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Furor over Trump's policies scorches tech

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'Alexa, turn on the TV.' Amazon's Fire TV Cube wants to kill your remote with voice control.

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Pa. House passes $32.7 billion state budget that requires no tax increase

Harrisburg Patriot-News
In Pennsylvania, it's budgeting the election-year way. But the economy helped.

As California's Legislature considers net neutrality rules, one focus of the debate has, appropriately, been the potential impacts to consumers. A flash point has emerged: whether to ban offers that provide consumers with the choice of receiving mobile broadband data that doesn't count against their data cap. Known as zero-rated data, these types of offers previously were not considered in violation of the net neutrality "bright-line" rules, and were not prohibited under the net neutrality rules adopted by the Obama Federal Communications Commission. However, the two net neutrality bill before the Legislature, **Senate Bill 822** by San Francisco Sen. Scott Wiener, would effectively ban these offers.

What is clear is that banning these types of offers would hurt a large number of California consumers. Moreover, low-income and minority Californians would be disproportionately impacted by a prohibition on zero-rated services because they are more reliant on a smartphone to access the Internet. At least 3.6 million Californians use their mobile devices to stream video using these free data services – including nearly 1.5 million Latinos; 191,000 African Americans; 387,000 Asian Americans; and 235,000 Californians who have an annual household income less than $20,000. Approximately one-third of Latino, African American and low income consumers and one-quarter of Asian American consumers in households with broadband access rely exclusively on smartphones and mobile broadband services to access the internet. The economic impacts would be concentrated on these Californians, and could be as much as $30 per month per person if these plans are eliminated.

While 77 percent of low-income adults use their broadband connection for entertainment, to watch and download TV shows and movies, games, and music, these consumers also use their smartphones to read the news (66 percent), find job opportunities (57 percent) and access online banking services (42 percent). Practically speaking, these consumers will either pay more – if they can afford to – or they will have less access to entertainment and other critical services.

Free data is a way of lowering the price of mobile broadband service, in the same way that internet retailers lower the cost of products by offering free shipping and brick and mortar retailers offer buy-one-get-one-free promotions. Although it has been argued that free data could be bad for consumers, critics of these offerings have not presented evidence of any actual harm. To the contrary, as the numbers discussed above clearly demonstrate, California consumers have enthusiastically embraced free data offerings because of the considerable benefits.

Although net neutrality rules under Obama called for such plans to be reviewed on a case-by-case basis, SB 822 contains specific prohibitions that prejudge these offers and would take a choice away from millions of California consumers. SB 822's prohibition on zero-rated data would directly harm consumers, in particular Californians who can least afford to pay the price. –***Sacramento Bee*** **op-ed; also see *Los Angeles Times* editorial**

AT&T Inc. on Thursday unveiled a new video service, called WatchTV, that aims to use a "skinny bundle" of channels to recapture some of the millions of cord-cutters who dropped cable and satellite-TV. The package would offer a small number of TV channels to most subscribers for as little as $15 a month while giving free access to subscribers on unlimited data plans.

AT&T said Thursday that the new service will come complimentary with two wireless plans. The $15-a-month version is expected to launch later. Bundled with the top-tier wireless plans, WatchTV will include channels from AMC Networks Inc. and Discovery Communications Inc. Viacom Inc. channels like Comedy Central and MTV2 would join soon after launch. "This is a very, very skinny bundle that every single one of our mobile customers will get," AT&T Chief Executive Randall Stephenson said last week in an interview with CNBC. "Those are the kinds of things we are going to bring to market."

The wireless company also plans to pay programmers fees based on the package's subscriber base, per industry practice, but the free version that comes with unlimited-data plans would only count subscribers that spend significant time using the app, according to a person familiar with its plans. That would upend the established model in which cable and satellite-TV companies pay programmers fees based on how many subscribers have a channel accessible in their bundle, regardless of whether they watch it. BTIG analyst Rich Greenfield said that approach will be "horrifying to sports network owners" like ESPN but likely entice less-watched channels from AMC, Discovery and Viacom, which are worried about bleeding viewers. "A lot of those programmers are being cut out of bundles" offered by traditional cable and satellite companies, Mr. Greenfield said. "This is the chance for the losers to be winners."

None of AT&T's attempts to shake up the pay-TV business would work without a willing programmer. Its $81 billion takeover of Time Warner Inc., which owns channels including CNN, TBS and TNT, gave it just that. **The company closed the deal** earlier this month after a federal judge said **the Justice Department failed to prove its case** that the combination would hurt competition. Mr. Stephenson first teased **the new light-TV service in April**, when he testified in defense of the deal. He said at the time that the new plan would withhold expensive sports programming from the bundle, allowing the company to charge customers less for the remaining channels. But the package likely will include basketball and baseball carried on TBS and TNT, according to the person.

The company has other ideas, too. John Donovan, chief of AT&T's communications division, recently said the company would roll out a more full-featured version of DirecTV delivered over the internet rather than via satellite link. "It will look and feel exactly like DirecTV does today, but its delivery will be over broadband," Mr. Donovan said at an investor conference.

AT&T needs a boost regardless of the outcome. Its DirecTV satellite business and landline video unit lost more than 1 million customers last year. The company offset some of the decline with nearly 900,000 new sign-ups to DirecTV Now, a less expensive online-TV package, but executives say that service isn't yet profitable. The losses weren't restricted to AT&T. Traditional video providers like Comcast Corp. , Charter Communications Inc. and Dish Network Corp. also suffered steep customer losses as Americans switched to less expensive online alternatives or stopped buying live TV packages altogether.

TV distributors might recapture some of those customers who abandoned traditional video with skinnier bundles, but AT&T has struggled so far to do that. “Paying your left pocket, Time Warner, less so that your right pocket can make more money isn’t going to work,” said Craig Moffett, an analyst at industry research firm MoffettNathanson. – ***Wall Street Journal***

When Jeff Bezos founded Amazon.com Inc. more than two decades ago, he sought to keep the online bookstore away from the government’s reach. He has said he looked into placing its headquarters on an Indian reservation as a tax-saving strategy. That was then. Today, Amazon, whose revenues last year topped $177 billion, has become deeply entwined with the federal government. Mr. Bezos has built one of the largest lobbying operations in Washington, bigger than those of powerhouses such as Exxon Mobil Corp. and Walmart Inc. Its cloud-computing business is a major government contractor, with an estimated $1.5 billion in contracts last year, according to consulting firm GBH Insights. And the company has been pushing hard to change the law to allow government employees to buy more of their own supplies on Amazon.com.

With three Washington-area locations among the 20 finalists for its planned second headquarters, Amazon could become a big part of the capital region’s social fabric. The company estimates its second headquarters will generate 50,000 jobs and more than $5 billion in investments over nearly two decades. The change of heart tracks the transformation of Amazon from a scrappy entrepreneurial outfit to one of America’s most powerful companies, with multiple businesses potentially affected by aggressive lobbying and others for which the government is a primary customer.

The potential rewards are clear: By some estimates, the U.S. government spends up to $90 billion a year on information technology. Yet so is the potential political blowback, both from rivals in Washington and politicians, including in the White House, who see the company as too powerful. Amazon has squared off with Alphabet Inc.’s Google, Oracle Corp. and Microsoft Corp. over lucrative government cloud-computing contracts. It is scrapping with firms such as Home Depot Inc. and W.W. Grainger Inc. over office supplies and other products, and has fought with companies like Walmart and eBay Inc. over tax policies.

Inside the government, President Donald Trump is among the company’s biggest challenges, regularly attacking Mr. Bezos and Amazon for a range of sins—avoiding taxes, shutting down traditional retailers and using the U.S. Postal Service “as their delivery boy.” Vermont Sen. Bernie Sanders has recently taken on the company for how it treats workers. Amazon has launched a charm offensive with congressional leaders to try to show that the company is good for Main Street.

To aid its battles, Amazon now has an army of nearly 100 lobbyists at more than a dozen lobbying firms working on a list of issues including taxes, trade, government procurement, internet policy, drone regulation, grocery rules, music licensing and, more recently, food stamps. Last year, the company spent $13 million on lobbying, five times as much as it spent five years earlier, putting it just behind some of last year's biggest corporate lobbyists, including Google and AT&T Inc. Mr. Bezos, building his own personal ties in the area, spent $250 million of his own money to acquire the Washington Post Co. in 2013, where he is occasionally spotted in the offices. In January, he attended an exclusive black-tie dinner given by the Alfalfa Club, which mixes media, government and corporate elites. Other attendees this year were Ivanka Trump, former President George W. Bush, Defense Secretary Jim Mattis, Bill Gates, Warren Buffett and Mitt Romney.

In 2016, he spent $23 million for one of the largest homes in the city's Kalorama neighborhood, a 27,000-square-foot former textile museum. Barack and Michelle Obama live nearby, as do Jared Kushner and Ms. Trump. Mr. Bezos is renovating the home to include 11 bedrooms, two dozen bathrooms, three kitchens, five staircases and a pair of elevators. His private rocket company, Blue Origin LLC, aims to eventually win contracts to send equipment and astronauts into space for the National Aeronautics and Space Administration and Pentagon. Amazon also wants government permission to use a fleet of drones to deliver packages over long distances—something that is currently banned in the U.S.

Amazon's advance on Washington began more than a decade ago with fights over internet fairness rules and sales taxes for online purchases. It took off in the past few years, around the time the government ramped up its use of cheaper, efficient cloud-based services, which are remote servers available for hire to store data and functions. During the 2012 presidential election, the company's cloud division, Amazon Web Services, provided the technology used in Mr. Obama's re-election campaign. In a blog post after the election, an Amazon executive wrote that using Amazon's service helped the campaign "avoid an IT investment that would have run into the tens of millions of dollars." Around the same time, Amazon was winning contracts with government customers from the Central Intelligence Agency to the Smithsonian Institution.

Overall, Amazon's cloud-computing business with the U.S. government is expected to grow to $2.8 billion in 2018 and $4.6 billion in 2019, up from less than $300 million in 2015, according to GBH Insights, the consulting firm. Roughly 10% of the revenue and profits for the unit come from those government contracts. Last year, Amazon pushed a provision to allow federal employees to buy a broad array of goods online, from cleaning supplies to bottled water, instead of through usual bureaucratic channels. An early draft in Congress drew opposition from competitors such as Home Depot and Grainger because it stated the contract could be made without competitive bidding to "one or more" online retailers "used widely in the private sector."

Competitors dubbed it the "Amazon amendment" and went to war. Rivals said it could give Amazon a near-monopoly on billions in sales and complained about the lack of congressional hearings and careful study of the consequences. They made such a fuss that senators on the Armed Services Committee called a meeting so critics could voice their complaints—a rare occurrence. Lobbyists for Amazon's rivals took turns criticizing the measure. Lawmakers have since expanded the proposal to allow federal employees to buy supplies through multiple online retailers. Final details are still being hashed out and the plan hasn't yet been launched.

Campaign donations by Amazon's political-action committee, funded by its employees and directed by the company, have grown in recent years, according to campaign-finance data collected by the nonpartisan Center for Responsive Politics. In this year's campaign, it has donated $637,500, with half going to Democrats and half to Republicans. That is up from $515,000 in 2016 and $179,500 in 2012, with a similar political split. Meanwhile, Amazon's spending on advocacy groups is on the rise, disclosures show. In 2015, it reported giving $10,000 or more to about 47 groups. In 2017, it donated to 82 groups, including conservative-leaning entities that could help in battles with Republicans, such as the American Enterprise Institute and the Competitive Enterprise Institute. In 2015, it hired Jay Carney, Mr. Obama's former press secretary, as senior vice president of corporate affairs.

Around the same time, as a presidential candidate, Mr. Trump began attacking Amazon, writing on Twitter that Mr. Bezos was using the Washington Post as a tax shelter. Mr. Bezos responded by saying he'd reserve Mr. Trump a seat on a Blue Origin rocket ship, adding "#sendDonaldtospace." Mr. Trump's attacks on Mr. Bezos have increased in recent months, in part because he believes Mr. Bezos uses the Washington Post to criticize his presidency, according to people familiar with the president's thinking. **Fred Ryan, publisher and chief executive of the *Washington Post*, has said**, "It is preposterous and disingenuous to suggest that The Post is used to advance Jeff's other commercial interests." Mr. Trump remains fixated on the company's online-retail business. People close to the president say that he and his friends in the commercial real-estate business believe Amazon has destroyed brick-and-mortar retailing.

Amazon last year contributed about 4% of total U.S. retail sales, while its portion of e-commerce totaled about 43%, according to eMarketer. At a conference in October 2016, Mr. Bezos said he shouldn't have joked about sending Mr. Trump to space. Still, trying to "chill the media and sort of threaten retribution, retaliation, which is what he's done in a number of cases," he said, "it just isn't appropriate." Mr. Trump's behavior "erodes our democracy around the edges," Mr. Bezos added. Through an Amazon spokeswoman, Mr. Bezos declined to comment.

Since Mr. Trump won the election, Mr. Bezos and other Amazon executives haven't responded publicly to Mr. Trump's tweets. Amazon executives believe a public reaction would draw more attention, according to people familiar with their thinking. Amazon's strategy for Mr. Trump is to respond to inaccurate tweets by speaking directly to lawmakers and reporters with correct information. "Don't poke the bear," said one person familiar with Amazon's strategy, "even if the bear is chewing on your arm, because he might eat your head." "We are working with this administration the same way we have every other administration—we share our perspective on issues that are important to serving our customers and to our employees, and we work together where there is common ground," said Brian Huseman, Amazon's vice president of public policy.

The president has directed his anger at Amazon’s use of the Postal Service, which, according to analyst estimates, handled roughly half of Amazon’s estimated more than one billion U.S. deliveries last year. Mr. Trump decries what he calls the company’s “sweetheart” delivery deals and has ordered an audit of the Postal Service’s business with Amazon. The Postal Service loses money, but its disclosures show that its deals with Amazon and other package shippers are a net benefit. Losses are due to a decline in first-class mail and other problems. Still, if Postal Service rates go up by even $1 a package, it could cost Amazon an estimated $1.8 billion, according to Deutsche Bank analysts. Amazon spent $21.72 billion on shipping world-wide last year, or about 12% of overall revenues. A spokeswoman for Mr. Trump declined to comment, but referred the Journal to prior comments in which the White House has said that the Postal Service wasn’t intended to be used as a mass distribution system by Amazon.

In his tweets, Mr. Trump often complains that Amazon avoids taxes, highlighting a fight over whether states should be able to require online retailers to collect sales tax. A case expected to be decided this month before the Supreme Court, as well as legislation in Congress, could give states more leeway to do that. While Amazon sells many products to consumers directly, independent merchants also sell on the site. Amazon collects state sales taxes on its own sales, but in most states doesn’t collect on behalf of its merchants. Amazon has lobbied for a uniform legislative decision. Perhaps a bigger risk for Amazon is the perception among many legislators that the online retailer is growing into a giant that destroys malls, retail outlets and jobs. Amazon is seeking to change the perception, with the aim of heading off possible antitrust scrutiny.

Visitors to Amazon’s office near the Capitol are greeted with a large-screen interactive map of the country that details the number of jobs it has created in each state. Its website boasts that “over the last 5 years, Amazon has created more than 125 jobs in the U.S. every day—from fulfillment centers to corporate offices, we’ve invested over $100 billion in the U.S. alone.” Last year, Sen. Mike Lee, a Utah Republican, took a walking tour of Spanish Fork, Utah, to meet with local business owners and discuss the impact of the internet and online retailing. Afterward, the senator spoke with Caleb Light, the co-founder of home state company Power Practical. Mr. Light told the senator that his company, which started out making power generators that use heat to charge devices, had almost shut down because it was unable to sell its products in retail stores. When it signed a deal to sell exclusively through Amazon, though, sales went up. Mr. Light was invited by Amazon officials to the event, which was set up by one of Amazon’s Washington trade groups, the Internet Association. Mr. Lee chairs the Senate’s antitrust subcommittee, which has power over antitrust regulators.

Despite Amazon’s efforts, Mr. Sanders took aim at Mr. Bezos last month with a video that illustrated the extraordinary wealth of Mr. Bezos. “Thousands of Amazon employees are forced to rely on food stamps, Medicaid and public housing because their wages are just too low,” Mr. Sanders says in the video. The company sent two tweets to Mr. Sanders, saying it had created more than 130,000 full-time jobs in the past year, and touting good pay and benefits for its warehouse workforce. “Please compare our median pay & benefits to other retailers,” the company said, adding an invitation for Mr. Sanders to visit one of its warehouses. Mr. Sanders accepted. They have not yet scheduled a visit. – ***Wall Street Journal***