UTILITY TAX NEWS, TRENDS & POLICY

This non-confidential edition includes excerpts from articles, studies and research related to the National utility tax and telecom industry. Readers should note that some sources may require a subscription for a full review.

Topics

- Telecom Wireless
- Telecom Wired
- Cable
- Streaming Services and Over-The-Top-TV
- Industry Requests of the FCC

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TELECOM WIRELESS

FCC 20th Wireless Competition Report - Annual U.S. Wireless Industry is Finally Competitive: The Federal Communications Commission (FCC) approved a report that says there is effective competition in the mobile wireless industry, even as the number of major service providers is expected to drop from four to three. The report says that the high concentration in the market has not impeded effective competition, pointing to increased investments, lowered prices and new offerings for consumers from Verizon, AT&T, T-Mobile and Sprint. The four companies account for 98.4 percent of the mobile wireless market, according to the analysis. As long as T-Mobile is around to keep Verizon, AT&T and Sprint honest, competition will thrive. Lower priced plans are also feeling the squeeze. With Postpaid plan prices dropping Prepaid plans have had to adjust their pricing to keep their subscribers. While the FCC had stopped short of declaring the industry noncompetitive, many industry observers still took it to mean the agency thought the nation's largest carriers, AT&T Inc. and Verizon Communications Inc., were too powerful.
Source: http://transition.fcc.gov/Daily_Releases/Daily_Business/2017/db0927/FCC-17-126A1.pdf)

Private LTE Networks (Qualcomm): The paper discusses why LTE is now a highly attractive technology for private wireless networks across a wide range of enterprise verticals. It addresses the performance attributes of the LTE radio and system architecture and how the global LTE ecosystem makes it possible for private organizations to deploy and operate high-performance networks without dependency on licensed mobile operators.
Source: https://www.qualcomm.com/documents/read-white-paper-heavy-reading

White Label Devices: Wireless carriers must react to the I-Phone and Samsung subscribers because of the volume of that own those Tier 1 phones. By starting to offer White Label devices, no name phones, the carriers hope to switch subscribers over so they are not caught up in the yearly releases of new phones by Apple and Samsung. Most providers will discount latest I-Phone or Samsung phone to attract or keep subscribers. If providers sell more white label phones they will have a higher margin on the hardware side of the purchase.
Source: www.fiercewireless.com, September 29, 2017

T-Mobile Unlimited Data at Faster Speeds: T-Mobile reports it is able to give unlimited data at faster speeds than Verizon and AT&T. T-Mobile has made great strides and continues to set the pace for all the big providers. The news is how dramatically both AT&T and Verizon's networks have caved since making unlimited available to their customers (T-Mobile, CEO, Neville Ray).
Source: www.fiercewireless.com, July 17, 2017

T-Mobile Raising Prices: T-Mobile, the third-largest wireless carrier in the United States, has made a subtle but distinct increase in its premium "One Plus" add-on that comprises its best "unlimited" data plan. The increase comes in the wake of cooling merger talks among giants within the wireless market.
Source: www.wireless.com, July 6, 2017

Comcast Taking Xfinity Mobile MVNO to Market: Comcast, the nation's largest internet provider, is in the midst of staking out a new, major position in the wireless market with its Xfinity Mobile brand, an MVNO that runs on Verizon's LTE network. Comcast is now selling Xfinity Mobile across its entire cable footprint (roughly one-third of the country) in a direct challenge to AT&T, Verizon, T-Mobile and the rest of the nation's top wireless brands. Now the Cable companies are ready to offer Wireless.
Source: www.fiercecable.com, September 1, 2017

TELECOM WIRED

New Twist to Home Phones: Free Calling from a Google Home (Amazon, Microsoft, and Samsung): The death of the landline has been well-documented for years, as cellphones have become the primary phone for many Americans. Anyone with a Home will now be able to use the device as a stand-alone speakerphone. The calls, which are free, are not tied to your smartphone, meaning you could actually call a different contact on each device at the same time.
Source: Washington Post, August 16, 2017

Frontier Losing Customers that Cut Landlines: Departing customers remain one of the company's most daunting challenges. Frontier must reverse its subscriber trends to demonstrate sustainability to the bond market or it will face growing refinance risk" as it approaches $2.4 billion in debt payments due in 2020 (Moody's, May 24, 2017).
Source: https://www.wsj.com/articles/this-telecom-bet-big-on-landlines-and-lost-1499511601, July 10, 2017

CABLE

Consumers Cancelling Traditional Pay TV: American consumers are cancelling traditional pay-TV service at a much faster rate than previously expected. In 2017, a total of 22.2 million U.S. adults will have cut the cord on cable, satellite or telco TV service to date, up 33% from 16.7 million in 2016. That's significantly higher than the prior estimate of 15.4 million cord-cutters as of the end of this year. Meanwhile, the number of "cord-nevers" (consumers who have never subscribed to pay TV) will rise 5.8% this year, to 34.4 million.
Source: eMarketer

Verizon and ATT losing Broadband Subscribers to Cable Operators: Because of increased broadband speeds which will affect their overall business because they bundle their services and with Cable starting their own wireless offerings this could push more subscribers to go with Cable. One positive is that Cable pays FF and UUT while AT&T's DirecTV does not. The top 10 telcos lost nearly 230,000 broadband subscribers during the second quarter. While this is lower than the loss of about 340,000 broadband subscribers in the same period, it is still notable. AT&T and Verizon may have reported gains with their IP-based broadband and Fios subscriber counts, adding 112,000 and 49,000 subscribers, respectively, but these companies saw sizable legacy DSL losses. Cable, alternatively, added about 460,000 broadband subscribers in the second quarter. At the end 2Q 2017, cable had a 64% market share vs. 36% for telcos.
Source: www.fiercetelecom.com, August 21, 2017 and http://leichtmanresearch.com/research/notes06_2017.pdf

Comcast to Lead Doubling on Consumer Broadband Pricing: It appears that the Cable companies have hit rock bottom on APRU. To counter the declining revenues in Phone and Cable TV they will increase the price of Broadband Service from approximately 40 - $50 to a new ARPU of $90. This is a clever way of competing with the Telecom carriers on both Wired and Wireless Telecom, and Cable TV but boosting the cost of the delivery method Broadband. The excuse for the higher charge is that they have increased the speed of broadband but have not increased the rate. *Editor's Note:* Wireless carriers are just waiting to increase rates because of T-Mobile's aggressive price cutting. What will allow them to increase rates is when 5G is fully integrated the providers will use the excuse to raise rates on the data component: rates will be increased but tax dollars will not.
Source: www.fiercecable.com, October 2, 2017

Cord-Cutting: In the "Cord-Cutting Monitor" report from August (MoffettNathanson LLC) it is calculated that traditional US pay-TV providers lost 941,000 subscribers in the second quarter, by far their worst quarterly showing ever. That's up from the industry's previous record loss of 809,000 subs in the first quarter and 709,000 in the same period a year ago. As a result, the US cable, satellite and telecom industries have now lost more than a combined 1.7 million traditional pay-TV customers in just the first half of this year. Plus, the annual rate of subscriber losses for the industry accelerated to 2.7% in the spring quarter, up from 2.5% in the first quarter. Meanwhile, the rival OTT skinny bundle providers, or virtual multichannel video programming distributors (vMVPDs), fared well, gaining an estimated 469,000 paying customers, or about 50% of the cord-cutters fleeing the legacy pay-TV bundles.
Source: https://www.moffettnathanson.com/default.aspx, August 2017

Cable Delivers the Jobs That American Communities Rely on: An economic impact study shows that every single Congressional district in America is home to at least 300 jobs supported by the cable industry. These represent a diverse set of jobs, ranging from customer service representatives to technical specialists, from screen writers to engineers.
Source: https://www.ncta.com/whats-new?share_redirect=undefined#colorbox=node-2989**,** October 3, 2017

Digital Antennas: Cord-cutters accustomed to watching shows online are often shocked that $20 'rabbit ears' pluck signals from the air. The antenna is mounting a quiet comeback, propelled by a generation that never knew life before cable television, and who primarily watch Netflix , Hulu and HBO via the internet. Antenna sales in the U.S. are projected to rise 7% in 2017 to nearly 8 million units, according to the Consumer Technology Association, a trade group. Almost a third of Americans (29%) are unaware local TV is available free, according to a June survey by the National Association of Broadcasters, an industry trade group.
Source: https://www.wsj.com/articles/millennials-unearth-an-amazing-hack-to-get-free-tv-the-antenna-1501686958?mod=trending_now_2

Cord Cutting Pricier Than Keeping Cable: Meeting TV programming needs and desires by assembling OTT services is now almost more expensive than paying a monthly bill for traditional pay TV. Combined subscriptions to HBO Now, Amazon Prime, Hulu and Netflix are taking a surprising toll on his bottom line. Be prepared to spend $51 a month, minimum. And that number doesn't include your internet package or basic options.
Source: New York Post, August 17, 2017

STREAMING SERVICES / OVER -THE-TOP-TV

Crowded TV Marketplace – Tech Giants: Apple has more than $1 billion budgeted for original programming, Facebook wants its own version of "Scandal" and Google is ready to spend up to $3 million per episode on a drama. The three digital giants have signaled to Hollywood that they are serious about entering a television landscape that Netflix and Amazon shook up just a few years ago. Their arrival will make an already hypercompetitive industry even more ferocious. This year, there are expected to be more than 500 scripted TV shows, more than double the number six years ago. Still, many in the industry are taking a believe-it-when-we-see-it approach to the new players. Netflix and Amazon have made successful forays into scripted entertainment, but some efforts by digital titans like Microsoft and Yahoo have fizzled.
Source: New York Times, August 20,2017

Facebook is Willing to Spend in Video Push: Social-media giant could spend as much as $1 billion to cultivate original shows for its platform. *Editor's Note:* OTT/Cable is gearing up to be a hyper competitive industry for the next five years; it will probably take that long to find out who are the winners and losers when subscriber are able to pick (subscribe) from the multitude of offerings.
Source: Wall Street Journal, September 9, 2017

"New TV": DreamWorks Animation co-founder Jeremy Katzenberg is convinced that the new product, called New TV, can upend the format of television for mobile devices. He wants to create the next-generation version of HBO or Netflix, purpose-built for viewing on phones and tablets with short-form content of premium quality — think of "Game of Thrones" as if each episode had a narrative arc of 10 minutes. Mr. Katzenberg last year sold DreamWorks Animation to Comcast for $3.8 billion. He said that one of the greatest revelations for him over the last year as he developed the idea for his company, called WndrCo, was that "content" was not the holy grail.
Source: New York Times, October 2, 2017

Technology Impact on Television: Reflects the convergence of television, the internet and wireless technology. For traditional broadcast and cable networks it's no longer enough to make hit shows. They must make them available for streaming and downloading on multiple platforms or risk losing advertising and subscription revenues. And to grab a share of those revenues, and to differentiate their products and services, technology companies must own content – either by buying or making it. Original content, especially prestige fare defines a company and fuels subscriptions.
Source: www.theguardian.com, September 15, 2017

Streaming Services/ Millennials: A new survey from researcher Morning Consult found that the proliferation of OTT streaming services may already be taxing young audiences. According to the survey, 57% of 18 to 29-year olds agreed that there are too many streaming services, and 42% already felt they were paying too much for them. This was despite the fact that 26% weren't spending any money at all on these services, and the majority were subscribing to two or less. According to the survey, most Americans are spending $10 or less on streaming, although the average for millennials is slightly higher.
Source: https://morningconsult.com/2017/08/21/young-cord-cutters-cost-concerns-still-willing-pay-streaming/

The Age of 1,000 Streaming Services Is Upon Us and It's Going to Get Ugly: Streaming was supposed to save us money, but Americans could end up paying more than their old cable bills to get all the new services coming online. A new future for television is on the horizon: One in which we all cut the cord from our costly cable packages stuffed with channels we don't watch. Instead, we'll subscribe one-by-one to the streaming video services we actually want, on which everything is available on-demand on any device.
Source: https://www.wsj.com/articles/the-age-of-1-000-streaming-services-is-upon-usand-its-going-to-be-ugly-1504109072

Netflix Raises U.S. Prices: Move is a gamble that subscribers will stay with video-streaming company amid a surge in competition. As of Thursday, Netflix's price for new subscribers went up by $1 to $10.99 a month for its standard plan, which allows two concurrent streams. The premium plan allowing four concurrent streams went up $2 to $13.99 a month. The basic plan will continue to cost $7.99. The price increases will be rolled out in coming months to Netflix's roughly 50 million current U.S. customers. **Source:** Wall Street Journal, October 5, 2017

North America Has the Most Mature SVOD Market in the World. Netflix and Amazon Prime Video may face a number of new competitors with specialized services, but these providers' hold on the North America SVOD (Subscription-Video-On-Demand) market isn't going to let up anytime soon. Netflix and Amazon will account for 72.5% of the North America's SVOD subscribers by 2022, down from 78.6% in 2017. With over 112 million subscribers for film and TV episode platforms, North America's SVOD market has earned its status as the most mature market in the world.
Source: https://www.digitaltvresearch.com/press-releases?id=211

AT&T Wants to Ditch Dish (DirecTV) for an IP based Delivery System for OTT: AT&T plans to launch a cable TV-like service for delivery over-the-top over its own or a competitor's broadband network in 2018. The AT&T OTT video offering will be in beta trials before year-end and is laying the groundwork for 'software-based' TV delivery that will ultimately replace satellite delivery of video directly to the home, Stephenson said. Pay-TV providers are losing customers because, at a cost of $115 to $120 a month, today's service is too costly. But considering that content costs are unlikely to come down much AT&T aims to get costs down by changing the company's delivery method by shifting to a DirecTV Now-style platform for all video offerings.
Source: www.telecompetior.com, September 12, 2017; www.lightreading.com, September 13, 2017

INDUSTRY REQUESTS OF THE FCC

AT&T says FCC Should Adopt Targeted Pole Attachment: One of the biggest issues with the pole attachment process for AT&T and new competitors like Google Fiber is the timeline for the make-ready process that carriers and pole owners take before new entrants can get access to a pole.
Source: www.fiercewirelss.com, July 13, 2017

T. Mobile Asks FCC to Add More Cell Sites: T-Mobile in a formal filing has told the FCC it plans to add tens of thousands of new cell sites and upgrade existing base stations, but is hitting governmental barriers at the state and local level. T-Mobile said its wireless network currently has about 66,000 cell sites, including macro sites, small cells, and distributed antenna systems (DAS) nodes. T-Mobile also contends local governments are imposing "exorbitant" site fees, such as recurring annual fees and application fees.
Source: www.wirelessweek, September 26, 2017