

# CableFAX Daily™

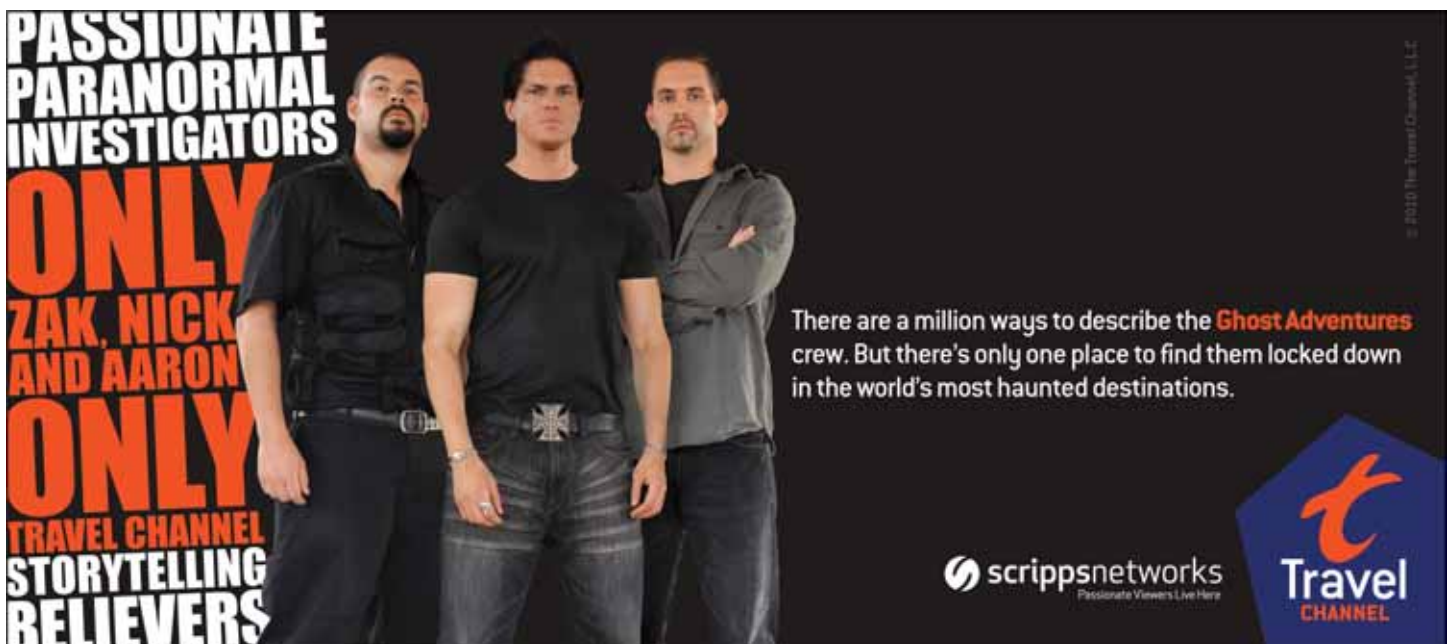
Tuesday — November 9, 2010

What the Industry Reads First

Volume 21 / No. 217

## Raging Retrans: Issue Remains Hot-button

While weak economic conditions and a tougher competitive landscape are also weighing on cable, **Mediacom** chmn/CEO *Rocco Commisso* underscored during the MSO's 3Q earnings call that escalating retrans fees are particularly problematic. "All my worst fears have come true," said Commisso, noting that for years he's expected contentious and rigid retrans negotiations to dominate. "We can't just go out and do rate increases" like we could in the past. MCCC's programming costs increased 5.3% in the Q. Commisso's vitriol was directed at the government, whose inaction he finds "troubling" as high-profile skirmishes such as **Fox-Cablevision** are becoming increasingly common. "It's amazing to me that the **FCC** in particular... can't seem to find the authority to protect consumers," he said. Trouble is, with the FCC declining to get involved with the protracted Fox-CVC spat and Republicans gaining additional Congressional seats last week, it's unlikely that legislative help is on the way. In a conference call late last week, **CBS** chief *Les Moonves* reiterated broadcasters' recent contention that government has no business getting involved—while also asserting that retrans fee demands will continue to ramp. "Our retransmission consent revenue was up more than 40% year-to-date... and will easily meet our full year target of \$100 million," said Moonves, noting that scores of deals are forged without fanfare, so retrans should remain a private, company to company negotiation. "We all hear about the battles. We all hear about the signals being pulled. There have been hundreds of deals that haven't made any noise whatsoever," he said. "And by and large, if we were able to conclude a 10-year deal with **Comcast**, a long-term deal with **Time Warner**, successful deals with 25 smaller cable companies, [the Fox-CVC] dispute is the exception, not the rule." Perhaps a bright spot, CBS believes in awarding digital content rights to cable ops if they play nice in the retrans arena. "When Comcast or Time Warner gives us decent retrans dollars, which they have done, and treats us very fairly, which they have done, they deserve to have [digital] content as part of their retrans fees." Also of note: CBS, like Fox, is looking to increase its share of the retrans fees garnered by its affil stations, a strategy that could drive fees even further upward. "We are getting paid. It's hard to quantify where we're going to be since the bulk of our deals aren't up until '13 and '14," said CFO *Joseph Ianniello*. At least Mediacom isn't convinced that cord cutting has become an issue, either because of rising programming costs or general economic concerns. Connects are down 6% within the MSO's student areas, but execs said the reasons for the decline are unclear. Like other



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# CableFAX

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December 9, 2010  
Luncheon  
12:00 – 2:30pm  
Grand Hyatt, NYC

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cable ops, MCCC is looking at possibly offering smaller packages to reduce consumer costs, but evp, ops *John Pascarella* said not to expect any news on this front until at least July. He did note "some success" for MCCC's value plan, which allows subs to lower their video costs by extending their contract duration. More on MCCC's 3Q in "Earnings" below.

**Friends Again: Scripps Nets'** disappearance Fri from **AT&T U-Verse** didn't last too long, with **Food, HGTV** and the rest of the gang back on the dial Sun night. "We're very satisfied that this is a fair deal that benefits our U-verse customers," said AT&T. "The terms and costs of the deal recognize our growing subscriber base and give us the tools and content rights to compete with all other providers." Details, of course, weren't disclosed. But after multiple extensions, the rubber hit the road Fri. "These situations are never easy, and everyone regrets that the viewers were caught in the middle," said **Scripps Nets** pres *John Lansing*. In describing the dispute, AT&T focused on fees, while Scripps said it was digital rights.

**Comcast-NBCU: ACA** released an economic study Mon claiming that consumers will pay at least \$2.4bln more over the next 9 years for pay TV as a result of the pricing power that will flow from a **Comcast-NBCU** combination. The group presented its report late last week to the **DOJ** and **FCC**. Conducted by former FCC chief economist *William Rogerson*, the study concludes that the jv would be able to raise programming fees well above the rates they'd be able to command as separate companies. He pegs the vertical harm over 9 years at \$1.43bln and horizontal harm at \$1.14bln. Comcast called the study "flawed economic analysis," relying on assumptions and calculations that are "unsupported, directly contradicted by available data, and contrary to previous FCC rulings." It once again called on the FCC to reject ACA's proposed conditions, saying Comcast-NBCU should not be treated worse than **Fox, DirecTV** and **Liberty** were in recent deals. The ACA study breaks out the potential increase in costs to consumers at nearly \$1.6bln for the NBCU national cable nets, \$651.2mln for the Comcast RSNs and \$355mln for the NBC O&Os. -- *Keith Olbermann's MSNBC* suspension (he'll be back on air Tues night) is stirring up **Comcast-NBCU** dander, with Sen *Bernie Sanders* (I-VT) claiming he'll do everything he can to stop the proposed jv. On Mon, Sanders called out Comcast COO *Steve Burke* for raising at least \$200K for the '04 re-election of *George W Bush*. "We need more viewpoints. We do not need another media giant run by a Republican supporter of George W. Bush. That is the lesson we should learn from the Keith Olbermann suspension," said Sanders, who took aim at **GE** for not backing MSNBC commentators in the same way he suggested **New Corp's Rupert Murdoch** has for "his mouthpieces at Fox News." (Psssst, Bernie: Comcast programming pres *Jeff Shell* was a fundraiser for Obama, serving on his natl finance committee)

**Earnings: Mediacom's** overall rev rose 3% to \$374.4mln, including gains in HSD (+9.7%) phone (+7.5%) and ad (+18.8%) rev. Video rev and op income each slipped 0.9%. The MSO added 19K net RGUs, including -13K basic subs, +12K digital, +13K HSD and +7K voice. **Miller Tabak's David Joyce** said those metrics were all light yet maintained his 'buy' rating on MCCC shares due to low FCF valuation and the potential for another privatization bid from *Rocco Commisso*. -- **The Washington Post Co's Cable One** reported flat rev of \$188.7mln while RGU's increased 2% on the strength of HSD and phone. As of Sept 30, it counted 651K basic subs, compared to 678K a year ago, 214K digital (222K), 417K HSD (389K) and 138K phone (105K). -- **Liberty Starz** grew rev 5% and op income 15%, highlighted by **Starz Ent's** rev and op income gains and sub unit growth at **Starz** (+1%) and **Encore** (+4%). **Liberty Interactive's** rev rose 8% and op income 13% as **QVC's** domestic rev increased 7% to \$1.2bln.

**Carriage: Cox New Orleans** is launching **Halogen TV** Tues on its Digital Variety package. The net, which launched just over a year ago, is now available to 14+mln homes. -- **Time Warner Cable** added **Wedding Central** in its East Region/NYC market. -- **Cablevision** added **Radio e Televisao de Portugal** to its **iO Intl** programming service.

**Broadband:** A broadband report from **NTIA** and the **Dept of Commerce's** Economics and Statistics Admin has us wondering once again just how the govt will convince everyone to jump on the broadband bandwagon. Yes, 7 out of 10 HHs used the Internet in '09 (most via broadband at home), but the study found that nearly 25% of all HHs did not have an Internet user. Internet non-users reported lack of need or interest as their primary reason for not having broadband at home, with this group accounting for 2/3 of those who don't have broadband at home. Affordability was the primary deterrent among those who do not use the Net at home, but do use it elsewhere (almost 25% of those without broadband at home). The report analyzed data collected through an Internet usage survey of 54K HHs conducted by the **US Census Bureau** in Oct '09. Other findings include that adoption was higher among white HHs than black or Hispanic homes, with the report noting that differences in socio-economic attributes do not explain the gap associated with race and ethnicity.



# BUSINESS & FINANCE

**VOD:** Time Warner Cable added more than 300 hours of new on demand programming from **ABC**, **Disney Channel** and **ESPN**, and on Wed will freely launch **Primetime HD On Demand** for digital subs. Also, the MSO launched **Look Back** in several areas including NY, the Carolinas and parts of TX, allowing digital customers to go back within a three-day window to watch shows they may have missed without setting their DVR. -- **Charter** deployed **Ascent Media's** VOD management solution to expand platform content and create efficiencies.

**Ratings:** The series premiere Sun of **Disney's** "Shake It Up" goes down as the net's 2nd-most watched series debut among total viewers (6.2mln) and kids 9-14 (2.7mln). -- 3.3mln total viewers tuned in to **Nat Geo's** premiere of "Great Migrations" from 8-11pm, with the feature's 1st hour becoming the net's high-rated (1.4) premiere of '10.

**Programming:** **AMC** renewed "The Walking Dead" for a 13-ep 2nd season. Sun's ep notched a 3.1 HH rating with 3.3mln viewers 18-49. -- **Versus'** 1st-ever live 3D telecast kicks off Sat (7:30pm ET) with the Oregon-Cal football matchup. The preceding TCU-San Diego State tilt will mark the 1st college football game to use **Versus Vision**, which features highlights at Versus.com within a 180-degree, user-controlled 3D experience.

## CableFAX Daily Stockwatch

Company	11/08 Close	1-Day Ch	Company	11/08 Close	1-Day Ch
<b>BROADCASTERS/DBS/MMDS</b>					
DIRECTV:	42.83	0.11	ARRIS GROUP:	10.12	(0.01)
DISH:	20.05	(0.76)	AVID TECH:	13.34	(0.02)
DISNEY:	37.06	(0.14)	BIGBAND:	3.19	(0.09)
GE:	16.71	(0.02)	BLNDER TONGUE:	2.17	0.08
NEWS CORP:	16.21	(0.12)	BROADCOM:	42.48	0.14
<b>MSOS</b>					
CABLEVISION:	29.32	0.62	CISCO:	24.39	0.13
CHARTER:	35.79	0.07	CLEARWIRE:	6.53	(0.4)
COMCAST:	20.91	(0.13)	COMMSCOPE:	32.17	0.72
COMCAST SPCL:	19.71	(0.15)	CONCURRENT:	4.70	(0.08)
GCI:	10.79	(0.18)	CONVERGYS:	11.83	(0.06)
KNOLGY:	14.29	0.04	CSG SYSTEMS:	20.17	(0.03)
LIBERTY CAPITAL:	59.95	0.74	ECHOSTAR:	21.70	0.05
LIBERTY GLOBAL:	38.91	(0.52)	GOOGLE:	626.77	1.69
LIBERTY INT:	15.39	0.11	HARMONIC:	6.74	(0.04)
MEDIACOM:	6.95	(0.08)	INTEL:	21.23	(0.01)
SHAW COMM:	21.46	(0.19)	JDSU:	11.96	0.56
TIME WARNER CABLE:	62.05	UNCH	LEVEL 3:	0.89	(0.03)
VIRGIN MEDIA:	26.18	(0.43)	MICROSOFT:	26.81	(0.04)
WASH POST:	399.26	0.88	MOTOROLA:	8.15	(0.05)
<b>PROGRAMMING</b>					
CBS:	16.82	(0.19)	RENTRAK:	27.37	0.25
CROWN:	2.74	0.04	SEACHANGE:	8.18	(0.16)
DISCOVERY:	40.97	(0.14)	SONY:	33.67	0.27
GRUPO TELEVISA:	23.40	0.23	SPRINT NEXTEL:	4.00	0.01
HSN:	26.77	0.53	THOMAS & BETTS:	45.51	(0.07)
INTERACTIVE CORP:	28.67	0.09	TIVO:	11.29	0.13
LIBERTY:	39.87	(0.21)	TOLLGRADE:	8.21	(0.08)
LIBERTY STARZ:	63.63	(0.73)	UNIVERSAL ELEC:	26.97	(0.9)
LIONSGATE:	7.29	(0.05)	VONAGE:	2.44	0.11
LODGENET:	3.11	0.09	YAHOO:	16.44	0.17
NEW FRONTIER:	1.92	0.03	<b>TELCOS</b>		
OUTDOOR:	6.12	0.02	AT&T:	29.18	(0.09)
PLAYBOY:	4.91	UNCH	QWEST:	6.80	-0.00
SCRIPPS INT:	52.37	(0.3)	VERIZON:	33.17	(0.26)
TIME WARNER:	31.52	0.18	<b>MARKET INDICES</b>		
VALUEVISION:	2.36	0.02	DOW:	11406.84	(37.24)
VIACOM:	43.74	(0.08)	NASDAQ:	2580.05	1.07
WWE:	14.01	(0.06)	S&P 500:	1223.25	(2.6)
<b>TECHNOLOGY</b>					
ADC:	12.67	(0.01)			
ADVANTAGE:	3.30	0.07			
ALCATEL LUCENT:	3.20	(0.08)			
AMDOCS:	26.97	UNCH			
AMPHENOL:	52.48	(0.4)			
AOL:	26.10	1.18			
APPLE:	318.62	1.49			

## CableFAX Webinar

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## EYE ON INNOVATION

### Doctor on Call and Online

Cox is no stranger to the small-to-medium size business market, with the MSO's commercial unit set to hit \$1bln in annual revenue in early Dec. An early entrant to the SMB world, Cox Business' sweet spot is businesses with 20 employees or fewer. But there is another opportunity it is concentrating on—"large local," meaning large industries centralized within Cox's footprint (hospitals, universities, local govts, etc).

In 6 years, Cox is hoping to hit the \$2bln mark, according to Cox Business vp *Philip Meeks*. A huge part of that could come from healthcare, which has \$17bln of stimulus money earmarked for digitizing medical records over the next few years. And healthcare is an area that works well with cable's enterprise plans because it is geographically concentrated within operators' footprints. "There are patients homes, hospital, doctors, insurance claims... we're uniquely positioned to tie them all together," said Meeks.

Cox is already talking to partners about specific vertical apps that can stack on its network to help bring medicine into the digital age. One such potential product identified by Meeks is a floor mat that would be next to a patient's bed. When the patient stood on it in the morning, it would take down weight and various vitals and send a daily diagnostic report to his or her healthcare provider. And of course, Cox is hoping all of that would transpire on its network.

In Aug, Cox Business took a big step into biomedical research with a deal with Translational Genomics Research Institute. Cox's connection moves data 100 times faster between the Institute and Arizona State Univ's supercomputer, with the 2 transferring trillions of bits of DNA data for analysis into diseases such as diabetes and Alzheimer over the MSO's secure and wholly-owned network. Previously, the transfer and processing of data took more than week. Now, it can be done in just a few hours.

There has been talk for years of telemedicine, but Meeks

believes it will become a reality soon. "In the next 2 years, [it should happen] because there is the carrot and the stick. The government is putting incentives there to make it happen now," he said

One such example is the National Broadband Plan, which contains an entire chapter on healthcare. Among the Plan's recommendations: Congress should consider providing consumers access and control over all their digital health care data in machine-readable formats. That would in-

clude the right to provide it to 3rd party application developers or service providers. "Broadband is not a panacea. However, there is a developing set of broadband-enabled solutions that can play an important role in the transformation required to address [healthcare] issues," the Plan says. "These solutions, usually grouped under the name health

information technology, offer the potential to improve health care outcomes while simultaneously controlling costs and extending the reach of the limited pool of health care professionals. Furthermore, as a major area of innovation and entrepreneurial activity, the health IT industry can serve as an engine for job creation and global competitiveness."

Healthcare isn't the only area on Cox Business' horizon. No discussion with the company would be complete without delving into its long-anticipated (and delayed) launch of wireless. While Cox's initial launch will be focused on residential customers, Meeks confirmed wireless would indeed be a big factor for Cox Business once it launches, though he passed on specifics. The difference between Cox Business' offering and that of the major wireless carriers today is that Cox will cater to small companies, which perhaps only need devices and service for 3 or 4 employees. If you go to existing wireless carriers today with that need, they'll offer their best residential plan, Meeks said. Cox will build a specific bundle, and in addition to retail stores, Cox Business reps will be equipped to sell those products. Meeks estimates a \$4bln commercial wireless opportunity.

- Amy Maclean



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# CORPORATE LICENSES

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## WHAT THE INDUSTRY READS FIRST.

