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November 10, 2017

Telecompetitor
AT&T: With 800K Subs, We Now Know Enough About DirecTV Now to Take it To the Next Level

New York Times
Op-ed by FCC Chairman Ajit Pai: Media Ownership Rules Must Adjust to the Digital Era

USA Today
Netflix, Amazon and Hulu remain top 3 subscription streaming services, HBO moves up

Reuters
Sling TV gains help Dish ride

A day after disagreements between AT&T Inc. and the U.S. government over the company's proposed takeover of Time Warner Inc. spilled out into the open, both sides tried to mute tensions that threatened to mar negotiations.

AT&T Chief Executive Randall Stephenson said Thursday he had no reason to believe that antitrust enforcers' examination of the deal was influenced by President Donald Trump, who has criticized Time Warner's CNN as unfair to him. Mr. Stephenson also said AT&T would continue to work toward a negotiated settlement. Meanwhile, a government official close to the negotiations said the Justice Department believed there were many ways to resolve its concerns, and that a sale of Time Warner's Turner television unit or of AT&T's DirecTV weren't the only options.

After a long antitrust review, people familiar with the matter have said, the agency recently raised the prospect that the telecom giant would have to divest either the Turner unit, which includes CNN and other cable networks, or the satellite DirecTV business that AT&T bought two years ago. The government official close to the negotiations said no final decision has been made and that the department was in ongoing conversations with the companies.

Mr. Stephenson also said Thursday he wouldn't shed a major business to win government approval of the takeover and that he was ready to take the fight to court. "We are prepared to litigate now" if the companies cannot reach a negotiated settlement with the Justice Department, Mr. Stephenson said at the DealBook business conference Thursday in New York.

AT&T has argued the roughly $80 billion cash-and-stock deal shouldn't raise competitive concerns, while consumer advocates as well as some lawmakers and media rivals have disagreed. A letter from 11 Democratic senators to Attorney General Jeff Sessions in June said the deal would give AT&T "unmatched control of popular content and the distribution of that content," which could lead to higher prices and few choices for American consumers.

AT&T's critics also have said the telecom company would have incentive to favor Time Warner content over programming from other entertainment companies, and that AT&T could gain bargaining leverage when negotiating carriage fees for Time Warner channels with other pay-TV providers, including Comcast and Dish Network.

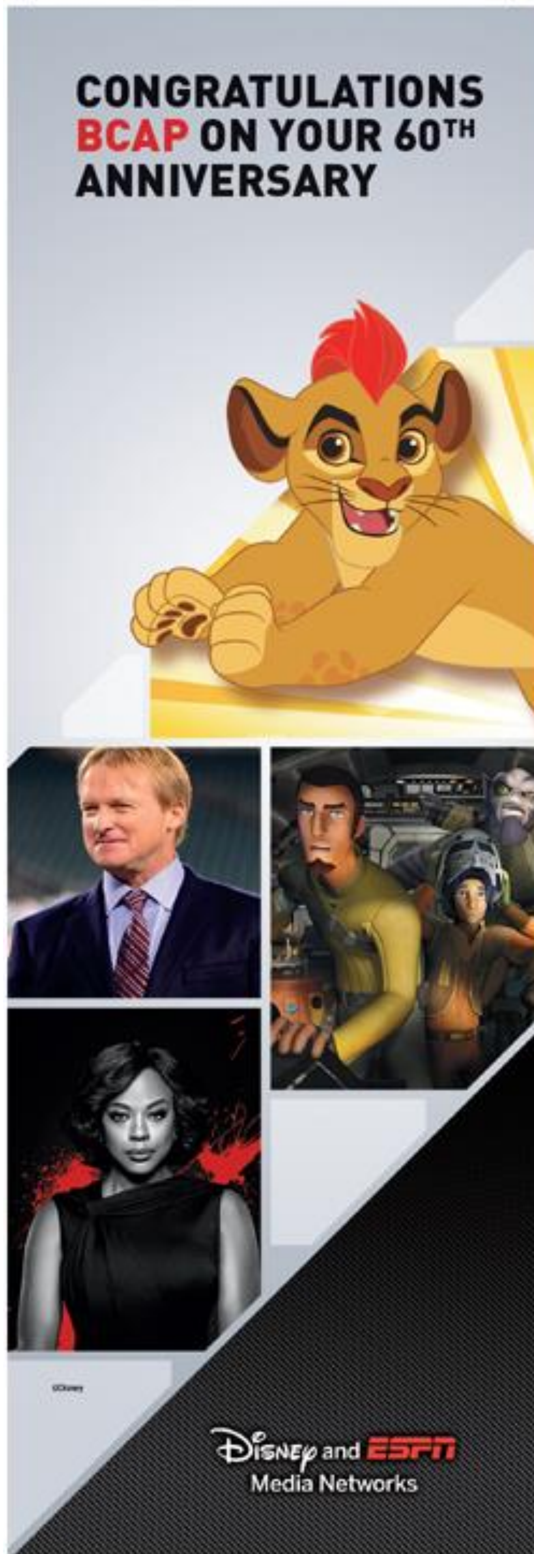
out Maria losses

Variety
Hulu Launches on Nintendo Switch Game System

Allentown Morning Call
Pa. senators respond to GOP tax plan roll-out

Pittsburgh Post-Gazette
List of Democratic candidates submitted in bid to replace Tim Murphy

Pittsburgh Post-Gazette
Editorial: Budget fudge – The state limps to a fiscal solution, for now



On Thursday, Mr. Stephenson didn't address any specific legal concerns the government raised with him but criticized the idea that a bigger AT&T could hurt media competition, saying it "borders on comical." "Concentration of power is the least problem of this industry," he said, pointing to technology giants like Netflix , Amazon.com , Google and Facebook that have invested heavily in entertainment and advertising.
The Justice Department's final AT&T decision will fall heavily on Makan Delrahim, the new head of the department's antitrust division. Before his confirmation in September, Mr. Delrahim was a deputy White House counsel, a role in which he focused on the president's slate of conservative judicial nominees. He previously worked in the Justice Department's antitrust division during the George W. Bush administration and is well-known in antitrust circles, where he is viewed as a conservative who would favor lighter government intervention on some issues.

After the Time Warner deal was reached last fall, Mr. Delrahim, who at the time was still in private practice, said he didn't think the merger raised jor antitrust concerns. "Just the sheer size of it, and the fact that it's media, I think will get a lot of attention. However, I don't see this as a major antitrust problem," he said in a television interview. In the same interview, he said the deal could raise "some concerns and antitrust issues of one distributor owning various content, and it might somehow impact other distributors." Shares of Time Warner fell 1.6% to $87.05 in Thursday's trading, while AT&T gained nearly 2% to $34. Both stocks have dropped sharply in recent weeks amid concerns about both the health of the pay-TV business and the fate of the transaction.

Peeling off a large part of either company could threaten a strategy that AT&T executives have pieced together over several years. The company paid $49 billion to acquire DirecTV and its 20 million subscribers. Last year, it **offered $85 billion** for Time Warner, counting on the idea that a combination of entertainment, internet and wireless assets could keep customers hooked on its services.

Mr. Stephenson said he doesn't plan on selling CNN and that no one in the Justice Department had made that a condition of approving the deal. "I have never been told that the price of getting deal done was selling CNN," Mr. Stephenson said. "I have never offered to sell and have no intentions to sell CNN." The AT&T chief also dispelled the idea that he might agree to shed some larger division of Time Warner. "It's illogical," Mr. Stephenson said, saying media properties like Turner's cable channels and HBO are why the company struck the deal in the first place.

If the standoff were to turn into a court case, Mr. Stephenson said he was confident in the company's legal position and that the litigation could be concluded by April 22, a new deadline the merger partners put on the transaction. Such court cases are rare, though the Justice Department recently won rulings against a pair of mergers of health-insurance rivals. Unlike those deals, AT&T and Time Warner don't have overlapping businesses. The Justice Department hasn't challenged many mergers that combine complementary companies at different links in the same supply chain.

The department, however, almost challenged such a deal last year in the semiconductor industry. The would-be merging parties, Lam Research Corp. and KLA-Tencor Corp. , abandoned their merger plans after Justice Department antitrust officials raised objections. – ***Wall Street Journal***

Walt Disney Co. Chief Executive Robert Iger disclosed new details on coming streaming services and the Star Wars film franchise as the company reported declines in three of its four core businesses for its latest quarter. Mr. Iger wouldn't comment on recent reports that Disney **pursued an acquisition** of 21st Century Fox Inc.'s entertainment assets and declined to take questions on the topic during a conference call with analysts on Thursday.

Disney is developing new television series based on some of its biggest franchises—"Star Wars," "Monster Inc.," "High School Musical" and Marvel—that will be carried on a Netflix-style streaming service set to launch in the second half of 2019, Mr. Iger told analysts. Those are the first specific programming announcements Disney has made about the service. By placing such premium content there, rather than on its cable channels or ABC network, the company is signaling that it views the direct-to-consumer offering as a high priority.

Mr. Iger also provided some information on pricing for the service, saying it will be "substantially below" that of Netflix Inc. because it will start with "substantially less volume." Netflix currently charges between $8 and $12 a month. As Disney adds more content to its service after 2019, the CEO said, the price could increase.

Mr. Iger also revealed that an ESPN digital offering scheduled for next year will debut in the spring and be called ESPN Plus. It will be part of a redesigned ESPN app that includes sports scores and highlights along with content from the cable network available only to people with a pay-TV subscription. The digital offering will include sports such as hockey and tennis that don't air on the cable network. In addition, Mr. Iger for the first time provided details on the company's plans to produce Star Wars movies beyond a current trilogy set to end in 2019. Rian Johnson, the writer-director of this December's "The Last Jedi," is developing "a brand new Star Wars trilogy" for Disney, the CEO said.

Generating confidence in the future is critical for Disney as it is coming off a comparatively weak fiscal year for its movie and consumer-products units and more declines in its television business. ESPN continued to lose subscribers in its fiscal fourth quarter ended Sept. 30 while programming costs for sports rights rose and advertising revenue declined. But "affiliate revenue" from cable and satellite-TV operators increased. Viewership at millennial-focused cable network Freeform was also down. The company's cable revenue for the quarter was flat at $3.95 billion and operating income declined 1% to $1.24 billion from the same quarter a year ago.

Broadcast revenue for the ABC network and studio plunged 11% to $1.5 billion and operating income was off 15% to $229 million due to lower ratings and ad revenue. In the year-earlier period, the network benefited from campaign advertising and aired the Emmy Awards. Sales of programs to other outlets also fell in the latest quarter. Profits from the A&E cable networks also dropped and losses at streaming service Hulu grew. Disney owns minority stakes in both. Total television revenue dropped 3% in the quarter to $5.47 billion and operating income fell 12% to $1.475 billion.

Disney's movie studio was hurt by the underperformance of "Cars 3" and a write-off of nearly $98 million on the animated movie "Gigantic," which was previously scheduled for 2020 but was cancelled. The just-ended fiscal year's movie slate, while strong, didn't quite stack up to the preceding year, in which Disney had mega-hits including "Star Wars: The Force Awakens," "Zootopia" and "Finding Dory." Movie studio revenue dropped 21% last quarter to $1.4 billion and operating income declined 43% to $218 million. The drop was also caused in part by a profitable sale of classic "Star Wars" movies to television outlets last year.

The only Disney business to grow in the fourth quarter was parks and resorts. Performance improved at Disneyland in California, Disneyland Paris and Shanghai Disney Resort, the company said, as well at its cruise ships and vacation club. But Walt Disney World in Orlando, Fla., was hurt by a number of factors, including Hurricane Irma. The theme park closed for two days and three cruise ship itineraries were cancelled, costing Disney a total of $100 million and shaving 14% off parks' operating income, said Chief Financial Officer Christine McCarthy.

Disney's total revenue fell 3% in the quarter to $12.78 billion and net income declined 1% to $1.75 billion. Ms. McCarthy said results for the current fiscal year, which began Oct. 1, will be "suppressed somewhat," by $130 million in costs related to the consolidation of and investment in streaming technology company BamTech, as well as $100 million of increased investment in Hulu. Disney will also increase capital investment by about $1 billion, she said, in large part due to the cost of new Star

Wars lands at Disneyland and Walt Disney World. Disney shares rose 2% to $102.68 before financial results were released late Thursday, and they were up slightly in after-hours trading. – ***Wall Street Journal***

Nielsen may just have secured the last jewel in its local TV measurement crown. Next year, the company will **start to include** data from Comcast set-top boxes, along with data from other cable or satellite providers, in its local TV ratings. "This agreement with Nielsen underscores the importance of local television measurement and will have a positive impact on the quality of local ratings," said Marcien Jenckes, president of advertising at Comcast Cable, in a statement. Brian Wieser, an analyst at Pivotal Research, said in a note to investors that the news could mark "the first instance of Comcast licensing its data in this manner." At one point, Nielsen was willing to pay $100 million annually for exclusive access to the data, he wrote, citing press reports from two years ago. Comcast touts customers in various markets across the U.S. – ***Wall Street Journal***

Spirited Media, which operates websites in Philadelphia and Pittsburgh, has been on a **mission to save local journalism**, but the three-year-old startup isn't immune to the advertising challenges that have been plaguing publications across the country. The company cut five of its 28 employees last week after projecting it would fall short of this year's $280,000 advertising revenue target by about 20%, Chief Executive Jim Brady told CMO Today's Ben Mullin. That doesn't mean the company is losing its spirit. Rather than weep over a troubled, ad-reliant business model, Spirited is launching a membership program that includes perks for members, such as custom newsletters and events, depending on the amount of money they contribute. If the tragic fate of outlets such as DNAinfo and Gothamist is any indication, Spirited has an uphill battle to fight. Mr. Brady says he will consider the membership business a success if he can convert 10% of the company's newsletter subscribers into members. Good luck! – ***Wall Street Journal***