

## BUSINESS

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# Ordering off the menu

## Cable industry fiercely opposes offering unbundled TV networks

By SETH SUTEL  
THE ASSOCIATED PRESS

### NEW YORK

It's a question that many cable TV subscribers ask: My cable company keeps adding more channels to my system, but I don't watch many of them. Why can't I just pick the ones I want?

Rupert Murdoch, a titan of TV, has a simple answer: "I think it kills the whole business model."

Murdoch echoed the views of many in the cable business when he told reporters recently that "a la carte" pricing wouldn't work for the industry and would lead to higher cable bills for consumers. Murdoch's News Corp. owns Fox News Channel, FX and other cable channels and controls the satellite TV broadcaster DirecTV Group Inc.

The industry's argument goes like this: If consumers are free to drop less-viewed channels, many of them would go out of business, and others would have to sharply raise their per-customer rates to stay afloat. "Bundling" them together helps spread costs around and supports a variety of programming.

However, pressure is building on the industry to change.

In early February, the Federal Communications Commission released a report challenging the industry's long-held position that a la carte would be

undesirable for consumers.

A wave of technology breakthroughs including digital video recorders, video iPods, video "on demand" from cable and satellite providers and the increasing availability of video over the Internet have gotten people accustomed to picking and choosing what they watch, when and even where they watch it.

Those changes are "making the point that a la carte is not only possible, but desirable," said Gene Kimmelman, senior director of public policy at Consumers Union and a big supporter of a la carte pricing.

Those concerned about sexual and violent programming on television also favor a la carte TV pricing, calling it a good way to give parents greater control.

Consumers would love the chance to pick and choose their channels.

A recent AP-Ipsos poll taken in mid-December found that 78 percent of American adults prefer the a la carte option. Two-thirds of those surveyed said there was too much sex on television, and about the same number said there was too much violence.

FCC Chairman Kevin Martin, a Republican Party loyalist and a longtime advocate of curbing sexual and violent programming, put the cable industry on notice in the fall about raunchy programming, saying that one option to address parental concerns was to sell cable chan-

nels a la carte. Soon thereafter, several big cable companies said they would offer new "tiers" of family-friendly programming.

Many analysts believe the FCC likely won't force the industry to adopt a complete a la carte pricing model, but the agency's reversal of its previous opposition to the idea could embolden others to challenge the status quo.

All this comes just as cable companies are seeing an emerging threat from the likes of AT&T Inc. and Verizon Communications Inc., which are beginning to offer cable-like video services, carried mainly over ultra-high-speed fiber optic cables.

For now, those offerings tend to resemble the bundled packages available from cable companies. But with the FCC clearly favoring competition among TV providers, the phone companies are signaling that they would like to offer more flexibility to their video customers, providing they can.

"Our perspective is that competition should be allowed to flourish in a free market, and the issue of programming will take care of itself," Verizon spokesman Mark Marchand said. "In a competitive market, providers are going to listen to consumer wants and provide for them."



## Networks: Picking channels threatens diversity

By GARY GENTILE  
THE ASSOCIATED PRESS

### LOS ANGELES

Cable network operators are warning that the so-called a la carte plans that let customers pick which cable channels to receive could ultimately reduce choice and the broad diversity viewers now enjoy.

New channels that appeal to golfers, nature lovers, military buffs or other niche groups would never make the airwaves, they say.

Smaller cable channels say they depend on the current system's guaranteed access to a cable company's large audience. Access to fewer homes would mean less money from advertising and from cable providers, and thus less money for investments in talent and programming.

You have small boutiques next to Macy's and Bloomingdales. Without that traffic, those small boutiques wouldn't be able to exist."

— Debra Lee, CEO of Black Entertainment Television on a push to allow consumers to choose which cable channels they want

Debra Lee, chief executive of Black Entertainment Television, likens the current system to a shopping mall.

"You have small boutiques next to Macy's and Bloomingdales," Lee said. "Without that traffic, those small boutiques wouldn't be able to exist."

In the cable world, BET exists because it's next to the USA Network and ESPN, she said.

"Diversity is the promise of cable," Lee said. "Before cable, there were three networks and they appealed to a mass audience, which meant they didn't have a lot of programming targeted to African-Americans, Hispanics or any other ethnic groups."

Pressure has been building on the industry to change. In early February, the Federal Communications

Commission released a report challenging the industry's long-held position that so-called "a la carte" pricing isn't a viable business model.

But Paul Colichman, founder and chief executive of the gay-themed channel here! TV, believes the marketplace will respond on its own.

As technology allows consumers to order individual programs on digital video recorders, mobile devices and the Internet, he said, programmers will soon be forced to abandon outdated concepts of linear "channels" and embrace a video-on-demand strategy.

Although here! appears as a traditional channel on some cable systems, its business is based more on consumers viewing particular episodes, movies and other programs on demand, or subscribing to various packages of shows, Colichman said.

## MARKETS

The Associated Press

### Indianapolis grain

Estimated grain prices Friday at Indianapolis-area elevators: Corn: cash \$2.14, new \$2.37. Soybeans: cash \$5.67, new \$5.92. Wheat: \$3.55.

### Eastern Cornbelt direct hogs

Eastern Cornbelt Lean Value Direct Hogs report for Friday:

Trend: Barrows and gilts were 80 cents lower compared with previous day's close.

Base-market carcass basis plant-delivered: 0.9 to 1.1 square inches of back fat, \$53.75-\$63.00; weighted average \$60.94.

Net prices, including premiums: 0.9-1.0, \$53.75-\$65.58; 1.0-1.1, \$53.75-\$64.46; 1.1-1.2, \$53.75-\$63.34.

Daily movement estimate: 8,148.

### Wall Street

NEW YORK — Stocks finished an uneven session mixed Friday as investors grappled with the implications of a terror attack against a Saudi Arabian oil processing plant and a surprising decrease in factory orders. The major indexes also ended the week mixed.

Before the market opened, news reports said two explosives-laden cars attempted to destroy a plant in Buqayq. Although officials said the flow of oil was not halted, the news sent oil prices higher, with a barrel of light crude settling at \$62.91, up \$2.37, on the New York Mercantile Exchange.

The bombing news came as investors weighed a sharp drop in big-ticket factory orders. The Commerce Department said durable goods orders fell 10.2 percent in January, the biggest drop in 5½ years and far greater than the 0.2 percent decrease economists expected.

With energy prices rising and the economy slowing, investors' fears of greater inflation, and the Federal Reserve's rate hikes to combat it, have pressured stocks all week. Yet despite the news, analysts were pleased that the markets managed any gains.

"One of the most important signs of a bull market is when the bull market manages very, very bad news like we've had today," said Hugh Johnson, chairman and chief investment officer of Johnson Illington Advisors. "So in that sense, you've got a very encouraging performance today."

The Dow Jones industrial average fell 7.37, or 0.07 percent, to 11,061.85.

Broader stock indicators closed modestly higher. The Standard & Poor's 500 index rose 1.64, or 0.13 percent, to 1,289.43, while the Nasdaq composite index gained 7.72, or 0.34 percent, to 2,287.04.

Bonds edged lower, with the yield on the 10-year Treasury note rising to 4.58 percent from 4.56 percent late Thursday. The dollar was mixed against other major currencies, while gold prices rose.

The markets finished the week narrowly mixed, reflecting the push-pull of optimism and concern Wall Street faces. For now, investors remain fairly confident on the state of the economy, but a series of economic reports next week could provide new insight and worries.

"There's obviously a very bullish sentiment there when you look at the tape," said Brian Williamson, equity trader at The Boston Company Asset Management. "But you know, the volume's a little quiet, and that sentiment can still change in a heartbeat."

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