

CableFAX Daily™

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What the Industry Reads First

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Atlas, but No Shrugging: Broadband Can't Offset TWC's Video Results

Time Warner Cable has no doubt become even more appreciative of its broadband and commercial services, the oxen now charged with dragging along video and, as of 3Q, phone. The MSO's net loss of 126K video subs marked a 29% YOY gain and the 1st improvement in nearly 2 years, but residential phone customers fell by 8K, the 1st loss ever. Investors reacted with distaste, sending TWC shares down 7.73%. Analysts' reactions to the results were less definitive. **Wells Fargo Securities'** *Marci Ryvicker* said TWC "really disappointed today, especially in light of management comments at September conferences," while **Miller Tabak's** *David Joyce* said the results were "generally in the right direction." TWC pres/CEO *Glenn Britt* pointed to tech innovation such as advanced set-tops, mobile apps and home networking as the key catalyst to retaining video subs (digital also suffered), but admitted the company, where the user interface is concerned, has "no illusions that we can make all of our 14 million legacy set-tops sing and dance like an iPad." To the surprising phone loss, Britt said "we also need to refocus on the voice product. While cord cutting continues apace we still have considerable opportunity to grow, though it may require new promotions and packaging to attract new customers." Though voice remains weak, execs said video showed improvement in Sept and along with broadband is currently pacing on par with 4Q10. "Weak results in video and phone leave broadband as the growth engine that, more than ever, is carrying the company. Happily, HSD has broad shoulders," said **Sanford Bernstein's** *Craig Moffett*. TWC's 3Q broadband metrics didn't blow anyone away, but Moffett said it's "market share that really tells the story. Time Warner Cable added 4.5x as many subscribers as Verizon and AT&T combined... in a footprint roughly one-third as large." COO *Rob Marcus* said TWC enjoys approx 55-60% broadband market share across its footprint and is gunning for more. The MSO's targeting approx 3.7mln of its video subs who get broadband elsewhere, primarily DSL from telcos—a fact that Marcus finds "inexplicable and unacceptable." No such adjectives define TWC's commercial services div, which posted ~21% YOY organic rev growth and including new acquisition **NaviSite** accounted for more than half of the MSO's overall rev increase (~4%). Biz services is "mostly about share shift," said Britt, who foresees ramping growth through implementations of additional tech and additional hires. Other notes: ad rev dropped 3.1% and is expected to decline in 4Q and '11, and premium, TVOD

West Coast HD Feeds Available 10/30/11

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and DVR penetration were all down. Shares of **Comcast** (-0.85%), **Charter** (-1.27%) and **Cablevision** (-1.14%) all dipped modestly on TWC's results, yet Ryvicker specifically argued they shouldn't be extrapolated to Comcast. She believes will "once again show significant outperformance versus its peers." The MSO reports Wed.

Fox-DirectTV: **DirectTV** has taken its beef with **Fox** to the **FCC**, claiming the programmer is using misleading advertising by telling customers that they may lose their local Fox stations in some markets soon even though DTV's retrans consent agreement doesn't expire until Dec 31. DirectTV has threatened to suspend Fox Cable nets, including **FX**, Fox RSNs, **Speed** and other channels, on Nov 1 if **News Corp** doesn't get real on price. Those nets are now being carried on an interim extension agreement, but Fox O&O stations are not included in it. The DBS provider told the FCC Thurs that Fox has refused to provide it with a separate offer for the continued carriage of its broadcast stations. The letter, signed by DTV evp, content strategy & dev **Derek Chang**, pointed to ads that ran in the *L.A. Times* Sun and TV spots that showed clips of Fox broadcast's "Glee" and NFL games. "Fox is clearly abusing the public trust by its deliberate attempt to confuse and alarm consumers," Chang wrote.

USF: **FCC** commissioners' statements during a vote Thurs on the agency's USF and intercarrier compensation reform order went for the record books in terms of length, but it was—in their own words—"monumental" and "Herculean." And that's not just hyperbole. The Commission finally achieved major USF reform steps—a feat previous Commissions haven't been able to achieve. It'll be a few days before the 500+-page order is ready for perusing, but wonks don't expect there to be any big surprises. That means cable is still unhappy—and a possible legal challenger—over the order granting incumbent phone companies the right of 1st refusal. **ACA** expressed disappointment that the fund provides ROFR to provide broadband in unserved areas worth up to \$1.8bln annually, which it said is twice the amount of support the carriers receive under the existing program. "We remain hopeful that the order otherwise reflects the pro-consumer principles of fiscal discipline and technological neutrality that will bring needed accountability and greater efficiency to the existing subsidy system," said **NCTA** chief **Michael Powell**, adding that the trade group was particularly heartened by the FCC's efforts to ensure that carriers are fairly compensated for completing VoIP calls during the transition to bill and keep arrangements. The order shifts USF voice support to broadband and reduces current intrastate rates for terminating traffic to interstate levels over the next 2 years. The FCC limits the USF high-cost budget to \$4.5bln/year, with \$500mln going to mobility. While this was a big step, it was just that—a step. It only addressed the high-cost fund, so there's plenty more USF reform to come. Plus, lawsuits from unhappy stakeholders, including state regulators, are likely.

Research: The latest **J.D. Power** study find that the Internet speed customers expect to receive from their ISP is achieved 69% of the time, and is exceeded 17% of the time. 14% find their speed to be below expectations. Outages are problematic, with customers reporting them jumping to 34% from 27% in last year's survey. **Verizon**, **Cox** and **WOW!** were the winners in the survey, with Verizon earning the highest satisfaction score in the East and South regions. Cox was #1 in the West and WOW! ranked highest in the North Central Region. Regional runners up included **Bright House** (South), **Insight** (North Central), **Cox** (East) and **Verizon** (West). Comcast nabbed a 3rd place finish in the West, while AT&T ranked 3rd in the East and N Central regions and Cox took the spot in the South.

Broadband \$: The **Dept of Commerce** rescinded an \$80mln broadband grant awarded to the state of LA last year through the American Recovery and Reinvestment Act. Sen **Mary Landrie** (D-LA) decried it as a missed opportunity to improve the lives of LA residents, saying the state "fumbled the ball and was either unable or unwilling to complete the project." Commerce said the state didn't adhere to the approved construction plan for the 900 miles of fiber optic network and failed to develop a viable alternative.

On the Hill: **House Commerce** subcmte chmn **Greg Walden** (R-OR) and Rep **Mike Rogers** (R-MI) called on President **Obama** to nix the **FCC**'s net neutrality rules, citing the president's commitment before a joint session of Congress to cut down on govt regulations. The rules are set to take effect on Nov 20. "The net neutrality rules at best create uncertainty in the technology sector and at worst could hinder this vital economic engine from creating the jobs Americans need," Walden and Rogers wrote. -- USF reform is something members of Congress like to point out to their constituents back home. Plenty of Dems weighed in Thurs, with **Sen Commerce** chmn **Jay Rockefeller** (D-WV) commending the commissioners for their action and saying he looked forward to more details. Sen Commerce Comm subcmte chmn **John Kerry** (D-MA) said that states like his should now be able to get their fair share of USF dollars.

BUSINESS & FINANCE

OTT: Netflix's 3Q sub losses reinforced Fitch's view that OTT "will remain largely incremental to traditional pay TV... cable and broadcast television models, and their subscriber bases, will not be significantly negatively affected through at least the medium term." To pose a real threat, said Fitch, OTT content "needs to be significantly larger and more compelling."

Programming: *Charlie Sheen* shall wander the wilderness no more, as **FX** late Mon said it will pick up 10 eps of Sheen-helmed sit com "Anger Management," whose **Lionsgate**-owned distributor **Debmar-Mercury** has been shopping the show for months. Production begins in early 2012.

On the Circuit: USA's "A More Perfect Union: Stories of Prejudice and Power" event at the Newseum in DC Wed was powerful and uplifting. In a standing room-only crowd, 5 individuals shared their story of facing prejudice. "Character's Unite," USA's movement fighting intolerance has partnered with non-profit storytelling group **The Moth** for a national tour. Future events are planned this fall in St. Louis and Atlanta. The DC stop included stories from *Meghan McCain*, daughter of US senator *John McCain* (R-AZ), *Christopher Gorham* of "Covert Affairs," and actor/artist *Forest Whitaker*. On Thurs, USA and The Moth visited a local high school where students could get in front of their peers and tell their stories of prejudice. More details at www.cablefax.com.

CableFAX Daily Stockwatch

Company	10/27 Close	1-Day Ch	Company	10/27 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	47.34	0.02	BLNDER TONGUE:	1.29	0.04
DISH:	25.44	(0.54)	BROADCOM:	37.01	1.26
DISNEY:	36.28	1.23	CISCO:	18.44	0.83
GE:	17.37	1.02	CLEARWIRE:	1.91	(0.05)
NEWS CORP:	18.09	0.92	CONCURRENT:	4.28	(0.01)
MSOS					
CABLEVISION:	17.31	(0.2)	CONVERGYS:	11.08	0.62
CHARTER:	49.58	(0.64)	CSG SYSTEMS:	14.69	0.72
COMCAST:	24.59	(0.21)	ECHOSTAR:	26.80	0.95
COMCAST SPCL:	24.12	(0.22)	GOOGLE:	598.67	12.36
GCI:	9.88	0.46	HARMONIC:	5.17	0.38
KNOLOGY:	14.58	0.65	INTEL:	25.13	0.43
LIBERTY CAPITAL:	78.43	1.31	JDSU:	11.86	1.24
LIBERTY GLOBAL:	42.75	0.90	LEVEL 3:	27.40	1.58
LIBERTY INT:	16.47	0.36	MICROSOFT:	27.25	0.66
SHAW COMM:	20.35	0.42	MOTOROLA MOBILITY:	39.02	0.12
TIME WARNER CABLE:	65.17	(5.46)	RENTRAK:	14.10	0.65
VIRGIN MEDIA:	26.07	(1.82)	SEACHANGE:	8.46	0.32
WASH POST:	356.14	5.93	SONY:	22.06	1.45
PROGRAMMING					
AMC NETWORKS:	34.00	0.65	SPRINT NEXTEL:	2.63	0.12
CBS:	26.01	0.81	THOMAS & BETTS:	52.52	3.28
CROWN:	1.54	0.04	TIVO:	10.77	0.78
DISCOVERY:	43.07	1.02	UNIVERSAL ELEC:	19.95	1.13
GRUPO TELEVISIA:	22.02	0.68	VONAGE:	3.39	0.10
HSN:	36.66	0.53	YAHOO:	16.63	0.33
INTERACTIVE CORP:	40.82	0.16	TELCOS		
LIBERTY STARZ:	69.85	2.69	AT&T:	29.47	0.72
LIONSGATE:	7.92	0.33	VERIZON:	37.66	0.85
LODGENET:	1.91	(0.19)	MARKET INDICES		
NEW FRONTIER:	1.14	(0.01)	DOW:	12208.55	339.51
OUTDOOR:	7.56	0.53	NASDAQ:	2738.63	87.96
SCRIPPS INT:	44.13	1.93	S&P 500:	1284.59	42.59
TIME WARNER:	35.80	1.16			
VALUEVISION:	3.63	0.29			
VIACOM:	54.43	1.23			
WWE:	10.53	0.02			
TECHNOLOGY					
ADVANTAGE:	2.13	(0.07)			
ALCATEL LUCENT:	2.89	0.16			
AMDOCS:	30.73	0.34			
AMPHENOL:	49.95	2.65			
AOL:	14.64	0.30			
APPLE:	404.69	4.09			
ARRIS GROUP:	11.08	0.16			
AVID TECH:	7.90	0.52			
BIGBAND:	2.25	UNCH			

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PROGRAMMER'S PAGE with Chad Heiges and Seth Arenstein

From Utah to South America

As a non-profit HD net that doesn't receive sub fees and features some compelling sports content, **BYUtv** is undeniably unique. It's available in approx 60mln homes nationwide, including on **Comcast, DISH** and **FiOS TV**, and has a sizable Latin American footprint served by Spanish- and Portuguese-language companion channels. It features more than 200 live university sporting events or related shows annually, including football games through an atypical deal that allows the net to air the games **ESPN** doesn't and touts same-day re-airs of them all. Not surprisingly, Mormonism receives a lot of play on BYUtv, but managing dir *Derek Marquis* said the net, fresh off a rebrand/relaunch aimed at letting viewers "see the good in the world," isn't crowded by religion and sports. "We have an incredibly loyal fan base" that appreciates an entertaining and educational sked including game shows, family and kids fare, reality, and, yes, doc series such as "Fires of Faith: The Coming Forth of the King James Bible." Added content manager *Scott Swofford*: "this is not a Morman propaganda machine." Swofford said a show centered on a cruising motorcyclist who talks about the founders of the Constitution highlights BYUtv's range. "The only thing missing is content people object to," he said. Owing to university dollars and a healthy donor base, the net's programming spend has increased 10-fold since its launch on 2000. Additionally, the net offers live, HD online access to sporting events and everything else, plus a free mobile app. And for ops... free sports! A lack of comprehensive coverage via **MountainWest Sports Net** was a primary driver of the university's football program deciding to go independent, a decision that greatly helps BYUtv. "We can do better than that on our own" was the thinking regarding TV, said Marquis. It's hard to argue with that. *CH*

Highlights: "Borgen (Government)," premiere, Sat, 9:30p ET, **Link TV**. Yes, "something is rotten in the state of Denmark," as this excellent Danish drama (and soon-to-be **NBC** remake) about modern politics proves. The rot is insidious, seeping into elected officials, their staff and the media. Nearly untouched is populist pol Birgitte Nyborg (*Sidse Babett Knudsen*), who seems a humble public servant, until politics intrudes. While ep 1 requires lean-in viewing, it's worth the investment. *SA*

Worth a Look: "Family Pickle," Wed, 8p, **RLTV**. Just when you thought everyone/everything has had a reality series, RLTV serves up the *Levine* clan, feisty proprietors of NY's Carnegie Deli. Dad *Sandy* could be TV's most bombastic character, relegating Carnegie's cholesterol-hugging, 1-lb corned beef sandwiches to the status of chopped liver. Oy vey. -- "Horror's Creepiest Kids," Fri, 8p, **Chiller**. There are few better ways to prepare for Halloween than picking films' 13 scariest tots. Can you say: "I see dead people"? *SA*

Notable: Make it a classic Halloween as **TCM** offers a smorgasbord of horror Mon starting with "Village of the Damned" (8p), "Night of the Living Dead" (9:30p) and ending with "The Haunting" (2a). -- Emmy-winner *Paula Zahn* on **Investigation Discovery** eclipsed 1mln HHs in '11. She returns for season V of "On the Case with Paula Zahn" (Sun, 10p ET). *SA*

Basic Cable Rankings (10/17/11-10/23/11) Mon-Sun Prime			
1	USA	2.2	2159
2	ESPN	2.1	2080
3	DSNY	1.8	1788
4	FOXN	1.5	1466
5	TBSC	1.2	1186
5	HIST	1.2	1136
7	A&E	1.1	1069
7	FX	1.1	1066
9	NAN	1	1025
9	TNT	1	943
9	AMC	1	926
9	DSE	1	70
13	FOOD	0.9	943
13	ADSM	0.9	913
13	MTV	0.9	905
13	FAM	0.9	887
13	SYFY	0.9	873
13	CNN	0.9	860
19	ESP2	0.8	836
19	HGTV	0.8	825
19	LIFE	0.8	817
19	TLC	0.8	803
19	DISC	0.8	757
19	TRU	0.8	722
19	BRAV	0.8	708
19	NKJR	0.8	573
27	CMDY	0.7	689
27	SPK	0.7	647
29	MSNB	0.6	597
29	BET	0.6	565
29	HALL	0.6	492
29	LMN	0.6	473
33	TVLD	0.5	498
33	ID	0.5	422
35	EN	0.4	411
35	VH1	0.4	392
35	HLN	0.4	380
35	APL	0.4	367
35	NGC	0.4	297
35	OXYG	0.4	290
41	TRAV	0.3	309
41	DXD	0.3	265
41	CMT	0.3	242
41	GSN	0.3	241
41	WE	0.3	231
41	OWN	0.3	227

*Nielsen data supplied by ABC/Disney

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