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PCN provides full coverage on today's pre-election activity around Harrisburg. Democrat gubernatorial candidate Tom Wolf is the featured speaker at today's Pennsylvania Press Club luncheon (co-sponsored by BCAP), and PCN's recording of the speech will air at 6:00 p.m. this evening. Terry Madonna, Director of the Center for Politics and Public Affairs at Franklin and Marshall College, talks about Wolf's race against Gov. Tom Corbett at 7:00. At 7:30, Corbett and Wolf square off in the first of three debates live from the PA Chamber of Business and Industry Annual Dinner in Hershey. Alan Novak, President of Novak Strategic Advisors and government relations advisor to BCAP, takes questions from callers regarding the debate at 8:15. A recording of the Chamber dinner, with featured speaker Tom Brokaw, is scheduled for 9:00 p.m., and a replay of the Corbett-Wolf debate will air at 11:00.



September 22, 2014

**USA Today**  
**Nobody's**  
**neutral in net**  
**neutrality**  
**debate**

**Philadelphia**  
**Inquirer**  
**A Clue in**  
**2000 Ruling?**

**Politico**  
**RNC**  
**launches**  
**voter**  
**'challenge'**

**Pittsburgh**  
**Tribune-**  
**Review**  
**State Dems**  
**take back**  
**seat to**  
**political**  
**committee in**  
**gubernatorial**  
**election**

**Associated**  
**Press**  
**Gov. Tom**  
**Corbett**  
**heads into**  
**final 2**  
**months of**  
**campaign**  
**with \$5**  
**million**

**Lancaster**  
**Intelligencer**  
**Journal**  
**A look at**  
**Corbett and**  
**Wolf beyond**  
**the campaign**  
**trail**

**Philadelphia**  
**Inquirer**  
**Another top**  
**Kane aide**  
**quits Pa.**  
**AG's office**

**Philadelphia**  
**Daily News**  
**Voting in our**  
**state and city**  
**isn't what it**  
**should be**

Broadcasters have had a cushy seat on the couch in recent years. Their future looks a bit less comfortable.

Networks including CBS, 21st Century Fox, Comcast's NBCUniversal and Walt Disney's ABC have been relying for some time on fees they charge cable and satellite operators for the right to carry their signals. Known as retransmission fees, these have high margins and have been an important source of profit growth. But amid continuing weakness in advertising, the networks have been increasingly turning to a different party with their hands out: owners of local broadcast stations.

As the networks see it, the broadcasters, which also receive retransmission fees from pay-TV providers, are reaping the benefit of their content, especially for sports programming like the National Football League. Local stations produce their own newscasts, but most contribute little else in the way of programming.

Meanwhile, some station owners enjoy operating margins of as much as 40% versus about 25% for CBS, a gap that likely rankles networks. "It's not like these stations are starving to death," CBS chief Les Moonves said at a Sept. 10 media and telecom conference hosted by Goldman Sachs. Indeed, those fatter margins may be magnifying the target on broadcasters' backs as networks step up efforts to wring more money from their content. Leading that charge is CBS, which has pledged to bring revenue from retransmission fees and reverse retransmission fees, as the payments from broadcast stations are known, to \$1 billion by 2017 and \$2 billion by 2020. That compares with \$612 million in 2014, Janney Capital Markets estimates.

Evidence of the additional pressure is beginning to bubble up. On Aug. 11, CBS and Tribune Media announced a renewal of their existing agreement and then added a twist: Tribune would be taking over the CBS affiliation in Indianapolis from LIN Media after the latter apparently balked at CBS's demands. For station owners, protecting margins amid these rising fees means negotiating higher retransmission fees from pay-TV providers. But that could be increasingly difficult to do as pay-TV providers, including Comcast, Time Warner Cable, AT&T and DirecTV, combine to gain heft.

In an Aug. 25 filing with the Federal Communications Commission regarding the Comcast-Time Warner Cable tie-up, Sinclair Broadcast Group said it was "in the unusual (and tenuous) position" of both licensing Comcast's programming via NBC and supplying that programming to Comcast's cable systems. Such pressures could "doom" broadcasters in some local markets, Sinclair wrote. The seemingly obvious answer is for broadcasters to get bigger, too.

This rationale has spurred a spate of deals, including Media General's pending acquisition of LIN and its 2013 buy of Young Broadcasting, E.W. Scripps's proposed merger with Journal Communications, Gannett's purchase of Belo and a number of deals by Sinclair. But there is a limit to that, because the FCC has capped the number of stations a broadcaster can own at 39% of national TV households. It is also likely to end the ability of companies to have stations broadcasting via ultrahigh-frequency signals count for less toward the cap, grandfathering in those that will be pushed over the cap by the change. Assuming that happens, Tribune is already at 44% penetration, Sinclair at 39%, Gannett at 31% and Media General/LIN at 24%, according to Moody's.

An increase in the cap is unlikely, at least under the Obama administration, because the FCC views media deregulation as harmful to the diversity of voices, according to Paul Gallant, an analyst with Guggenheim Partners. Broadcasters will have a stronger case to make to regulators down the road if pressure from networks and distributors leads to lower margins, particularly if the FCC approves the two pay-TV deals in front of it. Until then, there may be leaner times ahead for broadcasters. — ***Wall Street Journal***

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Rupert Murdoch has shared some of his thoughts on U.S. and British politics, the Scottish referendum for independence -- and why he aborted his company's \$80-billion bid this

summer for rival Time Warner. Murdoch was interviewed Thursday morning by Neil Cavuto on Fox Business Network, which is owned by the Murdoch-controlled 21st Century Fox. Murdoch, chairman and chief executive of Fox, was speaking by phone in London, where he marveled at the large number of construction cranes dotting the skyline. Cavuto, for his part, identified the media mogul as "my boss."

It didn't appear that rehashing Fox's failed pursuit of Time Warner was high on Cavuto's list of topics. In fact, it was Murdoch who broached the subject during a discussion on whether the U.S. markets are overheated. "Well, I am also a bit bearish I guess .... That is why I pulled out of the Time Warner deal," said Murdoch. "It was, to pay the price if that was necessary ... I just felt with all the uncertainties in the world, I didn't want to be carrying that degree of debt," Murdoch added.

He acknowledged that Time Warner's defensive reaction -- the company refused to entertain discussions with Fox -- came as a surprise. "I thought it could be received rather differently, but here we are," Murdoch said. "The shareholders in both companies would have benefited." Cavuto asked whether Fox would make another run at Time Warner. "No. Certainly not in a hostile way," Murdoch said.

Cavuto wondered whether Murdoch had discussed the matter with Time Warner management since Fox dropped its bid in early August. "Not at all. Nope," Murdoch said. The 83-year-old mogul long has been fascinated by British politics, and more recently, the movement for Scottish independence. Murdoch has taken to Twitter to add his observations about political posturing, the historic vote and, even, to address reports of ruckuses at the polls. "Nonsense reports alleging violence in Scotland, surprisingly good mannered crowds both sides," Murdoch wrote on his Twitter feed early Thursday. "May change tonight with pubs open all night!"

During the interview with Cavuto, Murdoch said the political winds are changing -- particularly as economic policies have largely helped the rich but not the average worker. "I think there is meaning in this, and it goes beyond Scotland," Murdoch said. "You are seeing it down here in Britain ...and in France...and really, you could take the U.S. and go across into Middle America, and what do they think about Washington? And Wall Street, for that matter." "People are really looking for change," Murdoch said.

He closely follows U.S. politics, and mentioned the run-up to the 2016 U.S. presidential election. "I am intrigued with the whole process. Who is going to run against Hillary on the Democratic side?" Murdoch said. "What could happen there?" "And then, there are a lot of people in the Republican field... Rand Paul...Paul Ryan, though he hasn't declared yet. Jeb Bush may -- he would be a very good president. Marco Rubio is making some very interesting speeches," Murdoch said. "I think that ... John Kasich in Ohio is going to emerge as a candidate and Chris Christie, and there's other governors."

Cavuto wondered why Murdoch tacked the New Jersey governor's name at the end of the list. Was there any reason? "No, not at all," said Murdoch. "I think he will be a very visible and strong candidate when the primaries come," Murdoch said of Christie. — **Los Angeles Times**



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