

CableFAX Daily™

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What the Industry Reads First

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Multicast Must-Carry: Old FCC Threats Never Die, They're Just Reincarnated

Multicast must-carry keeps popping up at the **FCC**, but so far, it has gotten nowhere. Even though FCC chmn *Kevin Martin's* multicast desires have been knocked down a few times, no one should get overly confident that the issue is dead, **Fleischman & Harding** cable attorney *Seth Davidson* warned during **Cable360.net's** regulatory Webinar Wed. Word is that one of the early versions of the broadcast localism item on Tues' agenda had the FCC again seeking comment on multicast must carry, which would require cable ops to carry all of a must-carry broadcaster's digital streams. "Fortunately for the cable industry, my understanding is that the rest of the commissioners balked at that," said Davidson. On Tues, **NCTA** chief *Kyle McSarrow* expressed pleasure that a majority again rejected a plan to consider a multicast must carry mandate. "Consumers will be better served if we could all focus on getting ready for the digital broadcast transition instead of repeatedly having to reject stale ideas that would harm consumers, undermine the digital transition and violate the Constitution," he said. But don't count on this issue sleeping with the fishes. As **Effros Comm's** *Steve Effros* reminded participants, "nothing's ever really dead" at the Commission. While *Robert McDowell* seems unlikely to vote for multicast must-carry and *Deborah Taylor Tate* seems uncertain, Martin may be able to get the 2 Dems on his side. *Jonathan Adelstein* and *Michael Copps* have repeatedly said they would consider multicast must-carry if broadcasters got real public interest obligations. Sounds like another regulatory retread to keep an eye on in '08. -- As for this week's decision to reinstitute a 30% ownership cap for cable, **NCTA's** *Dan Brenner* repeated that it seems like it will be difficult for the FCC to justify it. With no order out yet, the industry will just have to wait to see how the Commission supports the cap. With Comcast at 27%, there shouldn't be any immediate issues. **Sanford Bernstein's** *Craig Moffett* wrote in a research note Wed that although the 30% cap doesn't apply to DBS operators, its existence could "provide yet another hurdle to any eventual merger plan for satellite operators." That is, if they ever actually decide to try and merge. If **XM** and **Sirius** merger is approved, look for renewed speculation on a **DISH-DirecTV** combo, Bernstein predicted.

At the Portals: The list of 266 applicants for the **FCC's** upcoming 700 MHz auction was released Tues night. **Charter**, **Cox** and **Cablevision** are among the major MSOs on the list. Other potential cable bidders include **Bresnan** and **Bend Cable**. Bidding entities associated with or owned by **EchoStar**, **Google**, **Verizon**, **AT&T** and **T-Mobile** are all on the list. **Citigroup** identified a consortium between **PBS** and **Gemstar** as one of the surprise entities on the list. The auction's expected to begin around the end of Jan. So far, 96 of the applications have gotten the FCC's OK. The remaining 170 have until Jan 4 to provide more info to complete their apps.

HD: **DirecTV** subs, there will be public TV broadcasts in HD, after all. While **NCTA**, **ACA** and **Verizon** have previously signed deals with **Public Broadcasting Service** and the **Assoc of Public TV Stations**, the DBS players have been hold-outs. **DirecTV**, which currently offers local HD programming in 68 markets, announced Wed that it will begin

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rolling out HD public broadcast feeds in local markets across the country next year. DirecTV will also carry 2 natl SD channels of public TV, as well as new VOD offerings from public television programming. Still no deal with **EchoStar**.

Pedal to Metal: Cable's travel in the broadband fast lane has received additional horsepower from **Casa Systems**, **Arris** and **Cisco**, the 1st companies to receive from **CableLabs** qualification status for DOCSIS 3.0. CMTS headend gear from each meets specs enabling downstream data rates of 160Mbps or higher and upstream data rates of 120 Mbps or higher. "This technological achievement... will enable companies to begin to develop products that will support the rapid deployment of DOCSIS 3.0 services in 2008," said **Comcast** boss and CableLabs chmn **Brian Roberts**. The MSO plans to complete a DOCSIS 3.0 infrastructure in 20% of its footprint by the end of next year, said CTO **Tony Werner** during the CableNEXT conference last month. While **Cox** pres **Pat Esser** and **Time Warner Cable** chief **Glenn Britt** joined Roberts in lauding CableLabs' ramping certification effort, pres/CEO of the industry consortium **Dick Green** remains excited about the road to the future. "We [are] very encouraged by the progress made toward certification of cable modems, particularly with the performance of the hardware," he said.

Deals: **Viacom** and **Microsoft** have forged a sweeping alliance under which the pair will collaborate over the next several years on advertising, content distribution, event promotions and games. As part of the new friendship, Microsoft will license content from nets such as **MTV** and **Comedy Central** for use by **MSN** and **Xbox 360**, buy ad time on Viacom's linear and online nets, and work toward promotions and sponsorships for the **MTVN** and **BETN** award shows. The deal has a projected base value of approx \$500mln in financial considerations and business services. -- **Cox** and **Gemstar-TV Guide** have expanded their IPG-focused relationship to include product agreements covering Gemstar's Passport IPG's and certain features of "My TV Guide." Also, Cox has been granted an IPG patent license. -- As part of a new agreement, TV/film producer **Jerry Bruckheimer** will build a game incubation studio with **MTV Games**, seeding collaboration on all phases of video game development. **MTVN** plans to support the venture across all its broadcast and digital platforms including **CMT**, **MTV**, **Spike** and **VH1**. -- **Pace** has conditionally agreed to purchase for approx \$140mln **Royal Philips'** set-top and connectivity solutions business, a French segment that employs 335 and designs digital TV products for satellite, cable and IPTV. 68mln new Pace shares will be issued to Philips at the deal's completion, plus an additional 1.9mln shares afterward, giving Philips control of approx 23% of the enlarged Pace.

Specter's Specter: In a Wed letter to NFL commish **Roger Goodell**, Sens **Arlen Specter** (R-PA) and **Patrick Leahy** (D-VT) castigate the league for its actions related to the **NFL Net**/cable impasse and threaten (again) to reexamine the league's antitrust exemption. "We are concerned the NFL member teams are using the NFL Network to restrict the output of game programming," reads the correspondence. "We ask you to take prompt action to make games like the Patriots-Giants and Steelers-Rams games more broadly available than just on the NFL Channel." Of particular interest to the pair is the net's limiting of live game telecasts to "narrowly defined local markets," an issue spotlighted last week when **Comcast** aired a net game via a broadcaster's signal in both Denver and Colorado Springs. NFL Net claims the MSO's action constituted breach of contract, arguing that Denver was the state's only authorized over-the-air market. Specter and Leahy make it clear in the letter that the sale of broadcast rights to satellite and cable ops is not covered by the league's antitrust immunity, and ask Goodell to provide justification for placing restrictions on game distribution. Apparently Vermonters, just like everyone else, must have access to the net's Pats game.

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BUSINESS & FINANCE

In the States: MovieBeam, the over-the-air VOD service that received financing from **Disney**, **Cisco** and **Intel**, has ceased operations due to parent **Movie Gallery's** bankruptcy woes.

Pregnancy 101: Nickelodeon isn't saying what will happen to its popular "Zoey 101" show now that the 16-year-old star, *Jamie Lynn Spears*, is pregnant (Big sis is pop princess *Britney*). "Our primary concern right now is for Jamie Lynn's well being," said the net's statement. Perhaps this might be a good time for a safe sex special with Nick News' *Linda Ellerbee*? Cast participation mandatory...

Competition: DirectTV bows Jan 23 (10pm) original "Rock & A Hard Place," a *Meat Loaf*-hosted game show with known musicians competing in trivia to benefit charity.

Honors: Comcast's *Brian Roberts* topped *Sports Business Journal's* list of 50 most influential people in sports business. In addition to controlling 2 national sports nets and a batch of RSNs, the Comcast CEO has embarked on public battles with top sports leagues (**NFL**, **MLB**, **Big Ten**).

People: Nickelodeon/MTVN Kids and Family Group promoted *Samantha Greene Woodruff* to vp, strategy and business development.

Oops: Discovery pres, digital media, emerging nets and business development *Bruce Campbell* was named a board member of **HSW Intl**.

CableFAX Daily Stockwatch

Company	12/19 Close	1-Day Ch	Company	12/19 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
BROADCASTERS/DBS/			AMPHENOL:	45.07	(0.44)
BRITISH SKY:	48.55	0.21	APPLE:	183.12	0.14
DIRECTV:	23.77	0.36	ARRIS GROUP:	9.74	(0.16)
DISNEY:	32.26	(0.76)	AVID TECH:	25.42	(0.01)
ECHOSTAR:	37.13	0.12	BIGBAND:	5.46	0.03
GE:	36.57	(0.23)	BLNDER TONGUE:	1.55	(0.13)
HEARST-ARGYLE:	21.73	0.13	BROADCOM:	26.36	0.40
ION MEDIA:	1.26	0.01	CISCO:	28.19	0.04
NEWS CORP:	20.91	(0.1)	COMMSCOPE:	47.57	1.51
TRIBUNE:	33.07	(0.24)	CONCURRENT:	0.85	0.05
MSOS					
CABLEVISION:	23.95	(0.09)	CONVERGYS:	16.51	(0.1)
CHARTER:	1.26	0.03	CSG SYSTEMS:	15.29	(0.26)
COMCAST:	18.03	(0.05)	GEMSTAR TVG:	4.78	0.08
COMCAST SPCL:	17.94	0.02	GOOGLE:	677.37	4.02
GCI:	8.44	(0.06)	HARMONIC:	10.45	0.47
KNOLOGY:	11.29	(0.03)	JDSU:	13.46	0.00
LIBERTY CAPITAL:	114.16	0.11	LEVEL 3:	3.07	(0.11)
LIBERTY GLOBAL:	39.66	(0.18)	MICROSOFT:	34.79	0.05
LIBERTY INTERACTIVE:	20.25	(0.16)	MOTOROLA:	16.00	(0.03)
MEDIACOM:	4.95	(0.01)	NDS:	61.75	2.56
NTL:	28.22	0.00	NORTEL:	15.70	0.08
ROGERS COMM:	42.97	0.00	OPENTV:	1.17	0.03
SHAW COMM:	24.54	0.39	PHILIPS:	43.75	0.55
TIME WARNER CABLE:	25.80	0.04	RENTRAK:	14.79	0.29
WASH POST:	770.22	1.22	SEACHANGE:	7.55	0.06
PROGRAMMING					
CBS:	25.84	(0.23)	SONY:	54.21	(0.23)
CROWN:	6.00	0.08	SPRINT NEXTEL:	13.48	(0.28)
DISCOVERY:	25.18	(0.4)	THOMAS & BETTS:	49.01	0.06
EW SCRIPPS:	43.20	(0.31)	TIVO:	8.29	(0.06)
GRUPO TELEVISA:	24.04	(0.19)	TOLLGRADE:	8.00	0.10
INTERACTIVE CORP:	26.83	0.06	UNIVERSAL ELEC:	34.68	(1.93)
LODGENET:	17.82	(0.44)	VONAGE:	1.90	(0.1)
NEW FRONTIER:	5.35	0.27	VYYO:	3.51	(0.06)
OUTDOOR:	6.50	0.52	WEBB SYS:	0.05	0.01
PLAYBOY:	9.18	(0.01)	YAHOO:	23.31	0.29
TIME WARNER:	16.36	(0.29)	TELCOS		
UNIVISION:	36.23	0.00	AT&T:	39.94	(0.66)
VALUEVISION:	6.53	(0.07)	QWEST:	6.94	(0.02)
VIACOM:	43.30	0.23	VERIZON:	43.65	(0.16)
WWE:	14.72	(0.02)	MARKET INDICES		
TECHNOLOGY					
3COM:	4.42	0.02	DOW:	13207.27	(25.2)
ADC:	15.43	(2.29)	NASDAQ:	2601.01	4.98
ADVANTAGE:	5.87	0.39			
ALCATEL LUCENT:	7.34	0.00			
AMDOCS:	34.04	1.05			

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Think about that for a minute...

Gathering Clouds

This is important. Spend more than a minute thinking about it. To understand its significance, I suggest you get a copy of this week's *BusinessWeek* magazine with the cover story "Google's Next Big Dream," and take a look on line at the Sunday *New York Times* piece, front page, Business section, entitled "Clash of the Titans... Google gets ready to Rumble with Microsoft."

The bottom line on both of those pieces is that Google, as has been noted here for some time, has concluded that "cloud computing" is the wave of the future, and its strategy is to lead us all into that future.



Steve Effros

Think of the Internet and the way it is portrayed. Information, or a computer at one end, then the diagram shows a cloud where that information goes in, and comes out the other end into another computer. What the articles

now portray is somewhat more sophisticated. The "computers" at either end don't really do the computing. The "cloud" is the computer, and it doesn't really matter, say the Google strategists, where the computer power resides... it could be in lots of places, in lots of server farms with immense capacity and huge stores of data. The "cloud" does the computing. People, businesses, governments, simply tap into the cloud.

Now none of this is new to those of you who have been reading this column. I mentioned some time ago that Google is already the 4th largest server manufacturer (yes, manufacturer) in the world. Google has been providing "enhanced" services for itself on the Internet for some time. So have Yahoo, IBM, Microsoft and Amazon. They all have massive, distributed server capability. They all could be part of a new norm of "cloud" computing.

What the Times piece describes is Google potentially offering the same capabilities we now use with Microsoft's

"Office" suite of products on our computers, but with the applications residing in the "clouds" rather than on our computers. The *BusinessWeek* piece takes things a lot further, to the implications of massive computing capability and data mining—all done in the "cloud."

What fascinates me about both of these articles is that there is not one mention of how all of that data gets from point A to point B and back again! That, of course, is our part of this grand new vision, but it's simply ignored. It's as though there is an assumption that someone will pay for the massive upgrade of the infrastructure we now have to effectuate "cloud computing." That may be right. But it won't happen if there is no good business model to pay for it! And that leads to the issue of "enhanced services," and "net neutrality."

"Cloud computing" is an "enhanced service" it seems to me. But if you believe the articles, Google and the others who control those server farms and the data in them have no intention of being "neutral." They are going to decide who can use that data and how. They also, of course, are leading the charge to make sure the only other logical builders of other "clouds," the telecommunications delivery providers, are prohibited from getting into the business.

If that's so, and the "clouds" become the new information technology infrastructure, shouldn't they, too, be "neutral?" Or, preferably, shouldn't we let the competition play out, since we have no real way of knowing whose strategy ("thin client / thick client" etc.) is right, and stay away from trying to mandate which clouds have silver linings?

There's got to be lots more thinking about this.

Steve

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