

CableFAX Daily™

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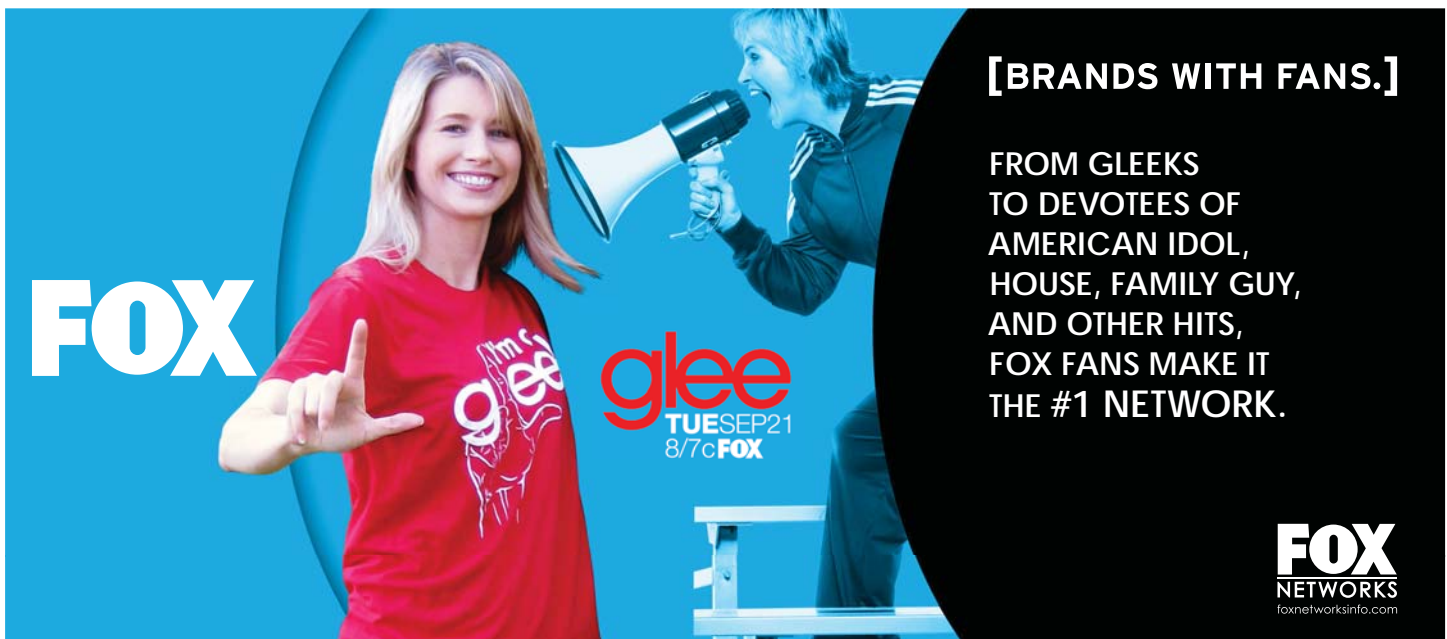
What the Industry Reads First

Volume 21 / No. 179

Analyst Perspective: Fear Uncle Sam, Not FiOS and Charlie

Cable ops should worry more about the government than competitors, **Sanford Bernstein's** *Craig Moffett* told **ACC** members Wed at the public affairs group's opening general session. "Cable has won on the ground," he said, arguing that "the future of the plant is the broadband plant," not video or voice. But he warned that Title II reclassification will lead to eventual price regulation, no matter how the **FCC** handles specifics, and it's "disingenuous" to suggest otherwise. "It may be the whole ball game," he said. "Maybe net neutrality is just a Trojan Horse to try to get price deflation in broadband." He noted that lower broadband prices would in turn serve the gov't's goal of making broadband more affordable. He also warned that while a big Republican win in the mid-term elections "would certainly reduce the risk of reclassification," investors shouldn't think that means the FCC won't impose net neutrality rules anyway. In fact, if Congress stepped into the fold, he suggested that Democrats could benefit politically by forcing Republicans to vote against net neutrality before the '12 elections. During **Bank of America's** media conference Wed, **Comcast** and **Time Warner Cable** CFOs were more upbeat on the regulatory environment, citing the ongoing talks with stakeholders. "We had the infamous **Google-Verizon** announcement about agreement on a framework, and probably what's most interesting about that is that 2 players that are about as far apart on the continuum in terms of their perspective—we're able to come together and agree...and that to me is pretty encouraging," said TWC CFO *Rob Marcus*. "I think ideally we're going to get to a framework that accomplishes what those 2 feel compelled to have—net neutrality principles but which don't break the economic model." One thing Moffett and the CFOs agreed on is that cord cutting isn't much of an issue these days. During a wide-ranging Q&A with **Fox Business Network's** *Gerri Willis*, Moffett said it could be a problem down the road, but it won't be the stereotypical Millennials but rather "poor people" who increasingly cut the cord to cut expenses in a bad economy. Interestingly, NYC announced franchise renewals this week with **Time Warner Cable** and **Cablevision** that will include an option to terminate early if revenues shift significantly toward the Web instead of cable. "This innovative provision, the only one of its kind that we're aware of, helps protect City franchise revenue by enabling the City to renegotiate if there is substantial shift in content delivery from cable to 'new' and/or emerging technologies," said an NYC news release.

TWC Outlook: 3Q continues to be soft, with **Time Warner Cable** CFO *Rob Marcus* warning that the MSO may actu-



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ally see a primary service unit loss (cumulative number of voice, video and HSD adds) in the Q as video losses are pacing ahead of last year, voice growth is slower and HSD adds are lower than last year. But the big influencer there is the economy, not competition or cord-cutting, he said during **Bank of America's** media conference Wed. Echoing **Comcast's** CFO earlier that day, Marcus called DBS' free HD for life offer "a non-event," adding that TWC has offered free HD since its inception. Despite the sub sluggishness, TWC still expects OIBDA minus cap ex to rise about 20% for the year. With occupied housing not helping to raise sub numbers, TWC is focused on upgrading existing customers. It launched a new high-end bundle in NC that will roll out across its footprint later this year. While programming cost per sub is expected to be a little higher this year, Marcus said program expenditure growth should be about where it was last year (and he made a cryptic reference to some recent success in program negotiations toward more "flexibility" in TWC's quest for smaller packages, though he said the MSO is not quite there yet).

Research: Cable swept **J.D. Power's** '10 Telephone Satisfaction Survey, marking the 4th consecutive year that traditional cable providers achieved the highest rankings in all regions. **Cox** ranked highest in the West Region, performing well across all 5 factors measured (customer service, performance & reliability, cost of service, billing and offerings and promotions). **Bright House** ruled the South, scoring particularly well in customer service, cost of service, billing, and offerings and promotions. The East title went to **Cablevision**, which performed well in the same 4 factors as Bright House and **WOW!**, which ranked highest in the North Central Region.

BoA Notebook: Well, at least one person is very optimistic that the **Comcast-NBCU** deal will get approval this year. Comcast CFO **Michael Angelakis** said more than once during **Bank of America's** media conference Wed that he expects it to close at the end of the year. The deal is admired by **Liberty's John Malone**, who also spoke at the confab. "If I had been given the opportunity to do the NBC deal, I would have done it. Those opportunities only come along once in a lifetime," he said. As for his run through **Ascent Media** for **Bresnan**, some of that was "sentimental" because those were the systems **TCI** started with. "We don't have the scale economics in the US to be a serious player in cable as an operator," Malone said, prefacing the statement with his enthusiasm for **DirecTV**. As for Comcast, Angelakis said Xfinity should be in about 90% of its markets in 6 months (up from 63%). The more mature Xfinity markets have better customer satisfaction and financial results, he said. Comcast day and date movie titles have grown from about 13 total a year ago to 100 YTD. Programming costs continue to escalate, with Angelakis saying the MSO would like to see rates go down for programmers who aren't performing. -- **Verizon's LTE** network is "on track" to service 30 major markets and 100mln POPs in 4Q—close to the 120mln POP level expected by **Clearwire**—yet evp/CFO **John Killian** believes increased smartphone penetration and attendant ARPU gains will be the telco's lead story in late '10. Noting a continuing "data ex-



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plosion” in the US, Killian said wireless can importantly help combat cable in the commercial segment by allowing for differentiated service bundles.

In the States: Time Warner Cable’s West region will receive 3D VOD movies Tues. The 1st wave features Warner Bros library titles. -- **U-verse’s** 3D Technology Package features 6 new 3D IMAX Theatre films, including “Dinosaurs Alive.”

Ratings: ESPN’s MNF doubleheader notched opening night rating and viewership records, led by the 10.9 rating and 14.97mln total viewers garnered by the Ravens-Jets game. The Chiefs-Chargers tilt earned an 8.8/11.89mln. -- **TLC** said it topped all ad-supported cable nets this summer with 17 new or returning originals averaging more than 1.1mln total viewers. “Kate Plus 8” (2.9mln) and “American Chopper” (2.6mln) led the group.

Programming: TNT ordered a 3rd season of medical drama “Hawthorne.” -- **Golf Channel** greenlit its 1st morning show, tentatively titled “Dawn Patrol.” Slated for a Jan debut, the weekday (7-9am ET) show will air live from the net’s studios and feature news and commentary on the biggest sports and news stories of the day. -- **TBS** canceled original comedy “My Boys” after 4 seasons.

People: Another former MTVN exec joined **BBC Worldwide America**. Sandy Ashendorf was named evp, network distribution.

CableFAX Daily Stockwatch

Company	09/16 Close	1-Day Ch	Company	09/16 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	40.99	0.31	AVID TECH:	11.77	0.20
DISH:	18.68	0.10	BIGBAND:	2.79	(0.02)
DISNEY:	34.21	0.16	BLNDER TONGUE:	2.14	0.04
GE:	16.34	0.18	BROADCOM:	35.39	(0.1)
NEWS CORP:	15.58	0.00	CISCO:	21.59	0.14
MSOS					
CABLEVISION:	27.00	(0.1)	CLEARWIRE:	7.39	0.07
COMCAST:	18.04	0.24	COMMSCOPE:	21.81	0.10
COMCAST SPCL:	16.94	0.16	CONCURRENT:	6.33	(0.17)
GCI:	9.94	0.17	CONVERGYS:	10.45	0.08
KNOLOGY:	12.62	0.02	CSG SYSTEMS:	20.36	0.03
LIBERTY CAPITAL:	48.56	0.07	ECHOSTAR:	19.43	(0.37)
LIBERTY GLOBAL:	29.63	0.01	GOOGLE:	480.64	0.21
LIBERTY INT:	12.60	0.14	HARMONIC:	6.92	0.14
MEDIACOM:	6.44	(0.05)	INTEL:	18.72	(0.02)
SHAW COMM:	21.65	0.27	JDSU:	11.83	0.03
TIME WARNER CABLE:	52.43	(2.74)	LEVEL 3:	1.03	0.09
VIRGIN MEDIA:	21.76	0.01	MICROSOFT:	25.11	0.09
WASH POST:	363.01	(8.97)	MOTOROLA:	8.36	0.11
PROGRAMMING					
CBS:	15.59	(0.13)	RENTRAK:	23.02	0.30
CROWN:	2.17	(0.1)	SEACHANGE:	7.16	0.08
DISCOVERY:	41.54	1.09	SONY:	30.69	0.81
GRUPO TELEVISA:	19.32	0.01	SPRINT NEXTEL:	4.58	0.02
HSN:	30.08	(0.15)	THOMAS & BETTS:	41.16	0.17
INTERACTIVE CORP:	26.32	0.09	TIVO:	9.37	0.29
LIBERTY:	36.87	0.24	TOLLGRADE:	7.01	(0.36)
LIBERTY STARZ:	61.31	0.47	UNIVERSAL ELEC:	20.11	0.25
LIONSGATE:	7.33	0.03	VONAGE:	2.40	0.03
LODGENET:	2.80	(0.11)	YAHOO:	14.27	0.64
NEW FRONTIER:	1.71	(0.03)	TELCOS		
OUTDOOR:	5.54	0.15	AT&T:	28.01	0.08
PLAYBOY:	5.07	(0.04)	QWEST:	6.07	0.06
SCRIPPS INT:	45.55	0.55	VERIZON:	31.19	0.28
TIME WARNER:	31.75	(0.05)	MARKET INDICES		
VALUEVISION:	1.90	0.04	NASDAQ:	2301.32	11.55
VIACOM:	39.16	0.37	TECHNOLOGY		
WWE:	13.80	0.08	ADC:	12.69	(0.01)
TECHNOLOGY					
ADDVANTAGE:	3.10	0.01	ALCATEL LUCENT:	2.90	(0.01)
AMDOCS:	27.31	(0.01)	AMPHENOL:	47.34	(0.09)
AOL:	23.09	(0.15)	AOL:	23.09	(0.15)
APPLE:	270.22	2.16	APPLE:	270.22	2.16
ARRIS GROUP:	9.13	(0.11)	ARRIS GROUP:	9.13	(0.11)

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TIP: NEVER TELL A FAN WOUND UP BY 2,100 HOURS OF INTERNATIONAL SPORTS, "IT'S JUST A GAME".

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Think about that for a minute...

By the Numbers

I have long complained that the policymakers and politicians have been misled by those advocating regulation of broadband on the ground that somehow the United States is “behind” others in the world regarding broadband penetration and use.

The idea that we are “losing” some “race” is so prevalent these days that the consumer press tends to just write a throwaway line or two about the US being in “13th” or “15th place,” whatever that means. The idea is that someone,



Steve Effros

somewhere in some other country has an infrastructure that is either built out to more residents, or is subscribed to by more users than is true here. Well, that I don't necessarily disagree with. The real question is whether there is any significance to that number, place or comparison.

The arguments are familiar by now.

Comparisons are being made between countries that are very compact, or have very concentrated populations, with the United States with vast expanses of sparsely populated areas. Despite that, over 95 percent of all Americans have access to high speed broadband.

Americans have the highest overall use of the Internet, but as a percentage, there are other populations that have hooked up more users. Of course, those numbers disregard other factors, such as a minimally functioning telephone infrastructure in some areas that was replaced by the broadband infrastructure financed by the governments of those countries. That, of course, has a significant effect too!

As an opposite example, Japan heavily subsidizes its rice farmers and severely limits rice imports. Compare the high retail price of rice in Japan and the low price in the United States. You get a number, but it doesn't really tell you much.

And speaking of “the numbers” and Japan, there's this

story reported recently that you should definitely consider. It seems that Japan, which has long been touted for a healthy population that lives longer than anywhere else, appears to have lost some of its elderly.

The Japanese have a very long list of folks they claim to be over 100 years old. Well, they just did an audit, and it seems about 230,000 of them are “missing.” Police, for instance, discovered that the gentleman who had been listed as the oldest man in Tokyo at age 111 has actually been dead for 32 years! His granddaughter, apparently, was still collecting his pension.

Now I'm not just focusing on the Japanese here. I'm just pointing out that statistics are what you make them. The “by the numbers” folks are using lots of statistics about what is or is not happening in other countries as a justification for what they say should be happening here. But are we really sure of the accuracy of what is being claimed? Do we know the basis upon which some of these numbers are calculated? For instance the “use” numbers that put us “behind” in broadband don't, apparently, count use at work, only use at home. There's very little doubt that we would move up in the “use” category if that measurement criteria was corrected.

Consider, for a moment, that the basis for many of the cholesterol studies that have resulted in statin drugs, like Lipitor, being so multi-billion dollar ubiquitous, is the comparative “health” and “longevity” studies done in Japan and you will get my point about basing broad conclusions on “the numbers.” I'm not saying they're not important, or always wrong, but context and accuracy have to be part of the consideration as well. That's not happening in the “numbers” debate over broadband.

Steve

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