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CableFAX Daily™

Friday — October 22, 2010

What the Industry Reads First

Volume 21 / No. 205

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Friday — October 22, 2010

What the Industry Reads First

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Strike Up the 'Band: AT&T's Mobile Broadband Strategy Paying Off

AT&T's riding the mobile broadband wave with aplomb, posting numerous co records in 3Q such as \$4.8bln in wireless data rev (+31%) and 8mln+ integrated device sales, including more than 5mln iPhone activations. "The real story is, this quarter, with as large of a post-paid base as we had, well over 80% of the devices we sold... both upgrades and new gross adds, were integrated devices. That's astounding," said CFO *Rick Lindner*. "Increasingly, customers want to access apps, access the Internet, see content via their mobile devices." The telco's mobile broadband business is delivering close to \$20bln/year in rev, growing at a 25-30% clip and seeing its 7th straight Q of post-paid ARPU growth. And Lindner believes bluer skies lie ahead. "I think we've got the opportunity over the next few years to offer a superior experience on [integrated] devices," he said. AT&T currently offers mobile broadband services through **HSPA 7.2** tech delivering throughput speeds up to 7.2Mbps, but later this year will begin rolling out **HSPA+** with a theoretical speed boost of 2X. Then, in the middle of next year, the telco will begin to deploy **LTE** with 7X the speed, and plans to cover 70-75mln POPs by Dec '11. **Sanford Bernstein** analyst *Craig Moffett* somewhat doused AT&T's enthusiasm with comments that net post-paid sub adds of 745K missed consensus estimates, the number of iPhone subs who were new to the telco fell to an all-time low of 24% and capex jumped 31.8% to keep up with demand for mobile data. Plus, wireless margins were depressed, he said, counter to the trend that's occurring on the wireline side. "We would argue that it has been wireline, not wireless, that has driven the recent telco rally" on Wall St, said Moffett. AT&T added 236K **U-verse TV** and 148K net broadband subs, and U-verse services combined with broadband to deliver a 30% increase in consumer IP services—and now comprise 42% of the telco's wireline rev, up nearly 1K basis points over the past year. "We're also very pleased with our wireline consumer business," said Lindner. More than 75% of U-verse subs receive either a triple- or quad-play, and triple-play ARPU increased 14% to \$160. **S&P** upped its AT&T price target by \$1 to \$32, noting how "U-verse continues to make inroads and despite still sluggish enterprise revenues, we expect wireline improvement in '11."

Day 6: Here's something we're keeping an eye on as **Cablevision** and **Fox** continue to feud. The MSO has routinely announced video price hikes around this time of year. Last Oct 29, it announced an avg 3.7% increase for video, and in '09, it announced a 3.5% increase on the same Oct day (it hasn't raised HSD and VoIP prices for 7 years). So, will the MSO

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announce a raise in rates this month while embroiled in a retrans spat with Fox in which it has argued that the consumer can't afford to pay more? It wouldn't be unheard of, and programming costs do continue to increase. **Time Warner Cable** put some new rate increases into effect at the beginning of the year, while it was wrangling with Fox over its current deal. Stay tuned. -- It didn't sound like much progress was made Thurs. Fox said at 4:30pm ET that the 2 hadn't talked.

DISH-FOX: MO Atty Gen *Chris Koster* sent **DISH** a letter Wed alleging that the cessation of various **Fox** channels is a breach of a July '09 Assurance of Voluntary Compliance agreement with the state. DISH lost 19 RSNs, **FX** and **Nat Geo** Oct 1 when its Fox contract expired. The AG wants DISH to allow customers to cancel service without cancellation fees (and notify them of this option) and to refund subs for the channels. He wants a response from DISH by Nov 3. DISH said Thurs that it was Fox who pulled the channels, with it asking the programmer to leave them up while the 2 negotiated. "If anyone owes our customers a refund, it's Fox—and not just for service fees but for the inconvenience of denying our Missouri customers access to the undefeated Missou Tigers," DISH said. It added that it respectfully disagrees with the AG on the Assurance of Voluntary Compliance, saying the agreement specifically recognized that programming packages change over time. Meanwhile, it still faces a Nov 1 deadline for reaching a deal with Fox for the O&O broadcast stations.

Spectrum Crunch: The **FCC** is getting down to business on spectrum reclamation, with chmn *Julius Genachowski* announcing plans Thurs for a Nov proposed rulemaking that would lay the groundwork for implementing incentive auctions of spectrum quickly should Congress act. Among other things, the NPRM would explore a licensing framework to allow stations to voluntarily channel share, as well as ways to improve digital TV reception to VHF. Under the FCC's plan, broadcasters could either continue to broadcast, share spectrum with one or more stations, return their spectrum, or move to VHF. The FCC also will consider expanding its experimental licensing program and ways to accelerate opportunistic use of spectrum, with swaths not being used to their full potential currently.

In the Courts: **Time Warner Cable** is requesting that the **FCC** provide guidance on the obligations of cable operators and the proper interpretation of Communication Act's prohibition on "negative option billing," which states ops can't charge subs for service or equipment they have not affirmatively requested by name. It made the request because of a pending class action suit in CA in which the plaintiffs claim that cable companies can't charge a rental fee for a converter box or remote unless a customer specifically asks for them by name (timewarnercableclassaction.com). TWC believes that's an extreme view of what the rules require and wants the FCC to weigh in. Interested parties have until Nov 9 to file comments at the FCC; reply comments are due Nov 19. TWC has requested a stay in the CA Superior Court case so that the FCC can determine the meaning of its rule.

At the Portals: **Viacom** and **MTV Nets** execs paid a visit to the **FCC** this week to discuss issues related to the proposed **Comcast-NBCU** transaction, according to an ex parte filing. Execs asked the FCC to closely examine whether it would result in changes in incentives and increased market power that could further disadvantage independent sources of programming. "Given the operator's size and geographic footprint, carriage on Comcast is critically important for the success of programming and creation of new channels and offerings to consumers," Viacom and MTV said.

Competition: **DISHOnline.com** bolstered its programming lineup with prime content from **TNT** and **TBS**. Subs may access prime shows from the pair within 24 hours of air, and also through **TNT.tv** and **TBS.com**. DISHOnline will add content from **Cartoon Net** and **truTV** by the end of the year. -- **Verizon** now offers quad-play bundles in areas of CA, FL and TX served by FiOS. -- **Verizon FiOS** will launch VOD doc service **SnagFilms** Fri. The initial lineup consists of 10 films, including "Star Wars" fan doc "A Galaxy Far, Far Away," with up to 5 more to be added by year-end. Titles cost \$4.99 each.

OTT: In the US, **Netflix** represents 21% of downstream Web traffic during peak times and is heaviest from 8-10pm, according to a **Sandvine**. "For service providers, this is a double-whammy," said the firm while noting the cord cutting phenomenon. "Not only are they losing revenue to these over-the-top offerings, but they are losing network capacity delivering these services." [Go to **CableFAXDaily.com** for more info on this and other subscriber-only data].

Technology: **Motorola's** new **EDGE Home Center** helps consumers set up and manage their home network equipment and services by providing answers to support questions and problem resolution, thus minimizing the burden on service provider call centers. The offering includes an interface that's consistent across all computers and Web-enabled mobile devices.

BUSINESS & FINANCE

Programming: The Nov 8 premiere of TBS' "Conan" will feature actor *Seth Rogan* and musical guest *Jack White*, and the show's initial week will also include *Tom Hanks* and *Jon Hamm*. -- *Ellen DeGeneres* inked a multiyear exclusive with **Warner Bros TV** to dev and prod projects including unscripted broadcast and cable series. -- **Karmaloop**, which plans to launch an HD net in 1Q, signed **UTA** for help in growing beyond retail and into the multi-platform space. -- Some 28 World and Olympic champs are expected to compete on **Universal Sports** through Sun, including *Lindsey Vonn*, *Bode Miller* and *Bridget Sloan*.

People: Former **NCTA** and **CTIA** chief *Tom Wheeler* was named chmn of the **FCC's** newly formed Technological Advisory Council. Wheeler currently serves as dir, **Core Capital Ptnrs**. The Council is tasked with helping the FCC identify areas of innovation and develop informed tech policies. Other members include **Bright House's Nomi Bergman**, **Comcast's Charlotte Field**, **Liberty Global** board member/former **CableLabs** CEO *Dick Green* and **HBO** CTO *Robert Zitter*. -- **Panasonic** tapped *David Nicholas* to head its cable group as vp.

Business/Finance: According to reports, **Comcast** and **Liberty Media** will partner with **Facebook** and **Amazon** on a \$250mln fund slated to invest in social media startups.

CableFAX Daily Stockwatch

Company	10/21 Close	1-Day Ch	Company	10/21 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	43.02	0.35	ARRIS GROUP:	9.36	(0.13)
DISH:	19.54	(0.03)	AVID TECH:	13.60	(0.24)
DISNEY:	34.68	0.06	BIGBAND:	2.90	(0.05)
GE:	16.10	0.05	BLNDER TONGUE:	2.30	UNCH
NEWS CORP:	16.09	(0.06)	BROADCOM:	36.77	(0.44)
MSOS					
CABLEVISION:	26.28	(0.08)	CISCO:	23.26	(0.14)
CHARTER:	32.93	(0.05)	CLEARWIRE:	7.07	(0.06)
COMCAST:	19.50	0.12	COMMSCOPE:	22.90	0.35
COMCAST SPCL:	18.37	0.11	CONCURRENT:	6.44	(0.06)
GCI:	10.03	(0.11)	CONVERGYS:	11.54	0.07
KNOWLOGY:	14.49	0.01	CSG SYSTEMS:	19.00	(0.32)
LIBERTY CAPITAL:	56.83	(0.69)	ECHOSTAR:	19.61	0.27
LIBERTY GLOBAL:	34.57	0.44	GOOGLE:	611.99	4.01
LIBERTY INT:	14.52	0.08	HARMONIC:	6.83	(0.15)
MEDIACOM:	6.99	(0.09)	INTEL:	19.76	0.12
SHAW COMM:	22.85	0.27	JDSU:	11.49	(0.1)
TIME WARNER CABLE:	57.54	(0.06)	LEVEL 3:	0.86	-0.00
VIRGIN MEDIA:	24.25	0.04	MICROSOFT:	25.42	0.11
WASH POST:	370.06	(0.12)	MOTOROLA:	7.76	(0.2)
PROGRAMMING					
CBS:	17.27	(0.23)	RENTRAK:	26.55	(0.5)
CROWN:	3.05	(0.2)	SEACHANGE:	7.51	(0.03)
DISCOVERY:	43.40	0.03	SONY:	33.40	0.19
GRUPO TELEVISIA:	22.29	0.17	SPRINT NEXTEL:	4.76	0.15
HSN:	31.20	0.43	THOMAS & BETTS:	43.56	(1.48)
INTERACTIVE CORP:	25.82	0.35	TIVO:	10.33	(0.08)
LIBERTY:	39.77	0.03	TOLLGRADE:	7.33	(0.1)
LIBERTY STARZ:	67.50	0.91	UNIVERSAL ELEC:	20.92	(0.45)
LIONSGATE:	7.41	(0.08)	VONAGE:	2.59	(0.11)
LODGENET:	2.76	(0.11)	YAHOO:	15.97	0.17
NEW FRONTIER:	1.75	(0.04)	TELCOS		
OUTDOOR:	5.74	(0.16)	AT&T:	28.34	(0.27)
PLAYBOY:	5.07	UNCH	QWEST:	6.43	0.03
SCRIPPS INT:	48.27	(0.05)	VERIZON:	32.52	(0.12)
TIME WARNER:	31.82	0.11	MARKET INDICES		
VALUEVISION:	2.42	0.05	DOW:	11146.57	38.60
VIACOM:	41.67	0.12	NASDAQ:	2459.67	2.28
WWE:	13.89	0.03	S&P 500:	1180.26	2.09
TECHNOLOGY					
ADC:	12.71	0.05			
ADDVANTAGE:	3.24	0.15			
ALCATEL LUCENT:	3.60	(0.03)			
AMDPCS:	30.05	0.21			
AMPHENOL:	49.40	0.73			
AOL:	24.82	(0.49)			
APPLE:	309.52	(1.01)			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

Terrific Teammate

Sports' center-stage positioning in the programming arena is undeniable, especially as the genre dominates cable prime this time of year while also being used in '10 as a critical pawn in the contentious **Cablevision-Fox** dispute. Moreover, fee disputes are ongoing between **DISH-MSG** and **Comcast-Tennis Channel**, and **TBS'** coverage of playoff baseball is thriving, up 26% in total LCS viewership through 5 games and at least 21% in all key metrics. And even as sports took a back seat to issues including iTV and OTT at the **CTAM Summit**, a few notes from the event helped to underscore why the genre carries so much clout. In a very telling panel, a 26-yr-old New Orleans male who was featured by **Sachs Insights (CFax, 10/21)** said football is the only live linear content he watches, the lion's share being DVRed and VOD programming. Another man, aged 33, said "TV's just kinda there," yet intimated that the medium gains invaluable importance when the Saints are on. The most important aspect of sports content may be its virtual demand of live viewing. That trait makes viewership much easier to measure, doesn't much monkey with ad sales due to far less DVR viewing and promotes the simultaneous and additional use of alternate platforms, a boon to programmers and advertisers. To that end, **ESPN XP's World Cup** insights tell an interesting tale. 22% of Americans tried a non-TV ESPN platform during the event, for example, and co properties averaged 110K digital users/min—a tally that ESPN vp, integrated media research *Glenn Enoch* said exceeded the audience of 23 cable nets over the Cup's 31 days. **ESPN3** garnered 7.4mln uniques, 10% of Cup consumers never used TV and non-TV usage repped approx 30% of ESPN's 3.3mln avg Cup viewership. For advertisers, ESPN found that brand affinity and purchase intent increased with more exposure across platforms. Indeed, sports wears the, ahem... shorts in the programming family. *CH*


Highlights: "Dean of Invention," pilot, Fri, 10p ET, **Planet Green**. Fascinating and accessible look at how tiny tools might revolutionize chemotherapy. *SA*

Worth a Look: "Dallas Cowboys Cheerleaders: Making the Squad," Fri, 8p, **CMT**. The joke used to be it was tougher to make the Cowboy's cheer squad than the football team. Watching this series, and with the Cowboys at 1-4, it's a joke no more. -- "Inside Academy Football," T-Th, 8:30p ET, **CBS College Sports**. The best (Thurs) looks at Army players' summer military duties. *SA*

Notable: **Tennis Channel** devotes 75+ hrs to the women's **WTA Championships** (Tues, 10a ET, prime replays at 8p ET). -- **ESPN** starts its **NBA** coverage Wed with Bulls-Thunder at 8p ET, followed by Blazers-Clippers. And *LeBron?* King James battles Orlando on ESPN on Oct 29. -- The shortfalls of package delivery can make one seek therapy. More so when the missing package contains gold, er, season III of **HBO's "In Treatment"** (debuts, Mon, 9p). -- **RLTV's** pre-election National Forums get another life on **C-SPAN** (Sat, 10a; Sun, 10:30a). -- The breast cancer rate for black women is 38%. In Chicago, it's 116%, notes **BET's** "Chicago's Cancer Divide" (Sun, 10p ET). *SA*

Basic Cable Rankings (10/11/10-10/17/10) Mon-Sun Prime			
1	ESPN	3	2968
2	TBSC	2.4	2400
3	USA	2.1	2090
4	FOXN	1.9	1922
4	DSNY	1.9	1895
6	NAN	1.4	1402
7	TOON	1.2	1190
7	MTV	1.2	1167
7	TNT	1.2	1153
10	HIST	1.1	1123
11	A&E	1	996
11	LIFE	1	951
13	HGTV	0.9	890
13	SYFY	0.9	859
13	TLC	0.9	853
13	FX	0.9	829
17	SPK	0.8	786
17	AMC	0.8	738
17	BET	0.8	730
20	FAM	0.7	740
20	CMDY	0.7	735
20	CNN	0.7	720
20	DISC	0.7	716
20	FOOD	0.7	713
20	TVLD	0.7	699
20	ESP2	0.7	696
20	TRU	0.7	694
20	BRAV	0.7	650
20	NKJR	0.7	553
30	MSNB	0.6	617
31	EN	0.5	499
31	LMN	0.5	404
33	APL	0.4	410
33	HLN	0.4	368
33	TRAV	0.4	368
33	VH1	0.4	363
33	HALL	0.4	341
33	ID	0.4	313
33	NGC	0.4	259
40	OXYG	0.3	266
40	GSN	0.3	250
40	DXD	0.3	238
40	CMT	0.3	237
40	SOAP	0.3	235
40	WGNA	0.3	215
40	NKTN	0.3	200

*Nielsen data supplied by ABC/Disney



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