

# CableFAX Daily™

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What the Industry Reads First

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## DTV Nastiness: NAB, Consumers Union Go After Cable

As the DTV transition approaches, it's not all "Kumbaya" between the impacted industries. Punches are starting to get thrown. It started with an article in the Nov issue of *Consumer Reports* about cable operators moving channels to digital from analog to free up more bandwidth. It's a practice that operators have employed for years as they move to all digital—and going all digital is something that the **FCC** has encouraged, even granting set-top integration ban waivers to operators who pledge to do so by Feb 17. **Consumers Union** dubs the migration as a "rate hike" since customers often have to pay for digital boxes to see the channels. "It seems that cable companies are using confusion about the forthcoming digital TV transition—which applies only to TVs with antennas, not to TVs with cable—as a chance to boost the bills of cable customers," says the magazine, which is published by the Consumers Union. **NAB**, which has been arguing with cable over the time period for a retrans quiet period to avoid DTV transition confusion if a broadcaster pulls its signal, quickly jumped on the Consumer Reports piece. "If true, the Consumer Reports allegations raise disturbing questions about the cable industry that might be worthy of an FCC review," NAB spokesman *Dennis Wharton* said in an email alerting reporters to the story Wed. "While broadcasters have donated a billion dollars in airtime and education to ensure a seamless transition to digital television, some in the cable industry seem to view DTV as merely an opportunity to raise rates. Consumers deserve factual information about the DTV transition from cable MSOs, not more confusion and higher bills." Adding to the ammunition is that some cable operators, including **Comcast**, have started announcing their periodic price increases for some levels of service. **NCTA** fired back, with a spokesman calling NAB's statement "bizarre and petty." "Let's face it: this is a pathetic attempt to use the digital transition to mask the obvious desire by some stations to impose many millions of dollars for what is otherwise free over the air TV by misuse of retransmission consent," said NCTA's *Brian Dietz*, who added that cable was the 1st industry to announce and execute a \$200mln campaign that promoted the gov't converter box coupon program for over-the-air households and transition education. In related news, Comcast on Wed announced a new initiative to offer free basic cable for 12 months to those opting for at least one additional Comcast service (phone or HSD). New subs not choosing the option can get basic cable for \$10/month for the full year; current subs can add basic to additional TVs at no additional cost. Dietz said many NAB members publicly urged that very promo.

**Skool's Out:** **Rainbow** has sold its **Lifeskool** and **Sportskool** VOD products through separate deals, an unsurprising development considering previous layoffs of about 20 or so people who worked for the pair and **Cablevision's** recent vetting of properties amid **Sundance Channel's** integration and a desire to boost its share price. Offering how-to/ent programming covering numerous categories, the nets were rebranded in Feb '07. Entrepreneurs *Joe Covey* and *Matthew Davidge* picked up Lifeskool, which they will operate under the nets' previous **Mag Rack Ent** moniker. Sportskool was acquired by **Grace Creek Media**, which will work with **USA Today Live** on instructional videos for the net. **RBC**

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**Daniels** advised Rainbow in the Grace Creek transaction. Financials weren't disclosed. The new owners will take over current VOD distribution deals. *Dan Ronayne*, evp & gm of Lifeskool and Sportskool, will remain with Rainbow, but his role has not been announced. Now we're left wondering what happens to **Voom**?

**Must Carry Madness:** ACA is the latest to weigh in on FCC chmn *Kevin Martin's* proposal to allow low-power stations to gain full power status, and thus must carry status, with cable operators. Late Wed, Martin added the item to the Oct 15 agenda. ACA suggested that the best first step to increasing diverse and local content would be for the FCC to—surprise—adopt ACA's proposal for wholesale unbundling of programming. The group warns that allowing Class A stations the right to demand must carry would eliminate the market-based incentive that drives member ops to offer compelling content, including low power stations for many ACA members. If Class A stations get full-power status, ACA said there should be exemptions for small cable systems with limited channel capacity and those with a small sub base. **Comcast** recently told the FCC that there is no legal or policy basis for increasing must-carry burdens on cable ops (*Cfax*, 10/7).

**Competition:** Available to **AT&T** and **Verizon** wireless subs, **MediaFLO's** mobile TV service this season features series including **Comedy Central's** "The Sarah Silverman Program" and **CBS'** "CSI: Miami," with many slated to air simultaneously on the service and TV. -- With adds in Evansville, IN, and Columbia, MO, **DirecTV** now offers local HD programming in 100 markets. -- **FiOS TV** is now available in 6 additional NJ cities/towns including Long Branch and South Plainfield.

**In the States:** **SureWest** expanded the reach of triple-play services to include 3.5K Kansas City-area homes, and plans to reach 10K by YE. -- **Cox** launched in Southern NV VOD content featuring 2-min cameos from 94 candidates seeking local/state offices. -- Spanish-language children's net **Sorpresa** opened a regional ad sales office in the Dallas-area.

**Carriage:** **Cox** has launched in Northern VA **Setanta Sports**, which runs \$13/month.

**Research:** Consumers who watch more than 1 hour/week of online video comprise nearly 40% of all Web video viewers and watch nearly 75% of all online video, according to a study conducted by **Forrester Consulting** on behalf of **Veoh Networks**. These so-called Engaged Viewers, 35% of whom are 13-24s, expect to spend significantly more time with online video over the next year. [More details at [www.cablefaxcontentbusiness.com](http://www.cablefaxcontentbusiness.com)]

**Ratings:** While they failed to eclipse those garnered by Sat's vp version, cable news nets' ratings for Wed night's presidential debate were solid nonetheless. From 9-10:35pm, **CNN** averaged 9.23mln viewers, **Fox News** 8.77mln and **MSNBC** 3.77mln. Post-debate analysis and banter through 11pm on Fox News garnered 7.65mln viewers, on CNN 7.63mln and on MSNBC 3.93mln. Data covering prime (8-11pm): Fox News 7.21mln, CNN 6.75mln and MSNBC 3.27mln.

**Programming:** **ABC Family** has greenlit pilots "Ruby and The Rockits" and "10 Things I Hate About You." Ruby spotlights a former teen idol who is adjusting to a new family wrinkle, and 10 Things, based on the eponymous movie, follows 2 very different sisters. -- *Sean Hannity* has re-signed with **Fox News** to continue hosting "Hannity & Colmes" and "Hannity's America." -- The 100th ep of **A&E's** "Dog the Bounty Hunter" will air Oct 15. -- **A&E's** new original "Rookies" (Oct 21) spotlights real-life freshman cops in Tampa and Jefferson Parish, LA. -- **ESPN** has inked the **Big West Conference** to a 5-yr broadcast agreement that includes a minimum of 12 national men's basketball telecasts per annum, primarily on **ESPNU** and **ESPN2**.

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# BUSINESS & FINANCE

**People:** Scripps Nets upped *Laura Galietta* to svp, ad sales marketing. -- **Bright House** tapped former **Charter** exec *Todd Stewart* as vp, ad sales.

**Business/Finance:** The (lingering) bad news: Wall St slugged cable yet again on Wed, with shares of **Cablevision** and **Charter** dipping below 52-week floors. Others, however, are absorbing gaudier punches—**Sprint** shares closed Wed at their lowest level since the Reagan Administration—and the outlook for telcos remains grim, say analysts. Citing rising borrowing costs and increasingly frugal consumers, **Sanford Bernstein** analyst *Craig Moffett* cut his price target on **AT&T** to \$35 from \$42, and on **Verizon** to \$32 from \$37. “Stretched consumers will be more likely to disconnect access lines; enterprise customers will be less inclined to invest in data services,” said Moffett, noting that even these 2 highly-capitalized behemoths will feel the pinch from tightening credit. VZ shares closed at a 6-yr low, AT&T shares at a 3-yr low. **Bank of America** and **RBC Capital Markets** also joined in. BoA analyst *David Barden* slashed his AT&T price target to \$36 from \$46, and RBC cut its target to \$32 from \$45 while lowering Verizon’s target to \$31 from \$37. Sprint also faces a difficult road ahead, according to the analysts, and perhaps the rockiest. “Scarce credit could radically reduce Sprint’s range of strategic options and tighten already competitive screws,” said Moffett.

## CableFAX Daily Stockwatch

| Company                      | 10/08 Close | 1-Day Ch | Company           | 10/08 Close | 1-Day Ch |
|------------------------------|-------------|----------|-------------------|-------------|----------|
| <b>BROADCASTERS/DBS/MMDS</b> |             |          |                   |             |          |
| ALCATEL LUCENT:              | 27.24       | 0.33     | ALCATEL LUCENT:   | 2.79        | (0.09)   |
| AMDOCS:                      | 22.28       | (0.87)   | AMDOCS:           | 25.32       | (1.3)    |
| AMPHENOL:                    | 25.68       | (0.89)   | AMPHENOL:         | 32.33       | 0.39     |
| APPLE:                       | 18.19       | 1.26     | APPLE:            | 89.79       | 0.63     |
| ARRIS GROUP:                 | 20.65       | 0.35     | ARRIS GROUP:      | 6.44        | (0.04)   |
| AVID TECH:                   | 18.02       | (0.62)   | AVID TECH:        | 19.77       | (0.24)   |
| BIGBAND:                     | 1.44        | 0.00     | BIGBAND:          | 2.90        | 0.12     |
| BLNDER TONGUE:               | 10.06       | (0.06)   | BLNDER TONGUE:    | 0.96        | (0.01)   |
| BROADCOM:                    |             |          | BROADCOM:         | 14.85       | 0.18     |
| C-COR:                       |             |          | C-COR:            | 11.00       | 0.00     |
| CISCO:                       |             |          | CISCO:            | 18.34       | (0.5)    |
| COMMSCOPE:                   |             |          | COMMSCOPE:        | 26.19       | 1.04     |
| CONCURRENT:                  |             |          | CONCURRENT:       | 4.50        | (0.23)   |
| CONVERGYS:                   |             |          | CONVERGYS:        | 12.77       | (0.45)   |
| CSG SYSTEMS:                 |             |          | CSG SYSTEMS:      | 14.34       | (0.22)   |
| ECHOSTAR HOLDING:            |             |          | ECHOSTAR HOLDING: | 22.27       | (0.55)   |
| GOOGLE:                      |             |          | GOOGLE:           | 338.11      | (7.9)    |
| HARMONIC:                    |             |          | HARMONIC:         | 7.76        | (0.11)   |
| JDSU:                        |             |          | JDSU:             | 6.34        | (0.48)   |
| LEVEL 3:                     |             |          | LEVEL 3:          | 1.79        | (0.01)   |
| MICROSOFT:                   |             |          | MICROSOFT:        | 23.01       | (0.22)   |
| MOTOROLA:                    |             |          | MOTOROLA:         | 5.22        | (0.43)   |
| NDS:                         |             |          | NDS:              | 48.53       | (0.22)   |
| NORTEL:                      |             |          | NORTEL:           | 1.57        | (0.1)    |
| OPENTV:                      |             |          | OPENTV:           | 1.12        | (0.01)   |
| PHILIPS:                     |             |          | PHILIPS:          | 22.56       | (0.75)   |
| RENTRAK:                     |             |          | RENTRAK:          | 11.44       | (1)      |
| SEACHANGE:                   |             |          | SEACHANGE:        | 6.99        | (0.16)   |
| SONY:                        |             |          | SONY:             | 23.90       | (1.4)    |
| SPRINT NEXTEL:               |             |          | SPRINT NEXTEL:    | 4.44        | (0.42)   |
| THOMAS & BETTS:              |             |          | THOMAS & BETTS:   | 25.76       | (0.67)   |
| TIVO:                        |             |          | TIVO:             | 5.79        | 0.06     |
| TOLLGRADE:                   |             |          | TOLLGRADE:        | 3.69        | 0.02     |
| UNIVERSAL ELEC:              |             |          | UNIVERSAL ELEC:   | 19.59       | (1.27)   |
| VONAGE:                      |             |          | VONAGE:           | 0.69        | (0.16)   |
| YAHOO:                       |             |          | YAHOO:            | 13.76       | (0.82)   |
| <b>MSOS</b>                  |             |          |                   |             |          |
| CABLEVISION:                 | 17.36       | (0.99)   |                   |             |          |
| CHARTER:                     | 0.52        | (0.02)   |                   |             |          |
| COMCAST:                     | 16.99       | (0.16)   |                   |             |          |
| COMCAST SPCL:                | 16.85       | (0.17)   |                   |             |          |
| GCI:                         | 6.81        | (0.73)   |                   |             |          |
| KNOLOGY:                     | 5.52        | (0.45)   |                   |             |          |
| LIBERTY CAPITAL:             | 10.36       | (0.86)   |                   |             |          |
| LIBERTY ENT:                 | 19.03       | (1.44)   |                   |             |          |
| LIBERTY GLOBAL:              | 22.60       | (0.79)   |                   |             |          |
| LIBERTY INT:                 | 9.01        | (0.74)   |                   |             |          |
| MEDIACOM:                    | 4.55        | (0.19)   |                   |             |          |
| SHAW COMM:                   | 18.00       | (0.32)   |                   |             |          |
| TIME WARNER CABLE:           | 21.27       | (0.28)   |                   |             |          |
| VIRGIN MEDIA:                | 5.38        | (0.17)   |                   |             |          |
| WASH POST:                   | 464.70      | (21.57)  |                   |             |          |
| <b>PROGRAMMING</b>           |             |          |                   |             |          |
| CBS:                         | 11.42       | (0.43)   |                   |             |          |
| CROWN:                       | 3.71        | (0.09)   |                   |             |          |
| EW SCRIPPS:                  | 5.74        | (0.35)   |                   |             |          |
| GRUPO TELEVISIA:             | 16.93       | (0.37)   |                   |             |          |
| HSN:                         | 10.26       | 0.22     |                   |             |          |
| INTERACTIVE CORP:            | 14.78       | (0.7)    |                   |             |          |
| LIBERTY:                     | 27.27       | (5.8)    |                   |             |          |
| LODGENET:                    | 1.07        | 0.03     |                   |             |          |
| NEW DISCOVERY:               | 11.69       | (0.36)   |                   |             |          |
| NEW FRONTIER:                | 1.76        | (0.14)   |                   |             |          |
| OUTDOOR:                     | 8.31        | (0.45)   |                   |             |          |
| PLAYBOY:                     | 2.82        | (0.09)   |                   |             |          |
| RHI:                         | 12.83       | (0.17)   |                   |             |          |
| SCRIPPS INT:                 | 32.22       | (1.03)   |                   |             |          |
| TIME WARNER:                 | 10.78       | 0.05     |                   |             |          |
| VALUEVISION:                 | 1.37        | (0.03)   |                   |             |          |
| VIACOM:                      | 21.56       | (0.9)    |                   |             |          |
| WWE:                         | 13.64       | (0.6)    |                   |             |          |
| <b>TECHNOLOGY</b>            |             |          |                   |             |          |
| 3COM:                        | 2.34        | 0.12     |                   |             |          |
| ADC:                         | 5.85        | (0.29)   |                   |             |          |
| ADVANTAGE:                   | 2.03        | 0.04     |                   |             |          |
| <b>TELÇOS</b>                |             |          |                   |             |          |
| AT&T:                        | 24.73       | (0.61)   |                   |             |          |
| QWEST:                       | 2.43        | (0.2)    |                   |             |          |
| VERIZON:                     | 27.73       | (0.7)    |                   |             |          |
| <b>MARKET INDICES</b>        |             |          |                   |             |          |
| DOW:                         | 9258.10     | (189.01) |                   |             |          |
| NASDAQ:                      | 1740.33     | (14.55)  |                   |             |          |



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