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May 11, 2016

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Chambersburg (Franklin Co.) Public Opinion
Franklin County gets new IT chief

After months of debate, Pitcairn (Allegheny Co.) Council on Monday decided to end its borough-owned cable and Internet service.

Starting July 30, Pitcairn will no longer provide cable and Internet service for its current customers, giving them 10 weeks to find new providers. The current contract for the borough-owned services would have automatically rolled over to a two-year renewal on June 1 if council hadn't decided to end them. In a 6-1 vote, council agreed to remove itself from the responsibility of providing the service.

Council Vice President John Prucnal said the borough no longer has modems for any new customers and that "it isn't worth it" to buy any more. "We've beat this with a dead horse," Prucnal said. Councilman Rollo Vecchio voted against the motion. Vecchio said he still wants to explore the option of selling the current equipment or contracts to the highest bidder. "It's worth a shot to see what we can get," he said.

Council President Jack Bova said he is willing to meet with any businesses interested in taking over the services for Pitcairn's current customers and converting them to their own customers, but it "has no bearing on council's vote (to end service on July 30)." Prucnal had said earlier that for Pitcairn to continue service to 440 cable customers and just over 100 Internet customers, it would have cost the borough $12,000 per month, in addition to paying $4,800 per month for upgraded digital equipment.

Ligonier Township (Westmoreland Co.) supervisors authorized township administrators to apply for a grant from the Appalachian Regional Commission to fund a feasibility study for bringing broadband service to the township.

Township Manager Terry Carcella said there are no specific deadlines to submit an application or limit on how much money can be requested. He said the study was suggested by township residents. "There's a possibility here that the township could greatly benefit," said township Zoning Officer Richard Bell. "It would help in keeping businesses here, and there are a number of people that work in Pittsburgh and live in Ligonier Township who could work from home."

Carcella said the township should work with officials in Westmoreland County and neighboring municipalities on expanding broadband service to the area. He noted the

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[U.S. charges State Sen. Farnese with bribery]

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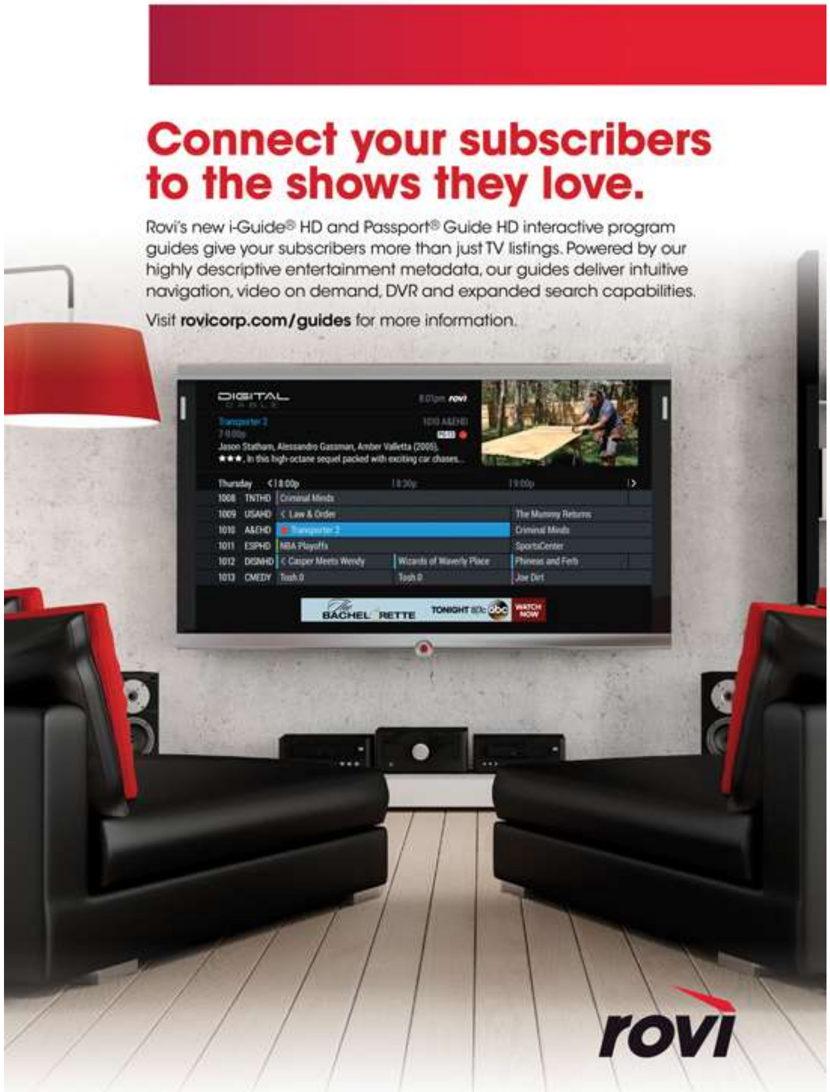

A psychodrama has played out all year involving Disney chief Bob Iger and Wall Street analysts. It concerns the future of the cable bundle on which consumers shell out $80 or $100 every month. Mr. Iger says the bundle is not going away soon, and—anyway—Disney can always sell its hugely profitable ESPN directly to consumers over the Internet.

Skeptical analysts say the cable bundle is fading fast, and Disney would never be able to replicate the revenues it gets from the bundle by peddling ESPN *à la carte* to subscribers. This argument may play a role in Disney's stock-market wobble since last summer, despite the Star Wars bonanza. It may be a subtext in the surprise departure of heir apparent Thomas Staggs, if the ESPN debate suddenly has Disney's board rethinking what it needs from its next chief.

Yet there is reason to think Disney and its Wall Street antagonists are both wrong. An over-the-top ESPN would not be the money spinner Disney hopes, but the cable bundle isn't going away. On the contrary, the cable bundle will be remade in the world that's coming. The reason is a little-noticed technological-strategic fork in the road known as IP Multicast.

Let's rehearse: The Internet is still a "network of networks" delivering an infinite variety of services, but by volume it's increasingly delivering TV. Secondly, operators know a coming commercial imperative will be to give customers all their content on all their devices, everywhere, which means wirelessly. Third, on-demand (think Netflix) may be the future of a great deal of TV, but live TV like sports, which millions watch simultaneously, will still constitute the lion's share of TV's value proposition.

Live TV is also the biggest challenge for the Internet: Everybody is watching at the same time; you can't store local copies in advance. Live TV, if handled like on-demand TV, would clog up the Internet with duplicate streams for every viewer. A single so-so NFL matchup would buckle the Internet. The solution? IP Multicast, which (belaying much jargon) allows an infinite number of devices to tune into what amounts to a single stream across much of the network.

Now here comes the billion-dollar question: Is it possible to implement IP Multicast across the entire Internet, so any content owner could address live content to millions of users simultaneously, without buffering, undue latency or chronic picture breakup? Or, realistically, does it involve so much managerial heavy lifting that it will be implementable on a big scale only *inside* the networks of major cable and wireless providers?

We suspect the latter. In fact, it's already unfolding this way in wireless, where the parallel technology is LTE-B (B for broadcast). If so, system operators won't become dumb pipes, the connectivity-and-content bundle will survive, and ESPN could actually become more central than ever to a new bundle focused on live "event" programming.

OK, you may doubt this particular outcome, but the stock market's friendly treatment of the cable industry lately suggests a growing awareness that distribution may not be quite as commoditizable as some suspect. Of course, a little problem is the Obama administration's net-neutrality crusade. Let's face it, digital cable TV, as it now exists, would be deemed a net-neutrality violation if it didn't already exist, because it's sent over the same network that delivers unfiltered Web browsing.

The net neuts can't very well ban a product that millions are used to getting, and which incidentally paid for much of the broadband rollout. But they can stop cable TV from evolving—the implicit drift of the Federal Communications Commission's increasingly busy infringements on the business models of existing TV players.

At bottom, net neutrality has become a procrustean fetish. Like the computer itself, the Internet is an infinitely adaptable machine. Imposing net neutrality on the Internet is like saying the PC can only run browsing software; it no longer is allowed to host local software like Microsoft Word because, you know, that would be unfair to those offering similar services over the Web.

Frankly, this is crazy. Not only will it impede the emergence of services that the public actually wants, like live Internet TV as well as novel Internet of Things-type services. Unless such revenue opportunities are available, carriers won't be shelling out for the next-generation wireless and wired networks we crave.

Happily, rescue may yet come from the D.C. Circuit Court of Appeals, currently hearing a case brought by big and small network providers. If we're lucky and the court is brave, a decision any day now will sweep away the uncertainty the lame-duck Obama administration has brainlessly inflicted on one of the few American industries that continues to invest in new consumer services and vital infrastructure necessary for future productivity of the entire economy. – ***Wall Street Journal*****;** **in *New York Times*, ESPN settles skinny bundle suit with Verizon**

Walt Disney Co.'s revenue and earnings for its fiscal second quarter fell short of Wall Street expectations, driven largely by declines in its cable-TV and consumer-products businesses. The rare miss for the media giant drove its stock down more than 5% in after-hours trading. Movies were a bright spot, thanks to a string of blockbuster successes including "Star Wars: The Force Awakens," "Zootopia" and "The Jungle Book."

But analysts on a conference call discussing the results for the quarter ended April 2 focused on the trouble spots—a fact Chief Executive Robert Iger noted later. "I'm surprised we didn't get one question about our studio," he said.

As they have for the past year, analysts ignored the box-office hits and focused largely on Disney's television business, which like that of its competitors is challenged by rapid technological change and disintegration of the traditional high-cost cable bundle of hundreds of channels. Disney also took an unexpected $147 million write-down as it decided to cancel its costly videogame-and-toy franchise "Infinity" and lay off close to 300 people who worked on it.

Analysts were most interested in so-called skinny packages that cost less and offer fewer channels, and what effect they might have on Disney and, in particular, its ESPN sports network. Mr. Iger declined to offer any specifics but said products such as Dish Network Corp.'s Sling and Sony Corp.'s Vue "have been very encouraging" and contributed incremental subscribers for ESPN during the quarter. "We're also in discussions with a number of entities, some current distributors coming forward with new packages and some completely new distributors," Mr. Iger said. "We're very, very encouraged by the discussions-slash-negotiations."

The Disney CEO also talked up plans by Hulu, which his company co-owns with 21st Century Fox and Comcast Corp., to launch its own package of channels over the Internet by next year. "We think they have a great opportunity," Mr. Iger said, "because they can leverage their user base and have a great user interface."

Mr. Iger declined to shed much light on the company's new succession plans after the unexpected departure of chief operating officer and heir apparent to the CEO Tom Staggs. "I will remind people I have just over two years left on my contract as CEO and the board is very actively engaged in a succession process," said Mr. Iger, in his first public comments on the issue, adding his plans to retire in June 2018 haven't changed. "I believe [the board] has ample time to identify a successor."

Disney's overall revenue rose 4% in its fiscal second quarter to $12.97 billion, while net income grew 2% to $2.14 billion. Revenue at its movie studio grew 22% to $2.06 billion and operating income rose 27% to $542 million thanks to box-office hits and higher revenue from international television distribution. The only other business that saw an increase in revenue in the quarter was parks and resorts, where the company's domestic theme parks led the way.

Attendance at Disneyland and Walt Disney World was consistent with the same quarter a year earlier, but average spending rose a hefty 8%. Although results were weighed down somewhat by pre-opening expenses at Shanghai Disneyland, higher costs at Disneyland Paris and lower attendance at Hong Kong Disneyland, total revenue for the parks and resorts business grew 4% to $3.93 billion; operating income rose 10% to $624 million.

Mr. Iger took the opportunity to talk up the prospects of the $5.5 billion Shanghai Disneyland before its opening on June 16. The resort began final testing with visitors this past weekend. "After 17 years of working on this project, I'm still awed by it," the CEO said. Television revenue was flat at $5.79 billion and operating income grew 9% to $2.3 billion. ESPN benefited from lower costs in the quarter thanks to fewer major sporting events, but also had a 13% drop in advertising revenue. Advertising revenue would have risen 3% but for the timing of college football playoff games, most of which occurred in the first quarter of this fiscal year but the second quarter of fiscal 2015, said Chief Financial Officer Christine McCarthy.

Disney's decision to cancel "Infinity," which was an initial success when it launched in 2013 but has since struggled against growing competition and stagnant consumer interest in the "toys-to-life" category, means the company has completely ceased publishing videogames for consoles, a business on which it has spent hundreds of

	millions over the past decade. From now on, it will only make games for mobile devices, while using licensing deals with partners like Electronics Arts Inc., which made last year’s hit “Star Wars Battlefront” game for costlier titles on consoles such as Microsoft Corp.’s Xbox and Sony Corp.’s PlayStation. – ***Wall Street Journal***

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