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Before Frontier Communications took over Verizon's California landlines last year, the company insisted that it knew how to make money from aging phone networks that bigger telecom companies didn't know what to do with. "We've done well so far," a Frontier spokesman **told me in 2015**, dismissing my concerns that the company was losing money and carrying more than $8 billion in debt — higher than the industry average relative to equity value.

How, I wondered, would it be able to maintain and upgrade Verizon's system? Two years on, that question has yet to be answered. Connecticut-based Frontier is bleeding customers — another 102,000 landline-dependent broadband subscribers nationwide said adios in the first quarter. The company lost $373 million last year and another $75 million in the first three months of this year. Frontier's debt load has more than doubled since the Verizon deal and its stock is down almost 70% since January.

Last week, Frontier announced a dividend cut and a 1-for-15 reverse stock split (swapping one share for every 15 outstanding) to boost the price and maintain the company's imperiled Nasdaq listing. This raises an interesting question: What happens if Frontier can't afford to keep its creaky phone network up and running? The company has offered no indications that it's eyeing cutbacks to network investment or service. Even so, "California consumers should be very concerned," said Christine Mailloux, an attorney with the Utility Reform Network, an advocacy group. "All wireline companies are losing customers," she said. "But they still have obligations that have to be met."

I've had cordial relations with Frontier. After the **glitch-ridden takeover** of Verizon's California service was completed, the company's regional president, Melinda White, told me her door was always open. If I ever had any questions, all I had to do was call. So I got in touch the other day. A company spokeswoman, Christy Reap, emailed this cryptic response: "Frontier declines to be interviewed."

She also passed along this statement on behalf of the company: "Frontier Communications is committed to improving the customer experience, reducing churn, stabilizing revenue and generating cash flow. Our new capital allocation policy will allow us to pay down debt and lower our leverage ratio, while still paying a meaningful dividend. We are investing in our networks, growing our commercial business segment and reducing costs."

The statement added that "we have learned hard lessons and are doing what it takes to become better." Clearly the message from Frontier is: "Don't worry your pretty head." What I'm hearing instead is: "Be afraid, be very afraid." The Federal Communications Commission requires that any phone

Pa. Dems: House Republicans are holdouts in budget stalemate	company "planning to discontinue or reduce domestic wireline service" must notify customers in advance and continue providing service for up to 60 days after making its intentions clear to authorities.

At the state level, the California Public Utilities Commission defines Frontier as a "carrier of last resort." That means the company must meet a variety of obligations as a provider of basic phone service, such as reliable voice connections and free 911 access. Frontier and AT&T are California's two largest carriers of last resort. About 14 other smaller companies hold the designation in various communities statewide.

The PUC requires that such carriers notify authorities if meeting those obligations causes "undue hardship or expense." In such cases, according to the commission's **General Order 133-C,** the company "may request specific relief" from regulators. There's no indication that Frontier plans to file any such notice. Then again, financial meltdowns by providers of basic phone service are rare, and both Frontier and the PUC are feeling their way along amid consumers' mass migration to wireless technology.

One of the few examples of a basic phone service provider collapsing financially is a 2009 bankruptcy filing by North Carolina's FairPoint Communications, which provides local, long-distance and other telecom services in 17 states. Like Frontier, FairPoint was an eager buyer of Verizon landlines, spending $2.7 billion in 2007 for residential phone networks in Maine, New Hampshire and Vermont.

FairPoint was saddled with nearly $3 billion in debt at the time of its bankruptcy — a fraction of Frontier's current burden — and, like Frontier, had a difficult time taking control of Verizon's old systems. FairPoint emerged from bankruptcy in 2011. A bitter four-month strike by workers followed in 2014 as the company sought to reduce employee benefits. New England telecom authorities warned that the company needed to step up its game amid rising customer complaints.

FairPoint is now being purchased by Illinois-based Consolidated Communications for $1.5 billion. Frontier's current reticence is worrisome. Saying you "decline to be interviewed" isn't a very encouraging response to reasonable questions about the company's stability. Constance Gordon, a spokeswoman for the state PUC, said a carrier of last resort would have to apply to the commission for any financial assistance, such as charging customers higher rates. "And if the carrier were closing down completely, it would need to have a migration plan to ensure that customers have service throughout the exit process," she said. That would mean making sure customers find a home either with another wireline phone service provider, or with a cable or wireless company.

I asked AT&T if the company would be interested in picking up Frontier's California wirelines for a song? A spokesman declined to comment. Then again, AT&T backed state legislation last year that would have allowed it to abandon its own wirelines. The bill died in the Assembly, but it suggests that AT&T isn't looking to expand its landline phone network.

Landlines are quickly becoming a historical relic as consumers increasingly go wireless. The fact that Verizon has been dumping its wirelines across the country should tell you something. According to AT&T, the number of California households with landlines has declined 85% since 1999. But carriers of last resort are nevertheless required to maintain full capacity for their phone networks, as if every home still used copper phone lines.

This will change as wireline demand disappears. In the meantime, thousands of seniors and low-income people depend on landlines for their communications needs, and they can't simply be abandoned. State officials will have to oversee a smooth transition from 20th to 21st century technology. AT&T has the size and clout to survive this challenge. As for Frontier, that remains to be seen. – ***Los Angeles Times***

The Trump administration has signaled that it stands behind efforts by the Federal Communications Commission and its chairman, Ajit Pai, to roll back the agency's net neutrality regulations for Internet providers.

Speaking to reporters Tuesday, administration officials said that while rules can be helpful, the Obama administration "went about this the wrong way." "We support the FCC chair's efforts to review and consider rolling back these rules," said deputy White House press secretary Sarah Huckabee Sanders, "and believe that the best way to get fair rules for everyone is for Congress to take action and create regulatory and economic certainty."

The FCC is currently seeking to undo rules that it approved in 2015 that ban the blocking and slowing of websites by Internet providers such as Verizon and AT&T. The regulations were enacted to prevent carriers from unfairly funneling their customers toward proprietary sites and services and potentially disadvantaging newer startups. But carriers say that the rules are unnecessarily burdensome, prevent them from finding new ways of making money and discourage them from upgrading their networks to be better and faster.

Internet providers have said they support the principles behind net neutrality but oppose the specific FCC rules that attempt to enforce them; public interest groups argue that weakening or repealing the rules will make them far less effective at protecting consumers. Sanders' critique of the current rules are consistent with statements Trump has previously made. But Trump's renewed support for rolling back the rules comes a day after a procedural deadline at the FCC, and as millions of commenters have filed their own feedback on the agency's proposal. More than 3.5 million comments have been filed in the last 30 days, out of a total of roughly 9 million. It's an issue that cuts across party lines, with even some members of Trump's base opposing him on the issue.

The administration's move recalls similar efforts by the White House, during the Obama administration, to make its opinion known on the issue of net neutrality. At the time, then-President Barack Obama sought to influence the outcome of the debate by advocating for strong FCC rules. He created a YouTube video and website, and submitted formal comments to the FCC; critics soon objected to what they said was an inappropriate attempt by Obama to alter the outcome of events. "The process raises serious questions about the president's inappropriate influence over what is supposed to be an independent agency that derives its authority from Congress and not the White House," Sen. Ron Johnson, R-Wis., wrote in a letter to the FCC criticizing the matter.

The Trump administration has not gone as far as Obama. Trump has not created a YouTube video on the issue, for example. And Sanders stopped short of advocating a specific policy for net neutrality, simply ending by calling on Congress to develop legislation that could resolve the debate among policymakers. Still, some analysts say, any attempt by a White House to address pending FCC matters should be out of bounds. It was wrong when Obama asserted himself, and it would be wrong for Trump to do so now, said Scott Wallsten, an economist and president of the Technology Policy Institute. "If the agency is independent, then the executive branch should stay out, plain and simple," he said.

Sanders' calls for congressional action echo recent remarks by broadband industry officials, who have said legislation represents the best hope for approving lasting net neutrality rules. So far, the prospects of a congressional compromise have been slim; Democrats appear more interested in turning net neutrality into a campaign issue than coming to the negotiating table. Critics of the FCC's current proposal have urged members of the public to call their lawmakers, despite the fact that there is currently no net neutrality legislation under consideration. Meanwhile, Republicans lack the votes to pass a bill on their own. – ***Washington Post***

Discovery Communications Inc. is in talks to combine with Scripps Networks Interactive Inc., people familiar with the situation said, a deal that would unite two media companies trying to chart a course in a cable-TV industry being upended by digital consumption. Terms of the deal talks couldn't be learned. Discovery Communications is worth about $15 billion, including its preferred stocks, according to S&P Global Market Intelligence. Scripps has an $8.8 billion market valuation. There is no guarantee that the two sides will reach a deal. It is also possible that another bidder for Scripps could emerge. Scripps shares were up 13% in after-hours trading.

Both media companies specialize in nonfiction cable programming. Discovery owns brands such as its namesake Discovery Channel, Animal Planet and TLC, while Scripps has a portfolio including HGTV, Cooking Channel and Food Network. The companies have discussed tying up before. In 2014, they **abandoned talks about a merger** and one issue at the time was that the family that controls Scripps wasn't ready to sell.

Discovery, based in Silver Spring, Md., posted revenue of $6.5 billion last year, while Scripps brought in $3.4 billion in revenue. The two companies, like other midsize cable TV companies that don't own broadcast or sports networks, are trying to figure out where they fit in a shifting media landscape. Traditional cable is under pressure from streaming services like Netflix , which are luring away subscribers. Cable channels are vying to be part of "skinny" online TV bundles from Sling TV, Hulu, YouTube and others. The biggest cable-network owners have an advantage in those negotiations.

Together, Discovery and Scripps could be in position to offer their own subscription web-TV bundle of nonfiction programming. Both companies also are banking on their expertise in food, travel and cooking programs to translate well to young consumers on Facebook and Snapchat. There is also a simple logic to getting bigger at a time when distributors in pay television have done their own deals and may have more leverage in channel-carriage negotiations. Cable networks get a slice of consumers' monthly bills based on rates hashed out with the providers. In recent years, AT&T Inc. has purchased DirecTV and Charter Communications Inc. has merged with Time Warner Cable.

It is far from certain that a Discovery-Scripps merger would resolve some of the structural problems they and other media companies face in the TV world, including the gradual movement of eyeballs—and advertisers—to digital platforms that are perceived to allow more sophisticated audience targeting. Discovery has struggled with soft advertising growth in the U.S., amid ratings pressures on its channels, though it turned in a solid performance at the advance TV ad sales season this spring. Cord-cutting has partially offset gains the company has made in revenue from cable TV subscriptions. Last year overall revenue grew 2%.

Under Chief Executive David Zaslav, Discovery has pursued international expansion as aggressively as any U.S. media company. International revenues now make up about 46% of total revenue. Scripps has less overseas exposure and could benefit from the tie-up in that respect. Discovery **bought the European sport broadcaster** Eurosport in 2015, and has bought rights to the Olympics and some soccer games. Those investments and fluctuations in foreign currency have weighed on financial results, at times.

Cable mogul John Malone had a 28.2% voting stake in Discovery, as of the most recent proxy filing. Scripps has an unusual governance structure that can be a significant factor in completing a deal. When the last of founder Edward W. Scripps' grandchildren died in 2012, a family trust was ended and shares were distributed to a host of family beneficiaries.

Those people collectively control 91.8% of voting shares. When significant company matters arise, they hold a special meeting beforehand to determine, by majority vote, how the family will vote. Scripps has been resilient compared with some other media companies in a tough ratings environment. U.S. ad revenues increased 10% last year. Networks like HGTV and DIY, with mostly live viewership, haven't suffered as much from time-shifting. Scripps is also known for having a female-skewing audience on its networks, something that analysts say appeals to certain segments of marketers.

In 2016, Scripps' total revenue grew 12.7% to $3.4 billion, while profit increased 11% to $674 million. A Discovery-Scripps merger would be the biggest media deal since AT&T Inc.'s proposed $85.4 billion acquisition of Time Warner Inc. **last October**, a deal that is undergoing regulatory review. Year to date, media M&A only accounts for $32.7 billion in deal volume globally, according to data provider Dealogic. That is the lowest volume of media deal making since 2010. – ***Wall Street Journal***