

Rural Multiplatform Wars

Wired Urban Areas 2
Rural Broadband Growing 2
Wireless, Satellite Options 3
Broadband Challenges ... 4
Switch from Dial-Up? 5
Satellite Broadband's Steady Numbers 6
DATA:
Small Dishes Plentiful in Rural Scene 8

Under the BRIDGE New Name Dogs Merger ... 9

Heads Up

It's another big week for second quarter reporting among multiplatform companies. **Time Warner Cable** releases results Wednesday, and **DIRECTV** reports 2Q numbers Thursday.

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Rural's Long Road to Success Remote Areas Tap Technology to Develop Broadband, Video

by Michael Hopkins

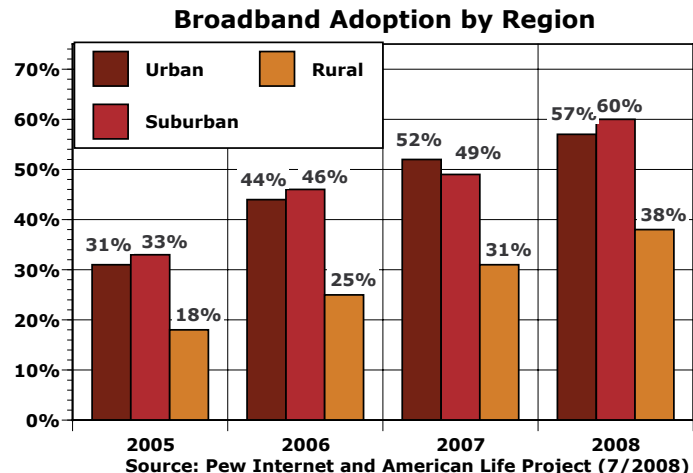
It's a long road to travel for those working to connect rural constituencies to advanced communications services. But the efforts are paying off, say those pushing for more broadband and video in far-off regions of the nation.

On the high-speed internet side, broadband numbers are growing in rural

>See RURAL 2

Some Broadband Progress in Rural Areas

*Rural areas may be lagging urban and suburban populations in terms of broadband availability, but the remote corners of the nation are growing their high-speed internet numbers. According to the **Pew***



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***Internet and American Life Project**, 38 percent of those living in rural areas reported having broadband this year. That compares to 31 percent in 2007. The 2008 figure also is more than double the 18 percent of rural consumers who reported having broadband in 2005. For comparison, 60 percent of suburban consumers and 57 percent of urban dwellers reported this year that they utilize broadband, states the Pew study. •*

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<1 RURAL

areas. And while it may be difficult to wire all of these remote places, broadband providers are eyeing wireless and satellite as perfect last-mile solutions.

Also, multiplatform interests are promoting new advanced video services that match – maybe even beat – television offerings sold in suburban and urban settings. The platforms include satellite TV, IPTV, cable and new wholesale distribution models.

Still, most of the attention has been focused on broadband needs in rural areas, with lawmakers and regulators, telecom and cable companies and consumers making pushes to get high-speed internet into wide open spaces. The work so far has delivered results.

Rural Broadband Growing

While rural broadband lacks the numbers seen in more urban and suburban locations, those in remote parts of the nation say they're making progress in rolling out high-speed internet access to their countryside consumers.

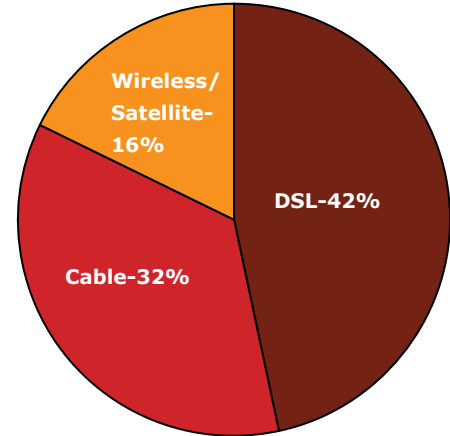
Numbers provided in the recently released **Pew Internet and American Life Project** found that 38 percent of those living in rural areas reported having broadband at home this year. That compares to 31 percent in 2007. The 2008 figure also is more than double the 18 percent of rural consumers who reported having broadband access in 2005.

>See RURAL 3

Wired Urban Areas (and Not-As-Wired Rural Areas)

*When comparing the type of high-speed internet connections consumers choose by the areas where they live, suburban and urban broadband subscribers typically utilize wired services. That's a no-brainer for most folks in the multiplatform business. Also not surprising ... a higher percentage of rural consumers rely on wireless or satellite broadband. According to the **Pew Internet and American Life Project**, about 16 percent of rural consumers have satellite or wireless for broadband. •*

Rural Broadband Connections



Source: Pew Internet and American Life Project (7/2008)
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Broadband Connections by Region

	DSL	Cable	Fixed Wireless/Satellite	Fiber
Urban	45%	37%	10%	1%
Suburban	42%	37%	10%	4%
Rural	42%	32%	16%	0%

Source: Pew Internet and American Life Project (07/08)
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For comparison, 60 percent of suburban consumers and 57 percent of urban dwellers reported this year that they utilize broadband, states the Pew study.

While more can be done to roll out broadband to remote areas, some suggest the efforts to connect rural consumers to a speedy internet service keep growing.

Matt Polka, president of the **American Cable Association**, a group representing small, independent MSOs, says about 75 percent of the subscriber base served by the organization's members has access to broadband. The organization represents 1,100 MSOs that provide services to more than 7 million customers, located primarily in rural and smaller suburban markets.

"As time goes on, broadband deployment is increasing," says Polka.

The National Rural Telecommunications Cooperative, which represents the telecom and information technology interests of more than 1,400 rural utilities and affiliates, has been pursuing a number of broadband initiatives on behalf of its members.

The cooperative has a master distribution agreement with **WildBlue Communications**. Through the relationship, those belonging to the NRTC can distribute the satellite-based service while the organization provides sales and marketing support to members.

Also, NRTC members rolling out IPTV also are deploying broadband. There are DSL services coming from the cooperative's members, and in some markets the wired broadband push includes fiber-to-the-home.

NRTC sees the broadband push as a way to build economic opportunities in isolated regions of the country.

"Broadband is not just a luxury.

For us, it's a rural development issue," says *Bob Phillips*, NRTC president and CEO.

He adds, "Consumers are looking for choice. And these consumers in rural areas want a good-sized pipe."

Wireless, Satellite Options

Rural providers are considering other options to expand broadband. And in most conversations wireless comes up as a solution.

Some are pushing ahead with 3G-type services. And a handful of rural telecom companies are eyeing next-generation 4G-based platforms.

Not only would these services provide broadband capabilities, "There's a great need in rural areas for mobility. And these types of services can do just that," says Phillips.

>See RURAL 4

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*Horowitz Associates for BlueHighways TV

<3 RURAL

Some of the wireless infrastructure, however, requires the construction of towers. Covering vast spaces with enough wireless capabilities could be a costly endeavor.

That's why 700 MHz spectrum is viewed as a next-generation solution.

Recently, the **Federal Communications Commission** auctioned off blocks of 700 MHz spectrum in an effort that generated more than \$19 billion in bids. Rural telecom entities, including some NRTC members, received licenses in the auction.

The 700 MHz spectrum requires less towers than conventional wireless broadband services. That cuts the cost of deployment of wireless broadband services in rural areas.

In addition, there's satellite broadband.

Given the vast open spaces found

in rural areas, "You have to use satellite for a connection," says Phillips. "Satellite is the best option for a last mile connection in many rural areas."

In addition to supporting members who distribute WildBlue, NRTC provides services such as e-mail that is branded to a member organization, account management tools and operational support.

Recently, WildBlue completed a series of software and hardware upgrades that the company says increased the capacity of its satellite broadband platform by 31 percent.

According to the company, the effort has jumped total network capacity by more than 150,000 additional customers since the beginning of the year. WildBlue says the upgrades bring its total network capacity to more than 640,000 customers, with capacity available throughout the entire country. WildBlue does not

release subscriber figures.

In addition to WildBlue, **Hughes Network Systems** has its **HughesNet** broadband platform, which was serving 401,000 customers as of March 31. Also, **Skyway USA** has a hybrid product that utilizes a satellite connection and dial-up to provide two-way connectivity.

According to FCC data on the high-speed internet marketplace, there were 668,803 satellite-based broadband users in the United States as of June 2007. That compares to 571,980 at the close of 2006 and 426,928 at the end of 2005, according to the agency's figures.

Broadband Challenges

But while opportunities exist, there are challenges in delivering broadband to the rural masses.

>See RURAL 5



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According to some accounts, about a quarter of rural areas lack access to high-speed internet services. The matter has caught the attention of regulators, lawmakers and telecom companies serving these secluded regions.

On the state level there's **Connect Kentucky**, which describes itself as an independent technology-based economic development organization. The group has formed an alliance among technology-minded businesses, government entities and universities to accelerate the deployment of broadband and technology throughout the commonwealth.

The Kentucky effort has won praise from regulators, lawmakers and those in the multiplatform business. Those behind Connect Kentucky think the endeavor will generate an economic impact in the commonwealth totaling \$1.5 billion.

At the federal level there's the **Rural Utilities Service** and its broadband loan guarantee program.

The at-times controversial program provides loan guarantees for communications companies that build or improve broadband infrastructure. Cable interests have complained that the program essentially left them out of the loan mix, but provisions in this year's **Farm Bill** (RUS is part of the **U.S. Department of Agriculture**) attempt to address those issues.

The fixes aren't perfect. But those closely following the program say the Farm Bill provisions try to level the playing field between cable operators and telecom companies most likely to get RUS-backed loans.

Switch from Dial-Up? No Thanks
Dial-Up Users Interested in Switching to Broadband

	2002	2004	2005	2008
Yes, Interested in Broadband	38%	40%	39%	36%
Not Interested in Broadband	57%	58%	60%	62%
Percentage of Consumers with Dial-Up	38%	30%	25%	10%

Source: Pew Internet and American Life Project (7/2008)
The BRIDGE 2008

*Research from the **Pew Internet and American Life Project** found that 10 percent of U.S. consumers have dial-up capabilities at home. The percentage has not changed much from previous surveys conducted by the group on the same topic. Within that group, 62 percent said they are not interested in switching from dial-up to broadband. When asked why, 35 percent reported that the price of broadband is too high, and another 19 percent said nothing would convince them to get broadband. •*

At the end of the day, those getting the loans must be sincere in their efforts to deploy broadband to underserved and unserved populations, according to observers.

And while small cable companies are answering the call to get broadband connectivity to customers, some federal regulations may have unintended consequences that hinder deployments.

Polka says multiple rules –

governing everything from how cable operators report broadband figures to pole attachments – can have a detrimental impact.

“These type of regulations and others have a disproportionate impact on our members,” he says. “With some telecom companies, they have levels of sophisticated staff. With an independent cable operator, it may be just one guy operating

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<5 RURAL

the system who has to follow these regulations.

“Lawmakers want ubiquitous deployment of broadband in rural America. But they also mandate regulations that may take away those services,” Polka adds.

During a recent FCC hearing on the nation’s digital future, Polka argued that the costs to upgrade cable systems are difficult to recoup, and that disperse customers lead to higher costs for network maintenance. Also, access to capital in small towns and rural areas can be difficult, he stated.

Nonetheless, “Our members are offering broadband to their customers, in spite of the economic challenges typical of service providers in rural America. Our customers want broadband, and we are finding ways to offer it at reasonable prices even with increasing costs of running the business and supporting broadband services,” Polka told the FCC gathering.

At the FCC event, Polka made a pitch for ACA’s continued effort to get the communications regulator to address tying and bundling practices by big programmers as well as reforming retransmission consent. Some say putting an end to those demands by programmers could allow cable operators to free up some capacity for broadband. It also could help MSOs address their economic situation as well as deliver content that’s most in demand by customers.

Video Challenges

Small, independent cable operators have raised concerns about the rising cost of retransmission consent fees assessed by broadcasters. They also are worried about programming giants that tie or bundle in-demand networks with channels that may be considered less popular than core programming properties.

The tying and bundling of programming has caught the attention of officials at the FCC. And the ACA has asked the commission to curb what it sees as a “market abuse” by programmers utilizing the

Satellite Broadband’s Steady Numbers

*Satellite broadband, the high-speed internet platform that has found success in rural areas, maintained steady subscriber growth between 2005 and 2007, according to numbers from the **Federal Communications Commission**. Satellite broadband services were serving 668,803 customers as of June 2007, states the agency’s numbers. •*

6/2005	376,837
12/2005	426,928
6/2006	495,365
12/2006	571,980
6/2007	668,803

**Source: FCC (2008)
The BRIDGE 2008**

Satellite Broadband's Growth

Date	Subscribers
6/2005	376,837
12/2005	426,928
6/2006	495,365
12/2006	571,980
6/2007	668,803

**Source: FCC (2008)
THE BRIDGE 2008**

bundling efforts. The association’s lobbying push at the Portals aims to give operators “the ability to offer more choice and lower prices to their customers.”

Polka says small, independent cable operators want to deliver programming selections that fit a community’s need. “From folks in Bible-Belt Mississippi, to those who love the outdoors in Maine, to urban

Chicago, you should be able to offer different types of programming that meet consumer needs,” he says. “But you don’t see that, and that’s because of bundling.”

On retrans, in which pay-TV services pay broadcasters for access to local TV station signals, Polka says “it’s not just a network problem, it’s also an affiliate problem.”

>See RURAL 7

<6 RURAL

There have been recent overtures from one broadcast network giant to small MSOs on the carriage front. In July, **Disney/ABC** offered a signal from its owned-and-operated stations free-of-charge to the smallest cable operators in markets served by its local broadcast properties. While that idea may be a step in the right direction, Polka calls the Disney/ABC offer a political move that targets the current regulatory process tied to the retrans debate.

Also, the ABC/Disney offer “covers 60,000 out of 7.5 million subscribers in our footprint. It’s a drop in the bucket,” Polka says.

The ACA has achieved one video regulatory victory this year.

FCC Chairman *Kevin Martin* said he would develop regulations that exempt certain small systems from parts of the agency’s dual-carriage rules, which require MSOs to deliver both an analog and digital signal from broadcasters for three years after the nation’s February 2009 transition to digital TV.

Martin’s offer doesn’t allow for a complete escape from the regulations, and details are still being hammered out at the FCC. However, it appears the smallest systems would be allowed to “downcast” a viewable digital signal instead of delivering both analog and digital feeds.

Deploying TV Solutions

There are companies attempting to address programming delivery matters for small companies. They include **Avail Media**.

The company, formed through the merger of two entities and the acquisition of a video-on-demand business, delivers a MPEG-4 linear IPTV and VOD solution that’s targeted at small, rural-based video providers. Avail Media offers customers content acquisition, encoding, conditional access and distribution services tied to its programming offerings. Those using the service can pick any combination of packages (or all of the services), which consist of 230 standard-definition linear channels, 23 audio streams, 24 HD selections and a VOD library.

Avail Media has 80 video distributor customers to date.

“The biggest need these operators have right now is video. They need an easy and affordable way to access video,” says *Jon Romm* of Avail Media. “These operators are telling us ‘I have to do this to be competitive. I have to do this or my churn will rise.’”

The Avail Media solution makes sure its services are interoperable with a customer’s video distribution system. The company has relationships with a number of companies, covering everything from middleware to the set-top box.

NRTC is one of the entities working with Avail Media. Clients can access Avail Media’s programming via programming rights the cooperative has secured for its members.

In addition, there’s the well-known ongoing IPTV push from NRTC.

The cooperative is working with the **National Telecommunications Cooperative Association** and

satellite provider **SES AMERICOM** on the IPTV effort. The platform utilizes the **IP-Prime** transport service from SES that delivers programming to headends. The technology utilizes MPEG-4 compression and IP distribution that allows NRTC members to offer video over existing DSL, fiber or hybrid networks.

About a dozen members have launched the IPTV solution. Phillips says that so far the cooperative is happy with the results.

“I would be fibbing if I told you we didn’t have challenges. But now it’s going well,” the NRTC CEO says. “The picture is absolutely stunning. And there have been sales successes with the product.”

The IPTV platform also delivers advanced video capabilities. Phillips says the service will offer a robust selection of interactive features. Also, the ability to tap into popular Web content could eventually become a feature provided by the IPTV platform.

Some NRTC members also continue to sell **DIRECTV**.

Given the years of service provided at the NRTC, Phillips says he is proud of the cooperative’s communications accomplishments.

“NRTC has been on the cutting edge of technology, offering all kinds of connectivity and content access solutions for years,” he says, pointing out everything from the organization’s early days with C-Band satellite, to DIRECTV and today’s IPTV and WildBlue endeavors. “We believe that we have made a difference in rural areas.”•

To Our Research Sources ... Thank You:

American Cable Association
<http://www.americancable.org>

MediaBiz Competitive Intelligence
<http://www.mediabiz.com/research/>

Avail Media
<http://availmedia.com>

National Rural Telecommunications Cooperative
<http://www.nrtc.coop>

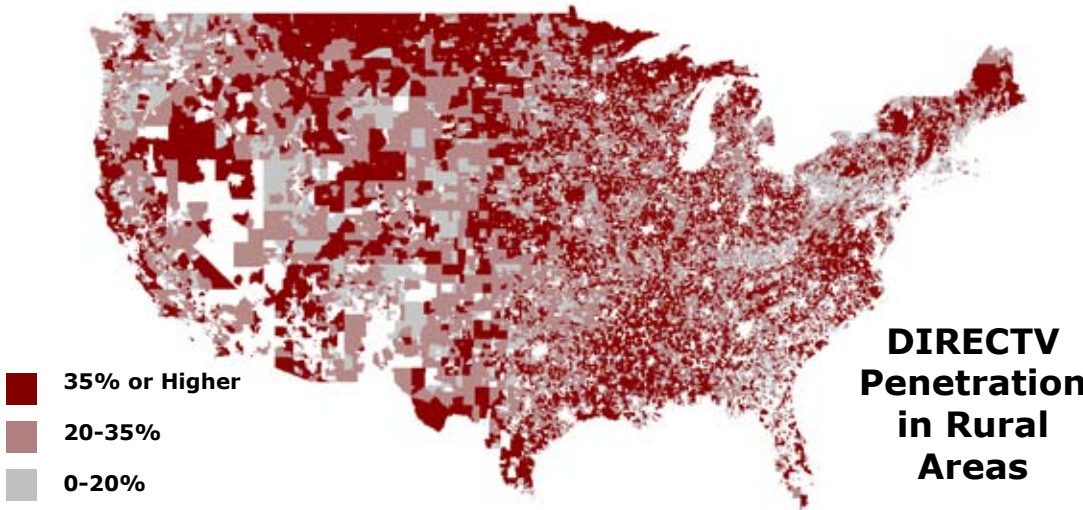
Federal Communications Commission
<http://www.fcc.gov>

Pew Internet and American Life Project
<http://www.pewinternet.org>

Small Dishes Plentiful in Rural Multiplatform Scene



*It's a known fact: Small dishes are as plentiful as windmills and cattle on the rural range. According to data from **MediaBiz Competitive Intelligence**, DBS is well established in isolated corners of the nation, boasting penetration above 35 percent among homes in certain rural parts of the country. The overall penetration among homes in rural areas for **DIRECTV** is 26.6 percent. For **DISH Network**, that penetration is 25 percent. And based on the MediaBiz Competitive Intelligence research, an estimated 34 percent of **DIRECTV**'s subscriber base is in rural areas, while nearly 40 percent of all **DISH** subscribers can be found in these remote parts of the country. For more on MediaBiz Competitive Intelligence research, contact the group at 303-271-9960 or visit www.mediabiz.com/research.*



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Under THE BRIDGE

What a Dog for a Name: For better or worse, the merger of satellite radio giants **XM** and **Sirius** is complete. On July 25, the **Federal Communications Commission** formally approved the transaction. And the companies consummated the combination last week.

Since first announcing the merger in February 2007, the companies waited only 17 months to clear the deal's final regulatory hurdle. And during all that time, you would think the creative forces behind satellite radio would come up with a better company name than **Sirius XM Radio Inc.**



Howard Stern, now the King of All Satellite Radio

Source: CityRag
The BRIDGE 2008

How about some suggestions?

There's always **Xirium**, courtesy of **BRIDGE** contributor *Matt Colella*. It may sound like the name for a pharmaceutical product, but over time the brand may grow among consumers. And there's always the sketchy – some may say very inappropriate – proposed moniker of **SM Satellite Radio**.

Well, maybe not.

In the end, the company may just be called Sirius. After all, it was *Mel Karmazin's* big deal.

Any Way You Spin It: We know **Cox Communications** is a private company ... which means the MSO really doesn't have to disclose numbers on a quarterly basis. Nonetheless, the operator released a few 2Q items last week, and the news from the company – shall we say – wasn't big on the details.

Cox reported that it grew total residential customer relationships by greater than one percent, increased the total number of bundled customers by nearly seven percent, and saw a jump in triple-play customers of nearly 17 percent.

Wow. Talk about vague.

Here's **UB's** take: For those who think the numbers provide something meaningful, we would peg that at about one percent; for reporters who determine that the effort to disseminate those figures to readers is worth it, how about nearly seven percent?; and later discovering that the whole exercise tied to delivering the quarterly numbers to readers is a complete waste of time, definitely greater than 99 percent. •

70%?

170%?

99%?

Upcoming Events

August 8-24

Olympic Games

Beijing, China

<http://en.beijing2008.cn/>

August 17-19

**The Progress and Freedom
Foundation Aspen Summit 2008**

Aspen, Colo.

<http://www.pff.org/aspensummit/aspen2008/index.html>

September 3-7

CEDIA Expo

Denver

<http://www.cedia.org/expo>

September 11-16

IBC2008 Conference

Amsterdam

<http://www.ibt.org>

September 18-20

Games Convention

Asia Conference

Singapore

<http://www.gc-asia.sg>

October 13

CTHRA's Symposium

Atlanta

<http://www.cthra.com>

October 14

ISIS 2008

New York City

<http://www.isis-nyc.com/>

October 15

14th Annual Positively Cable

My Big Fat Greek Digital Dreading

Denver

<http://www.cablepositive.org/chapter-den.html>

October 15-17

Cable Days

The Cable Center

Denver

<http://www.cabledays.com>

October 16

Cable Hall of Fame Celebration

Denver

<http://www.cabledays.com>

November 3-4

IPTV World Forum –

Middle East & Africa

Boston

<http://www.iptv-mea.com>

November 9-11

2008 CTAM Summit

Boston

<http://www.ctam.com/conferences/summit/index.html>

November 11-13

TelcoTV 2008

Anaheim, Calif.

http://www.lightreading.com/live/event_information.asp?event_id=28699

January 8-11

2009 Consumer Electronics Show

Las Vegas

<http://www.cesweb.org>

March 24-27

Satellite 2009

Washington, DC

<http://www.SATELLITE2009.com>

Upcoming Issues of The BRIDGE

PLEASE NOTE: Because **The BRIDGE** is dedicated to bringing you the latest research and information on key multiplatform trends, our editorial calendar is subject to change. Important new research, regulatory changes, company announcements and the like may (and probably will) cause changes in the calendar below.

August 12

Sports Programming

August 19

Q208 Wrap-Up

August 26

Enterprise Services

September 2

The Hottest Technology Vendors

September 9

Web TV

September 16

Research Special

September 23

Programming Exclusives

September 30

The Economy & The Media

October 7

Place Your Bet:

Who's Backing Which Candidates

October 14

Research Special

October 21

Multicultural Programming

October 28

Triple Play