

# CableFAX Daily™

Thursday — October 13, 2011

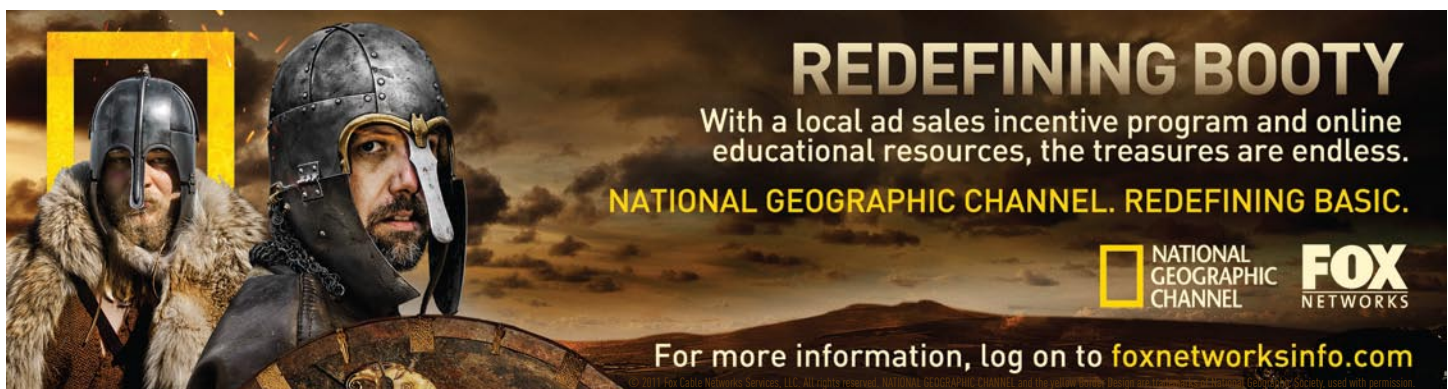
What the Industry Reads First

Volume 22 / No. 198

## Earful of USF: Hill Hearing Hopes to Garner FCC's Attention

The Sen Commerce committee proceeded with a hearing Wed on **USF** reform and the transition of the fund to broadband, even though it sounds like the **FCC** might have preferred it didn't. "The FCC was not thrilled with us having this hearing," Commerce chmn *Jay Rockefeller* (D-WV) said, noting that there was concern that the House would follow suit as the Commission prepares for an Oct 27 vote on the issue. While he's "very much" behind the efforts at the Commission on USF, he thinks these hearings are important because the agency should hear from the Hill. Ranking member *Kay Bailey Hutchison* (R-TX) commented that she supports the FCC, but just wishes it would "stick to the things we've authorized them to do" (an apparent reference to net neutrality). Judging by the high turnout Thurs, USF is an issue about which Congress members are pretty passionate. Sen *John Kerry* (D-MA) decried that MA phone customers paid \$1.47bn in surcharges into the Universal Service Fund between '00 and '09, but drew out only \$415mln in benefits. "The inequity between my state and others might be OK if we had a USF that was efficient and targeting only those communities and people who need it most, but that's not happening," Kerry said. While there were differing views on how to tackle USF reform, the consensus was that it's very much needed. *Michael Powell*, in his inaugural appearance on the Hill as head of **NCTA**, drove home cable's arguments for a hard cap and a technology neutral approach. "The FCC has to write the plan," not any group of well-meaning companies, Powell said, a reference to the ILECs' ABC Plan. *Kathleen Abernathy*, a fellow Republican commissioner at the FCC under Powell, was at the hearing representing that plan as chief legal officer for **Frontier**. She argued for allowing incumbents to have a right of first refusal in any wire center where it provides broadband to at least 35% of HHs for an extended period, saying that it will go faster than if you go through and try to design an auction process. "Somehow it will take too long measured against what? Decades of not serving these communities?" Powell said, calling the argument exaggerated. "The FCC will have to design the auction process anyway because there will be carriers who don't exercise the right of first refusal." Cable seems to have a friend on ROFR in Sen *Mark Warner* (D-VA), who said it seems like a "blunt instrument" and "not in the spirit of competitiveness." US Cellular pres/CEO *Mary Dillon* complained that the FCC appears to be contemplating a plan that favors wireline over wireless at the same time Americans are moving more to wireless. She wants a \$1bn investment annually vs \$300mln/year. **National Telecom Coop Assn** CEO *Shirley Bloomfield* reminded Senators a couple times that the RLEC USF proposal does not include a right of first refusal. In response to a question about from Hutchison about whether Intercarrier Compensation could be reformed abruptly, Bloomfield made the case for a 6-8 year path. "We are agreeable to reform and taking those rates down. That will mean a financial hit for our companies... So, it's most important to us that it be thoughtful and slow enough that companies have time to figure out how to adjust," she said. Hutchison hopes the FCC plan will include a gradual approach. "Otherwise consumer could get a disruption during the transition," she said.

**Broadband:** FCC chmn *Julius Genachowski* was joined by companies and nonprofits for the announcement of a new



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nonprofit initiative, "Connect to Compete," which is aimed at broadband adoption, digital literacy and the employment skill gap. **Discovery Education** will contribute educational content, including video clips and digital lessons, at no charge to America's neediest students and their parents. Other partners include **Best Buy**, which will put 20K Geek Squad Agents to work to train Americans in basic digital literacy; **Microsoft**, which will offer basic digital literacy and free job skills training including Microsoft Office; and **CareerBuilder**, which will offer online prep or actual certification courses for only \$1/course in high demand employment areas (tech, healthcare, manufacturing). Grassroots groups, including **4H** and **Goodwill**, will help build a "web of digital literacy trainers." Cable operators were on the sidelines for today's announcement, but there was plenty of cheerleading (supportive blogs came from **NCTA** and **Comcast**) that perhaps signals an upcoming move beyond community-based broadband adoption initiatives to something more industry-wide in focus. The new non-profit will be housed at **One Economy** with CEO *Kelley Dunne* leading the initiative. More details at: [www.connect2compete.org](http://www.connect2compete.org) Step 2 comes Thurs when Connected Nation, a partner in Connect to Compete, releases a survey that delves into broadband adoption trends, uses and barriers. One of the findings: 15.4mln American adults say they lack the digital skills and knowledge of how to use a computer and broadband is the main reason they don't have broadband at home.

**Competition:** **Verizon** intro'd a home service allowing customers to view home-energy use and remotely access, control and monitor doors, thermostat controls and appliances via FiOS TV, smart phones, PCs and eventually connected tablets.

**Carriage:** **Comcast** added Asian-American ent net **MYX TV** to its Xfinity Digital Preferred tier in Seattle, Spokane and Western WA.

**Paddling Power:** **Canoe Ventures** went on a hiring spree to move from its launch phase into a new chapter. "The heavy lifting to create a robust national platform with optimal reach to television viewers across distributors continues, but we are moving forward with initiatives to create greater scale while also adding focused resources on product and market development," said CEO *Kathy Timko*. *David Kelly* joins the company as vp, affil relations, *Chris Pizzuro* assumes the new role of GM, VOD solutions, *Jonathan Bokor* takes over as GM, iTV solutions, and *Sanjay Patel* steps in as vp, marketing. Canoe's iTV platform currently reaches 22mln cable homes.

**VOD:** **Universal Pictures** bowed to heated opposition from several theater chains and dropped its plan to feature upcoming film "Tower Heist" on demand in Portland, OR, and Atlanta just 3 weeks following its theatrical debut for \$60/viewing. In a statement expressing thanks, the **National Assoc of Theater Owners** said it "recognizes that studios need to find new models and opportunities in the home market, and looks forward to distributors and exhibitors working together for their mutual benefit." -- **Time Warner** makes **UltraViolet** a reality this week when films "Horrible Bosses" and "The Green Lantern" become available for streaming on computers and mobile devices to consumers who purchase the DVD.

**Advertising/Marketing:** Hispanic ad spending among the top 500 US advertisers rose 14% YOY last year to \$4.3bln, according to the **Assoc of Hispanic Ad Agencies**, which said it found with 99% confidence that companies allocating one-quarter of its ad spend to Hispanic media over 5 years would generate annual rev growth of 6.7%. AHAA noted **DirectTV** and **EchoStar** as among the beneficiaries of that correlation, and said the telecom and pay TV categories combined to invest \$850mln in Hispanic ads in '10 while allocating approx 11% of their overall spending to the demo. -- Counting clients including **AETN**, **AMC Nets** and **Turner**, **Bluefin Labs** added the ability to analyze the TV preferences of specific audi-



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CableFAX's Best of the Web Awards is the industry's top honor in the digital space, recognizing outstanding websites and digital initiatives among cable programmers, operators, vendors and associations.

The CableFAX Best of the Web Awards will also salute the cable executives behind the scenes who make these digital initiatives shine. The awards are presented by the most trusted information source in cable: CableFAX Daily and sister brand CableFAX: The Magazine. The winners and honorable mentions will be saluted during an awards event in Spring 2012 in New York City.

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Entry Questions: Rachel Isaman at 301-354-1555; [risaman@accessintel.com](mailto:risaman@accessintel.com)

# BUSINESS & FINANCE

ence segments to its social TV analytics platform. -- On Mon, **CBSSports.com** will debut the 1st ep of 10-week Web series leading up to the **Showtime** and **CBS** co-produced doc "A Game of Honor" (debuts Dec 21 on Showtime). The feature-length film provides unprecedented access to the US Military Academy and the US Naval Academy and their football programs.

**Ratings:** **BET** sitcom "Reed Between the Lines" scored a healthy 3.3mln viewers for its Tues night debut. -- **E!**'s 2-part "Kim's Fairytale Wedding: A Kardashian Event" pulled in 10.5mln viewers to rank as the net's most-watched event in history. -- **OWN's** "The Rosie Show" premiered to a 1.5mln gross audience across the net, **TLC**, **Investigation Discovery**, **Discovery Fit & Health** and **Planet Green**. "Oprah's Lifeclass" delivered 1.2mln across the 5 channels.

**Obit:** Former **Motorola Mobility** chmn/CEO *Robert Galvin* passed away Tues night at the age of 89. "Today, we lost a transformative leader and visionary," said current chmn/CEO *Sanjay Jha*. "We will continue to honor Bob Galvin's legacy here at Motorola Mobility."

**Business/Finance:** **UBS** analyst *John Hodulik* raised to 201K from 90K his 3Q US net adds estimate for **DirecTV** on improved gross adds and churn because of the DBS op's popular free NFL Sunday Ticket promo. Hodulik also raised to 146K from 111K his estimates for 4Q net adds.

## CableFAX Daily Stockwatch

Company	10/12 Close	1-Day Ch	Company	10/12 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>			<b>BLNDER TONGUE:</b> .....1.26.....0.01		
DIRECTV:.....	46.63	0.86	BROADCOM:.....	36.22	(0.3)
DISH:.....	27.61	0.03	CISCO:.....	17.26	0.27
DISNEY:.....	33.78	1.17	CLEARWIRE:.....	1.32	0.04
GE:.....	16.42	0.28	CONCURRENT:.....	4.50	0.09
NEWS CORP:.....	17.15	0.26	CONVERGYS:.....	10.16	0.36
<b>MSOS</b>			CSG SYSTEMS:.....	13.90	0.28
CABLEVISION:.....	17.05	(0.15)	ECHOSTAR:.....	24.61	0.79
CHARTER:.....	49.02	0.58	GOOGLE:.....	548.58	5.40
COMCAST:.....	23.62	0.65	HARMONIC:.....	4.78	0.14
COMCAST SPCL:.....	23.45	0.65	INTEL:.....	23.13	0.14
GCI:.....	9.22	0.64	JDSU:.....	10.77	(0.03)
KNOWLOGY:.....	13.55	0.10	LEVEL 3:.....	1.76	0.06
LIBERTY CAPITAL:.....	73.47	2.52	MICROSOFT:.....	26.98	(0.02)
LIBERTY GLOBAL:.....	38.82	0.62	MOTOROLA MOBILITY:.....	38.09	0.09
LIBERTY INT:.....	15.45	(0.03)	RENTRAK:.....	13.54	0.51
SHAW COMM:.....	20.97	0.28	SEACHANGE:.....	8.43	0.11
TIME WARNER CABLE:.....	69.00	0.63	SONY:.....	19.95	0.38
VIRGIN MEDIA:.....	25.63	0.05	SPRINT NEXTEL:.....	2.54	0.17
WASH POST:.....	346.52	7.16	THOMAS & BETTS:.....	44.40	0.28
<b>PROGRAMMING</b>			TIVO:.....	9.90	0.02
AMC NETWORKS:.....	31.50	(1.32)	UNIVERSAL ELEC:.....	18.78	0.50
CBS:.....	23.47	0.38	VONAGE:.....	2.90	0.07
CROWN:.....	1.47	0.07	YAHOO:.....	15.79	(0.07)
DISCOVERY:.....	40.63	0.56	<b>TELCOS</b>		
GRUPO TELEVISA:.....	20.31	0.12	AT&T:.....	29.00	0.23
HSN:.....	34.07	(0.28)	VERIZON:.....	36.69	0.19
INTERACTIVE CORP:.....	40.62	0.11	<b>MARKET INDICES</b>		
LIBERTY STARZ:.....	62.76	1.88	DOW:.....	11518.85	102.55
LIONSGATE:.....	7.10	(0.08)	NASDAQ:.....	2604.73	21.70
LODGENET:.....	2.00	0.21	S&P 500:.....	1207.25	11.71
NEW FRONTIER:.....	1.10	UNCH			
OUTDOOR:.....	7.15	0.14			
SCRIPPS INT:.....	38.86	(0.18)			
TIME WARNER:.....	32.91	0.47			
VALUEVISION:.....	2.57	0.09			
VIACOM:.....	51.37	0.36			
WWE:.....	9.86	0.07			
<b>TECHNOLOGY</b>					
ADDVANTAGE:.....	2.15	0.01			
ALCATEL LUCENT:.....	2.86	0.17			
AMDOCS:.....	28.93	0.04			
AMPHENOL:.....	43.29	0.45			
AOL:.....	13.13	(0.1)			
APPLE:.....	402.35	2.06			
ARRIS GROUP:.....	11.13	(0.32)			
AVID TECH:.....	8.45	0.33			
BIGBAND:.....	2.25	0.03			

### Cable Telecommunications' Engineering Show of the Year

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## Think about that for a minute...

### R U Serious?

Commentary by Steve Effros

It's time to face some difficult facts. We've heard for a long time about the "digital divide," but no one has ever really been clear which divide that is. Essentially, whenever there's any effort to focus on one group or another that is not getting "as much" or "as good" broadband use or service, it's called a "divide."

So some poorer urban dwellers didn't get the same service as the suburbs. A divide. Some economic groups don't use "the Web" as well or as often as others. A divide. And, of course, there are those who simply don't take advantage of broadband at all, for many different reasons. A divide.

There are serious efforts to deal with all of these. The FCC Chairman announced the other day a program to improve the "adoption" of broadband use. All to the good. But the main "divide" that has been focused on for years has been the "rural" divide. That folks in rural areas simply did not get the same technological opportunities as their urban brethren because it's too expensive to run those wires (or now, fibers) out for mile after mile of rural area where the population density falls off to the point where business plans simply don't make sense.

Enter the "Rural Utility Service" and the "Universal Service Fund." These are the primary government programs to make sure rural areas are at least served, first by electricity and telephone, now broadband. That's what the discussion of new "USF" rules is all about in Congress and at the FCC right now.

But there seems to be something missing in all the arguing over how much money, and who gets it. That's the fact that there is a bigger, and growing divide between the urban and rural realities of what a "cable system" or a "broadband system" is and can be. We are in two dif-

ferent worlds, and there is very little acknowledgment of that fact.

Smaller, rural systems, mostly not owned by the biggest MSO's, cannot and never will get the same pricing for programming. The "deals" cut for "retransmission consent" are so lopsided there's no sense calling them "negotiations." And that's true even though the broadcast signal doesn't reach that "rural" community despite the "fact" that it is listed in one DMA or another. Nope, these are simply different systems, with different problems, business plans and realities than the ones often cited as "cable or broadband systems" when the discussions are held here in DC.

As an example, for some smaller systems, one-third of their expenses are for pole attachments! They have to attach to a whole lot more poles than in higher density areas, and often have to negotiate with "co-ops" which do not fall under the current FCC pole attachment restrictions. It's a free-for-all out there, and the pole owners know it. Bonding requirements are almost impossible to meet in the current economic environment, and the local telco pole owners are taking advantage of that to literally force competitive systems off the poles!

In other words, the same folks clamoring for more government money with a "right of first refusal" basis to build more infrastructure in rural areas are also the ones who are forcing, by one estimate, almost a third of rural cable operators to cease operations! How's that for the government encouraging competition and "broadband" in rural America? Are you serious? If the government is, then it has to coordinate what it's doing, and its regulations, to stop the "divide" from getting any bigger.

Steve

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CableFAX's Most Powerful Women in Cable Breakfast in NYC