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April 11, 2016

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Verizon customers with copper-line phones who call twice in 18 months for repairs - or live near someone who does - are likely to get a surprise when company techs show up at their door. They will be told that their "only fix" is to replace decades-old copper line with high-speed fiber as Verizon won't fix the copper, according to company documents obtained by the Inquirer.

So far, 1.1 million Verizon copper customers have been switched to fiber in Pennsylvania and other states under an internal program called "Fiber Is the Only Fix." Millions more of Verizon's customers may face the same upgrade because the effort is expanding. About 12 million copper-line customers remain after more than a decade of stringing high-capacity fiber and spending millions of dollars on advertising fiber-based FiOS TV and Internet. Company and industry experts say the upgrade is better for customers as fiber is more efficient to maintain and delivers faster Internet.

But customer-by-customer mandatory switches have taken place with almost no public discussion and as Verizon has said it would operate both copper and fiber networks on the same telephone poles. "The commission is actively monitoring telecom issues, but there have been no formal rulings regarding the transition from copper to fiber-optic technology," said Nils Hagen-Frederiksen, the press secretary for the Pennsylvania Public Utility Commission.

Tom Maguire, Verizon's senior vice president of national operations support, said that with fiber, Verizon was "looking at making the transition as easy and transparent as possible." Some customers have been reluctant to switch. "If you use the word *upgrade* in a conversation, what do people think about?" Maguire asked. They think of higher prices, he said. "There is a hint of cynicism. There is no free lunch."

Seeking to quicken the network modernization, Verizon has developed an internal process to switch a copper-line customer who calls for a repair. The customer is told that a technician truck will roll for repairs. Verizon's customer-service system then generates two tickets on the repair call: one for a repair and a second, called a "ghost service order," to replace the copper with a fiber connection. Once at the customer's home, the Verizon technician tells the customer that the only solution is to switch to fiber, which includes the installation of a FiOS box.

If a flagged copper customer needing repairs ultimately declines fiber upgrade, the Verizon document commands: "*Do not fix trouble*" with the copper line. Maguire described most copper-phone customers as elderly and members of the "handshake generation" and more willing to make an upgrade to fiber when they are told personally by a technician rather than told over the phone by a customer-service rep. "We are not trying to be disingenuous to anybody," he added.

Verizon technicians need the formal approval of the customer at the home to do the actual fiber switch, Maguire said, adding, "If I find a technician who does not have that conversation, there will be consequences." Customers like the fact that the reliable copper-line dial tones beep during power outages, especially those who need to stay connected to doctors, family, and emergency services. Some elderly customers also may be confused.

James LaRoy, 83, said that Verizon technicians installed the "optical network terminal," or FiOS box, in his garage one night last year. He had called Verizon because his copper-line phone in his East Germantown brick rowhouse wasn't working properly. It was ringing someplace else, he said. When he asked about the box, he said, the Verizon technicians told him this was a "new system that they are using to repair the phone." He said that Verizon technicians damaged his garage door stringing the fiber lines into his house.

Verizon says that its employees have worked with the regulators in New York, Massachusetts, Virginia, Delaware, and Pennsylvania and "none have found a reason to object to the initiative." Verizon expects to expand the program to New Jersey. The telecom firm says the fiber switch is free and a customer keeps the old prices. Verizon

Fiber's 'free' Internet service will disappear soon in KC market

Philadelphia Inquirer Budget in hand, Pa. lawmakers turn to hot buttons

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provides a free battery backup with 12 D-size batteries. That wasn't enough for an elderly Drexel Hill couple, Neil and Gilda Altman, who filed a formal complaint with the PUC in late November. A hearing on the case was held in Philadelphia in March.

The Communications Workers of America, which represents thousands of unionized Verizon employees in Pennsylvania, also has filed a petition with the PUC asking the state agency to investigate Verizon's maintenance of its copper-line phone network, arguing that the company isn't investing into it as it should. Tanya McCloskey, Pennsylvania's acting consumer advocate, said she had not heard of "Fiber Is the Only Fix." Verizon customers, she said, should "expect a transparent process where they receive full and fair information about their rights and options."

While "Fiber Is the Only Fix" targets individual customers or neighborhoods, Verizon also recently disclosed that it is forcing copper customers in entire geographic areas - zip codes - onto fiber with its "network transformation" project. Verizon executive Thomas MacNabb said in March that five zip codes in the Philadelphia area - Drexel Hill (19026), Bristol (19007), Tacony (19135), Fox Chase (19111), and Jenkintown (19046), and an additional 39 zip codes in other areas of the state or the nation - will be migrated onto its fiber network. Verizon expects to transition copper customers in 1,300 zip codes to fiber. The Federal Communications Commission also has passed new rules on so-called copper retirements, which includes giving customers 90-day notice on the switch to fiber.

Philip and Patricia Kaufman, both in their mid-70s, lived in their Jenkintown home for 49 years and had only one problem with their copper-line phone. It went out after Hurricane Sandy in 2012. Then the phone suddenly died last summer. Philip called Verizon for a repair, and Verizon said a technician would be out in five to seven days. Four days later, the dial tone returned without the need for any repair. Shortly after that, a Verizon postcard showed up in the Kaufmans' mailbox asking them to call the company within seven days because Verizon was switching the area to fiber. The Kaufmans didn't want to switch, believing copper was more reliable. Philip called Verizon and the Pennsylvania Public Utility Commission. They had 45 days to make a decision and eventually switched their phone service - to Comcast.

"I think it was deceptive of Verizon," Kaufman said. "It seems like they are in cahoots with the PUC." – *Philadelphia Inquirer*

Digital-ad spending is catching up with TV-ad spending. But how close the two really are depends on how you define TV. That matters in light of the negative sentiment swirling around media stocks. Pessimism is driven by more consumers abandoning pay TV in favor of streaming services and unbundled online versions of TV networks.

Amid this march toward more online video consumption, investors must grapple with whether to define TV by its delivery mechanism or its content. The former would limit the definition of TV to content delivered to a TV set via antenna, cable or satellite dish. The latter would encompass all high-quality, nonfilm-length video content viewed on a TV screen, a desktop computer or a mobile device. And in a not-too-distant future in which all TV is likely to be delivered via the Internet, the second definition makes more sense. Many traditional TV networks and most major TV distributors already have launched online streaming services or are working on developing them. All see the shift as inevitable, and many media companies already are getting sizable chunks of their ad budgets from digital.

Using the broader definition affects how investors interpret ad-spending data. Digital-ad spending will hit \$68.82 billion, or 35.8% of total U.S. ad spending, in 2016, eMarketer estimates. That compares with \$70.6 billion, or 36.8%, for TV. But the forecaster's digital category includes all spending on digital-video ads. That will reach \$9.84 billion this year, eMarketer predicts. Of course, a large chunk of digital-video ad spending will go to Internet companies, including heavyweights Google and Facebook. But at least some of it will go

to TV, more broadly defined.

Indeed, the owners of national broadcast and cable-TV networks will get \$3.38 billion of digital-ad revenue during the 2015-2016 broadcast season and \$3.99 billion during the 2016-2017 season, MoffettNathanson estimates. And digital-ad revenue is climbing more quickly for TV-network owners. The research firm expects it to increase at a compound annual rate of 15.8% from 2015 to 2020. While that growth is off a much smaller base, it may help take the edge off the 2.8% decline MoffettNathanson forecasts for traditional-TV ad revenue. The shift to digital still may mean lower ad revenue for media companies. But to the extent media networks are moving content online, investors should acknowledge they are bringing at least some of the ad revenue along with it. – **Wall Street Journal**

Democrat Hillary Clinton is hitting the television airwaves in Pennsylvania on Saturday. The presidential contender and former secretary of state's campaign announced **the 30-second ad** on Friday. It describes the significant decisions facing a president, and highlights her accomplishments on women's rights, health care, Social Security, military benefits and foreign relations. "She's the one who has proven she can get it done," the narrator says.

The Clinton campaign said the ad is part of a six-figure buy, and will air in the Philadelphia, Pittsburgh, Harrisburg, Wilkes-Barre/Scranton, Johnstown/Altoona, and Erie media markets. It comes days after she spoke to union leaders in Philadelphia, with her primary opponent, Vermont Sen. Bernie Sanders, holding a rally at Temple University as well on Wednesday. Clinton has held an advantage in most Pennsylvania polls, though **a new Quinnipiac University poll** showed her lead over Sanders dwindling, 50 percent to 44 percent. – **Allentown Morning Call**; more PA presidential primary info from the **Pittsburgh Tribune-Review** and **pennlive.com**

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