

CableFAX Daily™

Thursday — September 28, 2006

What the Industry Reads First

Volume 17 / No. 188

Behind the Curtain: Verizon Gives Some FiOS Financials

Verizon finally lifted the veil and revealed some stats behind its **FiOS TV** and data rollout during an analyst presentation Wed. But it didn't give out subscriber acquisition costs, only saying that the company believes its "in line with industry benchmarks." Whatever that means. Verizon did reveal that the cost per premise passed for the TV rollout has dropped from \$1,021/home at the end of '05 to \$873 year-to-date Aug '06. By year-end, Verizon expects to be at \$850 per premise—less than the previously announced year-end goal of \$890. In Aug, the company spent \$933 for each home that actually connected to the service but expects that rate to drop to \$650 by 2010 (\$700 to pass a home). The telco predicts 100K FiOS TV subs at the end of 3Q, with 175K total at year end. The total capital spend through 2010 is projected to be \$22.9bln (\$18bln net cap ex spending). Net cap ex is pegged at about \$2535 for each FiOS TV home. Verizon, whose share price closed at \$36.78, was upbeat (it nixed plans to close the briefing to the public and Webcast it instead). "One thing Verizon is very good at is meeting its cost number," said CFO Doreen Toben. "Occasionally, it takes a little bit longer than we think, but we're really excellent at doing this." Meanwhile, Congress' failure to pass federal video franchising relief "is not holding us back," said Verizon telecom pres Virginia Ruesterholz. "We don't see that as a necessity." **More Stats:** Verizon plans to pass 18mln homes with its fiber network by 2010, 15mln of which will be video-ready. It's aiming at 20-25% (3-4mln subs) market penetration for video by '10. FiOS expects positive operating income in '09, with total fiber investment becoming EBITDA-positive in '08. In addition, 70% of Verizon's FiOS Internet product are new Verizon customers. In other words, they're likely coming over from cable or dial-up and not cannibalizing existing Verizon DSL service. The telco expects 725K FiOS Internet subs or a market penetration of 15% by year-end '06, and 35-50% penetration by 2010. Monthly churn is 1.5%.

FiOS Future: Next year, **Verizon** plans to add a unified shopping portal, interactive broadcasts and gaming to **FiOS TV**. But creating much of the buzz Wed was what Verizon didn't say during its presentation. *DSL Prime* editor *Dave Burstein* says he's learned that the telco plans to open the FiOS set-top to *all* video on the Internet, with early trials starting soon. Sister pub **Communications Technology** appears to have been the 1st pub to get Verizon to acknowledge those plans publicly. A rep told the mag that Verizon's recent release of Home Media DVR doesn't support that capability, but "it's on the roadmap for future releases."

More Bell Video: All eyes were on **Verizon** Wed, but **AT&T** quietly went about its video business. It informed **U-verse** customers in San Antonio, TX, that it will conduct work over the next few weeks to add more features, such as HDTV, new channels, more VOD, games and personal photos. A spokesman had no info on when those features would launch.

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VOD: **Cablevision** is expected to announce Thurs that new eps of several **NBC** series will be available for 95 cents each on VOD a day after their 1st-run on network TV. Content will include "Law & Order: SVU," "Law & Order: CI," "The Office," "Friday Night Lights" and "Las Vegas." **Comcast** has a similar deal in place.

Competition: **Kangaroo TV** announced a pact with the **NFL** and **DirecTV** to provide fans in-stadium access to DirecTV's "NFL Sunday Ticket" programming through a KTV handheld device. The service – provided under the brand name "NFL Sunday Ticket In-Stadium by DirecTV" – debuted Sun at the Miami Dolphins home game and will premiere at the Washington Redskins' stadium this Sun. It's available on a season-long or per-game basis and allows viewing of any NFL game, plus real-time stats. -- **Verizon Wireless** rolled out its wireless broadband service in the Boise, ID, metro area. -- **AT&T** announced the addition of **Anime Network** to its "U-verse TV" lineup. Customers will have access to "Anime Network On Demand," offering thousands of programming hours directly from Japan on a free, subscription or transactional basis.

Broadband: Here! and **Maven Networks** partnered to launch broadband channel here! Video at www.heretv.com/videoplayer. Designed exclusively for gay and lesbian consumers, the channel features more than 300 short-form videos. Included are trailers from the net's linear programming, indie film shorts and broadband originals. -- **TBS** and **ViTrue** unveiled a jv to create and launch the "Funny or Not?" online community, allowing TBS viewers to create, produce and upload their own funny videos using ViTrue's platform and tools. It will be available at www.tbs.com.

In The States: **RCN Wireless**, powered by **Mobile Pro's** wireless network, launched service Tues in Boston. 3 service plans are offered, and **RCN** cable TV subs who sign up for a plan of \$54/month or higher and a 2-year agreement will receive a \$5 discount each month.

Mobile: **CBS Digital Media** launched Wed "CBS SportsLine To Go," a sports alert service that sends to cell phones breaking news, headlines and fantasy updates, including video and pictures.

Technology: **Akimbo** announced the availability of the "RCA Akimbo Player," allowing storage of more than 100 hours of broadband programming for later viewing on TV. Offering feature films from Movielink for the 1st time, the device can be purchased at akimbo.com for \$180, including a free 2-month trial of Akimbo's service. Following an Oct launch, it will run \$200, and the service will be \$10/month.

Feeling Thirsty? **The Water Channel**, a 24/7 net devoted to "water lifestyle programming," says it is now available to more than 15m in **Dish Network** and **Time Warner Cable** homes. The net recently expanded into TW NY, MN and OH. Water says it will expand to other TW and **Cox** systems this fall. Its programming lineup includes boat racing, extreme water sports, fishing and marine-related home shopping. Flippers, anyone?

Ratings: This week's emotional football return to New Orleans on "Monday Night Football" produced yet another ratings record for **ESPN**, drawing an 11.8 HH rating and 10.85m in HH delivery. The telecast marked the 3rd straight week of record net ratings for the pignskin coverage.

Programming: **GSN** will air in Feb the "National Vocabulary Championship" finale, the culmination of a na-



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the fashion team

Tuesday Nights Never Looked So Good

New original series hosted by celebrity stylist **David Evangelista** and comedian **Daphne Brogdon** gives TV fans a look at what Hollywood is wearing and how to bring it home.

PREMIERES TUESDAY, OCTOBER 10 8/7c

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BUSINESS & FINANCE

tional contest and public service campaign launched to promote the language understanding of high school students. -- Singer *Jewel* will co-host season 5 of **USA's** "Nashville Star," debuting Jan 11 (10pm ET). -- Starring comedy duo *The Umbilical Brothers*, **Noggin's** "The Upside Down Show" (Oct 16, 11am ET) will allow preschoolers to interact by learning thinking skills, vocabulary and relational concepts and life skills through pretend play. -- **MTVN's** bi-lingual channel **MTV Tr3s** launched this week with a live concert from Times Square that featured musical artists *Nelly Furtado* and *Calle 13*. The net's music programming includes blocks, specials, concerts, video countdowns and artist's picks.

On the Circuit: **Cox** vp *Janet Barnard* and **A&E** svp *Melinda McLaughlin* will participate in an Oct 18 panel session titled "Aligning Your Purpose, Vision, Mission and Values," to be staged in Philly by the **CTHRA**.

Public Affairs: Oct 7 has been slated as "Comcast Cares Day," the MSO's 6th annual company-wide day of volunteer service. 1 of the 10 nationwide locations selected for projects is Sarasota, where **Comcast** execs, employees and families will help **Habitat for Humanity** renovate a 12-unit apartment complex.

CableFAX Daily Stockwatch

Company	09/27 Close	1-Day Ch	Company	09/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDs					
BRITISH SKY:	40.99	(0.54)	AVID TECH:	36.02	(1.57)
DIRECTV:	19.85	0.17	BLNDER TONGUE:	1.21	0.04
DISNEY:	31.04	(0.03)	BROADCOM:	29.80	(0.06)
ECHOSTAR:	32.30	0.18	C-COR:	8.76	0.10
GE:	35.34	(0.1)	CISCO:	23.35	(0.15)
HEARST-ARGYLE:	23.16	(0.03)	COMMSCOPE:	32.63	(0.21)
ION MEDIA:	0.83	0.05	CONCURRENT:	1.58	(0.04)
NEWS CORP:	20.51	(0.07)	CONVERGYS:	20.67	(0.13)
TRIBUNE:	32.49	(0.46)	CSG SYSTEMS:	26.94	0.33
MSOS					
CABLEVISION:	23.01	0.28	GEMSTAR TVG:	3.40	0.01
CHARTER:	1.52	0.02	GOOGLE:	402.92	(3.95)
COMCAST:	36.52	0.25	HARMONIC:	7.51	(0.11)
COMCAST SPCL:	36.41	0.25	JDSU:	2.25	0.07
GCI:	12.60	(0.14)	LEVEL 3:	5.26	(0.2)
KNOLOGY:	10.00	0.10	LUCENT:	2.31	0.00
LIBERTY CAPITAL:	84.17	(0.08)	MICROSOFT:	27.44	0.24
LIBERTY GLOBAL:	25.75	(0.09)	MOTOROLA:	24.57	(0.41)
LIBERTY INTERACTIVE:	20.22	0.25	NDS:	43.10	0.60
MEDIACOM:	7.15	0.15	NORTEL:	2.34	0.03
NTL:	24.91	0.01	OPENTV:	3.03	0.00
ROGERS COMM:	54.30	0.76	PHILIPS:	35.00	(0.41)
SHAW COMM:	30.20	0.13	RENTRAK:	11.45	0.11
TIME WARNER:	18.59	(0.01)	SEACHANGE:	8.98	0.08
WASH POST:	718.51	(6.47)	SONY:	41.51	0.56
PROGRAMMING					
CBS:	28.45	(0.31)	SPRINT NEXTEL:	16.82	(0.23)
CROWN:	4.60	(0.03)	THOMAS & BETTS:	47.14	0.83
DISCOVERY:	14.39	0.35	TIVO:	7.67	0.12
EW SCRIPPS:	47.64	0.00	TOLLGRADE:	9.02	0.02
GRUPO TELEVISA:	21.06	0.01	UNIVERSAL ELEC:	18.81	(0.28)
INTERACTIVE CORP:	28.67	0.05	VONAGE:	6.77	(0.18)
LODGENET:	18.73	0.93	VYYO:	4.57	(0.1)
NEW FRONTIER:	8.44	0.04	WEBB SYS:	0.06	0.00
OUTDOOR:	11.04	0.09	WORLDGATE:	1.37	(0.17)
PLAYBOY:	9.64	(0.03)	YAHOO:	24.65	(0.4)
UNIVISION:	34.40	(0.04)	TELCOS		
VALUEVISION:	11.80	(0.04)	AT&T:	32.57	(0.78)
VIACOM:	37.58	(0.12)	BELLSOUTH:	42.71	(1.12)
WWE:	16.61	0.10	QWEST:	8.90	(0.08)
TECHNOLOGY					
3COM:	4.39	(0.02)	VERIZON:	36.78	(1.18)
ADC:	15.24	0.63	MARKET INDICES		
ADDVANTAGE:	4.18	0.04	DOW:	11689.24	19.85
AMDOCS:	40.70	0.53	NASDAQ:	2263.39	2.05
AMPHENOL:	63.78	0.62			
ARRIS GROUP:	11.49	(0.01)			



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Think about that for a minute...

Uniformity

It used to be so simple. If you wanted to listen to the radio, you just turned the dial to "on." All AM stations were on one band, and any consumer with a radio could hear all the stations. Then came FM and now "HD-radio." All the different permutations created a complicated problem for the producers of radios for the home, in cars, and so on. The uniformity started to disappear, but in its place came innovation and competition.

The same happened to television in the early days. Just a few channels, two through thirteen. They all worked the same way; they all were received on all television sets. But then came UHF, and we had some sets that picked those channels up, and some that didn't. We also found that an antenna that worked with VHF may not work for UHF. A new service was born: Community Antenna Television,



Steve Effros

which helped solve that problem. Again, innovation, not government regulation, provided what consumers wanted. It's time some of our policymakers conceded the point that maybe the best thing they can do is stay out of trying to regulate technical innovation.

What does the consumer electronics and entertainment marketplace look like today? Well, we have two different satellite television systems, Echostar and DirecTV, using proprietary boxes that don't work with each other's. We have two satellite radio systems... same thing. You can buy a "radio" that picks up XM, but not Sirius. You can have a radio installed in your car that gets one, both or neither.

Your iPod will download music from the largest (by far) music web sales site (iTunes), but you can't get that music to play on other players. Want to play games? Well, it's either PlayStation or X-Box or something else, but they don't play well together, indeed they don't play

together at all! So the "new" world of incredibly rapid innovation and competition has led to multiple competitive formats for electronics and entertainment.

Now you might argue that this is not good. The "good old days" allowed us all to buy uniform radios and televisions, and all consumer electronics manufacturers were able to build and sell uniform products nationwide, and that's the way it should be. But think about that for a minute; do we have more innovation and experimentation with new formats, new capabilities in electronics and new forms of entertainment today or do we have less? Of course the answer is more. We have an explosion of these things, and they are all helping to fuel even more innovation, more rapid developments, and, ironically, lower prices at the same time.

In only one area do we see a government demand for uniformity: the way cable systems operate. The FCC wants all systems to use uniform electronics so that foreign manufacturers have an easier time making models and selling them nationwide. This, allegedly, will help consumers. Forget that those same consumers seem capable of understanding that some cell systems work better in some areas than others, and they buy cell phones accordingly, or that those cell phones won't work on competing systems either in the same market or other markets. That's OK for cell phones but not for television tuners.

Why? It's all part of a nostalgic drive for uniformity and simplicity, and more importantly, money for manufacturers. Well, sorry, but we have moved on. Yes, things are more complicated now, less uniform, but far more innovative and exciting. The government should encourage that, not try to kill it.

Steve

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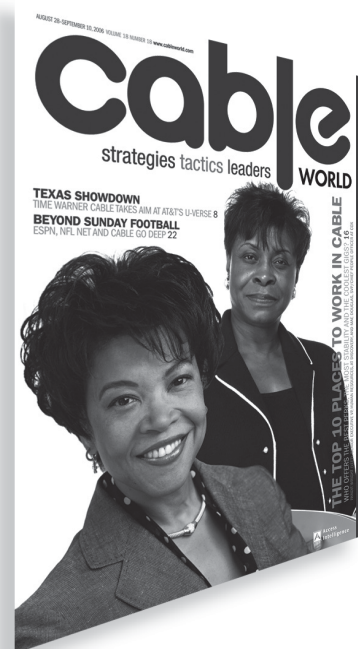
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