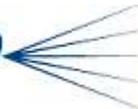


Come to Pennsylvania, where cable began and now moves to the **NEXT LEVEL** 
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Seventy-five-year-old Neil Altman was gasping for air as he described run-ins with Verizon last fall when he and his wife, Gilda, were making a last stand against the



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telecom company's plan to disable their copper-based phone line. "You need to calm down now," Gilda told her husband, who suffers from myasthenia gravis, a form of progressive muscle weakness. She rubbed his arm at their Drexel Hill dining room table. He nodded. "To be honest, I didn't even know we had copper," Gilda said. "What do we know about telephone technology?" A lot now.

Verizon, one of the nation's largest phone providers, has begun without a formal announcement to stop operating legacy copper and modern fiber lines on the same telephone poles. Instead, it is transitioning to all fiber, a potential concern for hundreds of thousands of Verizon customers in Pennsylvania, New

Jersey, and other states where the phone giant operates.

Verizon says that "copper retirement" eliminates the redundant costs of running old and

Most Pennsylvania legislative races will be decided in April primaries

new networks. Moreover, high-capacity fiber lines will be the high-speed technology of the future, not copper. But hard-core copper customers such as the Altmans won't be easily won over. They're happy with the legacy phone service that beeps with a dial tone during electric power outages. They don't want to pay higher prices and they resist being told what to do by the local phone monopoly.

To make a switch palatable, Verizon is offering fiber service at the same monthly price as copper and throwing in a free installation of the "optical network terminal" that connects the home to the company's fiber backbone. The box can be installed inside or outside the home. Verizon also is giving free backup with 12 D-size batteries to keep phones working during outages. "We are not attempting to upsell here," said Verizon spokesman John O'Malley said. Customers with voice and DSL Internet services over copper wires will be offered phone and Internet over fiber at the same price, he said.

Thomas MacNabb, Verizon's director of operations for wireline support, said that the copper lines in 44 wire centers or zip codes in Pennsylvania and other states are the first to be decommissioned this year - kicking off Verizon's multiyear "network transformation." The first zip codes in the Philadelphia region slated for copper retirement are Drexel Hill (19026), Bristol (19007), Tacony (19135), Fox Chase (19111), and Jenkintown (19046).

Verizon says that about 10 percent of its customers still use copper-line phones and DSL Internet even in areas with fiber upgrades. The corporation served about 18 million customers with landline voice service in 2015, regulatory filings show.

Verizon could retire copper in Philadelphia and its suburbs. But some rural and lower-income parts of the region won't see the retirement of copper any time soon because Verizon hasn't upgraded those areas with fiber. "We want to figure out how we can crawl before we run," MacNabb said of the copper retirements, adding that Verizon doesn't want to "come across [to customers] as if we have a gun to their heads" to switch to fiber.

He was answering questions on the Altmans, who filed informal and formal complaints with the Pennsylvania Public Utility Commission in November. Verizon has said for years that it would continue to operate copper even as it rolled out fiber. Many believe, though, that as consumers come to expect higher Internet speeds, copper would have to be replaced.

Last August, the Federal Communications Commission enacted new rules for companies retiring copper phone lines that included a 90-day notice for consumers. The new rules haven't taken effect yet because of bureaucratic processes in Washington. Generally, say company, consumer-advocate, and regulatory officials, Verizon has a legal obligation to provide dial-tone local phone service. The state PUC regulates Verizon's local phone service, and residents who believe Verizon isn't fulfilling its obligations can file complaints there.

Neil and Gilda Altman live in a tidy Drexel Hill rowhouse. They have a copy machine and a fax, but no Internet. Both are former public school teachers in New Jersey who watch over-the-air broadcast TV. Neil Altman said he knew nothing of copper retirements until "out of the blue" Verizon mailed him a notification dated Oct. 14, telling him to contact the company within 30 days to avoid a break in phone service.

Altman called and was told that if he didn't switch, Verizon could stop his phone service and he could face a big reconnection fee. Altman pushed back, telling Verizon he was sick and that he felt comfortable with the dependable copper-line phone that worked during electric outages. Hard of hearing, Altman also could clearly hear on the old phone.

Gilda Altman, 72, feared losing the couple's phone number, which she used for her business, tutoring students in English as a second language, and for reaching family, friends, and doctors. "I told Neil that 'I don't care what you do about this thing. I don't want to lose this phone number,'" she said. If Verizon disconnected the phone, they

could lose the number, the Altmans were told.

They described six weeks of frantic calls with Verizon and officials from the PUC, FCC, and the Office of Consumer Advocate in Harrisburg. They filed an informal complaint with the PUC, but that didn't seem to slow Verizon. Facing a Verizon-imposed Dec. 1 deadline to transition to fiber, the Altmans filed a formal complaint in the third week of November with the aid of a lawyer from the Office of Consumer Advocate, hoping to stay the company's actions. It didn't.

Worried about losing their phone number, the couple took a bus - they don't own a car - to an AT&T store near the 69th Street Transportation Center and bought a wireless AT&T phone in late November so they could port their Verizon phone number to it. "We had a gun to our heads," Gilda Altman later told PUC Administrative Law Judge Darlene Heep at the March 3 hearing. The session dragged on for six hours.

Heep is expected to issue a briefing schedule for more documents after she reviews the hearing transcript, a PUC spokesman said. MacNabb said after the hearing that Verizon had adjusted its outreach on copper retirements to senior citizens. "We want to use this as a learning experience," he said. Verizon also began giving customers 90 days' notice on copper decommissionings at their homes in December, spokesman O'Malley said. Said Gilda Altman, "We are seeking to get copper back. That's all." – *Philadelphia Inquirer*

Charter Communications is poised to swallow a much bigger rival. For investors, bigger should mean better.

The Wall Street Journal reported last week that Federal Communications Commission Chairman Tom Wheeler was preparing to circulate a draft order to approve the company's deal to buy Time Warner Cable. The merger would still face further regulatory clearance. But receiving the FCC's stamp of approval would be an important step in bringing to a close a saga that began in 2013 when Charter first made offers for its competitor.

And while the government will likely demand some concessions, closure will be welcome for investors. If all goes according to plan with the integration of Time Warner Cable and Bright House Networks, the smaller closely held cable operator that Charter is also buying, the new company's free cash flow should reach \$20 a share by 2018. That compares with \$6.60 and \$7.51 for Charter and Time Warner Cable, respectively, in 2015.

Charter has estimated that it will achieve annual synergies of \$800 million with the deal. But analysts say it can surpass that figure if it successfully executes its traditional playbook. That involves new pricing and packaging along with transitioning to all digital at the acquired companies. All digital means faster broadband speeds and more high definition coverage—all improvements aimed at attracting more subscribers. Granted, that will take some deft operational maneuvering. But Charter's management team has shown that it can deliver.

In the fourth quarter of 2015, its broadband subscriber base climbed 9.8% over the previous year. The company also reported better-than-expected video subscriber numbers. Even including merger-related costs, Charter's earnings before interest, taxes, depreciation and amortization rose 7.5% year over year versus growth of 6.7% for Comcast. Meanwhile, capital spending as a percentage of revenue fell 1.2 percentage points to 21.8% as the company's digital transition neared completion, according to MoffettNathanson.

Indeed, declining capital spending is a key piece of the bull case for Charter. Spending initially will rise as it completes Time Warner Cable's all-digital transition. But Charter's strategy of using a cloud-based set-top box interface that relies on software is far less

capital intensive than Comcast's X1. That involves replacing old hardware. The company has said that it expects a dramatic decline in capital spending over the coming few years.

Granted, Charter's multiple of 15 times 2016 earnings before interest, taxes, depreciation and amortization already prices in considerable optimism. Regulators also may require the company to invest in expanding its service within its footprint. But that should at least mean more subscriber growth. And when it comes to free-cash-flow growth, there are few stocks offering a pathway this clear. — *Wall Street Journal*

Anyone who doubts the miracle of market innovation should watch a movie on a computer tablet: Americans can queue up thousands of programs thanks to services like [Netflix](#) and Amazon Prime, and in recent years many have ripped out the clunky old cable box. In response to this nonproblem, the government is rolling out rules for television "competition" that would mainly help the paupers running Google.

The Federal Communications Commission has proposed rules that would force television providers to create a universal cable-box adapter. This would hand over shows to companies—TiVo, Google—that could peddle programming as their own. The proposal, dubbed "unlock the box," would allegedly allow competition for cable boxes that "a majority of consumers must lease today," as the FCC puts it.

One irony is that the commission's efforts to liberate consumers from a cable box will require an entirely new box, as providers say installing hardware in homes might be the only way to carry out the requirements. Consumers will pay for that and network overhauls. Also rich is FCC squawking about how much consumers shell out for cable boxes, as the commission micromanages the industry and scrapes up billions in additional fees.

The new rule amounts to government-sponsored piracy in allowing TiVo and Google to broadcast programs that providers pay to distribute. Google wouldn't have to abide by carriage agreements or pay licensing fees, which is one reason content creators are pushing back. The stealing would no doubt violate copyright. Some 30 members of the Congressional Black Caucus sent a letter to FCC Chairman Tom Wheeler saying the rule would relegate minority programming to channels rarely visited by viewers.

Google prodded the supposedly independent FCC in 2014 to bust open cable boxes, and Chairman Wheeler followed orders. The tech giant wants to sell ads against poached content, mowing over cable commercials and crushing advertising competitors.

Two days after the commission dropped vague news of a forthcoming proposal, Google invited folks on Capitol Hill to tinker with a compliant box—and how nice that the commission offered the company advance tips on what to build. Searching the FCC for favors isn't new; last year the commission decided to exempt Google from net-neutrality rules a week before the proposal was completed.

There are other problems: Cable providers are legally required to protect privacy, but Google is free to mine your habits, and a universal adapter would be vulnerable to hacking. Rand Paul supporters, here's your new cause. The rules won't hit for another two years or longer, and by then the technology will be obsolete—at best a market for equipment no one wants. Google's media streamer, Chromecast, didn't even exist three years ago, as Republican FCC Commissioner Ajit Pai points out.

The FCC rejected a similar proposal in 2010, but now the Democratic majority seems committed to ramming it through before President Obama leaves office. Mr. Wheeler has already done great harm to his reputation by taking dictation from the White House to regulate the Internet. He'll do even more damage if he does the cable-box bidding of Google. — *Wall Street Journal*



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