

ESSENTIAL READING for INDUSTRY EXECS

Cablefax Daily: THE vital business tool for MSOs, programming execs, telco/satellite distributors, tech vendors and more. Get the news that matters to you--free for 3 weeks.

Go to <http://www.cablefax.com/3wktrial>.



Light Reading

[Telcos Push to End the Great Unbundling](#)

USA Today

[What could a Comcast-Disney duel for Fox mean for you ... and the Marvel Universe?](#)

Pittsburgh Post-Gazette

[Democrats waging uphill fight against solid Pa. state House, Senate GOP majorities](#)

Philadelphia Daily News

[In Harrisburg, Dems seek to neuter controversial House GOP committee chairman](#)

Pennlive

[Lawyers for Miccarelli's accusers call for an end to policy violations without consequences](#)

The fight over net neutrality is back.

This time, Democrats and other supporters of the controversial internet traffic regulations are seeking to turn the tables on Republican opponents by using a legislative tactic, popularized recently by the GOP, to resurrect the rules the Federal Communications Commission struck down last year. The effort formally begins Wednesday as backers file a petition in the Senate that will force a vote next week to undo the FCC's action. Amazon, Netflix, Facebook, Google and other online giants support the move.

Dozens of websites, including Etsy and Reddit, are expected to launch a "red alert" online blitz Wednesday to encourage their users to lobby their lawmakers to reinstate the 2015 rules that were designed to ensure the uninhibited flow of data online. Although they're poised for a narrow win in the Senate, net neutrality supporters acknowledge the attempt to restore the Obama-era regulations is a long shot. The hurdles include strong opposition from House Republicans and telecommunications companies, such as AT&T Inc. and Comcast Corp., as well as a likely veto from President Donald Trump.

Regardless of the outcome, the debate over net neutrality - and by extension, the future of the internet - appears headed for a key role in November's congressional midterm elections. "There's a political day of reckoning coming against those who vote against net neutrality," warned Sen. Ed Markey, D-Mass., who is leading the Senate effort to restore the rules.

Democrats are using the maneuver to keep the issue alive heading into this fall's elections, which will determine control of the House and Senate, said Daniel Lyons, an associate professor at Boston College Law School who specializes in telecommunications and internet legal matters. "It keeps the issue in the headlines, and it forces some members of Congress to stake a position they'd perhaps rather not

Philadelphia Inquirer
One of Pennsylvania's largest counties hasn't sent a rep to Congress for years. These candidates are likely to change that

Pennlive Report: Wolf deputy being investigated for possible Ethics Act violation

Philadelphia Inquirer Editorial: If Pa. wants to show Amazon the money, it must show the public the deal first

stake," said Lyons, a visiting fellow at the American Enterprise Institute think tank.

Both sides in the matter say they are trying to preserve the open nature of the internet. The debate, going on for more than a decade, had been about what role the federal government should play in doing that. In 2015, the then-Democratic controlled FCC took the boldest step yet. It voted 3-2 to enact regulations that prohibited broadband and wireless internet service providers from selling faster delivery of certain data, slowing speeds for specific video streams and other content and blocking or otherwise discriminating against any legal online material.

To enforce the rules, the FCC classified broadband as a more highly regulated utility-like service under Title 2 of federal telecommunications law. Republicans and telecom companies argued that the threat of heavy-handed regulation would stifle investment in expanding internet access and speeds. AT&T, other companies and industry trade groups sued to block the rules, arguing that the FCC exceeded its authority in approving the regulations. But a federal appeals court upheld the regulations in 2016.

Trump's election roiled the issue again. Republicans gained control of the FCC, and Trump tapped Ajit Pai, a commissioner who had voted against the rules in 2015, to be the new chairman. Pai quickly targeted net neutrality, and on another 3-2 vote, the FCC voted along party lines in December to repeal the rules.

Republicans said they were re-establishing the light-touch regulatory approach that allowed the internet to flourish. The repeal meant that the strict regulatory structure largely gave way to market forces. Telecom companies said they were committed to the principles of net neutrality and had no plans to change their practices. But the companies have hedged on whether they would start charging additional fees to transport video streams or other content at a higher speed through their network in a practice known as paid prioritization.

Paid prioritization could accelerate the development of autonomous vehicles and home health monitoring, which would need reliably fast service. But net neutrality supporters worry telecom companies will set up toll lanes on the internet, cutting deals with some websites to deliver their content faster and squeezing out start-ups and small companies that lack the money to pay for faster service. Just like the issue itself, the attempt to restore net neutrality is complicated.

A group of 23 Democratic state attorneys general filed a lawsuit in February to block the FCC's repeal. But Markey and other supporters also are employing another strategy: the Congressional Review Act. The procedure allows Congress, with simple majority votes in both chambers and the president's approval, to reverse regulations enacted by federal agencies. It had been little used before Trump took office, but since then, Republicans have employed it more than a dozen times to overturn Obama-era regulations.

Because there has been some bipartisan support for net neutrality, supporters are trying to use the Congressional Review Act to restore the rules. Markey has lined up 50 votes in the Senate: all 47 Democrats, the two independents (Angus King of Maine and Bernie

Sanders of Vermont) that are aligned with them, as well as Republican Susan Collins of Maine, to back the repeal of the FCC's action so far.

On Wednesday, Markey will file a petition to force a Senate vote that Republican leaders cannot block. With Sen. John McCain, R-Ariz., absent as he battles brain cancer, the repeal measure is set to squeak by on at least a 50-49 vote next week. But Markey said supporters plan a "full-court press" to persuade other Republicans to vote for the measure and provide some momentum as it then would head to the House. "I'm clear-eyed, but optimistic about the political common sense that ultimately is going to put more votes up on the scoreboard for net neutrality than people today believe is possible," Markey said. "And as we head toward the election, I think there are people who vote no who are going to regret their vote."

Net neutrality supporters are targeting Sen. John Kennedy, R-La., and other Republicans who have bucked the party's leadership in the past. On Tuesday, Kennedy told reporters he had not made a decision yet on how he would vote. Backers of the regulations hope a Senate win will provide momentum as the issue moves to the House, which must vote on the measure by the end of the year or it will die. Republicans have a larger House majority, and about two dozen of its members would have to vote for the net neutrality repeal.

Net neutrality supporters note that 15 Republicans crossed the aisle last March on another internet issue. They voted to uphold FCC broadband privacy regulations that Republicans successfully used the Congressional Review Act to repeal. But net neutrality regulations were much more widely opposed by Republicans.

Conservative activists are lobbying lawmakers to oppose the effort to reinstate the regulations. "We want to make sure we're fighting back and showing ... Republicans who may be on the fence on this issue that this is not an issue worth giving in on because they're nervous" about the fall elections, said Patrick Hedger, director of policy for FreedomWorks, a free-market group. Sen. John Thune, R-S.D., who opposed the net neutrality regulations, said Tuesday that he didn't expect the attempt to reinstate them would go any further than the Senate. "This isn't going anywhere in the House," Thune said. "It's not going to be signed into law."

Trump looms as a major hurdle. "The Trump administration supports the FCC's efforts to roll back burdensome, monopoly-era regulations," Hogan Gidley, deputy White House press secretary, said in a written statement this week when asked about the president's position. In 2014, Trump tweeted his opposition to the FCC's regulations as they were being considered. But he has been quiet on the matter ever since, and supporters of the regulations hold out hope he could be swayed if the measure somehow gets approved by the Senate and House. – *Los Angeles Times*; [more from Washington Post](#)

Walt Disney Co. Chief Executive Robert Iger expressed confidence that his company would prevail in its bid for key assets of 21st Century Fox, despite recent moves by Comcast Corp. to make a competing offer.

Appearing to brush aside reports Monday that the cable giant was preparing for a potential attempt to [outbid Disney](#) for Fox, Mr. Iger on

Tuesday said on a conference call discussing his company's financial results with Wall Street analysts that he is "confident the assets we're in the process of acquiring" will easily fit within Disney once the deal is approved. Whoever lands the Fox assets stands to gain a significant advantage in a media landscape under siege from shifting consumer habits and a need to mount defenses against direct-to-consumer competitors like Netflix Inc. Disney is hoping to acquire Fox's film and television studio, cable networks and international properties.

Disney's [\\$52.4 billion, all-stock deal](#), announced in December, was seen as a chance for the world's biggest entertainment company to become even more dominant. Disney executives have indicated they expect the deal to close next year. (21st Century Fox and The Wall Street Journal publisher News Corp share common ownership.) Comcast may upend those plans. The cable company is making preparations for a possible hostile offer for the Fox assets and has lined up financing that would enable an all-cash bid, people close to the situation say. Before agreeing to the Disney, Fox rejected an offer from Comcast that was 16% higher, citing regulatory hurdles.

Comcast would be more motivated to pursue a hostile bid for the Fox assets if AT&T Inc.'s proposed acquisition of Time Warner Inc. survives a government antitrust suit, the people close to the situation say. That's because both deals would be "vertical" transactions that marry content and distribution. Still, there is no guarantee that a favorable outcome for AT&T-Time Warner would lead antitrust enforcers to bless a Comcast-Fox tie-up, as there are some important differences between the deals. Comcast already owns a major group of media networks through its NBCUniversal unit, unlike AT&T. And Comcast and Fox are both major owners of regional sports networks, so the cable company might have to divest itself of some of those assets to complete a deal.

If a bidding war were to kick off, Disney may need to increase its offer or present a mix of cash and stock. The company should have no problem raising the debt needed in such a scenario, said Robin Diedrich, an analyst at Edward Jones. Though both companies have strong credit ratings, Disney's balance sheet "is in a stronger position to do that" than Comcast's, she said.

Disney's second-quarter earnings significantly beat Wall Street expectations and showed strong growth in the movie studio and parks divisions. Net income rose 23% to \$2.94 billion. The hit performance of "Black Panther" and an uptick in business at Disney's parks and resorts drove overall revenue up 9% to \$14.5 billion. Disney's results were released after the market closed. The stock fell slightly to \$101.19 in after-hours trading.

The earnings came about one month after the rollout of ESPN Plus, a direct-to-consumer sports programming service that the company hopes will help reverse a continuing decline in traditional ESPN subscribers. A second streaming service, focusing on Disney's entertainment brands like Marvel Studios, will premiere in late 2019.

After Mr. Iger acknowledged ESPN subscriber losses on an earnings call in August 2015, Wall Street has viewed the decline as an existential liability in the company's most valuable business. Mr. Iger said response to ESPN Plus has been "enthusiastic" and its

conversion rates from free trials have been “good so far,” but he didn’t offer specifics beyond that. In a bid to target harder-to-reach younger male viewers, Disney has lined up UFC fighting to be a cornerstone of ESPN Plus. The deal, announced Tuesday, is for exclusive rights to stream 15 live UFC events. The five-year pact is valued at \$750 million over the life of the deal, according to a person familiar with the matter.

In the second quarter, the company’s cable-networks segment, which includes ESPN, saw operating income drop 4%, partially due to costs associated with ESPN Plus. Properties acquired in a potential Fox deal, such as the company’s regional sports networks and National Geographic, could be added to the offerings on Disney’s streaming services, Mr. Iger said.

Marvel Studios, along with other studio divisions Disney Animation, Pixar Animation Studios and Lucasfilm, will play a crucial role in luring consumers to a second Disney streaming service launching next year. Mr. Iger said the family-entertainment service will offer a “rich mix of beloved classics, recent releases and new content.”

If the Fox deal were to go through, Disney would become the majority owner of the Hulu streaming service and plans to produce more original programming for the service, he added. Disney’s strong quarter was primarily driven by two divisions: studio entertainment and parks and resorts. Studio-entertainment revenue rose 21% to \$2.5 billion, a reflection of the company’s unprecedented, record-breaking roll at the box office. The company has nine of the top 10 biggest domestic box-office openings of all time—all of which have been released in the past six years.

February’s “Black Panther” has grossed more than \$1.3 billion worldwide so far, and is currently the third-highest grossing movie of all time in the U.S. and Canada at \$693 million. The studio’s current release, “Avengers: Infinity War,” has grossed \$1.2 billion globally in about two weeks of release. The quarter’s other big performer, Disney’s parks and resorts, saw revenue rise 13% on the increased guest spending and attendance at Walt Disney World Resort and higher average ticket prices at its U.S. parks, among other factors. Overseas locations in Paris and Hong Kong posted attendance increases while Shanghai Disney Resort saw fewer visitors. — **Wall Street Journal; more from Bloomberg and New York Times**

Republican Rep. Charlie Dent of Pennsylvania says Friday will be his last day in Congress, after saying last month that he wouldn’t finish his seventh term. Dent, the leader of a group of GOP moderates, had said last year he wouldn’t seek re-election. Dent has been a frequent critic of President Donald Trump and the polarization on Capitol Hill. He was facing a potentially hostile electorate in 2018. Last month, Dent said he’d leave early, making him the third Pennsylvania Republican to resign from Congress this session. A special election to fill the final two months of Dent’s term will be held Nov. 6, the day of the general election. Dent’s district was redrawn in February under court order and it’s now considered a toss-up. — **Associated Press**



**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.®