

CableFAX Daily™

Thursday — November 6, 2008

What the Industry Reads First

Volume 19 / No. 216

The Day After: What Every Cable Exec Should Know

With a Democrat heading to the White House and the party increasing its strength in the House and Senate, what does it all mean for cable? A lot. But here are a few highlights.

- **Employees Free Choice Act:** The so-called "Card Check" bill is a measure that businesses everywhere are eyeing warily as it will mean more unionization efforts. Supported by *Barack Obama*, it eliminates the secret ballot voting for unions and allows unions to be certified once a majority of workers sign union authorization cards. It could be one of the 1st major pieces of legislation passed during his administration and will impact everyone from cable operators to programmers to retailers. Because it's so broad, it's not something that **NCTA** is targeting. But many businesses have been vocal in their opposition. **Insight** CEO *Michael Willner* told us it's the issue he's most concerned about "as a citizen, not as a cable operator." In its more than 20 years of existence, Insight has never had a union form, but it has seen union activity from time to time. "I don't *not* believe in organized labor, but I do believe in employees rights to choose," he said. One of the concerns with the Card Check bill is that unions could form, and management may never get to present its side or even know that organizing is in the works. Opponents have also countered that it could send American jobs overseas (think of all those mostly local call centers cable supports).
- **Chairman Jay Rockefeller?** Be concerned. If Sen Commerce chmn *Daniel Inouye* (D-HI), moves on to another committee, Rockefeller (D-WV) is poised to get the seat. It's not clear what Inouye will do, but Rockefeller seems much more interested in media issues should he get the job. And then there was the notion from his aide a few years ago that Congress should rewrite the law to give the **FCC** authority to enforce indecency regulations on cable nets. Remember that oral sex rape scene from **FX's** "The Shield" the committee watched when Rockefeller chaired a 2-hour hearing on the impact of media violence on kids last year? He has introduced legislation in the past with which cable has disagreed, such as eliminating the need for RBOCs to negotiate individual video franchise agreements with LFAs where they already have access to local rights of way.
- **New NCTA Chief?** Not on the radar. Sure, NCTA pres/CEO *Kyle McSarrow* arrived at a time when cable needed more Republican representation, but he has proven he's able to reach across the aisle. What's more, he has a high approval rating with the industry and NCTA board. His contract runs through 2010, and with the way things are going, we don't see him leaving before then unless he hits the Powerball jackpot. And even then, we're not so sure.
- **Henry Waxman:** Word came Wed that the chmn of the Oversight and Govt Reform cmte reportedly plans to challenge Rep *John Dingell* (D-MI) for chairmanship of the House Commerce committee. It's a bit of a surprise to us, and we're just not sure what to make of it yet. Dingell has considerable experience on the telecom side and wields a lot of power, but then again, so does the Dem from CA. Waxman probably wants the seat more for environmental/energy reasons than for



punkin chunkin

CATCH THANKSGIVING'S
NEW SMASH HIT-IN HD

THURSDAY NOVEMBER 27 • 9 PM^E

Call your Discovery Communications representative for more information about Science Channel HD

© 2008 Discovery Communications

Sc^{HD}
science
channel

CABLEFAX DAILY (ISSN 1069-6644) is published daily by Access Intelligence, LLC ● www.cablefaxdaily.com ● fax:301/738-8453 ● Editor-in-Chief: Amy Maclean, 301/354-1760, amaclean@accessintel.com ● Exec Editor, Michael Grebb, 301/354-1790, mgrebb@accessintel.com ● Assoc Editor, Chad Heiges, 301/354-1828, cheiges@accessintel.com ● Asst VP, Ed Director, Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 240/753-5696, dvodenos@accessintel.com ● Advertising Mgr: Erica Gottlieb, 212/621-4612 ● Marketer: Doreen Price, 512/934-7857, dprice@accessintel.com ● Marketing Director: Carol Bray, 301/354-1763, cbray@accessintel.com ● Prod: Joann Fato, 301/354-1681, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Paul Maxwell/Columnist ● Subs/Client Services: 301/354-2101, fax 301/309-3847 ● Group Subs: Angela Gardner, 757/531-1369, cfaxgroupsub@accessintel.com

telecom efforts. We haven't heard anything about House Telecom subcmte chmn **Ed Markey** (D-MA) going anywhere.

• **Bye-bye Kevin:** Don't expect many in cable to shed tears when *Kevin Martin* steps down as FCC chmn. With his term not expiring until 2011, he could stick around as a commissioner, but no one expects that. Our bet is that Obama will tap one of the FCC Dems (*Jonathan Adelstein* or *Michael Copps*) as interim chmn and name someone that we probably haven't thought of yet as chmn. Net neutrality regs will get new life, but we don't think they'll be a top priority right away.

Time Warn(ing): **Time Warner Cable** endured a tumultuous Oct and accordingly cut its full-year outlook for both revenue and adjusted OIBTA. During a Wed earnings call, pres/CEO *Glenn Britt* noted a "significant slowdown in sub growth" into 4Q, primarily for video services such as PPV, DVR and phone services due to cord-cutting. Plus, "all advertising sectors for us are very weak," added CFO *Robert Marcus*, who intimated that a 10% decline in 4Q RGU net adds wouldn't be a surprise. Execs, however, did highlight a few bright spots: the MSO is seeing both fewer connections and greater disconnects, suggesting the economy is far more to blame for the slowdown than is competition; and the company remains strong overall. Time Warner Cable's plans to split from parent **Time Warner** early next year and to invest in the **Sprint/Clearwire** jv are still a go, said execs, with funding for the former transaction's hefty dividend payout (approx \$10.9bln) already set. For his part, **Sanford Bernstein** analyst *Craig Moffett* isn't concerned about the MSO's guidance trim or its future. "TWC's sustained growth and share gains bode well," wrote Moffett, "and the fact that consensus expectations will now actually need to come up to meet TWC's lowered guidance makes a further case for the glass (more than) half full." Furthermore, said Moffett, the cable op's better-than-expected results in basic losses and broadband adds "suggest that the telco impact on cable is being more than fully offset by the deteriorating fortune of the satellite operators." Moffett forecasts a 20% decline in **DirectTV's** 3Q sub growth. **Collins Stewart's** *Thomas Eagan* lowered his 4Q VoIP add estimates for TWC by 44K and increased expected basic losses by 10K. Meanwhile, Time Warner, which cut its full-year earnings per share estimates primarily due to restructuring charges, remains bullish on its cable nets. **Turner** grew ad rev 9% in 3Q, said CFO *John Martin*, who expects solid ad growth in 4Q as well. "The benefits of this year's strong upfronts are kicking in this quarter, cancellation rates are running at normal levels, and while the current scatter market is moving cautiously, it still is running moderately ahead of upfront pricing," he said. Time Warner's subscription rev rose 10%, owing to solid affil growth at Turner and **HBO**, and sub growth at Turner, which achieved its 6th straight Q of double-digit growth in sub rev. TWC shares dipped 3.2% Wed, TW's 6.3%.

Election Ratings: **CNN** was the cable winner for primetime election night coverage (8-11pm ET), notching a 6.7 HH rating/7.68mln HHs (4.2/12.3mln for total viewers), according to **Nielsen**. **Fox News** scored a 5.2/6mln in the HH demo, while **MSNBC** had a 3.2/3.65mln. **ABC** was the overall winner with an 8.0 rating, followed by **NBC** (7.2) and then CNN. The collective HH rating for cable and broadcast nets (including **BBC America**, **Telemundo**, **TV One** and others) was a 41.5. **BET** edged out TV One 0.3 vs 0.1 in primetime coverage.

Competition: **DISH** has partnered with the **Community Broadcasters Assoc** to help prepare over-the-air households for the DTV transition through promotion and sales of the DBS op's suite of digital-to-analog converter boxes.

Advertising: Citing information that the **Justice Dept** would file an antitrust lawsuit to block the deal, **Yahoo!** and **Google** have abandoned their ad agreement that would have allowed Yahoo! to use Google to sell ads for place-

LOOK-A-LIKE
BE A STAR
OR AT LEAST
LOOK LIKE ONE!

WEDNESDAYS 8/7c

**TV
GUIDE
NETWORK**

ment on Yahoo!'s search results pages and certain third-party syndication partner Web sites. Justice said the deal would likely harm competition in the markets for Internet search advertising and Internet search syndication. -- 2 additional **Comcast Spotlight** markets have launched an **OpenTV** ad campaign management product, with Seattle and Philly joining Baltimore in the deployment. The tech's able to handle thousands of local and interconnect networks, schedule complicated channel environments and run multiple DMAs within a single database.

At the Portals: NCTA is weighing in on letters that video providers have received from the FCC Enforcement Bureau over the moving of some analog nets to digital. "Perhaps most troubling is the continuing pattern of subverting normal procedures and, in these instances, using the Commission's bureau to launch suspect inquiries designed to reach a pre-ordained outcome," said NCTA spokesperson *Brian Dietz*. **Comcast, Verizon, Time Warner Cable, Cablevision** and several others last Thurs received word that they are being investigated over their pricing policies. They are asked to provide details on analog-to-digital changes since Nov '06 within 14 days. "It is perplexing that the FCC's Enforcement Bureau has sent Letters of Inquiry to cable and telco video providers insinuating they are acting inappropriately in rolling out new digital video services and technologies. The Bureau's actions are clearly contrary to the FCC's own policies encouraging the rollout of new digital services," Dietz said. The **Consumers Union** raised questions about the analog-to-digital moves in an article in its *Consumer Reports* magazine. -- **International Nets'** German channel **Deutsche Welle** launched in **Comcast's** Fort Myers and Naples, FL, systems. It's \$9.95/month. -- **EWTN** said non-affiliated systems can offer the flagship Catholic net along with **EWTN Espanol** during Dec without cost and without further carriage obligation (both channels have always been available free of charge).

Carriage: **ReelzChannel** launched on **FiOS TV** in CA, FL and TX, and on **Charter** in Morristown, Alcoa and Cleveland/Dalton, TN.

DTV Doings: The percent of homes completely unready for the Feb 17 DTV transition dipped to 7.7% in Oct from 8.4% in Sept, the largest single month decline in the past 6 months, **Nielsen** says. Non-Hispanic HHs continue to be more ready than their Hispanic counterparts (7.1% vs 12.4%).

Earnings: **New Frontier's** transactional TV segment reported 8% growth in fiscal 2Q rev to \$10.8mln, aided heavily by improved VOD performance (+19%) on several large cable ops. The company said it increased on demand content distribution by more than 1mln homes while adding nearly 2mln PPV homes

Programming: **Adult Swim** is expanding its programming day to 10pm-6am from 11pm-6am starting in Jan. To launch the new sked, it has acquired "King of the Hill" for the 10pm timeslot. -- **A&E** greenlit "Keyshawn Johnson: Tackling Design," which features the former **NFL** pro's interior design business. -- Kudos to **Cablevision**, which gears up for the 12th season this week of its award-winning high school quiz show, "The Challenge." Nearly 1K students from almost 180 schools will appear on the show, which kicks off Sat on News 12. The Tri-State Challenge Champion team wins \$10K for their school and \$500 for each competing team member. -- **Outdoor Channel** has inked a 5-yr contract extension with the **National Shooting Sports Foundation** to produce "Shot Show TV." -- **CBS College Sports'** Thurs night (8pm ET) college football telecast featuring Utah and TCU marks analyst *Dan Fouts'* net debut.

From the Street: Could **DirecTV** face a dish dump? **Sanford Bernstein's** *Craig Moffett* predicts 192K net adds for DirecTV when it reports 3Q results Thurs. That's down 20% from a year ago. Reasons include DSL weakness ("It is a huge challenge to preserve video relationships with customers who take broadband from a direct competitor, whether it be a cable operator or a video-enabled telco...", he wrote in a research note) and the fact that companies with high-end positions have been "under siege all across the economy" (DirecTV has built a reputation among high-end video purchasers).



THE RIGHT SHOWS. THE MOST POWERFUL AUDIENCE.
Only on Retirement Living TV.

For the only network targeting adults 50+, contact Betsy Brightman
at 443-430-8944 or BBrightman@RLTV



BUSINESS & FINANCE

Honors: CTAM chmn Joe Rooney took the unusual route of selecting the local CTAM chapters as the '08 Chairman's Award recipients. "I know it's a bit unorthodox choosing the Chapters over an individual, but the volunteers who lead the CTAM chapters really extend the impact of our organization beyond what we would otherwise reach," said Rooney, chief marketing officer at Cox. There are a total of 15 CTAM Chapters – 12 in the continental US, and one each in the Caribbean, Europe and Canada.

People: Vicki Lins will brief CTAM showgoers on Canoe Ventures next week as the collaborative ad initiative's chief marketing officer, but no longer as a Comcast Spotlight exec. Lins is vacating the post to concentrate solely on Canoe. -- Sundance named Mala Chapple vp, original programming, production. -- NTN Buzztime appointed Kenneth Carver a board member.

Business/Finance: Fitch has downgraded to 'A' from 'A+' Verizon's issuer default rating, senior unsecured debt and \$5.6bln bank facility, but it also removed the telco's ratings from Ratings Watch Negative and assigned a Stable Rating Outlook. "A concern with regard to Verizon's rating is continued competition for voice services in the consumer wireline market," wrote Fitch, which forecasts continued voice rev losses for VZ "primarily to cable multiple system operators (MSOs) and wireless substitution."

CableFAX Daily Stockwatch

| Company | 11/05 Close | 1-Day Ch | Company | 11/05 Close | 1-Day Ch |
|------------------------------|-------------|----------|-----------------------|-------------|----------|
| BROADCASTERS/DBS/MMDS | | | | | |
| BRITISH SKY: | 26.36 | (0.94) | AMDOCS: | 23.63 | (0.43) |
| DIRECTV: | 20.80 | (1.69) | AMPHENOL: | 29.32 | (0.52) |
| DISNEY: | 24.23 | (1.79) | APPLE: | 103.30 | (7.69) |
| ECHOSTAR: | 15.76 | (0.52) | ARRIS GROUP: | 6.57 | (0.28) |
| GE: | 19.93 | (0.84) | AVID TECH: | 14.49 | (0.21) |
| HEARST-ARGYLE: | 14.79 | (1) | BIGBAND: | 4.10 | 0.16 |
| NEWS CORP: | 9.93 | (1.06) | BLNDER TONGUE: | 0.84 | 0.00 |
| MSOS | | | | | |
| CABLEVISION: | 16.93 | (1.35) | BROADCOM: | 17.06 | (0.63) |
| CHARTER: | 0.43 | (0.07) | CISCO: | 17.39 | (0.94) |
| COMCAST: | 16.90 | (0.87) | COMMSCOPE: | 16.15 | (0.62) |
| COMCAST SPCL: | 16.48 | (0.86) | CONCURRENT: | 3.91 | 0.36 |
| GCI: | 7.57 | (0.41) | CONVERGYS: | 7.44 | (0.34) |
| KNOLOGY: | 4.87 | (0.28) | CSG SYSTEMS: | 15.13 | (0.78) |
| LIBERTY CAPITAL: | 6.65 | 0.03 | ECHOSTAR HOLDING: | 18.49 | (0.61) |
| LIBERTY ENT: | 16.00 | (1.5) | GOOGLE: | 342.24 | (24.7) |
| LIBERTY GLOBAL: | 16.11 | (1.49) | HARMONIC: | 6.35 | (0.56) |
| LIBERTY INT: | 4.63 | (0.32) | JDSU: | 5.25 | (0.26) |
| MEDIACOM: | 4.05 | (0.45) | LEVEL 3: | 1.07 | (0.25) |
| SHAW COMM: | 18.83 | (0.53) | MICROSOFT: | 22.08 | (1.45) |
| TIME WARNER CABLE: | 19.90 | (0.66) | MOTOROLA: | 4.80 | (0.44) |
| VIRGIN MEDIA: | 6.24 | (1.33) | NDS: | 49.24 | (0.51) |
| WASH POST: | 445.50 | (4.75) | NORTEL: | 1.27 | 0.01 |
| PROGRAMMING | | | | | |
| CBS: | 9.10 | (0.74) | OPENTV: | 1.26 | (0.12) |
| CROWN: | 2.75 | (0.27) | PHILIPS: | 19.40 | (1.47) |
| DISCOVERY: | 13.73 | (0.32) | RENTRAK: | 11.38 | (0.03) |
| EW SCRIPPS: | 4.77 | 0.33 | SEACHANGE: | 7.98 | (0.07) |
| GRUPO TELEVISA: | 17.11 | (1.99) | SONY: | 24.47 | (0.42) |
| HSN: | 4.97 | (0.73) | SPRINT NEXTEL: | 3.71 | (0.44) |
| INTERACTIVE CORP: | 17.14 | 0.54 | THOMAS & BETTS: | 24.61 | (1.08) |
| LIBERTY: | 32.05 | (1.45) | TIVO: | 6.22 | (0.57) |
| LODGENET: | 0.96 | (0.03) | TOLLGRADE: | 4.63 | 0.07 |
| NEW FRONTIER: | 2.24 | 0.00 | UNIVERSAL ELEC: | 19.19 | (1) |
| OUTDOOR: | 7.74 | (0.52) | VONAGE: | 0.85 | (0.05) |
| PLAYBOY: | 2.40 | 0.21 | YAHOO: | 13.92 | 0.57 |
| RHI: | 13.39 | (0.86) | TELCOS | | |
| SCRIPPS INT: | 27.01 | (1.61) | AT&T: | 27.15 | (2.13) |
| TIME WARNER: | 10.15 | (0.68) | QWEST: | 3.30 | (0.08) |
| VALUEVISION: | 0.58 | (0.03) | VERIZON: | 30.84 | (1.77) |
| VIACOM: | 20.91 | (1.74) | MARKET INDICES | | |
| WWE: | 13.80 | (0.07) | DOW: | 9139.27 | (486.01) |
| TECHNOLOGY | | | | | |
| 3COM: | 2.47 | (0.12) | NASDAQ: | 1681.64 | (98.48) |
| ADC: | 6.84 | (0.05) | | | |
| ADDVANTAGE: | 1.90 | (0.07) | | | |
| ALCATEL LUCENT: | 3.06 | 0.17 | | | |



#11 TCU vs. #10 UTAH
COLLEGE FOOTBALL

TONIGHT 8 ET IN HD
ONLY ON THE
CBS COLLEGE SPORTS NETWORK
WWW.CBSSPORTS.COM/CBSCOLLEGE

CableFAX

Webinar

Brand Integration for Cable: Driving Revenue with Product Placements and Partnerships

Presented by CableFAX Daily and CableFAX Content Business

Thursday, November 6, 2008 • 1:30-3:00pm (ET)

As consumers take control of their content choices, the art of product placement has made a comeback. Cable marketers need to fight ad-skipping and other trends threatening traditional TV advertising. But integration isn't as easy as it sounds. And slapping a new name like "brand integration" on an age-old practice isn't enough. Today's consumers want discretion and relevance-all while striking an important balance that doesn't hit people over the head.

Join CableFAX and an esteemed panel of brand integration specialists to get proven strategies for profiting from product placements and branded content. This 90-minute information-packed Webinar on November 6 is designed for you and your marketing and business development teams to hear the smartest ideas to create or expand this relatively new revenue stream.

- Kevin McAuliffe, VP, Branded Entertainment
NBCU Cable Networks
- Jocelyn Egan, VP
Discovery Solutions Discovery Communications
- Holly Beverly, EVP
Vanguard Entertainment Media Marketing Group
- Moderator:**
 - Mike Grebb, Executive Editor, CableFAX Daily

As you prepare for 2009, this Webinar will be well worth your time.

Here are a few things you'll learn in our brand integration webinar:

- What do consumers want and what will they tolerate?
- How does the new multiplatform landscape change the game?
- How do different demos respond to brand integration? Are some better targets than others?
- What different kinds of content are best suited for brand integration and why?
- How will brand integration change in the future, and how can you stay current in your thinking?
- How does brand integration fit into larger marketing campaigns-and what do advertisers really want?
- How do you avoid tension between producers/writers and content executives when disagreements over brand integration arise?

Register at www.cablefax.com/cfp/webinars