Digital Distribution Guide – Update – Week of October 19, 2009

Comcast Will Expand Streaming On Demand This Year; Not Quite TV Everywhere

Comcast (NSDQ: CMCSA) On Demand Online will move from trial to reality later this year but not as the TV Everywhere wonderland all the hype might lead subscribers to expect: the streaming on demand will be limited to some cable shows and movies, access will be limited to in-home computers—and, at first, access will be possible only through Comcast's own ISP, barring anyone who does not pay Comcast for video and broadband. But, as promised, the actual service will be free to cable subscribers; access will be through Comcast.net or the company's video portal Fancast.

Comcast Chairman and CEO Brian Roberts announced the expansion during the opening talk at the Web 2.0 Summit this afternoon. In an earlier briefing, Comcast execs told AP plans still call for opening access to competing broadband providers and access outside the home and on mobile devices. AP also reports that eventually access will be possible through the websites of participating cable nets like AMC.

Google Follows Microsoft With Twitter Search Deal Of Its Own

Only hours after Microsoft (NSDQ: MSFT) started to include real-time Tweets in its Bing search engine, Google (NSDQ: GOOG) says it too has reached a similar agreement with Twitter. In a short blog post, Google's Marissa Mayer doesn't offer much detail about how her company's relationship with Twitter will work but she says "we look forward to having a product that showcases how tweets can make search better in the coming months."

There's notably no mention of a Google deal to include updates from Facebook, which Microsoft also announced today. Microsoft should also have somewhat of an advantage in that its Twitter search feature debuted in beta this afternoon, so it could gain some traction before Google enters the real-time Twitter search fray (An aside: It might help if Bing's feature—which you can try out here—was more straightforward and visually appealing. It's unclear to me, for instance, why there are two groupings of "hottest topics" on Bing's main Twitter page).

Netflix announces Best Buy as latest instant movie streaming partner

One thing you can say about Netflix Inc. (NASDAQ: NFLX), the DVD rental pioneer doesn't stand still. It has been innovating for years in bringing video content to consumers over as many mediums as it can. DVDs and Blu-ray discs are still the staple of its business, but Netflix can now be found embedded in newer Blu-ray disc players and even TVs. No more waiting for discs to show up -- it can stream thousands of movies instantly to that living room flat screen television. So, it stands to reason that a house brand of leading consumer electronics retailer Best Buy Inc. (NYSE: BBY) will now come with Netflix technology built-in.Best Buy's Insignia brand will now include two Blu-ray disc players with Netflix's instant streaming included on the players themselves. No matter if you prefer to rent Blu-ray discs from Netflix and wait a day or two for them or

stream selected movie titles directly, the movie rental company has you covered. It's this kind of forward thinking that has made CEO Reed Hastings enemy number one in the corner offices at Blockbuster Inc. (NYSE: BBI). Again, a new kid has outdistanced an old kid in the entertainment business. With Best Buy carrying the bulk of consumer electronics sales (for now) in the U.S., the more disc players on its shelves with built-in Netflix technology, the better. Netflix customers, of course, must subscribe to a minimum $9 monthly plan to get that instant streaming capability, but that's a small price to play for the breadth of programming available.

Netflix's Reed Hastings, in announcing the partnership, stated "Best Buy is a terrific place to shop for TVs, Blu-ray disc players, computers and other technology products that entertain and suit the lifestyle needs of millions of consumers ... we're proud to see Insignia models that instantly stream movies from Netflix on Best Buy shelves. Or, better yet, seeing customers buy them off the shelves."

Spoken like a true salesman, and an innovative one at that.

Netflix To Take Its Streaming Business International Next Year

What a difference 10 months can make ... Netflix (NSDQ: NFLX) CEO Reed Hastings unveiled the company's plans to take its business international next year—albeit streaming-only, not mail-order rentals. "We're looking to the second half of 2010 to make our streaming offering international," he said, during the company's Q309 earnings call. "The plan is to start small in one market, prove out our model, and expand into other countries."

That's a marked contrast from his sentiments in January, during Netflix's Q408 earnings call. Hastings told investors that he wasn't sure there was "enough content and a large enough ecosystem" to make international streaming successful then.

FiOS at Five: Continuing Rapid Growth, Leadership in Technology and Innovation
Wed Oct 21, 2009 10:00am EDT

Transformational Fiber-to-the-Home Service First Deployed in Six East Coast States in 2004; All-Fiber Technology Challenges TV/Internet Industries to 'Beat This!'

FALLS CHURCH, Va., Oct. 21 /PRNewswire/ -- It was the light seen up and down the East Coast when Verizon announced five years ago this week that it was deploying its revolutionary all-fiber-optic FiOS network here and in five other Eastern states, transforming how people access the Internet and TV entertainment.

FiOS has had a huge impact on the residents of those six Eastern states -- New York, Massachusetts, Virginia, Maryland, Pennsylvania and Delaware -- as well as other states where FiOS was deployed later in 2004. Even more important,

it has transformed an entire industry.

"FiOS has made an enormous impact on the consumer and small-business broadband markets, accelerating the change in both the basic delivery of these services while also laying the technological foundation for emerging bandwidth-intensive applications," said Matt Davis, director of consumer and small-business telecom services research for the global market intelligence firm IDC.

"Verizon has consistently raised the bar on broadband speeds and network reliability, forcing both competitors and peers to explore new technologies and increase their own capabilities in an attempt to keep pace with the disruption triggered by FiOS," Davis added.

In the five years since the FiOS network was first deployed, Verizon has introduced the only national fiber-to-the-home TV service and has been an industry leader in high-definition TV; pioneered blistering broadband speeds of 50 Mbps (megabits per second) downstream and 20 Mbps upstream; and blurred the lines between cable TV and Internet with, among other tools, an interactive media guide that merges content from broadcast TV, the Internet and a customer's private photo, video and music files.

The FiOS platform, capable of integrating Internet and TV functions, has fostered the development of dynamic new on-screen TV widgets that enrich the entertainment experience by linking Web resources to what appears on-screen. Verizon's Facebook and Twitter widgets, for example, turn static TV into social TV by letting subscribers connect with others while watching their favorite shows. FiOS TV's RedZone and ESPN Fantasy Sports widgets convert a living room into a virtual sports bar, with instant access to statistics, scores, news and real-time critical plays.

"FiOS is setting the pace for the industry," said Mark Wegleitner, senior vice president-technology for Verizon. "Verizon has created a network with a current capability of 100 megabit-plus Internet service, with FiOS TV capable of expanding to higher-definition TV, including 3D HDTV programming."

(NOTE: To view a brief video of a FiOS installation click on this link.)

And there's still more on the way.

Verizon will further enrich FiOS over the coming months so that it becomes a

control hub for much more than home information and entertainment. Verizon will leverage the dynamic home network built for every FiOS customer, adding such household systems as security, heating and air conditioning and various consumer electronics.

"With FiOS, Verizon designed an end-to-end network for maximum capacity and maximum flexibility," said Wegleitner. "Verizon invested in a network that would allow a consumer's home network to accommodate multiple devices performing multiple tasks. The wisdom of this investment is evident today as Verizon outpaces the competition with superior products and innovation it can't match."

Verizon's FiOS Internet base has grown from a few thousand in those first communities to receive the service to more than 3.1 million customers nationwide, while FiOS TV is now found in the homes and businesses of more than 2.5 million customers. By the end of this year, Verizon's FiOS network will pass approximately 15 million homes and businesses, with an eventual goal of 18 million.

At the end of the second quarter 2009, combined market share in those areas where FiOS is offered approached 30 percent for Internet and 25 percent for TV. By 2010, Verizon projects that FiOS Internet penetration in its combined markets will be between 35 percent and 40 percent, while FiOS TV penetration will approach 30 percent, exceeding earlier expectations.

"Only Verizon is providing consumers and businesses a 100 percent fiber network straight to their door, and customers are reaping the benefits," Wegleitner added. "We've just begun to plumb the depths of the FiOS technology and will continue to challenge cable to catch us if it can."

In addition to its own FiOS innovations, Verizon will continue to draw on its partnerships with other companies for such things as the popular FiOS widgets -- FiOS-TV users' one-touch access to customized entertainment and information. Introduced three years ago, FiOS widgets have expanded from news, horoscopes and weather to social media like Facebook and Twitter; sports features like ESPN Fantasy Football and NFL Redzone; and entertainment features like KODAK Gallery, which gives users instant access on their TVs to their KODAK Gallery photos and slideshows.

Among other highlights of Verizon's all-fiber FiOS network since its launch are:

Internet speeds - both upstream and downstream -- that have accelerated over the years, redefining speed as "two-way fast." Verizon was first to offer 50/20 Mbps speeds in every FiOS market.

Introduction of FiOS TV in September 2005; beating cable to a 100 HD-channel offering and adding to that lead today with at least 115 HD channels in each market.

First to be certified by the Fiber to the Home (FTTH) Council for providing fiber all the way to customers' homes and businesses.

Partnerships with Disney, ESPN, NFL Network and Starz, among others, to bring sports, movies and children's entertainment to customers via their FiOS Internet connection.

Introduction of the FiOS TV interactive media guide, providing Customers with a powerful new tool for pulling together content from broadcast TV, the Internet and the customer's own private music, video and photo files on one system.

Introduction of a multi-room DVR that allows customers to use one DVR to record standard and HD programming that can be watched on up to six other TVs in a home, including up to three separate recorded programs simultaneously on different TVs.

Passed 13.8 million homes at the end of June 2009

Continuing to drive down the cost of deploying and installing network services, with 2010 goals approaching half what it cost to install the services in 2004.

Introduction of remote DVR management that allows customers to review, change or add recording requests; delete recorded programs; browse and search TV and video-on-demand listings; set parental controls and more, via any broadband connection or any broadband-enabled cell phone.

Introduction of FiOS TV Media Manager service that allows FiOS DVR customers to access personal photos, videos and music from their home computers and play them on their TVs, plus search for and enjoy online videos from blip.tv, Dailymotion and Veoh on their TVs.

Verizon Communications Inc. (NYSE: VZ), headquartered in New York, is a global leader in delivering broadband and other wireless and wireline communications services to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 87 million customers nationwide. Verizon's Wireline operations

provide converged communications, information and entertainment services over the nation's most advanced fiber-optic network. Wireline also includes Verizon Business, which delivers innovative and seamless business solutions to customers around the world. A Dow 30 company, Verizon employs a diverse workforce of more than 235,000 and last year generated consolidated operating revenues of more than $97 billion. For more information, visit www.verizon.com.

VERIZON'S ONLINE NEWS CENTER: Verizon news releases, executive speeches and biographies, media contacts, high-quality video and images, and other information are available at Verizon's News Center on the World Wide Web at www.verizon.com/news. To receive news releases by e-mail, visit the News Center and register for customized automatic delivery of Verizon news releases.

FiOS Five Years Later
Tech Tidbits

Competitive Impact

Since FiOS was launched, CATV and other competitors have been forced to try to keep pace in terms of data rates, video quality and features. Cable companies wrestle with having to force all TV, data and voice services onto one set of frequencies, while FiOS has unlimited capacity based on the fiber-optic technology.

As deployed, the Verizon all-fiber-optic network could provide Customers up to 100 megabits per second (Mbps) bandwidth, both upstream and downstream.

FiOS could one day deliver an entire optic wavelength for each customer, offering bandwidth beyond anything imaginable today.

FiOS could easily be engineered to support super-high-definition TV and even bandwidth-hungry 3D TV, while copper-based systems could not handle data streams that large.

Verizon's network is future-proof; to increase capacity, only electronics at both ends of the fiber need to be changed.

FiOS Network Basics

-- Verizon's fiber-to-the-home network is "passive." Three wavelengths

link Verizon's facilities to customers, with no electronics between the sending and receiving equipment, lowering construction and maintenance costs and assuring quality and reliability.

Of the three wavelengths, or colors of light, that Verizon uses, one carries linear video downstream; one carries On-Demand video, data and voice service downstream; and one handles all upstream traffic. To increase capacity, additional wavelengths could be added, or the speed of the downstream and upstream could be increased.

Verizon now uses Gigabit Passive Optical Network (GPON) technology, which increases capacity to four times the downstream and eight times the upstream capacity of the earlier BPON technology.

FiOS TV went all-digital nearly two years ago, ahead of other providers. FiOS TV transmits HD video at the quality provided by the content owner; no further compression is required to push signals through the network, resulting in the best picture quality in the industry.

Equipment on customer premises continues to change from outdoor Optical network terminals to indoor units to space-saving multi-unit hubs to desktop-sized fiber connections, lowering space requirements inside homes and apartments and cutting down installation time. ONTs convert light energy into the electronic signals used for Internet, TV and voice applications.

Smaller ONTs, bend-insensitive fiber and new installation techniques make FiOS services more popular with multi-unit building owners due to simplicity of connections

Home network advantage

Every FiOS home installation includes a customized in-home network that links all devices in the home for cross-platform information exchange.

The network architecture makes possible on-screen TV widgets as well as applications for home security and energy management unparalleled in the industry, along with access to content stored anywhere in the home.

Verizon's home network is a managed service; the equipment has its own direct connection to the company's operations systems and can be adjusted or enhanced remotely.

Because the networks are managed inside the home, customers also can avoid repair calls simply by clicking on links in Verizon's In-Home Agent, which sets up or repairs network-based services

The home network uses already in-home coaxial cable and multimedia over coax, or MoCA protocols, to distribute video and data services in the home, simplifying and cutting the cost of installation.

Internet Highlights 2004-2009

2009: The Seattle Post-Intelligencer becomes the first major daily newspaper to move entirely online. Google announces development of a free computer operating system designed for a user experience that primarily takes place on the Web. (Source: AP)

2009: Twitter emerges as the fastest-growing site on the Internet, with 6 million unique monthly visitors and 55 million monthly visits -- growing 1,400 percent every month. (Source: LastWatchdog)

2008: World Internet population surpasses 1.5 billion. China's Internet population reaches 250 million, surpassing the U.S. as the world's largest. Netscape's developers pull the plug on the pioneer browser, though an offshoot, Firefox, remains strong. Major airlines intensify deployment of Internet service on flights. (Source: AP)

2007: Search engine giant Google surpasses Microsoft as "the most valuable global brand," and also is the most-visited Web site. (Source: AP)

2006: World Internet population surpasses 1 billion. (Source: AP)

2005: Launch of YouTube video-sharing site.

2004: Mark Zuckerberg starts Facebook as a sophomore at Harvard University. Verizon launches FiOS Ultra-High Speed Internet.

SOURCE Verizon

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AT&T's profits soar on wireless, U-verse revenues

AT&T today reported impressive financials for the third quarter of 2009. The telecom giant cited record wireless gains on top of strong growth in its U-verse service as the main drivers for its recent success. Overall, third-quarter revenues totaled $30.9 billion.

In light of Apple's fourth-quarter iPhone sales, analysts had been expecting good things from AT&T. In an earnings call on Monday, Apple reported sales of 7.4 million iPhones in its fourth quarter.

AT&T's third-quarter integrated device growth included 3.2 million iPhone activations, the company's largest quarterly total to date, with nearly 40 percent of the activations for customers who were new to AT&T.

The third quarter marked the carrier's best postpaid wireless subscriber churn rate of 1.17 percent and record-low total subscriber churn of 1.43 percent. The iPhone drove postpaid wireless subscriber ARPU, which was up by 3.8 percent to $61.23 versus the year-earlier quarter of $58.99. This marks AT&T's seventh consecutive quarter with a year-over-year increase in postpaid ARPU.

But according to Ralph de la Vega, AT&T's president and CEO of Mobility and Consumer Markets, it wasn't just the iPhone that helped drive AT&T's success this quarter.

De la Vega said that the carrier's shrinking churn rate was due in part to the company's IP-based U-verse service and subsequent triple- and quad-plays offerings, which seem to have been successful in driving revenue per household and customer retention.

Wireless data revenues increased by $916 million, or 33.6 percent, from the third quarter of 2008 to $3.6 billion, more than double the company's total in the third quarter two years earlier. As expected, data revenue was a significant portion of revenue. Data accounted for 29.4 percent of AT&T's third-quarter wireless service revenues, up from 24.2 percent in the year-earlier quarter and 18.4 percent in the third quarter of 2007.

When asked about tiered data pricing going forward, de la Vega agreed that something needed to be done. He said that AT&T does have a plan to address different usage tiers for data and said the public will be seeing those in the near future.

In the Q&A after the call, no one came right out and asked what's next for AT&T after the iPhone exclusivity expires. However, de la Vega was pressed on how the company will drive non-iPhone subscriber additions in the future.

De la Vega responded by highlighting the carrier's line of texting and messaging phones, noting that the GSM network's ability to run voice and data will act as a differentiator going forward. And like everyone else in the wireless industry, he noted new Android phones coming soon.

As was the case with Apple, AT&T isn't hurting in cash, either. The operator saw $9.7 billion in cash from operating activities in the third quarter and $25.5 billion year-to-date. Free cash flow was $5.5 billion in the quarter and $13.9 billion year-to-date, up from $7.9 billion in the first three quarters of 2008 (free cash flow is cash from operating activities minus capital expenditures).

In early morning trading, AT&T's stock was up only slightly to $26.55 from its opening price of $26.38.

UPDATE ON NET NEUTRALITY

Notice

Republican commissioners will concur on full, transparent process but will dissent on factual, legal basis for proposed rulemaking

10/21/2009

Look for the FCC Republican commissioners to support, at least in part, Chairman Julius Genachowski's network neutrality notice of proposed rulemaking (NPRM) at the commission's Oct 22 meeting. Sources say Robert McDowell and Meredith Attwell Baker will vote to concur on a full and transparent process with plenty of opportunity for comment; however, they will dissent from the factual and legal basis the document uses to justify proposing the rules. That is different from supporting the underlying argument for codifying network neutrality rules--both remain unconvinced--but at least it would be a unanimous vote to move the debate to the next level. The chairman already has the support of the other two Democrats on the panel.

The proposal was said to be looking better--less presumptively regulatory--to the Republican side after style and tone edits, including removing the "tentative conclusion" language that had been in the original proposal, according to multiple sources. That means, for instance, that the item no longer "tentatively concludes" that network neutrality rules should apply to wireless, though that could well be the conclusion after a lengthy comment and reply comment period. The chairman has said he thinks it is important to extend the rules to mobile, which he says, in turn, will be key to broadband's future.

Also look for the chairman to get shout-outs from his "collegial opposition" Thursday for working productively to improve the document. That comes after initial concern on the Republican side that they did not get sufficient notice or input on the chairman's plans to introduce the important proposal, according to numerous sources.

"We have really spent a lot of time with the chairman's office," Commissioner Baker told B&C late Wednesday, Oct. 21. "I think the basis of this document and the tenor of this document is going to allow us to move forward," she said. "They have really done a great job, and they have really made great progress on it."

A source said Baker would have voted no on the original document, and didn't even see a route to supporting it. Baker said it would not be appropriate to comment on the subject of the changes or her vote, but a source said removing the tentative conclusions was a key tone change. Baker said she was still not convinced that the FCC needs network neutrality rules, "but the chairman has worked hard with us to make this document something that at least moves forward the debate so we can have a healthy one," she said. Sources familiar with McDowell's thinking say he, too, gives props to the chairman for an improved document and the process that achieved it, including praising the fact that the proposed rulemaking actually includes proposed rules, though he still is unconvinced they are needed. Some past NPRM's under previous management were heavy on inquiry and light on actual proposals. While the tone may have changed, the thrust of the rulemaking, a**nnounced by the chairman in a Brookings Institute speech a month ago**, remains. The FCC will propose to codify its existing four Internet openness principles as well as adding two new ones requiring ISPs to inform customers about network management techniques and preventing them from discriminating against content of applications, with a carve-out for reasonable network management public safety and homeland security. That codification is meant to remove any question of whether they are enforceable. That question is currently the subject of a court case involving Comcast's network management/blocking of BitTorrent peer-to-peer file uploads. There will be a lot of questions asked in the proposal, although a source says that the document proposes that defining reasonable network management be arrived at on a case-by-case basis, which is how the commission has said it would try to enforce the guidelines up to now. The FCC will give the public and interested parties 70 days for comments and another 50 for replies. That means that nothing will be decided until mid-March of next year at the earliest. If, as one FCC source suggested, the commission also continues to fight Comcast's challenge to the BitTorrent decision, it could be even longer. Oral arguments in that case are not expected until January 2010, after which the court will have to decide the case, which can take months. The commission may want to wait for that decision before circulating a draft of the final order.

FCC votes to begin crafting `net neutrality' rules
By Joelle Tessler, AP Technology Writer
CedMagazine.com - October 22, 2009

WASHINGTON (AP) – Federal regulators took an important step Thursday toward prohibiting broadband providers from favoring or discriminating against certain kinds of Internet traffic.

Despite the concerns of the agency's two Republicans and prominent telecommunications companies, the Federal Communications Commission voted to begin writing so-called "network neutrality" regulations. Proponents say the rules would prevent phone and cable companies from abusing their control over the market for broadband access.

FCC Chairman Julius Genachowski said the rules are needed to ensure that broadband subscribers can access all legal Web sites and services, including Internet calling applications and video sites that compete with the broadband companies' core businesses.

"Internet users should always have the final say about their online service, whether it's the software, applications or services they choose, or the networks and hardware they use to connect to the Internet," Genachowski said.

The FCC's two other Democrats voted to support his plan. The agency's two Republican commissioners voted merely to start the formal rule-making process and said they remain opposed to the substance of Genachowski's proposal.

Republican commissioner Robert McDowell said he remains unconvinced that broadband providers are engaging in widespread anticompetitive behavior that requires government intervention.

"I do not share the majority's view that the Internet is showing breaks and cracks, nor do I believe that the government is the best tool to fix it," he said.

Next up for the FCC is to actually craft the rules, with a vote on them expected to come by next summer.

That would culminate a five-year debate in Washington that has pitted Internet companies such as Google Inc. against some of the nation's biggest phone and cable companies – including AT&T Inc., Verizon Communications Inc. and Comcast Corp. – which say the government should not tell them how to manage their networks.

The broadband providers insist they need flexibility, free from government intervention, to keep their networks running smoothly. They want to ensure that high-bandwidth applications such as YouTube videos don't hog too much capacity and impede other traffic, like e-mail and online searches. They also say that net neutrality regulations would discourage them from expanding and upgrading their networks.

"We continue to hope that any rules adopted by the Commission will not harm the investment and innovation that has made the Internet what it is today and that will make it even greater tomorrow," Comcast executive vice president David Cohen said.

But companies such as Google, Amazon.com Inc., eBay Inc.'s Skype and Facebook Inc. argue that without such rules, the broadband companies will become online gatekeepers that can prioritize their own online services, or those of their business partners – and potentially put others at a disadvantage.

Markham Erickson, executive director of the Open Internet Coalition, called Thursday's vote "the first step toward ... creating a framework that promotes innovation and consumer choice on the Internet."

The Open Internet Coalition represents public interest groups and big Internet companies, including Google, Amazon and eBay.

Genachowski's plan calls for the agency to formally adopt four broadband principles that have guided the FCC's enforcement of communications laws on a case-by-case basis. Those principles state that network operators must allow subscribers to access all online content, applications, services and devices as long as they are legal.

The FCC relied on those guidelines last year when it ordered Comcast to stop blocking subscribers from using an online file-sharing service called BitTorrent, which is used to transfer big files such as online video. Comcast is challenging the FCC ruling in court.

Genachowski also wants the FCC to adopt two additional principles that would bar broadband providers from discriminating against particular content or applications and require them to disclose network management practices.

And he is seeking to apply all six rules across all types of broadband networks, including wireless systems, which have been largely unregulated.

"The time is now to move forward with consideration of fair and reasonable rules of the road," Genachowski said Thursday. "It would be a serious failure of responsibility not to consider such rules, for that would be gambling with the most important technological innovation of our time."