

CableFAX Daily™

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What the Industry Reads First

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Year-End Bonus: Cable Goes Out Strong, USA to Win Year in Prime

Another year, another ratings win in the cable column. For the 5th consecutive year, ad-supported cable will beat the 6 broadcast nets in HH share. Cable is projected to end 2006 with a 55.5 HH share vs a 40.3 for the 6 top broadcast nets (**ABC, CBS, FOX, NBC, CW** and **My Network TV**), according to a **Turner** analysis of **Nielsen** data. The numbers may cause some to ponder whether cable's momentum is slowing, considering it ended '05 with a 55.4 share and broadcast had a 40.7. That's not the case, according to Turner research chief *Jack Wakshlag*. "What looks flat is not flat. Kind of like [with] *Columbus*," he said during his annual year-end ratings briefing with reporters Wed. The reason cable's share only rose one-tenth of a point is that this year Nielsen stopped categorizing some Hispanic networks as "cable viewing" and now treats them as part of the top 10 broadcast nets (ie, **Telemundo** and **Univision** are carried on cable instead of as over-the-air stations in some markets), Wakshlag explained. If the comparison was apples-to-apples, cable's share would be up about 1 point this year, he noted. Cable achieved another milestone in 2006, besting broadcast in Nov Sweeps for the 1st-time ever, giving the industry Feb, May and Nov Sweeps wins. Still, cable's share of the ad dollars isn't following suit. Ad-supported cable has taken 31% (\$4.8bln) of the ad dollars year-to-date. While that's up from 22% (\$3.3bln) in 2001, "I still don't think that's high enough," Wakshlag said. **Ratings Race:** 2006 was **USA's** year (and **WWE's**), with the net poised to take 1st place in total viewers, 18-34s, 18-49s and 25-54s for the year. Ad-free **Disney** is 2nd for total viewers in prime time for 2006. Once again, **Nick** is set to win total day for total viewers.

More NFL Fun: **Time Warner Cable** on Wed responded to the **NFL Net's** free preview offer with at least some accommodation. TWC pres/CEO *Glenn Britt* penned a letter to NFL Net pres/CEO *Steve Bornstein* offering 2 options: expanded basic carriage of only the Texas Bowl (including pre- and post-game coverage) by using a spot typically earmarked for overflow sports programming, or digital tier carriage of the entire week-long preview. Britt cited channel capacity restrictions on the MSO's basic and expanded basic tiers, While noting that three-fourths of TWC's NY/NJ-area subs receive the digital tier, Britt said that the MSO prefers "the first approach... but we are willing to pursue either path." NFL Net refused comment on either scenario. Britt also said that both parties should cease battling each other in the media during the preview week, and should refrain from "on-channel messages that are hostile to one another." In another bit of seasonal cheer, Britt offered to pay for joint ads announcing the preview as a "Holiday Gift" to customers. An NFL Net spokesperson said **Cablevision** has yet to submit a response to the preview offering (Cablevision declined comment). -- **ACA**, meanwhile, is taking aim at NFL Net by launching www.sportschoicenow.org. The Website provides a direct link for visitors to contact the Hill and tell their reps that they want the channel on a sports tier and that they don't want to be forced to pay for it. ACA is sending the site, congressional letters and a 30-sec video spot to its 1100 ACA members



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Claims based on 2006 Beta Cable Subscriber Study-Evaluation of Basic Cable Networks - #1 in quality among total viewers.
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“to unite with their 8 million customers in demanding choice for smaller market and rural customers and for independent cable operators across the United States,” said pres/CEO *Matt Polka*. NFL Net’s *Seth Palansky* gave us this zinger in response: “They should add a third option after yes, no. It should be marked maybe. ‘Maybe I should exchange my cable box for a satellite dish like millions of Americans have’.” Ouch.

Higgins Remembered: It was a night of bittersweet laughter as industry friends and colleagues recalled the ever-enter-taining (and sometimes endearing) exploits of the late *B&C* business editor *John Higgins*, who died of a heart attack last month (*Cfax*, 11/22). At a memorial service held at *MTV*’s hq in New York City Tues, cable execs including *Lifetime*’s *Betty Cohen*, former *Viacom* chief *Tom Freston*, *Oxygen*’s *Gerry Laybourne*, *MTV*’s *Judy McGrath*, *Crown Media*’s *Henry Schleiff* and many others came out to pay their respects. *Michael Molinelli*, a longtime friend dating back to college, summed up Higgins’ enduring legacy this way: “He didn’t really touch lives. He sort of slapped them with an open palm.” Said *B&C* executive editor *Mark Robichaux*: “Patient. Peaceful. Diplomatic. None of these things describe John Higgins.” Everybody, it seemed, had a story or 2 about the outwardly irascable reporter, whose in-your-face style co-existed with a softer side that inspired great loyalty among those who knew him. “My name is Paul, and I’m a recovering Higgins addict,” *NCTA*’s *Paul Rodriguez* told attendees, who replied “Hi Paul” in unison. Higgins stories flowed like sweet wine at the event: his love of obscure music and used CDs; his knowledge of out-of-the-way NYC restaurants and dives; his long days working the phones and late nights plowing through **SEC** filings in search of that big scoop, which he often found to competitors’ dismay. Perhaps most touching was a final goodbye from Higgins’ wife, *Deborah*. “He always used to say that life was an adventure, and he certainly treated it that way,” she said. “He told me his test for friends was whether he would rob a gas station with them.” Many of us would jump at the chance. “Fearless. Funny. Unforgettable,” said Robichaux. “These are the words that describe my friend John.” And why we’ll miss him so much. — *MG*

Sinclair Spat: *Mediacom* dismissed its appeal of a lower court ruling. The appeal was over its request to continue carrying *Sinclair* stations while its antitrust case against the broadcaster is pending. With the timing of the decision likely to come after a Jan 5 deadline for reaching a deal or losing the stations, “we thought it was a better use of our resources to focus on winning the underlying case, as well as our separate FCC complaint,” said *Joseph Young*, *Mediacom* svp, gen counsel. Young reiterated that the MSO believes it will prevail, while *Sinclair* gen counsel *Barry Faber* said the broadcaster hopes the MSO will dismiss its “frivolous” antitrust claim. -- **Mediacom** plans to add IA-based **CBS** affil *WHBF-TV* to its Iowa City-area channel lineup, a pre-emptive move to guarantee **CBS** programming for its subs if a retrans consent agreement cannot be reached with **Sinclair** by Jan 5, the *AP* reported. MSO spokeswoman *Phyllis Peters* said the station addition is possible because Iowa City falls between transmitters for the station and *Sinclair*’s *KGAN* in Cedar Rapids, IA, and because the 2 aren’t considered competitors by the **FCC**.

VoIP: **Cox** is rolling out its “Phone Tools” app to more than 2mln VoIP subs, offering converged phone and HSD service through any broadband connection. Features such as a GUI allowing online listening of voice mail are now available to **Cox** phone/HSD subs in the Gulf Coast area; central FL; Lafayette and Baton Rouge, LA; central GA; and Roanoke, VA. Additional market roll outs are expected by mid-’07. -- **Wi-Fi TV** and **AdCalls** jointly launched free global VoIP calls between members of www.wi-fitv.com. Membership to the site is free to anyone with a valid email address.

Competition: **Verizon Business** unveiled the “Polycom RPX” modular conference suite, a video-conferencing



#1 in Increased Usage Over Other Information Sources in the Past Year

*Out of 16 information sources.

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

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TV GUIDE CHANNEL

system sold as custom rooms with flat-screen projection displays, ceiling microphones and pop-up LCD screens for sharing data. The modular rooms come in six configurations to accommodate from four to 28 participants.

In the States: **TV Guide** and **Sci Fi** are teaming with **Landmark Theatres** to host a free Thurs screening of the mid-season finale of Sci Fi's "Battlestar Galactica." Theatres in L.A., NYC, Dallas, Chicago, Atlanta and St. Louis will host the screening. -- **Time Warner Cable** launched **Sí TV** in El Paso, TX, on digital.

Online: **GSN** launched at gsn.com "Throw the Book at O.J.," an original online game that spoofs *O.J. Simpson* and **News Corp's** cancellation of the O.J. book and interview. Players throw books at an animated Simpson, who returns the attack by throwing footballs. Extra points can be earned by intercepting items that fall out of Simpson's pockets, such as a trophy and a glove. A net spokesperson said the game is already averaging 1K hits/minute. -- **ABC News** has expanded the daily content packages it provides to **Yahoo! News** under their video content pact, adding new features and interviews, including video segments from "Good Morning America." -- **Fox Sports en Espanol** operator **Fox Pan American Sports** has teamed with **MSN** to create an online sports destination for Hispanics at www.foxsportsla.msn.com. The site will provide video content from sources such as Fox Sports en Espanol and **Fox Sports Latin America**.

Programming: Beginning Jan 6, the **Gospel Music Channel** will implement its new "World Premiere Saturday Night" programming strategy. Included will be debuts of specials, new eps of net series, and music videos. -- Supermodel *Amber Smith* will star in **Cinemax'** "Sin City Diaries" (Spring '07). -- *Larry the Cable Guy* and **Comedy Central** struck a deal for an animated pilot about a misguided but well-intentioned co-owner of a cable station. -- "Saturday Night Live" cast member *Amy Poehler* created and will voice "Mighty B," an animated series to air next year on **Nickelodeon**. -- **The Biography Channel's** "Biography of the Year: Tiger Woods" (Dec 21, 9pm ET) will feature interviews with *Jack Nicklaus*, *Arnold Palmer* and *Michael Jordan*.

Vacancy: **NAMIC's** problems finding a hotel to host its annual conference during Diversity Week appear to be over (*Cfax*, 11/29). "We just received word that the **UN** has shifted its dates [for its meeting in NY] so things are looking up," said pres *Kathy Johnson*. The group expects to sign a contract with a Manhattan hotel soon for the Sept 16-18 event.

Technology: **Gotuit** expanded its video portal at gotuit.com by adding social video tagging app "SceneMaker." It enables customers to define and tag specific scenes within videos posted on sites such as **YouTube** and **Metacafe**. - **S-A's** "Prisma IP Platform" has earned MEF 9 certification for all 3 Ethernet services defined by the **Metro Ethernet Forum**.

Advertising: While overall US ad spending has risen 5.1% through 3Q06, spending on national cable TV is up just 1.3%, according to **Nielsen Monitor-Plus**. That's better than local newspapers (-3.8%) and network radio (-2.9%), yet far behind the Internet (+49.2%) and Spanish-language TV (+16.6%).

On the Circuit: Kudos to **Lifetime** research chief/TV historian *Tim Brooks*, who was nominated for 2 Grammy Awards for "Lost Sounds," the album version of his '04 book about blacks and the recording industry's birth. Brooks' noms are for "Best Historical Album" and "Best Album Notes." -- **SCTE** seeks proposals for technical sessions for its "Cable-Tec Expo '07," set for June 19-22 in Orlando. Details are available at scte.org, and technical paper submissions are due by Jan 19.

Public Affairs: **The Military Channel** and **military.com** are jointly supporting armed forces personnel and veterans through "Reconnect America," a campaign to raise awareness for several national orgs. Beginning this holiday season and continuing throughout '07, the campaign will spotlight a different military-focused charity through monthly on-air and online promotions, and reconnectamerica.com will serve as a portal to all charities in the program.

Honors: *Martha Cronyn* and *Karen Connors* of Canadian MSO **Rogers Cable** won 1st prize in **CTAM's** Research

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Case Study Award Competition, recognizing innovative methodologies and execution for research projects and studies throughout the cable industry. 2nd place honors went to *Jo Holz* and *Anthony Fields* of **In Demand Nets**, while **Knowledge Nets'** *David Tice* and **FSN's** *Mike Norton* took 3rd.

People: **MTVN** evp, global inclusion strategy *Marva Smalls* will chair the company's newly formed global inclusion strategy advisory committee. Among the remaining 19 members are *Christina Norman*, pres, **MTV**, and *Michele Ganeless*, evp/GM, **Comedy Central**. -- **The Military Channel's** new board of advisors is comprised of 18 civilian and military experts, including *Sen Ted Stevens* (R-AK), *Sen John Kerry* (D-MA) and *General Charles Boyd*, USAF (Ret.) and pres/CEO, Business Executives for National Security.

Business/Finance: **Level 3 Comm** subsidiary **Level 3 Financing** plans to offer \$500mln aggregate principal amount of 9.25% Senior Notes due '14 in a proposed private offering to qualified institutional buyers. The Notes are offered as additional debt securities under the same indenture as 9.25% Senior Notes due '14 issued on Oct 30. A tender offer to purchase for cash \$500 million in aggregate principal amount of its 10.75% Senior Notes due '11, representing all of the Notes currently outstanding, has also commenced.

CableFAX Daily Stockwatch

Company	12/13 Close	1-Day Ch	Company	12/13 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/			AVID TECH:	37.44	0.04
BRITISH SKY:	41.59	0.25	BLNDER TONGUE:	1.54	(0.02)
DIRECTV:	25.09	0.08	BROADCOM:	33.50	(0.44)
DISNEY:	34.45	0.22	C-COR:	10.99	0.13
ECHOSTAR:	38.28	0.30	CISCO:	27.25	0.17
GE:	35.50	(0.14)	COMMSCOPE:	30.42	0.03
HEARST-ARGYLE:	26.02	0.01	CONCURRENT:	1.81	(0.05)
ION MEDIA:	0.42	0.02	CONVERGYS:	23.85	0.09
NEWS CORP:	22.28	0.08	CSG SYSTEMS:	27.30	0.49
TRIBUNE:	32.62	0.13	GEMSTAR TVG:	3.16	(0.01)
MSOS					
CABLEVISION:	28.41	(0.17)	GOOGLE:	478.99	(2.79)
CHARTER:	3.36	0.06	HARMONIC:	7.57	(0.01)
COMCAST:	42.86	(0.22)	JDSU:	16.80	(0.4)
COMCAST SPCL:	42.46	(0.25)	LEVEL 3:	5.87	(0.06)
GCI:	15.54	0.03	LUCENT:	2.55	(0.02)
KNOLOGY:	11.12	0.18	MICROSOFT:	29.55	0.12
LIBERTY CAPITAL:	94.47	0.97	MOTOROLA:	20.65	(0.11)
LIBERTY GLOBAL:	28.70	0.07	NDS:	47.48	(0.76)
LIBERTY INTERACTIVE:	22.68	(0.14)	NORTEL:	22.35	(0.05)
MEDIACOM:	8.01	(0.08)	OPENTV:	2.38	(0.01)
NTL:	24.25	(0.14)	PHILIPS:	36.85	0.24
ROGERS COMM:	58.53	(0.11)	RENTRAK:	15.65	(0.4)
SHAW COMM:	31.14	0.07	SEACHANGE:	9.13	0.23
TIME WARNER:	21.37	0.07	SONY:	41.75	0.74
WASH POST:	754.25	9.50	SPRINT NEXTEL:	19.55	0.08
PROGRAMMING					
CBS:	31.39	0.09	THOMAS & BETTS:	49.85	(0.05)
CROWN:	2.95	(0.02)	TIVO:	5.69	0.29
DISCOVERY:	16.32	(0.07)	TOLLGRADE:	8.98	0.27
EW SCRIPPS:	50.67	(0.02)	UNIVERSAL ELEC:	21.04	0.38
GRUPO TELEVISA:	27.64	(0.01)	VONAGE:	7.23	(0.04)
INTERACTIVE CORP:	36.89	0.45	VYYO:	4.14	0.14
LODGENET:	23.20	0.30	WEBB SYS:	0.04	0.00
NEW FRONTIER:	9.35	0.04	WORLDGATE:	1.31	(0.01)
OUTDOOR:	12.93	0.16	YAHOO:	26.60	(0.15)
PLAYBOY:	11.50	0.00	TELCOS		
UNIVISION:	35.39	(0.01)	AT&T:	35.55	(0.09)
VALUEVISION:	13.12	0.13	BELLSOUTH:	46.53	(0.16)
VIACOM:	37.65	(0.23)	QWEST:	7.72	0.05
WWE:	16.69	0.02	VERIZON:	35.87	0.11
TECHNOLOGY					
3COM:	4.05	(0.03)	MARKET INDICES		
ADC:	14.49	0.38	DOW:	12317.50	1.92
ADDVANTAGE:	2.94	(0.24)	NASDAQ:	2432.41	0.81
AMDOCS:	37.50	0.40			
AMPHENOL:	64.87	0.52			
ARRIS GROUP:	12.27	0.31			

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Fudging Reality

When was the last time that “list price” meant anything? Did you buy your last car at “list price?” How about the magazine subscription, newspaper home delivery or published price of the hardcover book you just got from Amazon?

In the case of the car, particularly, there were discounts, add-ons, maybe an extended warranty and a dealer “incentive” of “free” oil changes. So what was the “price” you actually paid, for what? Certainly you started out buying

a car, but it is far more complicated than that (were you offered a “deal” on financing? How much is that worth in the “value package?”)

The same is now true in telecommunications. A significant and increasing number of cable customers are not simply buying “basic” or “expanded basic” cable service. They are getting

that video delivery combined with additional “premium” channels, a DVR recorder, digital delivery or HD, and VOD thrown in as well. That’s just the start. A rapidly rising number of our customers are getting a “bundle” of the services we, as broadband suppliers, let them access, including telephone or internet service. So what is the “price” they are paying? And for what?

This is the time of year when both regulators and journalists engage in the “yearly comparison” game of charades regarding cable. What was “the price” of “expanded basic” last year, what is it this year, what is the percentage difference? And, I would add, what relevance is there to that number? The headlines proclaim that increases are higher than the rate of inflation, or the consumer price index. The reporters go home happy that they didn’t have to report the reality, which is much more difficult to explain. And the policy makers go home happy since they can use the headlines to justify what-

ever it is they had already decided they wanted to do. The loser, of course, is the consumer who is no better informed after the game is over than when it started.

I have lamented about this for years; the comparison of cable prices to the CPI, for instance, which measures static product costs, like a can of soup as opposed to cable’s offerings, which are incredibly dynamic. I have also used comparisons, like noting that unleaded regular gas went up over 19%, or the average cost of a movie ticket is now up around \$7 while that same two hours of video entertainment on cable costs around eleven cents. But those efforts have been less than successful because it is just so easy for the headline writers and the regulators to keep repeating meaningless numbers to justify what they write or want to do.

So let’s stop helping them. Our value equation is far more complicated than comparing one set of numbers. The value of the access cable provides to the broadband universe of video, telephone and Internet has increased exponentially. It is totally misleading to take one little piece and attempt to compare it on a year to year basis, especially when even that little piece has changed and become more valuable (as proven by increased viewership) with new, better and additional programs. Let’s not let them make simplistic comparisons any more.

Instead, when asked, point out that the “comparison” is false and that the value of a bundle includes the ability to bundle in itself. Consumers, if not writers and regulators, appreciate that. It’s why our customers are buying new services and bundles in ever increasing numbers. Give them those numbers. Don’t help them fudge reality.



Steve Effros

Steve

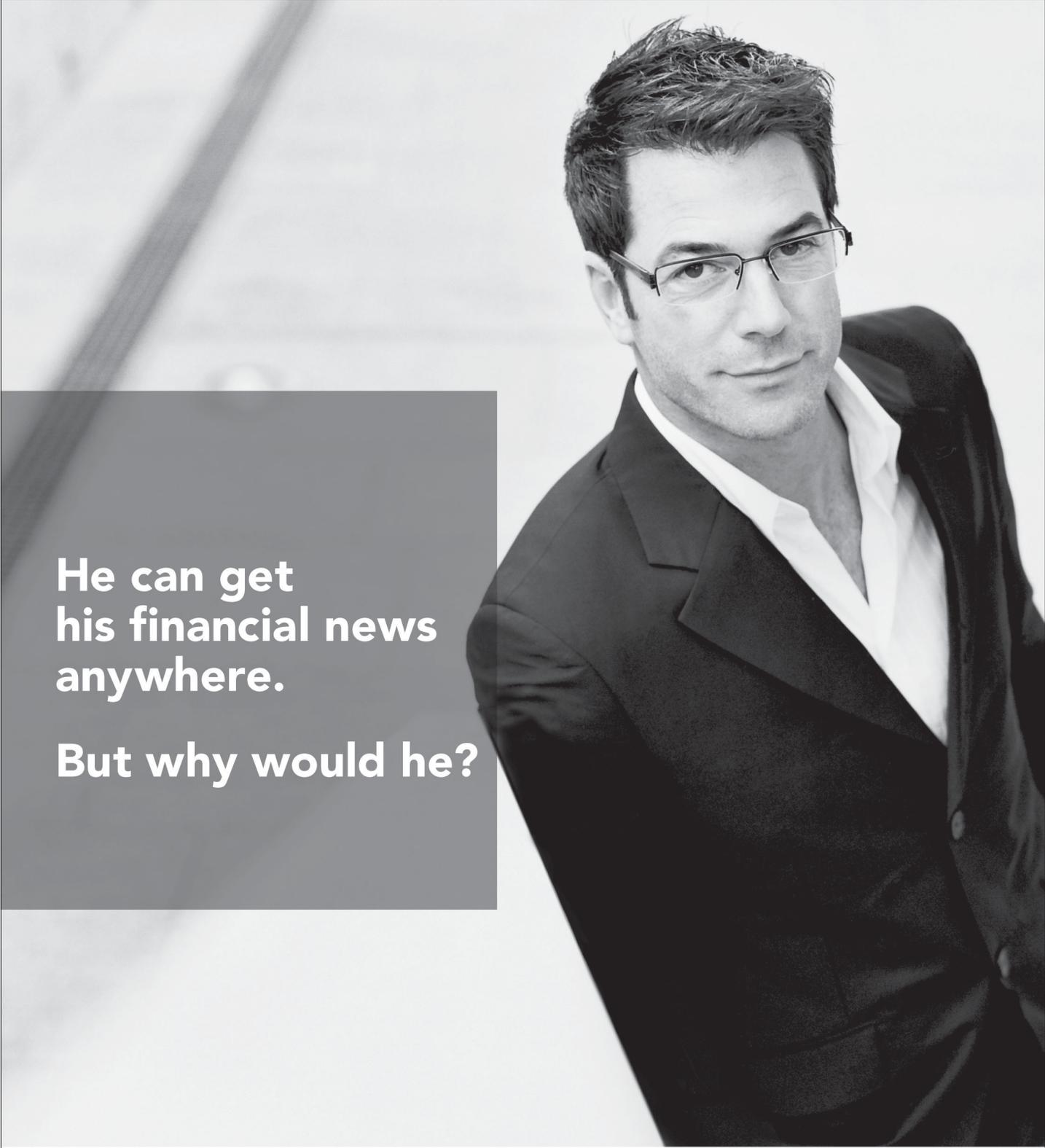
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