BCAP NewsClips **February 1, 2016**

International Business Times
Netflix owes $11 billion in content costs, and someone has to pay

Politico
Early debate ratings give ammo to Trump, but Fox News still sees strong result

Philadelphia Daily News
Welcome to Black History Month in Pa., where rules can be ignored

Pittsburgh Post-Gazette
As Pennsylvania budget stalemate persists, 'dark money' battle ensues

A Technology Policy Institute conference last month turned into something of a roast. Economist Tom Hazlett proposed a mischievous toast to "our friend, former FCC chief economist Tim Brennan, who wrote every word" of the Federal Communications Commission's new regulations over the Internet. Mr. Brennan denied any involvement with the heavy-handed rules: "Nothing the FCC says necessarily represents the views of Tim Brennan or his staff." He called the rules "an economics-free zone."

That admission should interest the federal appeals judges now considering the legality of the regulations, which subject the Internet to regulations written for 19th-century railroads and the 1930s phone monopoly. Mr. Brennan has confirmed that the agency failed to conduct the cost-benefit analysis the Supreme Court requires for regulatory agencies to justify their rules. Mr. Hazlett, who served as the FCC's chief economist during the George H.W. Bush administration, told me he was "not at all surprised that Tim Brennan, a thoughtful and honest economist, would distance himself" from the new regulations.

It's no mystery why the FCC skipped the economic analysis. The commission had planned less-extreme regulations, but President Obama intervened at the last minute, driven by "net neutrality" poll numbers, to demand the Internet be regulated as a utility—an approach the FCC had rejected since the launch of the commercial Internet in the 1990s. Congress rejected it, too. The bipartisan Telecommunications Act of 1996 was designed to "preserve the vibrant and competitive free market" for the Internet, "unfettered by federal or state regulation." The Obamanet regulations are contrary at least to the spirit of the law.

Economic analysis would have predicted these regulations would suppress investment in broadband. That expectation has been borne out in the work of Hal Singer of the Progressive Policy Institute, who is tracking the dramatic decline in capital spending due to the uncertainty caused by the need for government approval. The FCC also ignores economics by going after innovative pricing plans for broadband and wireless. The target is "zero rating" programs, which exempt selected data usage from monthly usage caps, giving consumers lower-price options.

Net-neutrality absolutists object to price and service differentiation. T-Mobile's Binge On includes unlimited video from two dozen providers, including Netflix and ESPN, but not full Internet access. AT&T's Sponsored Data lets companies pay the data bill for consumers

Pittsburgh Tribune-Review
[Governor Wolf's budget options limited]

Allentown Morning Call
[Kathleen Kane's mixed poll results still golden in election]

pennlive.com
[Charlie Gerow op-ed: It'll be a tough ride, but Sen. Pat Toomey deserves re-election]

Pittsburgh Tribune-Review
[Editorial: A poll shocker – Ignorant Pa. Dems embrace socialism]

to gain access to content such as online games and health records. Sponsors use Verizon's FreeBee Data to subsidize access to movie trailers and magazine articles.

In November, FCC Chairman Tom Wheeler praised the Binge On offering as "highly innovative and highly competitive." He chided his critics for predicting that the new regulations would force innovators to ask the FCC "Mother, may I?" before launching new pricing initiatives. Then in December, Mr. Wheeler reversed himself. He ordered executives from T-Mobile and others offering zero-rating services to submit to FCC approval after all. In January, agency bureaucrats reported "productive" talks. The Republican FCC commissioners objected. Michael O'Rielly called commission bureaucrats "inquisitors," while Ajit Pai said they are "micromanaging all kinds of business plans and hauling in companies to flyspeck whatever innovative service offerings they might choose to put out into the marketplace."

Eight million customers switched to T-Mobile last year, many lured by the low-price offerings the FCC could now revoke. If these consumers like their new low-cost plans, will they be allowed to keep their plans? Mr. Wheeler's bureaucrats get to decide. Economists understand that when government mandates business practices, this limits consumer choice. "Zero rating is not price discrimination," explained Roslyn Layton on the American Enterprise Institute's Tech Policy Daily blog last week. "It is price differentiation, a practice that is the essence of competition." Consumer-friendly pricing should be cheered, not banned. Even when the FCC micromanaged Ma Bell, regulators allowed zero rating through toll-free phone calls paid for by businesses.

The net-neutrality activists who got the White House to end 20 years of the unregulated Internet are now pushing their agenda globally. The government of India recently banned a zero-rating service from Facebook that gave millions of Indians their first access to the Internet. Net-neutrality absolutists demand that poor people get no access if they can't afford unlimited access. The FCC's former chief economist Mr. Brennan did a public service by admitting that Obamanet has no economic justification. Consumers around the world were better off with the open, permissionless Internet when no one had to beg government bureaucrats to let them offer new products, services or lower prices. – ***Wall Street Journal***

Just how much longer should cord-cutters be able to watch episodes from the current seasons of TV shows on Hulu? That is one question that has emerged in negotiations between media giant Time Warner Inc. and Hulu, which have been heating up lately, according to people familiar with the discussions. The two sides have been in talks since late last year about Time Warner buying into the streaming site as a part-owner.

Hulu, whose current owners include Walt Disney Co., 21st Century Fox and Comcast Corp. , offers a smorgasbord of current-season episodes of broadcast shows such as Fox's "Empire" and ABC's "Quantico." That allows Hulu subscribers to catch up on many new shows from the first episode onward, even late in the season, a key differentiator from its bigger rivals Netflix Inc. and Amazon.com Inc., which typically only offer viewing after the end of the first season, or later.

Time Warner believes that the presence of full, current seasons on Hulu—or anywhere else outside the bounds of pay-TV—is harmful to its owners because it contributes to people dropping their pay-TV subscriptions, or "cutting the cord." In the discussions about taking a 25% equity stake in Hulu, Time Warner has told the site's owners that it ultimately wants episodes from current seasons off the service, at least in their existing form, although that is not a condition for its investment, according to the people familiar with the discussions.

As a result, the talks between Hulu's owners and Time Warner are highlighting a pressing issue for media companies: how to make their programming available on streaming video services without undercutting the pay-TV business that continues to generate the lion's share of their revenue and profit. The talks reveal the tension at the heart of Hulu for the media companies who own it: putting their best content on the service will help it grow and compete with Netflix, but that also could lure more cord-cutters from pay TV. "If everybody in the industry is worried about Netflix driving cord-cutting, shouldn't they be just as worried about Hulu?" asks Nomura Securities analyst Anthony DiClemente, noting that Hulu offers many shows a day after they air.

Time Warner, whose stock price has fallen back to around the level it was at before the company rejected a takeover bid from 21st Century Fox in 2014, is under pressure to show investors it has a plan to thrive in a TV environment where streaming media is on the rise. (Until mid-2013, 21st Century Fox and The Wall Street Journal-owner News Corp were part of the same company.) Time Warner stock closed at $70.36 in New York on Friday.

Hulu's owners don't have plans to remove current seasons for now, according to people familiar with their thinking. But longer term, it is an open question, the people say. Indeed, Hulu's owners for months have delayed finalizing the agreement that governs how they license current seasons to Hulu, as they debated the issue. A two-year licensing agreement that expired last year required the owners to give Hulu full current seasons of every show produced by an in-house studio that airs on their broadcast networks—ABC, NBC and Fox—with only limited exceptions. The owners have been agreeing to short-term extensions of that agreement.

Several Wall Street analysts believe a significant part of Hulu's value and appeal to consumers is tied to its current-season deals with its owners. However, Hulu has been adding content beyond those current-season offerings, striking deals for old seasons of shows such as "Seinfeld" and original series such as the comedy "Casual." That has helped reduce the service's reliance on current-season episodes, which today account for less than 25% of streams on Hulu, according to people familiar with the matter. The content investments helped Hulu increase its subscriber base to about 10 million U.S. subscribers last year, up from 6 million the previous year. Netflix has about 45 million U.S. users.

Time Warner isn't interested in having full, current-seasons of shows from its networks, which include TNT and TBS, appear on Hulu. But the company understands that it would be difficult for Hulu's owners to pivot their strategy on current episodes overnight, according to people familiar with the matter. Long term, Time Warner wants to reshape the subscription online video marketplace to support pay-television—and, in particular, to send people to video-on-demand services and "TV Everywhere" apps tied to pay-TV subscriptions.

Time Warner Chief Executive Jeff Bewkes told analysts in November that the company was considering holding back the rights to shows on its networks for longer on its own on-demand platforms before selling them to services such as Netflix. One alternative to Hulu's approach is to place current seasons of shows behind a paywall only accessible to pay TV subscribers. Hulu already does this for some cable shows such as USA's "Suits." Mr. Bewkes has voiced support for versions of this model of Hulu in the past, according to people familiar with the matter, but it isn't clear if Time Warner has suggested this approach in its continuing talks with Hulu.– ***Wall Street Journal***

Google Fiber is sending out invitations to an experimental telephone service for some of its high-speed Internet subscribers, according to two people who have received the invitation. The service, known as Google Fiber Phone, closely resembles another Google product, Google Voice. That application lets users link all of their various telephones, including landline and mobile devices, to a single phone number. Fiber Phone comes with Google Voice features, such as voicemail transcriptions and automatic call screening based on the time of day.

The invite has been rolling out for at least the past month to members of the Google Fiber Trusted Tester program. The Trusted Tester program involves Fiber subscribers who have opted in to try new and potential changes to their service. Officially, Google Fiber **does not offer** traditional phone service. But if the company rolls out Fiber Phone more widely, Google would become a true triple-play provider, offering customers a mix of broadband, television and telephony — just like its rivals in the cable industry.

From there, it wouldn't be much of a leap for Google to begin offering its broadband subscribers bundled access to Project Fi, Google's recently launched cellular service that hops between Sprint, T-Mobile and WiFi. As many cable companies mull an entry into the competitive wireless market, it appears Google may already be positioning itself to get ahead of them. You can see a copy of the invitation being sent out to customers **here** (PDF). A Google spokesperson didn't immediately respond to a request for comment. – ***Washington Post***

Check your compasses, Pennsylvanians.

Most of you are wandering in the wilderness, apparently subsisting on tree roots and snow melt. You're light headed and not thinking clearly. There's no other way to explain the startling results of the latest Harper Polling survey of Pennsylvania's political climate. Only 33 percent of respondents said they believe this great state is headed in the right direction. Fifty percent opined we're on the wrong track, and 17 percent apparently were too distracted by Donald Trump loudly berating folks on TV to form an opinion.

The fact that two-thirds of people don't have a positive impression of this progressive, forward-thinking state is disturbing. It's time folks stopped being envious of the living conditions in neighboring states. The grass isn't greener in West Virginia, although that's because it was covered with coal dust for many years.
What follows are reasons to be proud to live in Pennsylvania, proof-positive points the state indeed is moving in the right direction. To underscore the commonwealth's fabulousness, each point comes equipped with its own exclamation point.

• Pennsylvania has the nation's eighth-lowest personal income tax! How has the state managed to hold the income tax at 3.07 percent for the past dozen years? Possibly by having the country's most onerous gasoline tax. At 51 cents a gallon, it's the highest gas levy in the nation, according to the American Petroleum Institute.

• Pennsylvania has the highest-ranked public universities in the nation! At least when it comes to tuition. The University of Pittsburgh has the highest in-state tuition cost at $17,292. Penn State is second at $16,572. For post-secondary bottom-feeders who don't care how much they pay for college, the national average is $7,617, according to the U.S. Department of Education.

• Pennsylvania state government operates in admirably bipartisan fashion! Democratic Gov. Tom Wolf and the Republican-controlled Legislature last year agreed on having one of the nation's most painstakingly deliberative budget processes. The result, colloquially known as an “impasse,” left only Pennsylvania and Illinois without fiscal 2016 budgets.

• Pennsylvania has a nationally recognized road system! National news outlets repeatedly recognized something went awry on the Pennsylvania Turnpike, where more than 500 vehicles became stranded during a recent blizzard that Wolf admitted caught emergency crews off guard.

• Pennsylvania is one of only about a dozen states with an official meteorologist! When the Pennsylvania Emergency Management Agency created the $62,000 position in October, officials said the forecaster would help keep emergency crews from being caught off guard in severe weather events. You know, such as blizzards.

Still think the state is headed in the wrong direction? – ***Pittsburgh Tribune-Review***

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