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New York Times
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Gov. Wolf drew first blood

Pittsburgh Tribune-Review
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The Pennsylvania Senate unanimously approved a measure Tuesday to impose up to an additional 65 cents per phone line and an extra $52 per household to help counties pay for the growing cost of their 911 emergency communications centers.

The bill goes back to the House, where an earlier version passed last month. The House agreed in its legislation to raising the monthly fee for phone lines to $1.65 on July 1, but it did not include new fees on households and businesses, which could be a sticking point. The phone line fee currently ranges from $1 to $1.50.

For counties, the cost of call centers is rising as new wireless technology means more people call them and it is more expensive to track the location of the call. Twenty-five years ago, Pennsylvania promised to pay for the cost of the 911 centers, the bill's advocates say, but now counties are using property taxes or other local money sources to pay for about 30 percent of the cost. If a new law is not in place by the end of June, the monthly fee will expire.

The 100-page bill "will do a lot," Sen. Randy Vulakovich, R-Allegheny, told colleagues in his floor comments. "It will improve our emergency response system in Pennsylvania by ensuring that all 911 centers are able to accept emergency contacts from next-generation technology: text messages, iPads, pictures, OnStar, et cetera." The Pennsylvania Emergency Management Agency would distribute most of the money through a formula driven in part by population and would use 15 percent to improve the statewide interconnectivity of the 911 systems, according to the bill.

The bill also would seek to hammer out inconsistencies among carriers and technologies and ensure that each outbound voice-over-Internet line is assessed the fee, rather than as a bundle. PEMA estimates the $1.65 fee would generate $314 million a year, up from the approximately $190 million being generated now for a system that cost $292 million last year. Counties make up the gap.

Under the bill, Philadelphia and each county could also impose an additional fee of up to $52 per residential address per year. Businesses also could see an annual per-employee fee of $12 if they have 50 or fewer employees; $9.75 if they have 51 to 100 employees; $6 if they have 101 to 500 employees; and $3 if they have more than 500 employees. "The open question is whether any counties will take advantage of it," said Douglas Hill, executive director of the County Commissioners Association of Pennsylvania. Adopting the tax would require a county to set up a new assessment system, survey businesses and count employees. It might be easier for a county to dip back into its property tax revenue stream to cover additional costs, Hill said. – ***Associated Press***

More than 1,000 homes and businesses in rural parts of Lancaster County that lack access to broadband service finally will get it. Sometime.

The Federal Communications Commission is paying $240,000 to Frontier Communications to extend broadband to 1,018 homes and businesses here. The FCC announced the payment Tuesday. The unserved potential customers here are among 11,000 in 17 Pennsylvania counties to gain access thanks to a $3.9 million payment to Frontier from the FCC's Connect America Fund. "This is a major step forward in the FCC's efforts to ensure that all Americans have access to modern broadband and the opportunities it provides, no matter where they live," said FCC Chairman Tom Wheeler in a prepared statement.

The locations of the unserved areas here to be gaining access to broadband were not immediately available, nor was a timetable for providing access. The Connect America Fund has its roots in the federal government's desire to make telephone service available in rural areas by providing subsidies where the cost of extending service was otherwise prohibitive. That national policy was launched with the 1934 passage of the U.S. Communications Act.

In 2011, the FCC widened the program to include networks capable of providing broadband and voice services, creating the Connect America Fund to administer the subsidies. Under the program, participating telecom firms must provide broadband with speeds of at least 10 Mbps for downloads and 1 Mbps for uploads. According to the FCC, nearly one in three rural Americans lack access to 10:1 broadband, compared to only one in 100 urban Americans. What Frontier will charge customers in these now-unserved areas remains to be seen.

But FCC spokesman Mark Wigfield said that under the Connect America program, Frontier will be allowed to charge rates that are "reasonably comparable" to the nationwide urban average rate of $52.50 a month. Three other broadband providers in Lancaster County have been offered subsidies to extend service to unserved regions, but have yet to decide whether to participate, said Wigfield. They are: CenturyLink, offered $36,000 to reach 175 potential customers; Verizon, offered $38,000 to reach 146 potential customers; and Windstream, offered $42,000 to reach 136 potential customers.

If those three carriers join Frontier in participating in the Connect America program here, a total of 1,475 unserved homes and businesses in Lancaster County would gain access, thanks to $357,000 in subsidies. – ***Elizabethtown (Lancaster Co.) Chronicle***

When 21st Century Fox started shopping the online video rights to its TV drama "Empire" earlier this year it ran into trouble with Netflix Inc. Netflix believed Fox had devalued the show by already making the entire first season available through cable video-on-demand services, instead of just a handful of episodes. Netflix wanted a discount if the TV network continued that practice, which is known as "stacking" episodes. Rival streaming service Hulu LLC stepped in and not only agreed to pay more than Netflix but indicated it was fine with episode-stacking, which Fox says helped build the show's audience by allowing viewers to catch up.

The "Empire" deal is just one example of how Hulu is catering to the wishes of traditional television giants—and securing deals with some high-profile content producers. AMC Networks Inc., Time Warner Inc. 's Turner Broadcasting, 21st Century Fox's FX Networks and Discovery Communications Inc. are among the companies that have struck big content-licensing deals with Hulu in recent months. Those deals include Turner moving its show “Aqua Teen Hunger Force” to Hulu from Netflix, and Discovery’s “Deadliest Catch” doing the same.

Of course, Hulu’s friendliness with the TV industry isn’t surprising. It is a joint venture of 21st Century Fox, Comcast ’s NBCUniversal, and Walt Disney Co. It was launched more than seven years ago as a free, advertising-supported home for broadcast television shows that could fight back against the threat of online piracy. (21st Century Fox and Wall Street Journal owner News Corp were part of the same company until mid-2013.)

Hulu’s relationship with its parents has run hot and cold, and the service has twice been on the auction block. But in the past couple of years, with the help of a $750 million cash infusion from its owners intended to help it take on the Netflix juggernaut, the service has significantly shifted strategy toward building out its $7.99-a-month subscription service.

Armed with this cash—which came after the most recent sale attempt was called off in 2013—Hulu has become newly aggressive in the content marketplace, with deals for original shows and big franchises like its acquisition of streaming rights to “Seinfeld” for $700,000 an episode, as the Journal reported in April. In the process, it has become an important piece on the complex chess board between Netflix and media companies, who are increasingly nervous about the impact that Netflix, with its 40 million domestic subscribers, is having on their business as ratings fall.

Beyond its openness to stacking episodes, Hulu also has agreed to promote the current season of shows so more viewers will tune in, and to highlight a TV network’s branding on its reruns—saying something is an original series of FX or AMC, for example. “We look at network brands as a benefit to us,” said Hulu Chief Executive Mike Hopkins, a former Fox distribution executive, in a recent interview. “It’s a very synergistic relationship,” said Gary Newman, co-chairman of Fox Television Group, of Hulu’s openness to stacking. “They have accepted the notion that the bigger we can build the show, the better it is likely to do on Hulu, not the opposite.”

Netflix has a different view. Chief Content Officer Ted Sarandos, speaking at a recent MoffettNathanson conference, said the shift of programmers like AMC from Netflix to Hulu was simply a result of Netflix’s strategy of cherry-picking the best performers and focusing more on its original programming, as well as its refusal to pay top dollar for shows that have been stacked. His comments made clear how different Netflix’s view of channel brands is from Hulu’s. “I think in the pay-television world…the channel brand equity means a lot, and in our world, it really doesn’t.”

The effort to land more popular shows has helped Hulu’s base of paying subscribers grow briskly to around 9 million, from 6 million last year, although it remains tiny compared with Netflix. Hulu is expected to double its spending on content this year to $1.5 billion, putting it roughly on par with Amazon.com Inc.’s Prime Instant video, though still well behind Netflix, which is expected to boost content spending nearly 18% to $3.3 billion, according to RBC Capital Markets analyst David Bank.

People familiar with the Hulu’s financials say it has yet to reach sustained profitability. That means that if spending on content rises further, the owners will likely have to kick in more money. Hulu is on track to bring in about $1.5 billion to $1.7 billion in revenue this year, the people said, up from revenue of $1 billion in 2013, when it last disclosed its financials. Netflix revenue in 2014 totaled $5.5 billion. Hulu’s owners have at times been reluctant to constantly put money into the site. This time around, however, the entire TV ecosystem has new reasons to want to keep Hulu strong. Its media company owners see their investments in the site as part of a virtuous circle. One person close to Hulu’s owners said they are still coming out ahead on their investments in the money-losing site, since a sizable chunk of Hulu’s content spending goes to them as part of their licensing deals with the service.

Traffic to Hulu’s site on computers and laptops is dropping as Hulu has played down its

	free, ad-supported service, which has only been available through desktops and Android mobile devices. But Hulu says overall consumption and video ad impressions are increasing when viewing on living room and mobile devices is counted. “Hulu is growing in both advertising and subscriber revenue and we are on a robust growth trajectory,” the company said. Media company executives also said they like it that Hulu—unlike Netflix—has advertising, and therefore doesn’t train viewers to expect to be able to watch TV without commercials. In addition, Hulu is available only in the U.S., so it is only looking for domestic rights, while Netflix is increasingly pushing for global rights. “When you look at the domestic prices, we were getting more from Hulu,” Mr. Newman said. “When you looked at the potential of world-wide revenue, we would do far better going into those markets and selling individually.” – ***Wall Street Journal***

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