

CableFAX Daily™

Thursday — October 12, 2006

What the Industry Reads First

Volume 17 / No. 198

What's Next? Eyes Now On FCC in AT&T-BellSouth Merger

FCC Democratic commissioners' remarks following the DOJ's Wed approval of the AT&T-BellSouth merger could signal trouble for a planned vote on the union at Thurs' Commission meeting. The good news for the Bells is that the FCC is expected to sign off on it... the question is when and under what conditions. Democratic commissioner *Jonathan Adelstein* Wed blasted the DOJ's decision to OK a merger creating the largest US phone company with no conditions, calling it "reckless abandonment" of the dept's responsibility to protect consumers. Fellow Dem *Michael Copps* said the DOJ "has packed its bags and walked out on consumers and small businesses." At press time, the FCC still planned a merger vote at Thurs' hearing. With FCC Republican commish *Robert McDowell* recusing himself, the vote depends on 2 Republicans and 2 Democrats. If the 4 can't reach accord, the vote could be delayed as the commissioners hash out merger conditions. "The FCC now stands as the last venue for a meaningful examination of the effects of this combination on consumers and competition, making the task that much harder," Adelstein said. "Let's hope the FCC does a better job than our nation's antitrust authorities." FCC chmn *Kevin Martin* initially floated a proposal approving the merger with no conditions, according to reports. Ranking House Commerce member *John Dingell* (D-MI) fired off a letter to Martin Wed complaining that the DOJ has "apparently ignored the competitive harms it identified in prior telecommunications mergers and the conditions imposed to remedy those potential harms." Dingell said he was offering no opinion on the merger's merits but noted that the FCC in past telecom merger reviews went beyond DOJ and imposed its own conditions. "Given DOJ's action today, the FCC process will be more important than ever," he wrote. **Stifel Nicolaus** questioned whether a Dem pursuit of stronger conditions could delay FCC action beyond this week and possibly require McDowell to be pressed into action. "If so, the FCC may not be able to act before late Oct," a research note said, pointing out that McDowell would need time to review comments, and Martin is slated for a trip to China.

Political Money: Common Cause went after cable in the 1st of what it says will be a series of reports on how special interest campaign donations are harming families. Cable interests spent more than \$105mln on campaign contributions and lobbying between '91-'06, says the report, titled "Ask Yourself Why... Cable Rates Got So High." It cited Sen *John McCain* (R-AZ) and his a la carte platform as one reason for "big cable's" spending. An **NCTA** spokesman called the report ridiculous, saying govt and industry reports suggest a la carte would harm consumers and result in higher prices.

Broadband: Cox announced an upgrade of HSD speeds in the majority of its markets, effective Wed, and across all service plans. The MSO also increased storage capacity for its WebMail app.

Comcast's VOD World: Comcast and **Sony** are gearing up to launch their VOD horror channel **FEARnet** on Oct 31. **Lions Gate Films**, with its vast horror library, is also part of the ad-supported venture, according to sources. Broadband



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portal Farnet.com (other URLs include Fear.net) went live recently, and cross-channel spots are expected to roll out this week on Comcast systems. Comcast COO *Steve Burke* has vowed the horror service will have a robust broadband presence, with mobile content also in the mix. So far, the Website is just promoting the Halloween launch. "We'll Scare the Hell Into You," "We Know Where You Live" and "The Network With an Axe to Grind" are among taglines being considered. Programming isn't expected to be announced until closer to Halloween. LGF's library includes "Saw"; Sony's vault contains "The Grudge" and "The Exorcism of Emily Rose." -- Meanwhile, Comcast's **Select on Demand** channels keep proliferating. We can't keep up with all the new ones launching. The newest ones appear to be **Shortz**, short clips featuring "the best of the Internet and original on demand content," and **Harmony Channel**, a visual music network "offering a choice of MoodZones designed to enhance your body, mind and spirit." Comcast recently inked its 1st deal with an outside MSO to carry the channels (*Cfax*, 9/13). **Cox** began rolling them out last month.

In the States: Several Midwesterners believe **Comcast** was sleeping on the job this week, both literally and figuratively. Numerous pubs in Comcast's Pittsburgh-area system have lambasted the MSO for widespread HSD outages linked to switching some 200K former **Adelphia** subs over to its system. The migration began Sun, and the number of affected customers is unknown. A Comcast release downplayed the problem: "A small percentage of customers are experiencing an interruption in service. We are identifying those customers and making the necessary adjustments." Meanwhile a Garden City, MI, family reported finding a Comcast worker asleep on the job... twice. The worker was purportedly photographed snoozing by a family son, who then roused him. He then fell back asleep on the son's bed. "We do not condone what was represented in the photograph," reads a Comcast release. "The individual is no longer performing work for Comcast." The MSO labeled the man a contractor, not an employee; Comcast said it has apologized to the customer and "restored his services to his satisfaction."

Fight Continues to Bare All: We've all heard of beating a dead horse, but **New Frontier Media** booted a wounded bunny Wed, announcing "the start of a day-long celebration honoring the company's victory over **Playboy Enterprises**." We're not sure if party hats and dancing were involved, but we do know that Playboy's planned Nov cancellation of 9 PPV nets – which NFM disclosed in the release – induced the revelry. New Playboy pres, media group *Bob Meyers* didn't mention the PPV scuttling of its Spice brand and others during a Fri investor conference, but he did say that a "reshuffling, rescheduling and reformatting" of the brand is underway to "drive buy rates in the PPV area." Playboy refused further comment, but a rep did say that "for us to respond [to the release] would be equally petty and ridiculous." NFM did not return phone calls by deadline. NFM's release further tweaked *Hugh Hefner's* empire by claiming that its services have replaced Playboy's in million of HHs. The company's assault hasn't eased during the beleaguered bunny's tough year, which has included: a cost reduction plan (*Cfax*, 7/20); a waning stock price (-30% since Jan 1); lamentable earnings results (*Cfax*, 8/9); and, of course, competitive pressure from NFM, which claimed in its solid fiscal 1Q07 results to have "successfully recovered lost VOD market share from our primary competitor."

Programming: The force will be with **Cinemax** during its "Cinemax Star Wars Weekend Marathon" (Nov 10-13), when all 6 films from *George Lucas* will air in order – and in HD – throughout the weekend. The net's on demand users will have access to the films from Nov 2 to Dec 28, as well as special features including the making of the movies' creatures and weaponry. **Comcast** will also offer the films on demand (in HD) during the same time period. -- *Oprah Winfrey*



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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.

TV GUIDE CHANNEL

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BUSINESS & FINANCE

heads the list of presenters for **Film Life's '06 "Black Movie Awards,"** airing Oct 18 (10pm) on **TNT**. Oprah will present the "Distinguished Career Achievement" award to actress *Cicely Tyson*.

Ratings: **ESPN** (3.5 HH rating/ 3.25mln HH delivery) again used **NFL** football to score the prime ratings touchdown, outclassing the competition by several yards. The net's Packers-Eagles "MNF" telecast (10.2/9.43mln) was the week's top rated program, marking the 5th straight week that an ESPN college or pro football telecast led all challengers. **Disney** (2.5/2.20mln) reached into its "Halloweentown" bag of tricks to notch 2nd place, as 2 separate airings of the net's franchise ranked in the weekly top 5. **TNT** (2.1/1.90mln) finished 3rd, followed by **USA** (2.0/1.87mln) and **Cartoon Net** (1.3/1.18mln).

People: **MTV** named *Sean Moran* evp, 360 brand sales. He will oversee ad sales for all MTV brands, including **MTV2**, **mtvU** and **mtv.com**. *Jim Perry* was named to the same position for **Nickelodeon** and **MTVN Kids and Family Group**. He will oversee ad sales for Nickelodeon, **Noggin**, **The N**, **Nicktoons**, Nick Online, Neopets, the Nickelodeon Magazine Group, and emerging media. -- **Time Warner Cable** tapped *Bill Farmer* as vp, corp dev for its corporate, regional and media sales operations in the Carolinas.

CableFAX Daily Stockwatch

Company	10/11 Close	1-Day Ch	Company	10/11 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	41.39	0.44	AVID TECH:	37.23	(0.77)
DIRECTV:	20.34	0.16	BLNDER TONGUE:	1.39	(0.01)
DISNEY:	31.31	0.06	BROADCOM:	28.64	(0.16)
ECHOSTAR:	33.17	0.11	C-COR:	8.98	0.00
GE:	36.17	(0.13)	CISCO:	24.39	0.06
HEARST-ARGYLE:	23.35	0.02	COMMSCOPE:	34.80	0.56
ION MEDIA:	0.79	0.02	CONCURRENT:	1.73	(0.02)
NEWS CORP:	21.09	(0.15)	CONVERGYS:	21.05	0.77
TRIBUNE:	32.78	(0.01)	CSG SYSTEMS:	27.75	0.10
MSOS					
CABLEVISION:	26.86	0.18	GEMSTAR TVG:	3.40	(0.01)
CHARTER:	1.61	(0.07)	GOOGLE:	426.43	(0.22)
COMCAST:	37.69	0.05	HARMONIC:	7.13	(0.17)
COMCAST SPCL:	37.64	0.07	JDSU:	2.15	0.04
GCI:	12.55	0.06	LEVEL 3:	5.11	(0.09)
KNOLOGY:	10.43	0.14	LUCENT:	2.29	0.02
LIBERTY CAPITAL:	86.65	0.17	MICROSOFT:	27.54	(0.15)
LIBERTY GLOBAL:	26.14	(0.31)	MOTOROLA:	25.03	(0.2)
LIBERTY INTERACTIVE:	21.03	(0.32)	NDS:	42.70	(1.16)
MEDIACOM:	7.59	0.05	NORTEL:	2.17	0.01
NTL:	25.15	(0.14)	OPENTV:	2.81	0.00
ROGERS COMM:	52.19	(0.79)	PHILIPS:	35.13	0.24
SHAW COMM:	28.52	(0.21)	RENTRAK:	11.34	0.15
TIME WARNER:	19.12	0.14	SEACHANGE:	8.53	(0.08)
WASH POST:	752.74	(0.36)	SONY:	38.64	1.15
PROGRAMMING					
CBS:	28.61	0.24	SPRINT NEXTEL:	17.50	(0.54)
CROWN:	4.46	(0.01)	THOMAS & BETTS:	50.21	0.01
DISCOVERY:	14.65	(0.16)	TIVO:	6.64	(0.05)
EW SCRIPPS:	48.82	(0.07)	TOLLGRADE:	9.22	0.03
GRUPO TELEVISA:	22.94	(0.26)	UNIVERSAL ELEC:	19.99	(0.21)
INTERACTIVE CORP:	29.02	(0.03)	VONAGE:	7.08	(0.26)
LODGENET:	18.56	(0.41)	VYYO:	4.02	0.02
NEW FRONTIER:	8.79	0.17	WEBB SYS:	0.05	0.00
OUTDOOR:	11.65	(0.48)	WORLDGATE:	1.48	0.00
PLAYBOY:	9.91	(0.15)	YAHOO:	24.24	(0.23)
UNIVISION:	34.79	(0.06)	TELCOS		
VALUEVISION:	11.67	(0.11)	AT&T:	32.96	0.19
VIACOM:	38.07	(0.18)	BELLSOUTH:	43.44	0.24
WWE:	16.49	(0.26)	QWEST:	8.19	(0.18)
TECHNOLOGY					
3COM:	4.98	(0.06)	VERIZON:	36.60	0.06
ADC:	15.20	0.28	MARKET INDICES		
ADDVANTAGE:	4.19	0.04	DOW:	11852.13	(15.04)
AMDOCS:	40.18	0.19	NASDAQ:	2308.27	(7.16)
AMPHENOL:	64.01	0.27			
ARRIS GROUP:	12.29	0.31			

Digital Advertising Defined: What it is and What is Next

Free hosted web event.

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Date: Monday, October 23

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Think about that for a minute...

WAKT

What the heck does WAKT stand for? Well, I figured it was time to issue my traditional warning about “We All Know That...” thinking. The kind of thinking and argument that has been used against the cable industry for years, and, unfortunately, has been very successful in the past. Can we respond more forcefully this time?

There’s no doubt the arguments are coming again. For instance, we all know that the big broadband companies, the telcos and cable companies control the Internet going into the home... they are



Steve Effros

“gatekeepers,” and they can and will control what you can do and see on the Internet. “We All Know That...” cable is more expensive than satellite video delivery and that the pictures delivered by satellite are better than cable’s. For that matter, it has long been established, and “We All

Know That” cable operators price gouge. And of course, WAKT cable is an unregulated monopoly!

As soon as you hear someone start the argument with WAKT, you should listen very carefully to the opening premise, and the betting here is that you will be able to challenge that opening statement in order to question the entire direction of the issue being raised. A few simple examples should suffice. Let’s take those “WAKT’s” above in reverse order.

Jack Valenti, the legendary head of the MPAA was the crafter of the “unregulated cable monopoly” line. He said it repeatedly every time he gave a speech, testified before Congress or wrote an article. And sometimes, I suspect, he whispered it in his sleep. It worked. That cable was an unregulated monopoly became a WAKT. The only problem was that it has never been true. Cable has always been regulated. Indeed, it is one of the most regulated businesses in the telecommunications sector.

Further, delivering video to the home has never been a monopoly either!

All you have to do to analyze our price structures is look at the price others are charging to deliver video to the home. In many cases, DBS is now more expensive than cable, especially when cable is sold in bundles. Just do the math on Internet sales of a single one-hour program compared to what cable delivers, and the notion that we are charging excessive rates because we are somehow a monopoly goes up in smoke.

DirecTV is now running ads suggesting that its pictures are better than cable’s. But in most cases both are delivering digital feeds, and if the feed is successfully received, it is processed the same way. A bit is a bit. In fact, there is every indication that DBS is compressing their digital feeds more than most cable operators. So if we want to get technical, our bit feed is probably better than theirs!

And finally we get to the WAKT about cable and telephone ISPs blocking material on the Web, controlling what Web sites people can go to, and in other nefarious ways taking control of this powerful new medium. Well, the folks making those claims and calling for “net neutrality” legislation are taking a page from Jack Valenti’s book. They figure if they say it enough times, it will be seen as true, even though there is simply nothing, factually, to back it up.

We can’t let them get away with it. There is a lessening chance that such legislation will get through this year, but in the next Congress it is very likely this battle will take place again. We have to challenge, right up front, any argument that predictably starts with “We All Know That...”

Steve

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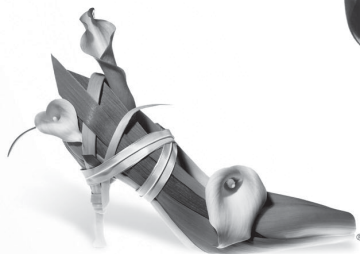
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CableFAX Leaders Retreat

4th Annual off-the-record gathering for cable's leaders!

November 1–3, 2006
Ritz-Carlton South Beach, Miami

Confirmed VIP Attendees as of October 3rd:

Atlantic Broadband – CEO, President & COO
Balfour Associates Inc. - Chairman
Bend Cable Communications LLC - President & CEO
Bresnan Communications, Inc - EVP Operations
Buford Media Group, LLC – CEO, President & COO
Cequel III -Suddenlink - President & CEO, SVP Programming
Cole, Raywid & Braverman, LLP - Partner
Comcast Cable - EVP
Fleischman & Walsh LLP - Partner
IMA-Int'l Media Advisors - Principal
Millennium Digital Media - SVP, Prog. & Product Dev.
NCTC - President & CEO, SVP Programming
NCTA - President & CEO
New Wave Communications - President
October Strategies, Inc. - Partner
SCTE - President & CEO
Time Warner Cable - EVP of Programming
Wave Broadband - CEO
WindBreak Cable - President & CEO

Schedule of Events

Wednesday, November 1st:

12:00pm – 3:00pm
Registration
3:00pm – 5:00pm
Industry Leaders Forum
7:00pm – 10:00pm
Dinner at Vizcaya

Thursday, November 2nd:

8:00am – 11:30am
Industry Leaders Forum
Breakfast
12:00pm – 4:30pm
Choice of Golf Tournament,
Spa, Tennis or Everglades
7:00pm – 10:00pm
Dinner

Friday, November 3rd:

8:00am – 11:00am
Industry Leaders Forum
Breakfast

Sponsored by:



Sponsorships Still Available

For attendance or sponsorship contact:

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