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October 9, 2017

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[Hope alone won't lure Amazon: Pennsylvanians may need to pay](#)

**Bloomberg**  
[How a Silicon Valley Striver Became the Alt-Right's Tech Hero](#)

**USA Today**  
[Netflix price hike probably not the last for cord cutters](#)

**Reuters**  
[Google uncovered Russia-backed ads on YouTube, Gmail](#)

**New York Times**

Apple Inc. is comfortable navigating the cultural chasm dividing Hollywood and Wall Street, but those two species don't always speak the same language. Allow me to provide a translation.

Apple has shifted course again lately in its [years-long effort](#) to become a destination for television shows and movies. Apple's ultimate intention isn't clear, but the current tactic is to buy lavish entertainment programming. Apple has hung out its ["open for business" sign](#) in Hollywood by showing a willingness to write big checks for TV series or movies from the likes of Steven Spielberg.

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On the other side of the chasm, investors in Apple have been watching its sorties into entertainment with curiosity. It's far less important to them than prospective sales of Apple's newest iPhones, but Wall Street analysts do periodically ask Apple executives about their plans in entertainment. The responses tend to be Apple's typical rhetorical feints. Now that Apple's plans are becoming a tiny bit clearer, it's time to deliver a hard truth to Hollywood and Wall Street about Apple's entertainment project: Both sides might be disappointed.

First, a hard truth for Hollywood. The Hollywood Reporter [wrote](#) last week that entertainment heavy hitters don't know much about how Apple plans to market and air TV series and movies that the company is negotiating to buy. To bring some information from the other species, Wall Street thinks Apple is getting deeper into entertainment as a way to make iPhones and its other gadgets more appealing to potential buyers and to keep existing Apple hardware owners hooked. The bet is Apple might be trying to create something like Netflix, a subscription entertainment option following in the footsteps of its Apple Music service.

Hollywood should know that if that's Apple's goal, then the company might make its version of Netflix work only on Apple devices and maybe only for its smartphones, tablets and the Apple TV gadget. Is Spielberg willing to limit the potential audience for his reboot of the 1980s science fiction series "Amazing Stories?" Apple devices aren't in every home and pocket, although the audience is not small. Apple sells more than 200 million iPhones each year, which gives Apple a larger potential global audience than Netflix with its 99 million paying customers worldwide.

If, on the other hand, Apple wants to make its entertainment offerings open to everyone, Hollywood might need a reminder that Apple hasn't proved to have good taste in entertainment -- witness its ["Planet of the Apps" reality show](#) for Apple Music -- nor the technology chops to give good programming the effective distribution it deserves. Its iTunes software works on Windows computers and more, but it's a mess and is [losing ground](#) as a way for people to buy or watch TV shows and movies. The Apple Music app for Android phones has a lackluster customer rating of 3.5 stars out of five in the [Google app store](#).

For the Wall Street side of the chasm, I don't think it has come to grips with the financial implications if Apple wants to create a version of Netflix. Investors have grown enamored with Apple's software and services businesses because they generate a growing pile of money at what are estimated to be much higher profit margins than selling iPhones and Macs. Apple has said its "services" business, which includes its cut of revenue from app downloads, the AppleCare warranty program, Apple Music subscriptions and more, will [double in sales](#) over four years to roughly \$50 billion. That's a huge business.

But if Apple develops a Netflix-like video service, it won't have the same financial profile Wall Street expects from Apple's other services. Just look at Netflix's skimpy Ebitda margin of 6.9 percent in the last 12 months, compared with 31 percent at Apple. If Apple's services margin is deflated by the company's push into entertainment, that also dents the investment idea that the business is a profit cushion even if iPhone sales continue to slow.

The predicament Apple faces in entertainment is part of the company's awkward transformation. The revolutions Apple produced in computing with the iPhone and in music listening with iTunes are harder to come by. CEO Tim Cook has been promising for five years a revolution in video entertainment but instead has delivered a series of aimless or failed strategies.

The company absolutely has the cash and cachet to deliver some thrilling TV series and movies, and the world will make a big deal about them. But Apple hasn't yet proved that it's more than just another checkbook for Hollywood, nor has it shown investors that its programming strategy will do much for the bottom line. — **Bloomberg**

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Aiming to restore wireless phone service to hurricane-battered Puerto Rico, the Federal Communications Commission on Friday night granted an experimental license for Alphabet Inc.'s Project Loon to create a network of balloons that could provide connectivity. Before it can initiate service, though, Loon has to clear a few more hurdles, officials said—notably, finding a wireless carrier to serve as its partner.

Libby Leahy, a spokeswoman for X, the Alphabet unit that oversees Project Loon, said in a statement that Loon “needs to be integrated with a telco partner’s [cellular] network—the balloons can’t do it alone.” She added that “we’ve been making solid progress” on that next step. It remained unclear when Loon might be able to start providing service. Loon’s networks of balloons appeared to work well earlier this year when parts of Peru suffered severe flooding. But Loon already had been working on network integration with a carrier there, Telefonica.

Project Loon said the effort in Peru marked the first time that an internet system using balloons had connected tens of thousands of people. In the case of Puerto Rico, AT&T Inc. and T-Mobile handsets should be able to operate on the frequencies covered by the experimental license, according to people familiar with the matter. However, it's possible some would need a software update, which might have to be delivered over the air in Puerto Rico. A T-Mobile spokeswoman declined to comment on the experiment. A Sprint spokesman said the carrier is in touch with Alphabet and exploring the idea.

"More than two weeks after Hurricane Maria struck, millions of Puerto Ricans are still without access to much-needed communications services," FCC Chairman Ajit Pai said in a statement Saturday. "That's why we need to take innovative approaches to help restore connectivity on the island. Project Loon is one such approach." Mr. Pai urged wireless carriers to cooperate with Project Loon "to maximize this effort's chances of success."

Loon was developed at X, Alphabet's innovation lab. Alphabet also is the parent of search engine Google. A spokeswoman for Claro, a major wireless and land-line network operator on Puerto Rico, said Google approached the company to ask about a cellular frequency that Claro doesn't use. AT&T has started using satellite links to carry millions of phone calls and text messages from clusters of temporary cellular radios to the mainland, a spokesman said. "This is a temporary fix while we work on laying and splicing miles of fiber, but it will help our customers stay connected with family and friends," he said.

Facebook Inc. also has sought to help, sending a connectivity team to Puerto Rico, according to a recent update by founder Mark Zuckerberg. The FCC's Mr. Pai has taken several other steps to address hurricane-related damage, including providing up to some \$77 million in federal Universal Service Fund money to restore services in Puerto Rico and the U.S. Virgin Islands. – **Wall Street Journal**

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"If we just made better ads, people wouldn't block them," is one of the arguments that regularly surfaces when people debate the rise of ad blocking. Fusion Media, publisher of Gizmodo and Jezebel, is putting that theory to the test, CMO Today's Ben Mullin reports. The Univision-owned digital media company is trying out an initiative that will [reward advertisers that make the most engaging ads](#) by offering them bonus impressions. Using a technology from ad tech firm Performance Pricing, Fusion will monitor the number of clicks and mouse-overs ads generate and dole out free impressions on a sliding scale, capped at 20% of the impressions bought. Will the system work, or will it just incentivize interruptive ads at the expense of genuinely engaging brand campaigns that don't garner click metrics? And, either way, will it actually make Fusion more money? I'm keen to hear about the results.

As Congress steps up its scrutiny of how Russian entities commandeered Facebook's automated ad platform to spread divisive messages throughout and after the 2016 U.S. election, the company is making some important changes behind the scenes. As Axios reported, Facebook recently sent an email to advertisers informing them [it will start manually reviewing ads](#) that are targeted to users based on "politics, religion, ethnicity or social issues." The latest changes from Facebook mean advertisers looking to target around those particular topics might experience a delay (which they'd be used to if they'd ever advertised on TV or outdoor), but what's the hurry if it means the environment their ads appear in is better protected from the scourge of fake news and potential election interference? (Bonus: Recode has a great explainer on [how Silicon Valley giants ended up entangled in this Russian ads mess.](#)) – **Wall Street Journal**

