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Communications Workers of America officials contend that Verizon has failed to fund the upkeep of its copper phone lines that still serve eight million customers and called Wednesday for Pennsylvania regulators to investigate.

The CWA also sent letters to regulators in Delaware and Virginia, seeking investigations. The union is expected to eventually send one to New Jersey regulators. The union criticism comes as Verizon and the CWA are locked in thorny contract negotiations that include issues related to Verizon's commitment to its hybrid network of copper and high-speed fiber-optic lines, or FiOS.

The CWA would like Verizon to wire its entire multistate area for FiOS, a capital investment that would support CWA jobs. But Verizon has said it will soon halt its FiOS expansion, leaving many areas with only copper lines. Without proper investment, the service quality in those copper-line areas will deteriorate for customers and could force them into a wireless service, the CWA said. "They have put virtually nothing into their copper network over the last seven years," Debbie Goldman, the CWA's telecom policy director in Washington, said on Wednesday. She said Verizon has been "in effect" abandoning its copper lines by starving them of funds.

Verizon disclosed a \$200 million investment in its copper phone lines between 2008 and 2014 in a July letter to the Federal Communications Commission, Goldman said. The \$200 million is a fraction of the \$50 billion the company has invested in its fiber-optic network between 2008 and 2014, the union says. Nils Hagen-Frederiksen, spokesman for the Pennsylvania Public Utility Commission, said on Wednesday that the agency received the CWA letter and was reviewing it.

Verizon blasted the CWA's calls for investigations into its maintenance of and investment in copper phone lines. "It's a bargaining gimmick, and their assertions are nonsense," Verizon spokesman Rich Young said. "To say that we are avoiding network investment is ludicrous, and we are quite confident that any investigation will find that the CWA's assertions are flat-out wrong." Young said that Verizon invested \$1 billion into its network in Pennsylvania in 2014 and \$547 million into its network in New Jersey in 2014. Young said he could not comment directly on the \$200 million.

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An Inquirer business story in early June showed that even as the FiOS rollout was ending, many New Jersey neighborhoods don't have the high-speed fiber-optic lines running to homes. Verizon contracts with about 39,000 members of the CWA and the International Brotherhood of Electrical Workers expired Aug. 1. The two sides continue to negotiate in Philadelphia and Rye, N.Y. – *Philadelphia Inquirer*

To the consternation of the NAB, the FCC Wednesday began a review of the obligation broadcasters and cable and satellite

operators have to act in "good faith" in their often contentious retransmission consent negotiations. Congress mandated the review last year.

"[O]ur goal in this proceeding is to provide further guidance to negotiating parties about the totality of the circumstances test, if necessary, to benefit consumers of video programming services by facilitating successful negotiations and avoiding disruptions in service," the FCC said.

Broadcasters worry that any change in the good faith regulations might tip the negotiation balance in favor of the cable and satellite operators and hobble their ability to negotiate for retrans fees. In fact, many of the questions raised in the FCC notice are based on complaints made by cable and satellite operators. "The notice, at first blush, appears to go much further than Congress directed," said NAB EVP Dennis Wharton. "We were struck by the FCC's admission that nothing in this proceeding will necessarily translate to lower cable prices for consumers. "We also question whether the FCC should be taking actions that benefit heavily consolidated companies that dominate the video landscape like Dish, AT&T/DirecTV, Time Warner Cable/Charter and Verizon."

By contrast, the American Cable Association was delighted by the FCC initiative. "ACA hopes the FCC will establish vigorous policies designed to stop TV station misconduct, including sudden TV signal blackouts as well as blocking MVPDs' broadband subscribers from accessing otherwise free online content during or after a negotiating impasse," said ACA President Matt Polka in a statement.

"The FCC also ought to require broadcasters to provide information substantiating their reasons for bargaining positions taken when requested to in the course of their negotiations, and bring a halt to the practice of TV stations insisting on setting prices, terms, or conditions for broadcast stations they may later acquire or for programming networks they may launch in the future as part of current retransmission consent negotiations," Polka added. – *TV NewsCheck*

Hulu is offering subscribers the option to stream TV shows and movies with no advertising for \$11.99 a month, in a bid to lure a new set of consumers and ramp up profits to invest in more content.

The advertising-free option puts the Web video company on an even more direct collision course with rivals Netflix Inc. and Amazon.com Inc. Both companies offer streaming products that don't include advertising, which has made them increasingly attractive to consumers. Also, more premium networks like Showtime and HBO are making their commercial-free programming available directly to consumers outside the cable bundle. "There's a whole set of customers that we saw in the research and in the metrics that aren't interested if we have advertising," said Mike Hopkins, chief executive of Hulu. "It's definitely something we're doing to be more competitive in the marketplace, and the only way to do that is to make your product better."

The challenge will be to bring in new customers for the ad-free model without cannibalizing the current premium subscription service, which costs \$7.99 a month but still requires its nine million users to sit through commercials. Mr. Hopkins emphasized that Hulu isn't abandoning the ad-supported model, and he said the company's research shows that both plans will be able to grow subscribers. "The whole intent is to really target a new consumer who has tried us before and churned out because of the advertising or who just hadn't considered us before," Mr. Hopkins said. "We think this is going to give people choice."

Hulu's plan to offer an ad-free subscription product was first reported in July by The Wall Street Journal. Both Netflix's \$8.99-a-month price tag and Amazon's yearly \$99 Prime membership, which includes access to its Instant Video streaming offering, are cheaper compared to the new Hulu deal (which will add up to about \$144 a year). However, Hulu not only boasts of a growing slate of original series and blockbuster movies courtesy of a recent deal with the pay-TV channel Epix, but in-season episodes of megahits like Fox's "Empire." Hulu has been aggressively ramping up its content, with RBC Capital Markets analyst David Bank estimating the video service will double its content spending to \$1.5 billion this year.

The \$11.99-a-month price point was designed to help make up for lost advertising revenue but also to make sure the \$7.99-a-month ad-supported option still looked like a value to consumers, Mr. Hopkins said. While he expects some existing subscribers to switch plans, ultimately he expects both plans to increase its overall subscriber base and profits. That was key to securing the rights to show content without commercials, a process that "wasn't easy," he said. "We're really confident that the ad business is going to continue to grow, and that's in part how the content owners got confident with our plan," Mr. Hopkins said.

Hulu was able to secure the rights for almost all of its programming to run ad-free, aside from seven shows: Fox's "New Girl," NBC's "Grimm," and ABC's "Scandal," "How to Get Away with Murder," "Grey's Anatomy," "Once Upon a Time" and "Agents of S.H.I.E.L.D." These shows will carry a 15-second commercial before they start and a 30-second ad at the end of the ad-free model.

While the new ad-free option could prove attractive to a significant number of consumers, Hulu has to toe a fine line to avoid irking its content owners, broadcast network partners and advertisers. Hulu is a joint venture owned by 21st Century Fox, Walt Disney Co. and Comcast Corp. (Fox and The Wall Street Journal-owner News Corp were part of the same company until 2013.) – **Wall Street Journal**



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