BCAP NewsClips November 26, 2014

Wall Street Journal
Netflix Sues Yahoo CIO Mike Kail, Alleging Kickbacks

Bloomberg
CBS Program Accord With Dish Is Extended as Talks Go On

Portland Oregonian
Google Fiber raises prices for cable TV service

zap2it.com
Nielsen Top 25 Cable Program Ratings for Week Ending November 23

Allentown Morning Call
Pennsylvania Turnpike employees disciplined over sexually explicit emails

BCAP offices will be closed Thursday & Friday, November 27 & 28

If there's an upside to President Obama 's executive overreach, it's that Congressional Republicans can reassert their constitutional powers. A good place to start would be reclaiming taxing authority from the bureaucracy, starting at the Federal Communications Commission.

FCC chief Tom Wheeler illustrated the problem last week when he announced an expansion to E-rate, an Al Gore-era program tucked in the 1996 Telecommunications Act. Originally sold to connect students to the "information superhighway," E-rate uses taxpayer money to subsidize telephone and Internet service to rural schools and libraries. It's funded out of the Universal Service Fund, or USF.

Mr. Wheeler wants to increase E-rate's spending cap to $3.9 billion from its current $2.4 billion to hook up high-speed broadband access and give students the "tools they need to compete in a global economy"—and he'll pay for it by raising the USF levy on every U.S. telephone customer by 16 cents a month. Or as Mr. Wheeler put it, "the equivalent of one cup of coffee or one medium soda at McDonald's per year." That's what Washington always says to justify a tax increase, but there's less need for it now than the little there was in 1996. The White House boasted in June 2013 that U.S. companies have invested more than $250 billion in broadband over the past four years, while the percentage of Americans with access to high-speed wireless more than quadrupled to 80%.

Telephone customers already pay on average 16.1% of their monthly phone bill into the USF, of which about a quarter was spent on E-rate last year. Republican Commissioner Ajit Pai says Mr. Wheeler's plan represents a 17.2% tax increase and suggests instead that the agency reform E-rate and "focus resources on the children and library patrons of poor and rural America, where the need is greatest." But Mr. Pai is stymied because the FCC has a 3-2 Democratic majority.

The phone tax illustrates how Congress has ceded tax and spending power to the executive. The FCC can choose to raise the tax whenever it feels there isn't enough money to spend on its favored constituencies. So the bureaucracy has another money pot without any appropriation from Congress. The GOP should repeal the tax or at the very least tell the FCC it can't be increased without a vote in Congress. – ***Wall Street Journal* editorial**

Just as the United States takes steps to secure people's unfettered access to the Internet, Europe may soon backtrack on its own proposals.

The idea of so-called net neutrality — or the concept that everyone should have equal access to all online content — will again take center stage on Thursday as politicians from the 28-member bloc meet to discuss how the rules should be put into effect across the region. In the United States, President Obama recently called on the

Federal Communications Commission to adopt rules that would stop broadband companies from slowing down certain types of online content. The European Parliament outlined similar rules earlier this year. Now, though, some European lawmakers are pushing to loosen the rules somewhat, allowing companies to potentially charge for faster access to their networks.

A **draft proposal circulated among the members of the European Union**, released by European Digital Rights, a Brussels-based advocacy group, would remove the strict definition of net neutrality from new European telecom legislation that is expected to be finalized sometime next year. The proposal, circulated by Italy, which currently holds the six-month presidency of the European Union, suggests allowing broadband and telecom companies to manage traffic across their networks (and potentially offer faster speeds to companies that are willing to pay a premium) as long as they provide a minimal level of access for all online content.

The suggestions, which still must be worked out among individual countries, the European Parliament and the European Commission, come as the region's Internet service providers are lobbying hard to weaken Europe's original net neutrality proposals. Telecom companies like Vodafone of Britain and Orange of France are concerned that the current proposals would not allow them to charge for improved access to their networks to generate revenue that they say is needed to upgrade Europe's Internet infrastructure.

The rules proposed by the Parliament include amendments intended to provide a strict definition of net neutrality, so that telecom companies and other Internet service providers could not discriminate between different services that run on their data networks. And even while some European lawmakers are moving to alter the region's net neutrality proposals, others continue to push strong rules. "All the traffic has to be treated equally," Andrus Ansip, the new digital chief at the European Commission, told Reuters this week when asked about the potential watering down of Europe's net neutrality rules. "The Internet has to stay open for everybody." – ***Wall Street Journal***

TiVo Inc. reported growth in services and technology revenue at the upper end of expectations as the digital video recorder pioneer continued to add subscribers but projected results for the current quarter that were mostly below Wall Street views. Shares fell 1.2% to $12.75 in recent after-hours trading.

For the current quarter, TiVo forecast earnings of $2 million to $5 million and service-and-technology revenue of $87 million to $90 million. Analysts polled by Thomson Reuters expected profit of $7.5 million and service and technology revenue of $90 million. The San Jose, Calif.-based company's subscriber base has continued to expand with a boost from more distribution agreements with pay-TV providers. The maker of television set-top boxes reported that total subscriptions reached more than 5.1 million, up 32% from 3.9 million a year earlier.

In an interview Chief Executive Tom Rogers said North American pay-TV subscribers climbed 69% and that the company is serving 19

of the 25 top operators in the U.S. Overall, the company added 337,000 pay-TV-carrier subscribers, an increase of 14% from a year earlier, while pay-TV carrier-related revenue rose 37%. The company has been diversifying its services, for example, expanding into cloud-based media services with acquisitions such as Digitalsmiths, a provider of personalized video search, recommendations and browsing, and social-media trending on mobile platforms. In the latest quarter, Digitalsmiths revenue rose 21% from the previous quarter.
The company also is addressing additional market segments, including the introduction of its TiVo Roamio over-the-air product. Mr. Rogers said the new hardware—for consumers without cable or satellite packages--has been introduced through a couple hundred Best Buy stores and has been "doing extremely well" but he didn't provide specific details. The Roamio OTA product connects to an antenna, rather than a cable connection, to pull in live shows from broadcasters. Its interface also allows users to set "season passes" for shows, and search for content across broadcast TV and streaming services including Netflix, Hulu Plus and Amazon.

Based on the positive initial positive interest, the company is also hopeful that Roamio OTA will help drive subscriber growth in the current quarter. Subscriber additions in the TiVo-owned segment increased 9% from a year earlier in the latest quarter. Meanwhile, the segment subscriber additions "were net positive in October, for the first time in seven years," which Mr. Rogers said means that new subscriber growth outpaced the number of customers leaving, mostly from older products.

At the upper end of the market, the company's $5,000 Mega TiVo for home-theater segment customers "will be out probably in the second quarter of next year, " he said. Overall, for the period ended Oct. 31, TiVo reported a profit of $6.3 million, or six cents a share, down from $12.5 million, or 10 cents a share, a year earlier. The latest period included $800,000 of incremental expenses related to its convertible debt offering and a reserve on a lawsuit. Net revenue increased 1% to $118.4 million, while services and technology revenue grew 7.8% to $88.1 million.

The company had forecast net income of $6 million to $9 million and service and technology revenue between $86 million and $89 million. The company added 337,000 pay-TV-carrier subscribers, an increase of 14% from a year earlier. Pay-TV-carrier-related revenue rose 37%. The maker of television set-top boxes reported that total subscriptions reached more than 5.1 million, compared with 3.9 million a year earlier and 4.8 million in the previous quarter. The churn rate for TiVo-owned subscriptions, a measure of customer retention, reached 1.6%, compared with 1.8% a year earlier. – ***Wall Street Journal***