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Local officials in several states have filed dozens of lawsuits saying phone companies, such as AT&T Inc. and Verizon Communications Inc., are doling out discounts to businesses at the expense of 911 emergency services.

Telecom operators are required by local laws to charge a 911 fee, typically about \$1 for each phone line to support local 911 dispatch centers, including salaries, training and equipment for call takers. But with heated competition for business customers, phone



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companies have been undercutting one another by lowering those 911 fees for big businesses, resulting in less money for local authorities, the lawsuits allege.

Officials in many of the affected counties arrived at the conclusion with help from Roger Schneider, an entrepreneur from Huntsville, Ala., who stumbled across the issue 12 years ago. At that time, a representative from BellSouth, now part of AT&T, offered his small business such a discount without realizing that he was a member of the local 911 oversight board. "My first thought was, 'Golly, how much money is this costing the 911 board?'" said Mr. Schneider, who later set up a business to help local officials investigate the issue. After looking into it, he estimated

Madison County, Ala., currently home to about 350,000 people, was shortchanged more than \$1 million a year. Phone companies settled for more than \$3 million in cases Mr. Schneider helped bring in Alabama.

Nationwide, local governments spent more than \$3.1 billion on 911 services in 2014,

adviser to
three
governors
Zogby charged
with domestic
assault

while collecting \$2.5 billion in 911 fees, leaving a \$600 million funding shortfall, according to the most recent data from the Federal Communications Commission. Only a dozen states reported to the FCC that they collected enough fees to cover their 911 spending for the year, though not all states reported complete data.

Representatives for AT&T and Verizon said the companies comply with the applicable laws and collect 911 fees as required. "The claims are baseless, and by our count these lawsuits have been filed against more than 100 companies," an AT&T spokeswoman said. A Verizon spokesman added: "It's important to note that 911 charges are taxes that we're required by law to collect from our customers and pass along to state and county 911 authorities." At a time when landline use is on the decline and 911 budgets are stretched to pay for technology upgrades, the revenue decline is forcing local governments to make tough choices.

Some states, like Pennsylvania, have filled the gap with taxpayer funds while others have cut their emergency service budgets. Most often call centers simply don't invest, said Brian Fontes, chief executive of the National Emergency Number Association, a trade group representing 911 centers that isn't involved in the suits. "The consequences are that you're not making the upgrades in equipment. You're not able to staff the centers as they should be," Mr. Fontes said.

In recent years, the 911 system has come under major stress, and outages at some of the roughly 6,000 call centers nationwide have become more common. In the past 18 months, the FCC has reached settlements with five telecom companies totaling nearly \$40 million for 911 outages that have affected millions of people.

In January, AT&T prevailed against 10 counties in a separate case in Tennessee, which had filed a lawsuit in 2011 claiming the company had failed to collect millions of dollars in 911 fees from business customers. A federal judge dismissed the suit, ruling the counties didn't supply adequate evidence. In court filings in Georgia, phone provider Windstream Communications Inc. said state laws only allow counties to go after end users for unpaid 911 fees, not telephone companies. In Pennsylvania, Verizon and other defendants argued 911 fees are required to be collected for "qualifying phone lines," not every single phone number.

Some local officials say they struggle to monitor or audit the 911 fees because they don't have access to the phone companies' records. "We would get a check from them and that was it," said John McBlain, a councilman in Delaware County, near Philadelphia, referring to the phone companies. Delaware County is suing more than a dozen phone companies, alleging it only receives 911 fees from 230,000 phone lines, while there are actually 812,000 lines in use. That gap creates a shortfall of almost \$7 million a year.

In Pennsylvania, about 15 jurisdictions have filed cases against more than two dozen phone companies, alleging more than \$67 million in annual losses. The state spent about \$290 million for 911 in 2014, according to the latest FCC records, but only collected about \$190 million via fees on phone bills. Former Georgia Gov. Roy Barnes noticed the issue in 2014 after he tried helping counties in Atlanta audit 911 funding. He joined with Mr. Schneider to bring lawsuits in the Atlanta area against phone companies that he claims were offering 911 fee discounts to win business. "They're not losing their money anyway," Mr. Barnes said, "it's the public's money." – *Wall Street Journal*

It seems a simple enough proposition: Would you agree to receive marketing pitches in return for a discount on your high-speed Internet service?

Telecom heavyweight Comcast made just such a case last week in a filing with the Federal Communications Commission. The company defended what it called "a bargained-for exchange of information for service," which it said "is a perfectly acceptable and widely used model throughout the U.S. economy."

And that's true. You can spend less on a Kindle e-reader from Amazon if you agree to see "special offers" when you turn on the device. Your free use of online search engines, email and other services is subsidized in part by an acceptance of marketers peeking at your browsing habits. But privacy advocates are starting to worry about a society of privacy haves and have-nots. That is, keeping one's personal info under wraps or avoiding incessant intrusions from advertisers would be a privilege enjoyed only by those who can afford it.

They cite the example of AT&T's super-fast GigaPower broadband service, which is being gradually rolled out nationwide. GigaPower costs \$70 a month if you agree to let AT&T and its marketing pals look over your shoulder as you traverse the Web. If not, the monthly cost is \$100.

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The FCC is considering sweeping rules governing Internet privacy. Service providers would be blocked from sharing customers' personal information without prior consent, and would be required to disclose in plain English what information they collect and how it may be used. The FCC's proposed rules stop short of preventing two-tier pricing such as for AT&T's Gigapower, also known as "pay for privacy." But FCC Chairman Tom Wheeler [suggested to reporters last week](#) that the door still may be open for tightening the regulatory screws. "I would hope that privacy doesn't become a luxury item," he said.

In its filing, Comcast argued that doing away with pay-for-privacy discounts "would harm consumers by, among other things, depriving them of lower-priced offerings." Sena Fitzmaurice, a Comcast spokeswoman, told me the FCC's proposed requirement that customers give advance permission for their data to be shared — an "opt-in" as opposed to the current "opt-out" — would put Comcast at a disadvantage. A pay-for-privacy arrangement, apparently, would remedy that by creating an opportunity for increased revenue. "The FCC's extreme and unprecedented opt-in proposal ... requires us to consider how to create additional choices that would allow us to compete in this ecosystem and benefit customers," Fitzmaurice said. A spokesman for Charter Communications, owner of Time Warner Cable, declined to comment. No one at AT&T and Verizon got back to me.

Privacy advocates say that pay-for-privacy doesn't create additional choices for consumers. It denies some people a basic right. "This is especially the case when it comes to lower-income consumers," said Harris at Public Knowledge. "Many can't afford to pay an extra \$20 or \$30 per month to protect their privacy." Lee Tien, senior staff attorney for the Electronic Frontier Foundation, said another problem with pay-for-privacy is that it relies heavily on the honor system. "Even if you pay extra for privacy, you can't know what they're actually doing," he said. "You can't know if they're still using your information for some kind of marketing purpose. It's very difficult to know if you're getting what you paid for."

I'm conflicted. I agree with those who say all consumers are entitled to privacy. On the other hand, I was happy to pay less for a Kindle with special offers. I accept that increasingly intrusive ads are the price I pay to splash in the digital wading pools that are Facebook and Twitter. Chris Hoofnagle, an Internet law professor at UC Berkeley, said Comcast's filing last week should serve as a reminder that the broadband Internet industry is different. These companies aren't selling a luxury. They're selling a

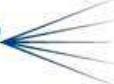
necessity. "What Comcast is saying is somewhat akin to the water authority offering a discount for less purified water," Hoofnagle said. "It is time to conceive of broadband as a utility, one that needs to satisfy basic standards for quality, which include freedom from unwarranted surveillance."

This seems like the right approach. Treated as utilities, broadband service providers would be entitled to a fair and reasonable profit, accommodating industry growth and innovation. But they wouldn't be able to gouge or exploit consumers. If, as Comcast says, this is all about providing additional choices, this would do it. All customers would be guaranteed a basic level of privacy protection. But those open to having their data shared would be able to receive a meaningful discount.

In other words, privacy wouldn't come at a premium. Marketers would be paying you for the privilege of accessing your personal info. "There shouldn't be different rules for different people depending on who you are," said Kim Keenan, president of the Multicultural Media, Telecom and Internet Council, an advocacy group. "Privacy is privacy." – *Los Angeles Times*

AT&T will pay \$7.75 million after a federal investigation found it allowed unauthorized third-party charges on its customers' telephone bills, the U.S. Federal Communications Commission said Monday. The company allowed "scammers to charge customers approximately \$9 per month for a sham directory assistance service," the FCC said Monday. The fraud was uncovered by the U.S. Drug Enforcement Administration while investigating two Ohio companies for drug-related crimes and money laundering, the FCC said. The settlement includes \$6.8 million in refunds and a \$950,000 federal fine. AT&T did not immediately respond to a request for comment. – *Reuters*

Six men and six women are now seated and will begin hearing opening arguments Tuesday in the criminal trial of Attorney General Kathleen Kane. Kane faces charges of false swearing, perjury and obstruction related to her **alleged leak of secret grand jury material**. She has maintained her innocence. A conviction on perjury and other charges would eventually lead to her removal from office, a likely prison sentence and the permanent loss of her law license. Both sides are expected to present opening arguments on Tuesday, although it's unclear yet how quickly the trial will progress. Judge Wendy Demchick-Alloy said she expects the trial will last "approximately one week, give or take." – *pennlive.com*

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