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Windstream Communications Inc. has accepted more than $13 million in ongoing, annual support from the Connect America Fund to expand and support broadband to approximately 69,614 rural customers in Pennsylvania. The Connect America Fund support will enable Windstream to deliver broadband at speeds of at least 10 Mbps for downloads and 1 Mbps uploads to approximately 34,807 rural homes and businesses in Pennsylvania where the cost of broadband deployment might otherwise be prohibitive.

According to the Federal Communications Commission, that will mean expanded deployment as follows: 1,477 homes and businesses supported in Cameron County for a total support of $669,664; 2,867 in Elk County for $961,926; 17 in McKean County for $19,613; and four in Potter County for $2,444. Michael Teague, communications representative for Windstream, said this means improving service to current customers and adding networks for new customers. "The money from the program supports building new networks as well as operating and maintaining those networks, while still continuing to provide voice service," Teague said. "In addition, solutions may vary depending on the circumstances, but generally we plan to build fiber to the DSLAM/remote terminals and then will use a paired bonding solution over existing copper loops of 12,000 feet or less to provide increased speeds," he said.

However, Teague said, it's too early to talk about time lines for construction. "I can

Politico
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Fierce Cable
Moonves: CBS to make $2B per year in retrans fees and reverse compensation by 2020

Washington Post
New technology isn't an excuse to cut off phone service without warning, the FCC rules

Allentown Morning Call
How did Rick Santorum do on the debate stage?

Philadelphia Daily News
Kane's pain: Self-inflicted and spread around

The editorials are many and in agreement on Kathleen Kane, including the *Philadelphia Inquirer*, *Pittsburgh Post-Gazette*, *Harrisburg Patriot-News*, *Philadelphia Daily News* and *Pittsburgh Tribune-Review*. Extensive coverage is available on *pennlive.com*.

tell you that by accepting the funds, carriers commit to offer service at 10/1 speeds to 40 percent of funded locations by the end of 2017, 60 percent by the end of 2018, and 100 percent by the end of 2020," Teague said. "We will move as quickly as possible to begin construction necessary to serve new locations or upgrade existing service but that will vary by state."

He said Windstream has six years to meet the commitments required for the federal money. "The FCC has agreed to allow some flexibility by carriers to reach the deployment goals throughout a state," he added. "We will be providing annual milestone reports to the FCC, as required, and copies of the reports will go to the states." FCC spokesman Mark Wigfield said Windstream is the second of three providers to have accepted support from the Connect America Fund. Frontier accepted help in June.

According to FCC data, Frontier will support 20 homes and businesses in McKean County for a total support of $14,378, and to 17 in Potter County for $9,201. Verizon, Wigfield said, has not made its decision. According to the FCC, "Like telephone service in the 20th Century, broadband has become essential to life in the 21st Century. But, according to the FCC's latest Broadband Progress Report, nearly one in three rural Americans lack access to 10/1 broadband, compared to only one in 100 urban Americans. The Connect America Fund is designed to close that rural-urban digital divide."

The FCC's traditional universal service program brought telephone network coverage to rural America by providing subsidies where the cost of service would otherwise be prohibitive. In late 2011, the FCC modernized the program to support networks capable of providing broadband and voice services, and created the Connect America Fund to efficiently and effectively administer that support to expand broadband in rural areas where market forces alone can't support expansion. – ***Bradford Era***

The traditional home telephone service powered by copper lines already is disappearing as consumers ditch landlines for cellphones and Internet-based phone services. Now, federal regulators have adopted rules meant to inform customers when their provider is getting rid of those lines for good. The Federal Communications Commission on Thursday adopted rules requiring phone companies to warn residential customers three months before abandoning a copper network. Businesses would get six months' notice.

The Ohio General Assembly adopted similar language last month that **allows major telephone companies to withdraw basic landline telephone service**. Separately, the FCC also adopted rules that give consumers who already have made the switch to an Internet-based landline service the ability to maintain service during a power outage. The actions by the state and FCC reflect the changing nature of telephone service.

Among households with phones that plug in, according to a government study last year, about half have switched from copper-based landlines to Internet-based service sold by phone and cable companies. These phone services typically come as part of a bundle with TV and Internet services. Consumer advocates have fretted that the demise of traditional phone service will hurt Ohioans who live in areas where cellular and Internet service is spotty. "We're still very concerned about how this will impact some vulnerable customers, including the rural, elderly and low-income customers," said Mike Smalz, a senior attorney for the Ohio Poverty Law Center. "I'm still reviewing the (FCC) ruling, how it will impact what happens in Ohio."

Industry officials say consumers already are making the switch in a big way on their own. AT&T in Ohio has lost 80 percent of its residential and businesses that used to have traditional landline service, AT&T spokeswoman Sarah Briggs said. "Consumers and businesses already have voted with their feet and have made that change," she said.

Charles R. Moses, president of the Ohio Telecom Association, said the industry has expected the FCC changes, ones that are part of the transition consumers and business already are making. "Consumers have access to more services (via fiber-optic lines) than they did over copper, and it's cheaper to maintain," he said. "All these reasons show why it is the network of the future." Moses said it figures to be years before any telephone carrier decides to abandon a traditional copper-wire network.

In the meantime, the trend of consumers making the switch on their own is expected to continue, he said. Under the state plan, a phone company would have to give consumers 120 days' notice if it intends to cut off landline service. If the Public Utilities Commission of Ohio finds that a customer can't get "reasonable and comparatively priced voice service," the commission could recommend that those who have no other alternative, especially in places such as southeastern Ohio, be provided with access to a phone service indefinitely.

Smalz said the question of what is "reasonable and comparatively priced" is open to debate. "If somebody wants voice service and not (Internet and TV service), are they really going to be offered the equivalent service at the same price?" he asked. One problem with the switch away from copper lines is that a home phone that relies on the Internet will go out when the power does. Also, many home-burglar alarms and medical-alert systems run on the copper-wire networks. The new rule adopted by the FCC requires that consumers be offered a chance to buy a backup that offers eight hours of standby power. That will increase to 24 hours within three years. Industry groups say they typically offer backup power to consumers already.
– ***Columbus (OH) Dispatch***

More than $35 billion in market value was wiped out across seven media companies this week, as investors questioned the future health of the TV ecosystem. For decades, television was sacrosanct for advertisers on Madison Avenue and considered the best way to reach millions of consumers simultaneously. But with younger viewers decamping for newer, cheaper and often ad-free digital platforms in droves, TV's grip on advertisers is looking a lot looser.

Some earnings results this week highlighted the weakness in the U.S. TV ad market. On Thursday, Viacom Inc., the owner of Nickelodeon and MTV, said its domestic advertising revenue fell 9% in the most recent quarter because of a decline in traditional TV ratings, worse than the 5.5% drop estimated by analysts on average.

It was among the softest results for domestic advertising and viewership for any of the cable companies, fanning the flames of an industrywide stock selloff. Discovery Communications Inc.'s advertising revenue was about flat, while CBS Corp.'s fell 3%. At Walt Disney Co.'s ESPN, ad revenue also fell 3%. Ad revenue sank 14% in the U.S. at 21st Century Fox's television segment, which houses the Fox broadcast network, as viewership fell for "American Idol" and "The Following."

The weak advertising market and fears of cord-cutting proved to be an expensive double whammy for media stocks. Viacom shares plummeted 21% in two days. Disney lost $11.5 billion in market value, an 11% drop since Tuesday, while Fox gave up $9.7 billion, or 13% in that time period. Until recently, the advertising slowdown was less concerning to media-company investors thanks to a growing secondary revenue stream: rising fees from pay-TV operators to carry channels. But as Wall Street sees it, an exodus of pay-TV subscribers will undermine the promise of those rising affiliate fees.

For years, the rise of digital advertising had come at the expense of other ad budgets, such as print, not TV. But now, major marketers like Allstate, Mondelez, Wendy's and MasterCard have moved dollars away from television and into digital, partly to track down millennials. "TV dollars started to move to digital about two years ago," said Laura Desmond, chief executive officer of Starcom MediaVest, one of the world's largest ad buying firms.

"The data is clear," she said. "Young adults and increasingly adults with children are not consuming linear television as they once did. Advertisers are following the consumer." Starcom MediaVest buys ad time on behalf of companies such as Procter & Gamble Co. and Honda Motor Co. To be sure, the TV ad market remains larger than digital. But that is expected to reverse in a few short years. By 2018, research firm eMarketer predicts digital ad spending will total nearly $83 billion in the U.S., while TV will generate about $78.6 billion.

Viacom, which gets about half its revenue from advertising, is particularly vulnerable in a world where younger viewers are shunning traditional TV in favor of cheap Web video and digital pastimes like Snapchat, analysts say. That is because Viacom has long depended on smaller children to park themselves in front of Nickelodeon and teenagers to tune into MTV. But now there are YouTube stars with huge followings and kids' shows on-demand on Netflix and Amazon.com's Prime Instant Video. "We can't conceive of any solution that would rekindle interest of kids and teens to watch linear TV," Todd Juenger, an analyst at Bernstein, wrote in a research note this week. Mr. Juenger is known for pointing out that the U.S. TV industry is entering a "prolonged structural decline," as viewers move from ad-supported platforms to outlets with no or very little advertising.

Some investors and analysts have said the bleeding this week was a market correction that finally took into account the looming threats of cord-cutting and other issues. While the suddenness of this week's selloff may have been an overreaction, the broad threats are becoming clearer, said Chris Marangi, a portfolio manager at Gamco Investors Inc., a major shareholder in U.S. media stocks. "Content will always be king" but "the model will have to shift from a very good business model to perhaps one less good," Mr. Marangi said. "The multiples probably reflect that today."

The finger-pointing typical of past earnings calls—where media executives blame measurement firms' inaccuracies for their ratings woes—seemed more muted this time. Instead, executives stressed that they were investing in new advertising technology and methods of counting digital ad impressions themselves that will attract marketers to their shows. "It was more apparent this quarter that investors are less receptive to [media companies] using measurement as an excuse for poor ratings performance," Mr. Marangi said.

There was an implicit acknowledgment that consumers, trained by Netflix-like viewing experiences, are increasingly rebelling against the notion of sitting through a bunch of ads in order to watch their favorite shows. "Linear interrupted advertising is clearly not the only or best way to do it," 21st Century Fox Chief Executive James Murdoch said Wednesday. Fox says it is in talks with the biggest traditional cable-TV providers about creating more engaged advertising for cable on-demand services using technology powered by TrueX, the Web video ad firm that Fox bought last year.

Mr. Murdoch gave the example that a viewer could choose to engage with an interactive ad for two minutes on their phone and then get access to an ad-free, full-length episode on demand. Until mid-2013, 21st Century Fox and News Corp, parent of The Wall Street Journal, were part of the same company. He also said Fox is working to similarly improve advertising on its part-owned streaming site Hulu. "We are encouraged by the early progress we're seeing, and in fact, we expect and plan to be able to offset the decline we're seeing in domestic network entertainment advertising by better monetization of our digital and nonlinear audience over the next 12 months," Mr. Murdoch said.

Of course, "event" television—where marketers can reach a large swath of viewers who are tuning in live and unable to skip commercials—is more attractive than ever, as evidenced by CBS's comment this week that the network is fetching as much as $5 million for 30 seconds of ad time for Super Bowl 50. In an effort to evolve, traditional networks are taking a page out of digital companies' playbooks to prove they, too, can target ads to consumers, just like the Web.

At Viacom, CEO Philippe Dauman said that 10 of the "largest and most sophisticated advertisers in the world" from sectors such as automotive and retail have signed on for Viacom Vantage, the company's data-driven product that lets marketers target specific niche consumers begin typical age-and-gender. As Viacom shifts more of its advertising business to revenue streams that don't depend on traditional ratings, Mr. Dauman said the company expects to "resume growth in advertising revenue in the full fiscal year next year."

Similarly, Time Warner Inc.'s Turner Broadcasting System said that new targeting and "audience optimization" tools helped it garner price increases. "We're in the very, very early stages of seeing TV make a dramatic comeback on the attractiveness of advertising," said Turner CEO John Martin. – ***Wall Street Journal*****;**
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