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Unhappy anniversary!

Chairman Tom Wheeler is congratulating himself, a year after his Federal Communications Commission followed President Obama's orders to apply ancient telephone regulations to the Internet. "Strong rules of the road have provided certainty for innovators & investors so #broadband network deployment continues," he tweeted.

Ah, no. A new study shows that broadband deployment is heading south after years of rapid growth. And congressional investigators have released new evidence of political interference and possible legal violations in the FCC's rule-making. The FCC enacted this historic blunder on a partisan 3-2 vote. Dissenting Republicans Mike O'Rielly and Ajit Pai warned that bureaucratic costs plus uncertainty about future enforcement would discourage Internet service providers from costly build-outs. Mr. Wheeler promised to exercise "forbearance" from the most onerous of the traditional phone rules.



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Now broadband providers are the ones forbearing—from investment. Capital expenditures by Internet service providers rose by 8.7% in 2013, according to the U.S. Telecom Association. Then investment slowed to 4% growth in 2014 as the FCC considered new rules. Economist Hal Singer now reports that in 2015 industry capital expenditures declined by 0.4%.

Commissioner Pai warned last year that the FCC would enjoy "a roving mandate to review business models and upend pricing plans that benefit consumers." And, sure enough, he says the FCC "is now hauling companies into our headquarters to justify their service plans. Take T-Mobile's Binge On program, which lets customers choose to stream videos without it counting against their data usage."

Mr. Pai says the FCC has "opened an investigation into whether Binge On violated the new Internet conduct standard." Appalled at the idea that businesses and their customers would decide which pricing plans are acceptable—rather than letting federal bureaucrats set the terms—so-called Net Neutrality activists now "claim that letting consumers watch

online video for free is 'discriminatory,' 'limits user choice,' and 'stifles free expression,'" reports Mr. Pai. "Some even argue that such a practice, known as zero-rating, is a human rights violation!," he adds.

Watching Mr. Wheeler try to spin this Internet debacle is like watching Chris Christie explain his Donald Trump endorsement. Readers will recall that Mr. Wheeler did not favor regulating the Internet like an old-fashioned telephone system—until Mr. Obama released a public video demanding it. Mr. Pai calls it a "not-so-holy matrimony" between outdated regulation and current technology and reports that "unfortunately, the FCC was dragged to the altar kicking and screaming by the White House. President Obama issued the wedding announcement on YouTube."

The FCC also looks bad following this week's release of a report from the Senate Homeland Security and Governmental Affairs Committee. In 2014 commission staff had been working long hours on a tight deadline to craft a different final rule for the Internet. But FCC staff told Senate investigators that their work was put on "pause" after the White House dictated what it wanted from this supposedly independent agency.

Mr. Wheeler then led the drafting of a rule meeting the President's specifications. The Senate report shows that inside the FCC various staff warned that since the new final rule would be so different from an earlier proposal, the law required a new public notice to give citizens a chance to comment. It never happened.

The result of this misguided rule for consumers will be slower Internet speeds and fewer new services. If the federal courts won't scuttle this mockery of independent rule-making, the next President should. – *Wall Street Journal*

Comcast's high industry perch as cable operator and major broadcast and cable programmer gives the company a unique perspective on the pressure points in the pay-TV arena.

Comcast chairman-CEO Brian Roberts told a group of investors Tuesday that rising programming costs and contractual commitments to carry suites of channels are flashpoints that have to be addressed as operators adjust to consumer demands for smaller channel packages. "I think you're going to see real tension around (the question of) is that sustainable? Is that a product that is going to shrink?" Roberts said at the Morgan Stanley Technology, Media and Telecom conference in San Francisco. With Comcast's ownership of NBCUniversal, "we're going to be on both sides of that conversation" and hope to "help shape it in a way that is good for consumers."

Comcast during its fourth-quarter earnings announcement last month warned Wall Street that its programming costs would be higher than usual in 2016 because of the timing of contractual increases. Costs have been growing at 7%-8% a year in recent years, he said, far faster than the rate of inflation. But some programmers are getting the message, he said. "In the pendulum swinging, there is a real awareness among the programmers that we've got to create alternatives for consumers," Roberts said. Nonetheless, Roberts was bullish on the bedrock cable business, noting Comcast's run of subscriber growth in recent quarters. "We have more video customers today than we did a year ago," Roberts said. "That's the first time we've been able to make that statement in over a decade."

Roberts also cited Comcast's focus on boosting the availability of its Xfinity authenticated streaming service. Only 35% of Comcast video customers use the service now; the goal is to raise it to 50% this year. And he talked up the potential of Comcast's new voice-activated remote control, which have been distributed in 5 million households to date. He called Comcast's fastest ramp-up of any product in its history. Roberts said in the wake of the Time Warner Cable merger getting squashed, he doesn't see any transformative transactions on the horizon for Comcast in the near term. "I don't envision any great activity that would require a whole other conversation about us (among regulators)," Roberts said. "We're trying to execute this year with the momentum we've got." – *Variety*

RCN' call volumes have decreased and its customers are happier since the company brought all of its calls back to the United States, RCN chief operating officer Chris Fenger said in an interview. The Princeton-based overbuilder has opened call centers in Wilkes-Barre and the Allentown area over the last five years, hiring 150 to 200 employees.

RCN also contracts with an outside call center in the Pittsburgh area for heavy volumes. At one time, in 2009 and 2010, 60 percent to 70 percent of RCN's customer calls were routed to the Philippines, Fenger said. "You can't have somebody call the Philippines and ask when the Phillies are playing tonight and the customer rep says 'Who are the Phillies?' in broken English," Fenger said.

Fenger said a mantra at RCN is "to give people what they want." The company recently launched the streaming product HBO GO on the television through RCN's TiVo set-top box. RCN Telecom Services offers its cable-TV and Internet in Pennsylvania's Delaware County and the Allentown area. – *Philadelphia Inquirer*



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