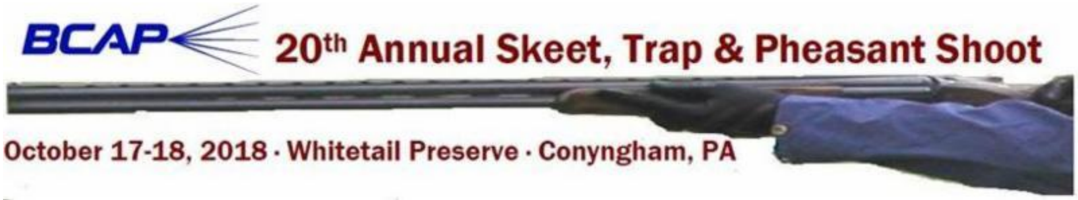

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One of the more controversial of the flurry of bills just passed by the Legislature is a state-based network neutrality measure governing internet service providers' handling of content and applications. But if Gov. Jerry Brown truly wants to preserve a free and open internet and Silicon Valley's remarkable innovation, he should recognize that government control is not the way to accomplish it, and veto the bill.

After many years of debate and failed efforts to impose net neutrality at the federal level, the Federal Communications Commission in 2015 reclassified ISPs from "information services" to "common carrier services" so that it could regulate them like public utility monopolies under the Communications Act of 1934.

But when the Democrats' 3-2 edge on the commission changed to a 3-2 Republican advantage during the Trump administration, the FCC reversed this position, repealing the 2015 order in December with a new order that went into effect in June. California, and a number of other blue states, responded with proposals to reintroduce net neutrality rules within the boundaries of their state authority.

Just how much authority states have to impose such restrictions will doubtless be the subject of costly and lengthy litigation. The FCC's December order asserts that it preempts "any state or local measures that would effectively impose rules or requirements that we have repealed or decided to refrain from imposing in this order or that would impose more stringent requirements for any aspect of broadband service that we address in this order."

At the heart of the matter is whether ISPs should have the ability to block content or applications, reduce their data transfer speeds, known as bandwidth throttling, or otherwise prioritize them for financial, ideological or other reasons. Incidents violating net neutrality principles have been pretty rare, and generally have occurred as ISPs sought to manage network congestion, as increased video streaming, online gaming, and other bandwidth-intensive activities stress bandwidth capacity to the point that it degrades services for other users.

After the California Senate in May approved Senate Bill 822, authored by state Sens. Scott Wiener (D-San Francisco) and Kevin de Leon (D-Los Angeles), Sen. Wiener stated that "the role of internet service providers is to provide neutral access to the internet, not to pick

[key races in Pennsylvania.]

Harrisburg Patriot-News
[Democrats look to make history in Pennsylvania's new 10th District; Republicans hope to repeat it]

winners and losers by deciding (based on financial payments or otherwise) which websites or applications will be easy or hard to access, which will have fast or slow access, and which will be blocked entirely." So, naturally, his solution is to have the government pick winners and losers, rather than the numerous ISPs in a highly competitive market and the millions of consumers who can easily switch to providers that better meet their needs if they do not like their existing provider's services or policies.

It is precisely because the internet, and the high-tech sector broadly, have thus far remained largely unregulated that they have seen such remarkable growth and innovation. It is in this unfettered atmosphere that e-commerce has offered consumers a wider choice of goods and services at lower costs, almost unlimited information and instantaneous communication has been expanded to nearly everyone, and access to the internet has continued its rapid increase.

Having the government dictate pricing policies and other business practices would violate the right of contract, property rights and perhaps the Takings Clause of the Fifth Amendment—hardly the "free and open internet" mantra that net neutrality proponents claim. Besides, even if ISPs, who have spent billions of dollars building out their internet infrastructure, were to adopt a tiered or variable pricing model for internet usage, this user fee model could represent a fair and reasonable way of allocating scarce resources, ensuring that those who use their infrastructure the most pay more for doing so, and would provide additional revenue with which to invest in further bandwidth expansions to better serve their customers. Cutting off this option ensures that less will be invested in expanding bandwidth, and that bandwidth hogs will lead to the degradation of internet services for everyone.

Nevertheless, the profit motive of ISPs gives them a strong incentive to ensure access to the internet sites and services consumers want, or else they will seek out other providers that will. In any case, whether price structures are fair or content practices are reasonable should be determined by customers, not politicians.

If this were not enough, it is the height of hypocrisy that many of the same people supporting net neutrality are simultaneously cheering on the censorship of conservatives and libertarians by tech companies such as Facebook, Google (which owns YouTube) and Twitter—which, though I may disagree with their political biases, have every right to do so as private companies.

Simply put, free markets are far more efficient at offering services, determining appropriate prices, fostering innovation, and allocating scarce resources than government control. Those who advocate most for government restrictions such as net neutrality not only violate the rights of ISPs and consumers to voluntarily enter into contracts for their mutual benefit, they may also find that they are not so enthusiastic for governmental control when those with whom they disagree hold the reins of political power. We would do much better to place our trust in the pressures put on providers by their millions of customers and numerous competitors eager to steal their market share by better serving customers than in a handful of politicians and bureaucrats in Washington, D.C., or Sacramento. – ***Los Angeles Times***

AT&T Inc.'s boss said the company may shift resources to HBO from other parts of its newly acquired Time Warner business to step up programming investments and use data on its customers' tastes and habits to inform its content bets, part of a plan to compete with streaming giant Netflix Inc.

Chief Executive Randall Stephenson also said the reams of data the telecom and television giant has—from the viewing preferences of its DirecTV subscribers to where customers take their phones—will help build up an advertising analytics business that could benefit the television industry more broadly, helping media companies compete with Facebook Inc. and Alphabet Inc.'s Google. "We think we have a couple of years window to stand this up and really make inroads," Mr. Stephenson said in a wide-ranging interview with The Wall Street Journal. "I have yet to speak to a [chief marketing officer] or an advertiser who says, 'I wish I could spend more money with Google and Facebook.' That human being doesn't exist."

The telephone industry veteran, who struck the more-than-$80 billion deal for Time Warner in 2016 and defeated **a Department of Justice antitrust lawsuit challenging the deal in June**, defended his strategy to plunge into the media business at a time when cord-cutting is sapping cable-TV revenue and digital competitors are disrupting the advertising business. At an investor conference hosted by Goldman Sachs Group Inc. on Wednesday, chief executives of other big media companies faced questions about how they would manage consumer resistance to keep paying for the big cable-TV bundle and chart a path forward in streaming content directly to consumers.

Comcast Corp. , which acquired NBCUniversal in 2011, highlighted its broadband business and played down its reliance on cable-TV services. "It's playing a bit of a more supporting role than it's historically played," Comcast CEO Brian Roberts said. At the conference, Mr. Stephenson said defections by AT&T's pay-TV customer were easing despite a recent price increase at its DirecTV Now streaming video service. He also dismissed the idea that HBO and Netflix are direct competitors, saying Netflix was the Walmart of streaming video services, while HBO was the Tiffany's.

Mr. Stephenson said in the Journal interview that AT&T, seeking to catch up to Netflix's larger customer base, might shift resources from creating original programs for its Turner cable networks to HBO. Those Turner channels, like TNT and TBS, could use some freed-up program time to air HBO reruns, which could in turn bring new viewers to HBO, he said. "A lot of the content spend is in Turner, specifically TNT and TBS," he said. "Is that really the highest and best use of capital? Or is it more appropriate and best use to put it toward HBO?"

Mr. Stephenson said HBO, which spent $3.7 billion last year on programming, is unlikely to spend anywhere close to the $11 billion to $12 billion in cash that analysts expect Netflix will spend this year on content, but he said that as a whole WarnerMedia, which also includes CNN and the Warner Bros. film studio, will roughly match Netflix. Mr. Stephenson, who said his favorite shows include "Game of Thrones" and "Succession," said HBO's existing lineup is "too Sunday night-centric" and said AT&T plans to plow investment into the channel to produce more hit shows. "You've got to get a programming schedule that we think is a little more fulsome."

The three-decade AT&T veteran reiterated Wednesday that he doesn't want to interfere with the creative culture of WarnerMedia—a change from how AT&T would previously "forklift" its processes on top of companies it acquired. "That is the issue I'm most guarded about," he said. "You can't be bleeding off talent. That culture needs to remain, you need to guard that culture with your life." Still, Mr. Stephenson said some of the old ways of doing business have to evolve, and it will be a "very difficult migration." "The business model does have to change," he said. "Everybody's business model is changing right now."

Historically, HBO, Turner and Warner Bros. operated largely autonomously, with limited cooperation or cross-pollination of programming. And in Hollywood, many producers and actors remain wary of allowing analytics to factor into programming decisions, even though Netflix is a pioneer in that area. "In the world of media, it is not readily acknowledged that [using data] might be useful," Mr. Stephenson said. "Could that not help inform your view in terms of how you would like to be investing in content? I have to believe it should."

At the same time, WarnerMedia chief John Stankey is "not going to force data analytics on every greenlighting decision in WarnerMedia," Mr. Stephenson said. As Mr. Stephenson sets out to turn AT&T into a bigger advertising business, he says he isn't focused on the huge pool of digital ad dollars, which is being vacuumed up by Facebook and Google. Those tech giants together are expected to have close to 60% of the $107 billion U.S. online ad market in 2018, according to eMarketer. In digital ads, it's "game over. Facebook and Google won," he said.

On Wednesday, wireless rival Verizon Communications Inc. said the architect of its online advertising business, Tim Armstrong, was leaving at year's end. The Journal reported last week that **Mr. Armstrong was in discussions to depart** after struggling to grow the AOL and Yahoo businesses that Verizon had acquired. Mr. Stephenson said he instead wants to update the traditional TV advertising market—stagnant but still a roughly $70 billion business—before Silicon Valley's giants muscle in. He said an initiative in the works will help advertisers target consumers with certain characteristics and programming tastes. He said other media companies like 21st Century Fox could benefit from AT&T's analytics and ad technology. AT&T recently acquired ad tech firm AppNexus for about $1.6 billion.

The CEO said he has no plans to step down from the top of the telecom company anytime soon. If all goes according to plan, he said, the next head of AT&T should have the right mix of assets for the future. "My board expects me to see through some significant parts of this deal," the 58-year-old executive said. AT&T's record of big acquisitions has left it with nearly $180 billion of net debt that it is working to pay down. If the company's leaders decide years from now that AT&T's wireless, television and advertising assets would be better off broken up, he added, "it probably didn't work." – ***Wall Street Journal***

Comcast isn't hungry for acquisitions. Really.

That's what the cable giant's boss Brian Roberts insisted on Wednesday — despite the fact that his company is locked in a fierce fight with Disney over British-based broadcaster Sky. In July, CEO Roberts lost a battle to acquire 21st Century Fox's film and TV properties to Disney, which paid $71.3 billion. Now, he's still in the running for Sky with **a $34 billion offer**, on Wednesday extending the deadline for Sky to accept it to Oct. 6. "Yes, we've looked at Fox, not because we went looking for it, because it came to market," Roberts told analysts at the Goldman Sachs Communacopia Conference on Wednesday. "And I think ultimately, the same with Sky."

Fox, which already owns 39 percent of Sky, shares a common owner with News Corp., the publisher of The Post. Comcast's recent pursuits don't mean "you don't love your core business," Roberts added, insisting that Comcast is in a "strategically great place." The Philly-based company, which owns NBCUniversal, is expected to post its most profitable year ever in 2018, with across-the-board growth coming from theme parks and TV shows to broadband.

Looking to curb its reliance on cable bundles amid the cord-cutting epidemic, Roberts said Comcast is investing in broadband and mobile, developing new higher speed offerings with controls that allow customers to regulate WiFi use at home. He gave an example of frustrated parents trying to get their kids to come to the dinner table. With a mere click of a device, they would be able to shut off the WiFi, Roberts said, drawing titters from the crowd.

Comcast is making the shift as cord cutters increasingly watch shows via streaming services such as Netflix, YouTube and Amazon. The CEO noted that Comcast lost 140,000 video customers in the second quarter but gained 260,000 high-speed internet consumers. "We don't care whose content you watch, we just want you to watch it through our X1 experience and were going to be a winner," Roberts said, referring to Comcast's high-speed broadband service. – ***New York Post***

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