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# CableFAX Daily™

Wednesday — November 2, 2011

*What the Industry Reads First*

Volume 22 / No. 212

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## New Identity: Charter's Outlook Uses IP Lens

It's too early to determine if it will turbocharge **Charter's** operations going forward, but the MSO's in-house mantra "to think of ourselves as an ISP," said pres/CEO *Mike Lovett*, "not only drives the strength of our superior broadband product... it supports the video business and other products and services over time." Case in point: **Charter.net** is adding a search and discovery feature that integrates content from **HBO Go**, **Epix**, and even **Netflix**, **Amazon** and **Hulu** into a single directory. "This is another example of us taking an innovative approach [to] linking the value of superior speed to customer experience," said Lovett. Investors liked what they heard and upped **CHTR** shares by 1.98% Mon, in sharp contrast to last week's receipt of earnings news from **Time Warner Cable** and **Cablevision**. Not surprisingly, HSD was a bright spot for Charter, which added approx 53K net residential subs (+3% YOY) and delivered 6% YOY and 1.8% sequential growth in broadband PSUs. The underlying story is that net gains of non-video homes doubled on share flow and new customer wins. Educating people about the opportunity for broadband-only service played a key role in the success, said Lovett, citing room for growth in Charter's 10% HSD penetration of non-video homes compared to more than 60% of video homes. WiFi is on the move, too, as the number of **CHTR** subs using in-home WiFi increased 34% in 3Q. 25% of all customers rely on the MSO for wireless connectivity, and Charter's contemplating a surgical deployment of out-of-home WiFi in Madison, WI, and other locales. Commercial also shined, with rev rising 19.4% YOY and HSD/phone PSUs jumping 22.2%. Still, net residential basic video (-65K) and phone (+10K) adds were light compared to **Miller Tabak** estimates, with analyst *David Joyce* believing 3Q could very well feature another net loss for the multichannel market. Despite video's maturity/softness and its focus on HSD, however, Charter's not abandoning the TV. Lovett continues to believe that rollouts of **TiVo Premiere** will "help stabilize the video business," adding that participants in a TX trial of the service have responded favorably to its improved recommendation and search capabilities. A few more pilots are expected to start this year, and a large-scale launch is slated for '12. Additional HD channel launches and recent programming adds including **NFL Net** and **HBO Go** should also help the video biz, said Lovett, even if VOD and premium fell from July-Sept. Sports tier uptake rose. The bottom line: given superior broadband speeds, an IP-centric focus and fresh video offerings to soon include **TiVo**, Lovett cites a "real competitive edge" that Charter can use to win back U-verse customers.

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**On the Hill:** Bill Alert. **House Communications** subcmte chmn *Greg Walden* (R-OR) and Sen *Dean Heller* (R-NV) will introduce legislation Wed aimed at improving the way the **FCC** operates by focusing on “transparency, predictability and consistency.” They say it’s part of an ongoing Republican effort to ensure the FCC’s work encourages job creation and investment. Republicans are still steaming over the FCC’s net neutrality rules, which are slated to take affect later this month.

**At the Portals:** No big surprises in President Obama’s nominations for the **FCC**. If confirmed by the Senate, *Jessica Rosenworcel*—currently sr counsel for the Sen Communications subcmte—would take Dem Michael Copps’ seat when he retires this year. *Ajit Pai*, an FCC vet who now is a partner at **Jenner and Block**, will replace the empty GOP seat vacated by *Meredith Attwell Baker* if confirmed. The approval process actually looks pretty easy going for both, so 12th St could have a full slate of commissioners by year-end. Tons of accolades are coming in for both. **NCTA’s Michael Powell** praised their telecom policy experience and deep understanding of the agency. Sen Commerce chmn *Jay Rockefeller* (D-WV) said Rosenworcel, who worked as sr adviser for Copps before coming to the Sen, has earned the respect of both Dems and Republicans on the committee. “There is no better qualified person for this position,” Rockefeller said. “Jessica will be an effective advocate by working to close the digital divide and bring expanded access to all Americans in this 21st century communications age.” **ACA’s Matt Polka** applauded the nominations and also managed to work in a line about retrans (of course!), noting that the indie cable op group looks forward to working with the 2 on the issue.

**Deal is Done:** All was quiet Tues with **DirectTV** subs secure in the knowledge they could watch “Sons of Anarchy” before bed. As per usual, no one was talking specifics (most likely scenario: Fox gets a nice increase, but not in the 40% range that DirectTV claimed it was seeking; DirectTV avoids a fight over Fox O&O broadcast nets at year-end). It’s worth noting that retrans reform flag waver **Mediacom** did jump into the fray at the **FCC**, with its counsel filing a letter Mon over “statements made by Fox accusing DirectTV of having engaged in ‘bad faith tactics’” by allegedly refusing to accept an offer from Fox to extend DirectTV’s right to carry certain cable nets while negotiations continued for a long-term deal. Mediacom jumped all over that, as MVPDs routinely ask broadcasters to extend expiring retrans deals so consumers won’t lose programming during talks—requests that broadcasters just as regularly reject. “Mediacom hopes that the next time a broadcaster refuses to extend an expiring retransmission consent agreement, the Commission will take FOX at its word and treat this ‘tactic’ as an actionable violation of the good faith retransmission consent negotiation requirement,” the MSO said.

**In the States:** **Bright House** pres *Nomi Bergman* told us a few weeks ago that the MSO had submitted its live TV streaming iPad app to the Apple Store (**Cfax**, 10/3), and now it’s official: Bright House customers have an app for that. Word of the recent launch is making its way around the Web via *Engadget* and other sites. Yep, it looks a lot like programming partner **Time Warner Cable’s** app, which means it doesn’t feature **Viacom** nets. -- Following trials of the business model in Atlanta and Milledgeville, GA, all of **Clearwire’s Clear 4G** Internet plans now feature unlimited usage and no long-term contracts for new customers. -- **Bounce TV** inked a distribution pact with **Gannett Broadcasting** covering D.C.

**DISCA Earnings:** Looks like the feared easing of ad growth may be here. **Discovery Comm** reported a 6% increase in 3Q US ad rev, compared to +10% in 2Q and +9% in 1Q. Yet while the metric is worth tracking as other programmers report in the coming days, pres/CEO *David Zaslav* said scatter pricing remains strong amid no meaningful cancellations for ’12. The remainder of DISCA’s results were largely solid. Overall rev jumped 18% (+19% US, +20% intl) and net income spiked 48%. Zaslav cited the power of DISCA’s brands and the value of its content as the key drivers of continued momentum and said “there’s never been a better time to be in the content business.” US distribution rev soared 33%, owing mainly to the company’s expanded licensing agreement with **Netflix**, plus higher rates and sub growth from digital carriage.

**Over-the-Airheads:** **SNL Kagan** estimates that reverse retrans revenue could grow from \$500m in ’12 to \$1.3bn in ’15 as more affiliation deals are negotiated. The firm notes that the end of this year and next year will be pivotal with thousands of carriage agreements expiring and up for renegotiation. What’s all this mean for cable ops? Well, here’s the key sentence in SNL Kagan’s newly released report: “While networks will siphon off a share of their retrans revenues, broadcasters still expect to wind up net-net in positive territory as retrans monthly fees increase in the round 2 and round 3 negotiations taking place this year and into next year.” In fact, SNL Kagan said it will raise retrans revenue projections in the coming months. -- Facilitated by the **NAB, The Future of TV Coalition** launched Tues with the goal of “supporting and promoting digital broadcasting in public policy.” In other words, this is the “keep your hands off our spectrum” group. “We look forward to working with the Coalition to help policymakers understand the enduring value of broadcasting and ensur-

# BUSINESS & FINANCE

ing that our best and brightest days are still ahead," said NAB pres/CEO Gordon Smith.

**Ratings:** Hallmark Channel's "The Good Witch's Family" scared up a 2.2 HH rating Sat, making it the highest-rated telecast for the net to-date this year. It also ranked as the #1 rated ad-supported cable movie of the day and the #2 movie of the week.

**On the Circuit:** As announced at its Leadership Conference last month, WICT membership reached an all-time high (Cfax, 10/4). The most up-to-date total has WICT at 9061 members—more than 11% higher than the previous record of 8146 attained last year.

**People:** Linda Yaccarino was officially named pres, cable ent & digital ad sales for NBCU, replacing Dave Cassaro. The vet Turner ad sales chief will report jointly to NBCU Cable chmn Bonnie Hammer and NBCU Ent & Digital Nets and Integrated Media chmn Lauren Zalaznick. -- Travel Channel tapped Eleo Hensleigh as svp, marketing and comm.

**Business/Finance:** S&P's Equity Strategy Group downgraded the S&P 500 Telecom Services sector to 'underweight' from 'marketweight' on a higher relative forward valuation and a belief the sector's '12 operating EPS will rise less than the broader market. -- Adobe acquired Auditudo, a video ad management and monetization tech company that aims to let Adobe offer video across IP-enabled devices.

## CableFAX Daily Stockwatch

Company	11/01 Close	1-Day Ch	Company	11/01 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDs</b>					
DIRECTV:	44.99	(0.47)	BLNDER TONGUE:	1.24	(0.06)
DISH:	23.84	(0.33)	BROADCOM:	34.50	(1.59)
DISNEY:	33.60	(1.28)	CISCO:	17.59	(0.94)
GE:	16.02	(0.69)	CLEARWIRE:	1.85	(0.07)
NEWS CORP:	17.06	(0.79)	CONCURRENT:	3.90	(0.3)
<b>MSOS</b>					
CABLEVISION:	14.59	0.12	CONVERGYS:	10.30	(0.4)
CHARTER:	46.85	0.91	CSG SYSTEMS:	13.55	(0.69)
COMCAST:	22.98	(0.47)	ECHOSTAR:	25.19	(1.17)
COMCAST SPCL:	22.66	(0.34)	GOOGLE:	578.65	(13.99)
GCI:	8.68	(0.77)	HARMONIC:	5.30	(0.2)
KNOWLOGY:	13.88	(0.45)	INTEL:	23.90	(0.64)
LIBERTY CAPITAL:	73.23	(3.59)	JDSU:	11.48	(0.52)
LIBERTY GLOBAL:	39.81	(0.37)	LEVEL 3:	25.39	(1.3)
LIBERTY INT:	15.84	(0.59)	MICROSOFT:	25.99	(0.64)
SHAW COMM:	19.66	(0.61)	MOTOROLA MOBILITY:	38.87	(0.01)
TIME WARNER CABLE:	63.63	(0.06)	RENTRAK:	12.86	(0.8)
VIRGIN MEDIA:	24.23	(0.15)	SEACHANGE:	8.10	(0.34)
WASH POST:	334.55	(5.61)	SONY:	19.71	(1.26)
<b>PROGRAMMING</b>					
AMC NETWORKS:	31.26	(1.36)	SPRINT NEXTEL:	2.49	(0.08)
CBS:	24.61	(1.2)	THOMAS & BETTS:	47.97	(1.72)
CROWN:	1.54	(0.04)	TIVO:	10.80	(0.03)
DISCOVERY:	42.27	(1.19)	UNIVERSAL ELEC:	17.30	(1.2)
GRUPO TELEVISA:	20.85	(0.48)	VONAGE:	3.13	(0.22)
HSN:	34.75	(0.92)	YAHOO:	14.93	(0.71)
INTERACTIVE CORP:	39.77	(1.06)	<b>TELCOS</b>		
LIBERTY STARZ:	67.36	(0.94)	AT&T:	28.70	(0.61)
LIONSGATE:	8.21	(0.01)	VERIZON:	36.47	(0.51)
LODGENET:	1.93	(0.07)	<b>MARKET INDICES</b>		
NEW FRONTIER:	1.15	0.02	DOW:	11657.96	(297.05)
OUTDOOR:	7.11	(0.36)	NASDAQ:	2606.96	(77.45)
SCRIPPS INT:	41.00	(1.48)	S&P 500:	1218.28	(35.02)
TIME WARNER:	33.84	(1.15)			
VALUEVISION:	3.05	(0.23)			
VIACOM:	51.16	(2.28)			
WWE:	10.12	(0.39)			
<b>TECHNOLOGY</b>					
ADVANTAGE:	2.08	(0.05)			
ALCATEL LUCENT:	2.50	(0.24)			
AMDOCS:	28.86	(1.16)			
AMPHENOL:	46.55	(0.94)			
AOL:	13.35	(0.77)			
APPLE:	396.51	(8.27)			
ARRIS GROUP:	10.47	(0.29)			
AVID TECH:	6.08	(0.12)			
BIGBAND:	2.24	UNCH			



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