



# SATELLITE BUSINESS NEWS<sup>®</sup>

## FAX UPDATE

Vol. 11 No. 28

Friday ♦ April 1, 2005

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### CAREY SEES ROOM FOR DIRECTV GROWTH

The DirecTV Group will not be able to add customers forever at the same clip it did last year, but the DBS service still has solid growth prospects and will be able to also increase its bottom line, The DirecTV Group President Chase Carey said during a financial conference this week. "Right now, we continue to see a window where we have a competitive advantage" over cable, Carey said. Carey also contended that, "We certainly feel good about the growth we have so far this year." At the same time, DirecTV is aware there is not an unlimited wealth of new subscribers to add. "I certainly expect sub growth to slow down at a certain point and time...We don't have an endless projection of adding 1.7 million subs" per year as DirecTV added last year, he said. Carey also addressed questions about the recent departure of DirecTV President Mitch Stern and the restructuring of DirecTV's corporate structure. "It wasn't that there wasn't enough to do for two," Carey said, referring to industry talk that the two tussled over control as DirecTV divested itself of its non-core assets such as PanAmSat and most of Hughes Network Systems' various operations. "It was a combination of some issues for him that he wrestled with and issues on my end, [where Carey] looked at areas on the margin where we were weak." As reported, sources have said Stern grew tired of the frequent flights between his home on Eastern Long Island and DirecTV's headquarters in El Segundo. Carey contended he was not pleased with some of DirecTV's results, particularly on churn. The corporate setup DirecTV now has is much more efficient, he said. "I think [Stern's departure and the restructuring] was right for the company and [the company] has evolved to a structure that is more effective," he argued. The DirecTV Group's presi-

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### XM DEALS WITH PRICE INCREASE

So far, customers are reacting more favorably to XM Satellite Radio's plan to increase its monthly fee to \$12.99 tomorrow than it had expected, XM Chairman Gary Parsons said during a financial conference. "We certainly expected there will be some elevated churn during maybe a quarter, a quarter or two," Parsons said. "But we expect that to go back down. And right now, I have to actually say that we're very pleased with what we're seeing on that front. It's better than what we had expected." As reported, XM is raising its price from \$9.99 per month to \$12.99 per month, bringing it in line with the monthly fee competitor Sirius Satellite Radio charges. XM is also giv-

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### DOLAN DEPARTS DENVER WITH NO DEAL

Cablevision Systems Chairman Chuck Dolan, with little to show from another meeting with EchoStar Communications, is expected to talk with his company's board of directors today amid growing indications that even he now has come to the conclusion the days are numbered for the Voom DBS service he has fought to keep alive for months. Dolan and several of his colleagues met in Denver yesterday with EchoStar Chairman Charlie Ergen and other EchoStar executives, several sources said. But, they said, Dolan made no progress in trying to structure an agreement to get Ergen to sell back the satellite, DBS frequencies, and other assets Cablevision agreed to sell to EchoStar for \$200 million. As reported, Dolan's agreement with his board to keep Voom in operation expired last night, but the board apparently agreed to give him one more chance to meet with Ergen. Having failed to cut a deal, however, it now appears Dolan has few options but to shut down Voom as a DBS service. Even if Dolan decided to expend more of his own money to fund Voom for several more months while the FCC considers the Cablevision-EchoStar deal, several sources said, he might only be delaying the inevitable since there are no other high-power DBS frequencies or satellites available to lease or buy and migrating Voom's 46,000 subscribers to a medium-power satellite is widely viewed as being overly expensive and cumbersome. As a result, there was increasingly talk late yesterday that an announcement regarding the end of Voom's operations as a DBS service could be made as early as today. But some sources said they would not be surprised if Dolan continued to look for ways to save Voom or even explore alternatives that leave Voom as more of a HDTV programmer than a program distributor. Dolan

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### DIRECTV RIPS CABLE ON RETRANS

WASHINGTON—DirecTV chastised the cable industry yesterday for trying to "hijack" the FCC's inquiry into the impact of retransmission consent, syndicated exclusivity, and network non-duplication rules by making proposals that have nothing to do with those subjects. "DirecTV Inc. thinks this is an astonishing misuse of the regulatory process," the company said in a filing yesterday. DirecTV complained the National Cable and Telecommunications Association's call to allow cable companies to offer distant network stations like DBS services do is misguided. The NCTA had proposed cable operators should not have to obtain retransmission consent for distant network

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could also ask his board for yet another short-term extension while he considers such a plan, and some sources said Voom's employees were told late yesterday they would not be terminated right away, as was suggested in a notice they received several weeks ago, and could remain in their jobs through the end of the new month. But others argued even the new Dolan-friendly Cablevision board may balk at giving Voom more time.

Cablevision was forced to distance itself from a filing Dolan made at the FCC Monday seeking to block the EchoStar-Cablevision transaction. In a filing at the commission, Cablevision and its Rainbow DBS unit, said they "hereby advise the commission that (1) the actions of Mr. Dolan and Voom HD L.L.C. in connection with the petition were not authorized by Rainbow DBS or by Cablevision, and (2) Rainbow DBS and Cablevision expressly disavow the actions of Mr. Dolan in connection with the petition," Rainbow DBS said in a filing to the FCC. The company said it will "comment substantively on the arguments in the petition (all of which are without merit)" by April 12 when reply comments are due at the commission. Meanwhile, Dolan submitted a filing to the Securities and Exchange Commission formally disclosing that he and other holders of class B Cablevision common stock intend to exercise their right to elect 75 percent of the members of the Cablevision board at a board meeting scheduled for April 19. Dolan also intends to reduce the number of board members to 12, with class B shareholders naming nine and class A common stockholders electing three. As reported, Dolan replaced three members of Cablevision's board with other directors of his choosing. Cablevision and Voom do not comment on their company's pending business. In addition, there were indications that Dolan was also planning to meet in Denver yesterday with Liberty Media Corp. Chairman John Malone. As reported, Malone recently joined Cablevision's board.

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dent also downplayed the competitive impact cable operators are having offering bundles of services that include video-on-demand and phone services. "I wouldn't say there's no impact, but I would say the impact is marginal," he said. He also again stated TiVo's digital video recorders will take a backseat to the unit DirecTv is developing with sister company NDS. "Our focus is really the [digital video recorder] product we're launching this summer, which is the project [on which] we'll build our [video-on-demand] experience on the back of and an array of new features as we go forward," he said.

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ing customers the chance to lock in the lower rate or lower by prepaying for one year to five years. "We're getting just about the penetration for that we expected," Parsons said. "That's going very positively." In response to a question, Parsons also said it could someday be possible for consumers to pay a larger monthly fee to receive both XM and Sirius' services.

## **FCC POSTS NEW NOTIFICATION RULES**

WASHINGTON—The FCC issued an order this week implementing provisions of the new satellite TV law dealing with various notification procedures and retransmission consent rules regarding the delivery of local-into-local stations and significantly viewed stations. One rule gives local stations the right to elect must-carry or retransmission consent on a county by county basis within their designated market area when a satellite TV service has notified it that it plans to offer a significantly viewed station from an adjacent market. Satellite TV services also need to notify local stations if they will be offering significantly viewed stations affiliated with the same network in specific counties. The rules also exempt satellite TV services from having to perform Grade B signal tests for customers who live in local-into-local markets since customers in those areas are now not allowed to subscribe to distant stations.

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stations and should not have to abide by exclusivity rules. DirecTv also complained about the American Cable Associations' request that DBS services allow small cable operators to retransmit their local-into-local offerings. "DirecTv's prior and future planned spending on local service is expected to total billions of dollars," DirecTv said. "ACA members would doubtless find it easier to piggyback off of this investment than to spend their own capital." Meanwhile, Viacom argued there is no reason for the commission to prohibit companies that own broadcast stations from negotiating for carriage of national programming they own during retransmission consent proceedings, as EchoStar Communications and various cable operators have suggested. Viacom owns CBS as well as numerous cable channels, such as Nickelodeon, MTV, and Showtime. Viacom also argued retransmission consent is not to blame for increasing cable rates. Time Warner Cable reiterated its view that the retransmission consent process has "developed into a much more onerous burden on [multi-channel video] subscribers than originally expected." DirecTv sister company Fox Entertainment also argued the retransmission consent rules are necessary to protect local broadcasters and is not responsible for cable rate increases.

**NEWS & NOTES: DirecTv plans to offer the YES Network's high-definition feed of the Red Sox-Yankees opening day game Sunday to customers in the New York designated market area on channel 94. DirecTv plans to show other games on the YES Network in high-definition throughout the season but has not determined how many, sources said. EchoStar does not carry the YES Network, though there have been some negotiations between the companies in recent weeks.**