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We've been in such a rush in this country to ensure that everyone has broadband service that we are overlooking the potential consumer and economic fallout from the disappearance of landline telephone service. While the number of traditional landlines is dwindling in favor of more advanced technologies in many parts of the country, landline service is still the most affordable, reliable service available for a large class of people, particularly families, schools, and businesses in rural areas.

Landline networks are extremely expensive to maintain in most rural areas of the country, including those in Pennsylvania. The Pennsylvania Universal Service Fund (PaUSF) was established over 15 years ago to help offset the cost of providing service in high-cost (mainly rural) areas. In these areas, no other provider can/will economically offer ubiquitous, reliable phone service at reasonable rates. As the "carrier of last resort," rural landline phone companies have continued to provide reliable and reasonably-priced phone service in high-cost rural areas to all customers, not just those who are profitable to serve.

The PaUSF clearly is not, as some have said, an "industry subsidy." It benefits rural Pennsylvanians and the economic viability of all who rely upon calling to or from rural Pennsylvania. Conversely, competing cable and other wireline companies can choose to provide service to the lowest cost areas, leaving the highest cost customers for the rural landline companies and straining the viability of their landline networks. Furthermore, wireless service is either unreliable or

than awful ***Pittsburgh Post-Gazette*** **Editorial: Sen. Schweiker – His political independence was worth emulating**	doesn't work at all in some rural areas. Times are changing and not necessarily for the better. Experts predict that recent changes by the Federal Communications Commission (FCC) could reduce support for some rural customers by as much as 90 percent in the coming years. (State USF White Paper: New Rural Investment Challenges: By Michael J. Balhoff and Bradley P. Williams Balhoff & Williams, LLC.) This will lead to higher costs for service, the shrinking of rural networks, or both. In Pennsylvania, legislation extending the life of the PaUSF has been introduced in the House as HB 1417. This legislation will help maintain affordable landline service in rural Pennsylvania for years to come. – **Opinion of Steve Samara, President of the Pennsylvania Telephone Association in the *Carlisle Sentinel*** ——————————————————————— York County has partnered with a Philadelphia law firm and a recovery business to litigate against some phone companies serving the county to recover what could be millions of dollars in uncharged 911 fees, according to officials. Dilworth Paxson, LLP, of Philadelphia, has sued phone companies for other counties including Delaware County and Cumberland County to recover the fees it says the companies are not charging customers. David Eckhart, the managing director of Phone Recovery Services, LLC, in Pottstown, emphasized that the litigation is not to recover against customers who were not paying the fee but the companies involved for not charging the fees. Timothy J. Carson, a partner at the law firm, said the initial assessment of the potential recovery is $5 million per year as far back as the statute of limitations will allow. The firm and business would keep 40 percent of the recovery while the county would keep 60 percent. The county would not be charged for any of the service, and Eckhart said the costs and fees are "on our shoulders." York County Solicitor Michael Flannelly said the firm should be filing a "writ of summons" soon to begin proceedings. York County has signed on to a plan that promises to make 911 response even better with an opt-in user registration and profile that will impart important information to responders to augment what they traditionally learn from a call. The plan, provided by AT&T Mobility National Accounts, LLC, will give the county 22 active Rave Smart911 software licenses, with 29 "backup" inactive licenses, at a cost of $33,000 and a set-up fee of $7,500. The software will be licensed at $99,000 per year. Adam Eisenman, a senior regional sales director for vendors Rave Mobile Safety, said that recurring annual fee represents a 30 percent discount because his company wants York County to serve as an example client. He said that typically 10 percent of a service population signs up for the fee in the first year and, in communities where their Smart911 software has been established, they have seen 30 percent to 40 percent usage. President Commissioner Steve Chronister said he is concerned about those low percentages at such a high cost. He said he would like to see a firmly established plan on how to get the word out on the software to the people. Eric Bistline, the executive director of York County Emergency Services, said his office plans to have an information booth set up at the county fair. – ***York Daily Record*** ——————————————————————— Cable TV's signal is getting shaky on Wall Street. The latest round of earnings from major media companies is stoking fears that as more consumers drop their traditional pay-TV services, the long-term health of the industry's biggest players will be threatened. The growing unease about the state of the pay-television ecosystem was on display Wednesday, as media stocks were battered. The share price of programming behemoth Time Warner Inc., which posted only modest 2% cable subscription fee growth in the second quarter, fell 9% in trading. Shares of Discovery Communications Inc. plunged 12%, even as the company highlighted its

efforts to secure higher fees in what it called a U.S. TV market that remains "challenged." Meanwhile, shares of 21st Century Fox and Viacom Inc. fell 7% and 7.5%, respectively, on Wednesday before the companies reported their own earnings results. But the biggest impetus for the broad selloff, according to analysts, was Walt Disney Co., which late Tuesday cut its earnings growth target for its cable business. A conference call with analysts then morphed into a vehement defense of ESPN by Disney executives, as the network experiences "some subscriber losses" due to cord-cutting and cheaper "skinny" packages of channels.

For years, a key driver of media companies' earnings and stock prices has been the promise of steadily rising subscription fees from pay-TV providers. Even as the U.S. TV market matures, the theory goes, pay-TV distributors will continue to dole out increases in per-subscriber fees to carry cable TV networks. But if the number of subscribers in the ecosystem shrinks substantially due to cord-cutting, those growth assumptions start to fall apart, putting significant pressure over time on revenue and profits. Any concerns about the future health of ESPN—one of the most expensive channels, thanks to its live, must-have sports—are sure to spook investors.

At an ESPN investor day last year, Disney touted that operating income would grow at high single-digits compounded annual growth rate through 2016 for its cable group, which besides the ESPN networks includes the Disney Channel and ABC Family. On Tuesday's earnings call, Disney Chief Financial Officer Christine McCarthy said that due in part to lower-than-expected subscriber levels (as well as the impact of the strong U.S. dollar), the company is now projecting that rate will actually be "mid-single digits." Dish Network Corp., in its second-quarter report Wednesday, said it lost 81,000 pay-TV customers, compared with a loss of 44,000 a year earlier. That deterioration came even as the satellite-TV provider combined results from its $20-a-month Sling TV streaming service with its traditional pay-TV business. Sling TV added 169,000 customers in the first quarter, and analysts estimated that it continued to add subscribers in the second quarter.

But those customers only partly masked the bleeding in the core satellite-TV business. Craig Moffett, an analyst at MoffettNathanson, estimated that Dish lost 151,000 satellite-TV customers in the second quarter—"almost certainly the worst quarter Dish Network ever had for satellite subscriber losses." Subscriber losses erode per-subscriber affiliate fees for the major programmers, and reduce the number of people who advertisers pay to reach.

Many consumers, particularly millennials, are opting for online platforms such as Netflix, Hulu, Amazon and Apple TV over a traditional cable or satellite subscription. That, in turn, is hurting traditional distributors and programmers. "I was shocked at how far the ratings across the board have fallen this spring, and you can't really explain that easily. It's not just Netflix," said Mike White, the former chief executive of DirecTV. "It's clear that the millennial generation is having an impact, and every media company is trying to figure out how to connect with them."

In addition, for June through mid-July, the top 30 cable networks were down more than 10% in viewers in prime time and 20% among adults 18-49 compared with the same period a year ago, according to data from Nielsen. In response, some programmers are offering Internet-only, or "over-the-top," versions of the linear channels directly to consumers, including Time Warner's HBO and CBS Corp.'s Showtime.
Cable networks that have lost a significant amount of subscribers over the past four years include ESPN, Viacom Inc.'s Nickelodeon and Time Warner's TNT, according to Nielsen data. Disney CEO Robert Iger acknowledged ESPN has lost customers, but told analysts Tuesday that Nielsen's estimate of a 7% decline was inaccurately large and that no one was hitting the panic button. "We don't really see dramatic declines over the next five years or so," Mr. Iger said, adding there are no current plans to start an over-the-top offering of ESPN similar to what Time Warner is doing with HBO. "We don't think it's the

greatest opportunity, and we just don't think it's necessary," he said.

John Martin, CEO of Time Warner's Turner Broadcasting unit also played down cord-cutting. Subscriber declines, he said, have been modest and not material. Furthermore, the growth of lower-cost offerings of channels that many distributors are now creating, known as skinny packages, could benefit Turner, whose networks including CNN, TBS and TNT would likely be included, Mr. Martin said. Discovery, which owns cable networks such as Discovery Channel and TLC, is still projecting a "high single digit" affiliate fee growth rate in the U.S. thanks to new deals it secured with distributors in the past few years that lock in increasing per-subscriber fees. Discovery CEO David Zaslav emphasized that the projection accounts for a 1% decline in U.S. TV subscribers, and that the company can still hit its revenue growth target even if that "accelerates a little bit."

Viewers are gradually being conditioned to seek out online platforms for their favorite network shows rather than watching them on linear TV, which means lower ratings and audience cannibalization. "Netflix is the most powerful content aggregator in the world today and there's nobody that's even close," Dish Chief Executive Charlie Ergen said Wednesday on the company's earnings call. He said kids are "happy to watch SpongeBob from 2007 and that's just as fresh to them as SpongeBob from 2015. So the world has changed." At the same time, the growth of Netflix and Hulu, which is owned by Disney, Fox and Comcast Corp., means there are more buyers of content and that has led to a new revenue stream for companies such as CBS Corp., Time Warner's Warner Bros. and others.

For now, Netflix is "more friend than foe because they're an aggressive customer of ours," Disney's Mr. Iger said. Investors are also concerned about the weak television ad market. 21st Century Fox, in its report after the market closed Wednesday, said affiliate fee grew strongly in the quarter, but its U.S. broadcast and cable ad revenue fell on ratings declines. Ad revenue for its television segment, which houses the Fox broadcast network, slid 14% from a year earlier, reflecting smaller audiences for "American Idol" and "The Following." To offset the declines in younger viewers, big media companies like Comcast's NBCUniversal, Disney and 21st Century Fox have been exploring partnerships with new media companies that cater to millennials with edgier fare.

NBCUniversal, for example, is in advanced talks to make a $250 million investment in BuzzFeed, a Web publisher known for creating viral hits. For its part, Discovery has aggressively expanded internationally, but even that doesn't come without its own risks as it is now exposed more to currency fluctuations and investment costs. "What the market is saying is that these are uncertain times because we are transitioning from one form of distribution to another," said Nomura Securities analyst Anthony DiClemente. But over the long term, he said, media companies that create the best content will remain "providers of a scarce resource," and therefore will maintain their place of value in the ecosystem. – ***Wall Street Journal***