Orange may be the new black, but Netflix Inc. remains a far cry from being the new HBO.

Investors in the streaming-video service who watched its share price rise nearly 400% since the start of 2013 got an additional boost from news of a (rejected) takeover offer for HBO's parent, Time Warner Inc. Based on an implied value of some $20 billion for HBO, Netflix's $26.5 billion market capitalization doesn't seem that silly. Except it is, and another blowout number when Netflix reports second-quarter earnings Monday won't change that. In fact, a big beat would be par for the course: Since 2005, Netflix has exceeded analysts' estimates 31 times, by 44% on average. In the latest quarter, analysts project earnings of $1.14 a share, against 49 cents a year earlier. At the end of 2013, Netflix had about 10% more subscribers than HBO domestically and almost 40% as many globally. With several new markets and its ability to reach customers directly, Netflix is growing far more quickly, too.

But age is catching up to Netflix. For one, spending on content is growing rapidly. The company expects this to hit about $3 billion this year, with less than 10% going on original programming. The latter must rise quickly to retain customers, though. More pertinent is how Netflix will reach all those subscribers. It charges U.S. customers a little more than half as much as HBO, but the latter splits that subscription with cable operators. Netflix pays far less for enhanced access to viewers. But, taking up around a third of U.S. Internet capacity during peak viewing hours, its nearly free ride is unlikely to last.

Meanwhile, HBO itself is delivering content through the Internet along with several competitors, most notably Amazon.com Inc. That will put more pressure on Netflix to buy and produce expensive content. In short, the more Netflix begins to look like HBO, and vice versa, the more it should be valued in the same way—like a regular media company. Yet, at 106 times 2014 earnings—and more than 40 times 2016 forecasts—its shares look rich even after extrapolating rapid growth through the end of this decade. While its business model is no house of cards, it may be time to curb your enthusiasm. – ***Wall Street Journal***

The battle over Netflix streaming speeds is still raging.

Level 3, a firm Netflix and others pay to deliver traffic to Internet service providers, joined the fray Thursday, accusing Verizon of refusing to upgrade its infrastructure to boost lagging streaming speeds. Netflix has been complaining for months that some big broadband companies are allowing streaming speeds to slow down in order to compel Netflix to pay them for a faster connection. Netflix reached paid connection deals earlier this year with Comcast and Verizon But it said it did so "reluctantly," arguing that the Internet providers were abusing their market power to extract tolls. The battle came to a head in early June when some Netflix subscribers on Verizon's network were seeing a message pop up on their screens about slow video speeds. This was happening just before Netflix was set to debut season 2 of its widely popular and Emmy-nominated series "Orange is the New Black."

The broadband providers counter that Netflix is generating ever-increasing amounts of data consumption on their networks without helping to pay for the infrastructure upgrades necessary to deliver that content. They also argue that Netflix could route its traffic more efficiently to avoid congestion, but that it refuses to do so because it doesn't want to increase its costs. Related: Netflix stock at all-time high thanks to original shows. In a blog post Thursday, Level 3 vice president Mark Taylor said the cost for

Pittsburgh Tribune-Review **Corbett's chances at holding Pa. governor job tied to GOP nest egg**	Verizon of reducing the congestion at connection points "is absolutely trivial." "Could it be that Verizon wants to extract a pound of flesh from its competitors, using the monopoly it has over the only connection to its end-users?" Taylor wrote. A Verizon spokesman said Friday that the company was planning a response to Level 3. Netflix said Level 3 "is highlighting the same purposeful congestion by internet service providers that we have been discussing for months." The dispute has drawn the interest of the Federal Communications Commission, which said last month that it planned to gather information on the issue to determine "precisely what is happening" and "whether consumers are being harmed." Figuring out those questions isn't easy because none of the companies involved are telling the full story, said Dan Rayburn, a streaming media expert with Frost & Sullivan. "This whole back-and-forth is getting really tiresome because none of them are showing all the pieces of information -- they're just showing what's in their favor," Rayburn said. He called on the firms to be transparent about the expenses involved in the various business arrangements being debated. Netflix and Verizon have been criticizing each other despite the fact that the two companies reached an agreement in April in which Netflix will pay to boost streaming speeds by connecting directly to Verizon's network. This connection apparently isn't yet being used for all the traffic Netflix sends to Verizon, however. Other big tech companies like Microsoft and Apple have similar agreements with Verizon. – ***New York Times*** _____ Verizon Communications Inc.'s FiOS TV and broadband service, grappling with slowing growth, is making a big push in an area where it has an edge over cable: Internet speeds. On Monday, FiOS unveiled much faster upload Internet speeds for its customers, boosting the available bandwidth customers can use when uploading videos or pictures to the Web. In doing so, the company is seeking to race ahead of the cable industry, which due to technological differences faces bigger hurdles in boosting upload speeds. "Where we think we can win unequivocally is the data space," said Robert Mudge, Verizon's president of consumer and mass business markets and the top FiOS boss. "For some customers, pay TV is still the anchor of the home" but "that is shrinking." While it "isn't shrinking to the point where pay TV isn't a good business to be in," FiOS is aiming at customers for whom broadband is the "must have." FiOS says it will make available the same upload speeds as download speeds that its customers already subscribe to, for no additional charge. Before, a subscriber to 50 megabits per second download speeds, for example, would receive only 25 Mbps for upload purposes. Starting Monday, FiOS will roll out symmetrical upload speeds for its customers, all the way up to those with the top speed of 500 Mbps. With a 50 Mbps connection, a subscriber could upload 200 photos or a five-minute, high definition video to the Web in 40 seconds. The same task would take 1.33 minutes using a 25 Mbps connection, according to data from Verizon. FiOS says the rollout should be done by the fall, and 95% of customers will receive it automatically. FiOS's TV and broadband subscriber growth has slowed after years of taking market share from satellite and cable. In the first quarter of this year, Verizon's broadband customer additions slowed to 98,000 from 188,000 the year earlier. Meanwhile, the cable industry had something of a comeback in the first quarter, posting improved overall broadband and TV subscriber numbers, according to data from MoffettNathanson LLC. Mr. Mudge says he is "still pretty pleased with the overall growth" of FiOS. But he added that "we certainly want to stay ahead" and this can be a "differentiator" from cable. Mr. Mudge said that the upgrade required an "almost insignificant investment" for FiOS. In

contrast, most cable operators would need to invest significantly to offer symmetrical upload speeds for each of their Internet tiers, industry executives say, although coming improvements to cable technology could make those upgrades easier. While FiOS uses fiber optic pipelines to the home, cable systems tend to use fiber only to local-area nodes, with lower-capacity coaxial cables connecting to individual homes.

Industry executives widely acknowledge that downstream speeds are what customers are most focused on, so they can better stream movies and TV shows or download songs. But broadband executives including Mr. Mudge think upload speeds could become more important in the future, when more customers are video chatting using services like Apple Inc.'s FaceTime and sharing music and video files in the cloud. Another big future driver of upstream traffic could be the long-discussed "Internet of Things," a vision for a world of smart gadgets from toothbrushes to ovens that could constantly update consumers via their mobile devices. Verizon said that it expects upload traffic to double by late 2016. – ***Wall Street Journal***

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