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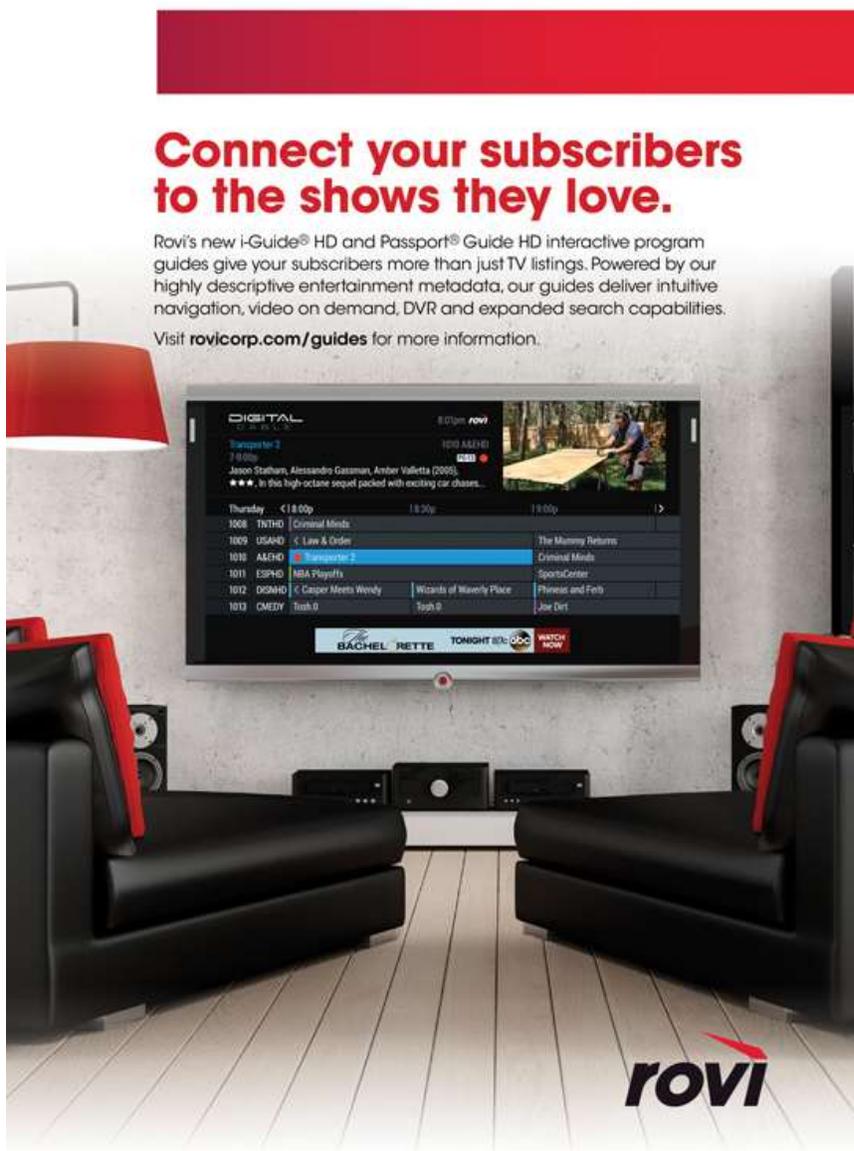
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AT&T celebrated Google Fiber's reported struggles yesterday by publishing a **[blog post](#)** lecturing its competitor about the difficulties of broadband investment. AT&T also criticized Google for seeking favors from the government—something AT&T *would never do*, of course.



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The blog post is titled "Broadband investment: Not for the faint of heart" and is written by AT&T VP Joan Marsh, who manages AT&T's regulatory interests at the federal government. It provides a timeline of Google investment in broadband infrastructure starting with a bid on spectrum in 2007, saying that the company has never lived up to its grand ambitions. AT&T says the "moral of the story" is that "building

reliable, ubiquitous high-speed broadband connectivity is tough."

"Google Fiber will no doubt continue its broadband experiments, while coming up with excuses for its shortcomings and learning curves," AT&T wrote. "It will also no doubt continue to seek favoritism from government at every level. Just last week Google Fiber **[threatened the Nashville City Council](#)** that it would stop its fiber build if an ordinance Google Fiber drafted wasn't passed. Instead of playing by the same rules as

[Elizabeth Warren to campaign for McGinty](#)

everyone else building infrastructure, Google Fiber demands special treatment and indeed in some places is getting it, unfairly."

AT&T knows a few things about demanding favors from the government. In February, when some legislators in Tennessee unsuccessfully tried to overturn a law that helps AT&T avoid competition by preventing expansion of municipal broadband networks, AT&T lobbied to keep the law in place. At the time, a Republican state senator described AT&T as "the most powerful lobbying organization in this state by far." In Missouri, AT&T donated \$62,500 to lawmakers months before a vote to limit municipal broadband.

A Google Fiber spokesperson declined comment on AT&T's blog post, though the root cause of Google Fiber's Nashville problems involve AT&T. The telecom giant is able to delay Google Fiber's access to utility poles, so Google is seeking an ordinance that would let it attach wires to poles without AT&T involvement even when AT&T wires need to be moved. AT&T is fighting the ordinance in Nashville and already sued the government in Louisville, Kentucky, to stop a similar rule that gave Google Fiber faster access to utility poles there.

AT&T's blog post yesterday also scoffed at Google Fiber's purchase of Webpass, a wireless Internet provider. Using wireless technology could help Google Fiber avoid pole attachment problems and deploy Internet service faster. But AT&T predicted that Google Fiber will "discover that wireless networks are expensive to build as well and learn that microwave broadband may work well in dense urban areas, particularly where supported by higher-cost commercial services, but offers tougher economics when trying to serve residential customers."

AT&T concluded that "Google Fiber still complains it's too hard... and costs too much... and takes too long... even as it's reported that Google Fiber will now try to do all this with half its current workforce. Meanwhile, without excuses or finger-pointing, and without presenting ultimatums to cities in exchange for service, AT&T continues to deploy fiber and to connect our customers to broadband services in communities across the country. Welcome to the broadband network business, Google Fiber. We'll be watching your next move from our rear view mirror. Oh, and pardon our dust."

AT&T's discussion of complaints and ultimatums didn't include its own reaction when the FCC debated whether to reclassify broadband providers as common carriers and impose net neutrality rules. AT&T CEO Randall Stephenson claimed in November 2014 that the company would have to "pause" investments in fiber networks because of the proposed rules and made a similar claim in 2010. While the FCC shelved the common carrier idea in 2010, it finally reclassified ISPs in February 2015. AT&T sued and lost but has vowed to take it to the Supreme Court.

AT&T boasted in yesterday's blog post that it hasn't stopped investing in fiber, suggesting that its threat of a "pause" wasn't purely a complaint or ultimatum but was rather a failed bluff. — *Ars Technica*

As August melts into September the halls of the state capitol building are relatively quiet. This is a marked contrast to a year ago when state government was in what turned out to be the early phases of the longest budget stalemate in state history.

This year the budget, or at least the spending part of it, was done reasonably close to the constitutionally-mandated June 30th deadline, the revenue component followed several weeks later. But is this just the eye of the storm?

In capitulating to too many of Gov. Tom Wolf's spending demands the state legislature larded up the budget with nearly \$1.4 billion in new expenditures. This despite claims of a \$1.5 billion dollar "structural deficit" the governor claimed needed to be addressed. Even those using Common Core math can calculate that left the state

nearly \$3 billion in the hole.

To pay for this spending orgy some \$650 million in new taxes were cobbled together, and accounting gimmicks employed, to produce a "balanced" budget. But the budget isn't really balanced and even that \$650 million contains projected revenue that will never actually materialize. For example, lawmakers planned to charge the state's casinos \$1 million each to purchase 24-hour liquor licenses. Nobody thought to ask if the casinos wanted such licenses, as there now appears to be no takers.

The budget also includes revenue from on-line gambling. The problem is legislation has yet to be passed authorizing on-line gambling. After adopting the budget, the General Assembly adjourned for a two month recess delaying any possible revenue from that source deep into the fiscal year. Predictably, the taxes that were hiked on existing businesses are having a dramatic negative impact.

A 40 percent tax imposed on vaping supplies is driving many vaping stores - almost all of which are small businesses - out of business. That means not only will projected revenue from the tax fall short, but the state will also lose out on sales tax revenue as the stores shutter their doors. That Republicans in the Legislature caved into \$1.4 billion in new spending defied logic.

The GOP had fought an epic budget battle with the governor the previous fiscal year and won. Not only did they win, but not a single lawmaker seeking re-election was denied by voters due to the budget fight. After posting a historic win, Republicans essentially forfeited the next game. All of these elements are coming together to produce the perfect fiscal storm as budget talks begin for next year. Don't forget that "structural deficit" of \$1.4 billion hasn't been addressed. A significant portion of the new taxes enacted this year will fail to materialize.

And Wolf continues to demand a lengthy menu of spending hikes - and the taxes to pay for them. Making matters worse the governor and the legislature have not been able to agree on how to deal with cost drivers, particularly the skyrocketing cost of public employee pensions. Pension costs are gobbling up the lion's share of any new revenue produced by a still slow-growing state economy. Republicans have passed pension reform only to see it vetoed by Governor Wolf. There are new legislative proposals on the drawing board, but they fall woefully short of resolving the problem.

Even if some reform is enacted it will likely have minimal impact on the upcoming 2017-18 state budget. Given all of this, will Republicans stick to their pledge that without addressing cost drivers they will not enact broad-based tax hikes - such as raising the personal income tax, expanding and/or raising sales taxes - or will they again cave into the governor's tax and spending demands?

Much rides on the outcome of this looming budget fight, primarily the fiscal health of the commonwealth. But, 2018 is a gubernatorial election year and this budget will be enacted as the campaign heats up. Wolf, if he seeks re-election, will want to show his base voters that he delivered the goods of higher spending.

Republican voters will judge the GOP-controlled legislature by their ability to resist higher spending and more taxes. Add these competing political imperatives to the state's perilous fiscal circumstances and we should brace ourselves for the second wave of the hurricane. – **Op-ed in the *Harrisburg Patriot-News* from Lowman Henry, chairman & CEO of the Lincoln Institute**



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