

CableFAX Daily™

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What the Industry Reads First

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Tidal Wave: Fox News Tops Ratings as GOP Celebrates Big Political Gains

To say **Fox News** did well Tues would be as much of an understatement as saying Republicans merely picked up some seats in the House. Fox News owned Election Night. Early ratings from Nielsen indicate that Fox beat all 3 broadcast nets during the key 10-11pm hour, averaging 6.9mln viewers vs 5.9mln for **ABC**, 6mln for **CBS** and 6.1mln for **NBC**. From 8pm-11pm, Fox News averaged about 7mln total viewers vs 2.4mln at **CNN** and nearly 1.9mln at **MSNBC**, according to Nielsen Fast Nationals. Fox peaked at 7.2mln viewers in primetime (9:30pm ET). In total viewers, Fox News said it was one of the top 10 nights in its ratings history. For what it's worth: CNN was the cable winner for primetime election night coverage in '08 when Obama was elected (8-11pm ET), notching a 6.7 HH rating/7.68mln HHs (4.2/12.3mln for total viewers). Fox News scored a 5.2/6mln in the HH demo, while MSNBC had a 3.2/3.65mln. As for the House's biggest party turnover in more than 70 years, the Republican resurgence will definitely mean changes to the telecom landscape. One of the biggest is the defeat of **House Communications** subcmte chmn *Rick Boucher* (D-VA). His loss is sort of a mixed bag for cable. He is extremely well-versed (especially for a politician) on telecom issues, and while supportive of net neutrality still open to a compromise. But he has been seen as more of a friend to the CE industry and telcos. **ACA's Matt Polka** said Boucher's door always remained open to his group's members, adding that he "went about the business of lawmaking with erudition, calm civility and intellectual rigor in an effort to locate the most desirable outcome for the nation and his rural Virginia district." Rep *Joe Barton* (R-TX) may end up as the **House Commerce** cmte's new chmn, if he's given a waiver to term limit rules. Barton already has made it clear that Internet privacy will be a top agenda item in the year ahead. If Barton doesn't get the nod, look for *Fred Upton* (R-MI), *Cliff Stearns* (R-FL) or *John Shimkus* (R-IL) to get the seat. Net neutrality supporters upset with Boucher's defeat can take heart that *Ed Markey* (D-MA) easily won his race. Still, the pendulum has swung. The compromise network neutrality bill looks even less likely than before the election. Some might argue that this will increase the pressure for the **FCC** to reclassify broadband under the more burdensome Title II, but such a move will face a lot of heat from Republicans. "We think it's more likely the agency will pursue some sort of network neutrality solution that doesn't cause an all-out reclassification battle with Hill Republicans (and some Democrats), which could complicate the broader regulatory agenda," **Stifel Nicolaus** said in a research note. -- Former **WWE**

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chief *Linda McMahon* may not have won her Senate seat Tues, but there's another cable alum ready to come to DC. Former **MTV** Real World cast member *Sean Duffy* ("Real World: Boston" '97) is among the new Republican members in the House, winning his race in WI. He's married to former Real World San Francisco'er *Rachel Campos-Duffy*.

At Our Deadline: After-hours trading sent **News Corp** shares up sharply after the co reported a 36% surge in net income to \$775mln. Op income at News' cable segment rose 28% on a 17% lift in rev primarily due to intl channels. Domestic ad rev grew 16% on volume and pricing strength, and domestic cable posted affil rev growth of 14%.

TWX: **HBO** is expected to lose 1.5mln subs this year and is out of contract with **DirectTV**, but CFO *John Martin* said the situation isn't dire. He predicted another record year for the premium net in rev and profit and said the majority of losses are non rev-generating **Cinemax** customers coming off an aggressive DISH promo from last year. Yes, the economy is helping matters, he said, but the DirecTV situation should be remedied shortly. CEO *Jeff Bewkes* said the net's underlying paid subscriber trends are still good, and he lauded **HBO Go**. Currently featured by **Comcast** and **Verizon**, the broadband service (and **Cinemax Go**) is poised to announce several big distribution deals "in a matter of weeks," said Bewkes, and will be available to the vast majority of subs within a couple months. Time Warner retains the right to market HBO Go directly to consumers if it chooses. A vocal supporter of TV Everywhere plays, Bewkes said 70mln homes should have access to one by 2Q11. A nationwide premium VOD service for the pay TV industry should be available by the same time, he said, with agreements near on pricing and windows. As VOD movies are going gangbusters, electronic sell-through is lagging, said Bewkes, so the **UltraViolet Consortium** is working to allow consumers to buy movies from myriad retailers and then access them at no extra charge across a broad array of apps and devices. "It should make digital ownership just as compelling and convenient as owning a DVD, if not more so," he said. Turner nets posted 9% growth in subscription rev while ad rev increased 10% (9% in the US), owing to a strong scatter market. In 4Q, "we expect to see advertising growth accelerate as the benefits of this year's strong upfront kick in," said Martin. TWX boosted its full-yr EPS outlook, saying adjusted EPS should grow in the high-20% range in '10. [[Go to CableFAXDaily.com](http://www.cablefaxdaily.com) for more subscriber-exclusive info].

Charter Numbers: **Charter's** not worried about its immediate retrans landscape. That nugget came during Wed's 3Q earnings call, with pres/CEO *Mike Lovett* telling analysts that the MSO is under contract with O&Os through '11. There will be smaller, regionals deals to be done, "but we don't see any significant challenges with that." Charter's rev was up 4.6% to \$1.77bln vs 3Q a year ago thanks to strong RGU growth (58,700). The growth in RGUs helped offset 64K basic sub losses. Digital growth for the Q was almost double last year, while Internet adds came in at 51K and phone adds at 30K. Bundle penetration increased to 60%. Commercial rev increased 11.5% to \$126mln, reflecting increase small-to-medium business and fiber-based sales. With **Comcast** offering hope last week that sub metrics were improving in Oct, Lovett said Charter is seeing some improving trends as well, but said "it's a little early for us to claim victory on the economy improving." He particularly highlighted the Internet product, which fared well against very aggressive DSL discounting in 3Q. In DOCSIS 3.0 markets, people are upgrading to higher tiers of service at twice the rate of other markets, execs said.

Online: **CNN.com** had its highest traffic day of '10 Tues, with nearly 80mln page views (up 61% over the prior 4-week avg). CNN Mobile had more than 2.2mln unique visitors, up 30% over the prior 4-week avg.

Earnings: **Qwest's** Mass Markets segment saw rev decline 5% YOY to \$1.2bln, although the telco said strategic rev rose 10% on broadband growth and the addition of 40K net broadband subs, a group that now totals 2.9mln. ARPU increased 10% to \$65, and as of Sept 30 **Verizon Wireless** customers tallied more than 1mln, up 62K sequentially, and **DirectTV** subs 963K (+12K). Flat rev at Qwest's business segment included strong demand for IP services and increased data integration sales, and the segment's strategic rev exceeded legacy rev (-7%) for the 1st time since Qwest began reporting the rev mix. -- **Sinclair's** net broadcast rev rose 16.4% to \$158.8mln and op income jumped 57%. Including local time sales and retrans rev, local rev rose 11.9% while national rev popped 30%. 3Q political rev totaled \$9.8mln, compared to \$1.9mln a year ago. -- **Nexstar** reported 21.1% growth in net rev to \$73.1mln, including local and national increases of 11.8% and 12.7%, respectively. Retrans rev totaled \$7.7mln (+22.5%), political rev \$6.7mln, compared to \$1mln last year. -- **Knology** posted 6.7% rev growth to \$112.9mln, and as of Sept 30 counted 593K residential connections, compared to 577K a year ago, and 107K business connections (105K). Connections by service: 231K video (+0.1%), 254K phone (+2.8%) and 215K data (+5.6%). -- **HSN's** sales growth totaled 6% and the overall co's (including **Cornerstone**) net Internet sales increased 15% with Internet penetration reaching 39%.

BUSINESS & FINANCE

On The Circuit: There's so much good happening with History's "Take A Veteran to School Day" (TVS) it's tough to know where to start. The brainchild of History's chief historian and outreach officer *Libby O'Connell*, the multi-platform effort has more than 5K schools in all 50 states participating in this its 4th year. That's up 100% vs '09, when vets visited classrooms, assemblies and joined oral history projects in 2,500 schools. There's even a wounded vet who brings his service dog to school, O'Connell says. "The dog breaks the ice with the students right away," she adds. Why the meteoric rise in participation? "When teachers find a program that costs them nothing and works, they spread it around. It's viral," O'Connell jokes. There's also "an awareness that we have a new generation of veterans coming home, and we want to make sure they're welcomed," O'Connell adds. A total of 36 systems are involved this year, including **Bresnan, Bright House, Cablevision, Charter, Comcast, Cox, Mediacom, Suddenlink** and **Time Warner Cable**. First Lady *Michelle Obama* and Second Lady *Dr Jill Biden* have taped a PSA for the program (see it at www.cablefax.com), as have Mayors *Bloomberg* (R-NY) and *Villaraigosa* (D-LA), actor *Bradley Cooper* and ballplayer *Johnny Damon*. The PSAs began running Tues. An accompanying program from History is "Thank a Veteran at Work," where companies salute employee-veterans.

CableFAX Daily Stockwatch

Company	11/03 Close	1-Day Ch	Company	11/03 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	44.18	0.09	ARRIS GROUP:	9.86	0.26
DISH:	20.65	0.38	AVID TECH:	12.91	0.21
DISNEY:	36.29	0.18	BIGBAND:	3.12	0.10
GE:	16.06	0.12	BLNDER TONGUE:	2.45	(0.04)
NEWS CORP:	16.44	0.03	BROADCOM:	41.49	0.58
MSOS					
CABLEVISION:	27.64	0.34	CISCO:	23.71	0.54
CHARTER:	33.35	0.84	CLEARWIRE:	7.03	(0.14)
COMCAST:	20.67	(0.01)	COMMSCOPE:	31.46	(0.04)
COMCAST SPCL:	19.49	0.03	CONCURRENT:	4.85	(0.09)
GCI:	10.30	(0.19)	CONVERGYS:	11.45	(0.05)
KNOWLOGY:	14.31	(0.24)	CSG SYSTEMS:	19.90	0.21
LIBERTY CAPITAL:	59.22	(0.72)	ECHOSTAR:	21.29	(0.11)
LIBERTY GLOBAL:	38.26	0.10	GOOGLE:	620.18	4.58
LIBERTY INT:	14.79	0.02	HARMONIC:	6.74	(0.04)
MEDIACOM:	7.00	(0.1)	INTEL:	20.48	0.30
SHAW COMM:	21.36	(0.06)	JDSU:	10.94	0.29
TIME WARNER CABLE:	59.66	1.22	LEVEL 3:	0.87	(0.04)
VIRGIN MEDIA:	26.01	0.11	MICROSOFT:	27.03	(0.36)
WASH POST:	387.30	(15.93)	MOTOROLA:	8.05	0.05
PROGRAMMING					
CBS:	17.29	(0.06)	RENTRAK:	26.95	(0.34)
CROWN:	2.92	0.11	SEACHANGE:	8.39	(0.03)
DISCOVERY:	42.60	(1.89)	SONY:	32.86	0.15
GRUPO TELEVISA:	22.90	0.24	SPRINT NEXTEL:	4.07	(0.03)
HSN:	26.55	(3.2)	THOMAS & BETTS:	44.63	0.01
INTERACTIVE CORP:	27.84	(0.15)	TIVO:	11.14	0.14
LIBERTY:	39.77	(0.11)	TOLLGRADE:	8.18	0.15
LIBERTY STARZ:	65.37	1.11	UNIVERSAL ELEC:	20.83	(0.1)
LIONSGATE:	7.30	(0.13)	VONAGE:	2.32	(0.16)
LODGENET:	2.71	0.06	YAHOO:	16.17	(0.02)
NEW FRONTIER:	1.92	-0.00	TELCOS		
OUTDOOR:	5.34	0.02	AT&T:	29.06	0.12
PLAYBOY:	4.85	0.04	QWEST:	6.75	0.08
SCRIPPS INT:	50.50	(0.14)	VERIZON:	32.99	0.19
TIME WARNER:	32.07	(0.34)	MARKET INDICES		
VALUEVISION:	2.38	0.06	DOW:	11215.13	26.41
VIACOM:	43.09	(0.06)	NASDAQ:	2540.27	6.75
WWE:	13.66	(0.14)	S&P 500:	1197.96	4.39
TECHNOLOGY					
ADC:	12.68	(0.01)			
ADVANTAGE:	3.15	0.03			
ALCATEL LUCENT:	3.57	0.05			
AMDOCS:	30.00	(0.41)			
AMPHENOL:	51.50	0.38			
AOL:	26.10	0.81			
APPLE:	312.80	3.44			

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Think about that for a minute...

The Right Tool For The Job

By Steve Effros

This past week has seen an excellent display of how selective the FCC can appear in determining whether it has the appropriate tools to deal with a given issue.

In the case of retransmission consent, they say they don't. Chairman Genachowski sent letters to Capitol Hill explaining that even though there's increasing consensus that the retransmission consent regime doesn't work well, and results in sometimes severe consumer dislocation, as



happened in the Fox/Cablevision fight, the FCC simply has "limited tools" to deal with the problem. He suggested that the appropriate way to proceed is for Congress to refine and clearly define what it wants done, and how.

Translation: the Commission isn't willing to wade into a contentious battle dealing with skewed market leverage that the government itself created. It's easy to see that the party without the leverage, in this case Cablevision, is likely to be forced to accept the demands of the other party, in this case, Fox, and the consumer pressure will be relieved. The government won't have to deal with the messy fact that it has set up a situation where these types of skewed "market" battles will continue to take place. In other words, the pain inflicted on consumers, and thus the concomitant pressure imposed on regulators and politicians, is not sufficient to cause them to correct what is clearly a dysfunctional set of rules.

Net neutrality, on the other hand, is a theory. An idea. It doesn't relate to any current market failure, and the public is in no immediate danger of being harmed in any significant way. To the degree companies do any of the dastardly things the proponents of net neutrality imagine, there are already rules and regulations under antitrust and consumer protection statutes that could be employed to protect the "public interest." They have not had to be employed in al-

most any case because the imagined fears have not come to pass. But in this case, the FCC is considering regulatory intervention even though the Courts have already said it doesn't have the huge "tool bag" to impose regulatory force the Commission originally claimed.

Translation: political pressure and ideology may be superseding realistic legal reasoning and pushing the Commission to declare that it has powers and authority to do things that, as in the case of retransmission consent, it would make far more sense to defer to Congressional consideration.

So here we have a situation where in one case there is a clear and present problem (that even the "public interest" lobby abhors) directly and immediately affecting consumers, and the Commission says it simply is not clear that it has "the tools" to deal with the issue and defers to Congress.

And we have another situation, with speculative "fears" and a desire to "protect" and "preserve" something that everyone seems to concede currently exists and was created without government intervention. And in that case, the Commission is seriously considering jumping in and employing imaginary tools, sure to be legally challenged, to deal with the imaginary problem!

The difficulty with this potential selective tool implementation is that there is great risk that using, or even declaring the existence of those imaginary tools will retard the very development of broadband that this Administration has said it wants to promote. To his credit, considering that risk, the Chairman has been willing to take the political heat, so far, and honestly debate whether the best thing to do may be to defer to Congress on the net neutrality details as well. It would be.

Steve

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