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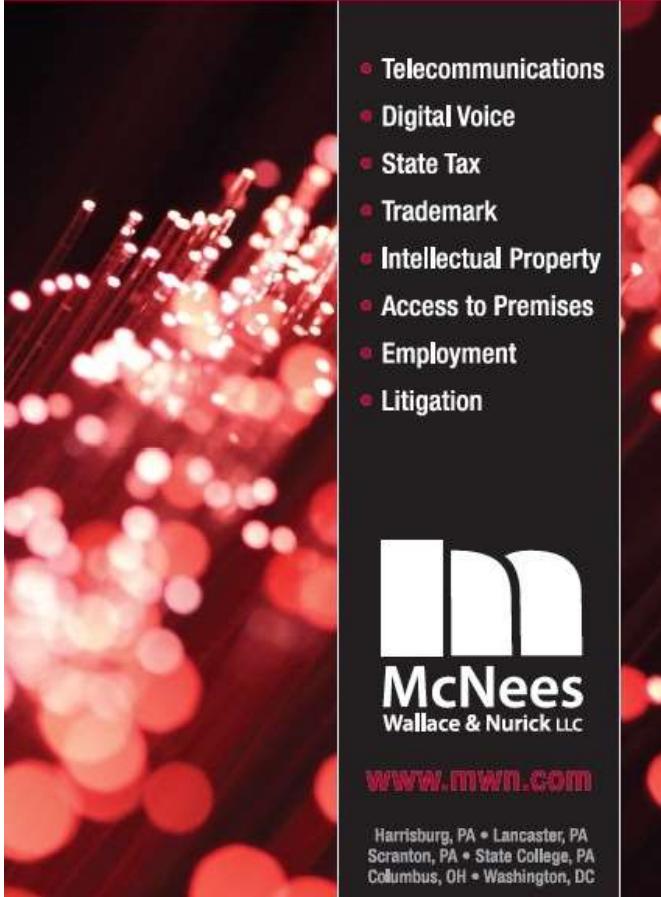
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A (Kentucky state) House committee on Thursday passed legislation that would deregulate landline telephone services and allow carriers like AT&T to drop basic service to customers in urban areas. House Bill 152 cleared the House Economic Development Committee on a near-unanimous vote with only Rep. Arnold Simpson, D-Covington, voting against it. It now goes to the full House where House Speaker Greg Stumbo has said its likely to pass.

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The background of the advertisement features a close-up photograph of fiber optic cables, with light glowing at the ends, set against a dark background.

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AT&T has argued for the bill, saying that giving the company authority to drop basic service and to stop stringing new landlines around the state would allow the company to invest more in broadband, cellular and other more modern technology. Tom FitzGerald, director of the Kentucky Resources Council, argued that the committee should move slowly in deregulating the phone services until the Federal Communications Commission establishes what it will require of companies that provide landlines.

The FCC has said that providers must provide service that will support medical monitoring home alarm services but FitzGerald said the telecommunications industry is arguing that it is not required to support those services. The bill is sponsored by Rep. Rick Rand, D-Bedford, and would allow so-called carriers of last resort — AT&T, Windstream and Cincinnati Bell — to stop offering stand-alone basic landline services in exchanges with 15,000 or more residential customers. Rand said that he expects technology that would

allow cell phones and voice-over-Internet services to soon have the capability to support medical monitoring and home alarm services.

Years ago "carriers of last resort" were required to provide landlines and basic services to all who wanted them in exchange for their monopolies. The bill would require the companies to maintain landlines and provide basic services to existing customers in smaller exchanges but would allow the companies to cease offering those services if the customers move or give up those basic services for more than 30 days. Hood Harris, president of AT&T Kentucky, testified that the state is missing out on money that could be

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used to improve technology in Kentucky. "Investment is passing Kentucky on its way to other states that have already modernized their laws," he said. Harris said not a single AT&T customer has lost landline service in 17 other states that have passed similar deregulation measures.

James Evans, superintendent of the Lee County Public Schools, argued that the law is needed to help spur investment that he believes will bring broadband to his Eastern Kentucky county. He said students there want to go into high-tech careers but know they won't be able to return home because there is no broadband Internet access. "We can't compete with robust connectivity," he said.

But FitzGerald said that nothing in the measure ensures that AT&T and the other carriers will spend more money on newer technology. He noted that AT&T's predecessor promised widespread broadband connectivity in 2006 when it successfully pushed for an earlier round of deregulation, which never materialized. He noted that AT&T is supporting efforts by Verizon to eliminate landlines on Fire Island, New York, which was devastated by Hurricane Sandy in 2012. In an interview, FitzGerald said he doesn't expect the company to abandon landlines but that in urban areas, he expects the company to do away with basic service and replace it with more expensive bundles.

Daniel Hayes, a spokesman for AT&T, denied that's what the company plans to do. "Absolutely not. This bill is about investment in the products and services that consumers are demanding." The bill now goes to the full House. If it passes there, the legislation will go to the state Senate, where Republicans have passed versions of the bill in recent years and have made passage of the bill a priority in this year's General Assembly. – *Louisville Courier-Journal*

Since its inception, the Internet has been more or less free of government regulation. We all have unfettered and uncensored access to everything posted online. If the Federal Communications Commission (FCC) and President Obama have their way, that will soon change.

FCC Chairman Tom Wheeler has proposed strict "net neutrality" rules that, if approved by the commission on Feb. 26, will regulate broadband Internet service as a public utility in much the same way the agency regulates telecommunications companies. Sadly, consumers have been duped into supporting this travesty through misinformation and fear mongering by self-serving government officials, consumer advocates, and corporate executives. And just as with ObamaCare, there will be no walking this back once it's done.

At the heart of the controversy is Netflix CEO Reed Hastings, who has essentially claimed that Comcast and other broadband Internet Service Providers (ISPs) were intentionally throttling Netflix traffic in an attempt to extort the streaming video company to pay exorbitant fees for direct connections. Apparently, none of that is true. What actually happened, according to a great Forbes article by best-selling author Larry Downes, is this:

Netflix had for years been using third-party networks from companies such as Cogent and Level 3 to get its content to ISPs that control the "last-mile" to consumers. That worked fine until Netflix content ballooned to nearly a third of all Internet traffic during peak periods, straining Cogent's network.

It was never Comcast, Verizon or any other ISP throttling Netflix traffic, it was Cogent. During periods of heavy network usage, Cogent apparently slowed down its big wholesale customers like Netflix in favor of its retail customers, a practice it failed to disclose until recently. That's why Netflix traffic sped up as soon as it cut direct-connect deals with Comcast and other ISPs. Cogent was cut out of the back-end network. Problem solved.

Not surprisingly, large Internet content providers like Google, Amazon, Facebook, Microsoft, Apple and eBay, and large content aggregators Akamai and Limelight have long-standing direct interconnection deals with nearly every large ISP. And now Netflix,

which generates more traffic than all of them, does too.

That's why you have no problems getting content from anyone and everyone. The free market worked it out the same way it's been doing for decades, with new technology and business agreements and essentially no government oversight. And all those back-end deals, also known as paid peering agreements, have absolutely nothing to do with the last-mile to your home. Meanwhile, all the nonsense about paid prioritization and Internet fast lanes that would favor some content over others is nothing but fear mongering by consumer groups that want government controlled everything.

The truth is, no ISP would ever consider something as ludicrous as discriminating against specific Internet content or prioritizing what comes down the last-mile to your home. Nothing like that has ever happened over the more than 20 years the Internet has been around and nothing like that ever will. The entire notion is idiotic.

When it comes to net neutrality, there are only three questions anyone needs to ask and here are the answers:

Q: Did Comcast or any other ISP throttle Netflix traffic? A: Nope.

Q: Then why is Hastings fighting so hard for the FCC to step in? A: Unlike all the other big content providers, Netflix has a lousy business model. He'll apparently do just about anything to get a free ride on content delivery and improve the company's slim profits.

Q: What if ISPs continue to consolidate and increase their pricing power? A: That's an antitrust issue for the Justice Department and the Federal Trade Commission. Those agencies have the power to approve or kill any such mergers.

Mark my words. If the Obama administration and the FCC manage to pull off this massively manipulative and devious power play and end up in control of broadband Internet service, we will all pay for it in more ways than one. Senator Ted Cruz was right. Net Neutrality *is* ObamaCare for the Internet. – **Fox Business**

It's the mystery of the morning.

When Tom Wheeler, head of the Federal Communications Commission, announced his proposal Wednesday to regulate Internet providers, such as phone companies, shares of cable companies unexpectedly surged. Here's what happened to the stock prices of Comcast, Time Warner Cable, Charter and Cablevision minutes after the news dropped.

Cable companies weren't the only ones to benefit. Shares of Dish Network and DirecTV were up, too.

Why is this surprising? Well, Wheeler is suggesting that the government impose strict rules on Internet providers to be sure they don't block, slow down or speed up Web sites or content. The draft regulation is far, far more aggressive than anyone could have predicted a year ago, when Wheeler floated a different set of rules that would've regulated companies, such as Comcast and Charter, relatively lightly. So to see investors swoon over greater regulation is a bit of a puzzle, even for seasoned analysts.

When I confessed to MoffettNathanson's Craig Moffett that I couldn't make heads or tails of what we were seeing, Moffett shrugged. "Nor do I," he said. "I think it just shows you that the market doesn't really understand these issues."

Whether or not they understand net neutrality, investors are apparently relieved that Wheeler's draft rules aren't more restrictive, according to BTIG analyst Rich Greenfield. What shareholders feared the most was the FCC swooping in to tell Internet providers what prices they could and couldn't charge to consumers — and the proposal currently doesn't call for that. In short, the markets are responding favorably because price regulation is off the table, at least for now. "I think it is, in the near term, a knee-jerk reaction that it wasn't worse," said Greenfield.

This raises the question about whether investors really had much to worry about during Wheeler's drafting process. It seems unlikely that the price regulation piece would've made it into the proposal considering that even President Obama's call — which many on either side of the debate say moved the FCC to a more aggressive position — recommended excluding it from the draft.

Over the long term, any use of Title II of the Communications Act generally raises the prospect of price regulation, said Moffett. "The question was not whether the Chairman would forbear, it was instead whether a promise of forbearance is sufficient to deflect the risk of price intervention down the road," Moffett wrote in a research note. In plain English, that means investors may eventually regret their momentary exuberance on Wednesday. Which brings us back to Moffett's original point: Nobody knows what the heck is going on. — *Washington Post*



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