BCAP 60th Anniversary NewsClips

January 25, 2017

New York Post
Trump has been great for the cable news business

Washington Post
The cable company that sends Teslas and Beamers to your door

USA Today
Verizon rivals put squeeze on No. 1 carrier's growth

Bloomberg
Amazon Steals Netflix's Spotlight to Become Toast of Hollywood

Philadelphia Inquirer
Net neutrality is so 2016

Bloomberg
The End of Terrible Wi-Fi Is Near

Wall Street Journal
Ozy Media Raises $10 Million to Expand Video, Events

Zap2It
Cable Top 25 for Week Ending January 22

Park La Brea resident Lydia Plona's pay-TV bill has soared by 60% since Charter Communications took over Time Warner Cable, and she figures there's little she can do to keep it from climbing even more.

President Trump's pick to run the Federal Communications Commission makes that prospect even more likely.

Trump named Ajit Pai on Monday to take over as FCC chairman. Pai, a Republican, has served on the five-member commission since 2012, and no one questions his smarts or his grasp of complex telecom issues. Unlike some other Trump appointees, this one knows his stuff. That said, Pai has a solid track record of favoring deregulation of phone, cable and broadband companies. It's a sure bet he'll adopt a more hands-off approach to overseeing the telecom industry than his Democratic predecessor, Tom Wheeler, who believed government regulators have an important role to play in consumer protection.

"Pai is the anti-Wheeler," said Harold Feld, senior vice president of the advocacy group Public Knowledge. "Anything Wheeler tried to do, Pai would be the first to say it went too far." For consumers, Feld told me, a key change will be Pai renouncing Wheeler's position that phone rules apply to broadband services — a stance that gave the FCC sweeping authority over high-speed Internet providers.

It may sound wonky, but it's a very big deal. Under Wheeler's interpretation of the rules, federal authorities were able to oversee broadband companies' privacy policies and use of customer data. Strict limits were placed on how much access marketers were given to Internet users' online activities. Wheeler also required that broadband service providers treat all online businesses equally, thus preventing a Comcast, say, from giving preferential treatment to its own streaming videos or slowing the speed of rival Netflix. This is what's known as net neutrality. "The delivery of products and services that will define our future requires gatekeeper-free access to networks," Wheeler said **in a speech** at the Aspen Institute this month.

Plona can relate to that. She and I chatted Monday about her bill for TV, Internet and phone service going from $96 a month to $154 after Charter's Spectrum took over Time Warner Cable. I've heard from dozens of other Spectrum customers who said their bills have similarly soared as a result of the merger. I asked Plona if she was encouraged by the idea of the FCC giving telecom companies a longer leash — that is, allowing the marketplace to work its magic. She laughed.

"When you let these companies do as they please, all they do is raise our rates," Plona said. "It seems like prices go up every time you deregulate." It seems that way because it's true, at least for the telecom industry. After cable rates were deregulated at the federal level in 1996, monthly bills started rising at three times the rate of inflation, according to the U.S. Public Interest Research Group.

A 2015 study by Washington State University researchers found that, instead of boosting competition, cable deregulation simply increased industry consolidation. Even so, Pai, 44, sees deregulation as a boon to the industry and the U.S. economy. He said **in a speech** last month that "the regulatory underbrush at the FCC is thick," and that "we need to fire up the weed whacker and remove those rules that are holding back investment, innovation and job creation." No one at the agency responded to my request Monday to speak with Pai.

Apparently, though, his regulatory roots run deep. He was born to Indian immigrants in Buffalo, N.Y., and moved to Canada when he was still a baby. His parents moved the family back to the United States after completing their medical residencies. "One of the reasons why they wanted to come back to the United States is because they saw that the Canadian marketplace for doctors was highly regulated," Pai told the Washington Free Beacon, a conservative website, in 2014. There was "much less opportunity for them to be doctors, and entrepreneurial."

Former Republican FCC Chairman Michael Powell, who now heads the cable-industry lobbying group NCTA, praised Pai for having "consistently demonstrated a common-sense philosophy that consumers are best served by a robust marketplace that encourages investment, innovation and competition." In other words, he knows his place.

Feld told me the expectation among Washington-based consumer advocates is that Pai will simply stop enforcing many of Wheeler's so-called Open Internet rules until the FCC can revisit the matter or until Congress can weigh in with new legislation. It also appears that a Pai-led FCC will be much more amenable to AT&T's proposed $85.4-billion acquisition of Time Warner (the media conglomerate, not the cable company). AT&T Chief Executive Randall Stephenson held talks with Trump this month. The telecom behemoth characterized the get-together as "a very good meeting."

Craig Aaron, president of the advocacy group Free Press, said that Pai has "never met a mega-merger he didn't like or a public safeguard he didn't try to undermine." "Millions of Americans from across the political spectrum have looked to the FCC to protect their rights to connect and communicate and cheered decisions like the historic net neutrality ruling, and Pai threatens to undo all of that important work," he said.

Pai shares one thing with the new president: A love of Twitter. He tweeted Monday that "there is so much we can do together to bring the benefits of the digital age to all Americans and to promote innovation and investment." There's nothing there about protecting consumers from greedy or unfair business practices.
Apparently we can rely on the robust marketplace for that. – ***Los Angeles Times***

JPMorgan says a Verizon Communications merger with Comcast is not going to happen, while a deal combining Verizon and No. 2 cable firm Charter Communications looks unlikely, too. But telecom firms Sprint and T-Mobile US are more likely to be in play, says the investment bank. "We believe a combination of Verizon and Charter is feasible but difficult on the financials, but Comcast's overall size and NBC ownership make a deal with Verizon a nonstarter as the regulatory review process would likely be quite difficult," JPMorgan analyst Philip Cusick wrote Monday in a broad research report on telecom industry M&A scenarios.

Comcast, Charter and other cable TV firms hold rights to lease access to Verizon's mobile network on a wholesale basis, under what's called an MVNO (mobile virtual network operator) agreement. Comcast plans to start wireless-services trials in mid-2017. Cusick says the cable TV firms and

Verizon might try to forge a deeper partnership if an outright merger isn't doable, but he says that relationship likely would fray. "We don't believe that an MVNO structure will allow cable to be successful in wireless over time," he said. "Cable's wireless business would eventually grow to a point where Verizon views them as a threat."

Shares of Verizon and Comcast fell a fraction in the stock market today, while Charter was flat. But Sprint stock rose 2.8% and T-Mobile 1%. Comcast and Charter are both extended from November breakouts. JPMorgan assigns the highest probability (35%) to Sprint and T-Mobile US proposing a merger, while it estimates a 15% chance that Comcast could bid for T-Mobile or Sprint.

Verizon CEO Lowell McAdam recently commented on the "industrial logic" of a Verizon-cable industry tie-up. And in his 2017 industry predictions, T-Mobile CEO John Legere said a Verizon-Comcast merger could happen. JPMorgan, though, says Comcast likely has other ideas, especially if a Sprint merger with T-Mobile does not materialize. Deutsche Telekom, which owns 65% of T-Mobile, could roll its equity into a larger company, says JPMorgan.

A Comcast purchase of T-Mobile would be bad news for AT&T and Verizon, says Cusick, because it would "cement" an industry structure with four national players, rather than three. "If the Sprint deal does not work out, a cable transaction becomes the next most likely event for T-Mobile," said Cusick in his report. "We believe that Comcast is very serious about getting into wireless, and we see synergies as substantial." – ***Investor's Business Daily***

Verizon says it's still mulling what to do about its $4.8 billion Yahoo deal after the internet company revealed massive hacks of customer information. The telecom giant had wanted Yahoo and its huge user base to help it build out a digital-ad arm as the wireless business gets tougher — roughly three-quarters of U.S. adults **already have a smartphone** — but the security breaches have complicated the deal. While Yahoo said Monday that the sale's close **would likely be delayed** by up to three months, until sometime between April and the end of June, Verizon said Tuesday that it is still reviewing what effect the security breaches had on Yahoo's business. Verizon could try to walk away from the deal or lower its price if it thinks the hacks made Yahoo's services less popular. Recent business trends at Verizon underscore why it wants to invest in digital advertising.

The country's biggest mobile carrier added fewer new cellphone or tablet customers in the last three months of 2016 than it did in 2015, and wireless service revenue — what cellphone customers pay for their plans — dropped 4.9 percent. That metric fell 5.4 percent for the year, and Verizon said Tuesday that wireless service revenue won't start growing until 2018. Wireless revenue overall fell 1.5 percent in the quarter, to $23.4 billion. In its smaller "wireline" business — cable, phone and internet for businesses and consumers — revenue fell 3.1 percent to $7.81 billion.

The New York company's overall net income fell 17 percent to $4.6 billion, or $1.10 per share, in the last three months of 2016. Stripping out one-time events, earnings came to 86 cents per share, three cents shy of what analysts surveyed by Zacks Investment Research had projected. Revenue fell 5.6 percent to $32.34 billion, topping analysts' estimate. Shares of Verizon Communications Inc. fell $2.33, or 4.5 percent, to $50.08 in morning trading. – ***Associated Press***