

CableFAX Daily™

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What the Industry Reads First

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Blight Christmas: Broadcasters Plagued by Difficulties

As the contracting economy has forced cable and nearly every other industry to search for and enact efficiencies, many execs admit that improving the broadcast TV model is a particularly thorny endeavor—and that the woes may intensify. “We’re in an era where if we don’t change the models of these local TV stations, we will be newspapers, we will be car companies,” said **NBCU** CEO *Jeff Zucker* this week. Ebbing viewership, exorbitant production costs and an unhealthy dependence on advertising have coalesced to squeeze broadcast TV unmercifully. “The network television business is dying a slow death,” wrote **Pali** research analyst *Rich Greenfield*. Is it any wonder, then, that **NBCU**, **CBS** and the parent companies of **ABC** and **Fox** have diversified heavily through cable properties? 1 core problem for broadcasters is sagging ratings, largely a byproduct of consumer migration to cable. During this year’s Nov sweeps period (Oct 30-Nov 26), for example, the top 5 broadcasters saw live HH ratings slip by a collective 9% versus a year ago, and live total views slip 10%, according to **Magna**. And per **Turner** research, the top 6 broadcasters have endured season-to-date (9/22-12/7) a YOY prime delivery drop of 2.64mln HHs and 2.18mln 18-49s in ’95-96. Those are by far the worst declines since all 6 nets were 1st on the air simultaneously. Meanwhile, a potential **Screen Actors Guild** strike and the DTV transition threaten to further erode the broadcast business. “The risk of permanent damage is very real, particularly to broadcast television,” wrote Greenfield of a possible SAG strike early next year. “Another strike (following last year’s WGA strike) could meaningfully shift viewership to cable and other forms of media, entertainment and gaming.” Even **Disney** CFO *Tom Staggs* said this week that ABC found it “hard to build momentum” after the writer’s strike. Additional eyeballs are also expected to find cable and other pay-TV operators with the DTV transition approaching, as ops court the remaining strict over-the-air homes. Even so, CBS CEO *Les Moonves* is among those believing that broadcast’s ills aren’t as dire as advertised. The network TV model “ain’t broke,” said Moonves this week, citing solid recent ratings for CBS, which did post the best numbers of any broadcaster in both the Magna and Turner studies, albeit still negative. But Moonves also said that **Showtime** has brushed off any economic impact, posting 1.5mln sub adds this year. Coincidence?

New Course: Charter has asked financial advisor **Lazard** to discuss with its bondholders financial alternatives to improve the MSO’s balance sheet—which currently counts approx \$900mln in cash on hand and cash equivalents, and approx \$21bln in debt. Such improvements “will better position Charter for the future while we continue to focus on delivering quality service to our customers and growing our business,” said pres/CEO *Neil Smit* in a Fri release. This latest strategic move comes as Charter’s share price has plummeted to 13 cents, down from \$1.17 in Jan, and amid its muddled long-term outlook. Execs have repeatedly said that solvency is guaranteed through ’09, but that ’10 remains a big question mark. The MSO’s bonds fell sharply Fri, according to *Reuters*.





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At the Portals: As chmn *Kevin Martin* had proposed (*Cfax*, 12/4), the FCC's Thurs meeting will include consideration of a program access order to require the Commission to act on program access complaints more quickly, possibly within 6 months. It would also reportedly lower the standards for filing a complaint and broaden the program access statute so that video providers who carry vertically integrated programming associated with other cable ops are subject to complaints. The Commission is also set to consider a further notice of proposed rulemaking that could lead to the unbundling of cable programming. But, if Sen *Jay Rockefeller* (D-WV) and Rep *Henry Waxman* (D-CA) have their way, next week's agenda may shrink. "At a time when serious questions are being raised about transition readiness, it would be counterproductive for the FCC to consider unrelated items, especially complex and controversial items that the new Congress and new Administration will have an interest in reviewing," wrote the pair in a Fri letter to Martin. "We strongly urge you to concentrate the Commission's attention and resources only on matters that require action under the law and efforts to smooth the transition to digital television." FCC spokesperson *Matt Nodine* said the letter has been received, and that "we are reviewing it and will reach out to the other offices."

Retrans: Following the Thurs expiration of the pair's retrans contract, **Young Broadcasting** has forced **DISH** to remove stations from its channel lineup in 11 markets, including San Francisco, Nashville and Green Bay. Young "is demanding unreasonable contract terms and an excessive rate increase for continued carriage on DISH Network—an increase that DISH Network is unwilling to pass on to customers," said the DBS op in releases to all affected markets. DISH is directing consumers to **FairSatellite.com** for more information, and encouraging them to contact Young about the disagreement.

Online: NFL.com has kicked off Game Rewind, an on-demand service offering HD-quality streaming video of completed league contests. Through a weekly pass (\$5) or season pass (\$20), subs receive unlimited access to complete games without the commercials, DVR functionality, simultaneous viewing of up to 4 games, chat opportunities and stats.

Programming: Fox News's "Hannity" (Jan 12) will feature conservative commentator *Sean Hannity* and a recurring segment showcasing 3 guests to offer a mix of commentary from across the political spectrum. -- **Discovery Channel** and **Odyssey Marine Exploration** are partnering for "Treasure Quest" (Jan 15), an 11-part series featuring deep-sea hunts for precious artifacts. -- **Oxygen's** docu-series "Addicted to Beauty" ('09) spotlights a CA beauty enhancement facility. Also, the net has 4 projects in development, including "Lady and the Champ" (working title), chronicling the lives of boxer *Sugar Shayne Mosley* and his wife, and "Hogs and Heifers" (working title), documenting the owner and employees of the eponymous saloons.

Obit: We'll miss veteran cable entrepreneur *Bob Seefeld*, who passed away suddenly in Oakland earlier this week. His career spanned 30+ years, owning and managing systems in CA. He also helped more than a few programmers get carriage. Funeral services will be held Wed in Oakland. A remembrance is being planned for the next few months, said *Jerry Yanowitz*, vp, **CA Cable & Telecommunications Assoc.**

People: As expected, **Time Warner's** board elected CEO *Jeff Bewkes* chmn, effective Jan 1. Bewkes will succeed *Richard Parsons*, and continue in his role as chief exec.

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WIDE APPEAL.



CableFAX Week in Review

Company	Ticker	12/12 Close	1-Week % Chg	YTD %Chg
BROADCASTERS/DBS/MMDS				
BRITISH SKY:	BSY	28.00	9.60%	(36.3%)
DIRECTV:	DTV	22.94	4.20%	(0.8%)
DISNEY:	DIS	22.61	(0.7%)	(29.9%)
ECHOSTAR:	DISH	10.99	(0.3%)	(67.6%)
HEARST-ARGYLE:	HTV	5.66	(22.6%)	(72.2%)
NEWS CORP:	NWS	8.46	(3.4%)	(58.8%)
MSOS				
CABLEVISION:	CVC	14.42	1.90%	(39.9%)
CHARTER:	CHTR	0.13	(23.5%)	(88.9%)
COMCAST:	CMCSA	15.65	(3.1%)	(12.3%)
COMCAST SPCL:	CMCSK	14.89	(4.7%)	(15.8%)
GCI:	GNCMA	7.80	5.70%	(10.9%)
KNOLGY:	KNOL	5.67	6.00%	(55.6%)
LIBERTY CAPITAL:	LCAPA	3.02	20.80%	(87%)
LIBERTY ENT:	LMDIA	12.96	19.10%	(46.4%)
LIBERTY GLOBAL:	LBTYA	13.00	2.00%	(66.8%)
LIBERTY INT:	LINTA	2.41	2.60%	(87.4%)
MEDIACOM:	MCCC	2.89	5.10%	(37%)
SHAW COMM:	SJR	17.07	0.40%	(21.5%)
TIME WARNER CABLE:	TWC	19.76	(5%)	(28.4%)
VIRGIN MEDIA:	VMED	4.33	7.40%	(72.2%)
WASH POST:	WPO	386.40	(4%)	(48.7%)

PROGRAMMING				
CBS:	CBS	8.20	11.00%	(63.2%)
CROWN:	CRWN	2.08	5.10%	(68%)
DISCOVERY:	DISCA	13.07	(5.2%)	(42.7%)
EW SCRIPPS:	SSP	1.84	(16.3%)	(59%)
GRUPO TELEVISIA:	TV	15.53	1.90%	(31.6%)
HSN:	HSNI	2.52	38.50%	(83.1%)
INTERACTIVE CORP:	IACI	16.53	9.00%	(29.6%)
LIBERTY:	L	27.42	5.50%	(45.3%)
LODGENET:	LNET	0.63	31.30%	(96.4%)
NEW FRONTIER:	NOOF	1.89	21.20%	(51.5%)
OUTDOOR:	OUTD	6.20	(5.8%)	(10.1%)
PLAYBOY:	PLA	2.40	37.10%	(73.7%)
RHI:	RHIE	5.23	4.80%	(58.6%)
SCRIPPS INT:	SNI	21.44	(10.2%)	(46.8%)
TIME WARNER:	TWX	10.03	5.50%	(36.7%)
VALUEVISION:	VTV	0.42	(12.5%)	(93.3%)
VIACOM:	VIA	17.97	10.90%	(59.1%)
WWE:	WWE	11.73	1.10%	(5.1%)

TECHNOLOGY				
3COM:	COMS	2.11	6.00%	(53.3%)
ADC:	ADCT	4.69	(13.5%)	(69.8%)
ADDVANTAGE:	AEY	1.79	27.00%	(71%)
ALCATEL LUCENT:	ALU	2.29	16.20%	(68.7%)
AMDOCS:	DOX	17.74	4.90%	(48.5%)
AMPHENOL:	APH	21.48	2.60%	(53.4%)
APPLE:	AAPL	98.27	4.50%	(50.4%)
ARRIS GROUP:	ARRS	7.05		(29.4%)
AVID TECH:	AVID	10.89	0.60%	(61.6%)
BIGBAND:	BBND	4.86	4.10%	(5.4%)
BLNDER TONGUE:	BDR	0.84	(6.7%)	(50.6%)
BROADCOM:	BRCM	17.79	19.10%	(31.9%)

Company	Ticker	12/12 Close	1-Week % Chg	YTD %Chg
CISCO:	CSCO	16.99	6.60%	(37.2%)
COMMSCOPE:	CTV	13.99	24.90%	(71.6%)
CONCURRENT:	CCUR	3.40	3.00%	(85.7%)
CONVERGYS:	CVG	6.29	5.40%	(61.8%)
CSG SYSTEMS:	CSGS	16.29	(1%)	10.70%
ECHOSTAR HOLDING:	SATS	14.68	2.20%	(55.4%)
GOOGLE:	GOOG	315.76	11.20%	(54.3%)
HARMONIC:	HLIT	5.60	18.10%	(46.6%)
JDSU:	JDSU	3.72	30.60%	(71.7%)
LEVEL 3:	LVLTL	0.75	(6.3%)	(75.3%)
MICROSOFT:	MSFT	19.36	(2.6%)	(43.5%)
MOTOROLA:	MOT	4.19	(3.9%)	(71.1%)
NDS:	NNDS	50.05	7.50%	(15.5%)
NORTEL:	NT	0.40	(27.3%)	(97.4%)
OPENTV:	OPTV	1.27	5.80%	(3.8%)
PHILIPS:	PHG	18.59	15.30%	(49.4%)
RENTRAK:	RENT	9.70	3.60%	(32.9%)
SEACHANGE:	SEAC	6.79	(9.1%)	(6.1%)
SONY:	SNE	21.23	12.10%	(59.9%)
SPRINT NEXTEL:	S	1.96	(24.6%)	(85.1%)
THOMAS & BETTS:	TNB	21.85	13.10%	(55.4%)
TIVO:	TIVO	6.68	3.90%	(19.9%)
TOLLGRADE:	TLGD	4.54	1.80%	(43.4%)
UNIVERSAL ELEC:	UEIC	15.94	(5.6%)	(52.3%)
VONAGE:	VG	1.08	(3.6%)	(53%)
YAHOO:	YHOO	13.15	12.80%	(43.5%)

TELCOS				
AT&T:	T	28.18	0.10%	(21.6%)
QWEST:	Q	3.14	3.60%	(46.1%)
VERIZON:	VZ	32.80	(1.2%)	(14.9%)

MARKET INDICES				
DOW:	INDU	8629.68	(0.1%)	(34.9%)
NASDAQ:	COMPX	1540.72	2.10%	(41.9%)

WINNERS & LOSERS

THIS WEEK'S STOCK PRICE WINNERS

COMPANY	CLOSE	1-WK CH
1. HSN:	2.52	38.50%
2. PLAYBOY:	2.40	37.10%
3. LODGENET:	0.63	31.30%
4. JDSU:	3.72	30.60%
5. ADDVANTAGE:	1.79	27.00%

THIS WEEK'S STOCK PRICE LOSERS

COMPANY	CLOSE	1-WK CH
1. NORTEL:	0.40	(27.3%)
2. SPRINT NEXTEL:	1.96	(24.6%)
3. CHARTER:	0.13	(23.5%)
4. HEARST-ARGYLE:	5.66	(22.6%)
5. EW SCRIPPS:	1.84	(16.3%)

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Here at the end of another tumultuous year and in the waning days of the Bush Administration, we, as an industry, remain blessed with the ministrations and oversight of a dedicated, hard working, engaged, committed and—indeed—messianic public



Paul S. Maxwell

servant running the Federal Confusion Commission in the public interest... Well, maybe not the "public" interest... but in the interests he deems most important like, well:

1) Changing the cable (and by extension, the direct-to-home satellite and telco video) business models—whether the **FCC** has the authority or not;

2) Changing cable (silly to just call them "cable") network, as well as cable operations, business models—whether the FCC has the authority or not;

3) Crafting pre-ordained spectrum auctions (whether they work or not; whether or not his Administration agrees—it doesn't—it even sent a letter decrying the rigged auction favoring a single "business model"; whether or not the Congress agrees) in a tenacious "if-it-didn't-work-the-first-time-I'll-try-the-same-way-again" manner... to find a job next year out in California's Silicon Valley as a (is this for real?)

venture capitalist? (Is **AT&T** waffling?)

4) Using as his defense (via a spokesperson, of course), in light of last week's Congressional lambasting of his FCC stewardship, the ringing declaration that the investigation failed to find that he had broken any laws (that's a moral conservative's defense against mismanagement?); and,

5) Just think! He doesn't actually have to resign as the next Administration-in-Waiting takes office on January 20th next year! As a Martian, he's exempt! Ain't that lucky!?!

Random Notes:

• **Fallouts:** This unprecedented global financial crisis is going to have some interesting—in a Confucian sense—consequences... in areas such as:

• **Sports:** If beer advertising goes the way of automobile advertising (slim chance; but still a chance), sports is in for a series of wake-up calls. -- Like more struggling leagues—bye-bye Arena Football? NHL on melting ice?—No more professional lacrosse? I hope not, but. -- More empty seats at stadiums making the **NFL Network** really sort of important—but maybe not as the NFL brass and planners hope. -- The **MLB Network** "PPS" (pay-per-season)? -- Shrinking sports salaries? -- Flat-lining **ESPN** per-subscriber fees? -- Struggling regional sports nets? -- More part-time networks?

• **Linear Channel Carriage Renewals:** Cable (that silly name for chan-

nels) networks up for carriage renewals next couple of years are going to struggle to just hold on to the current fee schedules—and will likely lose linear carriage in tertiary markets as the inexorable channel realignment of the future begins to actually happen.

• **The Classic "Cable" Network Business Model:** Will be under serious assault—the twin revenue streams of advertising and subscriber fees that have (along, of course, with retransmission "consent") allowed for the proliferation of channels will be under new pressures.

• **Not To Mention the Classic Over-the-Air Network Model:** It is already under pressure—metamorphosing at NBC while CBS whistles past the graveyards, and ABC and FOX pray. They think (at least at the local level) that their content makes them "must carry" so they can "consent" their way to a true dual revenue stream at the very time that model is beginning to come under serious threat.

• **Regulation:** While we probably won't have quite the same crusading set of regulatory headaches, we can be certain that some new will come from legislation and regulation. Get ready.

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