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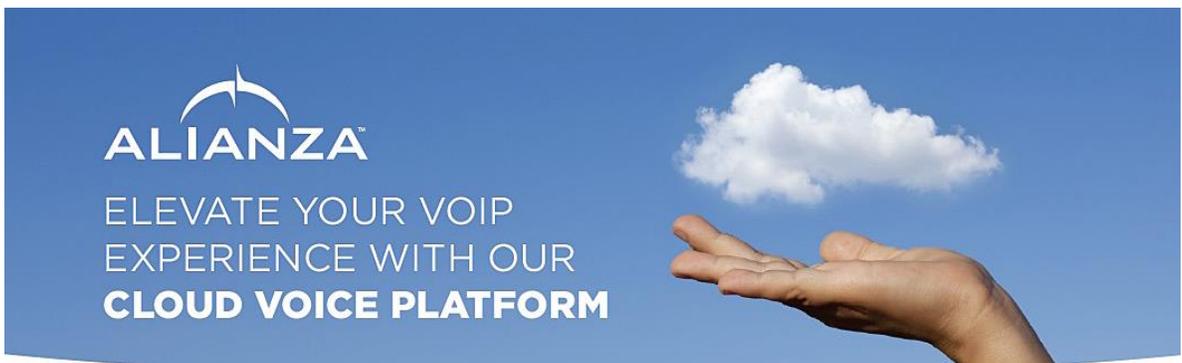
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Illinois customers stubbornly hanging on to your old landline telephone service, AT&T has a new plan for you: Switch to a modern alternative or face disconnection.



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With traditional landline service dwindling to less than 10 percent of Illinois households in its territory, AT&T is pushing legislation in Springfield that, pending Federal Communications Commission approval, would allow it to unplug the aging voice-only network and focus on the wireless and internet-based phone offerings that have supplanted it. "We're investing in a technology that consumers have said they don't want anymore and wasting precious hundreds of millions of dollars that could be going to the new technologies that would do a better job of serving customers," said Paul La Schiazza, AT&T Illinois president.

AT&T has 1.2 million traditional landline customers in the state — 474,000 residential and 725,000 business — and is losing about 5,000 each week, La Schiazza said. At the current pace, the service would wind down by attrition within five years, but AT&T is seeking a more definitive and predictable end. Critics say the bill would leave behind hundreds of thousands of Illinois residents, particularly seniors, who disproportionately rely on traditional landline telephone service for everything from connecting with family to monitoring life-threatening medical conditions.

"Many seniors have told us that they trust landline service more than any other option," said Jim Chilsen, a spokesman for the Citizens Utility Board, an Illinois nonprofit watchdog group opposed to AT&T's proposed legislation. "A landline doesn't go out in an internet or power outage, it doesn't need to be charged, it doesn't need a battery backup, and it doesn't leave 911 dispatchers

presidential
polls?

guessing." If it passes, the Illinois telecommunications modernization bill would take effect July 1, giving AT&T the right to cancel the old landline service with 60 days' notice. Existing customers would have the opportunity to appeal the decision to state regulators.

While AT&T ultimately needs approval from the FCC to abandon a long-standing obligation to maintain its "plain old telephone service," it has passed similar legislation in 19 of the 21 states where it is the legacy telephone carrier, with California the only other holdout. AT&T is hoping to have all of the states on board before moving forward at the FCC, La Schiazza said.

A previous measure didn't get to a vote in Illinois two years ago, but the current version made it through a state Senate committee in March, and La Schiazza is optimistic that with ongoing changes in consumer phone use, sentiment has shifted toward passage. The rise of cellular phones certainly has reached a tipping point. The last six months of 2016 was the first time a majority of American homes had only wireless telephones, according to a survey released Thursday by the National Center for Health Statistics. More than 70 percent of adults between 25 and 34 years old live in wireless-only homes, the survey showed.

Many seniors, meanwhile, are still clinging to their landlines. A 2014 survey conducted for AARP by Hart Research Associates and North Star Opinion Research found that more than half of Illinois voters 65 years and older use landlines most of the time. Carol Kolen, 77, of Chicago, doesn't have cable or a computer, uses a flip cellphone, and says she depends on her landline to monitor her pacemaker and defibrillator after open-heart surgery six years ago. A "semiretired" clinical psychologist, Kolen lives alone in a house in the Belmont Cragin neighborhood on the Northwest Side.

Kolen said her cell service is spotty in her home, making it a less reliable option for transmitting the heart monitor data to her cardiologist. "If my pacemaker doesn't work, I die," Kolen said. "So that's kind of important."

While there are internet-based options, Kolen has no interest in cable or broadband service, a requirement for the bundled AT&T package that includes phone service. "I want my landline," Kolen said. One area of particular concern to seniors is 911 calling. While more than 70 percent of 911 calls come from wireless phones, according to the FCC, they present challenges for emergency personnel to pinpoint location.

Some medical monitoring devices and home alarm systems only work on traditional landlines. AT&T said it will certify that "reliable replacement options" are available before retiring the old network. Julie Vahling, associate state director of AARP Illinois, said seniors shouldn't be forced to switch until alternative phone services prove as reliable as traditional landlines. "I think AT&T's goal is to put everybody on a wireless service," Vahling said. "I don't care if it is 140 years old, (traditional landline service) is the most reliable form of communication that we have right now."

Getting out of the traditional landline phone business has been a priority for Dallas-based AT&T, which is designated as the carrier of last resort by the FCC in 21 states, obligating the company to provide service to all customers in its franchised territory at reasonable rates. AT&T last year had total revenue of nearly \$164 billion, with a net income of \$13 billion. Traditional landline phone service is a small slice of the company's expanding revenue pie, with recent acquisitions likely to accelerate its declining significance.

Revenue for legacy voice and data services fell 11 percent to \$16 billion last year and represents one-tenth of total revenue for AT&T, which for much of its history was the dominant phone company in the U.S. AT&T is now a diversified communications giant with broadband, wireless and entertainment offerings. AT&T acquired pay-TV provider DirecTV in 2015, and its \$85 billion acquisition of Time Warner is pending regulatory approval.

La Schiazza said AT&T invests \$1 billion annually in its Illinois technology but has to divert 20 to 30 percent of that to maintaining its voice-only network. "In some cases, we have to go to eBay to buy the parts," La Schiazza said. "We just can't get the parts in some cases to keep these switches running." AT&T touts an array of affordable alternatives for traditional landline customers, such as Comcast's internet-based landline and its own "wireless home phone service," both of which are priced at \$20 per month. AT&T does not offer stand-alone internet-based landline service. Traditional AT&T landline service without extra features averages about \$31 a month in Illinois. "We're going to aggressively market to those customers and inform them of the new modern technology alternatives ... we want to retain each and every customer," La Schiazza said.⁵ They may have a hard time selling that to Katherine Panny, a retired secretary in her early 80s who lives in the Ashburn neighborhood on Chicago's Far Southwest Side. Panny has no internet, no computer and no cable service. She also has no intention of giving up her landline telephone

service. "I still have my old rotary wall phone, and I'm not about to get anything new," Panny said. "This phone has been the most dependable phone in the world." Panny believes AT&T has an obligation to keep the service going — at least as long as she and fellow holdouts remain customers in good standing. "We have been their main base customers for many years," Panny said. "Not everybody can afford everything they want to push." – *Chicago Tribune*; more in *New York Post*: "Why nearly 46 percent of households still have landlines"

Viacom CEO Bob Bakish turned in a better-than-expected quarter, but investors fled the stock after the owner of MTV and Nickelodeon confirmed that cable giant Charter Communications is taking Viacom's channels out of basic-cable packages for new customers.

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Investors are spooked about the weak ad climate and the disappearance of almost half a million subscribers from cable, satellite and telco video packages as new online services come on stream. Viacom B shares closed off 7.1 percent to \$36.46. "A tepid market for domestic national TV advertising, weakening cable subscriber trends and the need to invest more heavily against content," wrote Brian Wieser, an analyst with Pivotal Research, outlining Viacom's challenges in a Thursday note.

The company, controlled by the Redstone family, is at risk of seeing lower subscription fees from its existing business if it is moved out of the most widely distributed packages and on to separate tiers. Bakish told investors that he is protesting the tiering change with Liberty Media-backed Charter, which said it would only offer Viacom channels on a higher-priced tier to new customers. That could threaten the underpinning of Viacom's affiliate fees.

Charter and New York cable company Altice USA have distribution agreements with Viacom that are set to expire in the next year or two. Viacom's profit fell to \$121 million, or 30 cents per share, in the first quarter. Revenue rose 8.5 percent to \$3.26 billion versus analysts' expectations for \$3.02 billion. Revenue from Viacom's film business jumped 37 percent to \$895 million in the second quarter ended March 31. Analysts had penciled in \$676.5 million, according to FactSet. Viacom said action thriller "xXx: Return of Xander Cage", starring Vin Diesel, grossed more than \$346 million at the worldwide box office. The company named a new Paramount Pictures boss in March, Jim Gianopulos. – *New York Post*

Hulu's business model gives it three ways to make money through streaming content, CEO Mike Hopkins told CNBC. The company has long offered subscriptions to its library of licensed and original content, both with and without advertising. Now that it's adding a live TV service, it will have another revenue stream — something its competitors like Netflix and Amazon don't have. "We are committed to the subscription on-demand space," said Hopkins. "It is really the lifeblood of our

company, but we're also really excited to enter this new, emerging over-the-top paid TV space as well."

Hulu with Live TV launched Wednesday at its Digital Content NewFront presentation in New York, an annual presentation to advertisers of upcoming programming. The subscription allows access to 50 live channels, as well as the platform's library of content and cloud-based recording storage for \$39.99 a month. Users can add more DVR space, additional premium channels and unlimited streams for additional fees. Hulu also announced a second season of its series "The Handmaid's Tale" and five new original shows at the event.

Hulu currently has 47 million unique viewers, according to Hopkins, less than half of **Netflix's 98.75 million**. However, 33 million of Hulu's viewers see advertising. "Subscribers aren't the only way to measure us, when almost half our revenue is advertising," Hopkins said. Adding live TV further diversifies the company. While Hopkins said a majority of its users still have a cable or satellite TV service, the company is looking ahead and hopes to re-convert people who may have quit paid TV. It is only based in the U.S. for now, but Hopkins didn't rule out additional countries in the next three to five years. "As people's taste change, as people want these different experiences we need to capture them as they are coming out," he said. "I think we can actually get people who opted out of the system back in through a service like Hulu live TV." – **CNBC**

