

CableFAX Daily™

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What the Industry Reads First

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Double Vision: 2011 Ahead Following Busy 2010

Perhaps cable should refer to '10 in Roman numerals (MMX), what with the maxed-out year's inclusion of several significant events and issues. Deal making was a recurrent theme, beginning with **ABRY Partners'** privatization of **RCN** and including **Cablevision's** move out West through its \$1.37bln purchase of **Bresnan**. A different type of deal found **Charter** back in public trading circles on **NASDAQ** following a lengthy reorg process, and consolidation at various levels was rampant. The approval by **Mediacom's** board of **Rocco Commisso's** 3rd privatization bid also occurred in '10, but undoubtedly **Comcast-NBCU** and the attendant wrangling in arenas far and wide stole the show. The greatest definition of '10, however, may be provided by broadband. The **FCC** intro'd its **National Broadband Plan** to spur dev and adoption of the tech, and, of course, there was the Commission's hotly-debated approval of net neutrality rules just this month. But don't discount the impact retrans issues had over the past few months, highlighted by the high-profile **Fox-Cablevision** standoff, a weeks-long impasse that affected **World Series** viewership and looks to have been the tipping point in the FCC's decision to issue a Notice of Proposed Rulemaking on the issue next year. And, like seemingly every other 12-month span, '10 was chock-a-block with carriage disputes. Technology demanded much attention, too, chiefly regarding the proliferation of alternative viewing platforms, a zeitgeist that spurred numerous TV Everywhere initiatives and the controversial cord cutting debate. The economy played a leading role in the latter issue while also remaining a concern throughout the year. Fortunately for cable, ad rev rebounded in a big way throughout '10. Perhaps the most cogent example of the year's feverish pace is the fact that many of the issues addressed therein threaten to bleed in earnest into '11. In fact, pick a '10 issue and the chances are good that it's still lurking. The FCC's net neutrality order will no doubt be under the microscope well into next year as it grows into practice, and implementation of the National Broadband Plan appears an issue for much of the next decade. "The more we focus on actually implementing the National Broadband Plan, the better for our industry," said **NCTA** boss *Kyle McSlarrow*. "I've always thought we have a lot to contribute to that." His planned departure from NCTA and the search for a capable replacement also a key issue going forward, McSlarrow offered his outlook on what is rapidly becoming akin to a dirty word: retrans. "The

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trend line is that it's worsening, which has always worried me," he said. "I don't think you can just hang your hat on retransmission consent and say that's the law and we're never going to change it. That said, I've never been able to figure out what a consensus approach to that reform would be." **Cox** pres **Pat Esser** believes ops must continue to innovate with products and services during the New Year and beyond, citing broadband expansion as a particular imperative. It's all about "supporting programs that help to ensure broadband adoption gets the much needed traction to be impactful in the marketplace," said Esser, noting initiatives such as the FCC's Lifeline and Link-Up programs to cover broadband service and expansion of the E-Rate program to enable remote learning. Regarding new products and service, "as we talk with our customers coast-to-coast, we understand there is a need to keep the pipeline of new products full to meet their ever-changing needs," he said. From a programmer perspective heading into '11, **FX** pres/gm **John Landgraf** employed brevity in his outlook. "The cable business needs two things above all else: targeted advertising to recapture viewers migrating to DVR and on demand platforms, and better piracy laws and enforcement," he said. Is it any surprise that both issues have tech at the core? Nets to watch in '11 include **OWN**, which launches Sat, and the **Discovery/Sony/IMAX** 3D channel jv that's set to go live early next year. And it should be interesting to see how well **Turner** is able to leverage its newest programming jewel, **March Madness**. More Comcast-NBCU dealings are in store as well. Cable can only hope that '11 (MMXI) doesn't portend more of '10, plus a little more.

'10 Ratings: **ESPN** won Dec (2.8/2.79m) and 4Q (2.8/2.77m) quite handily, but it wasn't enough to unseat **USA** from its usual perch atop cable's annual prime ratings list. Despite shedding 4% in total viewership compared to '09, **USA** notched a 2.4/2.37m to win going '10 away while proving that consistency pays: the net's top rated show of the year (total viewers) was an ep of "Burn Notice" in 57th. 2nd place **Disney Channel** also lent proof, notching a 1.9/1.86m with only high-level aid from "Camp Rock" in 30th. Ensuing was **ESPN** (1.8/1.79m), which isn't likely to complain since **MNF** dominated the year by taking the top 11 telecast spots and 14 of the top 20. The net's Giants-Cowboys matchup led cable with 17.99m total viewers. **TNT** checked in 4th with a 1.7/1.71m, its top telecast as ep of "The Closer" (9.38m). **Fox News**' 1.6/1.58m was good for 5th among nets, a 1-hour block (7.17m) of its Nov election night coverage completing the telecast top 100. That list (plus ties) included 51 original series eps, 49 sports-related features, 3 awards shows, 3 series specials and 1 movie ("Toy Story 2"). -- **Investigation Discovery** (+65%) led cable in YOY total prime viewership growth, ahead of **mun2** (+49%), **History** (+35%), **RFD-TV** (+33%) and **Science Channel** (+28%) and **Nicktoons** (+28%). **CNN** (-34%) suffered the greatest dip, followed by **VH1** (-31%), **GAC** (-26%), **Hallmark Channel** (-23%) and **HLN** (-20%). Among 18-49s, 36 nets achieved YOY gains while 35 saw their demo numbers fall. **Disney Channel**, **ABC Family**, **Disney XD**, **E!**, **Oxygen** and **Bravo** were among the nets that established historical records for annual viewership, in various dayparts and among various demos.

Retrans: No fresh news on the **Time Warner Cable-Sinclair** spat, but the MSO's impasse with **Smith Media (Cfax, 12/17)** got more interesting Wed. **Nexstar** has asked the **FCC** to stop TWC from rebroadcasting its TV stations in parts of NY and VT, areas it considers outside the intended markets. The MSO began carrying the related stations to replace the local ones owned by Smith. Nexstar claims TWC failed to provide the required 30-day notice of carriage stipulated by FCC rules. "We are confident in our right to carry [the 2 stations] and that we've complied with any notice obligations," said TWC. "With respect to the pending FCC proceeding, we'll respond formally to Nexstar's petition, as required, but the company will not otherwise comment on pending proceedings." Back to Sinclair, although failed negotiations could affect nearly 60% of TWC's sub base, **Miller Tabak's David Joyce** said "there should be no material effect on TWC financials vs. our estimates, or on the stock price."

Comcast-NBCU: **DISH** is urging the **FCC** to impose a wholesale broadband condition on the transaction, plus program access, temporary standstill and arbitration conditions that apply to all Comcast-NBCU affiliated content, including in the online arena. **DISH** also wants the conditions to remain in effect "until Comcast-NBCU can demonstrate that the public interest is no longer served by such conditions."

Net Neutrality: Apparently Joe and Jane American aren't big fans of the **FCC's** net neutrality order either. According to a **Rasmussen Reports** national phone survey, just 21% of likely US voters want the Commission to regulate the Web like it does TV and radio, and 54% are opposed to such regulation. Perhaps more telling, 56%

BUSINESS & FINANCE

believe the FCC would use its regulatory authority to promote a political agenda. By a 52% to 27% margin, voters believe that more free market competition is better than more regulation for protecting Internet users.

Competition: Verizon's currently trialing a customizable home monitoring and control service enabling customers to lock doors remotely, use networked cameras to monitor the home and set, adjust and control lights, smart thermostats and appliances through **FIOS TV**, smartphones or computers. The service will be showcased at CES and is slated for rollout before July.

Marketing: IFC and Sundance Channel teamed with The Cosmopolitan of Las Vegas to create "Inspired Experiences," a 6-ep vignette series highlighting the new luxury resort's features. The nets will also prod 2 60-sec new pieces featuring footage from the resort's New Year's Eve events including a concert featuring Jay-Z and Coldplay.

Mobile: According to Nielsen, Comedy Central (3rd), ESPN (4th), MTV (5th) Adult Swim (8th) and Discovery Channel (10th) ranked among the top 10 mobile Internet video channels of '10. YouTube led the way.

Editor's Note: Happy New Year to all of our subscribers. The next CFax issue will be dated Jan 4. Auld Lang Syne.

CableFAX Daily Stockwatch

Company	12/29 Close	1-Day Ch	Company	12/29 Close	1-Day Ch
BROADCASTERS/DBS/MMDS					
DIRECTV:	40.10	0.08	AVID TECH:	17.92	(0.04)
DISH:	19.36	0.07	BIGBAND:	2.62	0.02
DISNEY:	37.60	0.24	BROADCOM:	43.48	0.24
GE:	18.27	(0.05)	CISCO:	20.25	(0.1)
NEWS CORP:	16.37	0.01	CLEARWIRE:	5.14	(0.02)
MSOS					
CABLEVISION:	33.91	0.12	COMMSCOPE:	31.26	0.02
CHARTER:	38.50	0.19	CONCURRENT:	4.94	(0.02)
COMCAST:	21.95	(0.13)	CONVERGYS:	13.20	(0.05)
COMCAST SPCL:	20.63	(0.07)	CSG SYSTEMS:	19.06	(0.06)
GCI:	13.26	0.05	ECHOSTAR:	24.03	0.54
KNOLOGY:	15.35	0.15	GOOGLE:	601.00	2.08
LIBERTY CAPITAL:	63.27	0.10	HARMONIC:	8.66	0.14
LIBERTY GLOBAL:	35.29	0.02	INTEL:	20.94	0.06
LIBERTY INT:	15.59	0.07	JDSU:	14.55	UNCH
MEDIACOM:	8.44	UNCH	LEVEL 3:	0.96	0.01
SHAW COMM:	21.30	0.09	MICROSOFT:	27.97	(0.04)
TIME WARNER CABLE:	66.07	0.01	MOTOROLA:	8.97	0.01
VIRGIN MEDIA:	27.14	0.54	RENTRAK:	30.12	0.22
WASH POST:	440.38	(0.54)	SEACHANGE:	8.71	(0.05)
PROGRAMMING					
CBS:	19.19	0.14	SONY:	35.87	0.03
CROWN:	2.59	(0.02)	SPRINT NEXTEL:	4.17	(0.03)
DISCOVERY:	42.20	0.40	THOMAS & BETTS:	48.47	0.24
GRUPO TELEVISA:	25.91	0.04	TIVO:	8.61	(0.03)
HSN:	30.74	0.36	TOLLGRADE:	9.37	0.07
INTERACTIVE CORP:	30.02	0.16	UNIVERSAL ELEC:	27.95	(0.45)
LIBERTY:	39.00	(0.01)	VONAGE:	2.25	(0.06)
LIBERTY STARZ:	66.47	0.04	YAHOO:	16.61	0.18
LIONSGATE:	6.57	(0.02)	TELCOS		
LODGENET:	4.24	0.36	AT&T:	29.31	0.08
NEW FRONTIER:	1.68	(0.02)	QWEST:	7.62	0.02
OUTDOOR:	7.04	(0.03)	VERIZON:	35.58	(0.04)
PLAYBOY:	5.26	(0.04)	MARKET INDICES		
SCRIPPS INT:	52.17	0.17	DOW:	11585.38	9.84
TIME WARNER:	32.00	(0.23)	NASDAQ:	2666.93	4.05
VALUEVISION:	6.20	0.30	S&P 500:	1259.78	1.27
VIACOM:	45.69	0.05	TECHNOLOGY		
WWE:	14.35	(0.1)	ADVANTAGE:	3.14	-0.00
TECHNOLOGY					
ALCATEL LUCENT:	2.91	0.01	AMDOCS:	27.40	0.33
AMDOCS:	27.40	0.33	AMPHENOL:	53.05	0.14
AMPHENOL:	53.05	0.14	AOL:	24.09	(0.08)
AOL:	24.09	(0.08)	APPLE:	325.29	(0.18)
APPLE:	325.29	(0.18)	ARRIS GROUP:	11.11	(0.13)
ARRIS GROUP:	11.11	(0.13)			

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Think about that for a minute...

Tweeting Gloves

By Steve Effros

After working in this business for a lot of years, it sometimes brings me up short to realize how many things we influence with what we do and the decisions we make. That realization hit me again this Holiday season when I opened a gift from a friend.

It was a pair of gloves with the forefinger and the thumb designed with little "hoods" so the tips of those fingers could be bared. The hoods, once opened, stayed out of the way by employing tiny little magnets. They were apparently described by the salesperson as "Tweeting Gloves."



Now I don't tweet. I've never thought my comings and goings on an instant basis were worthy of memorialization.

But I do have an iPhone, and I use it a lot. Of course the capacitive touch screen relies on the electrostatic response of your finger. So when the phone rings in your pocket on a cold winter day and you want to answer it, you have to quickly take off your glove in order to "swipe" the "on" button. Won't work with gloves on. And now there's a solution to that!

I don't need to get my thumb cold, as well, but I do understand that those addicted to the little Blackberry-type keyboards or the tweeting crowd need their thumbs bared as well, and so the glove manufacturers apparently figured that out too.

It was just a reminder to me that when we in the telecom industry decide to design something a particular way, such as the decision by Apple to use capacitive touch screens instead of ones sensitive to resistance, or on-screen keyboards instead of actual little "thumb" keyboards, the ripple effect goes a long way. Lots of "unintended consequences" flow that we had not even imagined, or cared about.

This all leads me, as we head into the New Year and a likely new debate at the FCC over designing a one-size-fits-all technological "fix" to yet another "problem" that doesn't really exist, that we should all be a little more cautious about our prognosticating abilities.

The Commission is going to propose a "grand design" for the delivery of video and data to the home. An "AllVid" approach that federally defines the technical parameters of video delivery by all multichannel video delivery systems. The underlying premise is that they were empowered to do so by a provision in the 1996 telecommunications law regarding the retail sale of set top boxes. This has now morphed into a potential law that could freeze the development of any new data protocol for broadband delivery into the home. That's quite a jump! From a very narrow rule intended, at the start, to aid one home-town retailer during a markedly different business era, to a rule that could affect the development of numerous industries for a long time to come.

There's no question we will all be talking and writing about this come the new year, but the pair of gloves I got should be a symbolic reminder to the folks trying to write more and more rules and regulations directly affecting and mandating technical and business fundamentals that we really don't know, we never know, what all the implications are of the things we do. We simply don't have the omniscience to consider all the consequences, and it is likely to be far better to allow different folks to try things different ways and see what works.

Once consumers "vote" with their choices, then others can follow with useful "consequences" like those gloves I got. Happy New Year!

Steve

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The CableFAXIES awards

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