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California state lawmakers are angling for another fight with the Trump administration, this time to revive federal net neutrality rules that they say are crucial to a fair, open and free internet.

*The achievements of an organization are the results of the combined effort of each individual. ~ Vince Lombardi*

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enough if the state does not also resuscitate federal rules to protect the privacy of internet customers. "If the idea is, 'I want people to go wherever they want on the internet in California,' they won't do that if they think their information is being monetized and privatized by visiting certain sites," said Ernesto Falcon, legal counsel for the Electronic Frontier Foundation.

The net neutrality rules, put in place under then-President Obama in February 2015, barred broadband and wireless companies such as AT&T Inc., Charter Communications Inc. and Verizon Communications from selling faster delivery of some data, slowing speeds for certain video streams and other content, and discriminating against legal material online.

The Federal Communications Commission [voted in December to roll those rules back](#), with Republicans calling for an end to the utility-like oversight of internet service providers (ISPs). The decision came months after the federal agency and Congress blocked a separate set of federal privacy regulations from going into effect. Those would have limited companies from selling or permitting access to their customers' browser history.

Senate President Pro Tem Kevin De León (D-Los Angeles) has introduced legislation that would task a state agency with establishing new regulations, making it unlawful for broadband companies to block or limit access to internet services in California. Through his own bill, state Sen. Scott Wiener (D-San Francisco) is working with a coalition of lawmakers and tech advocates to craft new net neutrality rules of their own.

Despite the dueling approaches, the two prominent Democrats have pledged to work together. Their proposals face heavy opposition from the telecom industry. And supporters say neither effort will be

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**Legislation by De León** introduced this month would put the California Public Utilities Commission in charge of creating new net neutrality rules, and give the state's attorney general the power to enforce them. "We cannot allow the profits and political interests of internet service providers to outweigh the public interest in a free and open internet," the Senate leader said this month at a news conference in San Jose. "If the Trump administration won't protect consumers, the state of California will."

**Wiener's bill** is just a placeholder, since lawmakers plan to craft the details after discussions with supporters and opponents. They expect to require companies to adhere to net neutrality rules as a condition for obtaining state contracts, as part of cable franchise agreements and when broadband wireless communications are attached to utility poles. On Monday, a governor's order made Montana the first state to prevent companies from receiving state contracts if they interfere with internet traffic or give advantages to higher-paying sites or apps.

Wiener and other members of the Senate Energy, Utilities and Communications Committee last week voted to advance De León's legislation. As they did, they expressed concerns that the historically embattled CPUC might not be able to handle the monumental task of regulating the internet — a huge responsibility for a state agency with already too many responsibilities.

At a hearing on the bill, Sen. Jerry Hill (D-San Mateo), who has worked with Gov. Jerry Brown and other legislators in attempts **to overhaul the agency** in recent years, called the CPUC "too big to succeed." Other witnesses said giving the CPUC that much power could trigger federal legal challenges. The committee testimony also gave a glimpse into the opposition to come: Lobbyists representing industry groups and major wireless companies — including AT&T, T-Mobile and Sprint — argued state net neutrality rules would create an uneven patchwork of laws nationwide.

Bill Devine, a Sacramento-based lobbyist for AT&T, told the committee that bringing back the regulations would create "a collision" in California between the "delay and expense of bureaucracy with the speed of innovation." The arguments echoed those made by industry lobbyists in 2016 against failed state legislation that would have **vastly regulated the use of drones** in California. Similar concerns also helped kill **a bill** last year that would have enshrined in state law the FCC's rolled back internet privacy regulations.

The legislation by Assemblyman Ed Chau (D-Monterey Park) — supported by former FCC Chairman Tom Wheeler and smaller California ISPs — would have required broadband and wireless companies **to get permission from customers** before using or selling their browser history. It stalled in the Senate Rules Committee, chaired by De León, amid a behind-the-scenes battle between supporters and tech giants like Google.

De León says he supports the Chau legislation, which will resurface this year. Privacy advocates also are attempting to establish similar rules through **a proposed statewide ballot measure**. Supporters of net neutrality legislation see the issues inextricably linked. In a letter to the state Senate Energy, Utilities and Communications committee, Falcon of the Electronic Frontier Foundation argued passing Chau's bill should be the first priority, net neutrality rules the second. "No one state will be able to restore what was lost in December," when the FCC took action, he said. "But there is a lot states can do to move the networks in that direction." — ***Los Angeles Times***

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Most efforts underway to restore so-called **net neutrality** face big obstacles and would take many months, if not years, to succeed. But in Montana, the governor has used the stroke of a pen to bring the rules to broad parts of his state.

Through an executive order, Gov. Steve Bullock declared on Monday that any internet service provider with a state government contract cannot block or charge more for faster delivery of websites, two core aspects of net neutrality, to any customer in the state. Many major landline and mobile broadband providers, including Charter, CenturyLink, AT&T and Verizon, hold government contracts in the state. The new requirements apply to new and renewed contracts signed after July 1, 2018.

The action, the first of its kind by a governor, could face legal challenges. In December, the **Federal Communications Commission rolled back** rules meant to protect a free and open internet. The new rules say states cannot create net neutrality laws. The agency did not respond to a request for comment about the Montana action. But Mr. Bullock and some public interest advocates who have advised him argue that the state has wide latitude to set conditions to any contracts with the government — one of the biggest customers in most cities and states — to get around the F.C.C.'s

restrictions. “If you want to do business with Montana, there are standards on net neutrality you will have to follow,” Mr. Bullock said.

The idea is similar **to bills** in New York and Rhode Island that are also trying to use government contracts to regulate the practices of internet service providers. Those efforts are proceeding slowly, along with multiple **lawsuits filed** last week by more than 20 state attorneys general and public interest groups.

Broadband providers say they will have difficulty following different state laws related to net neutrality. Various trade groups said they were watching Montana’s action and other state bills and were considering lawsuits. “Following patchwork of legislation or regulation is costly and makes it even harder to invest in networks,” said Matt Polka, president of the American Cable Association, a lobbying group for small- and midsize broadband providers.

Mr. Bullock, a Democrat, said the executive order was the fastest and surest way to bring back net neutrality rules and to head off any decisions by internet service providers to begin throttling or charging websites more to reach consumers. “There is a long history of government using its procurement power to get companies to adopt requirements, and this is no different,” said Travis LeBlanc, an enforcement chief for the F.C.C. during the Obama administration. “This action by Governor Bullock will provide immediate relief.” Though the order applies only to Montana, it could have a spillover effect, as seen with auto emissions rules and cybersecurity notification laws that began in a few states but eventually became national standards. “This is simple plug and play for other states to do as well,” Mr. Bullock said. – ***New York Times***

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Netflix Inc. continued its blistering growth in the fourth quarter, as mounting investments in original shows like “Stranger Things” and movies like “Bright” helped the streaming service sign up subscribers at a record rate. The company added 8.3 million streaming users—the most it has ever gained in a quarter—exceeding the 6.3 million net additions it had projected. The growth in the U.S. and internationally brought its total paid subscriber count to 110.6 million at the end of the fourth quarter.

The results showed Netflix can continue to grow its customer ranks **despite price increases** in the U.S. and rising competition for viewers and programming from rival streaming services. Netflix shares gained 9% after hours, pushing the company’s market capitalization above \$100 billion. In a letter to shareholders, Netflix acknowledged the **emergence of more premium video content** from technology companies like Amazon.com Inc. and Apple Inc., ad-supported platforms such as Facebook and Google’s YouTube, and entertainment companies like Walt Disney Co. , which underscored its direct-to-consumer ambitions **when it agreed to purchase** most of 21st Century Fox for \$52.4 billion. “The market for entertainment time is vast and can support many successful services,” the company said in the letter. “Entertainment services are often complementary given their unique content offerings.”

The expansion of direct-to-consumer video gave viewers an all-time high of **487 scripted shows across streaming and traditional TV** in 2017, according to research from FX Networks. Los Gatos, Calif.-based Netflix has been spending heavily on original programs to attract new subscribers. Netflix said Monday it would spend \$7.5 billion to \$8 billion on content this year, up from a forecast of \$7 billion to \$8 billion previously, far **outstripping investments from rivals** including Hulu, Amazon and HBO. And Netflix Chief Executive Reed Hastings said on the company’s earnings call that content costs will continue to rise in 2019 and 2020.

Netflix said it now has \$17.7 billion in streaming-content obligations, a measure of current and future costs for content acquisition, licensing and production. In a rare move, the company took a \$39 million noncash charge in the fourth quarter on content it decided not to release, which Chief Financial Officer David Wells said was “related to the societal reset around sexual harassment.” Last year, Netflix cut ties with actor Kevin Spacey after he was accused of sexual harassment, and the streaming service said it would bring the hit drama “House of Cards” back for **one final season without Mr. Spacey**.

Netflix also said it would boost its spending on technology and increase its marketing budget to \$2 billion this year from \$1.3 billion. The increased spending comes with a trade-off, as Netflix blew through \$2 billion more in cash than it brought in last year, and this year the company projects negative free cash flow of \$3 billion to \$4 billion. But the company said Monday that rising operating profits and slowing growth in original content spending will eventually lead to positive free cash flow. “They are spending more on content and burning more cash,” Anthony DiClemente, internet

analyst at Evercore ISI, said. “However, as long as the revenue growth is accelerating and the net subscriber additions continue, investors will look past the spending.”

Netflix shares set a record closing price on Monday at \$227.58, about 227 times earnings. The company added 6.36 million foreign subscribers in the quarter, compared with its forecast of 5.05 million. It added 1.98 million U.S. subscribers, compared with its outlook for 1.25 million. Netflix expects the growth to continue in the current quarter, projecting net additions of 1.45 million U.S. subscribers and 4.9 million international customers.

Netflix has increased its international investments in recent years. More than half of its total subscribers are from countries outside the U.S. and it plans over 30 international-focused original series this year, including in France, Poland, India and Korea. Monday, the company said the international segment contributed positively to the company’s full-year profit for the first time. Netflix said revenue increased 33% to \$3.29 billion in its fourth quarter, above analysts’ estimates. Net income came in at \$185.5 million, or 41 cents a share, compared with \$66.7 million, or 15 cents a share, in the year-earlier quarter. Analysts surveyed by Thomson Reuters had expected earnings of 41 cents a share on \$3.28 billion in revenue. – *Wall Street Journal*

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A special election to replace Marc Gergely in the Pennsylvania House is set for Tuesday. Fawn Walker-Montgomery, a Republican, is running against Democrat Austin Davis. The 35th District spans Monongahela Valley communities including Clairton, Duquesne, McKeesport, Munhall, West Mifflin and White Oak.

Ms. Walker-Montgomery currently works as a senior program manager at a Hill District human-services agency, and is in her second term on McKeesport City Council. She sought the 35th district seat last year, but was thrown off the 2016 primary ballot due to defects with her nominating petitions. She carried out a successful write-in campaign to become the Republican nominee, but lost to Mr. Gergely in the general election, 16,170 to 9,702. Mr. Davis is the vice-chair of the Allegheny County Democratic committee and a top aide to Allegheny County Executive Rich Fitzgerald. He serves on a number of county boards including the Jail Oversight Board, the Kane Foundation, and the Minority, Women, and Disadvantaged Business Enterprise Advisory Board.

In August, Mr. Gergely pleaded guilty to charges of conspiracy and an illegal campaign contribution, charges tied to an illegal gambling ring. He stepped down prior to this year’s fall election. Mr. Davis and Ms. Walker-Montgomery were the only candidates who’d publicly announced interest in the seat. But Allegheny County’s legislative delegation will be more diverse no matter who wins. Ms. Walker-Montgomery would be only the second female legislator currently representing the county, and either candidate would stand to be the only the third African American representing the area — and the only one not representing a Pittsburgh neighborhood. – *Pittsburgh Post-Gazette*

