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Look out, HBO: Netflix produced more original programming than cable's premium-network leader last year, according to numbers provided by the two rivals.



The Internet video service isn't slowing its production, either, even if it risks losing subscribers to price increases that will help pay for more exclusive shows. Since its push into original shows kicked off in earnest with the 2013 debut of "House of Cards," Netflix has hit the fast-forward button. Last year, it produced 450 hours of original programming, compared with 401 from Time Warner's

HBO. This year, both companies say they expect to release roughly 600 hours of original material.

HBO is the network that Netflix CEO Reed Hastings set out to emulate when his service began charting a course away from streaming TV reruns and previously released movies. Ted Sarandos, the company's head of programming, famously told GQ in 2013 that Netflix's goal was "to become HBO faster than HBO can become us."

Netflix is aiming to put itself into "an entirely different and supreme league" from its rivals, said Tom Nunan, a former TV network and studio executive who now lectures at UCLA's School of Theater, Film and Television. The company's goal, Nunan said, is to become the first global network for original shows and movies. With Netflix available in

190 countries, Hastings expects Netflix to surpass 100 million subscribers next year.

Amazon, Hulu and other services are scrambling to catch up with their own moves into original programming. Although Amazon's original slate is only a quarter the size of Netflix's, the online retailer can boast that its shows won one more Emmy award last year than its rival's shows did. Netflix is counting on a vast library of original programming to help keep subscribers on board as it faces tougher competition.

Amazon, for instance, just started offering its streaming-video service for \$9 a month; previously, customers had to sign up for the company's \$100-a-year Prime service, which includes free shipping from its e-commerce site and other goodies.

Amazon is undercutting Netflix's \$10 monthly price for its most popular video-streaming plan; so is Hulu, which charges \$8. HBO charges \$15 a month for a video-streaming service it launched last year to compete with Netflix. Netflix will test the loyalty of its longtime subscribers this month when it starts to increase their price by 25 percent after a two-year freeze that kept the rate at \$8 a month. The increase will hit 17 million to 22 million U.S. subscribers, based on analyst estimates.

There's a worrisome history: In 2011, subscribers fled when Netflix split off its DVD-by-mail operation from its burgeoning streaming business, a shift that increased prices for some subscribers by as much as 60 percent. At the time, Netflix lost 3 percent of its U.S. subscribers. A similar reaction to this price increase might cost it 510,000 to 660,000 subscribers in the second quarter. Analysts think a repeat of significant subscriber losses is unlikely. "I don't think you are going to see a lot of people bailing out and running for the exits," said Martin Pykkonen, a Rosenblatt Securities analyst, largely because Netflix now has so many shows that are unavailable elsewhere.

The original programming seems to be a major draw for many subscribers. In a recent online survey of 2,500 U.S. adults conducted by Morgan Stanley, 45 percent cited it as a reason to subscribe to Netflix. HBO, however, still has a huge advantage over Netflix in terms of prestige. Last year, the cable network won 43 Emmys — more than any other TV network — while Netflix's original programs garnered four, one fewer than Amazon. — **Associated Press**

Donald J. Hall Jr., chief executive officer of Hallmark Cards, announced that Hallmark has completed the short-form merger with Crown Media Holdings, home of Hallmark Channel and Hallmark Movies & Mysteries, and has taken the company private. — **TV NewsCheck**

Verizon has deployed thousands of re-directed and temporary employees to fill in holes, as a strike by unionized wireline workers drags on. The workers are a mix of Verizon staff who are on special assignment, as well as contractors who recently graduated the company's technical training center in Virginia — otherwise known as the Hogwarts of the telecom business. "While we'd rather have our seasoned veterans in these positions, each day, more and more customers are giving us high marks in that their inquiries and issues are being successfully resolved in our call centers and in the field," said Bob Mudge, president of Verizon's wireline network operations, in a release. "We are taking additional steps to ensure our services are available as our customers deserve and expect." — **Fierce Cable**

For TV networks, disrupting the pay-TV bundle has largely been tomorrow's project. But if Hulu's plans are any indication, the future may be now, or at least soonish.

Hulu is developing a subscription service that would stream a "skinny" bundle of broadcast and cable channels and might sell for as little as \$40 a month, The Wall Street Journal reported. It is an acknowledgment by its owners, which include Walt Disney, 21st Century Fox and silent partner NBCUniversal, of the shift in consumer

viewing habits to cheaper bundles of fewer channels, distributed via the Internet. But while media companies may want to capture that growth, the planned service could also undermine their existing businesses.

For one, the launch of a direct-to-consumer streaming service featuring such cable powerhouses as ESPN would be a declaration of war against distribution partners. While it may not change the calculus for NBCU-owner Comcast, this could give pay-TV providers more leverage over TV networks in affiliate negotiations.

And it might prove difficult for networks to make up for lost affiliate-fee growth. A \$40 price point could mean each network gets paid at its current rate, but it might not mirror price increases in their existing contracts. A Hulu skinny bundle also could threaten networks' other primary revenue stream: advertising. Any ads are unlikely to command the premium pricing of TV ads.

Granted, a Hulu service may still prove the best way for its owners to capture subscribers opting out of pay TV. But as media companies take the plunge into streaming, investors should also start holding their breath. – **Wall Street Journal**



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