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MANAGING VIDEO MARKET UPHEAVAL
MATT POLKA & AMY MACLEAN: STATE OF THE INDUSTRY
EFFECTIVE BRANDING FOR CABLE OPERATORS
SEXUAL HARASSMENT AND OTHER LEGAL CHALLENGES

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Philadelphia Inquirer

State Sen. Eugene Yaw chaired a forum April 5 at the Penn Wells Hotel to hear testimony from broadband company representatives and those needing better services. The forum, held by the Center for Rural Pennsylvania, invited state officials and representative to listen and ask questions of those testifying.

According to Mark Smith, executive director of the Pennsylvania Office of Broadband Initiatives, "broadband access is essential to growing the economy, supporting agricultural business, expanding educational opportunities for children, increasing access to modern healthcare, and improving the safety of communities." More than 800,000 Pennsylvanians still lack access to reliable, high speed internet, of which more than 520,000 live in rural areas, he said. A public-private partnership is needed to achieve this access, Smith said.

Yaw, who represents Bradford and parts of Lycoming counties, said that the need for broadband affects all residents. "The battles aren't necessarily between Democrats and Republicans, it is about rural Americans getting our share. Just because we live in a rural area doesn't mean that we should have substandard broadband," Yaw said.

Forum vice chairman **Rep. Garth Everett**, who represents Lycoming County, said lack of broadband access is "an issue that I hear people complaining the most," "Fifteen years ago companies promised to build broadband out to rural areas, and what it was then is not what it is now and those companies have not fulfilled their promise," Everett said.

Joe Witmer, counsel for the state Public Utility Commission chairman Gladys Brown, said, "Broadband has two parts: availability and affordability." Broadband is "expensive to build"; the Federal Communications Commission estimated a 1-30 Mbps network costs about \$50 billion while a 100 Mbps network costs about \$350 billion, he said. Last year, the FCC gave away about \$4.5 billion for access and Pennsylvania dispensed about \$34 million. "At that rate, it will take the FCC from 12 to 87 years to build the systems to provide service," Witmer said.

Editorial: No budget, no pay for Pa. legislators who miss deadline

The expense affects rates that consumers pay for service, Smith said. For example, it costs \$300 to serve rural Pennsylvanians and \$100 to serve urban Pennsylvanians. Policy pricing would total the costs and divide it so everyone pays the same. Market pricing would have consumers paying their own costs, either \$300 or \$100. Witmer said that not all broadband platforms are the same. "Satellite can provide it, but capacity restraints mean it might not be able to serve everyone who wants it. Wireline is preferred because it offers virtually unlimited scalability," he said.

Broadband providers must maximize value for shareholders, Witmer said, making it difficult to also bend to consumer demand. "Broadband advocates owe a public interest duty to ensure service for all and these two can conflict," he said. The legislature and state administration are looking at ways to address the issue, including a recent \$35 million initiative in Gov. Wolf's Broadband Office, Witmer said. – **Wellsboro Gazette**

Montreal-based cable conglomerate Cogeco seems to be getting the growth it wanted from its Metrocast purchase, which its Atlantic Broadband division closed on for \$1.4 billion in January. Yesterday, the Canadian telecom reported a 6.8% increase in revenue to \$599 million in its fiscal second quarter ended Feb. 28.

The company attributed the revenue growth to increased American broadband services revenue, driven not only by the Metrocast acquisition itself, but rate increases for internet services in its U.S. footprint. Atlantic Broadband revenue, which includes the newly acquired Metrocast assets, was \$206 million in the second quarter, matching investment analysts' consensus forecasts.

Cogeco is facing tight competition with fiber in Canada, but its expanded U.S. footprint is fairly rife with DSL competition. "Margins of 44% in the quarter were a significant improvement to prior quarters and reflect the benefit of adding Metrocast's higher-margin business," Scotiabank analyst Jeff Fan wrote in a note to investors this morning. "We believe margins have further room to grow as Cogeco completes the integration of MetroCast giving it increased scale.

Canadian cable revenue, meanwhile, was largely flat at \$324 million, missing consensus forecasts of around \$332 million. Canadian cable EBITDA came in at \$167 million, below forecasts of \$172 million. Cogeco's bottom line also was uplifted by \$70 million (U.S.) from U.S. corporate tax rollbacks. – **Fierce Cable**

Federal Communications Commission chairman Ajit Pai has denied a request by Senate Democrats to investigate the right-leaning Sinclair Broadcasting Group for "news distortion," saying such a probe would be "chilling" to free speech. "Thank you for your letter requesting that the Commission investigate a broadcaster based on the content of its news coverage and promotion of that coverage," said Mr. Pai in his letter. "In light of my commitment to protecting the First Amendment and freedom of the press, I must respectfully decline."

His reply was dated April 12, the day after the request from 11 Senate Democrats and Sen. Bernie Sanders, Vermont Independent, who cited Sinclair's proposed \$3.9 billion acquisition of Tribune Media Company. "We are concerned that if the Sinclair-Tribune merger continues without a thorough review of these new facts, Sinclair's practices of news distortion will proliferate to even more local stations, which Americans rely upon every day for fair and impartial news," said the Senate letter.

Signers, including Sens. Maria Cantwell of Washington and Elizabeth Warren of Massachusetts, said they were "alarmed" by Sinclair's local anchors being required to read a promotional message last month about "biased and false news." The promo touted the stations' commitment to balanced journalism and warned that "some members of the media use their platforms to push their own personal bias and agenda to control exactly what people think."

In their letter, the senators said that such "must-run dictates from Sinclair harm the freedom of the press guaranteed in the First Amendment by turning local journalists into mouthpieces for a corporate and political agenda." Mr. Pai responded that the FCC lacks the authority to yank broadcast licenses "based on the content of a particular newscast." "I understand that you disliked or disagreed with the content of particular broadcasts, but I can hardly think of an action more chilling of free speech than the federal government investigating a broadcast station because of disagreement with its news coverage or promotion of that coverage," Mr. Pai said. The Sinclair promo unleashed an outcry after Deadspin compiled a video of anchors at multiple Sinclair stations reading it.

Critics such as former CBS anchor Dan Rather described the episode as "Orwellian," and Rep. Adam Schiff, California Democrat, tweeted that Sinclair was "moving America one step closer to state run media," but Sinclair described the uproar as "ironic." "It is ironic that we would be attacked for messages promoting our journalistic initiative for fair and objective reporting, and for specifically asking the public to hold our newsrooms accountable," said Sinclair senior vice president Scott Livingston in a statement. "Our local stations keep our audiences' trust by staying focused on fact-based reporting and clearly identifying commentary."

The proposed merger would increase Sinclair's television stations from 193 to 220, extending its reach into 72 percent of U.S. homes and raising questions about whether the acquisition would constitute an anti-trust violation. Reason's Matt Welch argued that the 72 percent figure is overblown, given that only 9 percent of viewers access television without a cable, satellite or internet connection, according to Pew Research, and Sinclair has described its average market share as in the "low" 20s.

Still, even conservative media outlets Newsmax, One America Network and the Blaze oppose the merger over concerns about monopoly power. Former Republican Rep. Tom DeLay warned in a Politico op-ed that the acquisition would "set a terrible

precedent” that would allow liberal networks like ABC, CBS and NBC to buy more stations. – *Washington Times*

If there’s one thing we learned from the past week’s marathon congressional inquisition of Facebook Inc. Chief Executive Mark Zuckerberg, it’s this: The inner workings of Facebook’s data-harvesting behemoth are so byzantine, that in some ways Mr. Zuckerberg is just as confused as the rest of us about how it all works.

In his testimony before the U.S. House of Representatives Wednesday, Mr. Zuckerberg said Facebook doesn’t store a history of websites its users have visited. Mr. Zuckerberg later corrected himself, saying Facebook does in fact store a list of visited websites that include Facebook’s tracking code. He added that the list is held temporarily before being converted into “a set of ad interests.” When testifying before the Senate Tuesday, Mr. Zuckerberg said, “I think everyone should have control over how their information is used.” He also said, “You have full access to understand all—every piece of information that Facebook might know about you—and you can get rid of all of it.”

Not exactly. There are important classes of information Facebook collects on us that we can’t control. We don’t get to “opt in” or remove every specific piece. Often, we aren’t even informed of their existence—**except in the abstract**—and we aren’t shown how the social network uses this harvested information. The website log is a good example, in part because of its sheer mass. The browsing histories of hundreds of millions—possibly billions—of people are gathered by a variety of advertising trackers, which Facebook has been offering to web publishers ever since it introduced the “Like” button in 2009. They’ve become, **as predicted**, a nearly web-wide system for tracking all users—even when you don’t click the button.

When you **request and download your data from Facebook**—a feature Mr. Zuckerberg repeatedly referred to in answers to questions about control—this stored browsing history isn’t there. That is reasonable, says Antonio Garcia-Martinez, a former Facebook ad-targeting product manager and current Facebook gadfly. Facebook targets ads based on an abstraction derived from your browsing history—an abstraction such as your interest in golf. When you download your data, Facebook tells you what it thinks your interests are but doesn’t provide the specific evidence for why it thinks that. “If you downloaded this file [of sites Facebook knows you visited], it would look like a quarter to half your browsing history,” Mr. Garcia-Martinez adds.

Another reason Facebook doesn’t give you this data: The company claims recovering it from its databases is difficult. In one case, **it took Facebook 106 days** to deliver to a Belgian mathematician, Paul-Olivier Dehaye, all the data the company had gathered on him through its most common tracking system. Facebook doesn’t say how long it stores this information. When you **opt out of interest-based ads**, the system that uses your browsing history to target you, Facebook **continues tracking you** anyway. It just no longer uses the data to show you ads.

There is more data Facebook collects that it doesn't explain. It encourages users to upload their phone contacts, including names, phone numbers and email addresses. Facebook never discloses if such personal information about you has been uploaded by other users from their contact lists, how many times that might have happened or who might have uploaded it.

This data enables Facebook not only to keep track of active users **across its multiple products**, but also to fill in the missing links. If three people named Smith all upload contact info for the same fourth Smith, chances are this person is related. Facebook now knows that person exists, even if he or she has never been on Facebook. And of course, people without Facebook accounts certainly can't see what information the company has in these so-called **shadow profiles**. "In general, we collect data on people who have not signed up for Facebook for security purposes," Mr. Zuckerberg told Congress Wednesday.

There's also a form of location data you can't control unless you delete your whole account. This isn't the app's easy-to-turn-off GPS tracking. It's the string of IP addresses, a form of device identification on the internet, that can show where your computer or phone is each time it connects to Facebook. Location is a powerful signal for Facebook, **allowing it to infer** how you are connected to other people, even if you don't identify them as family members, co-workers or lovers. Facebook says it uses your IP address to target ads when you are near a specific place, but as you can see in your downloaded Facebook data, the log of stored IP addresses can go back years. All this data, plus the elements Facebook lets you control, can potentially reveal everything from **your wealth** to **whether you are depressed**.

Facebook, Alphabet Inc.'s Google and a host of smaller companies that compete with and support the giants in the digital ad space have become addicted to the kind of information that helps microtarget ads. That level of precision is at the heart of Facebook's recent troubles: Just because Facebook uses it to accomplish a seemingly innocent task—in Mr. Zuckerberg's words, making ad "experiences better, and more relevant"—doesn't mean we shouldn't be worried.

Two bills were proposed in the Senate the day after Mr. Zuckerberg's testimony, one of them bipartisan. Both would create new penalties for data breaches and would require Facebook and the rest of the ad-tracking industry to be more transparent and allow people to opt out easily. Facebook has withdrawn its opposition to the California Consumer Privacy Act, a November ballot measure that includes many of the same provisions. As of May 25, the EU's General Data Protection Regulation will force all advertisers to proactively ask for permission to capture or use any personal data.

Regulators the world over are coming to similar conclusions: Our personal data has become too sensitive—and too lucrative—to be left without restraints in the hands of self-interested corporations.

– **Wall Street Journal**



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