BCAP NewsClips **May 12, 2015**

Fierce Cable
Ergen: Sling TV 'not as good as it needs to be technically'

Wired
We're all video companies now

Washington Post
The White House just snagged one of the most valuable players in the tech policy world

New York Times
TV Networks Borrow Page From Digital Rivals to Attract Advertisers

Wall Street Journal
Verizon-AOL: A War of All Against All

Fierce Cable
Charter lining up TWC bid with banks as Liberty's Maffei says takeover would be 'friendly'

USA Today
Editorial: Change cable menu

The way this legislative session is shaping up, you'd think our State Capitol could use better broadband. After all, communities across Minnesota have been pleading for a renewed, if not expanded, state effort toward extending high-speed Internet access. But this Legislature doesn't appear to be receiving the message.

By now, we all know the facts: Twenty percent of Minnesota homes lack wireline broadband at our modest state speed goal of 10 megabits per second (mbps) for downloads and 5 mbps for uploads. Nearly 40 percent of homes in Greater Minnesota miss the mark. The speed goal represents a basic threshold by which Internet users can count their connections worthy for a home-based business or teleworking, distance learning or telemedicine.

The speed goal is the result of Minnesota's first broadband task force, which nearly a decade ago unanimously recommended that all Minnesotans have basic broadband access by 2015. Following a second active task force, nonprofit outreach, Internet service provider and cooperative engagement, countless community meetings, and a groundswell of support across the state, we've made progress.
But at the rate we're going, we'll connect the final quarter of Minnesota households with high-speed Internet at a snail's pace.

Just a year and a half ago, hundreds of Minnesotans turned out for our broadband listening tour. The takeaways were clear: We have a diverse state with various providers, markets and geography; a one-size-fits-all approach won't connect the state, so we need to empower local problem-solvers, and, finally, folks are tired of talking about the issue — we need action.

Unfortunately, though, we're still doing too much talking — and the lip service is getting tiresome. The last Legislature put a down payment on what was intended to be a sustained, significant effort to expand broadband access. Last year's $20 million appropriation will connect more than 6,000 homes, hundreds of businesses and scores of community anchor institutions — such as libraries, schools and hospitals — with high-speed Internet built for the long haul. These to a la carte

Pittsburgh Post-Gazette
AG Kathleen Kane urged to fire aide over harassment, sources say

communities will be competitively positioned against the world's best connected for economic opportunity and quality of life.

In round one of Minnesota's "Border-to-Border Broadband" matching grant fund, 17 of 40 applications were awarded funding, leveraging at least $45 million in infrastructure investment. However, many potential applicants held out for round two, where more funding was expected to be at stake. In fact, Minnesota led all states in response to a 2014 federal inquiry of need, touting more than $600 million in shovel-ready projects throughout the state.

But this Legislature isn't taking the challenge seriously. Instead, the Senate is proposing a 15 percent cut to the matching-grant program; the House proposes a 60 percent cut. Minnesota didn't make a big splash by allocating significant resources to its fund; after all, New York devoted $500 million to its upstate effort. Instead, we settled for building the fund slowly — but now even that approach appears in doubt.

Minnesota has a projected $2 billion budget surplus — and we're struggling to pledge 1 percent of our one-time excess to an urgent one-time need. Instead of building upon last year's momentum, this Legislature risks taking a significant step back. Importantly, the "Border-to-Border Broadband" fund addresses a market failure — in this case, a situation where private investment capital is limited but consumer demand is strong, if not geographically concentrated.

The calling is analogous to the incredibly successful effort to extend electricity to rural America a century ago. Can you imagine life without electricity? We could say the same thing about broadband access. The fund is technology-neutral, helping to expand wireline and wireless access depending upon local factors — such as providers, market and geography. It targets those areas that lack access and are hardest to serve; the unserved and underserved as defined through a thorough and ongoing mapping process.

Finally, the fund is an economic driver. A study commissioned by Blandin Foundation reveals a 10-to-1 return on investment for expanded broadband service. What better way to bridge the divide between Greater Minnesota and the metro area? As a state, we set an important goal that all Minnesotans should have access to high-speed Internet. We've measured our progress but are coming up short. We have a tested tool for targeting resources and improving access. But the question remains: Will this Legislature get the message? – **op-ed from Minnesota State Senator Matt Schmit (Democratic-Farmer-Labor party) in the *Minneapolis Star Tribune***

Verizon Communications Inc. is buying AOL Inc. in a $4.4 billion deal aimed at advancing the telecom giant's growth ambitions in mobile video and advertising. The all-cash deal values AOL at $50 a share, a 23% premium over the company's three-month volume-weighted average price. AOL shares rose 18% in premarket trading to $50.28. Verizon shares fell 0.7% to $49.45.

The acquisition would give Verizon, which has set its sights on entering the crowded online video marketplace, access to advanced technology AOL has developed for selling ads and delivering high-quality Web video. "Certainly the subscription business and the content businesses are very noteworthy. For us, the principal interest was around the ad tech platform," said Verizon's President of Operations John Stratton at a Jefferies investor conference early Tuesday.

The U.S. wireless business has matured in recent years, leaving carriers like Verizon, AT&T Inc. and Sprint Corp. increasingly fighting to steal market share from one another. Offering digital video over wireless connections represents a growth avenue in coming years for Verizon, which last year brought in $127 billion in revenue and profit of $12 billion.

Verizon has said it plans to launch a video service focused on mobile devices this summer.

The company has offered few details, but last month Chief Financial Officer Fran Shammo said the service will offer a mix of paid, free and ad-supported content and won't try to replicate traditional TV. The service will feature shorter snippets rather than 30 or 60 minute shows. It also could include multicast programming—a sort of broadcast service that uses cellular airwaves—for delivering live content like sports and concerts, along with on-demand viewing.

That description has left a lot of room for interpretation, and some analysts briefed on the service recently by the company said they came away unimpressed. Verizon, however, like rival AT&T, believes video will be a primary driver of demand for its wireless network in the years ahead. "This will have nothing to do with what you do in your house," Mr. Shammo said in an interview on April 22. "Millennials consume news in ways you can't even see on the TV."

Verizon already has relationships with many media providers due to its FiOS TV service, which is available in 5.6 million U.S. households. And it has shown prowess in mobile video already, including through a partnership with the NFL that allows it to stream some games over phones. A year ago, Verizon agreed to pay what people familiar with the matter said was around $200 million to buy Intel Corp.'s fledgling OnCue Internet video service—an asset that underpins the telecom company's upcoming offering.

For AOL, the sale is the latest chapter for a company that has redefined itself in recent years as a significant player in digital media and marketing, after originating as a pioneer in the dial-up Web access business and being involved in one of the most disastrous corporate mergers ever. AOL eventually grew to more than 20 million dial-up subscribers and consummated a $183 billion megamerger with Time Warner Inc. in 2000. The company's value dissipated quickly after the dot-com bust and ultimately Time Warner spun out AOL in 2009.

Under the leadership of Tim Armstrong, a former Google Inc.executive who took over as chief executive of AOL in 2009, the company has invested heavily in ad technology—including an automated, or "programmatic" platform that allows marketers to bid for inventory electronically. In 2013 AOL purchased Adap.tv, an "exchange" that connects buyers and sellers of online video advertising. AOL also built a stable of content including online news sites such as Huffington Post, TechCrunch and Engadget. And it has even produced original Web series. It recently launched "Connected," a documentary-style series in which the subjects film themselves.

In 2014, AOL generated revenue of $2.5 billion, about 9% higher than the previous year, and a profit of $126 million. The company has been successful in growing the part of its business that helps other companies sell ads, but lately has struggled to grow ad sales for its owned-and-operated properties. AOL has cut costs by shutting down some of its core sites and through layoffs. In an interview, Mr. Armstrong said that the combination of Verizon and AOL will "create what I think is the largest mobile and video business in the United States."

Mr. Armstrong said he believes that AOL will now not only be able to compete with digital advertising giants Google and Facebook Inc., but will also be able to play in the rapidly emerging connected TV and mobile media and advertising sectors. "This gives us a real seat at the table for the future of media and technology," he said. The deal is expected to close this summer, pending regulatory approvals. Mr. Armstrong will continue to lead AOL's operations, the companies said. Verizon expects to finance the acquisition through cash on hand and commercial paper. – ***Wall Street Journal***

Dish Network Corp.said Monday that it lost 134,000 pay-TV subscribers in the first quarter of the year, largely due to disputes with major TV programmers, contributing to the overall pay TV industry's weakest first quarter ever in terms of subscribers, according to Wall Street analyst estimates.

On a conference call with analysts, Dish Chief Executive Charlie Ergen said the company suffered from its programming contract disputes with Time Warner Inc.'s Turner networks and 21st Century Fox's Fox News, which started in the fourth quarter and bled into the first quarter. Mr. Ergen said he is increasingly focused on acquiring high-quality video customers with better credit scores who are willing to pay more for better products and are less likely to disconnect.

Dish's results reflect broader worrisome trends across the business. The pay-TV industry lost around 30,000 to 40,000 subscribers totally in the period, compared with additions of about 250,000 to 270,000 a year ago, Wall Street analysts said. The decline marks the industry's first-ever net loss in a first quarter, which tends to be a stronger period for the industry. Wall Street research firm MoffettNathanson said the industry contracted over the past 12 months at a 0.5% rate, which is the "fastest rate of decline on record." Notably, the first-quarter results don't factor in customers that are being picked off by new streaming services such as Dish's own Sling TV, HBO Now and Sony Vue. Apple is looking to launch its own online TV service later this year, people familiar with the matter have said. Considering all those online video threats, "it is only going to get worse," MoffettNathanson said in a research note Monday.

At the end of the first quarter, Dish's pay-TV service had 13.8 million subscribers, down from 14.1 million a year earlier. Average monthly revenue per subscriber grew to $86.01 from $82.36 a year earlier, helped by price increases. The company's satellite broadband customer growth slowed to 14,000 net subscriber additions in the quarter, down from 53,000 additions in the previous year's quarter. Overall, for the quarter ended March 31, Dish posted a profit of $351.5 million, or 76 cents a share, compared with a year-earlier profit of $175.9 million, or 38 cents a share. Profit was helped by $120 million in nonoperating income, which included "realized and unrealized gains" on its securities and other financial instruments. Revenue grew to $3.72 billion.

On the call, Dish declined to say how many subscribers Sling TV has added, though it continued to say early results are "encouraging." Sling TV Chief Executive Roger Lynch said he isn't worried slimmer TV bundles offered by rival cable providers could limit Sling TV's growth. He said he believes Sling TV will attract customers who don't want to jump through the "traditional pay-TV hoops"—such as signing a contract or passing a credit check. Sling TV, which offers about 20 channels for $20 a month, makes it easy to sign up and cancel online. Mr. Lynch added that Sling TV is working on rolling out advanced targeted advertising later this year and has received "a lot of interest" from advertising partners.

Separately, Dish executives continued to tease potential deals it could strike to enter the wireless business. Investors have been watching how Dish will put to use the billions of dollars worth of wireless airwaves it has acquired over the past several years. Dish Executive Vice President Tom Cullen said the company is talking to many potential wireless partners, including incumbents and "nontraditional players." Mr. Cullen said some players are showing increased interest in a "wholesale" model, in which Dish could lease spectrum for others to use for their own wireless services.

The comments came as Dish faces increasing scrutiny of its tactics in a recent record-setting auction of wireless airwaves. At issue is Dish's coordination with a pair of small entities that together won $13.3 billion worth of bids while qualifying for $3.3 billion in discounts aimed at small businesses. Last month, The Wall Street Journal reported that federal regulators may reject Dish's attempt to benefit in the spectrum auction by working with those entities to win small business discounts. Mr. Ergen said on the call he is confident Dish and the entities it backed followed the FCC's rules and complied with antitrust laws. He said he believes the Dish-backed entities will be allowed the small business discount. – ***Wall Street Journal***

BCAP
Broadband Cable Association of Pennsylvania
127 State Street, Harrisburg, PA 17101
717.214.2000 • bcapa.com

First in Broadband.
The Future of Broadband.®