

CableFAX Daily™

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What the Industry Reads First

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Spectrum Hearing: Debate Falls Along Party Lines

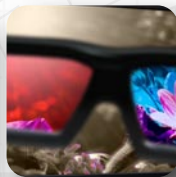
Though almost everyone supports the use of unlicensed spectrum for mobile broadband, Republicans and Democrats on the **House Commerce** subcommittee differed on ways to unleash the unlicensed band at a hearing Wed, which aims to ensure the **FCC's** "on track" with its incentive auction efforts. The Commission's auction proposal includes a set-aside of broadcast spectrum for unlicensed use. It proposed making available up to 12 MHz of spectrum for unlicensed uses. The unlicensed band could also be used as "guard bands," which are used to prevent interference from nearby frequencies. The GOP is concerned the auction's structured in a way that could leave cash behind. "An auction that gives away billions of cleared spectrum will be considered a failure," said *Greg Walden* (R-OR), subcommittee chmn. "The Commission might be forgoing \$19bln of revenue under the current rules proposed. These are big numbers we are talking about." The law that grants the FCC the authority to conduct incentive auctions required "maximizing the proceeds from the auction," he said. That means the guard bands should be no larger than necessary, Walden said. "I support the use of unlicensed spectrum to foster innovation but "what I can't support... is the unnecessary expansion of unlicensed spectrum in other bands needed for licensed services, especially at the expense of funding for public safety," he said. Dems countered that there would be less unlicensed spectrum if the size of the bands were reduced. Additionally, the spectrum legislation that was enacted earlier this year already settled the issues of how unlicensed spectrum would be set aside and used. "I am troubled by attempts by some to re-litigate issues that were resolved earlier this year, when the bill passed Congress with widespread support," *Henry Waxman* (D-CA) said. "Unlicensed spectrum has been an incredible economic success story," he said, citing the cable industry's increasing interest in deploying unlicensed spectrum. Fellow CA Democrat *Anna Eshoo* is also "troubled" by how revenue has become the center of attention: "This is [the] energy and commerce committee, not the budget committee." The focus is keeping the spectrum law on track, she said. Eshoo said she supports the proposed rulemaking adopted as it recognizes the nationwide guard bands needed for interference protection can simultaneously provide unlicensed access. Republican commish *Robert McDowell*, who testified with other commissioners, called on the FCC to refrain, for now, from reserving a spectrum band for unlicensed use. Though "I have long been an ardent supporter of unlicensed uses of the television white spaces," any action in this regard would be "premature," he said. Meanwhile,

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Doris Matsui (D-CA) asked if the FCC has a fallback plan "if we don't see strong participation from the broadcasters." FCC chmn *Julius Genachowski's* answer: The expectation is it will be a successful process. "...The broadcast industry will get the message." The hearing also featured *John Dingell* (D-MI)'s signature "yes or no" questions. He asked the FCC to protect local TV broadcasters to ensure that viewers have access to community-related news. Issues like Title II, open Internet and media ownership also got some attention. Fielding a question from *Marsha Blackburn* (R-TN) on the FCC's plan regarding its Title II docket, the agency's initial proposal to regulate Internet service under common carrier regulations, Genachowski said the docket will remain open for comments. "You will get a lot of comments," Blackburn said, adding the proceeding creates uncertainty in the marketplace.

Competition: **Verizon** and **Redbox** will launch their streaming video service in beta later this month. The unlimited streaming plan will feature movies from **Warner Bros** and **Epix**, as well as 4 nights of physical DVD rentals for \$8/month. For an additional buck a month, customers can upgrade their 4 DVD rentals to Blu-ray. Dubbed "Redbox Instant by Verizon," the service will let Verizon subscription customers instantly stream new releases from Epix's studio partners **Paramount** and **Lionsgate**, and **MGM**, 90 days after they premiere in the traditional premiere window. There was no mention of TV series being available. At launch, Redbox Instant by Verizon will be offered via the web, as well as through home entertainment, tablet and mobile devices. More devices will be announced in the coming months. -- **FreedomPop**, backed by **Skype** founder *Niklas Zennstom's* **Atomico**, is now accepting pre-orders for its "Hub Burst" home modem scheduled to ship next month. The company is going after cable and telco HSI providers, pledging its device will provide free high-speed service in the home and small office comparable to most cable providers' offerings and faster than typical DSL. "Major broadband providers, including **Time Warner Cable**, **AT&T**, **Verizon** and **Comcast**, are pillaging consumers, charging in excess of \$500 per year for home Internet," said FreedomPop CEO *Stephen Stokols* in a statement. "FreedomPop's early successes have validated consumers are looking for more convenient and affordable ways to consume data. We've already given away more than 15mln MBs of free data and are expanding our Beta to meet the increased demand this holiday season. Burst pre-order users get a minimum of 1 GB of free data each month, with the ability to earn more by adding contacts to their network and engaging in partner promotions. It also has plans that start at \$10/month for heavier users.

Stay CALM: The FCC Media Bureau granted a temporary waiver to municipal cable system **South Georgia Governmental Services Authority** to the CALM Act, which takes effect Thurs and requires digital TV broadcasters, cable operators and satellite providers to ensure that commercials they transmit to viewers aren't too loud. The muni had filed a financial hardship waiver, but the Bureau said the operator misunderstood what equipment was needed to comply with the rules. The op said it should be able to comply with the rules by Jan 31, which is when its temporary waiver will expire. The Bureau also granted a waiver to the licensee of Maine TV station **WPFO** until Mar 14 because the station will be moving or upgrading its studio facilities at that time (it plans to upgrade equipment after the move). The Bureau said it received several streamlined financial hardship waiver requests after the filing deadline, and will grant a waiver of the deadline and accept those filed on or before Dec 13.

At the Portals: As expected, the FCC approved orders freeing up **DISH's** Mobile Satellite Service spectrum for terrestrial mobile broadband use and okaying the auction of the adjacent H Block spectrum. It actually unanimously approved the orders Tues night, ahead of Wed's open meeting. The DISH order had not been released at press time, but **Stifel Nicolaus** analysts speculated that it would contain proposed power/emission restrictions on the lowest end of DISH's spectrum, which the satellite operator wasn't thrilled about. DISH called the vote an important step toward increasing wireless competition and said it would consider its strategic options and the "optimal approach to put this spectrum to use for the benefit of consumers... Despite the lack of exact details in the final NPRM, the simple fact that it has finally been approved eliminates an overhang from the stock, in our view," said a research note from **Wells Fargo Securities**. -- The FCC on Wed proposed making available 100Mhz of shared spectrum in the 3.5 GHz band using small cell and database technologies. The NPRM "lays the groundwork for the widespread deployment of small cell technologies across 100 megahertz of spectrum, and would spur significant innovation in wireless technologies and applications throughout the economy, while protecting incumbent users in the band," the Commission said.

SAG Awards: The nominees are in for the **SAG Awards**, televised live on **TNT** and **TBS** Jan 27 at 8pm. Surprise.



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BUSINESS & FINANCE

HBO had the most network nominations for primetime TV (10). AMC was in 2nd place with 6 nods, followed by NBC (5), Showtime (5), ABC (4), CBS (3), FX (3) and PBS (3). Other cable nets with nominations: History (2), Lifetime (1), Sundance (1), TV Land (1) and USA (1). First-time SAG nominees include the ensembles for Showtime's "Homeland" and "Nurse Jackie" as well as FX's *Louis C.K.* and Sundance "Restless" star *Charlotte Rampling*.

Holiday Blessings: Join us in welcoming *Caroline Francis Lonergan* to the world. She is the daughter of longtime **Discovery** and industry vet *Chris Lonergan*, who lost his battle with cancer this past April at the age of 54. Chris' widow, *Cheryl*, who was expecting at the time of his passing, welcomed the healthy baby girl on Dec 5 in Annapolis. Caroline joins big brothers *Christopher* and *Grant*. To send the family your best wishes and congratulations, please write to Cheryl Lonergan, 43 Southgate Ave., Annapolis, MD 21401. For those wishing to contribute to the **Lonergan Children Education Trust**, please make checks payable to "Lonergan Children Education Trust," Bank of America Merrill Lynch Wealth Management, 6000 Fairview Road, Suite 700, Charlotte, NC 28210. Attention: Neil Stikeleather. Or to arrange other methods of contribution, email neil.stikeleather@ml.com

CableFAX Daily Stockwatch

Company	12/12 Close	1-Day Ch	Company	12/12 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	50.27	(0.02)	CONVERGYS:	16.16	(0.19)
DISH:	36.67	0.65	CSG SYSTEMS:	18.36	(0.17)
DISNEY:	49.64	0.16	ECHOSTAR:	33.46	(0.01)
GE:	21.78	0.27	GOOGLE:	697.56	0.68
NEWS CORP:	25.53	(0.1)	HARMONIC:	4.82	(0.03)
MSOS					
CABLEVISION:	14.53	0.26	INTEL:	20.67	0.02
CHARTER:	69.61	0.02	JDSU:	12.58	(0.22)
COMCAST:	37.42	0.02	LEVEL 3:	21.03	0.45
COMCAST SPCL:	36.17	(0.06)	MICROSOFT:	27.24	(0.08)
GCI:	8.77	0.10	RENTRAK:	19.55	0.38
LIBERTY GLOBAL:	60.58	(0.02)	SEACHANGE:	9.69	(0.31)
LIBERTY INT:	19.25	0.30	SONY:	10.23	0.34
SHAW COMM:	22.50	0.15	SPRINT NEXTEL:	5.66	0.09
TIME WARNER CABLE:	93.79	(0.19)	TIVO:	12.48	0.08
VIRGIN MEDIA:	35.61	0.10	UNIVERSAL ELEC:	16.92	(0.08)
WASH POST:	374.32	(2.33)	VONAGE:	2.46	0.01
PROGRAMMING					
AMC NETWORKS:	52.28	(0.48)	YAHOO:	19.38	(0.14)
CBS:	36.11	0.27	TELCOS		
CROWN:	1.81	(0.07)	AT&T:	34.49	0.34
DISCOVERY:	61.49	(0.02)	VERIZON:	44.79	0.35
GRUPO TELEVISIA:	25.39	0.03	MARKET INDICES		
HSN:	52.76	(0.43)	DOW:	13245.45	(2.99)
INTERACTIVE CORP:	45.26	0.62	NASDAQ:	3013.81	(8.49)
LIONSGATE:	15.50	(0.16)	S&P 500:	1428.48	0.64
LODGENET:	0.12	-0.00			
OUTDOOR:	7.36	0.01			
SCRIPPS INT:	58.31	(0.68)			
TIME WARNER:	47.26	0.13			
VALUEVISION:	1.70	(0.03)			
VIACOM:	54.73	0.03			
WWE:	8.10	0.09			
TECHNOLOGY					
ADVANTAGE:	2.01	0.01			
ALCATEL LUCENT:	1.10	(0.01)			
AMDOCS:	33.95	0.03			
AMPHENOL:	62.89	0.08			
AOL:	30.91	(0.29)			
APPLE:	539.00	(2.39)			
ARRIS GROUP:	14.27	(0.26)			
AVID TECH:	7.02	0.01			
BLNDER TONGUE:	1.10	(0.1)			
BROADCOM:	34.34	(0.08)			
CISCO:	19.73	(0.05)			
CLEARWIRE:	2.75	0.07			
CONCURRENT:	5.43	0.24			



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Commentary by Steve Effros

I was listening to the Diane Rehm show on NPR last week. She had a program about the plans now being floated to essentially get rid of the old copper, twisted-pair telephone plant and move entirely—over a period of years, of course—to newer technologies. An array of “experts” were on the show and, as usual, there were folks from different points of view to articulate the various positions.



What was missing, however, was something I think is missing more and more on the “interview” and “news” programs these days: knowledgeable questions. I don’t mean by that an expectation that the interviewer or “host” can be an expert and ask the in-depth sort of detailed questions that are

sometimes needed to get at the heart of complex issues. No, I would hope that in an exploration of something as big and complex as shifting from one major \$200 Billion dollar infrastructure to another one there would be a common-ground starting point of understanding that there are a lot of difficult and issues to deal with, and there are no “simple” answers.

But it seems to me in many cases (and I think this is true in the broader sense, not just in the telecommunications arena, but we’ll stick to that for now) the simple, obvious, basic questions aren’t being asked. Ones that could lead the discussion in potentially more useful paths rather than just having combatants battle each other.

In the case of the “new” telephone infrastructure, the debate seemed to revolve around not letting the telcos “abandon” the “old” plant because it had certain attributes that were of value; particularly, it’s self-powered, so in certain situations, like Hurricane Sandy, the story was told of folks seeking out phone booths because

their cell phone batteries had died, and some of the cell tower back-up power wasn’t sufficient to last for the week-plus power outages. All of that is true, but it misses a point: when the power lines got knocked down by the storm, so did the telephone lines... old or new. So the premise that we should be preserving an old multi-billion dollar infrastructure for safety reasons, and thereby slow new development, doesn’t seem to make much sense. That core point was never made.

It’s akin to the broadcaster argument I always rail against regarding the alleged critical public safety attributes of local television stations. The “tornado” argument. In fact, it makes more sense to support local radio stations, not television stations in a storm. But somehow that never gets mentioned.

The bottom line is often that the arguments flow around what we have become used to, and the desire by some to preserve what we have while at the same time demanding more and faster (and, of course, cheaper) development of new stuff. Unfortunately it doesn’t work that way. We may have to, for instance, give up the “self powered” advantage of the twisted-pair to get the broadband speed advantage. Folks may have to rely more on battery back-up, or generators in the home than to insist on the maintenance of two entire infrastructures. Satellite or long-range wireless phones may be a logical replacement for running extremely expensive miles of cable in rural areas. Yes, as noted in the program last week, the sound quality may not be quite as good, at least for now, but the premise that we have a “right” and should insist on “having it all...” is simply an unaffordable right. We have to start looking, and thinking outside that box.

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry)

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