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August 15, 2016

Los Angeles Times
[Cable and telecom firms score a huge win in their war to kill municipal broadband]

Wall Street Journal
[Google's High-Speed Web Plans Hit Snags]

New York Times
[With N.F.L. Deal, Twitter Live-Streams Its Ambitions]

Philadelphia Inquirer
[Closing arguments set in Kathleen Kane's perjury trial]

Pittsburgh Post-Gazette
[Candidates, super-PACs pushing the boundaries?]

Philadelphia Inquirer
[Money talks loudly in attack ads for Pennsylvania's Senate campaign]

New York Times
[No state is more central to the Republican candidate's uphill quest]

If you're a Pennsylvania resident, your binge watching of "Orange is the New Black" or other Netflix shows will now come at a price — well, a higher price than your monthly subscription.

As of Aug. 1, the Pennsylvania Legislature and Gov. Tom Wolf adopted a series of new taxes intended to fill the $1.3 billion hole in the state's $31.5 billion budget according to cbslocal.com, one in particular affecting digital downloads and streaming services. Dub bed as the "Netflix Tax," the measure is an extension of the 6 percent sales tax, but now including streaming services such as Netflix and Hulu, in app purchases, games, digital books, maintenance updates and even music, and affects consumers with a Pennsylvania billing address, according to state Rep. Jim Christiana, R-15, Brighton Township.

"The [Pennsylvania] government is in such a rush to jack up spending that they're coming up with new taxes to pay for their government wish list," Christiana said last

than Pennsylvania.

CBS News
Donald Trump: I'll only lose Pennsylvania "if cheating goes on"

week. "Make no mistake, this new tax is going to hit families and small businesses extremely hard." For monthly subscription services like Netflix, Hulu, Pandora or Spotify, the tax will come into effect on the monthly fee, but for purchasing ringtones, music, digital books, etc., the tax will appear immediately upon purchasing.

Andrew Helm of Brighton Township isn't opposed to the tax increase, but rather considers services such as Netflix and music downloads luxuries worthy of being taxed. "I don't see a problem with it," he said. "Necessities shouldn't be taxed — like clothes, bread and milk — [but] Netflix in my mind is a luxury and should follow the same 6 percent tax that most other products follow." Helm, who prefers Netflix over cable and is also an avid music lover, doesn't find it unsettling to now be taxed for downloading songs and albums. "Any time I've ever bought music, say on iTunes, there has been a tax. I don't think streaming should be any different," Helm said.

Like Helm, Chippewa Township resident Jesse Reese believes that the tax is justifiable. "I think it's justified for streaming. We spend more time online than we do sitting in front of televisions anymore, detracting money from production companies," he said. "This is a luxury device, and we pay tax on our luxuries." Reese, who dropped his cable service three years ago, did add however, that if the tax would be further increased, he would have to think twice about keeping his Netflix account. "If it becomes as expensive as cable companies, I'll have to revisit whether I'll continue to use it," Reese said.

In contrast, Christiana believes that for some, small business owners and low-income families in particular, these services are not luxuries but rather necessities, justifying his decision to vote against the tax. "Technology is no longer a luxury item," he said. "There are some small businesses that rely on software to run their businesses that they downloaded from the Internet."

"Low-income families that utilize these service are often working within a family budget. Whether it's a [personal income tax] or some new digital downloads tax, it's going to have an effect on family budgets. That's why I voted against it." In addition, Christiana doesn't believe that the economy is in a position to support this new tax. "Our economy is not growing at a rate that makes me think that people can afford these taxes," he said. – ***Calkins Media***

A relic of the not-so-distant past, most web-surfers abandoned dial-up internet sometime between the launch of the iPod and the iPhone — but that's not the case for almost 2,700 households in the Scranton/Wilkes-Barre metro area.

A study released by the internet startup LawnStarter found that, among the country's 100 largest metro areas, the Scranton/Wilkes-Barre metro area ranked third in percentage of computer households still using dial-up. Using information collected from the U.S. Census Bureau's 2014 American Community Survey, the study suggests that, of 174,525 area households with computers, 2,692 households rely on dial-up to get online. That amounts to one in every 64.8 computer households, or about 1.54 percent.

Only the Stockton, California, and Cape Coral-Fort Myers, Florida, metro areas showed a higher percentage of computer households with dial-up, according to the study. The area's high number of older residents likely contributes to the relatively high rate of dial-up use, according to Teri Ooms, executive director of the Wilkes-Barre-based Institute for Public Policy and Economic Development. "The elderly population is less inclined to have a smartphone, and that small group that is on the internet is more likely to use dial-up" than the general population, Ms. Ooms said.

U.S. Census data from 2010 indicates that 16.4 percent of the city of Scranton's population is 65 years old or older, which is 3.4 percent higher than the national average of 13 percent. This is also the case in Wilkes-Barre, where residents 65 and over comprise 16.2 percent of the city's population.

Many in this age bracket who do use the internet began doing so many years ago, when they were still working and when dial-up was still the industry leader, according to Ms. Ooms, who suggested that many have developed a level of comfort with what they know. “There is less of an inclination to learn or embrace new technology,” said Ms. Ooms, adding that seniors who “got along without (broadband) for so long” may not see the transition from dial-up as necessary. Younger people are also more engaged with streaming services, online gaming and other activities that demand a high-speed connection, she said.

While some web surfers use dial-up for lack of a faster alternative in their area, a report issued by the Institute for Public Policy & Economic Development last year suggests that the Scranton/Wilkes-Barre metro surpasses the national average in several broadband internet availability metrics. The Institute found that DSL internet was available to 97.1 percent of people in the area, compared to 90 percent availability nationwide. There is 95.8 percent cable internet availability, and 100 percent wireless internet availability here, compared to 88.8 percent and 99.4 percent nationwide availability, respectively.

Frontier Communications, which began offering broadband internet in 100 percent of their Pennsylvania service area in 2008, has only about 50 dial-up customers throughout the state, according to communications manager Patricia Amendola. These users constitute individuals from “a mix of areas and a mix of lifestyles” who fit into no single demographic, she said. Given the availability of the high-speed alternatives to dial-up, cost may factor into one’s decision not to upgrade.

Dial-up internet is understandably cheaper than faster, more modern connection types — a fact that may bear on one’s choice to cleave to the outdated technology. The exact price of different connection types varies by provider, but internet service provider NetZero currently offers dial-up service for $15.95 per month. They also offer customers 10 hours of dial-up access per month for free.

Frontier’s basic high-speed internet starts at $34.99 per month, with faster options costing more. While the price difference between dial-up and most DSL connections isn’t exorbitant, the perception of higher costs can dissuade users. Dial-up users are more inclined to consider cost than users of other technologies, according to a 2013 report prepared by the National Telecommunications and Information Administration and the Economics and Statistics Administration in the U.S. Department of Commerce. “Affordability is a much more important factor for dial-up users than for broadband users,” the report reads. “Forty-eight percent of dial-up users indicated they were most concerned about the cost of internet service, compared to 24 percent overall.”

In Scranton, which had a poverty rate of 22.1 percent in the 2014 5-year census estimate, and Wilkes-Barre, which showed a 29.1 percent poverty rate, those on a tight budget might put up with slower speeds to save cash. “The bottom line is that (broadband internet) is very costly,” said Ms. Ooms. “It’s in addition to your budget because it’s not replacing another utility. If they have to make a choice between this and other things, like food or pharmacy, they take precedence. The internet is still considered a luxury for some.”

Ms. Ooms also noted that many people, even those living at or under the poverty line, use smartphone data packages to meet their basic internet needs. “People aren’t going to be paying for (internet) twice,” she said. – ***Scranton Times-Tribune***

Private-equity firm TPG has agreed to buy cable-television providers RCN and Grande Communications for about $2.25 billion including debt, according to people familiar with the matter, in a bet that demand for new broadband services will fuel growth in the businesses.

Google Capital, Alphabet Inc.'s growth-equity investment fund, is taking a minority stake in the companies, which are currently owned by private-equity firm Abry Partners, some of the people said. The transactions could be announced Monday, they said. RCN provides cable, phone and internet service on the East Coast and in Chicago, while Grande specializes in such services in Texas.

Demand for broadband internet service is rising and that has helped spark a wave of consolidation among companies seeking to better position themselves to capture the growth. Notable moves include Charter Communications Inc. 's agreement to buy Time Warner Cable Inc. and Bright House Networks, Altice NV's agreement to buy Suddenlink Communications and Cablevision Systems Corp., and phone giant AT&T Inc.'s purchase of satellite provider DirecTV.

Grande and RCN have shared management and other resources since Abry agreed to buy the two companies in 2009 and 2010, respectively. Their management, including Chief Executive Jim Holanda, will stay on, the people said. TPG has done a number of deals in technology, media and telecommunications in recent years. It joined with Goldman Sachs Group Inc. in 2007 to buy Alltel Corp. and sold the telecom concern to Verizon Wireless two years later.

More recently, TPG has also been known for backing fast-growing startups such as car-hailing app Uber Technologies Inc., rental-room marketplace Airbnb Inc. and music streaming site Spotify AB. It was a bidder for Yahoo Inc., which Verizon Communications Inc. ecently agreed to buy.

The firm has sought investments tied to changing consumer behavior involving online media and other digital content, investing in Ipsy, a cosmetics startup that relies on YouTube for marketing, and online-education company Lynda.com Inc., which LinkedIn Corp. bought. Google Capital tends to focus on later-stage companies that are "harnessing long-term technology trends," according to its website—in contrast to Google Ventures, which places bets on early-stage startups.

Google Capital's investment might have relevance for Alphabet's broadband unit Google Fiber, which is rethinking its approach to building high-speed networks after its initial rollouts proved more costly and time-consuming than expected. RCN and Grande, like Google Fiber, are "overbuilders," meaning they've built networks over existing cable lines to compete against incumbent providers. – ***Wall Street Journal***

Pay-TV subscriber declines are accelerating—at least that is what recent headlines and commentary from media executives suggests. But as the traditional cable bundle fragments and frays, a new wave of streaming services could provide a surprising boost to the most popular networks. Shares of media companies tumbled last year when Walt Disney Chief Executive Bob Iger admitted his company's sports powerhouse ESPN had lost some subscribers. Amid cord-cutting and cord-shaving—the trend of moving to cheaper bundles of fewer channels—determining the rate of subscriber losses is essential to valuing cable-network owners.

The problem is that finding reliable third-party subscriber data is difficult, particularly as the subscriber base grows for nontraditional services such as Dish Network's Sling TV and Sony's PlayStation Vue. Data from Nielsen released last month showed ESPN subscribers declining at a rate of about 4% over the previous year versus a rate of about 2% last year. But the data don't take into account streaming services.

ESPN is on both Sling and Vue, and Disney says it gets paid the same amount for those subscribers. More such services are on the horizon. Disney said during its fiscal third-quarter earnings report last week that ESPN and a number of its other cable networks would be part of AT&T's DirecTV Now streaming offering, expected to launch in the fourth quarter. A similar service from Hulu, in which Disney owns a stake, is **expected early next year**.

Subscriber declines are still happening. Disney said last Tuesday that a drop in subscribers at ESPN offset growth from rate increases. But having a presence on these streaming bundles may mean the difference between a steady or rapid decline in subscribers. In the future, it could even mean a new source of growth for certain networks. Data from pay-TV providers seem to underscore the point. Traditional U.S. pay-TV subscribers fell by 1.3% in the second quarter, versus a 0.8% drop in the second quarter of 2015, according to MoffettNathanson. Include estimates for Sling, however, and the decline was only 0.8% versus a drop of 0.6% a year ago. The research firm estimates that Sling has more than 700,000 subscribers.

Granted, pay-TV provider numbers also include subscribers to TV “skinny” bundles, which typically consist of basic broadcast channels plus premium channels such as HBO. These bundles exclude pricier cable channels and are likely more responsible for declines at those networks than all-out cord cutting. Still, the popularity of these top networks is what makes them so appealing for inclusion in streaming bundles. Nielsen is working with media companies to evaluate how to include streaming subscribers in its estimates. Until then, investors should give credit to the networks that appear on the stream. – ***Wall Street Journal***

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