions. The RNC coverage begins Aug 27 at 7pm ET and will

BUSINESS & FINANCE

continue for all 4 nights. DNC coverage starts Sept 4. Gore will be joined by former MI gov and "The War Room" host *Jennifer Granholm*, former NY gov and Current host *Eliot Spitzer* and "The Young Turks'" *Cenk Uygur*. -- **NBC News** is teaming with **TV One** to cover the presidential election. The coverage will include the final night of both political conventions, as well as election night. The agreement marks the 1st joint effort between the 2.

Research: A deal between **Rentrak** and **iTVX** aims to let brands and programmers see the full impact when a TV show uses a brand in a story line or in a demonstration. Rentrak's TV Essentials will combine with iTVX's Branded Engagement metrics, to enable make branded ent measurement.

Online: **CTAM**'s Website just got an upgrade. The new site, www.ctam.com, aims to give members better access to industry insights, connections and tools through a modernized look, feel and east of site navigation. It also aims to create better functionality for tablet users while still hosting some of the all-time user top picks like the Member Directory and Job Bank.

Business & Finance: **Time Warner Cable** announced a public offering of one series of debt securities with 30-year maturity. -- **Charter** announced it intends to offer $1bln senior unsecured notes due '22. As with TWC, the proceeds are expected to be used for general corporate purposes, including repayment of debt.

CableFAX Daily Stockwatch

Company	08/08 Close	1-Day Ch
BROADCASTERS/DBS/MMDS		
DIRECTV:	49.85	0.28
DISH:	30.60	(0.07)
DISNEY:	50.49	0.68
GE:	21.01	(0.11)
NEWS CORP:	23.89	(0.09)
MSOS		
CABLEVISION:	15.92	0.09
CHARTER:	76.01	(0.67)
COMCAST:	34.51	(0.04)
COMCAST SPCL:	33.78	(0.01)
GCI:	9.75	UNCH
LIBERTY GLOBAL:	54.89	0.09
LIBERTY INT:	19.25	(0.31)
SHAW COMM:	20.00	(0.02)
TIME WARNER CABLE:	89.35	0.25
VIRGIN MEDIA:	27.80	(0.16)
WASH POST:	352.75	8.44
PROGRAMMING		
AMC NETWORKS:	43.34	(1.01)
CBS:	35.65	UNCH
CROWN:	1.82	(0.01)
DISCOVERY:	53.97	0.10
GRUPO TELEVISA:	23.62	0.22
HSN:	43.60	0.26
INTERACTIVE CORP:	51.83	(0.78)
LIONSGATE:	13.63	0.58
LODGENET:	0.71	0.02
NEW FRONTIER:	1.55	(0.01)
OUTDOOR:	6.82	(0.15)
SCRIPPS INT:	58.78	0.19
TIME WARNER:	42.31	0.37
VALUEVISION:	1.68	(0.02)
VIACOM:	51.18	0.46
WWE:	8.42	(0.01)
TECHNOLOGY		
ADDVANTAGE:	2.06	UNCH
ALCATEL LUCENT:	1.17	(0.04)
AMDOCS:	31.81	0.17
AMPHENOL:	60.97	(0.39)
AOL:	34.15	0.50
APPLE:	619.86	(1.05)
ARRIS GROUP:	13.54	0.21
AVID TECH:	8.58	(0.17)
BLNDER TONGUE:	1.06	0.04
BROADCOM:	33.90	(0.33)
CISCO:	17.16	0.02
CLEARWIRE:	1.78	0.28
CONCURRENT:	4.40	0.18
CONVERGYS:	15.67	(0.07)
CSG SYSTEMS:	19.64	1.84
ECHOSTAR:	29.58	1.07
GOOGLE:	642.23	1.69
HARMONIC:	4.43	(0.06)
INTEL:	26.60	0.10
JDSU:	10.59	0.09
LEVEL 3:	19.60	(0.04)
MICROSOFT:	30.33	0.07
RENTRAK:	18.91	(0.29)
SEACHANGE:	7.75	(0.03)
SONY:	11.71	0.04
SPRINT NEXTEL:	4.61	0.30
TIVO:	9.07	(0.17)
UNIVERSAL ELEC:	15.01	(0.02)
VONAGE:	2.01	0.03
YAHOO:	16.17	(0.05)
TELCOS		
AT&T:	37.43	(0.01)
VERIZON:	44.18	(0.29)
MARKET INDICES		
DOW:	13175.64	7.04
NASDAQ:	3011.25	(4.61)
S&P 500:	1402.22	0.87

Think about that for a minute...

Government Made Markets

Commentary by Steve Effros

The broadcasters are at it again. They want the government to create another market for them. This time its a demand that there be regulations or legislation that requires that radio receiving chips be included and turned on in all mobile devices. In other words, all cell phones should be radios as well.

Now this idea of having the cell phone work as a radio is neither crazy nor necessarily bad. It's absolutely true that as an emergency communications device radio is probably the most ubiquitous and efficient. As one of the new promotional campaigns about all this notes, "When the weather's bad, the power's out, cell circuits are busy, and the Internet is down, radio can still connect you with critical information." True, or at least far more accurate than the similar campaign that has been waged on behalf of television and the alleged continued validity of the "must carry" rules.

At least with radios you can carry them with you, running for shelter, for instance, while hearing which way the tornado is heading, or which road is open while trying to escape the ravages of a hurricane along the coast. The batteries in them last, and they fit in your pocket. Those are all good arguments for incorporating a radio chip into a cell phone, since the little, efficient device with a long-lasting battery is already in a majority of our pockets. It's also true that sometimes the "streaming" version of those FM radio stations may go down if the rest of the infrastructure that technology depends on is compromised. Of course the same is true if the FM transmitter loses power and its backup generator fails, or if the tower goes down, but that's much less likely. So let's give them a nod, that as a last-ditch emergency communications device, FM radio makes some sense.

Of course that's not the whole—or maybe even the primary—reason the radio guys are pushing for mandated chips. You see, on their Internet "streaming" feeds they have to pay copyright performance royalties. On the FM radio distribution of that same content they don't. Hence, the FM radio folks (AM doesn't really work in this case, since the telephones aren't big enough for a decent AM antenna to be built in) have a very good business reason for trying to get everyone to listen to the broadcast stream rather than the broadband stream. The problem is they once again are trying to get the government to create the market for them.

I don't think they need to. They have a decent case for why I would want one of these things. It also reduces the bandwidth demand on broadband, and the bandwidth use, which will in turn probably lead to lower costs for the consumer, given that usage based pricing on cell phone data is already the norm. The message is simple: save money, reduce bandwidth use, and rely, when you get a decent signal, on the broadcast feed rather than the broadband feed of local radio stations. But should the government mandate that equipment be included (and, of course, be paid for by every consumer) in every cell phone? Heck no! The broadcasters, just like the rest of us, can make their own case in the marketplace. We don't need any more government made markets. Our experience with all the mandated carriage rules, access rules and, of course, the CableCARD should have proved by now that the government is really bad at this sort of thing.

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)