

CableFAX Daily™

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What the Industry Reads First

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AT&T Q3: Strong U-Verse Helps Weak Wireline

It's the same story again: **AT&T's U-Verse** remained the growth engine for consumer wireline in 3Q as wireline providers overall are hurt by cutting the phone cord. The telco added 198K U-Verse video subs, 30K better than consensus and 43K better than 2Q numbers. U-Verse is now a \$9.5bln annualized revenue stream, growing at more than 38% YOY, CFO *John Stephens* said on a conference call Wed. Thanks to U-Verse, the company's ahead of its forecasts for consumer wireline revenue and still expects stable wireline margins even in a challenging economy, he said. The rest of the copper plant is, as **Bernstein Research** analysts put it, "falling apart." Including DSL sub losses, the broadband sub base declined by 42K, in line with a consensus loss of 31K. The access line losses "re-accelerated," the analysts said, calling the declines "the backdrop for what could be dramatic strategic decisions to be unveiled at AT&T's upcoming analyst day Nov 7." The telco added 613K U-Verse Internet subs and is seeing more success selling faster broadband tiers, with 54% of its U-Verse Internet subs taking a plan at 2 Mbps or higher (vs. 43% in the year-ago quarter). At the end of Sept, the telco had 4.3mln U-Verse TV subs and 7.1mln U-Verse HSI subs. The average family spent more than \$170 a month on U-Verse triple-play services, up slightly YOY. The penetration for U-Verse hit 18% of homes passed at the end of the quarter. Speculation persists that AT&T is looking to expand its U-Verse buildout in the next 12-18 months (*Cfax*, 10/24). The company declined to comment. Meanwhile, as AT&T reviews its options regarding its rural lines, its LTE mobile broadband service might be an alternative to wired broadband, according to *Ralph de la Vega*, AT&T Mobility and Consumer Markets CEO. More details will be discussed on Nov 7, he said. AT&T execs were reportedly considering either using new broadband technology to wring more value from rural phone lines or selling them off. Overall, AT&T posted a \$3.6bln profit for the quarter, slightly up YOY.

Batta, Batta, Swing: Two years after most **Cablevision** subs missed out on the first 2 games of the World Series due to an impasse with **Fox**, some 50K customers in CT stand to miss out on baseball's big game thanks to the ongoing black-out of **FOX CT**. Cablevision lost the **Tribune** station on Aug 25, with the MSO complaining that Tribune is illegally tying carriage of the Fox affil to less popular channels, such as its **CW** and **MyNetworkTV** stations. Tribune has said there is nothing illegal or unusual about tying, and to "arbitrarily claim stations are less valuable is an insult to viewers." Cablevision has asked as recently as Tues morning to have the FOX CT signal restored for Tues night's game. "For many years, Ca-

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Source: Beta Research, Beta Digital Cable Subscriber Evaluation Study, 9/12. Ranking is based on the percentage of viewers 25-54 who indicate they are Very / Fairly Satisfied with DIY Network and Cooking Channel. DIY Network ranks #1 and Cooking Channel ranks #4 (tied). Ranked among 41 digital cable networks.

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blevision has paid broadcasters for the right to distribute their programming, yet Cablevision has never paid Tribune for the rebroadcast of programming, including FOX CT," Tribune said Tues. "However, Cablevision is already charging viewers to receive FOX CT as part of their monthly basic package." Cablevision's 2 cents: "Tribune Company continues to hold sports fans hostage by blacking out FOX CT, even after Cablevision agreed to pay every penny Tribune demanded for the station. Tribune is blocking FOX CT and the World Series unless Cablevision pays pay tens of millions in new fees for other less-popular stations they own in other markets. We call on Tribune to restore FOX CT to our customers immediately."

McSarrow Goes West: Anyone who thought former NCTA chief Kyle McSarrow was a policy wonk at Comcast might be surprised by his new role as regional vp, Mountain Region. But those in the know understand that he already was devoting much of his time to operations in Comcast's Beltway region as pres Comcast/NBCU DC, and that he has a real passion for the operational side of the business. He could even be found on truck rolls in the area or dealing with customers who were having serious problems. McSarrow will be based in Salt Lake City and report to Comcast Cable West div pres Steve White. McSarrow joined Comcast in Apr '11. The DC office will continue to report to Comcast evp David Cohen.

Online: Netflix CEO Reed Hastings loves talking about HBO. After suggesting in July that the companies could work together someday, he's predicting that the net will eventually offer a stand-alone streaming service that doesn't require a cable subscription. Despite HBO's repeated claims that such an app doesn't make sense, Hastings said on a conference call late Tues (and in a letter to shareholders) that "... it will make strategic sense eventually for HBO to go direct-to-consumer in the US, and become more of a competitor to Netflix... that's our operating assumption..." Additionally, since many consumers "in that eventuality would subscribe to both HBO and Netflix, we would compete like any two networks today," he said. The US viewing of HBO Go by HBO's 29mln domestic subs has yet to equal overall viewing of Hulu or Amazon Prime, he said. Time Warner chief Jeff Bewkes noted at an investor conference last month that HBO has contracts with distributors reaching about 94% of the population, nixing the need to try and go around MVPDs to court customers. Hastings also blasted MVPDs' TVE offerings. The implication is that "even the best TV Everywhere isn't yet an attractive alternative to Netflix viewing for Netflix members." When it comes to financials, the streaming company is on red alert yet again. While it added almost 1.2mln subs in 3Q, its overall earnings plummeted 88% YOY as content costs jumped from \$3.5bln to \$5bln. At the end of the quarter, it has 25.1mln domestic streaming subs.

Advertising: Comcast Spotlight will integrate AT&T U-Verse homes into its interconnects in the 21 markets where it represents the telco. It takes effect Jan 1. This builds on the Feb '11 agreement with AT&T AdWorks.

Quotable: "They made peace with cable, and we're not a peace company. It just wouldn't be any fun." – DISH chmn

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BUSINESS & FINANCE

Charlie Ergen in a Bloomberg interview on why the company won't partner with Verizon (he's referencing the SpectrumCo marketing agreements).

People: Discovery Networks International tapped Deena Edwards to be svp, global branded solutions. -- **Time Warner Cable** named 3 new area VPs in NYC: *Brien Kelley* will handle Queens and Brooklyn; *Anthony Ontiveros* will have Northern Manhattan, Staten Island, Mt. Vernon and NJ; *Gregg Cory* gets Southern Manhattan. They report to *John Quigley*, regional vp, ops for NYC. -- **Ex-Viacom** exec *Juliette Morris* was named evp, partner marketing & communications for **NBCU** Content Distribution.

Publisher's Note: Comcast's Cathy Avgiris, Time Warner Cable's Joan Gillman, Wave Broadband's Steve Weed and Cable Lifetime Achievement honoree/Mister **HBO Les Read** have made their reservations for Tues' **CableFAX** Program Awards & Top Ops Breakfast in NY. Have you? Visit www.cablefax.com/programawards

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Other open positions: Affiliate Marketing Manager, Digital Affiliate Marketing Manager, Marketing Coordinator

CableFAX Daily Stockwatch

Company	10/24 Close	1-Day Ch	Company	10/24 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	50.88	(0.23)	CONVERGYS:	15.99	(0.02)
DISH:	35.48	(0.52)	CSG SYSTEMS:	21.20	(0.21)
DISNEY:	50.65	(0.11)	ECHOSTAR:	31.72	0.21
GE:	21.26	(0.02)	GOOGLE:	677.30	(3.05)
NEWS CORP:	24.87	0.29	HARMONIC:	4.26	(0.01)
MSOS					
CABLEVISION:	17.84	(0.25)	INTEL:	21.46	(0.13)
CHARTER:	76.09	(0.1)	JDSU:	10.17	(0.25)
COMCAST:	36.42	(0.01)	LEVEL 3:	21.98	(0.26)
COMCAST SPCL:	35.50	(0.05)	MICROSOFT:	27.90	(0.15)
GCI:	9.02	0.19	RENTRAK:	16.76	(0.01)
LIBERTY GLOBAL:	60.91	(0.27)	SEACHANGE:	8.63	(0.11)
LIBERTY INT:	20.10	(0.17)	SONY:	12.02	(0.07)
SHAW COMM:	20.62	0.06	SPRINT NEXTEL:	5.62	(0.03)
TIME WARNER CABLE:	98.73	1.03	TIVO:	9.86	(0.05)
VIRGIN MEDIA:	32.94	(1.19)	UNIVERSAL ELEC:	16.93	UNCH
WASH POST:	335.00	(2.42)	VONAGE:	2.20	0.03
PROGRAMMING					
AMC NETWORKS:	45.38	(0.57)	YAHOO:	16.55	(0.12)
CBS:	33.07	(0.21)	TELCOS		
CROWN:	1.70	0.01	AT&T:	34.71	(0.29)
DISCOVERY:	59.05	(0.45)	VERIZON:	44.23	0.16
GRUPO TELEVISA:	23.28	0.04	MARKET INDICES		
HSN:	49.04	0.72	DOW:	13077.34	(25.19)
INTERACTIVE CORP:	48.00	(4.41)	NASDAQ:	2981.70	(8.76)
LIONSGATE:	15.98	(0.15)	S&P 500:	1408.75	(4.36)
LODGENET:	0.38	(0.04)			
NEW FRONTIER:	1.99	0.00			
OUTDOOR:	7.17	0.03			
SCRIPPS INT:	62.63	0.28			
TIME WARNER:	44.01	(0.01)			
VALUEVISION:	2.22	0.04			
VIACOM:	54.43	0.36			
WWE:	8.12	0.01			
TECHNOLOGY					
ADVANTAGE:	2.07	0.02			
ALCATEL LUCENT:	1.06	(0.01)			
AMDOCS:	32.93	(0.13)			
AMPHENOL:	59.92	(1.08)			
AOL:	35.85	0.35			
APPLE:	616.83	3.47			
ARRIS GROUP:	13.03	0.06			
AVID TECH:	6.25	(0.34)			
BROADCOM:	32.27	(1.09)			
CISCO:	17.38	(0.63)			
CLEARWIRE:	1.87	(0.04)			
CONCURRENT:	5.28	0.22			

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Think about that for a minute...

Ultra Hypeway

Commentary by Steve Effros

I've mentioned before that I planned to write a book about the development of the "Information Super-Hypeway" as I called it. I started thinking about it in the late 1990s during the height of the "tech bubble" that urged us all to believe that the Internet and all sorts of wonderful new technology, like "High Definition Television," was just around the corner, and our world would magically change.



Well, unfortunately, history tends to repeat itself. We have apparently moved on to the "Ultra Hypeway." We all know what happened to the tech bubble. Reality finally arrived, and while it's true the Internet changed a lot, it also took a lot longer and is still in its infancy so far as a full appreciation of what it is and what it can do. Certainly many

folks have made money, but the stock results for Facebook tell us that while there may be many people using the now constructed "information superhighway," it still has a long way to go before we know how sustainable companies will operate, how news and information will be profitably delivered, and the like.

Hey, I love it. But the idea that things will create change quickly once invented, developed or announced is just not true. That the engineers and technologists can figure out how to make something "better" or "faster" does not necessarily mean it's either good or likely to quickly create beneficial change. That something can be "improved" doesn't mean the entire infrastructure will automatically follow the "leaders," especially since they often are going in different directions!

Imagine someone designing a new car capable of going 175 miles an hour. Then imagine the folks wanting to drive that fast insisting all roads must be upgraded to make them safe and reliable for that speed. That's the situation

we currently have with broadband. Every time someone develops a new application or business plan which seems really neat, if only you could freely transmit the extra gazillion bits it requires, the inevitable next argument is that the broadband infrastructure should be redesigned, instantly, to be able to accommodate it. Massive infrastructures simply can't work that way, and we all know it.

A great example is in the beginning phases of being hyped: "Ultra HD." It has four times the resolution of HD (which has five times the resolution of SD). No question, the pictures are great. But it of course requires a new television set (surprise!), and the Consumer Electronics Association has now decided that the original name for this new technology, "4K," emphasizing four thousand pixels, showing how much "more" it is than the "old" HD of only 1080 pixels, should now be remarketed as "Ultra HD."

Well, that's nice. But shouldn't consumers also be told that there are virtually no video products created in 4K, and won't be for some time to come, and the notion that there will be a lot of cable distribution of 4K is also, if ever, a long, long way off because of the incredible amount of bandwidth required to transmit it? "Streaming" Internet distribution? Forget it. Not for a long time, because as we are seeing now with the periodic crashes of major web sites like Netflix and Reddit, even modest loads are subject to serious failures of a far-from-perfect IP distribution design.

So all these "great" "new" technology advances are wonderful, but they're evolutionary, not revolutionary. They take time. We have to keep them in perspective, and insist that folks avoid more instant "Ultrahype."

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)

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