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Deadline Hollywood
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TVNewsCheck
Wheeler Decrys Trump Meddling In Sinclair Case

Bloomberg
Disney and Fox Are Merging. Why Is Sky Still in Play?

Washington Post
The Trump administration is talking to Facebook and Google about potential rules for online privacy

Philadelphia Inquirer
Editorial: Could this be the year of the Independent in Pennsylvania?

Comcast reported their 2Q18 results today and the impact of OTT and vMVPD services is taking a bite out of their video business. But Comcast executives don't seem too worried. In fact, they may even be encouraged. Comcast lost 140K video subscribers in 2Q18, which Comcast CEO Brian Roberts and others on their quarterly conference call attribute to the rising competitive threat from vMVPD services like DIRECTV NOW and Sling TV.

These OTT video services offer familiar channel line-ups, and generally, provide lower cost alternatives to traditional pay-TV packages. "In video, the team continues to adapt to a changing marketplace," Roberts said on their quarterly conference call. "As anticipated, continuing competition from virtual MVPDs contributed to our 140 thousand video customer net losses in the second quarter." Unlike Comcast competitors AT&T and DISH, Comcast currently does not offer a vMVPD service to help offset their traditional video losses. AT&T lost 262K traditional video subscribers in 2Q18, but thanks to net adds of 342K from their vMVPD DIRECTV NOW, they can claim total video net adds of 80K for the quarter.

But Comcast doesn't seem too concerned about these shifts in the video marketplace. For them, they see the move to OTT and vMVPDs as beneficial to their long-term prospects. More OTT and vMVPD services mean the need for more and better broadband, and also creates more distribution opportunities for NBC Universal content. "One of our strategies is to have diversification in such a way that as new technologies come, it's not all or nothing and we're benefiting more than I think we're losing from that additional competition," Roberts **said**. "I think it is a very, you know, dynamic time and we're uniquely positioned as a company to benefit from these changes."

Roberts pointed to the increasing opportunities that the growth of OTT means to Comcast's NBC Universal business unit, by giving them more outlets to create and sell programming to, as well as additional distribution options for them. Comcast also points to their broadband business, citing multiple times that the connectivity it provides has become the core of their business. OTT and vMVPD will only drive more demand for bandwidth, a trend they feel they can capitalize on. They point to their 2Q18 broadband results as proof, citing the best 2Q they've had in ten years. Their broadband business generated $4.3 billion in 2Q18, up 9.3%. They added 260K broadband customers in the quarter and offered the following residential broadband customer metrics:

– 75% of Comcast subscribers now get 100 Mbps or faster service
– The average Comcast customer now consumes 150 GB of data per month, the highest ever
– Comcast xFi customers connect an average of 11 devices to their in-home Wi-Fi network

What's interesting about these numbers is Comcast generally has been using bundling of broadband with video to prop up their video

numbers, allowing them to somewhat escape the cord cutting trend. Stand-alone broadband or stand-alone video services were relatively expensive from Comcast, unless they were bundled together. But video is now taking hits, yet broadband is still rising. One would assume Comcast is getting more competitive with broadband-only pricing, a trend worth watching. – ***Telecompetitor***

The Justice Department is investigating whether television station owners violated antitrust law in ways that inflated local television advertising prices, according to people familiar with the matter. The probe has examined whether Sinclair Broadcast Group Inc., Tribune Media Co. and other independent TV station owners coordinated efforts when their ad sales teams communicated with each other about their performance, potentially leading to higher rates for TV commercials, one of the people said.

Companies like Sinclair and Tribune own dozens of local TV stations that carry programming from national broadcast networks like ABC, CBS, NBC and Fox. "It is our policy not to comment on a potential investigation," said a Sinclair spokesman. "It is our understanding that this is not specific to Sinclair but focuses on the larger broadcast industry." A spokesman for Tribune declined to comment.

Government officials stumbled across the alleged ad sales practice during their review of **Sinclair's $3.9 billion proposed acquisition** of Tribune, the people familiar with the matter said. Federal Communications Commission Chairman Ajit Pai put that deal in jeopardy last week by **referring the matter to an administrative law judge.** Mr. Pai said Sinclair hadn't been candid in its filings with the telecom regulator. It is unclear when the investigation over advertising sales started or what penalty, if any, the companies might face.

The two station groups submitted detailed documents during their merger review process. Besides Sinclair and Tribune, some of the other largest independent station owners include Nexstar Media Group, Tegna Inc. and Hearst. Representatives for these companies declined to comment. The local television industry has been rapidly consolidating in recent years, as broadcasters look to gain leverage with the pay TV distributors that carry their stations, and the networks that supply programming. Relaxed regulations on ownership have partly fueled the deals.

The fees stations get from carriage on cable and satellite systems is a major source of revenue. But advertising remains crucial. TV stations have long been the dominant advertising outlet for local businesses like car dealerships and are major players in election advertising. They have faced increased competition from digital players like Google and Facebook. Analysts are predicting further consolidation in the local TV market, regardless of the Tribune deal's outcome. Privately held cable operator **Cox Enterprises Inc. this week said it is considering selling its 14 TV stations**, as it shifts focus to other industries. – ***Wall Street Journal***

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