

# Conn. sets new First Five milestone in Charter

BY ALEXANDER SOULE

casoule@westfairinc.com

In awarding \$6.5 million for Charter Communications Inc. to move its headquarters to Stamford, Gov. Dannel P. Malloy cemented the city's status as a center for the TV and digital industry – if doing so via a company that would represent among the biggest excesses of the telecom bubble of the late 1990s.

Famed for its sale to Microsoft Corp. co-founder Paul Allen – and its subsequent bankruptcy just a few years ago that wiped out much of his investment – Charter remains today the fourth largest cable television company in the nation, if one that has seen more success of late with its Internet and voice products than its mainstay video offerings.

Charter's arrival fills a void left by Time Warner Cable Inc., after the company moved its headquarters from Stamford to New York City on the eve of its 2007 initial public offering of stock. Stamford remains the corporate headquarters of Frontier Communications Corp., the largest telecommunications pro-

vider in the nation focused on services to rural regions.

Under former Time Warner Cable and Cablevision executive Tom Rutledge, who lives in New Canaan, Charter will plot its course from its new headquarters in 70,000 square feet of space at 400 Atlantic St., which is leasing up as UBS and American Express Co. wind down their own offices in the building. Rutledge said some 70 people would move to Stamford from St. Louis; as reported by the Fairfield County Business Journal the day before the Malloy announcement in early October, Charter was already recruiting for dozens of local positions on the job board of Stamford-based Indeed.com.

"We wanted to move to the New York metropolitan region because we thought that the area was good for us for a lot of reasons, particularly transportation (and) access to other media companies," Rutledge said. "It's good to be in a place where you can have the contacts with other businesses which will allow your business to be creative and thrive and grow."

Rutledge has had less than eight months to get his bearings as CEO of Charter. In the first half of 2012, Charter lost \$177 million

as revenue rose 5 percent to \$1.9 billion. The company has been adding voice and Internet customers this year, but losing video subscribers, with the recession's impact on household budgets the primary culprit.

"Our previous strategy and our results have created a lot of data-only relationships in Charter," Rutledge told investors in August. "We have almost one million of those relationships, and so the opportunity to sell them other products has always been a part of our strategy. ... Even larger than that is the unsold (cable) 'passings' universe and the satellite subscriber base that exist inside that universe."

Founded in 1993 in St. Louis by cable industry veteran Howard Wood and two colleagues, in 1998 Microsoft co-founder Paul Allen spent \$4.5 billion to acquire the company in one of the ballyhooed deals of the dot-com era, with the Allen investment unleashing multiple new acquisitions throughout the Southeast and Midwest, including deals to pick up subscribers in Connecticut.

Charter went public in 1999 at the peak of the telecommunications bubble, with the company raising \$3.5 billion in the IPO. A breakneck pace of acquisitions and cable-

system swaps would finally catch up with the company, however, with Charter declaring bankruptcy protection in 2009 and a judge ultimately approving a plan that saw Allen's stake squeezed down to a 35 percent share.

Allen is now in the process of selling off the large portion of his remaining shares of Charter Class A stock, as are affiliates of New York City-based Apollo Management L.P.

Of nine companies to receive First Five or Next Five incentives from the Malloy administration in exchange for adding at least 200 jobs in Connecticut, Charter is the only one to have undergone a bankruptcy restructuring.

With Malloy fresh off a controversial decision to award the wealthy hedge fund Bridgewater Associates L.P. \$115 million to move its headquarters from Westport to Stamford, Charter will get \$6.5 million to outfit its own offices.

"This is one of the things that fits our sweet spot and is one of the things that we decided to go after, and that is communications and digital communications in particular," Malloy said. "The proximity to New York is a great selling point; the lower tax rate than New York is a great selling point."

## Conn. still 40th on taxes

BY ALEXANDER SOULE

casoule@westfairinc.com

Despite enacting higher taxes in 2011, Connecticut did not budge from 40th on the Tax Foundation's annual ranking of state business tax climates, even as a separate report issued by the Cato Institute flunked Gov. Dannel P. Malloy on his tax and spending policies.

The studies arrived as the U.S. Department of Labor provided an update to yo-yoing employment figures nationally, with the U.S. unemployment rate dropping to 7.8 percent in September from 8.1 percent in August. At press deadline, the Connecticut Department of Labor had yet to publish DOL estimates for September's state and local unemployment rates. Connecticut's jobless rate shot up to 8.5 percent unexpectedly in August from 8 percent in July, with Malloy among those expressing skepticism of the estimates.

In its own study, the Federal Reserve Bank of New York said that the New York City region is being increasingly polarized into high-skill jobs and relatively menial ones, displacing workers with "middle skills" in areas like construction, manufacturing, teaching, and sales among others; and that the trend is more pronounced here than elsewhere in the country.

"Like you I look around at what's going on ... and small businesses in particular – the guys who paint houses for a living, trim trees for a living, repair cars or own a sandwich shop – these people are really, really struggling," said Richard Peach, an economist with the Federal Reserve Bank of New York, speaking at an October conference in Stamford hosted by the Connecticut Business & Industry Association and the Stamford Chamber of Commerce. "The amount of income that people have to devote to getting their houses painted and their trees trimmed ... (is) way below where it would be in a normal, robust recovery."

The Tax Foundation and Cato Institute studies arrived in the wake of Malloy's receipt of recommendations from a business tax policy task force he commissioned earlier this year, with the task force recommending several changes over a six-year period to simplify Connecticut's business taxes with an eye on spurring job creation.

Connecticut continues to hold its dead-last ranking for property taxes as determined by the Washington, D.C.-based Tax Foundation, otherwise falling between 30th and 35th on sales, income, corporate and unemployment taxes. The Malloy task force did not address property taxes, given it remains largely the jurisdiction of municipi-

palities and not the state.

New York and New Jersey ranked 49th and 50th on the study, while Wyoming led the nation and New Hampshire was seventh to lead the Northeast.

"The lesson is simple: a state that raises sufficient revenue without one of the major taxes will, all things being equal, have an advantage over those states that levy every tax in the state tax collector's arsenal," stated Tax Foundation analysts Scott Drenkard and Joe Henchman, in a blog accompanying the report.

Among Connecticut's other Northeast neighbors, Massachusetts placed 22nd and Rhode Island 46th. Maine, meanwhile, made the biggest gain in vaulting seven slots to 30th, after repealing its Alternative Minimum Tax and changing its treatment of net operating losses.

For its part, the Cato Institute flunked Gov. Dannel P. Malloy's tax and spending record in a new report, ranking him above only Illinois' governor nationally.

The think tank gave New Jersey Gov. Chris Christie a B grade and New York Gov. Andrew Cuomo a D.

Cato Institute scholar Chris Edwards faulted states in part for expanding tax incentives that the institute said clutter the tax code in an attempt to micromanage the economy." Malloy raised taxes \$1.8 billion

and "had the gumption" in Edwards' words to tout relatively small tax credits he implemented as far reaching.

"Malloy is a good example of a governor who creates a more hostile climate for businesses in general, but then tries to compensate for the damage with tax incentives," Edwards wrote in the report. "The truth is that Connecticut would be more ready to compete in the global marketplace if the governor hadn't put in place one of the highest corporate tax rates in the nation."

Under Malloy's First Five program, Connecticut has used tax incentives to lure the headquarters of Charter Communications Inc., NBC Sports and Cigna Corp., among nine expansions to date each involving at least 200 new hires.

### CORRECTION:

Twelve percent of households in Fairfield County speak English "less than very well," according to recent U.S. Census Bureau data. A page one article in last week's edition contained incorrect information.

Copyright of Fairfield County Business Journal is the property of Westfair Communications, Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.