

CableFAX Daily™

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What the Industry Reads First

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A Woodshed Moment: Committee Majority Staff Report Lambasts FCC's Martin

Ah, the holiday season. A time of peace, love and apparently... the public flogging of FCC chmn *Kevin Martin*. It seems the House Commerce Committee majority shares cable's warm and fuzzy regard for Martin, releasing on Tues a scathing staff report about the chmn's leadership. The long-awaited report's title—"Deception and Distrust: The Federal Communications Commission Under Chairman Kevin J. Martin."—pretty much sums up the opinion of Rep *Bart Stupak* (D-MI), chmn of the subcommittee on Oversight and Investigations. "The quicker Mr Martin leaves the FCC, the better it is for the whole telecommunications industry," he told reporters Tues. "It's an agency totally out of control." The report charged that Martin "manipulated, withheld or suppressed data, reports and information," including the 13th Annual Video Competition Report and the 2nd A-La-Carte Report, and lacked openness and transparency in his decision-making. In addition, it said Martin's "heavy-handed, opaque and non-collegial management style has created distrust, suspicion and turmoil among the five current commissioners." An FCC spokesman said "it appears that the Committee did not find or conclude that there were any violations of rules, laws or procedures following a year-long investigation" and stressed the agency's cooperation with the committee. Committee Republicans reportedly refused to sign the report. And minority spokesman *Larry Neal* sent out a statement suggesting the report was short on substance. "The inquiry was supposed to pin down some weightier matters," he told news outlets. "Evidently that didn't pan out." On Tues, Stupak insisted the chmn has violated several procedural rules, including "illegally withholding information from Congress," but "did he violate criminal law? Not that I know of—yet." The FCC rep also argued that a "major criticism of Chairman Martin is that he believes cable rates are too high and that he has sought to enhance choice and competition in the market for video services," noting that Martin makes "no apologies" for trying to "lower exorbitantly high cable rates." Stupak said he didn't hold hearings before issuing the report because FCC staffers were worried about being "Martinized" if they criticized the chmn publicly. "Due to the climate of fear that currently pervades the FCC... we found that key witnesses were unwilling to testify or even to have their names become known," stated the report. "Employees believe that if they express an opinion, even if based on fact, they may be demoted, reassigned or hounded out of the agency." Commerce Committee chmn *John Dingell* (D-MI) called the agency "dysfunctional" and said "it is my hope that the new FCC Chairman will find this report instructive and that it will prove useful in helping the Commission avoid making the same mistakes." The report also alleged that Martin resided over some \$100mIn in telecommunications relay service overbilling by carriers. Stupak also highlighted what he called "serious, serious violations" by *Derek Poarch*, chief of the Office of Public Safety and Homeland Security, with the report detailing alleged expense-account abuses. "I think [Poarch] should be fired," he told reporters. But with Martin's chairmanship nearing its end, Stupak said his tenure "has left us a blueprint of what not to do" as FCC chmn. **NCTA** declined to comment on the report, whose full text is available at energycommerce.house.gov.

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UBS Notebook: **DirectTV** has yet to encounter any economic headwinds, said svp, financial planning and investor relations *Jonathan Rubin*, although the DBS op has decided to freeze its headcount and put most capital projects on hold in case of changing weather going forward. Gross adds are expected to improve sequentially in 4Q and also better year-ago numbers, said Rubin. He said DirectTV in '09 will launch a satellite to raise its HD channel capacity to 200, expects "very aggressive take rates" on advanced subs and plans to raise video rates. -- **Disney** CFO *Tom Staggs* acknowledged the struggles of **ABC**, noting difficulty in building momentum after last year's writer's strike and a "real migration to cable news." Now, he said, Disney views broadcast TV "as a launch pad" for programming into syndication and onto other platforms. There are no plans to convert ABC into a dual rev stream model, said Staggs, as the "station model still can generate some nice returns." On the cable side, "the pace of [ad] sales has slowed, no question," he said, even after **ESPN** saw ad rev slip notably in 3Q. -- **U-verse TV** is expected to broach the 1mln sub plateau this week and pass 17mln homes by YE, said **AT&T Operations** CEO *John Stankey*. The service completed 3Q with 781K subs after adding 232 in the Q. U-verse TV's broadband attach rate is 90%, he said, while half of those double-play subs opting to switch broadband providers. The telco plans to stress the breadth of the service's HD capacity, which will hit 100 channels nationwide next week.

In the States: The **FBI** has arrested IL Gov *Rod Blagovich* on several federal corruption charges that include misuse of state funding to induce the firing of *Chicago Tribune* editorial board members who Blagovich believed were driving discussion of his possible impeachment. The gov allegedly refused state financial assistance related to Tribune Co's efforts to sell the Chicago Cubs (and 25% of **Comcast SportsNet Chicago**) and to sell or refinance Wrigley Field unless Tribune agreed to certain dismissals. -- Digital multicast net **LATV** signed KTXL in the Sacramento area as its 4th Tribune affil and 35th overall.

Carriage: **Cox** will launch **Fox Business** Jan 1 in more than 2mln digital homes nationwide. The deal brings to approx 45mln the net's distribution. -- **ReelzChannel** has launched on **Charter** in St. Louis, on **Comcast** in the Boston area; on **Time Warner Cable** in San Diego; on **Sunflower Broadband** in Lawrence, KS; on **Bay Creek Comm** in Cape Charles, VA; and on **Selco** in Shrewsbury, MA.

Advertising: **TiVo** has added to its suite of interactive ad solutions Pause Menu, which allows advertisers to reach audiences with targeted product messages displayed within the pause screen of a live or time-shifted program. -- **starMedia** has agreed to represent the Espanol site of **Weather Channel Interactive** in ad sales initiatives in Latin America and the US Hispanic market.

Retrans: **Nexstar** will pull in approx \$21mln in retrans rev this year, said pres/CEO *Perry Sook*, up from \$17.2mln in '07.

Ratings: Paced by a pair of **WWE** coverage hours that averaged a 3.4/3.35mln, **USA** took home last week's prime viewership prize with a 2.2/2.16mln. **ESPN** (1.9/1.88mln) notched 2nd, no doubt hurt by lower numbers for "MNF," which nonetheless led all cable telecasts with a 6.9/6.73mln. **ABC Family** (1.8/1.72mln) tied for 3rd with **TNT**, which was bolstered by "The Librarian: Curse of the Judas Chalace" (3.8/3.71mln) and the series premiere of "Leverage" (3.6/3.52mln). **Lifetime** (1.7/1.63mln) and **Fox News** (1.7/1.59mln) shared 5th position. -- **Brag Book:** ABC Family delivered its largest weekly prime audiences ever among 18-34s (600K), 18-49s (1.23mln) and 12-34s (957K).

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BUSINESS & FINANCE

-- Nickelodeon's original movie "Merry Christmas Drake & Josh" become the net's most-watched live-action TV movie ever in total viewers (8.1mln) and kids 2-11 (4.3mln). -- Lifetime is poised to complete '08 leading basic cable in viewership among women 25-54 in total day for the 3rd consecutive year.

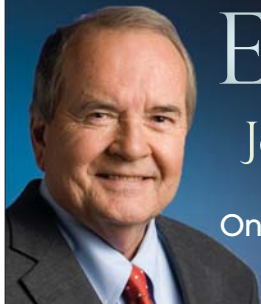
Honors: HBO led cable in nominations for the '09 Writers Guild Awards with 8, followed by AMC (5), Showtime (4), Comedy Central (2) and USA, Lifetime, Disney, Nickelodeon, and The N with 1 each.

People: HBO said co-pres Harold Aksehrad will leave the company to pursue other professional and personal interests. -- Cox appointed Leo Brennan COO, effective Jan 1. -- Nathaniel Davis has resigned from Charter's board for personal reasons. The MSO doesn't plan to replace Davis at this time. -- HSN appointed as a board member John Morse. -- Kimberly Nordyke has been named news editor of THR.com, The Hollywood Reporter's Web operation, effective Jan 1.

Business/Finance: Sony announced plans to cut 8K jobs worldwide, or 5% of its global workforce. -- Level 3 plans to eliminate approx 450 positions, or 8% of its workforce. -- Time Warner led the latest round (\$20mln) of financing for Internet search site Kosmix.com, which counts former Motorola CEO Ed Zander as a private investor and advisor.

CableFAX Daily Stockwatch

Company	12/09 Close	1-Day Ch	Company	12/09 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BRITISH SKY:	27.44	0.82	AMDOCS:	17.80	(0.14)
DIRECTV:	22.79	(0.54)	AMPHENOL:	21.40	(0.92)
DISNEY:	23.53	(1.39)	APPLE:	100.06	0.34
ECHOSTAR:	11.68	(0.29)	ARRIS GROUP:	7.32	0.41
GE:	17.78	(1.1)	AVID TECH:	11.26	0.24
HEARST-ARGYLE:	6.65	(0.19)	BIGBAND:	4.40	(0.47)
NEWS CORP:	8.73	(0.44)	BLNDER TONGUE:	0.82	(0.05)
MSOS					
CABLEVISION:	15.51	0.50	BROADCOM:	16.54	1.08
CHARTER:	0.16	(0.02)	CISCO:	17.16	(0.09)
COMCAST:	16.41	(0.14)	COMMSCOPE:	13.13	0.29
COMCAST SPCL:	15.74	(0.12)	CONCURRENT:	3.48	0.08
GCI:	7.47	(0.26)	CONVERGYS:	6.33	(0.02)
KNOLOGY:	5.52	(0.2)	CSG SYSTEMS:	16.53	(0.37)
LIBERTY CAPITAL:	2.78	0.07	ECHOSTAR HOLDING:	14.72	(0.03)
LIBERTY ENT:	11.41	0.30	GOOGLE:	305.97	3.86
LIBERTY GLOBAL:	13.86	0.23	HARMONIC:	4.97	(0.22)
LIBERTY INT:	2.66	0.36	JDSU:	3.24	0.09
MEDIACOM:	3.00	0.00	LEVEL 3:	0.75	(0.06)
SHAW COMM:	17.38	(0.77)	MICROSOFT:	20.60	(0.41)
TIME WARNER CABLE:	19.83	(1.4)	MOTOROLA:	4.15	(0.25)
VIRGIN MEDIA:	4.60	0.15	NDS:	47.00	(0.1)
WASH POST:	399.80	(9.2)	NORTEL:	0.52	(0.06)
PROGRAMMING					
CBS:	7.45	(0.38)	OPENTV:	1.26	0.01
CROWN:	2.10	0.09	PHILIPS:	17.55	0.35
DISCOVERY:	14.02	(0.94)	RENTRAK:	9.41	(0.31)
EW SCRIPPS:	2.37	0.05	SEACHANGE:	7.11	(0.69)
GRUPO TELEVISA:	15.90	(0.02)	SONY:	20.50	0.46
HSN:	1.61	0.17	SPRINT NEXTEL:	2.54	(0.19)
INTERACTIVE CORP:	16.95	1.56	THOMAS & BETTS:	21.16	0.25
LIBERTY:	26.83	(1.22)	TIVO:	6.50	(0.17)
LODGENET:	0.56	0.07	TOLLGRADE:	4.39	0.22
NEW FRONTIER:	1.72	0.15	UNIVERSAL ELEC:	16.20	(0.75)
OUTDOOR:	6.85	(0.29)	VONAGE:	1.14	(0.17)
PLAYBOY:	1.97	(0.16)	YAHOO:	12.19	(0.01)
RHI:	4.81	(0.21)	TELCOS		
SCRIPPS INT:	24.16	(0.8)	AT&T:	29.16	(0.82)
TIME WARNER:	9.68	(0.03)	QWEST:	3.38	(0.07)
VALUEVISION:	0.44	(0.01)	VERIZON:	33.35	(0.88)
VIACOM:	17.41	0.26	MARKET INDICES		
WWE:	11.85	(0.19)	DOW:	8691.33	(242.85)
TECHNOLOGY					
3COM:	2.01	(0.06)	NASDAQ:	1547.34	(24.4)
ADC:	5.76	(0.03)			
ADVANTAGE:	1.41	0.03			
ALCATEL LUCENT:	2.25	(0.07)			



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