

# CableFAX Daily™

Monday — November 17, 2008

What the Industry Reads First

Volume 19 / No. 223

## Migration Equation: MSOs Respond to FCC's Digitization Inquiry

No specific details on 13 cable ops' responses to an **FCC** investigation into the impact of cable's digital migration on customers, but it seems likely the group agreed with **NCTA's** objections to the process (**Cfax**, 11/13). **Comcast** did align itself with the assoc's concerns, said a spokesperson, and provided an overview of its analog-to-digital changes since Nov '06. But the MSO also told the commission that it would take approx 1.5K hours to codify the requested data covering '08 alone. 1 of Comcast's key arguments stated that the FCC cannot regulate any cable tiers above basic; another noted that most of cable's competition has never offered a legacy basic tier, so it's difficult to compare pricing, offerings, etc. The MSO also said it commonly promotes a free box that affected customers can use to still receive channels that have been migrated. 166 related complaints were lodged with the FCC against Comcast, said the rep. **Suddenlink** was apprised of 4 complaints and argued that it maintains a "robust" analog lineup even as digital offerings increase, said a spokesperson. Furthermore, the MSO argued that the net number of analog channels increased across all of the video customers it serves during the inquiry period. And because of that, Suddenlink's "programming costs have increased significantly." Citing confidentiality, **Cox** declined to offer details of its own response. Other MSOs, including **Bright House**, **Charter** and **Cablevision**, didn't respond to inquiries by deadline.

**At the Portals:** In a Fri letter to the **FCC**, **NCTA** decried recent proposals by **USTelecom**, **AT&T** and **Verizon** to establish a new formula for calculating pole attachments rates for broadband providers as detrimental to cable ops and "inconsistent with the Commission's policy of promoting broadband investment and facilities-based competition." NCTA said the proposals would unfairly establish rates that are 50-200% higher than those established under the existing cable rate formula, and that the rates "exceed the statutory maximum applicable to cable operators and telecommunications carriers." NCTA also underscored its own proposal filed in Apr that would give ILECs the option to attach to poles using the same rates, terms and conditions available to cable ops or to maintain their existing agreements, if preferable. -- **NTIA** endorsed late Fri a carriage agreement quiet period between broadcasters and pay-TV ops to limit potential confusion and service disruption surrounding the DTV transition. NTIA confirmed that pulling broadcast stations from pay-TV ops increases digital-to-analog converter box coupon requests. The announcement responded to lawmakers' concerns (**Cfax**, 10/23).

**In the States:** The Alameda, CA, Public Utilities Board and City Council will vote next week on **Comcast's** proposal to acquire **Alameda Power & Telecom's** Internet and cable system for \$17mln, according to published reports. The system currently counts approx 9.5K cable and 6.6K Internet customers.

**In the Courts:** The cable fallout from cancelled deployments of **NebuAd** tech that used or would have used non-personally identifiable information to serve targeted Internet advertising continues in San Francisco. A class action suit has been filed in US District Court there alleging that NebuAd and ISPs including **Bresnan**, **CableONE**,



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**Knology** and **WOW!** violated the privacy and computer security rights of Internet users through joint ventures that intentionally intercepted online transmissions without consent or notice. **Charter** opted out of a NebuAd trial in Jun after facing scrutiny that spurred a **Sen Commerce** hearing in Jul about online advertising and privacy implications. **Bresnan** and **CableONE** both conducted limited trials with NebuAd, and following lawmakers' concerns, **WOW!** and **Knology** distanced themselves from the company, whose CEO resigned in Aug.

**Research:** US set top rev will decline 5% from '08 to '09 on volume that will actually rise, albeit at a relatively weak 9.3% annual rate over the same period, according to **IMS Research**. Globally, the firm forecasts a 2% rev dip on 5% volume growth. The US outlook does not include the DTV converter box program, which IMS said could see considerable growth over the next 2 years. Global TV set rev is expected to decline by 11% in '09 to \$90bln on a volume decline of 2%.

**Online:** **ESPN.com**'s new scripted series "Mayne Street" was viewed nearly 2.5mln times in its 1st 48 hours online, making it the site's most-viewed single video in the past 6 months. Also, the initial ep was the most-viewed ESPN video on iPhones; related clips, promos and outtakes accounted for nearly 1mln additional video views.

**Programming:** **TV Land** greenlit 3 new original series: "How'd You Get So Rich?" features *Joan Rivers* searching the country to find out how wealthy people spend their money; "First Love, Second Chance" offers long-lost lovers an opportunity to rekindle their romances from years past; and "Make My Day" uses hidden cameras as contestants are faced with a series of wonderful and weird coincidences. -- **Biography** bows Dec 1 the 2nd season of "I Survived..." featuring 1st-person accounts of people who have encountered extraordinary challenges and survived to tell about it. The series' premiere run became the net's top series ever among 25-54s and 18-49s. -- **Comedy Central** launched Fri 5 eps of "Face to Bush," featuring *George W. Bush* exit interview spoofs starring impersonator *James Adomian*. The eps are also featured at **Atom.com**. In addition, the net began production on 2 new pilots, "Ugly Americans" and "Evan and Gareth Are Trying to Get Laid." The former's an animated project about an alternate universe in NYC that is being spun off from **ComedyCentral.com**, and the latter is a scripted narrative about 2 guys who work at a male advice Website. -- **Fox Business** will dedicate more than 8 hours of live coverage this weekend (Sat, 8am EST) to the **World Economic Summit**, which is bringing together in D.C. world leaders from countries including China, Britain, France, Germany and Japan to discuss the global economic crisis. -- **Fox Soccer Channel** on Mon will spotlight the 6th annual Match Against Poverty, a contest that features intl stars such as *Ronaldo* and *Zinedine Zidane* and promotes an initiative to cut worldwide poverty in half by '15 through the **UN**. -- Returning to **ABC Family** early next year are popular originals "The Secret Life of the American Teenager" (Jan 5) and "Kyle XY" (Jan 12).

**Honors:** **The Imagen Foundation** has honored the following **Fox** execs for their contributions to the positive portrayal of Hispanics in media: **Fox Sports Intl** assistant gm/svp, marketing, comm and creative services *Raul de Quesada*; **FOX TV Studios** pres *Emiliano Calemzuk*; and **Fox Cable Nets** svp, business and legal affairs *Claudia Teran*.

**Business/Finance:** **New Frontier Media** has inked an agreement to repurchase in a privately negotiated transaction all of the 2.6mln shares of common stock owned by 1 of its largest shareholders at a price of \$1.55/share. Noof shares closed Fri at \$1.80.

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# WIDE APPEAL.



### CableFAX Week in Review

Company	Ticker	11/14 Close	1-Week % Chg	YTD %Chg
<b>BROADCASTERS/DBS/MMDS</b>				
BRITISH SKY:	BSY	23.48	(6.8%)	(45.6%)
DIRECTV:	DTV	20.64	(5.9%)	(10.7%)
DISNEY:	DIS	21.08	(9.7%)	(34.7%)
ECHOSTAR:	DISH	11.00	(29.1%)	(67.6%)
GE:	GE	16.02	(15.1%)	(49.3%)
HEARST-ARGYLE:	HTV	11.33	(15.2%)	(46.5%)
NEWS CORP:	NWS	7.56	(10.8%)	(63%)

Company	Ticker	11/14 Close	1-Week % Chg	YTD %Chg
<b>MSOS</b>				
CABLEVISION:	CVC	13.90	(10.8%)	(42.9%)
CHARTER:	CHTR	0.35	(18.6%)	(70.1%)
COMCAST:	CMCSA	15.53	(10.8%)	(13%)
COMCAST SPCL:	CMCSK	15.15	(10.7%)	(14.4%)
GCI:	GNCMA	6.11	(18.3%)	(30.2%)
KNOLOGY:	KNOL	5.21	10.60%	(59.2%)
LIBERTY CAPITAL:	LCAPA	3.78	(37.7%)	(83.8%)
LIBERTY ENT:	LMDIA	12.80	(21.9%)	(47.1%)
LIBERTY GLOBAL:	LBTYA	14.13	(12.3%)	(63.9%)
LIBERTY INT:	LINTA	3.01	(34.1%)	(84.2%)
MEDIACOM:	MCCC	3.71	(12.1%)	(19.2%)
SHAW COMM:	SJR	18.33	(1.7%)	(16.7%)
TIME WARNER CABLE:	TWC	18.87	(1.2%)	(31.6%)
VIRGIN MEDIA:	VMED	5.02	(17.7%)	(68%)
WASH POST:	WPO	393.00	(10.5%)	(48.2%)

Company	Ticker	11/14 Close	1-Week % Chg	YTD %Chg
<b>PROGRAMMING</b>				
CBS:	CBS	6.62	(18.9%)	(69%)
CROWN:	CRWN	2.20	(17.3%)	(66.2%)
DISCOVERY:	DISCA	13.92	(1.2%)	(39%)
EW SCRIPPS:	SSP	3.24	(15%)	(45.6%)
GRUPO TELEVISIA:	TV	15.09	(6.7%)	(33.5%)
HSN:	HSNI	4.67	6.60%	(68.6%)
INTERACTIVE CORP:	IACI	15.92	(4.3%)	(32.3%)
LIBERTY:	L	27.94	(7.5%)	(44.2%)
LODGENET:	LNET	0.91	4.60%	(94.8%)
NEW FRONTIER:	NOOF	1.80	(7.2%)	(53.1%)
OUTDOOR:	OUTD	5.72	(21.2%)	(17.1%)
PLAYBOY:	PLA	1.64	(15.5%)	(82%)
RHI:	RHIE	4.95	(48.7%)	(60.8%)
SCRIPPS INT:	SNI	26.00	3.80%	(35.9%)
TIME WARNER:	TWX	9.15	(9.4%)	(42%)
VALUEVISION:	VVTV	0.52	(1.9%)	(91.7%)
VIACOM:	VIA	18.29	(7.9%)	(58.4%)
WWE:	WWE	12.42	(5%)	(0.4%)

Company	Ticker	11/14 Close	1-Week % Chg	YTD %Chg
<b>TECHNOLOGY</b>				
3COM:	COMS	1.82	(18.4%)	(59.7%)
ADC:	ADCT	6.01	(11.3%)	(61.3%)
ADVANTAGE:	AEY	1.76	0.60%	(71.5%)
ALCATEL LUCENT:	ALU	2.32	(14.4%)	(68.3%)
AMDOCS:	DOX	18.34	(8%)	(46.8%)
AMPHENOL:	APH	22.25	(15.1%)	(51.7%)
APPLE:	AAPL	90.24	(8.1%)	(54.4%)
ARRIS GROUP:	ARRS	6.19	(1.9%)	(38%)
AVID TECH:	AVID	13.38	(8.2%)	(52.8%)
BIGBAND:	BBND	4.34	(5%)	(15.6%)
BLNDER TONGUE:	BDR	0.85	(22.7%)	(50%)

Company	Ticker	11/14 Close	1-Week % Chg	YTD %Chg
BROADCOM:	BRCM	15.38	(7.3%)	(41.2%)
CISCO:	CSCO	16.62	(5.5%)	(38.6%)
COMMSCOPE:	CTV	10.31	(32.7%)	(79%)
CONCURRENT:	CCUR	3.44	(15%)	(85.7%)
CONVERGYS:	CVG	5.43	(20.5%)	(67%)
CSG SYSTEMS:	CSGS	14.42	(7.9%)	(2%)
ECHOSTAR HOLDING:	SATS	15.42	(16.2%)	(53.1%)
GOOGLE:	GOOG	310.02	(6.4%)	(55.2%)
HARMONIC:	HLIT	4.83	(20.7%)	(53.9%)
JDSU:	JDSU	3.06	(36.7%)	(77.1%)
LEVEL 3:	LVLTL	0.87	(7.4%)	(71.4%)
MICROSOFT:	MSFT	20.06	(6.7%)	(41.5%)
MOTOROLA:	MOT	4.08	(14.8%)	(71.8%)
NDS:	NNDS	46.32	(3.9%)	(21.8%)
NORTEL:	NT	0.56	(52.2%)	(96.4%)
OPENTV:	OPTV	1.07	(15.1%)	(18.9%)
PHILIPS:	PHG	17.12	(10.9%)	(52.8%)
RENTRAK:	RENT	10.74	(4.1%)	(25.7%)
SEACHANGE:	SEAC	7.37	(3.4%)	1.90%
SONY:	SNE	21.12	(9.3%)	(60.1%)
SPRINT NEXTEL:	S	2.30	(31.8%)	(82.5%)
THOMAS & BETTS:	TNB	20.90	(12.5%)	(57.4%)
TIVO:	TIVO	5.86	(5.6%)	(29.7%)
TOLLGRADE:	TLGD	5.18	12.90%	(35.4%)
UNIVERSAL ELEC:	UEIC	15.33	(6.1%)	(54.2%)
VONAGE:	VG	0.89	(4.3%)	(61.3%)
YAHOO:	YHOO	10.82	(11.3%)	(53.5%)

Company	Ticker	11/14 Close	1-Week % Chg	YTD %Chg
<b>TELCOS</b>				
AT&T:	T	27.65	2.40%	(22.9%)
QWEST:	Q	2.86	(4%)	(52.4%)
VERIZON:	VZ	30.00	(0.2%)	(21.3%)

Company	Ticker	11/14 Close	1-Week % Chg	YTD %Chg
<b>MARKET INDICES</b>				
DOW:	INDU	8497.31	(5%)	(35.9%)
NASDAQ:	COMPX	1516.85	(7.9%)	(42.8%)

### WINNERS & LOSERS

#### THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. TOLLGRADE:	5.18	12.90%
2. KNOLOGY:	5.21	10.60%
3. HSN:	4.67	6.60%
4. LODGENET:	0.91	4.60%
5. SCRIPPS INT:	26.00	3.80%

#### THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. NORTEL:	0.56	(52.2%)
2. RHI:	4.95	(48.7%)
3. LIBERTY CAPITAL:	3.78	(37.7%)
4. JDSU:	3.06	(36.7%)
5. LIBERTY INT:	3.01	(34.1%)

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# MaxFAX...

## “The Cable Industry”

What's that?

Anybody know?

Always makes me wonder when I read those three words together ... once upon a time, I did know what that meant: a community antenna system



Paul S. Maxwell

with some nascent exclusive program providers. But that industry grew up... and became a number of industries that defied conventional wisdom—not just once, but often.

On the one hand, that community antenna (you know, the one the free, over-the-air broadcasters think subscribers should have to pay for again and again and again instead of the that one-time buy of rabbit ears or a roof-top antenna) kept adding bandwidth capabilities and kept inventing more and more uses for all that bandwidth: more programming (NOTE: the industry certainly answered the promises of “The Wired Nation), two-way whatever and then, Holy Grail!, the Internet faster than the speed of a billion dial-ups!

But that programming that got created... it wound up a separate—but complementary, synergistic and parasitical all at once—business.

Then came broadband and the wild, wild, west and the winds of change.

And the infrastructure part of the cable industry became a smart (very, very smart) pipe.

And the programmers welcomed (embraced, wooed and certainly got in bed with) the direct to home satellite industry and then—and then!—the telephone industry as it tried to metamorphose into an even smarter pipe.

Which raises some questions? Is “connectivity” the base business of these platforms? Is “content” a different business? Can one live without the other? Does the Internet change the rules to allow for the complete splintering of these businesses?

Last week's **CTAM** resulted in a number of stories raising that question from a parlor game to an almost real world situation: or, to put it bluntly, will the dual revenue streams of “classic” cable television linear networks survive? Can the payment of subscriber fees by cable operators (pipelines?) last longer as a business model than networks paying carriage fees to local broadcasters did? Just asking.

But if I were you, I'd be doing a lot of different business modeling exercises. And I'd think long and hard about disintermediation and where and when such things tend to happen.

### Random Notes:

- **Mixed Emotions:** Love it that Heedless Hundt is in the news and on the President-elect's transition team because he was always so

much fun to write about... but, OMG! I hope he doesn't wind up in charge of anything... anything at all! Then again, it might give him another chance to try to rig the process—I'd imagine he'd be a smarter bidder next time, wouldn't you?

- **Belay That?** Ummm... but he sure wasn't as bad as the current Chairman Kevin Martian. Did anybody (besides *Seth Davidson*) notice his **NASCAR** car crashed and burned... again? Think it might be a metaphor for his tenure? I'd like to think so.

- **The Global Economy and the Weekend:** The so-called G20 met over the weekend—this goes to press too early to know what happened and if it produced anything more than a few sound bites (“Another Bretton Woods? Nope, More Like a Bretton Woodshed!...” “The End of Globalization? Nope, More Like, Well?”). And while I well know that there is only one American President at a time, well, would've been nice if the new guy's economic team could have attended as observers... and done a lot of backroom discussing. Jan 20 is the date—better than March (as it was until the 1930s).

Paul Maxwell

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# EYE ON ADVERTISING

## The Buzz about Audience Engagement

Branded entertainment and product placement are all the buzz in advertising, and Buzznation has been a key catalyst in deal-making that catapults networks beyond the 30-second spot. We sat down with Buzznation principal/evp Jeff Greenfield to discuss how cable can keep the ad dollars flowing during these tough times.

**The economy is in the dumps, and only 8%-10% of viewers actually watch television ads these days, according to recent studies. Is product placement the answer to television advertising's woes?**

JG: I want it to be the answer, but it's not necessarily the case. I see a lot of money flowing into the Internet because of the perception it's being measured better there. The key for my clients is, "If it can't be measured, I don't want to do it," because they're being held accountable now more than ever before.

**So what does this mean for cable networks?**

JG: We met with a bunch of cable network presidents six months ago, and they're all terrified. They've been told by their boards they need to increase traffic in '09, and while TV is great they need to get Internet traffic moving. And they don't know how to do it. This is a huge turnaround from several years ago when networks were ignoring the Internet. But now all of a sudden, if you're a network you've become an Internet portal.

**So saving traditional TV advertising is no longer top of mind?**

JG: The Internet is becoming more and more of a play. It's not just about ratings any more. Nielsen unfortunately is a flawed system, and the game is changing. Look at other industries—the *Christian Science Monitor* is going completely online.



**Which networks seem to have a good handle on their Internet presence from an advertiser's perspective?**

JG: The one that comes to mind is **GSN**. They created an online component for every new show, and now they have a valuable Internet property that interacts with television... Why do you think *Anderson Cooper* urges viewers to go online and blogs during commercials? He's actually telling viewers to stop watching the commercials and go online, because **CNN** knows that if you switch to another network, they're going to lose you.

**Otherwise, there's a lot of soul searching going on?**

JG: Yes and no. My takeaway from these meetings is, "This is what's working right now, and I don't want to do any forward thinking because if I take a risk and it doesn't work, I may lose my job." Television people are not Internet people. You almost need to people to run a network—a president who is a visionary who wants to increase viewership across the board and an Internet guru who can take the company in that direction.

**What are advertisers looking for?**

JG: They want engagement. Television is still the best medium in terms of getting out a mass message. But in terms of driving a sale and actually delivering that conversion, the Internet is and will continue to be king. If I were a cable outlet, I would be engaging every independent producer I could, asking them to send what they have that fits with the network's programming and putting it up on their site. But, again, I don't see much forward thinking. I see concern about people's jobs.

**What's your best advice to cable networks?**

JG: Very quickly identify who your audience is and what that audience is doing online, and create an Internet presence for them that's unique and engaging and unlike anything else out there. Then the ad dollars will flow.

## CableFAX's Best of the Web Awards

is the industry's top honor in digital space, recognizing outstanding Web sites and digital initiatives among cable programmers (networks and independents), operators, vendors and associations.

To View Categories and Enter: Go to [CableFAX.com/cfp/BOW](http://CableFAX.com/cfp/BOW)

## Awards Timeline

Entry Deadline: December 3, 2008  
Late Entry Deadline: December 10, 2008  
Award Event: February 26, 2009

Sponsorship/Advertising Information Contact:  
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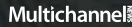
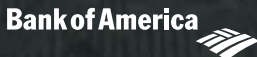
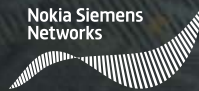
# Holiday ROCK & ROLL Bash

DESTINATION	FLIGHT	STATUS	DESTINATION	FLIGHT	STATUS	DESTINATION	FLIGHT	STATUS
DENVER	101	ON TIME	DENVER	101	ON TIME	DENVER	101	ON TIME
DALLAS	102	ON TIME	DALLAS	102	ON TIME	DALLAS	102	ON TIME
...	...	...	...	...	...	...	...	...

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