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New York Times
Verizon Wireless and Sprint to Pay

New Jersey state regulators are considering a deal with Verizon Communications that opponents fear will raise basic telephone prices for thousands of customers, including senior citizens and disabled residents.

On May 6, Verizon and staff of the state Board of Public Utilities signed a proposed settlement that would deregulate pricing for basic residential telephone service, single-line business service, residential service connection charges and directory-assistance service. It must be approved by the BPU. It imposes rate caps on basic residential service rates, which are the among the lowest in the country, for the next five years with the limits lifted afterward.

Under the proposal, the basic rate for phone service, $16.45 a month, would rise $1 each year for the next four years and $2 in the fifth year, representing a 36.5 percent increase over the five-year period. "We know that these services are necessities for all New Jerseyans, but particularly those age 65 and over," said Evelyn Liebman, associate director for AARP New Jersey.

Lifeline service, a program that offers deep discounts or even free telephone service, for the poor, is not affected by the changes. Prices for other Verizon services, such as long-distance calls and Verizon FiOS, are already unregulated and can always change. Opponents fear the BPU could act to approve the settlement as early as next week, and have called on the board set it to the side and schedule public hearings.

"This proposed settlement will affect the lives of hundreds of thousands of residents. At a minimum there should be a public hearing with the proposed settlement on the table," said state Sen. Bob Smith, D-Middlesex. "This is looking like the Exxon natural resources damages settlement where everything is in the dark, nobody has a chance to make any input and we have to live with the consequences." He was referring to the controversial $225 million settlement between the state and ExxonMobil for environmental cleanups, when the state had been seeking $8.9 billion. The BPU had no comment on the proposal.

Dena Mottola Jaborska, director of organizing and strategic program development at New Jersey Citizen Action, a consumer group, expressed concern that "consumers will be really hard hit." "With deregulation, we can expect high rate hikes and declining service and quality," she said.

Verizon spokesman Lee Gierczynski said basic telephone service will remain affordable. The company's rates generally have not kept up with inflation, he said, adding basic

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telephone service would cost $20.09 per month now if adjusted for inflation. There is "robust competition" for those services in New Jersey, Gierczynski said.

For instance, wireless carriers in New Jersey currently serve 91 percent of Lifeline customers compared with 9 percent served by companies such as Verizon, Gierczynski said. He cited it as evidence of competition even in the low-income market for telephone service. "That very robust competition is what keeps prices in check and services in line with customer expectations," Gierczynski said. "If we fail to offer the products and services New Jersey consumers want at a fair price, we stand to lose their business."

The proposal comes nearly four years after the BPU ordered an inquiry into whether the Verizon's basic residential and business services were competitive. Hearings, including those with public comment, were held in 2012. Stefanie Brand, director of the state Division of Rate Counsel, which represents ratepayers in cases before the BPU, said her office didn't know about the BPU staff's settlement proposal until it was emailed to her office last week after hours. "We are obviously very concerned that this was negotiated without the involvement of our office," Brand said. The division will ask the BPU to reject the settlement and reopen the case.

Opponents also expressed concern over a settlement provision that could eliminate service quality standards for residential and business single-line basic service after three years. "We have a lot of areas, especially the southern part of the state, where municipalities are complaining about the quality of service of their phone lines," said Piscataway Mayor Brian Wahler, who is also president of the New Jersey League of Municipalities. But Gierczynski said the move redirects the requirements to state law rather than regulations. He said many of the metrics are "are obsolete and mean nothing in the competitive marketplace Verizon New Jersey" operates in today. – ***Asbury Park (NJ) Press***

Eight corporate and civic leaders have joined H.F. "Gerry" Lenfest, owner and publisher of The Inquirer, the Philadelphia Daily News, and Philly.com, to serve on a board of directors for the Philadelphia media company. Philadelphia Media Network L.L.C., the corporate parent of the news operations, announced the formation of the board Wednesday. Lenfest said the board would meet quarterly and provide him with guidance on the management of the company. The new members range from a former newspaper publisher to one of the region's leading philanthropists, from the Philadelphia founder of a top venture-capital fund to two leaders of prominent city law firms.

Lenfest said Wednesday that he asked the eight to join a newly constituted board as a logical step for a business that he said had seen three consecutive years of positive cash flow. "I'm very proud of the journalism," he said. "I think The Inquirer has never been better. The same with the Daily News. I'm really proud of how Philly.com is now part of the organization. It's growing together." In a statement, Lenfest noted that most members of the new board have ties to the Philadelphia region. "That mix of local and national perspectives will benefit us immensely," he said.

Among all of the board members, Keith Leaphart is probably the closet to Lenfest, whom he has described as a mentor. Leaphart, who owns Replica Global L.L.C., chairs the board of the Lenfest Foundation, the charitable organization founded by Lenfest and his wife, Marguerite. Lenfest, 84, made a fortune when he sold his cable company to Comcast Corp. in 1999 and has spent recent years giving away more than $1 billion to philanthropic causes. He said members of the new board would receive a "modest" director's fee, the amount of which has not been set.

Lenfest joined Lewis Katz and George E. Norcross III in putting together a group to buy the two newspapers and website three years ago, but he and Katz later had a bitter falling out with Norcross. A year ago, Lenfest and Katz won ownership of the company in an auction, paying $88 million. Less than a week later, Katz died in a private jet accident in Massachusetts. Lenfest then became sole owner. – ***Philadelphia Inquirer***

Meet the new disrupter.

It's not a Silicon Valley upstart like Uber or Airbnb, or even a "veteran" change agent like Netflix or Facebook. It's an enormous company with East Coast establishment roots that traces its history to the first telephone call, in 1876: Verizon Communications.

Verizon's deal to buy AOL for $4.4 billion barely registers on Verizon's balance sheet, and in purely financial terms it's nothing compared with Verizon's paying $130 billion last year to acquire all of Verizon Wireless. But its AOL purchase may be a signature transaction for Verizon, the deal that vanquishes lingering perceptions of the company as a stodgy utility. And the acquisition is just the latest and most visible in a series of bold steps that have transformed Verizon into a formidable competitive threat across the ever-converging telecommunications, technology and media industries. "There's been an earthquake," said Jeff Kagan, an independent wireless and telecommunications analyst. "Everything that was rock solid is up in the air."

Everything is also up for grabs, and Verizon appears to be going for it all. The company says it will use AOL's digital ad platforms to target a $600 billion global advertising market, an audacious move since that market is currently dominated by Google and Facebook. Last month, Verizon said it would abandon the traditional cable package of 180-plus channels and offer consumers so-called "skinny bundles" tailored to their interests — a move so disruptive that ESPN filed a lawsuit to stop it.

It paid $1 billion to acquire the mobile rights to N.F.L. games, and signed a multiyear deal with the YouTube programmer Awesomeness TV for 200 hours of original programming. And its FiOS service is routinely voted the best Internet provider in consumer polls, and has proved far more disruptive (and successful) than many skeptics at the time thought possible. "We have a history of seeing an opportunity and playing the insurgent role and doing it fairly well," said Alberto Canal, a Verizon spokesman.

Verizon's aggressive new posture was on display Wednesday at an industry conference, where its chief executive, Lowell McAdam, speaking about the AOL deal, said: "One of the challenges that big, incumbent companies have is inertia — the tendency to wait to be disrupted by new competitors, rather than being the disrupter. Strategically, we have taken a number of steps to shift our growth momentum and accelerate our move into new markets."

In the meantime, Verizon's core businesses are under attack by Google. In what promises to be a spirited two-front fight, Google's high-speed broadband service, Google Fiber, and its wireless offering, Project Fi, both take direct aim at the telecom giant. Executives at Verizon say they believe they can fend off competitors by focusing on customers. Under Mr. McAdam, a low-key industry veteran who succeeded Ivan Seidenberg in 2011, Verizon has made its customers the center of its strategic vision. "There's been an epiphany here that we live in the age of the empowered consumer," Mr. Canal said. Mr. McAdam, he added, "has been crystal clear that we have to change, and lead that change, or we won't exist."

The cable and telecom industries have long paid lip service to the idea of customer satisfaction, all the while finding ways to steadily raise prices while dragging their feet on technological innovation and customer service. It's no wonder they remain among the least popular businesses in consumer satisfaction polls. But there's a growing sense that a new consumer-centric era has dawned, with far-reaching consequences only starting to be felt. "This has been building for over a decade," said Mr. Kagan, the analyst. "The customer just kept getting angrier. Now the cable bundle model is dead. It made everyone in the business a lot of money, but consumers didn't want it. Now they've got choices. "Netflix and Amazon have been incredibly successful at delivering content over the Internet. There are a lot of public companies involved in this, and we'll have to see which ones embrace change and lead and which ones don't."

Craig Moffett of MoffettNathanson Research said that Verizon's bet on AOL's advertising technology platform "speaks to disruption." He noted that wireless use had surged but Verizon's wireless revenue growth had not kept pace. Getting advertisers to pay more to reach wireless customers would be a "sea change," Mr. Moffett wrote in a blog post for clients this week. "Verizon is pointing to a future where advertisers, rather than users, carry a heavier burden."

Mr. Moffett also said he was initially puzzled by Verizon's move to unbundle cable channels, which created "gratuitous friction" with the very companies that will be critical partners in its wireless video venture. Consider the sports network ESPN, 80 percent of which is owned by Disney. It sued Verizon, one of Disney's biggest customers. (Verizon insists that existing agreements allow the smaller bundles.) "Perhaps the answer is relatively simple," Mr. Moffett said. "Maybe they don't care."

Or maybe the answer is that it doesn't matter. Verizon, with a stock market value of $200 billion, more than 100 million wireless customers and nearly 20 million households with FiOS Internet or video connections, is so powerful that its partners have little choice but to adapt. They may be privately wringing their hands, but ESPN is the only one so far that has sued. CBS didn't protest Verizon's slimmer bundles, and has unveiled its own Internet content platforms, including CBS All Access and a Showtime Internet option. The chief executive of a Verizon content supplier, who spoke on the condition of anonymity because of his business relationship with Verizon, said he recognized that Verizon was both a partner and a competitor. "They're very aggressive on all fronts," he said. "We just have to adapt to being on both sides of this."

Where Verizon will ultimately go with AOL's content business, like The Huffington Post, is unclear. Given Verizon's video strategy and professed agnosticism about the source of programming, it's hard to see where The Huffington Post fits into its strategy, but Mr. Canal, the Verizon spokesman, insisted it would not be an orphan among Verizon's assets. And using AOL's technology to take on Google and Facebook, given those companies' dominance in mobile advertising, will be no small feat. But with these latest moves, Verizon has once again demonstrated that it is anything but complacent. "We're not going to allow change to happen to us," Mr. Canal said. "We're going to be a part of that change." – ***New York Times***

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