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February 3, 2016

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**Politico**  
**Cable news gets record audiences for Iowa caucuses coverage**

Comcast is trumpeting its best year for traditional TV services in nearly a decade, even though it continues to lose TV subscribers. As the number of traditional TV customers declines across the industry, Comcast is stemming its losses by luring them with new TV-Internet packages, while keeping TV customers around for longer with the help of a fancier cable box. The company also says recent investments in customer service, long a blemish on its reputation, have helped.

Comcast said Wednesday that it added 89,000 TV customers in the last three months of 2015, the best fourth quarter in eight years. For the full year, Comcast lost 36,000 TV customers, the smallest drop since 2007. The last year it added video customers was in 2006.

Other cable companies are improving, too, even as cable bills rise overall, and people spend more time watching video online. Time Warner Cable posted a small gain of 32,000 TV customers for 2015, the first year it's added TV subscribers since 2006.

Craig Moffett of MoffettNathanson Research wrote that even as cord-cutting has "dramatically accelerated," with TV customers dropping nearly 1 percent a year, cable companies like Comcast, Time Warner Cable, Charter and Cox are losing fewer customers overall than they have in years. That's come as satellite-TV providers and phone companies like Verizon and AT&T do worse. (AT&T bought satellite provider DirecTV in July.)

This year could be the year that cable companies starts adding back TV customers, even as traditional TV customers overall drop, says Morgan Stanley analyst Ben Swinburne. The cable companies are getting a boost from their relatively fast Internet offerings and from skinny bundles — cheaper packages with fewer TV channels.

Comcast credits skinny bundles including Internet Plus — local TV stations, the Internet and HBO — and a service called Stream, which delivers channels over the Internet without needing a cable box. Comcast is also still rolling out its updated X1 cable box, which the company says has helped it hold on to customers longer. X1 users also tend to spend more on extra DVRs, meaning more money for Comcast. At the end of the third quarter, only about 25 percent of its TV customers had it. Comcast says 61 percent of its

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new video customers in the fourth quarter got X1.

And like other cable companies, Comcast has seen its Internet-access business grow. It added 1.4 million Internet customers in 2015, including 460,000 in the October-December

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quarter. That's largely due to a lack of choice for speedy Internet access at home. Two-thirds of the country's homes have just one option or none at all at the speed the Federal Communications Commission has deemed broadband: 25 megabits per second.

Comcast typically promotes Internet speeds ranging from 25 to 150 megabits per second. The company announced Tuesday that it will offer gigabit Internet service — or about 1,000 megabits — in five cities this year through a modem upgrade, although it didn't say what the price would be. Rolling a faster service out nationwide should help Comcast continue to grow Internet customers, says Nomura's

Anthony DiClemente.

As for Comcast's NBCUniversal business, TV ad revenue fell 2 percent to \$9.18 billion for the year. For the quarter, ad revenue was largely unchanged at \$854 million at cable channels like Bravo, CNBC and USA and rose 7 percent to \$1.78 billion for NBC and Telemundo. The movie business got a boost from DVD and on-demand sales of hit Universal movies such as "Jurassic World," released theatrically earlier in the year. Company-wide profit rose more than 2 percent to \$1.97 billion, or 79 cents per share, in the fourth quarter. Adjusted for one-time costs, per-share earnings came to 81

cents. Revenue rose 8.5 percent to \$19.2 billion. – *New York Times*

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Tom Wheeler, the head of the Federal Communications Commission, said Tuesday in Philadelphia that he "has not done enough" to bring competition to Comcast and other cable companies.

Speaking at the Wharton School at the University of Pennsylvania, Wheeler also said he hoped to open cable's lucrative set-top box business to outsiders so consumers will have more control over what they watch on TV. "Everybody can get anything [on their TV], and a thousand flowers bloom," Wheeler said.

The cable industry collects about \$20 billion a year from its captive set-top boxes, which control the signals coming into homes. The FCC recently released its plan that would enable others to develop set-top boxes, and the agency's five commissioners will vote on it later this month. Wheeler answered questions Tuesday afternoon at Wharton. Responding to one, he said he did not visit Comcast headquarters and had walked directly to Penn from the train.

He added that he thought highly of Comcast executives. "We can have policy differences and not call each other cretins," he said. Wheeler, 69, said he has known Brian Roberts, 56, since the Comcast CEO was a teenager. And Wheeler also knew his late father, Ralph. Wheeler served as president of the National Cable and Telecommunications Association, cable's lobbying organization, in the late 1970s and early 1980s. He also was a venture capitalist and a major Democratic fund-raiser.

He would not say what he disliked about Comcast's failed plan in 2015 to buy Time Warner cable, which the agency frowned on. But he also said the deal wouldn't add to competition where the firms would operate. At the same time, the FCC green-lighted AT&T's bigger deal to buy DirecTV. The merged firm offers more competition to Comcast in many major markets with a so-called quad-play of phone, Internet, TV, and wireless services.

AT&T/DirecTV also surpassed Comcast as the nation's largest pay-TV operator, a mantle that Comcast held for more than a decade. The FCC is now reviewing Charter Communications Inc.'s proposed deal to merge with Time Warner Cable Inc. Wheeler has advocated for open Internet regulations opposed by Comcast and other Internet service providers. The FCC approved the open Internet, or "net neutrality," regulations in 2015. Telecom companies have sued to overturn the regulations. – *Philadelphia Inquirer*

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Tired of waiting for Internet companies to bring faster speeds to Lake Oswego, Oregon, the city is preparing to go it alone.

The city council voted 6-1 last week to pursue a municipally sponsored fiber-optic network, negotiating with a newly formed Lake Oswego company called Symmetrical Networks to provide hyperfast Internet connections of 1 gigabit per second to residents for \$60 a month – adjusted for inflation in subsequent years.

If the deal goes through, city officials hope service could be available to at least some residents by late next year. Lake Oswego envisions it as a public utility, managed and financed by Symmetrical. The city hopes to have a contract proposal to present to the council in April. Symmetrical estimates building the 105-mile fiber network would cost roughly \$32 million. The startup company would operate it, manage construction and arrange financing -- Symmetrical said it's lining up funding through Texas Pacific Group.

Lake Oswego would provide a guarantee that at least 35 percent of homes and businesses would sign up for the service – and get an option to buy the network in 30 years for one dollar. The structure of the deal means there's no up-front cost to the city. By promising a minimum number of subscribers, though, Lake Oswego could be

on the hook for millions of dollars a year if subscribers dropped off over time or if the project fell apart completely. Alternately, project backers say they might raise the price by \$20 a month to compensate for a shortfall in the number of subscribers.

Supporters say there's little chance the network won't hit the 35 percent threshold – the project will solicit advanced signups before starting construction and take a deposit from those who want service. A survey the city commissioned to gauge Lake Oswego's appetite for the project shows strong interest, they say, and similar networks elsewhere have easily exceeded the 35 percent "take rate." "It certainly is a risk, but the historical data would suggest it is not a significant risk," said Kevin Padrick, Symmetrical's chairman.

City officials hope to have a formal proposal before the city council in April. Plans call for contracting with another company to add an accompanying cable TV service, but details and pricing haven't been set. As people increasingly rely on streaming video and online games for their home entertainment, demand for faster Internet speeds has skyrocketed. Fiber optics offer high-capacity connections with considerably more bandwidth than copper phone lines or standard cable TV connections.

A gigabit connection is 1,000 megabits per second, 25 times faster than the current federal broadband standard. It's much faster than almost any household could use today – few online services can take advantage of such rapid connections – but advocates say those speeds will help enable new services, and will remain state-of-the-art for many years to come.

Lake Oswego's foray into Internet service comes as Comcast and CenturyLink are each upgrading their connection speeds, and as Google Fiber continues a prolonged flirtation with the Portland area. Comcast now offers a 2 gigabit connection in Lake Oswego for \$300 a month (*see note below*) but CenturyLink and Google Fiber have not said when -- or if -- they might come to the city. And no one offers prices as low as the \$60 a month Symmetrical proposes (Google Fiber is the best deal, at \$70 a month, but it doesn't serve Oregon and there's no assurance it ever will.)

Mike Dewey, director of the Oregon Cable Telecommunications Association, said operating telecom networks requires ongoing investment -- costs Lake Oswego's plan may not fully account for. And he said the city and its contractor may not be prepared to operate in a competitive market. "It's a risk to the taxpayer," Dewey said. "I think it's really tough when you have so many competitors in the market." Portland and Hillsboro have each looked at building their own fiber networks and discarded the idea after determining construction would be prohibitively expensive. Ashland built its own cable TV network in the 1990s, but it struggled amid intense competition from Charter Communications. The city continues to offer Internet connections but it has spun off the accompanying cable TV service.

More recently, Monmouth, Independence and Sandy all built out small networks they say are self-supporting. Lake Oswego city manager Scott Lazenby used to have the same job in Sandy and has been the leading advocate of the current proposal. Project backers say more than 60 percent of households in Sandy have subscribed to its service since that network began operating in 2014. Lake Oswego's project would be the biggest municipally sponsored network in the state, but Lazenby said it might not be the last. The cost of building a fiber network has come down, he said. "I absolutely think it could work on a larger scale," Lazenby said. – **Portland Oregonian** (Update: This article has been updated to note that Comcast's 2-gig "Gigabit Pro" service is now available throughout Lake Oswego.)

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Comcast has just released some new details about its future-ready answer to Google Fiber and Verizon FiOS. Beginning in the first half of the year, Atlanta and Nashville will be the first cities to take advantage of a new technology that enables gigabit speeds over

traditional cable connections.

That will be followed in the second half of the year by gigabit cable service in Chicago, Detroit and Miami, Comcast said Tuesday. Gigabit Internet, which is available from a number of providers across the country already, offers download rates of 1,000 Mbps — far faster than what many Americans currently receive. At those speeds, you could download an HD movie in about 7 seconds. Internet providers have been racing to roll out faster speeds in light of new entrants such as Google Fiber, whose parent company, Alphabet, just became the world's most valuable company.

What sets Comcast's new offering apart from the competition is that it relies on an upgrade of existing cable technology, rather than requiring a shift to expensive high-speed fiber optic cables, which are made of glass and transmit data as pulses of light. In other words, rather than building a whole new fiber infrastructure like Google Fiber is doing, Comcast can take advantage of the cables that are already in the ground to provide gigabit speeds. This is good for Comcast, because it means offering a similar service as Google's but at a lower upfront cost to itself; whether it means those savings will be passed on to consumers is another question. — **Washington Post**



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