

CableFAX Daily™

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What the Industry Reads First

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Election Dinero: NCTA Leads in Campaign Contributions

As Election Day draws near, the entertainment industry continues to be a candidate's best friend. TV/Movies/Music's \$15.2mln in contributions ranks it 12th among 80 industries in total campaign giving for the '06 election cycle, according to the **Center for Responsive Politics'** analysis of the most recent campaign finance data made available by the **Federal Election Commission** on Aug 7 (the data generally runs through the close of 2Q). The leading contributor for the industry? **NCTA**, which has forked over nearly \$1.4mln, with 58% going to Republicans. By comparison, **NAB's** contributions totaled \$589K, with 68% going to the Elephants. The only other contributors to give more than \$1mln were **Time Warner** (\$1.2mln, with 69% coming from individuals) and **Comcast** (\$1.1mln, mostly from PACs). Most of TW's money went to Dems (71%), while Comcast's donations were more evenly split (52% for Democrats, 47% for Republicans). Cable op contributors in the Top 20 include **Bresnan** (98% of its \$225K went to Republicans, but all came from individual donations) and **Cablevision** (\$198K, with 60% going to Dems). **Competitor Contributions:** **AT&T** doled out nearly \$2.1mln, 66% of it GOP-marked. **Verizon's** spent more than \$1.5mln (60% to Republicans), while **BellSouth** gave just over \$1mln (59% to Republicans). **Rupert Murdoch's News Corp** sent 56% of its \$411K (mostly from individual donations) to the Dems. 59% of **EchoStar's** \$136K went to Republicans.

On the Hill: CO Sens **Wayne Allard** (R) and **Ken Salazar** (D) want the Sen Judiciary Cmte to probe whether **News Corp** is using **Fox** and **DirecTV** to "threaten the viability of the satellite market." It all relates to EchoStar's distant signal case. While **ABC, CBS, NBC** and **FOX** affils agreed to a \$100mln settlement for continued carriage of the signals, FOX owned and operated stations did not, and News Corp's **Fox Broadcasting** has asked a court to stop DISH from transmitting the distant network signals of any of broadcast networks. Meanwhile, DirecTV ran ads in certain markets warning customers they will lose broadcast signals and urging them to switch to its DBS service. DirecTV ran the ads in 10 markets for a few days starting Aug 21 and then pulled them as it awaited outcome of the proposed settlement, a spokesman said.

Advertising: Cable ad spending for the 1st half of '06 grew 2.6% to \$8.14bln compared to the prior year period, according to **TNS Media Intelligence**. Network TV, helped by the winter Olympics, increased 5.7% to \$12.28bln. Excluding Feb (the month the Winter Olympics ran), network TV is up 1.2%. Spanish-language media is one of the biggest gainers (+20.5% to \$2.4bln) thanks to a World Cup-driven boost.

VOD: **Sunflower Broadband** is getting pretty innovative with VOD advertising, placing dynamic ads in **MTV Network** programming this week. Sunflower is using **SeaChange** and **Atlas On Demand** tech to splice fresh ads into VOD content on the fly and analyze their effectiveness (Most VOD advertising today is tied to a specific piece of



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- #1 among cable subscribers*
- #1 among total non-subscribers**
- #1 among persons who have never subscribed**

* June 2006 Beta Cable Subscriber Study - Interest in Emerging/Midsize Ad Supported Networks (tied for 1st among emerging networks)
** July 2006 Beta Cable Non-Subscriber Study - Interest in Emerging/Midsize Ad Supported Networks
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content for its entire run). The MSO's 1st national campaign is with **Paramount Pictures'** and **MTV Films'** for "jack-ass number two." Sunflower will change out the advertising (being inserted into **Comedy Central VOD** programs) several times before the film's Sept 22 theatrical debut. Sunflower has offered dynamic VOD ad-insertion for local advertisers for a few months and reports an "overwhelming" response.

In the States: **Comcast's** VOD service has surpassed 3bln views since '04. July was a record month for the MSO, with customers watching 180mln VOD programs.

Online: **Comcast.net** launched "TV Planner," an online programming guide enabling customized searches for programming (including VOD). Comcast says it's the 1st online guide to let viewers search for VOD and HD VOD.

Competition: **Verizon** tapped *Rachelle Zoffer* to manage integration of interactive features within its "FiOS TV" service. As dir, interactive TV, Zoffer is charged with expanding on "FiOS TV Widgets," VZ's first interactive app (launched in June) that provides real-time weather and traffic information via remote control. -- The **Minneapolis City Council** approved Fri a deal for **US Internet** to build and operate a \$20mln Wi-Fi network, which will cost city residents \$20/month to access. The network is expected to start construction this fall and launch operations next year. -- **AT&T** struck a distribution deal to put **TVN's** VOD content on its "U-verse TV" programming lineup, including TVN's linear PPV event network offering wrestling, boxing and concert events.

Carriage: **Comcast** launched Spanish-language film channel "VeneMovies" for its "CableLatino Hispanic" programming package, available in 15 markets including Miami, Chicago and Boston.

Ratings: **TNT** (2.6 HH rating/2.39mln HH delivery) won last week's prime prize, riding yet again its juggernaut series "The Closer" (5.4/4.96mln). **NFL-powered ESPN** (2.2/2.07mln) was next, followed by **Disney** (2.2/1.97mln). **MTV** (1.6/1.43mln) garnered the 4th place award, and **Lifetime** (1.4/1.31mln) took over 5th. -- Top 2 net regular **USA** fell to 7th last week, primarily because **US Open** tennis coverage preempted its popular Mon **WWE** telecast on Aug 28. **Sci-Fi** picked up the event, earning a stellar 3.4/2.96mln (10-11pm). -- **MTV's** '06 "VMAs" (4.4/4.05mln) earned the week's 3rd highest rated telecast, but ratings for the glam fest have fallen 44% since '04 (7.9) and 29% since last year (6.2).

Programming: **Fox Reality** and **Indie TV** will jointly develop interactive series "Your Instant Reality" in which viewers can interact with other viewers and the host through real-time polling, text messaging and submission of their own digital content. -- **Lifetime's** original movie "The Legend of Lucy Keyes" (Oct 7, 8pm) celebrates the Halloween season with a ghost mystery. -- The 3rd round bell for **OLN's** live boxing coverage will toll Sept 14 (9pm ET), as middleweights *Kid Diamond* and *Jairo Ramirez* square off from The Orleans Hotel & Casino in Las Vegas. -- **Discovery Channel's** doc "Assault on Waco" (Sept 17, 9pm) features feds who helped infiltrate *David Koresh's* Branch Davidians sect in '93. -- **HDNet** said *Dan Rather's* former "60 Minutes" producer *Mary Mapes* won't join upcoming investigative news program "Dan Rather Reports." *Radar Online* this week quoted Mapes, who produced Rather's infamous National Guard segment, as "thrilled to be on board." *Radar* issued a correction, writing that Mapes said the deal was never finalized and that she has moved on to other projects.

Broadband: **TBS'** veryfunnyads.com has delivered 7.7mln video streams since its Aug 23 launch and will post 75 new humorous spots over the next few weeks.

Where TV Fans Get Inside Their Favorite Shows

Lisa Joyner uncovers the exclusive, insider secrets viewers are dying to know.

Mondays 9/8c

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BUSINESS & FINANCE

VoIP: Cable will push Congress to create meaningful interconnection rights for cable phone providers. That was the thrust of **NCTA** pres/CEO *Kyle McSllarrow's* comments at the **Mid-America Cable Show** Wed in Kansas City, MO. Cable ops have battled telcos that in some cases challenge cable's right to interconnect to the public switched network. McSllarrow predicted phone competition could save consumers more than \$60bln over the next 5 years (the stat's based on a recent *J.D. Power* study that concluded the avg cable phone sub is saving \$11.19/month).

People: Spot cable sales org **NCC** named *Timothy Kay* and *Nina Veruete* political media strategists. -- **Aurora Networks** named *Andrew Ferraro* vp, sales, northeast region. -- *Leonard Tacconi* was named pres of **Discovery Health Media Enterprises**.

Business/Finance: **GE Commercial Finance** served as admin agent on a \$70mln facility to support **Orange Broadband's** acquisition of 44K subs in NM, CO, NV, and UT from **Charter**. The financing (closed Fri) consists of a \$15mln revolver, \$30mln term loan, \$15mln delayed-draw term loan and \$10mln second-lien facility. It will pay for a portion of the acquisition, and for future capital expenditures and working capital. -- The **SEC** has opened an informal inquiry into **XM's** sub targets and SAC costs, according to a Tues 8-K filing by the company.

CableFAX Daily Stockwatch

Company	09/06 Close	1-Day Ch	Company	09/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	42.25	(0.43)	AVID TECH:	38.59	(1.75)
DIRECTV:	19.37	0.02	BLNDER TONGUE:	1.37	(0.05)
DISNEY:	29.61	(0.24)	BROADCOM:	27.48	(1.58)
ECHOSTAR:	32.89	(0.16)	C-COR:	7.82	(0.18)
GE:	33.95	(0.02)	CISCO:	21.68	(0.41)
HEARST-ARGYLE:	23.30	(0.04)	COMMSCOPE:	29.73	(1.09)
ION MEDIA:	0.90	0.00	CONCURRENT:	1.70	(0.07)
NEWS CORP:	19.53	(0.22)	CONVERGYS:	20.61	(0.08)
TRIBUNE:	31.22	0.30	CSG SYSTEMS:	26.25	(1.02)
MSOS					
CABLEVISION:	23.44	0.04	GEMSTAR TVG:	3.24	(0.06)
CHARTER:	1.45	0.00	GOOGLE:	380.14	(4.22)
COMCAST:	34.69	(0.35)	HARMONIC:	6.35	(0.36)
COMCAST SPCL:	34.62	(0.34)	JDSU:	2.13	(0.08)
GCI:	12.64	(0.36)	LEVEL 3:	4.23	(0.07)
KNOLOGY:	10.18	(0.07)	LUCENT:	2.27	(0.08)
LIBERTY CAPITAL:	85.16	(1.6)	MICROSOFT:	25.61	0.00
LIBERTY GLOBAL:	24.20	0.10	MOTOROLA:	22.71	(0.79)
LIBERTY INTERACTIVE:	19.50	0.32	NDS:	45.37	(0.33)
MEDIACOM:	6.90	(0.14)	NORTEL:	2.12	(0.04)
NTL:	26.50	0.11	OPENTV:	2.92	(0.1)
ROGERS COMM:	51.14	(0.47)	PATH 1:	0.63	0.00
SHAW COMM:	29.60	(0.5)	PHILIPS:	33.84	(0.74)
TIME WARNER:	16.76	(0.04)	RENTRAK:	11.49	(0.01)
WASH POST:	759.00	(1.4)	SEACHANGE:	8.72	(0.31)
PROGRAMMING					
CBS:	28.30	(0.3)	SONY:	42.84	(1.03)
CROWN:	4.12	0.02	SPRINT NEXTEL:	16.64	(0.52)
DISCOVERY:	13.72	(0.03)	THOMAS & BETTS:	43.84	(2)
EW SCRIPPS:	46.24	(0.42)	TIVO:	7.67	(0.48)
GRUPO TELEVISA:	19.11	(0.34)	TOLLGRADE:	8.23	(0.95)
INTERACTIVE CORP:	28.21	(0.3)	UNIVERSAL ELEC:	18.32	0.40
LODGENET:	18.90	(0.07)	VONAGE:	7.93	(0.31)
NEW FRONTIER:	8.60	0.12	VYYO:	5.08	(0.28)
OUTDOOR:	10.56	(0.35)	WEBB SYS:	0.06	0.00
PLAYBOY:	9.33	0.02	WORLDGATE:	1.68	(0.07)
UNIVISION:	34.70	(0.05)	YAHOO:	28.50	(0.57)
VALUEVISION:	11.20	(0.13)	TELCOS		
VIACOM:	34.20	(0.77)	AT&T:	31.56	(0.15)
WWE:	16.98	(0.03)	BELLSOUTH:	41.28	(0.16)
TECHNOLOGY					
3COM:	4.35	(0.1)	QWEST:	8.97	0.16
ADC:	13.63	(0.07)	VERIZON:	35.45	(0.05)
ADDVANTAGE:	4.04	0.02	MARKET INDICES		
AMDOCS:	38.45	(0.5)	DOW:	11406.20	(63.08)
AMPHENOL:	57.55	(1.05)	NASDAQ:	2167.84	(37.86)
ARRIS GROUP:	11.47	(0.57)			

CableFAX databriefs



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Think about that for a minute...

Cumulative Returns

There's an obvious and significant shift going on in the telecommunications business. It's best described as a growing awareness that the era of potentially "substitutable" media formats is probably over. We have moved to an era in which each format actually builds on the others, or becomes a non-equivalent replacement rather than a substitute.

Take the playing and transmission of a basketball game as an example. We have already learned that folks still go to the game, even though it is available on television. The two experiences are not substitutes. Then we learned that including that basketball game on a cable channel did not put the broadcaster out of business.



Steve Effros

The cable and broadcast feeds of programming provide different services to audiences that choose

one or the other based on convenience and availability. The customer chooses to have cable not because of that one basketball game but because of the choice and quality of delivery the cable service offers.

Quality of delivery, it turns out, is high on the list of consumer desires.

The best example is HD. Watch a basketball game in regular, analog or even SD, and then watch it in HD. You won't go back. Watching basketball, hockey or tennis in HD changes the experience totally. That being true, can you imagine someone foregoing their television, cable or especially HD feed to watch that basketball game on their telephone screen?

Let's not be silly. Won't happen.

Now if it's a game of particular interest, there is no television around and you are sitting in an airport lounge waiting for a flight, maybe you pull out your phone and dial up the

game, or you fire up your computer and bring it in on a WiFi connection. But would you do that at home with an HD set in the next room? Of course not.

So the proliferation of announcements about television series reaching the Internet or video phones has little if anything to do with competitive telecommunications media duking it out to see which one will be the primary source of video to the American public. On the contrary, it means that content producers are using new media to offer their product to the public in as many ways as the public can consume that product.

Each builds on the strengths of the other.

For instance, television series offered by the networks are showing up on the internet in both paid and free versions. Some have ads, although fewer than on television. Some are offered without ads for a fee. You can also get some of those programs on your cell phone.

Clearly the producers of those programs believe they benefit from that distribution. But it's not simply because they make some money (although not very much) in some cases by selling the product or selling some new ads.

They also provide a bridge for the series fan who may not be near a television set but wants to see the program, or for the one who missed it and wants to catch up.

The promotional value alone adds to the product value.

Ultimately, that's the point. We have moved away from thinking of these distribution channels as leading to a point of diminishing returns. And we now recognize we are in an era of cumulative returns.

That's a good place to be for all of us.

Steve

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