BCAP NewsClips

April 26, 2018

Washington Times

Blue states unleash inner federalist, defy FCC with laws restoring net neutrality

A Republican-led state Senate panel rejected **a net neutrality bill** late Monday, **the same day** the Federal Communications Commission **repealed protections** for an open internet. The state-level measure attempted to disqualify internet service providers from receiving grants from a broadband program if they manipulated access and speed based on content. The measure also would have required governments contracting for service to give preference to providers who certified allegiance to open-internet standards. “It uses the nexus of state support to protect the idea … of free internet,” said Sen. Kerry Donovan, D-Vail.

The 3-2 party-line vote to kill **House Bill 1312** came after representatives for cable companies and major technology companies voiced opposition to the measure because it was over-regulation. The FCC repealed the rule effective Monday but some provisions remain in place pending more review and lawsuits. “We believe the best approach is to find a federal solution,” said Matt Wendel, a lobbyist for the Colorado Technology Association.

Washington Post

What Comcast’s $31 billion offer for a U.K. TV company tells us about the cable giant’s ambitions

Fierce Cable

Pay TV bills up 74% since 2000, are a leading cause of

cord cutting, Kagan says

Philadelphia Inquirer
Comcast CFO: Company won't buy Sky with its stock

Bloomberg
YouTube's Plan to Clean Up the Mess That Made It Rich

Zap2It
Cable Top 25 for Week Ending April 22

Pittsburgh Post-Gazette
GOP gubernatorial candidates attack Gov. Wolf during debate

Philadelphia Inquirer
Op-ed: Daryl Metcalfe's hateful comments prove he needs to step down

State Rep. Chris Hansen, D-Denver, said he hopes to continue to push for the net neutrality protections at the state's broadband board, which oversees the High Cost Support Mechanism grant program. "We should not allow public money to be spent on non-neutral service," he added. "We may have a situation where an ISP could propose to serve a new area using (broadband) funds, create a low bid, and then use throttling or paid fast lanes to top up the revenue model. That is now allowed under the FCC decision, and this is our chance to help Colorado consumers and avoid that outcome." – ***Denver Post***

London-based activist investor Chris Hohn has built a roughly $3 billion stake in 21st Century Fox Inc., a position that makes him one of the largest holders of a media company at the center of a global takeover battle, according to people familiar with the matter. The investment places Mr. Hohn's firm, TCI Fund Management, among Fox's six largest shareholders, with more than 4% of the company's shares. Mr. Hohn declined to comment on his stake in Fox. The investor's intentions aren't clear, but his holding could wield significant influence in any deal vote by Fox investors. Fox has agreed to a $52.4 billion sale of its entertainment assets to Walt Disney Co., and has disclosed that it rejected a higher Comcast Corp. bid due to regulatory risk concerns.

Comcast is considering whether to urge investors to go with its offer instead, The Wall Street Journal reported earlier Wednesday. The assets in the Disney-Fox deal, which is expected to come to a shareholder vote this summer, include the Twentieth Century Fox studio, cable networks and international properties. Separately, Fox has been pursuing a purchase of the 61% of European pay-TV operator Sky PLC it doesn't already own. It is butting heads with Comcast on that front as well. The cable giant on Wednesday made official a $31 billion bid for Sky, topping Fox's offer.

Mr. Hohn's TCI had held about 0.7% of Fox's class A shares and a small amount of Class B shares at the end of 2017, but has been adding to the stake, people familiar with the situation said. TCI's next disclosure of its holdings likely would come in a May filing. TCI doesn't take activist actions in all of its investments, and a bet on Fox could be a simple wager that its assets will be the focus of a bidding war—or that its future as a slimmed-down company is bright.

In recent weeks, Mr. Hohn spoke on the phone with Comcast Chief Executive Brian Roberts and probed Comcast's interest in launching a public bid for Fox's assets, people familiar with the situation said. Mr. Roberts didn't respond, the people said. Other TCI officials have also had conversations with Comcast's investor-relations team that left Comcast executives with the clear indication that TCI wants the cable giant to continue its pursuit of Fox, the people said.

In an email this week, Mr. Hohn said he didn't urge Mr. Roberts to go hostile in pursuit of Fox's assets. Any shareholder influence at Fox is tempered by the ownership of Rupert Murdoch and his family, which have a 39% voting stake. Their economic interest, which is what would count in a shareholder vote on the Disney-Fox merger, is roughly 17%. (The Murdoch family is also a major shareholder in Journal-parent News Corp)

Mr. Hohn is one of the best-known activists in Europe and has historically not shied from being aggressive with big companies and significant shareholders. In 2016, Mr. Hohn took a stake in SABMiller PLC and helped get Anheuser-Busch InBev NV to raise its offer for the brewer, even though more than 40% was in the hands of two investors. More recently, he pushed the London Stock Exchange Group PLC, with mixed success, to keep Chief Executive Xavier Rolet in place beyond this year and force the exchange operator's chairman to step down. In the end, Mr. Rolet announced his immediate departure in November to diffuse a battle over management succession, while LSE Chairman Donald Brydon indicated for the first time he wouldn't seek re-election at the annual general meeting in 2019. – ***Wall Street Journal***

Viacom 's "Jersey Shore" reboot reached nearly 10 million viewers over its premier weekend. "A Quiet Place," the horror flick produced and released by a new team at Paramount Pictures, grossed more than $50 million domestically in its first weekend. Upcoming projects include a Tyler Perry film and an adaptation of Trevor Noah's book, "Born a Crime: Stories from a South African Childhood." Prospects at Viacom are looking up—with or without a CBS deal.

The company reported second-quarter revenue of $3.15 billion on earnings of 64 cents a share. That is a 3% revenue decrease from the same period last year, but it still exceeds analysts' expectations of $3.03 billion. Shares rose nearly 4% in recent Wednesday trading. In a call with analysts, Chief Executive Bob Bakish said that the company is pivoting from stabilization and revitalization to growth. Advertising and affiliate revenue are still declining, though less than they were a few quarters ago. Meanwhile, the international media networks saw double-digit revenue growth, and Paramount Pictures has returned to profitability. The company is forecasting $100 million in annual cost savings in 2018 and more than $300 million in 2019.

Yet none of this makes reaching a deal any easier. Viacom's shareholders just have further reason to expect a premium, which CBS has appeared **unwilling to offer**. Indeed, if Viacom is doing as well as it says, perhaps both companies will be better off going their separate ways. "I'm not sure why you shotgun a marriage between these two companies if Viacom is as confident as it seems," says Michael Nathanson of MoffettNathanson. Shari Redstone, president of National Amusements, the holding company that controls both companies, might need to resort to a **damaging ouster** of CBS boss Les Moonves to effect a merger. That radical move might not be the wisest course of action now that Viacom is bouncing back. – ***Wall Street Journal***

As Dallas-based AT&T awaits a court decision that will shape its future, the company has pushed ahead with new offerings and reached 1.5 million customers with its streaming service DirecTV Now.

The Dallas-based telecom released the latest subscriber count in a Wednesday earnings call during an especially high-stakes time in the company's history. AT&T is wrapping up an antitrust court battle with the Justice Department over its bid to buy Time Warner in deal that's valued at nearly $109 billion, including debt. It also faces new scrutiny

from the Justice Department, which is investigating whether AT&T and rival Verizon **colluded to make it harder for customers to switch carriers.**

If the merger is approved, AT&T — the largest pay-TV company in the country — would become the owner of Time Warner's valuable TV and movie content, including CNN, HBO and Warner Bros. AT&T executives say the content would allow them to better compete with new players like Netflix, Hulu and Sling TV. The Justice Department, on the other hand, has argued the merger would drive up programming prices for competitors and increase costs for consumers.

The trial, which began in mid-March, is wrapping up in Washington, D.C. Its outcome is in the hands of Judge Richard Leon of the United States District Court for the District of Columbia. Leon said it could take him about a month to write the opinion, which he estimated will be about 200 pages. AT&T and Time Warner's deadline for the merger is June 21. If the agreement expires, either company could walk away from the deal and Time Warner would be owed a $500 million breakup fee from AT&T. DirecTV Now has helped to offset the decline of AT&T's traditional TV business. It lost 187,000 cable and satellite customers, but gained 312,000 DirecTV Now customers in the first quarter. The streaming service has a cable-like lineup of channels, including live sports and news, but without a contract or cable box.

The streaming service appears poised to surpass the subscriber count of Dish's Sling TV, which launched in 2015. Dish reported that Sling TV had about 2.2 subscribers at the end of 2017. DirecTV Now has attracted 1.5 million subscribers **since its launch in Dec. 2016**. But as AT&T's new video offerings attract customers, its entertainment revenue has declined. It was $11.6 billion at the end of the first quarter, down from $12.6 billion the same time last year.

AT&T chief financial officer John Stephens acknowledged the pressure on revenue and margins, driven in part by promotional deals. He said a new interface for DirecTV Now, which is expected later this year, will bring new ways to make money. Customers can tack on additional features, such as cloud DVR and pay-per-view content. He said the new base of customers will pay off long-term, too. The streaming service requires less equipment and upfront investment than cable and satellite TV. And, he said, once customers sign up for DirecTV Now, AT&T can sell them other products, such as wireless service, broadband internet and video, by bundling them. That, in turn, drives down churn, he said.

AT&T has another streaming service in the works: a "skinny bundle" of channels called AT&T Watch. AT&T CEO Randall Stephenson previewed the new service during his testimony in court, saying it will cost $15 per month. He said it will be similar to DirecTV Now, but without sports programming.
When asked about AT&T Watch during the earnings call, Stephens declined to give a timetable or more details, saying it is just one of many video offerings in AT&T's pipeline.

One of the ways that AT&T plans to make money through DirecTV Now is by turning consumer data into targeted advertising. But Stephens acknowledged that companies, including AT&T, face new scrutiny about their use of such data after Cambridge Analytica collected and used Facebook data without permission. He said AT&T

has a long history of respecting customer privacy and said it's in a prime position to be a "trusted adviser and trusted player" for advertisers.

Longtime telecom analyst Jeff Kagan said AT&T sees the blend of video content and its network as a huge business opportunity. And, he said, it's betting that it can ramp up revenue, once it gets customers in the door. "They're interested in profitability, but initially they're just trying to get customers," he said. "As this wave continues to grow the way the iPhone and Android wave did 10 years ago, then they start to earn very large profits." – ***Dallas Morning News***

BCAP
Broadband
Cable Association
of Pennsylvania
127 State Street Harrisburg, PA 17101
717-214-2000 (f) 717-214-2020
bcapa.com

First in Broadband.
The Future of Broadband.®