

# CableFAX Daily™

Thursday — September 17, 2009

What the Industry Reads First

Volume 20 / No. 178

## In the Zone: Early Scores In For New NFL Net Offering

No doubt several cable players recently answered a resounding 'Yes!' to *Hank Williams Jr's* annual question, "Are You Ready For Some Football?" **ESPN**, for example, saw its initial 2 **MNF** telecasts deliver the top cable audiences of '09 through ratings of 10.3 (10.22mln homes, 14mln total viewers) and 8.9 (8.77mln, 11.96mln). But unlike in past seasons, operators including **Comcast** appear to have a reason to join myriad programmers in celebrating the sport's return: **NFL RedZone Channel**. Delivering key touchdowns and game moments from every league game on Sundays, the net earned widespread plaudits from fans following its opening weekend. But is it enough to spur greater adoption among major MSOs? **Cox**, for example, declined to carry the net. Comcast is hoping RedZone will temper the wild success **DirecTV** has achieved through **Sunday Ticket**. After all, the DBS op's exclusive contract for Ticket has been a source of frustration to cable for years—and continues to be. "That one does sort of sit in my craw a little bit," said Comcast CFO *Michael Angelakis* of the deal at the **Goldman Sachs** conference. Yet RedZone may be a modest salve. "We're hearing great things from our customers," said Comcast svp/gm, video services *Derek Harrar* of the net. "Offering customers the opportunity to monitor every touchdown from all the games is something we're excited to continue to offer every Sunday." Some Comcast subs have complained, however, that the channel isn't offered in high-def in their market. The *Consumerist* recently featured a complaint from a Chicago sub, with the MSO responding that it may offer it in HD in the future based on available bandwidth and interest from customers. **RCN**, meanwhile, said it's too early to gauge RedZone's performance arc, but a spokesperson said the company believes it will "prove to be pretty popular." DirecTV evp/CFO *Patrick Doyle*, though, isn't threatened by RedZone. "We haven't seen any impact," he said Wed at the Goldman event, adding that adoption rates of Ticket are running "as good or better than our expectations for this season." Likely current boons for DirecTV: its comprehensive marketing push for Ticket, and RedZone's comparatively non-existent campaign and limited distribution, particularly among cable ops. As it's virtually impossible right now to catch an NFL game without witnessing *Peyton Manning* or *Dennis Leary* shill for Ticket's new streaming option, RedZone has some catching up to do. "We continue to build awareness that the new NFL RedZone channel is available," said **NFL Net** COO *Kim Williams*, noting that carriage negotiations continue with "many distributors." **AT&T** and **Veri-**

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zon also carry the channel, with the latter saying it's pleased with uptake so far.

**Media Confab:** Vivendi CEO *Jean-Bernard Levy* was mum on what the company will do with its 20% stake in **NBCU**, but he outlined possibilities for an exit strategy during a **Goldman Sachs** investor conference Wed. Those include an IPO, unless **GE** exercises its right to buy the stake. The window for triggering the annual put option is in Nov. -- **Discovery's David Zaslav** said there have been talks about the company providing various services, such as ad sales, for the new owners of **Travel Channel**. Discovery wouldn't take any equity in the net, he said, citing tax reasons. Private equity firms **Kohlberg Kravis Roberts & Co**, **Thomas H. Lee Partners** and **Providence Equity** have submitted bids for **Cox's** 65% stake in Travel, *Reuters* reported Wed, citing unnamed sources. **Scripps** and **News Corp** are also said to be in the running. As for the ad market, Zaslav said the scatter has been good the past couple weeks, but it's "unusual in that it's not anything long cycle that you can rely on. ... Each week, you start all over again." -- **CBS** is considering whether it should use its leverage to negotiate retrans consent for the entire affiliate group, CBS pres/CEO *Les Moonves* said. "A number of affiliates have approached us about whether we should negotiate together, is that a beneficial thing, and we're looking at it right now," he said. By '12 or '13, CBS expects north of \$200m in revenue for its O&Os, with Moonves saying that the network will be getting a share of affiliates' retrans deals (and already is in some cases).

**Operators Notebook:** **Time Warner** chmn/CEO *Jeff Bewkes* continued to tout the **TV Everywhere** initiative at the investor conference, saying that "customers love it." But he also intimated few fond feelings for content providers seeking to receive additional money through the platform. "They're not the ones who are going to the effort and expense of making this possible," said Bewkes, citing the prominent role being played by myriad operators including **Comcast**. Moreover, said Bewkes, programmers should recognize other critical roles that ops will play in Web content provisioning, including their commitment to increasing the capabilities and scale of broadband services. -- After enduring a "fairly significant drop" from Jan-Jun, evp/CFO *Patrick Doyle* said **DirecTV** has "seen a flattening of the decline" in premium channel subs. But customers continue to right-size their bills, he said, making advanced products and services more critical than ever. On tap for the DBS op next year are 200 HD channels and a comprehensive online movie service, which Doyle said will allow customers to go online and pick films to download to their set tops. Also in the works, he said, is a "more centralized depot for content" similar to **OnDemand Online**, which will likely be hosted, authentication and all, at DirecTV's Website.

**Advertising:** By early next month **Cablevision** plans to have interactive service **Optimum Select** activated across its footprint. It will allow viewers to interact with marketing content via a remote control button, initially to request more information about a product or service. For example, customers may ask for free samples or access to longer form content, and the information will be immediately mailed following the request. **Benjamin Moore** will be 1 of the

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initial advertisers using the service, which CVC is touting through this spot: Youtube.com/watch?v=hvcKdFeEh5Q. -- **TNS Media's** ad expenditure data covering Jan-Jun differed materially from **Nielsen's (Cfax, 9/2)** in key segments, including cable TV, which TNS said saw its ad market slip 3.6% over the period while Nielsen reported 1.5% growth. Also, TNS reported a tamer overall ad expenditure decline (-14.3%) versus Nielsen (-15.4%), adding that although "early data from third quarter hint at possible improvements for some media due to easy comparisons against distressed levels of year ago expenditures," the ad market is not in the clear just yet. TNS said ad expenditures on Spanish-language TV and network TV fell a respective 12.7% and 5.5%, while Internet ad spending grew 6.5%.

**Deals:** **Disney-ABC, Hearst and NBC's** merger of **AETN and Lifetime Nets** into one company is complete. Abbe Raven, head of the combined entity, delivered a video message to staffers in L.A., NY and elsewhere Thurs talking up the power of having 10 cable nets under single management. No word yet on what sort of personnel changes the marriage will bring or whether Lifetime may move back to the East Coast.

**Research:** Cable swept **J.D. Power's** 2009 Telephone Satisfaction Survey, marking the 3rd consecutive year that traditional cable providers achieved the highest rankings in all regions. **Cox** ranked highest in the East and West Regions, scoring particularly well in customer service and performance & reliability. **Bright House** ranked highest in the South, performing well across all 5 factors measured (customer service, performance & reliability, cost of service, billing and offerings and promotions). **WOW!** ranked highest in the North Central Region, also performing well across all 5 factors. **Verizon, Comcast and Charter** were among companies scoring below average in some of the regions.

**On the Hill:** The **House Judiciary Committee** unanimously approved SHVURA (nee SHVERA), which reauthorizes satellite to retransmit distant broadcast signals. Under the bill **DISH** could offer distant signals in markets without one of the 4 major broadcast nets, lifting a court-ordered injunction. In turn, DISH had to commit to delivering local-into-local in all 210 markets—meaning it has to add local stations in 28 markets. **House Commerce** still has to vote on its version of the bill. **NCTA's** pleased with Judiciary's version, noting it resolves the "phantom signal" issue so that operators aren't required to pay for signals they don't receive. The cable group is also happy the legislation retains the current compulsory license framework. **ACA** called the bill a good start. "We appreciate that the [committee] has recognized that smaller, independent and rural-based cable operators face different challenges and dynamics than their larger brethren in the industry," ACA chief *Matt Polka* said. "While that acknowledgment has been made, we believe the bill needs some further refinement to help small businesses who will be disproportionately burdened by many of the new provisions that were reached through negotiations between larger entities."

**In the States:** **Time Warner Cable** will deploy **BigBand's** Switched Digital Video solution in L.A., NYC and Dallas. TWC has launched SDV in more than 20 markets to date. -- **Time Warner Cable TX** launched El Paquetazo, the MSO's latest Hispanic-oriented video package. In addition to Spanish-language programming, it includes various levels of English services. The \$39.99/mo package includes **Univision, Telemundo, ESPN and Food Network**. The package is discounted when bundled with HSD or phone.

**At the Portals:** **CEA** wants the **FCC** to initiate a rulemaking to assess retail availability of commercial devices for accessing multichannel services. The trade group, according to an FCC filing, wants the Commission to examine whether the common reliance rule safeguards retail competition as MVPDs rollout new tech. It also asked that the FCC develop specific criteria for downloadable conditional access systems. -- The **FCC** released its initial field hearings for public input on a National Broadband Plan. They are set for: Austin, TX, Sept 21; DC, Oct 1; and Charleston, SC, Oct 6. Additional field hearings will be announced later.

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#### Speaker Snapshot\*

**Artie Bulgrin**, ESPN  
**Jamie Cuthbert**, A&E  
**Tom Eagan**, Collins Stewart  
**Matthew Emans**, Navic  
**Marc Goldstein**, Group M  
**Peggy Green**, Zenith Media  
**Joshua Herman**, Axiom  
**Michael Kubin**, Invidi  
**Steve Lanzano**, MPG  
**Kris Magel**, Initiative USA  
**Guy McCarter**, Green Room Entertainment  
**Craig Moffett**, Sanford Bernstein  
**Mitch Oscar**, MPG  
**Mark Owens**, Vanguard Entertainment  
**Beth Rockwood**, Discovery Channel  
**Marci Ryvicker**, Wells Fargo Securities  
**Jon Stimmel**, Unilever  
**Steve Sturm**, Toyota  
**Spencer Wang**, Credit Suisse  
**Alan Wurtzel**, NBCU  
**Linda Yaccarino**, Turner Entertainment  
**John Zamoiski**, NMA Entertainment & Marketing  
**Pam Zucker**, MediaVest

\*Subject to change

#### Forum Snapshot

**When:** October 6, 2009  
8 a.m. - 5 p.m.

**Where:** Concierge Conference Center, NYC

**Questions:** Contact Saun Sayamongkhun at [ssayamongkhun@accessintel.com](mailto:ssayamongkhun@accessintel.com) or (301) 354-1610.

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# BUSINESS & FINANCE

**Carriage:** All 5 of TBN's faith-and-family nets are available throughout the Denver metroplex via **Comcast**. The MSO began carrying the channels earlier this month via TBN's new full-power digital station, **KPJR**.

**Competition:** Verizon added new widget KODAK Gallery to **FIOS**. The free service lets subs share photos and slide shows on their TVs. Verizon also teamed with **ESPN** for a fantasy football widget that provides on-screen access to personalized ESPN Fantasy Football points and stats. Verizon subs can also participate in the leagues via their Verizon broadband account or with their Verizon wireless phone.

**Congrats:** CableFAX salutes all the honorees for this year's CableFAX Program Awards and Top Op Awards. **AMC's** "Mad Men" and **Syfy's** "Battlestar Galactica" were among shows that took home wins in multiple categories. Thanks also to **HDNet's Dan Rather**, **Bravo's James Lipton**, **Discovery's John Hendricks** and many other special guests who helped make it a fabulous event in NYC on Wed, including the MSO of the Year **Mediacom**. Check **CableFAX.com** this week for more details on the winners and honorable mentions in the Program Award categories.

**People:** **WWE CEO Linda McMahon** resigned her post to seek a Senate seat for the state of CT. Husband **Vince** assumes her duties and remains chmn.

## CableFAX Daily Stockwatch

Company	09/16 Close	1-Day Ch	Company	09/16 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
BRITISH SKY:	35.81	0.24	AMPHENOL:	39.63	0.94
DIRECTV:	25.96	0.40	APPLE:	181.87	6.71
DISH:	18.46	0.56	ARRIS GROUP:	13.03	(0.02)
DISNEY:	28.37	0.08	AVID TECH:	14.83	0.24
GE:	17.00	1.00	BIGBAND:	4.25	0.27
NEWS CORP:	14.41	0.35	BLNDER TONGUE:	1.20	0.03
<b>MSOS</b>					
CABLEVISION:	25.76	0.54	BROADCOM:	30.21	0.42
COMCAST:	17.55	0.13	CISCO:	23.36	0.38
COMCAST SPCL:	16.81	0.17	CLEARWIRE:	9.25	0.43
GCI:	6.84	0.01	COMMSCOPE:	31.30	1.40
KNOWLOGY:	7.77	0.04	CONCURRENT:	4.62	0.06
LIBERTY CAPITAL:	23.27	0.74	CONVERGYS:	11.20	0.18
LIBERTY ENT:	29.73	0.30	CSG SYSTEMS:	14.74	0.05
LIBERTY GLOBAL:	25.11	0.32	ECHOSTAR:	19.23	0.30
LIBERTY INT:	11.01	0.23	GOOGLE:	488.29	10.75
MEDIACOM:	5.89	0.16	HARMONIC:	6.90	(0.04)
RCN:	9.63	0.03	INTEL:	19.65	0.10
SHAW COMM:	18.19	0.16	JDSU:	7.62	(0.01)
TIME WARNER CABLE:	41.92	0.64	LEVEL 3:	1.46	(0.04)
VIRGIN MEDIA:	12.91	0.00	MICROSOFT:	25.20	0.00
WASH POST:	481.80	8.61	MOTOROLA:	9.16	(0.04)
<b>PROGRAMMING</b>					
CBS:	12.74	0.31	OPENTV:	1.39	0.07
CROWN:	1.90	0.13	PHILIPS:	25.47	0.61
DISCOVERY:	29.44	0.58	RENTRAK:	16.00	0.16
EW SCRIPPS:	8.83	0.88	SEACHANGE:	7.75	(0.01)
GRUPO TELEVISA:	18.58	0.26	SONY:	27.65	0.90
HSN:	13.84	0.43	SPRINT NEXTEL:	3.98	(0.08)
INTERACTIVE CORP:	20.67	0.49	THOMAS & BETTS:	28.76	0.04
LIBERTY:	35.34	0.96	TIVO:	10.73	0.05
LODGENET:	6.90	(0.09)	TOLLGRADE:	5.62	(0.08)
NEW FRONTIER:	2.20	0.01	UNIVERSAL ELEC:	20.19	0.32
OUTDOOR:	6.91	(0.01)	VONAGE:	1.46	(0.02)
PLAYBOY:	3.12	(0.01)	YAHOO:	16.99	0.58
RHI:	3.39	(0.05)	<b>TELCOS</b>		
SCRIPPS INT:	36.40	0.87	AT&T:	26.54	(0.16)
TIME WARNER:	29.61	0.36	QWEST:	3.57	0.04
VALUEVISION:	3.50	0.20	VERIZON:	30.41	(0.59)
VIACOM:	29.57	0.49	<b>MARKET INDICES</b>		
WWE:	14.26	0.02	DOW:	9791.71	108.30
<b>TECHNOLOGY</b>					
3COM:	4.89	0.18	NASDAQ:	2133.15	30.51
ADC:	8.84	0.01			
ADVANTAGE:	2.25	0.05			
ALCATEL LUCENT:	4.32	0.13			
AMDOCS:	26.64	0.31			

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## Think about that for a minute...

### 'Short Termism' – Must Reading

There was a really excellent business column in the Washington Post recently by Steven Pearlstein. Everyone should take a minute to read it. Entitled "Wall Street's Mania for Short-Term Results Hurts Economy," it summarizes a report released by the Aspen Institute which you should also read. Called "Overcoming Short Term Thinking in Business," it's only eight pages long and it's a succinct analysis from some of the biggest names in American commerce, from Warren Buffett to Lou Gerstner. They came to a simple conclusion; Wall Street's obsession with "short



**Steve Effros**

termism" is a core problem that has to be resolved if we are to repair our economy, and our business culture. You can get to both the report and Pearlstein's column from [www.aspeninstitute.org](http://www.aspeninstitute.org). Read both.

While the blue ribbon Aspen Institute panel focused on how we've gotten into our current mess with a self-fulfilling

feedback loop of business decisions that basically reward the middlemen, not the asset builders and the long-term risk takers, I think the lesson and the conclusions apply far beyond just Wall Street.

Long-time readers of this column know that I've voiced concern many times about the impact short-term thinking was having on the corporate cultures of cable companies. Customer service expenditures were shaved and rates were calculated to boost pre-ordained, bottom-line quarterly results.

I do understand why and how all that happened. We were part of a much bigger engine that is described in the Aspen report. If we were going to get money to continue to build a long-term infrastructure, we had to satisfy the money sources that insisted on short-term gains, which, in turn, inevitably hurt the long-term objectives! Catch-22.

But now it is all spelled out by some of the best known and

smartest folks around, and we can all step back and start considering, as they do, how to break this cycle. I raise all this here not just to focus on the business side, but also to suggest that regulators and legislators should read this report and understand that they, too, have often succumbed to "short termism." It's something they should think about long and hard before seeking "fixes" to "problems" that are politically identified.

Take, as an example, that old standby; cable rates. They're "too high." They're always "too high." They go up "faster than the rate of inflation" so they must be "too high." But what does that really mean? It means folks would prefer to pay less. Well, that's true of just about anything. But in this case there are government levers that can be pulled, so responding to the political conclusion that rates are "too high" the solution is; (take your pick) rate regulation, a la carte requirements, or introduction of subsidized competitors on the always-stated but sometimes misguided "truth" that competition results in lower prices.

Is any of that "short termism" intervention relating to rates good policy? We've tried rate regulation. It failed. Rates went up and investment collapsed. Competitive infrastructure upgrades were stalled for years. A la carte, any economist will tell you, will likely raise prices and reduce diversity...two results diametrically opposite other stated policy goals. And then there's always "more competition." But will that really work in capital intensive infrastructure environments, or is that just more "conventional wisdom" not borne out by serious thought? Look at the municipal systems that have forced "rates" down short-term but then had to sell because they had not accumulated enough capital to maintain the system! The point here: government has to beware "short termism" too.

*Steve*

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### CableFAX: The Magazine's Most Influential Minorities in Cable issue

Publication Date: October 27

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