

CableFAX Daily™

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What the Industry Reads First

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You, Me and VOD: Comcast, Studios Testing Day & Date

Comcast has joined with 5 Hollywood studios to offer digital subs in Pittsburgh and Denver VOD access to select feature films on the same day they are released on DVD. The trial partnership—which began quietly about 2 months ago and is expected to last through spring—involves **Universal, Warner Bros, Paramount, Disney** and **Liongate**, and titles such as “Superman Returns” and “You, Me and Dupree.” Ads highlighting the initiative recently started running in the *Pittsburgh Post-Gazette*, and the studios may reference it in DVD release spots for participating films. The initiative is the next logical step in the growth of VOD services, said a Comcast spokesperson, as the MSO tries to gauge customer interest in same-day release timing. None of the studios could be reached for comment. The trial comes after buzz at Jan’s **CES** that studios would begin experimenting with releasing movies concurrently to VOD and DVD (*Cfax*, 1/6). It also serves as a 2nd act to another unique VOD pact forged in Feb between **IFC**, Comcast and **Cablevision**, through which the net has debuted 2 indie films/month on VOD on the same day as their theatrical release. IFC’s *Matt Frankel* called the program an “extraordinarily huge success,” adding that the 8 Independent Spirit Award noms recently received by 5 of the films involved stemmed from the additional exposure. “They are a testament to how powerful the VOD medium can be.”

Liberty-News: Why would **Liberty** be interested in **News Corp’s DirecTV**? Let *Greg Maffei* count the ways. First off, DirecTV has a very low tax basis, allowing Liberty to avoid billions in taxes, the Liberty pres/CEO said at **UBS’** media conference Wed. Then there’s distribution. “We have a host of content assets that don’t have the distribution muscle that we used to have,” he said. Other reasons include DirecTV’s debt ratio. “There is a lot of financial flexibility at Direct. It’s an underleveraged asset,” he said. Maffei also noted Liberty might find strategic alternatives for DirecTV, including a partnership for broadband distribution. He said discussions with News were continuing, but provided no update on their status.

Integration Ban: Suddenlink joins the growing list of MSOs asking the **FCC** for a waiver to the set-top integration ban, which requires operators to only deploy set-tops with separate security after July 1. Suddenlink wants 7 low-end boxes waived from the rule: **Motorola’s** DCT-700 and 2500E; **S-A’s** Explorer 1840, 940 and 3200; **Pace’s** Chicago DC501P and Indiana DC511P. Suddenlink said the replacement box for the DCT-700 currently costs less than \$80, while its post-July 1 equivalent would be more than 2.5 times higher. Similarly, the S-A CableCARD replacement for the 1840 would more than double the price, it said. “Moreover, none of Suddenlink’s existing set-top box suppliers (or anyone else) has offered any binding commitments to deliver any type of CableCARD devices to Suddenlink in time for July 2007 deployment,” the MSO said.

Bellheads: Verizon CFO *Doreen Toben* said at an investor conference Wed that the telco expects to receive approval from the NJ PUC by Dec 15 or 18 to offer video in the state. She said Verizon wants to make its **FIOS TV** service available to a “sizeable chunk” of homes immediately. As far as franchises go, Toben said “we don’t see that as an issue



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going forward,” pointing to the number of states with franchise reform and Verizon’s increasing ability to get franchises in states without statewide franchising laws, like PA.


Online: Starz’s online movie service **Vongo** will launch a download-to-own feature next Q, according to **Liberty** pres/CEO *Greg Maffei*.

Bewkes Speak: Here’s a bright spot as **Time Warner’s AOL** transitions from the paid subscription service to a free Web portal: Some 60% of AOL customers switching from dial-up to broadband choose cable modem service over DSL, Time Warner pres/COO *Jeffrey Bewkes* said Wed at the **UBS’ Global Media and Communications Conference** in New York City. Bewkes said the decision last month to replace AOL chief *Jonathan Miller* with ex-**NBC Universal Television Group** pres/COO *Randy Falco* aims “to kick it up to a higher level of management” despite Miller’s team hitting transition targets. Bewkes also said he has no “secret plan” for an AOL spin-off but left the option open depending on AOL’s performance in the next few months. He also noted success repurposing TV content for the Web, noting that CNN.com gets 1.25bln page views per month and contributes significant revenue to the net’s bottom line (but he said it’s still less than 10% of the net’s total revenue).

Competition: **DirecTV** and **NASCAR** inked a 3-year deal for “NASCAR Hotpass,” allowing fans to follow 5 different drivers during every race through 5 separate channels. Each channel will offer real-time stats, in-car audio communication and a dedicated announcer team. The service will be available beginning Tues for \$99/full season or \$29.99/week. -- **Verizon** now offers **DirecTV** service to its small business customers, customizable to different industries. Restaurant industry clients, for example, may purchase for \$148.99/month a package that includes 5 ESPN channels and RSNs.

In the States: **Comcast** launched **Gospel Music Channel** in 9 markets, including DC and Detroit, and will launch the net in Chicago, Memphis and Portland, OR, later this month.

On the Hill: **FCC** chmn *Kevin Martin* proposed Wed a 90-day deadline for municipalities to act on cable-franchise apps filed by their local telcos, a continuation of his recent espousals to expedite the video franchise approval process (**Cfax**, 12/4). Martin told a **Phoenix Center** crowd that “competition is desperately needed in the video market” and that the current franchising process “can pose an unreasonable barrier to entry.” Martin also proposed a limit on local franchise fees and equal build-out requirements for incumbents and new entrants. -- **Sen Judiciary** holds its hearing, “Vertically Integrated Sports Programming: Are Cable Companies Excluding Competition,” at 11am today (Thurs). The witness list includes **Comcast** evp *David Cohen*, **FTC** dir of bureau economics *Michael Salinger* and **Consumer Federation of America’s** *Mark Cooper*. -- Congress is divided along party lines over having **FCC** commish *Robert McDowell* come off the bench to vote on the proposed **AT&T-BellSouth** merger. On Wed, House Commerce chmn *Joe Barton* (R-TX) and Telecom Subcmte chmn *Fred Upton* (R-MI) said it was appropriate for the FCC gen counsel to examine whether McDowell should be permitted to participate. “Unfortunately, it appears that certain Commissioners are attempting to effectuate industry-wide policy by imposing conditions on AT&T and BellSouth in exchange for approving the transaction,” the 2 wrote in a letter to FCC chmn *Kevin Martin*. Meanwhile, incoming Democratic House and Sen Commerce chmn *John Dingell* (D-MI) and *Daniel Inouye* (D-HI) along with Rep *Mike Doyle* (D-PA) said they oppose bringing McDowell in. Dingell issued several questions for FCC’s gen counsel to consider when deciding on waiving McDowell’s recusal.



#1 Media Source for Planning What to Watch

But don’t just take our word for it: **CTAM DVR and On Demand A&U Study, 2005**

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Yahoo! Shakeup: A sweeping reorg at **Yahoo** has led to media group chief *Lloyd Braun's* departure and the Mar departure of COO *Dan Rosensweig*. Also set to leave is intl ops svp *John Marcom*. Under the new structure, Yahoo will have 2 customer-focused groups and a technology group, with all 3 reporting into chmn/CEO *Terry Semel*.

Beta: Discovery is the most popular basic cable net, as one-third of the 700 cable subs surveyed by **Beta** cited it as 1 of their 5 favorite basic nets, ahead of **ESPN** (28%), **The History Channel** (26%), **Food Net** (19%) and **TNT** (18%). **ESPN** was the favorite major net among men and adults 18-34, while **Lifetime** led among women. **Speed** was the top-ranked medium-sized net among men, and **WE** was tops among women. **Nat Geo** led the middies among the 18-34 demo. 79% of respondents rated the quality of Discovery's programming at least a 4 on a 5-point scale, besting The History Channel (77%), **ESPN2** (75%) and **ESPN** (72%). **Nat Geo** (70%) led other medium nets **Golf Channel** (69%) and **Discovery Health** (60%).

5Qs with Mary Murano, Oxygen's EVP, affiliate sales: The joke early on that Oxygen was 'still breathing' or 'in need of mouth-to-mouth.' It seems you've come along way since then. How have you been able to reach 70mln in just under 7 years? We have been about building strong partnerships and helping affiliates market to women. One thing we're always talking about is that women are the gatekeepers in the household. We have had high-speed campaigns targeted to women, VOD targeted to women. It's really helped us. **What challenges have you faced as an independent network?** The biggest challenge has also been our biggest advantage. Having no leverage is clearly our biggest challenge. However, our independence gave us a lot of flexibility. When it came to deals, we were more creative with marketing and more willing to take risks. We were one of the 1st VOD players. **There are a couple associations out there for independent nets. Have you joined or thought about it?** We should probably look into that more. We haven't really focused on that. I guess the reason why is that our independence has been a challenge, but it hasn't really hurt us. **What lies ahead in '07?** We have to continue to push to full distribution. Our focus in that area will be on the smaller cable operators. In 2007, we'll be more involved in our [mentoring] advocacy programs. **Where are you in terms of contract renewals?** We had a lot of 5-year deals so our renewals are pretty much behind us. There are a few that we're working out right now that will probably be done by the end of the year. It's been very smooth.

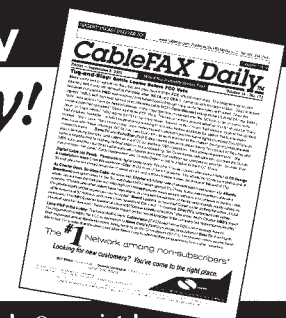
Programming: **TNT** is teaming with **DreamWorks TV** and *Steven Spielberg* on a 6-hour adaptation of *Stephen King* and *Peter Straub's* "The Talisman" ('08). -- **WE** will launch two new 1-hour anthology programming blocks in Jan. "Real Mysteries" (Fridays, 10pm starting Jan 5) will feature mystery-themed programming, while "WE Spotlight" (Mondays, 10pm starting Jan 22) will be composed of original and acquired series and specials. In conjunction with the announcement, *Elizabeth Dorée* will take on an expanded role as vp, acquisitions and promotional strategy, and *Gary Pipa* will be promoted to vp, program planning and scheduling. -- **G4** will launch "Star Trek: The Next Generation 2.0" in Jan, providing viewers with an on-screen live chat, behind-the-scenes info, trivia, etc that can be accessed on g4tv.com.

Intl: **ESPN** will acquire European sports channel **NASN** from **Setanta Sport Holdings** and **Benchmark Capital** for a reported \$107-\$120mln. **ESPN** plans to rebrand the net as its own.

Public Affairs: **Comcast's Brian** and *Ralph Roberts* have pledged \$15mln to help create the world's largest and most comprehensive proton therapy center for cancer treatment at PENN Medicine. The **Roberts Proton Therapy Center** is scheduled to begin receiving patients in '09. The Roberts have had 1st-hand experience with cancer, with *Brian* revealing during his Cable Center Hall of Fame induction speech in Oct that his wife, *Aileen*, is successfully fighting 1st stage breast cancer.

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BUSINESS & FINANCE

On the Circuit: NAMIC Mid-Atlantic will host a holiday party Dec 14, 6:30pm-9pm, at NCTA's new DC HQ. To purchase tickets, contact namic_midatlantic@namic.com. -- Yet another reason to attend CTPAA's Forum '07 in DC as veteran cable pr hand *Sandi Padnos* will be offering her patented Scoop Seminar "PR Skills & Techniques: Tools of the Trade" (Mar 13). Padnos was one of 7 co-founders of CTPAA.

People: *Gail MacKinnon* is vacating her post as svp, government relations for NCTA at the end of the year, having accepted the post of svp, global public policy for **Time Warner**. NCTA chief *Kyle McSarrow* said MacKinnon will be succeeded by *Steve Vest*, formerly vp, govt relations for the assoc. -- **Starz Media** appointed former **Adelphia** exec *Scott McDonald* svp, finance, accounting and controller.

Business/Finance: **Pali** initiated **Charter** with a "Buy" rating and a \$4.50 12-month price target. While it doesn't expect Charter's ARPU or margins to reach the levels of **Comcast**, **Time Warner** or **Cablevision**, Pali notes that it is "leveraging the industry's triple-play best practices with the financial benefits just beginning to impact CHTR's results." -- **Fitch** assigned a 'BBB' rating to **Viacom's** proposed 49-year, \$250mln senior unsecured notes offering due '55, and affirmed 'BBB' ratings on the media giant's Issuer Default Rating and its senior unsecured and bank facilities.

CableFAX Daily Stockwatch

Company	12/06 Close	1-Day Ch	Company	12/06 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	41.41	(0.22)	AVID TECH:	40.39	0.65
DIRECTV:	23.53	0.38	BLNDER TONGUE:	1.75	(0.04)
DISNEY:	34.10	(0.1)	BROADCOM:	34.49	0.68
ECHOSTAR:	37.20	(0.29)	C-COR:	10.44	0.17
GE:	35.11	(0.16)	CISCO:	27.09	0.05
HEARST-ARGYLE:	25.64	(0.17)	COMMSCOPE:	30.89	(0.51)
ION MEDIA:	0.47	(0.03)	CONCURRENT:	1.86	(0.03)
NEWS CORP:	21.74	(0.23)	CONVERGYS:	24.19	0.09
TRIBUNE:	32.20	(0.22)	CSG SYSTEMS:	27.14	(0.17)
MSOS					
CABLEVISION:	28.33	(0.04)	GEMSTAR TVG:	3.25	0.01
CHARTER:	3.09	0.00	GOOGLE:	488.71	1.71
COMCAST:	41.89	0.06	HARMONIC:	7.73	(0.05)
COMCAST SPCL:	41.61	0.09	JDSU:	18.46	0.48
GCI:	15.33	0.16	LEVEL 3:	5.54	0.16
KNOLOGY:	10.23	0.31	LUCENT:	2.55	(0.02)
LIBERTY CAPITAL:	87.93	(1.07)	MICROSOFT:	28.99	(0.14)
LIBERTY GLOBAL:	27.97	0.27	MOTOROLA:	21.98	(0.04)
LIBERTY INTERACTIVE:	22.93	(0.09)	NDS:	47.96	(0.02)
MEDIACOM:	8.41	0.01	NORTEL:	21.91	(0.28)
NTL:	24.53	(0.35)	OPENTV:	2.34	(0.03)
ROGERS COMM:	60.77	(0.07)	PHILIPS:	36.81	(0.3)
SHAW COMM:	31.40	0.35	RENTRAK:	14.81	(0.05)
TIME WARNER:	20.42	(0.14)	SEACHANGE:	8.96	0.47
WASH POST:	727.02	(1.43)	SONY:	39.74	0.13
PROGRAMMING					
CBS:	30.72	(0.23)	SPRINT NEXTEL:	19.64	0.16
CROWN:	3.09	(0.02)	THOMAS & BETTS:	52.87	(0.36)
DISCOVERY:	15.14	(0.03)	TIVO:	5.59	(0.08)
EW SCRIPPS:	50.19	0.01	TOLLGRADE:	8.84	0.11
GRUPO TELEVISA:	27.71	0.17	UNIVERSAL ELEC:	21.12	(0.53)
INTERACTIVE CORP:	36.59	(0.41)	VONAGE:	6.70	(0.05)
LODGENET:	23.19	(0.12)	VYYO:	3.99	(0.1)
NEW FRONTIER:	8.98	(0.03)	WEBB SYS:	0.04	0.00
OUTDOOR:	12.91	(0.04)	WORLDGATE:	1.41	(0.07)
PLAYBOY:	11.62	0.07	YAHOO:	26.86	(0.57)
UNIVISION:	35.39	(0.04)	TELCOS		
VALUEVISION:	13.20	(0.09)	AT&T:	34.78	0.10
VIACOM:	38.25	(0.03)	BELLSOUTH:	45.66	0.16
WWE:	16.36	(0.64)	QWEST:	7.55	(0.23)
TECHNOLOGY					
3COM:	4.08	(0.05)	VERIZON:	34.95	0.37
ADC:	14.14	0.16	MARKET INDICES		
ADDVANTAGE:	4.20	(0.04)	DOW:	12309.25	(22.35)
AMDOCS:	38.48	0.11	NASDAQ:	2445.86	(6.52)
AMPHENOL:	68.80	0.06			
ARRIS GROUP:	12.12	0.18			

CableFAX databriefs



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Think about that for a minute...

Convenient Wisdom

We've all heard of "conventional wisdom." That's the "truth" we believe to be, simply because it has been said so often that everyone seems to accept it. The problem is, in some cases that "conventional wisdom" has very little factual basis.

Going out in the cold does not cause colds. You can starve a fever all you want, it's not going to go away because you did. Driving slower does not always prove to be safer and pain does not always equate with gain.



Steve Effros

But you sure will hear folks articulate those conventional pieces of wisdom. Unfortunately, the same is getting to be commonplace in policy debates these days. There is little real investigation of facts or willingness to "think outside the box." That "box" is the "conventional" or I would argue "convenient" wisdom of those who are propounding policy, and they are

so used to their beliefs that they simply repeat them as truth no matter what.

"Big is bad" is a favorite one in telecommunications policy. The FCC is once again having hearings on consolidation of the media with the assumption on the part of some that such consolidation is bad. But we have more media, more outlets, more diversity, more options today than ever before! When an independent programmer, like ESPN, creates a new genre or sports channel and becomes very popular it is lauded. As soon as it is bought by another programming network, how is it that it becomes bad for the public? I don't get it, but that's the argument—except, of course, for Google, which has become massive, maybe the largest media company in the world, and they're cuddly and good. Go figure.

Another favorite piece of conventional wisdom is that competition results in lower rates for consumers. We

are about to hear lots of that one as the FCC looks at the franchising issue for the telcos. The driving "logic" will be that rates go down if there is more cable competition, particularly from telcos. I'll bet some Commissioners repeat that mantra incessantly. There's only one problem: it's not accurate. (Note that we don't call things "lies" in Washington any more...just inaccuracies, bad analysis, failure to connect dots, etc.)

Some government rate studies have suggested that in certain situations cable rates were lower where there was "competition." This is the mantra now being repeated. Trouble is, the data has been skewed. It has included non-profit coops, "introductory" prices, and systems that subsequently went out of business, or could provide lower rates because they had bought bankrupt over-builders at pennies on the dollar. Not true comparisons.

The truth is our business costs a lot of money to build and maintain. The big telcos are finding that out and making it clear that they have no intention, indeed, they can't compete on price. To do so would have a devastating effect on Wall Street, and hence their ability to continue to build competitive plant! They want to compete on "service and value." Fine. That's fair. It also should tell the Commission and members of Congress that this insistence on focusing on price is simply wrong.

DBS prices have become equivalent to cable prices. Verizon and AT&T started out trying to get customers with lower prices, but both have now announced rate increases higher than what the cable folks are doing, the result being near equivalency between cable and telco video delivery prices as well. Yet some policy makers will continue to argue using "convenient wisdom." They will create headlines, again, but not much wisdom.

Steve

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