

# CableFAX Daily™

Thursday — August 16, 2007

What the Industry Reads First

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## Taken to the Cleaners: NCTA Voices Objections to Verizon's Set-top Waivers

NCTA is blasting the FCC's Media Bureau, likening it to a same-day dry cleaner in its handling of Verizon's set-top integration ban waiver. NCTA's protest, which comes in comments opposing further FCC relief for just Verizon, argues that the Commission failed to treat like services alike. Verizon got a waiver in late June that allows it to continue deploying integrated, low-end set-tops based on the telco's commitment to transition to an all-digital network by Feb 17, '09. "This waiver might be referred to as a 'dry-cleaner special': it was based on an ex parte letter filed with the Commission on the same day as it received its waiver grant," NCTA said. "This 'in by 9, out by 5' one-day special treatment of Verizon by the Bureau stands in stark and regrettable contrast to the Bureau's consideration of waivers by other cable operators... particularly, NCTA's waiver request, which was acted on by the Bureau more than 300 days after filing." Under FCC rules, cable operators without waivers had to stop deploying new set-top boxes without CableCARDS as of Jul 1. Some exemptions were made, particularly if an operator agreed to go all-digital before the DTV transition. The Bureau rejected NCTA's request to extend the July deadline until 2010 or until Downloadable Conditional Access Security is available (whichever comes first). NCTA wants full FCC review of the decision. In FCC comments filed late Tues, the cable group repeatedly slammed the Bureau for treating Verizon differently. In addition to the box waiver, the Bureau granted Verizon a waiver allowing it to keep deploying HD and DVR boxes without CableCARDS until July 1, '08. That decision was based on the Bureau's understanding that vendors haven't created integrated HD/DVR devices for use with Verizon's network. The telco now wants the 1-year waiver extended for 3 years, noting the "enormous resources" it would take to develop an interim solution that would only be replaced by DCAS once it's available (*Cfax*, 8/1). But said NCTA: "There is no rational basis upon which the Commission should grant Verizon greater relief than it is willing to provide any other cable operator." NCTA also noted that the FCC awarded Verizon a waiver even though, unlike cable operators, it failed to order CableCARD-enabled boxes from vendors before the Jul 1 ban. Verizon's claim that it doesn't have access to the boxes "rests on the preposterous assumption that Verizon's equipment vendors act as an independent force in the universe, uninfluenced by the needs and requests of the nation's 2nd largest telecommunications entity," NCTA said.

**Charter Watch:** Could Charter be the next MSO to go the private route? Controlling shareholder **Paul Allen** said in a regulatory filing that he's considering various alternatives, including a going-private transaction in which he could acquire all of Charter's stock. Other possibilities include recapitalization and restructurings to reduce debt. Allen's **SEC** filing updated previous disclosures about potential future actions in regard to Charter. Charter also enacted a shareholder rights plan Tues essentially limiting the ability of shareholders to own more than 5% of its Class A stock without board's authorization. Analysts agree that this has nothing to do with preventing a hostile takeover of the firm (Allen controls more than 90% of Charter's vote, after all) and is instead to preserve the MSO's deferred tax assets. **Pali Research's Rich Green-**

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*field* says the plan is designed to prevent triggering of an IRS rule that could negatively impact Charter's ability to use its \$7.1bln of net operating losses. **Citigroup** called the rights plan a "slight positive... While we've always used the gross deferred tax assets in our valuation, today's development helps ensure that this value is captured by equity holders."

**2Q Preview: Insight** on Fri expects to report a 14% increase in 2Q rev to \$356mln, aided by RGU growth across its services and video rate increases, according to preliminary figures in a Wed SEC filing by the MSO. There was even growth in basic subs, although the MSO didn't reveal a hard number. Basic cable rev rose 6% to \$170mln, and basic subs now number 1.34mln. Added in the Q were 8K digital subs (662K), 19K data (675K) and 29K phone (177K). The MSO said it's striving for sub growth and retention through increased sales and marketing spending, better customer service and more customer education concerning service/product offerings.

**On the Hill: Nickelodeon** is the latest kids brand to agree to restrict use of its licensed characters for unhealthy foods.

**DBS + BPL: DirecTV's** found a broadband partner. Broadband-over-powerline provider **Current** will enable high-speed net and VoIP services at the end of '07/beginning of '08, with Dallas/Fort Worth slated as the first market launch. The wholesale distribution agreement will give DirecTV the power to offer a triple-play bundle. Germantown, MD-based Current made headlines last year for suing *Al Gore's Current TV* over its name. It eventually dropped the trademark suit. The Dallas/Fort Worth BPL network will cover approx 1.8mln homes and businesses over the next several years, the 2 said. DirecTV can add other markets as Current builds out its network.

**DirecTV/DISH Dominate:** While cable MSOs have greatly improved their care of phone customers (*Cfax*, 7/12), much work remains before they can adequately please overall cable subs, according to **J.D. Power and Associates**. The firm's study of residential cable/satellite satisfaction suggest satellite dominates in this critical area, as  **DirecTV** ranked highest among major providers in 3 of the 4 regions while  **DISH** fared no worse than 3rd in any region. The highest cable finishes include  **Cox** in the east (3rd) and west (2nd),  **Insight** (4th) in the northcentral and  **Bright House** (2nd) in the south. As service options have become more complex, the importance of service reliability "has increased considerably," said J.D. Power. Check out in-depth study results at [cable360.net/competition/dbs/25138.html](http://cable360.net/competition/dbs/25138.html).

**Competition: EchoStar** has fielded a national ad campaign featuring NFLer *Reggie Bush* and the tagline "Get Football 24/7." The satcaster is using an offer touting a free HD-DVR, free 6 months of HD programming and carriage of  **NFL Net** to lure prospective subs. The \$30/month package also includes more than 100 channels.

**Research:** 45% of multichannel subs would consider getting TV from their phone company, and cable customers are more interested than their DBS counterparts, according to **Horowitz Research's** survey of 800+ customers. 51% of digital subs, who spend an avg of \$81.85/month, said they would consider switching vs 43% of analog cable subs (\$49.52/mo) and 41% of DBS customers (\$64/month).

**Ratings:** The Mon Season 3 premiere of **Showtime's** "Weeds" pulled in 43% more viewers than Season 2's, and it ranks as the show's most-viewed telecast ever. Even better, new series "Californication" was able to retain 79% of the Weeds HH rating and was the net's best scripted comedy debut since '01.

**Honors: NAMIC** counts **Rogers Cable Comm** as the op/distributor most committed to developing strategic and creative

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# BUSINESS & FINANCE

approaches to ethnically targeted marketing. The Canadian MSO got 4 1st-place wins in the annual EMMA competition. **BETN** led net/industry suppliers with a pair of top honors, which will be presented at next month's NAMIC conference. Other category wins: **Comcast** (3), **mun2** (2) and 1 win each to **Discovery Nets**, **HBO**, **Nickelodeon**, **SiTV**, **Telemundo** and **TV One**.

**People:** **Starz Media** named *William Hamm* evp, creative development. -- **The History Channel** named several vps, development and programming: former **TLC** exec *Dirk Hoogstra*, ex-**Food Net** exec *Charles Nordlander* and net vet *Dolores Gavin*. -- **Cable in the Classroom** exec dir *Helen Soulé* was elected treasurer of the **Intl Society for Technology in Education**.

**Business/Finance:** **Craig McCaw's** wireless broadband play **Clearwire** completed its previously announced \$1bln senior secured term loan, proceeds from which will be used to refinance existing debt and fund expansion (*Cfax*, 7/20). **Morgan Stanley**, **Merrill Lynch**, **JP Morgan** and **Citigroup** led the transaction. -- **Liberty Media** made a strategic investment in **BORBA**, a health/beauty brand regularly distributed through **QVC**. The move is part of a new **Liberty Interactive Group/QVC** growth strategy to invest in emerging brands.

**Oops:** **Hallmark** did not rank 5th in the weekly prime net rankings but actually tied for 4th.

## CableFAX Daily Stockwatch

Company	08/15 Close	1-Day Ch	Company	08/15 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	51.86	(1.64)	AMPHENOL:	33.57	(1.37)
DIRECTV:	21.47	(0.63)	APPLE:	119.90	(4.13)
DISNEY:	31.71	(0.65)	ARRIS GROUP:	14.39	(0.14)
ECHOSTAR:	38.79	(0.36)	AVID TECH:	31.50	0.23
GE:	36.90	(0.78)	BIGBAND:	8.93	(0.3)
HEARST-ARGYLE:	19.90	(0.3)	BLNDER TONGUE:	1.37	(0.08)
ION MEDIA:	1.31	(0.08)	BROADCOM:	33.47	(0.97)
NEWS CORP:	21.22	(0.26)	C-COR:	12.66	(0.08)
TRIBUNE:	25.26	(0.02)	CISCO:	29.92	(0.34)
<b>MSOS</b>					
CABLEVISION:	32.89	(0.18)	COMMSCOPE:	49.00	(2)
CHARTER:	2.57	(0.09)	CONCURRENT:	1.40	(0.03)
COMCAST:	25.09	(0.41)	CONVERGYS:	17.32	(0.47)
COMCAST SPCL:	24.98	(0.4)	CSG SYSTEMS:	22.52	0.08
GCI:	12.87	0.32	GEMSTAR TVG:	5.50	0.02
KNOLOGY:	14.44	(0.32)	GOOGLE:	497.55	(11.05)
LIBERTY CAPITAL:	111.65	(2)	HARMONIC:	8.05	(0.53)
LIBERTY GLOBAL:	41.48	(0.39)	JDSU:	13.35	(0.61)
LIBERTY INTERACTIVE:	18.33	(0.71)	LEVEL 3:	4.99	(0.08)
MEDIACOM:	7.95	(0.03)	MICROSOFT:	28.10	(0.17)
NTL:	28.22	0.00	MOTOROLA:	16.21	(0.3)
ROGERS COMM:	42.97	0.00	NDS:	49.28	0.82
SHAW COMM:	21.25	(0.26)	NORTEL:	18.36	(1.02)
TIME WARNER CABLE:	34.42	(1)	OPENTV:	1.32	(0.11)
WASH POST:	790.00	(1.31)	PHILIPS:	36.69	(1.13)
<b>PROGRAMMING</b>					
CBS:	29.66	(0.15)	RENTRAK:	11.51	(0.67)
CROWN:	6.86	0.06	SEACHANGE:	6.49	0.22
DISCOVERY:	23.74	(0.49)	SONY:	46.46	(0.64)
EW SCRIPPS:	39.00	(0.93)	SPRINT NEXTEL:	18.63	(0.08)
GRUPO TELEVISIA:	23.68	(0.1)	THOMAS & BETTS:	54.87	(0.73)
INTERACTIVE CORP:	27.62	(0.22)	TIVO:	5.80	0.02
LODGENET:	26.66	0.40	TOLLGRADE:	9.76	0.00
NEW FRONTIER:	6.28	0.10	UNIVERSAL ELEC:	26.71	(1.15)
OUTDOOR:	9.01	0.22	VONAGE:	2.18	0.02
PLAYBOY:	10.52	(0.18)	VYYO:	5.93	(0.02)
TIME WARNER:	18.32	0.13	WEBB SYS:	0.09	(0.06)
UNIVISION:	36.23	0.00	WORLDGATE:	0.37	0.01
VALUEVISION:	8.07	(0.25)	YAHOO:	23.32	(0.4)
VIACOM:	37.58	(0.39)	<b>TELCOS</b>		
WWE:	13.89	(0.17)	AT&T:	37.99	(0.27)
<b>TECHNOLOGY</b>					
3COM:	3.44	(0.13)	QWEST:	8.55	0.00
ADC:	16.39	(0.53)	VERIZON:	40.50	(0.46)
ADVANTAGE:	5.80	(0.14)	<b>MARKET INDICES</b>		
ALCATEL LUCENT:	10.67	(0.27)	DOW:	12861.47	(167.45)
AMDOCS:	35.70	(0.1)	NASDAQ:	2458.83	(40.29)

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## Think about that for a minute...

### Maintenance

Why is it that the battery alarm in the smoke detector only decides to go off between 2 and 5am? Couldn't it do it at some reasonable hour, like 6pm? Nope, always has to wake you up in the wee small hours to say... hey, once again you have forgotten to do normal maintenance and this really needs to be done!

Well, that got me thinking about maintenance, and the fact that for some reason a whole lot of folks seem to forget about routine maintenance, how important it is, and how much it costs. Now in the case of the smoke alarm, it's no big deal. The 9-volt batteries are less than a buck and if you just remember to do the routine switch-out to new batteries on a schedule, like, say, Christmas Eve and the 4th of July, you don't even get rudely awakened!



**Steve Effros**

An article in the paper the other day, however, brought me up short. It seems that since 9-11, police, fire and emergency officials in major cities across the country have been supplied with special new equipment for bomb identification and disposal. These sophisticated packages of computers, cameras, databases and the like of course run on batteries. They also use special wireless frequencies to interconnect and allow the bomb squads to talk to FBI bomb experts real-time.

Apparently a lot of the units, which the government spent many millions of dollars distributing, have now become door stops. Why? Local governments never budgeted for battery replacement maintenance or to keep up the monthly wireless charges once the initial federally paid subscription expired!

Scary.

Of course, we shouldn't have been too surprised at all this. Just look what happened to local governments when

they got into the cable business. Many of them never considered the fact that they would have to spend lots of money maintaining their systems, and even more to upgrade. So super-low prices (which have been used ever since by math-challenged members of Congress and the FCC to hit us over the head) made the municipal systems very attractive... for a while. But now the results of those deceptively low prices are starting to show up.

Municipal systems in several areas have gone on the block because the local governments have no money to maintain and upgrade them. Seemed like a great idea, but now these systems are woefully out of date and there is no capital to fix them. Some of us tried to warn the cities about this years ago, but they didn't listen. Sure, some have "solved" the problem a different way, like increasing municipal electric fees to make up the difference, but the result is the same: not calculating and including the cost of maintenance and upgrades at the time of a system's construction is a sure bet to create major problems down the road.

With all these recent lessons about the importance of maintenance, one would think the cities (and the feds) would catch on that this applies to just about everything they are responsible for... like, say, bridges and roads. But we've seen that's not true. So it shouldn't come as much of a surprise that the new municipal WiFi systems (many of which have been touted for years, but not actually built... wonder why) seem to leave out the anticipated cost of maintenance and upgrades. In this case, that may not become a problem since many of them will probably never be built. But if they are, be prepared for an early morning wake-up alarm!

*Steve*

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