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Los Angeles Times

Comcast Corp. is forestalling the cord-cutting trend.

The nation's largest cable company added video customers in the fourth quarter, capping off its best year in almost a decade as cable providers gain market share in a contracting pay-TV market. Comcast added 89,000 video customers in the quarter, contributing to a boost in revenue and profit. In all of 2015, the company only lost 36,000 video customers, its best result in nine years.

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Comcast was able to, at least for now, defy the industry logic that cord-cutters are increasingly abandoning pay TV. It has been investing in customer service and in its set-top box and guide, which it says encourages customers to watch more TV and makes them less likely to cancel service.

In an interview, Comcast Chief Executive Brian Roberts said he hopes to "continue the trend" in TV customers this year. "We need to keep that pace going because it's never been more competitive." Comcast's results illustrate the comeback of cable operators, who for years lost video subscribers to satellite and phone companies but have lately clawed back some market share. Cable companies are benefiting from investments in their cable-TV products and bundling those alongside fast broadband, as well as offering cheaper, slimmed-

down packages of channels for more cost-conscious consumers. Last week, Time Warner Cable said it added net video subscribers last year for the first time since 2006.

Part of cable's success is due to the weakening of its fiercest competitors, satellite and phone companies. The rising importance of broadband and on-demand TV to customers has favored the cable companies, since it is difficult technologically for satellite to provide those services. "I think the pendulum does tend to swing," Mr. Roberts said. "There was a time others had high-definition TV and we didn't, and there was no interactivity and no video-on-demand. Fortunately, we made investments and we bet right."

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Phone companies entered the TV business about a decade ago but their overall growth was largely driven by wireless and other businesses. Verizon Communications Inc. has sold off parts of its FiOS footprint, while AT&T Inc. has de-emphasized its U-Verse TV offering in favor of its newly acquired satellite operator DirecTV. But the 214,000 satellite customers AT&T added in the fourth quarter didn't offset the 240,000 U-Verse television subscribers it shed. Verizon's FiOS TV additions also slowed in the most recent quarter, to 20,000 from 116,000 a year earlier.

"Amidst pay TV's worst year ever, cable just enjoyed its best year in the past decade," MoffettNathanson analyst Craig Moffett said. Cable's strength is "real and very likely sustainable," he said. Fears of cord-cutting swept through the media industry last year amid evidence that the total number of households paying for traditional TV service is declining. Pay-TV providers are fighting for customers as people "cut the cord" and opt for cheaper, skinnier packages. Mr. Moffett estimates total U.S. pay-TV subscribers are contracting at a rate of 0.9% a year.

Despite those fears, Comcast said 75% of its new video customers in the fourth quarter signed up for big TV packages. The big bundle is "going to continue to be a very good business for a long time," said NBCUniversal CEO Steve Burke, who oversees the company's TV networks. Comcast has been investing in video over the past several years, even as others in the industry have played down cable TV's importance in comparison to broadband.

Since 2010, Comcast has hired more than 650 software engineers to create a transformed video experience, and those efforts led to the X1 Internet-connected set-top box and guide, a sleeker alternative to the clunky cable guides of the past that allows for fast, Web-like updates and an easy way to watch TV on-demand. The company now employs more than 1,000 software engineers—a marked change from its analog cable television roots.

Mr. Roberts also credited Comcast's recent investments in customer service for helping to retain customers. The company last year budgeted \$300 million to turning around its customer operations, including building an Uber-like app to allow customers to track and rate their technicians, after some embarrassing episodes of poor customer interactions went viral. But given the broader trends, Comcast is seriously exploring a new growth opportunity in wireless. Comcast said it plans to file to participate in the coming government auction of wireless spectrum, which will enable the cable operator to potentially buy wireless airwaves to be used for offering mobile service. "We are going to evaluate, consider and may purchase, but only if we consider the price is right," Chief Financial Officer Michael Cavanagh said on the earnings call.

Shares of Comcast, down 13% over the past three months through Tuesday, rose 6% to \$57.84 on Wednesday as the company also announced plans to increase its dividend and its stock-buyback plan. Comcast's fourth-quarter profit grew 2.4% to \$1.97 billion, or 79 cents a share, up from \$1.93 billion, or 74 cents a share, a year ago. Revenue rose 8.5% to \$19.2 billion. Both revenue and adjusted earnings topped analysts' estimates.

Comcast's broadband and business-services divisions posted strong revenue growth in the fourth quarter, offsetting softness in the voice and cable advertising units. At the cable business, which accounts for the bulk of the top line at Comcast, revenue rose 5.9% to \$11.98 billion. The cable giant added 460,000 broadband customers in the quarter compared with 375,000 a year earlier. Voice customer additions grew to 139,000, compared with 123,000. At NBCUniversal, revenue was bolstered by growth at the filmed entertainment and theme parks divisions. – *Wall Street Journal*; [more in Philadelphia Inquirer](#)

Pitcairn (Allegheny Co.) leaders are trying to determine how to keep the borough-owned cable television and Internet services going, but rising network demands and impending hardware upgrades may leave customers looking for alternatives. Council President Jack Bova said council needs to make a decision by June on whether to continue with the

Internet service. "We're trying to find a way to make it work," said Bova at Monday's meeting. "It's ongoing."

Officials said last month they would have to put nearly \$100,000 into the cable system to bring it up to date, and the Internet system requires another \$30,000 to \$50,000 in upgrades. The cable system was created in the 1950s. There are about 160 customers who use the Internet services and about 470 households that get cable through the borough. There are about 1,500 residences in Pitcairn, officials have said. Verizon also offers service to borough households. "Nobody up here wants to be the bearer of bad news," Bova said. "It has to be done sooner or later."

John Prucnal, council vice president and head of the cable and electric committee, said the borough cable company hasn't been able to keep up with competitors over the past decade, in price or service. "I don't think that puts us in the ballpark," he said. "I don't think this is a comparison."

Prucnal has been a subscriber since he moved to Pitcairn in the 1980s, but is considering switching to get faster Internet and better channels. He said he used to believe that Pitcairn cable could keep up and offer a good product. "I don't think that anymore," he said.

Councilman Rollo Vecchio cautioned council about being so quick to end the services, saying that providing the services makes Pitcairn unique. "This is an asset we have," he said. Prucnal said Pitcairn is one of only about six or eight communities in the state that provides its own cable and Internet. "It's a nice identity," he said.

Bova said the system is beginning to no longer be a profitable asset. "It's a car that's leaking oil," he said. Residents saw a monthly increase of \$5 each for basic cable and Internet services this year. Residents who have the basic Internet and cable package saw a \$10 increase. Customers with premium channels HBO and Showtime saw an additional \$3 increase for each. — *Pittsburgh Tribune-Review*

Comcast Corp. said Wednesday it plans to enter the government's upcoming spectrum auction, showing the cable giant may be serious about another push into the increasingly competitive wireless industry. While Comcast executives didn't give details on their plans, analysts said the company could spend several billions of dollars to buy up airwaves being made available for wireless services. The company would be bidding against traditional players like AT&T Inc. and Verizon Communications Inc.

The airwaves are being auctioned off later this year by the Federal Communications Commission, which is repurposing spectrum it once set aside for television broadcasts. The FCC is offering to pay TV stations to go off the air or move their broadcast to free up the airwaves it plans to resell to the highest bidders. "We are going to evaluate, consider and may purchase, but only if we consider the price is right," Comcast's Chief Financial Officer Michael Cavanagh said on a conference call to discuss the company's earnings results.

Comcast, whose NBCUniversal owns 28 local NBC and Telemundo stations, according to its website, has said it would sell some of its TV licenses in the FCC auction, something that could help pay for the wireless bids. New Street Research analyst Jonathan Chaplin estimated Comcast could spend \$3 billion to \$5 billion in the auction, net of what it gets for selling some stations, which he assumes will be \$1 billion to \$2 billion.

Comcast has taken other steps to explore adding cellular services to its broadband and television offerings. Last year, Comcast informed Verizon it would execute a 2011 agreement that allows Comcast to resell Verizon's wireless service, but it has yet to offer any such service. It already has a vast Wi-Fi footprint of more than 13.3 million hot spots that could anchor a mobile offering.

MoffettNathanson analyst Craig Moffett suggested that one reason Comcast shares have languished recently—down 13% over the past three months despite its stronger operating performance—is investor cautiousness about elevated capital spending with an entry into

wireless. He said a frequent question from investors is whether such spending could disrupt Comcast's share buybacks and dividends. Comcast said Wednesday it won't be reducing its \$5 billion in buybacks if it acquires spectrum in the auction. Comcast shares were up 3.8% in afternoon trading.

The entrance of Comcast also shifts the dynamics of the auction. In the last major FCC auction, which ended in January 2015, total bidding was almost \$45 billion in part because another pay TV operator Dish Network Corp. was aggressive in buying up licenses. Dish has yet to detail its plans for its vast airwaves holdings.

The cable industry has flirted with offering wireless service before. A group of cable companies—including Comcast, Time Warner Cable and Bright House Networks—bought spectrum in a 2006 auction but agreed to sell it to Verizon five years later. A group of major cable companies also offered wireless service through Sprint Corp. in a venture called Pivot but that ended in 2008. But the evolution of the wireless business—the majority of traffic growth is coming from video—may make it more attractive for Comcast amid investor concerns about cord-cutting.

"Our definition of broadband is totally different today than it was five years ago for what you get as a consumer," Comcast CEO Brian Roberts said Wednesday. "I think that goes back into whether we can do something creative in the future, whether that's involving spectrum or Wi-Fi or some of the existing relationships we've got." – *Wall Street Journal*

The push to enhance high-speed Internet access in rural areas of Minnesota got a boost Wednesday when a state task force recommended that the state spend another \$200 million on the effort. The report provides fresh ammunition to Gov. Mark Dayton, who has pressed legislators to provide more funding to boost broadband access in outstate Minnesota, where roughly two in 10 homes lack high-speed connections. "While [\$200 million] is a fraction of the total capital investment required to meet the state's border-to-border broadband objective, it is an important contribution," the report said.

The report said that, while the infusion into the state's broadband grant program would help Minnesota achieve its goal, it would cost \$900 million to \$3.2 billion to fully expand high-speed Internet statewide. Dayton in December proposed \$100 million for the broadband grant program, an effort legislative Democrats say they support. House Republicans have called for reforms to how the broadband grants are administered, saying Minnesota should do more to leverage existing federal funding for broadband access. GOP legislators, who hold the majority in the House, are awaiting updated budget projections later in February before saying how much they would propose for broadband, said Rep. Pat Garofalo, R-Farmington, whose committee has jurisdiction over the issue. "The goals are admirable, but the implementation has been flawed," said Garofalo, a computer network engineer.

He said the current program subsidizes high-speed connections at too high a cost. "We're burning through money to provide premier Internet service to a small number of people," he said. "It's fiscal insanity ... it's in the state's best interest to get high-speed bandwidth to as many people at the lowest cost possible." The task force is made up of consumers, health care executives, broadband providers and local elected officials. Task force members made a handful of other recommendations, such as boosting telecommunications aid to schools and libraries, as well as exempting telecommunications equipment from the state's sales tax.

Efforts to improve the state's broadband infrastructure date back to 2008, when the first task force convened. Dayton, who was first elected in 2010, in 2011 formed his own task force, which issued the most recent report. Lt. Gov. Tina Smith in recent months has traveled throughout the state, touting faster connection speeds as an economic development tool. "Broadband Internet isn't just nice," Smith said in a statement. "We need the bandwidth for Minnesota's regional centers and rural economies to support innovation and entrepreneurship. If we don't do this, 244,000 Minnesotans and hundreds of communities will lack the basic infrastructure to connect to the 21st-century economy, and that's not fair."

Rural cities and towns currently jockey for grants from a limited pot of funding. Last year, the state received 44 applications, totaling nearly \$30 million in requests. Fifteen projects were approved for the \$11 million available. The broadband program received \$10 million last year, roughly a third of what Dayton had initially proposed. The task force is headed by former DFL House Speaker Margaret Anderson Kelliher, now president and chief executive of the Minnesota High Tech Association. "We know that broadband plays a vital role in connecting people to health care, education, and the global economy," she said in a letter to the governor. "Expanded access to broadband in Minnesota provides opportunities for every Minnesotan." – *Minneapolis Star Tribune*



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