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The biggest U.S. cable-TV channels are experiencing a troubling trend: Their reach into American households is shrinking. Over the past four years, the top 40 most widely distributed channels in 2010—household names like CNN, ESPN and USA—have lost an average of 3.2 million subscribers, or more than 3% of their distribution, according to a Wall Street Journal analysis of data from measurement firm Nielsen. Some in the industry point to consumers who are "cutting the cord," ditching their cable and satellite-TV connections in favor of more affordable online video options like Netflix and Hulu. But the numbers don't add up. Last year the pay-TV industry lost 166,000 subscribers, according to research firm MoffettNathanson LLC. While that was the first annual decline on record, it isn't enough to account for the subscriber declines of the biggest cable channels.

Indeed, the data and interviews with a range of cable-TV industry executives suggest that something else is going on: Many consumers aren't so much cutting the cord as shaving it. A growing share of pay-TV customers are signing up for smaller, cheaper bundles of channels that cost anywhere from $10 to $50 a month and don't include popular channels like TNT, USA, ESPN, CNN, Fox News, Disney Channel and Discovery Channel, the industry executives say. "What we are seeing is some cord cutting and some cord shaving," said Stephen Hasker, global president of Nielsen. "Consumer time and attention is shifting."

Basic plans that include little more than local broadcast stations now make up some 12% of pay-TV subscriptions, up from 8% to 10% a few years ago, according to estimates by some industry executives. Some consumers are also turning to cheaper, sports-free and family-oriented packages, executives say. "We think cord-shaving is a reality going forward," says AT&T Inc.'s Chief Strategy Officer John Stankey.

volume in Pa.

Pittsburgh Tribune-Review
With Fresh Start to do dirty work, Wolf stays above fray in governor's race

Associated Press
Hillary Clinton, Chris Christie campaign for Pa. gubernatorial candidates

Associated Press
Courts block voter ID laws in Texas, Wisconsin

Carlisle Sentinel
Editorial: Government transparency takes hit

Philadelphia Inquirer
Editorial: Wolf's fuzzy math

The shift of consumers to lower-priced plans is a worrying sign for media companies, striking at the heart of how they make money. TV channels are paid by cable and satellite-TV providers on a per-subscriber basis. Over time, declines in subscribers could dent these companies' growth. Pay-TV providers face significant risks, too. If more people downgrade to skinny tiers, it could pressure revenue, analysts say.

Some media executives say losing a few million subscribers to their channels doesn't immediately raise alarms. They point out that they have been able to raise the fees they charge pay-TV operators for each subscriber more than enough to offset the declines. Media companies are also optimistic about selling their channels to new Web-based TV services from companies like Sony Corp. But others are doing some soul searching over how and why this happened. Some executives say media companies have been so eager to make content available to streaming-video companies like Netflix Inc.—which pays a lot of money for those rights—that they have actually undermined the pay-TV ecosystem, encouraging consumers to think they can find good programming for cheap online. "We're at a tipping point of consumers thinking Internet first and TV second," says Bryan Rader, CEO of Bandwidth Consulting LLC, a firm that advises investors about pay-TV marketing trends.

The precise number of people moving to skinnier bundles of channels is murky, since cable-TV providers closely guard that data. Media companies, meanwhile, don't disclose the distribution of their TV channels, and some of them contest Nielsen's estimates, arguing that changes in the media measurement specialist's methodology are to blame. But data points are piling up to show "cord shaving" is for real. At least two pay-TV providers say about 10% of gross TV subscriber additions are customers who are taking a slimmed-down bundle—in contrast to the bigger ones with hundreds of channels that can cost upward of $100 a month.

Most of the biggest channels have lost between three million and five million subscribers since 2010. The two most expensive channels, which feature marquee sports events—Walt Disney Co.'s ESPN and Time Warner Inc.'s TNT—have been the hardest hit, with subscriber drops of nearly 5%. ESPN this year is expected to receive average monthly fees of $6.04 per subscriber, while TNT will receive $1.44, according to SNL Kagan. ESPN, touting its "35-year history of innovation," responded that "the demand for live sports will only continue to grow."

There are some limits on how far cord-shaving can go. Big channels like ESPN stipulate in their contracts with distributors that they need to be in the most widely distributed tiers or reach a high percentage of the customer base. That means if too many people start subscribing to cheaper tiers—ISI Group LLC analyst Vijay Jayant says the threshold is between 10% to 20% of the total base—providers may have to start bringing the big channels into those bundles and they won't be as skinny. Skinny TV packages have technically been available for years, but operators barely marketed them. A 1992 law stipulated that cable-TV providers must offer "basic" tiers, consisting of a handful of local broadcast stations and public programming. A mid-2000s push by regulators led to family-oriented tiers, but pay-TV providers didn't market those packages broadly either.

Operators' thinking has changed. Attracting cost-conscious consumers and the growing pool of people who have never had a cable subscription and mainly consume online video—so called "cord nevers"—is now part of their growth strategy. The hope is that they can hook those consumers into pay-TV with the skinny plans and encourage them over time to upgrade to more expensive bundles. Comcast Corp. last year began marketing a basic tier paired with high-speed Internet and HBO for a promotional price of roughly $50 a month, although it can vary by market. AT&T recently launched a similar offer that also comes with a year's free subscription to Amazon.com Inc.'s Prime streaming video and shipping service. Meanwhile Verizon FiOS and DirecTV have put more marketing muscle behind slimmed-down TV bundles.

Some TV executives say that their internal numbers show shallower declines in their

channels' reach than Nielsen's data does. A big issue, they say, stems from Nielsen's decision last year to include broadband-only homes in the panel of consumers it samples to gather industry data. Nielsen warned the change could affect each channel's household reach estimate by about 1.2%. But the drop-off in major channels' reach has been going on since 2010—long before the Nielsen readjustment. Most network executives said that even if their internal numbers didn't match Nielsen's exactly, the direction was the same—a steady subscriber decline that is expected to continue. Nielsen says the subscriber declines are a real phenomenon.

Cord-shaving may be the biggest near-term threat. But the industry's bigger long-term risk is that consumers will get so fed up with rising cable prices that more will cut the cord entirely. Craig Moffett, MoffettNathanson analyst, said "investors have gotten complacent and started to believe that cord cutting isn't a real risk…precisely at the time that the forces of cord cutting are starting to gather more momentum." – ***Wall Street Journal***

Imagine life in a world with super high-speed Internet connections and where they could take us by the year 2025. The Pew Research Center asked that question of a group of top experts in the tech field. They came up with some intriguing ideas on what the next-level Internet might look like. Pew Research Center and Elon University's Imagining the Internet Center conducted a survey of more than 1,400 technology builders, researchers, managers, policymakers and analysts. They were asked what kinds of new technology applications would be possible with widespread access to gigabit connectivity — speeds of 1,000 megabits per second (Mbps). To put that in perspective, the average connection speed in the first quarter of 2014 was 3.9 Mbps, with the U.S. at 10.5 Mbps, according to Akamai Technologies.

Speculation ranged on how it could transform business, medicine, education and entertainment. They predicted an online world of real-time video and immersive virtual reality and the extinction of phones, email and Skype as we know it as forms of communication. Among the highlights:

Marti Hearst, professor, School of Information at the University of California-Berkeley: "These ideas aren't new, but they will finally work well enough if given high enough bandwidth. Entertainment: You play sports and music virtually, distributed across the globe. Co-living: You have virtual Thanksgiving dinner with the other side of the family. Work: Finally, we greatly reduce flying around for meetings because virtual conferencing feels real. Health care: remote assessment, treatment and surgery."

Joe Kochan, chief operating officer, US Ignite: "Gigabit broadband connections will usher in the Internet of two-way, persistent, high-quality video to replace today's Internet of images, text and recorded video. Interactions with doctors, educators, merchants and others will consist not of emailed forms or prerecorded messages, but instead of instantaneous, life-like video interaction."

David P. Collier-Brown, system programmer and author: "Avatars to go to meetings for me in Texas, rather than me flying down. Bus tours of Istanbul on Saturday afternoon from the comfort of my living room. Playing a game of football with my cousin in Ulan Bator from the gym downtown."

Not all predictions were rosy. Some pointed to the potential for a wider digital divide, leaving some without access to new kinds of online resources. – ***Pittsburgh Post-Gazette*** (**read the full Pew report here**)

Time Warner Cable Inc. investors voted in favor of the company's $45.2 billion sale to Comcast Corp., leaving approval from regulators as the last major hurdles to combining the largest U.S. cable providers.

More than 99 percent of shares were voted in favor of the deal, Time Warner Cable said

today in a statement after its shareholder meeting in New York. Yesterday, Comcast's shareholders approved the combination by an equivalent margin. Both companies reiterated this week that the deal is expected to close early next year. To make that happen, the cable operators still need to convince regulators, including the U.S. Federal Communications Commission, the Justice Department and some state agencies, that the merger won't harm competition or consumers.

Netflix Inc. and Time Warner Inc. are among at least four companies that received demands for information about the merger from the Justice Department to help determine whether the acquisition is anticompetitive, Bloomberg News reported last month, citing people familiar with the matter. State regulators are also probing the merger, with the New York Public Service Commission, which has the power to reject the deal, set to vote on the matter Nov. 13. Comcast has said that the combination won't harm competition and that the added scale will help it invest more in its networks. Under the terms of the deal, investors will receive 2.875 shares of Comcast for each Time Warner Cable share owned. – ***Bloomberg***

AT&T has informed about 1,600 customers that a rogue employee had accessed account information that might have included Social Security numbers and other personal data. AT&T says the employee had failed to follow its privacy rules and no longer works for the company. The company says the employee also might have had access to driver's license numbers and information about the types of services the customer purchased. AT&T says it's offering free credit monitoring and has notified federal authorities. A copy of the letter to customers was posted online by Vermont's Attorney General's Office. The August data breach is among the latest disclosed by a major company. Unlike others, though, this one affected a small number of people and resulted from unauthorized access by an insider rather than hacking. – ***Associated Press***

Amazon is planning to open its first physical store. That's according to a report in The Wall Street Journal on Thursday that the nation's largest e-commerce retailer will open a store in Manhattan before the holiday shopping season. It cites anonymous sources familiar with the matter. It is not clear whether the store will be permanent or a holiday pop-up. The newspaper said the store could function as a warehouse and a showcase for inventory. Amazon has never opened a brick-and-mortar store but has installed pick-up lockers in major cities. It has been investing heavily in the speedy fulfillment of orders, including adding six distribution centers and about 15 sorting centers before the holidays. It operates 40 distribution centers in the country. – ***Pittsburgh Tribune-Review***

Quotable: "I think all the people need to be exposed, if you want to use that word, to know this was not political on her part." Gov. Corbett, when asked in a debate Wednesday if state Attorney General Kathleen Kane is being political by releasing some of the pornography emailed by his former top deputies. – ***Philadelphia Daily News***

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