

CableFAX Daily™

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What the Industry Reads First

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Dish Talk: DirecTV Banking on Video, Fretting over DOCSIS 3.0

It wasn't too long ago that **DirecTV's** management team was feeling the pressure to come up with some sort of wireless solution. But that weight has been lifted with **Liberty Media** taking over **News Corp's** stake in the satellite company. "We suggested that claiming you need one, which pushes you to do a WiMax deal that you may not really want to do but makes a good press release, isn't necessarily the long term, correct strategy," Liberty Media pres/CEO **Greg Maffei** said at **Goldman Sachs'** investor conference Wed. But does DirecTV really need some sort of broadband offering? "I think we've absorbed most of that triple-play threat...the reality is over half of our customers at DirecTV have high-speed access. They're able to find either best of breed or bundles we help them find to be competitive," he said, adding that video is seen as the most important part of a bundle. "I don't think there is an opportunity for us realistically, easily to go out and create our own broadband solution." So DirecTV's general strategy will be partnerships, such as its deal with **Verizon** . Nonetheless, he told the crowd a marketing deal with **AT&T** , which is up for grabs at year-end, isn't a necessity since the company has done fine without. Concern over DirecTV's broadband vulnerability is partly why News Corp got out of the business. "I was frightened of the triple-play from cable and the [telco rollout]," News' **Rupert Murdoch** said earlier in the day at the conference. "I thought it was going to be more affected by the triple play than it has been. I might have been wrong. I don't think I'm wrong in the long term, but in the short term, it certainly hasn't been as hurt as I thought." While Maffei enthused that DirecTV's HD lineup is fending off the triple-play, he admitted disappointment at cable's 3Q HSD gains, though he said he thinks telcos will come back. "It is a little scary to think about DOCSIS 3.0 and what cable will do," he said. "But I think it will end up probably being more judicious in their capital application for DOCSIS 3.0 than some have stated, and that will probably mean the rollout will be slower and the opportunities are better for us." Asked whether he expected to keep **NFL Sunday Ticket** when the deal comes up for renewal in '10, Maffei said: "I think we'll continue to be a sports leader for a long time, and I think the NFL will be a part of that."

Conference Notebook: **Comcast's** multiple services have to date helped the MSO weather the dismal US economy's flurry of punches, said CFO **Michael Angelakis** , but worsening financial and credit crises are cause for concern. "We can take some body blows related to the economy like we're doing now," said Angelakis, but "we're very concerned about the ripple effect [the economy] may have in the consumer market." The MSO's booming commercial business, however, may benefit from the turmoil through "value-conscious" customers, he said, and forthcoming are key competitive differentiators such as DOCSIS 3.0 and the WiMAX partnership. Comcast plans to transition its entire footprint to all-digital over the next 18-24 months, he said, with early results "quite good" in the 20% of systems already completed. -- After posting an \$83mln loss last fiscal year, **Big Ten Net** will make a small profit this year, **News Corp's** **Rupert Murdoch** said. He also was bullish on **Fox Business** , which he expects to lose as much this year as it lost in its half year

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in '07. "It will be a 3-year thing, but we're confident it will be very valuable asset," he said.

Gen Y-ired: As cable marketers struggle to figure out "millennials," also known as Generation Y, a few themes surfaced at **CTAM NY's** Wed breakfast focused on this multitasking, group-thinking, social networking horde. According to *Jill Rosengard Hill*, svp at **Frank N. Magid Associates**, the millennial generation is already bigger than the Baby Boomer crowd and "will dominate the 18-49 demo" in a few short years. But this largely "coddled" group behaves nothing like previous generations: They have zero patience for mass marketing, demanding total customization and personalization; their networked gadgets are like "an umbilical cord to their family and friends"; and—here's one for an episode of "Fear Factor"—some 25% of 26-year-olds still live at home. "I think the millennials have changed everything," said **Digitas CMO Seth Solomons**, adding that they reject marketing that comes "at" them. "You need to find a way to market with and for millennials." That means asking their help to virally spread—and even shape—marketing messages because "they are obsessively tuning out all of us." **Omnicom Media Group** pres *Steve Grubbs* said cable marketers must "infiltrate" the social networking ecosystem to truly reach Gen-Y. Easy, right? Welcome to the future.

In the States: With the **FCC's** dual carriage order and exemption now complete, **ACA** members finally got around to ratifying its digital carriage deal with the **Assoc of Public TV Stations** and the **Public Broadcasting Service**. A tentative pact was announced last year (*Cfax*, 8/1/07). Under the 10-year agreement, participating cable ops would carry the primary signal of the participating public station on the lowest-priced tier, while multicast channels would be carried on the tier where other multicast channels are carried. -- Is DOCSIS 3.0 already obsolete? Of course not, but **Spiderhost** has launched HSD services for residences and businesses in 6 central FL counties (**Bright House** territory) that purportedly offers download speeds of up to 1000Mbps. That's up to 10x faster than those offered through DOCSIS 3.0.

Unwinding: As carnage continues to amass on Wall St, **Discovery Holding** shareholders approved Tues a proposal that will increase the exposure of **Animal Planet** and **Discovery Channel** to the increasingly bearish market environment. DH will spinoff to its stockholders **Ascent Media** (AMC) and afterward combine the remaining assets with **Discovery Comm**, giving existing stockholders shares of this new entity known as **New Discovery** (DCI). Also, **Advance/Newhouse** will contribute its stakes in Discovery Channel and Animal Planet to DCI in exchange for preferred stock that, immediately after the closing of the transaction, will be convertible into shares representing 1/3 of the outstanding common stock of DCI. Series A, B and C common stock of DCI is expected to begin **NASDAQ** trading Thurs under the symbols "DISAD," "DISBD" and "DISCK;" and Series A common stock of AMC is expected to start NASDAQ trading Sept 29 as "ASCMA." **Pali** analyst *Rich Greenfield* said the moves will give Discovery Comm financial and strategic flexibility and allow mgmt to communicate directly with investors for the 1st time, a critical power amid the current economic turmoil.

On the Hill: **Lifetime's** years-long fight to get a bill ending drive-through mastectomies inched closer to victory Wed when the House Commerce Committee approved the Breast Cancer Patient Protection Act. The next step is getting a pair of other committees to waive jurisdiction and send the bill directly to the floor for a vote. Lifetime has collected some 23mln signatures on a petition urging lawmakers to give women and their doctors the right to choose whether or not they want to remain in a hospital soon after getting a mastectomy. HMOs have been fighting the bill.

Lunch w/ WICT: WICT NY's packed luncheon in NYC Wed tackled the often amorphous subject of how to best

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apply creativity. The bottom line, according to Vicki Lins, Comcast Spotlight's svp, mktg and communications, is that goals must be clear and that creative approaches must directly help meet those corporate objectives. Indeed, AMC svp, marketing Linda Schupack said the runaway success of AMC's hit "Mad Men" hinged largely on making sure the show aligned perfectly with the net's overall goals and then freeing up creator Matthew Weiner to apply his own creative vision. Bravo evp/gm Francis Berwick, meanwhile, noted that success of a show on one net doesn't necessarily mean it would find similar success on another net whose brand position is different. Understanding how customers relate to the brand is also crucial in nurturing the right kind of creativity, panelists said. "We have to know our audience," Lins said. "They're more in control than ever. And that puts us in a unique position." Also key is flexibility. "If they embrace what we throw at them, it's a success," she said, noting that any rejection of an approach means marketers must "figure out a different way to throw it."

Programming: HBO has picked up a 2nd season of drama "True Blood" (summer), which premiered Sept 7. -- **Fine Living** will become the cable home for NBC's "The Biggest Loser" beginning Sept 20 and for "Queer Eye," Oct 13.

CableFAX Daily Stockwatch

Company	09/17 Close	1-Day Ch	Company	09/17 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	30.54	(0.35)	AMDOCS:	25.30	(1.38)
DIRECTV:	24.82	(1.47)	AMPHENOL:	42.15	(2.61)
DISNEY:	32.19	(0.32)	APPLE:	127.83	(12.05)
ECHOSTAR:	24.86	(1.48)	ARRIS GROUP:	8.75	(0.55)
GE:	23.39	(1.67)	AVID TECH:	22.34	(2.42)
HEARST-ARGYLE:	20.75	0.03	BIGBAND:	3.55	(0.21)
ION MEDIA:	1.44	0.00	BLNDER TONGUE:	1.26	0.06
NEWS CORP:	12.78	(0.78)	BROADCOM:	19.20	(1.45)
MSOS					
CABLEVISION:	25.88	(0.41)	C-COR:	11.00	0.00
CHARTER:	0.82	(0.09)	CISCO:	21.80	(1)
COMCAST:	19.47	(1.07)	COMMSCOPE:	38.57	(2.56)
COMCAST SPCL:	19.40	(1)	CONCURRENT:	5.83	(0.24)
GCI:	8.76	(1.15)	CONVERGYS:	15.01	(0.77)
KNOLGY:	8.83	(0.14)	CSG SYSTEMS:	17.28	(0.97)
LIBERTY CAPITAL:	14.78	(0.2)	ECHOSTAR HOLDING:	26.78	(1.24)
LIBERTY ENTERTAINMENT:	23.91	(1.57)	GOOGLE:	414.49	(28.44)
LIBERTY GLOBAL:	28.77	(2.06)	HARMONIC:	8.35	(0.31)
LIBERTY INTERACTIVE:	13.48	(0.4)	JDSU:	8.31	(0.58)
MEDIACOM:	6.39	(0.62)	LEVEL 3:	2.69	(0.39)
SHAW COMM:	20.95	(0.67)	MICROSOFT:	24.57	(1.42)
TIME WARNER CABLE:	24.89	(1.81)	MOTOROLA:	6.82	(0.42)
VIRGIN MEDIA:	8.29	(0.97)	NDS:	55.73	(3.27)
WASH POST:	582.00	(10)	NORTEL:	2.68	(2.62)
PROGRAMMING					
CBS:	15.05	(0.95)	OPENTV:	1.14	(0.22)
CROWN:	4.42	(0.17)	PHILIPS:	28.26	(1.38)
DISCOVERY:	18.30	(1.08)	RENTRAK:	13.45	(0.32)
EW SCRIPPS:	7.14	0.11	SEACHANGE:	8.29	0.12
GRUPO TELEVISA:	19.92	(1.7)	SONY:	32.00	(1.67)
HSN:	13.97	(0.85)	SPRINT NEXTEL:	5.79	(0.78)
LIBERTY:	37.81	(2.21)	THOMAS & BETTS:	40.65	(1.49)
LODGENET:	2.91	(0.19)	TIVO:	6.98	(0.29)
NEW FRONTIER:	3.46	(0.24)	TOLLGRADE:	4.56	(0.3)
OUTDOOR:	7.84	(0.23)	UNIVERSAL ELEC:	24.75	0.15
PLAYBOY:	3.77	(0.26)	VONAGE:	1.00	(0.11)
RHI:	11.50	0.00	WEBB SYS:	0.05	(0.02)
SCRIPPS INTERACTIVE:	39.16	(2.25)	WORLDGATE:	0.30	0.00
TIME WARNER:	13.74	(0.34)	YAHOO:	18.82	(0.44)
VALUEVISION:	2.18	(0.07)	TELCOS		
VIACOM:	24.52	(1.18)	AT&T:	28.80	(1.08)
WWE:	15.37	(0.05)	QWEST:	3.35	(0.13)
TECHNOLOGY					
3COM:	1.81	(0.2)	VERIZON:	31.26	(1.58)
ADC:	9.12	(0.31)	MARKET INDICES		
ADVANTAGE:	2.73	(0.27)	DOW:	10609.66	(449.36)
ALCATEL LUCENT:	4.43	(0.52)	NASDAQ:	2098.85	(109.05)

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DISSONANT RING

Things just don't sound right these days. The notes are clashing. There's a dissonant ring when you carefully listen to all the different tunes being sung at the same time. Of course that's not new, especially during a Presidential election, but that's not really what I'm talking about here.

No, it's that old problem of actually listening to the rhetoric surrounding cable and broadcast carriage. The clashing logic has been around for years, and I have written about it many times, but this year is different...



Steve Effros

this is the year of the DTV Transition.

The dissonance is jarring.

Consider: at the same time Congress is in a tizzy over whether the industry and the government have done enough to prepare television viewers for that fateful day, at midnight, February 17th, when all the analog full power broadcast channels are

turned off and we have exclusive digital transmission of all those exciting shows the broadcasters deliver, some of those signals may be blocked from being shown on cable systems! This is the perverse result of the current retransmission consent regime.

Now of course that retransmission consent regime was created by those very same Congressional folks and the FCC. The same ones who are now pounding the broadcasters and the cable operators to "do more, do more" to prepare the public for the transition!

Here's the problem; retransmission consent contracts for broadcasters who choose that route rather than the mandatory carriage of the "must carry" rules are generally negotiated every three years. Just by chance, a lot of those contracts, which cable operators have to have in order to deliver those signals to their customers, expire at the end of this year. It's well known that the broadcasters, or at least some of the major ones, have announced

that they intend to be far more aggressive this year in demanding large payments per subscriber to allow cable customers to see their "free TV" signals.

When a contract isn't completed, the signal has to be taken off the cable system. This may happen this year just as the din about the DTV Transition reaches its peak. Talk about dissonance!

Cable operators have suggested a "quiet period" where broadcast stations could not be taken off the system from late December until a month or two after the transition in February. That, at least, wouldn't create an ear-splitting crash that would resonate badly for everyone. No broadcaster would be hurt, any negotiated deals would be retroactive to January 1. But the broadcasters are fighting the idea of a quiet period. They apparently relish the idea of threatening to make more noise. They think it gives them more negotiating power. This is the type of sound and fury that does not serve the public in any way, and we should be hearing both the Commission and Congress singing the same tune, telling the broadcasters that this is one time good harmony makes sense for everyone. So far it hasn't happened.

There are lots of dissonant notes when it comes to retrans and must carry. Why protect local cartels if the theory is the "market" should control the value of retransmission consent? Why not require that any broadcaster be allowed to cut a retransmission consent deal anywhere? Why say the "market" should control and then have "must carry" when the market is not interested in the channel? It makes no sense. But for now, let's just focus on getting everyone to sing the same notes on the transition. We're not going to like what we hear if we don't.

Steve

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