

CableFAX Daily™

Wednesday — December 8, 2010

What the Industry Reads First

Volume 21 / No. 236

Tech Talk: Changing Landscape A Key Issue to Pay-TV Industry

Verizon chmn/CEO *Ivan Seidenberg* sees LTE as a “modest substitution” for video services over the next year, and although **FiOS** won’t be immune to the threat, cable faces the greatest danger. “So the cable companies say, ‘well, we haven’t seen any signs of cord cutting.’ Fair enough,” said Seidenberg at the **UBS** conference. “But my guess is you’re going to start to see some kinds of growth slowing down in the premium services because people are going to use alternative technologies.” VZ enjoys an advantage because of its wireless services and increasing smartphone penetration, he said, both key advantages as “the TV and Internet are beginning to be the same product.” Cable ops including **Comcast** aren’t blind to the convergence, of course, planning to or having rolled out TV Everywhere-type, mobile broadband and WiFi initiatives. Comcast is upping the ante, with Comcast Cable pres *Neil Smit* announcing at the conference the launch over the next few weeks of a Play Now feature for the MSO’s iPad app allowing users to view content on the device. The premium nets have signed on to participate, and discussions are ongoing with other programmers, said Smit, an important signal that “innovation is going to pick up.” Comcast also has launched its 1st-ever **Android** app, Xfinity Mobile (formerly Comcast Mobile), which lets subs access home voicemail and phone calls from Xfinity Voice on Android devices and remotely program and manage DVRs. Smit added that Comcast is “seeing growth” in adoption of its mobile broadband service and that its WiFi trial in Philadelphia has already garnered 25K uniques. Still, LTE appears a formidable foe as word out of the conference was on-site upload speeds of 18Mbps over the new network. As FiOS is responding to the tech use explosion with things that LTE can’t offer such as even higher data speeds and 3D content, Seidenberg believes the brand’s video component has a leg up on cable where OTT pressures are concerned. Because of cable’s larger embedded customer base, “we can be a little more flexible in how we think about migrating FiOS to a futuristic view of having bundles and over-the-top utilizing the capabilities,” he said, adding that new era programming deals must encompass numerous platforms. Smit admitted that programming rate increases will continue to exceed the growth in video revenue, but said Comcast has started to receive more value from programmers.

At Our Deadline: The House Republican Steering Committee has selected Rep. *Fred Upton* (R, MI) to take over as chmn of the House Commerce Committee, ending Rep. *Joe Barton*’s (R, TX) campaign to become chmn. It doesn’t

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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 ● Senior Online Editor: Chad Heiges, 301.354.1828, cheiges@accessintel.com ● Asst VP, Ed Director: Seth Arenstein, 301/354-1782, sarenstein@accessintel.com ● Publisher: Debbie Vodenos, 301.354-1695, dvodenos@accessintel.com ● Assoc Publisher: Amy Abbey, 301.354.1629, aabbey@accessintel.com ● Marketing Dir: Carol Brault, 301.354.1763, cbrault@accessintel.com ● Prod: Joann Fato, 301.354.1681, cdaily@accessintel.com ● Diane Schwartz/VP and Group Publisher ● Subs/Client Services: 301.354.2101, fax 301.309.3847 ● Group Subs: Carol Brault, 301.354.1763, cbrault@accessintel.com

sound like cable is top of his mind. "We face many challenges, but priority number one is to repeal the job-killing Obamacare law," Upton said in a statement released late Wed. No sour grapes from Barton, who released his own statement congratulating Upton and vowing to work with him to make his chairmanship a success.

Comcast-NBCU: Outgoing House Commerce chmn *Henry Waxman* (D-CA) wants some conditions on **Comcast-NBCU**, spelling them out in a letter to the **FCC** Tues. Additionally, he asked the FCC and **DOJ** to conclude their review of the jv expeditiously ("ideally by the end of the year, if possible"). "We thank chmn Waxman for joining other Congressional leaders in calling on the regulatory agencies to conclude their review of our transaction before year end," Comcast said, adding it continues to work with the agencies on the issues identified Waxman. His proposed conditions center on 4 areas—program access, online video and open Internet, unaffiliated cable programmers and independent programmers. He said Comcast should not be permitted to isolate nets that compete with its own channels through discrimination in channel placements and tiering, and he wants conditions that would strengthen the creative and economic opportunities of independent writers, producers, and directors. On the program access front, he wants the FCC to ensure that competing distributors have access to programming on reasonable and nondiscriminatory terms—particularly smaller cable and DBS companies. As for the Web, Waxman said the FCC should impose conditions that prevent Comcast-NBCU from degrading or blocking online distribution of programming that competes with Comcast, ensure that Comcast-NBCU does not prioritize or guarantee a higher quality-of-service for its own online offerings over competitive video services that are delivered over Comcast's broadband network, and protect 3rd-party programmers' ability to make their content available online via competitive Internet Websites and other competitive platforms.

More Merger Mania: **ACA** execs are in town this week to meet with **FCC** and **DOJ** officials and plead their case some more for merger conditions on **Comcast-NBCU**. **ACA** chmn and **Wave Broadband** COO *Steve Friedman* and board member and **WOW!** CEO *Colleen Abdoulah* are among those making the rounds and plan to specifically talk about how they directly compete with Comcast. The **ACA** folks believe the deal will be approved soon, with assoc pres *Matt Polka* saying it's not looking to delay the transaction. Instead, **ACA** wants conditions, such as requiring RSNs and O&Os to be sold on a stand-alone basis. **ACA** has also called for a new arbitration process that would apply to NBCU national cable nets. Last week, Comcast told the FCC that there is no basis in the FCC record or precedent to adopt such conditions for natl cable nets. -- Comcast told the FCC this week that it's prepared to agree to a binding condition related to allowing networks to make content available online (this comes up following allegations from streaming service **ivi**). The language proposed by Comcast says: "Comcast will not require unaffiliated content suppliers, as a condition of carriage on Comcast cable systems, to refuse to sell their programming to MVPDs and Online Video Distributors." The MSO said its carriage agreements generally allow this already. Comcast also said it should have the right to require that content suppliers not make content available for free over the Web during an initial period, citing standard industry practices.

UBS Notebook: **CBS** is still on track for more than \$250mln in retrans fees in fiscal 2012, with that figure expected to grow steadily, CEO *Les Moonves* said Tues. He called possible govt intervention into retrans "a huge mistake," saying that **CBS** has quietly made about 40 deals over the past few years. "[The nets with] the most eyeballs should get the most sub fees, and eventually that's going to happen," he said. With those retrans fees, **CBS** is prepared to make content available for authentication, with Moonves saying he's very supportive of it. He's less keen on sites like **Hulu**, choosing to keep



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CBS content on its own player where it has more control. "Our content is the family jewels," he said. -- **Comcast** Cable pres *Neil Smit* doesn't see any evidence of cord cutting, but he did say XFINITY.com is beefing up as a hedge against the threat. Sub losses are instead due to the economy, increasing competition, roll-offs of digital TV transition subs and even customers migrating back to antenna viewing. Although **Time Warner** chief *Jeff Bewkes* said yesterday that Comcast is considering a new smaller video package, both a spokesperson and Smit pointed to the MSO's digital economy product that has been offered for about a year. It's not marketed heavily, said Smit, but is margin accretive.

Advertising: Global ad sales are climbing, according to **ZenithOptimedia & GroupM**. [Visit CableFAXDaily.com for more sub-exclusive info].

Ratings: Behind usual stalwarts **ESPN** (2.4/2.43m), **USA** (2.0/1.96m), **Disney** (1.9/1.85m) and **TNT** (1.8/1.79m) in the weekly prime rankings came **ABC Family**, which posted a 1.7/1.71m and notched its most-watched week ever in prime among 18-34s (693K), women 18-34 (433K) and 12-34s (976K). Nov 29-Dec 5 also marks the net's 2nd most-watched week in history among 18-49s (1.22m). Family's main catalyst was its annual "25 Days of Christmas" event, which included "How the Grinch Stole Christmas," cable's top movie of the week across all demos.

CableFAX Daily Stockwatch

Company	12/07 Close	1-Day Ch	Company	12/07 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	39.41	(0.93)	ARRIS GROUP:	10.56	0.04
DISH:	18.24	(0.18)	AVID TECH:	17.15	0.27
DISNEY:	37.33	(0.23)	BIGBAND:	2.97	0.01
GE:	17.03	0.33	BLNDER TONGUE:	2.17	0.05
NEWS CORP:	16.25	0.19	BROADCOM:	45.31	(0.26)
MSOS					
CABLEVISION:	33.23	0.29	CISCO:	19.39	(0.04)
CHARTER:	35.74	0.30	CLEARWIRE:	6.12	(0.07)
COMCAST:	20.79	0.19	COMMSCOPE:	31.25	0.03
COMCAST SPCL:	19.63	0.12	CONCURRENT:	4.74	(0.01)
GCI:	12.01	0.33	CONVERGYS:	13.41	0.10
KNOLGY:	15.62	0.10	CSG SYSTEMS:	19.19	0.56
LIBERTY CAPITAL:	60.08	(0.24)	ECHOSTAR:	20.53	(0.05)
LIBERTY GLOBAL:	36.30	(0.68)	GOOGLE:	587.14	8.78
LIBERTY INT:	15.97	(0.06)	HARMONIC:	7.10	0.11
MEDIACOM:	8.48	UNCH	INTEL:	21.58	(0.12)
SHAW COMM:	20.51	(0.08)	JDSU:	12.66	(0.19)
TIME WARNER CABLE:	64.98	(1.13)	LEVEL 3:	0.99	0.01
VIRGIN MEDIA:	26.99	0.25	MICROSOFT:	26.87	0.03
WASH POST:	394.20	4.53	MOTOROLA:	8.09	(0.1)
PROGRAMMING					
CBS:	17.94	0.31	RENTRAK:	27.07	0.12
CROWN:	2.68	(0.09)	SEACHANGE:	8.38	(0.03)
DISCOVERY:	43.11	0.22	SONY:	36.10	(0.47)
GRUPO TELEVISIA:	24.91	0.13	SPRINT NEXTEL:	4.21	0.04
HSN:	30.69	0.42	THOMAS & BETTS:	48.91	(0.61)
INTERACTIVE CORP:	30.47	(0.05)	TIVO:	8.64	(0.15)
LIBERTY:	37.93	(0.1)	TOLLGRADE:	8.62	(0.18)
LIBERTY STARZ:	63.95	(0.41)	UNIVERSAL ELEC:	28.65	(0.01)
LIONSGATE:	7.23	(0.02)	VONAGE:	2.33	0.03
LODGENET:	3.90	(0.01)	YAHOO:	16.94	0.61
NEW FRONTIER:	1.80	0.03	TELCOS		
OUTDOOR:	6.91	(0.03)	AT&T:	28.54	0.24
PLAYBOY:	4.93	(0.08)	QWEST:	7.17	(0.01)
SCRIPPS INT:	52.64	0.58	VERIZON:	32.95	0.06
TIME WARNER:	31.20	0.10	MARKET INDICES		
VALUEVISION:	3.69	0.04	DOW:	11359.16	(0.03)
VIACOM:	45.68	(0.32)	NASDAQ:	2598.49	3.57
WWE:	14.17	0.17	S&P 500:	1223.75	0.63
TECHNOLOGY					
ADC:	12.73	UNCH			
ADVANTAGE:	3.72	0.10			
ALCATEL LUCENT:	2.95	0.02			
AMDOCS:	27.11	0.11			
AMPHENOL:	52.96	(0.09)			
AOL:	25.66	0.15			
APPLE:	318.21	(1.94)			

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Think about that for a minute...

Over The Top Reporting

By Steve Effros

It's hard to miss the reporting these days in both the consumer and the business press about "over the top" delivery of video, and the seemingly linked-at-birth associated assumption of "cord cutting."

Let's start with "over the top," or "OTT" as the industry trade press seems to have settled on. Why the heck is it called "over the top?" Top of what? In purely technical terms, the currently used broadband portion of the cable spectrum is closer to the bottom, not the top of the bandwidth we have available. But I quibble. I know, they are just trying to infer that folks are going "around" the cable package delivery and getting video some other way. "OTT" is as good a term as any other, except, maybe, the correct one which is something like "broadband delivery" of video, or "Internet video." But hey, we all seem to know (except maybe the average consumer) what OTT means, so let's stick with it.

How popular is it? Well, if you believe all the stories in the press, it's sweeping the country, most "younger" folks are migrating to it, as well as all those folks who are in economic straits and no longer want to pay for cable. The only problem with that analysis is that it doesn't appear to be backed up by anything other than anecdote. ESPN just released a study of the Nielsen numbers that suggests that when all is said and done, there was a one tenth of one percent shift away from MVPD delivery last quarter. And as *The New York Times* reported, a potentially significant part of that shift may be folks deciding to use a digital antenna to pick up local broadcast stations.

So is there really a massive trend toward "cord cutting?" Nope. The same folks who are no longer getting their

local network affiliates via the cable subscription are getting them over the air, or are watching older movies "OTT," but they're not doing so in any great numbers, and there are good reasons for that. The "follow up" stories by the few reporters who have actually bothered to check are finding that there is also a move by some of the "early adopters" of the "OTT" idea to re-up with their cable operator.

Why? Well for the "rabbit ears" folks, it starts with the fact that they've found, as the Times reported, that they have to make sure they stay pretty still if they want to see a good digital over-the-air picture. Someone getting up to go to the bathroom can result in the picture disappearing too! And of course there's that little issue of choice. To be sure, the networks have some good shows, but so does ESPN or C-SPAN, Discovery or Nat Geo, HGTV, USA, TNT, CNN and the list goes on.

Once a television viewer gets used to the cornucopia of choice offered by cable, they rarely like to go back to just "lowest common denominator" programming.

And as for the "OTT" folks, it should be noted that they haven't cut any cord, they have just started watching video on another part of the same cord, the bandwidth provided in a majority of cases by their local cable operator. The broadband infrastructure, as I've long said in this column, is a marvelously adaptive tool. It's the core of what folks are going to use for roaming on the Internet or among cable channels for a long time to come, the current "over the top" reporting we are witnessing notwithstanding.

Steve

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