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BCAP 60th Anniversary NewsClips

August 10, 2017

Philadelphia Business Journal
Disney CEO acknowledges pulling out of Netflix could be seen as threat to Comcast

New York Times
The Alt-Right Finds a New Enemy in Silicon Valley

St. Louis Post-Dispatch
AT&T exec says company plans to keep CNN 'editorially independent'

CNN
Will streaming TV get crazy expensive in the future?

Philadelphia Daily News
Harrisburg 'bipartisanship' hurts residents in Pennsylvania

Pittsburgh Post-Gazette
Pennsylvania House Speaker

If you have electricity in your house or a phone, Pennsylvania lawmakers want you to help plug the budget's $2 billion gap. Along with the controversial, highly publicized tax on natural-gas bills, in a vote last month the Senate also approved levies on telephone and electric utilities, which typically pass such costs onto customers.

The revenue package still must go before the House, where its fate is uncertain. "There doesn't seem to be support" for the Senate's package, Steve Miskin, spokesman for the House Republicans, said Wednesday. What their alternatives could be — and if or when the Republican-controlled House would vote on the plan — remain uncertain. But if the Senate has its way:
– Those who heat their homes with natural gas would see a new 5.9 percent tax on their bills. A consumer with a $100 monthly bill would pay $5.90 per month, or $70.80 per year, in new taxes.
– Taxes on electric and telephone utilities — including landlines and cellphones — would increase from 5 percent to 6 percent. Together, the natural gas, electric, and telecommunications taxes would raise more than $400 million per year.
– For the first time, Pennsylvanians could buy aerial fireworks – on which they would pay a 12 percent tax, in addition to regular sales taxes. Lawmakers say this could raise $ 2.8 million per year.
– Websites that facilitate third-party sales, such as eBay, Etsy, and Amazon Marketplace, would be required to collect Pennsylvania's 6 percent sales tax. Lawmakers say this change would allow the state to collect an additional $43.5 million in the coming fiscal year.
– A new severance tax on Marcellus Shale drillers would bring in $80 million annually. Though not a direct tax on consumers, industry leaders warn that it could affect the price of natural gas.

As House members decide what to do with the Senate's solution, industry leaders and advocacy groups are ready for a fight. Terry Fitzpatrick, president and CEO of the Energy Association of Pennsylvania, said utilities have concerns about the transparency of the taxes. "We're sort of being used as a collection agent to maybe mask the cost," he said. "It takes the cost of government and it presents it to customers not on your tax bill, but on your utility bill." One group of residents that would be winners under the new taxes: Those who do not heat their homes with natural gas. Fitzpatrick said only slightly more than half of Pennsylvania residents use natural gas.

Gene Barr, president of the Pennsylvania Chamber of Business and Industry, said he worries that the tax package would take away the state's competitive advantage of having "affordable, accessible natural gas." Some manufacturing members of the chamber have estimated that they could spend more than $1 million a year in taxes from the new 5.9 percent gross receipts tax on natural gas, Barr said. While lawmakers are resistant to raising income or sales taxes, Barr said, "our real concern is that raising that [utilities and natural gas] tax actually depresses our economic growth even more."

Meanwhile, Senate leaders called the revenue package a responsible solution for a budget that required difficult choices. Lawmakers have to fill a $1.5 billion gap in last year's budget, and a $700 million deficit in the fiscal year that began July 1. "I guess some advocate that we shouldn't do anything, we should just sit back and let Rome burn or let the governor come up with $2.2 billion worth of cuts," Senate Majority Leader Jake Corman (R., Centre) said on the Senate floor last month.

[Mike Turzai is taking heat for the budget stalemate]

Philadelphia Inquirer
[Court reinstates damage case against ex-AG Kathleen Kane]

Pittsburgh Post-Gazette
[Op-ed: Harrisburg, where more people get less done]

But some members of both major parties were among those to oppose the measure, which passed with a 26-24 vote. Sen. Art Haywood (D., Montgomery) said he would not support the tax increases without also increasing the minimum wage. "I am not opposed to raising taxes when appropriate," he said in a statement after the Senate vote. "At the same time, when we raise taxes on everyday people, we must consider the impact on their wallets. There are more than one million Pennsylvanians in low-wage and poverty pay jobs."

Sen. Stewart Greenleaf (R., Montgomery) also opposed the tax proposal. "Throughout the budget process, I have supported pursuing all cost-saving measures before considering tax increases," he wrote in a letter to constituents explaining his vote. Fitzpatrick, of the energy association, said he has sent emails to House members. Some are sympathetic, he said. But one thing is clear: Even if lawmakers agree with his perspective, there is no consensus on what to do about it. "There's all sorts of ways to raise money, certainly none of them are perfect and all of them have political downsides for folks," he said. "So there's nothing but tough choices and we realized that."

Miskin said House Republicans are discussing alternative revenue ideas. Representatives had been told to prepare to return for possible votes this month, but no date has been set. – ***Philadelphia Inquirer***

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Georgia state lawmakers are eyeing cell phone users, including those living in cities, as a way to raise revenue to help boost broadband in underserved rural areas.

Today, only people with landlines pay what is called the state Universal Access Fund fee, which has helped provide phone service to the state's hard-to-reach places for decades. State lawmakers tasked with finding solutions for rural Georgia's woes are now contemplating charging all phone users that fee and then putting the revenue toward rural broadband.

Sen. David Lucas, D-Macon, who is chairing the Senate Rural Georgia Study Committee, which met Tuesday in Dahlonega, said the additional revenue is needed to quickly spur results in areas of the state that are being left behind. Lucas said he has no reservations about asking city dwellers to help pay for services they will not use because of the advantages they enjoy in an urban area. "The state has to make a commitment," Lucas said. "There is no way to get around it."

Sen. Steve Gooch, R-Dahlonega, who sits on the committee, has already proposed legislation that would expand the fee to all phone lines, including cell phones, and allow the proceeds to be used on broadband.

Gooch said the charge can vary from 50 cents to $1.50 a month. Under Gooch's proposal, expanding the program would mean a significant influx of cash for rural broadband. Gooch said he expects a more broadly applied fee to bring in about $200 million annually, which he said could be divvied up among service providers through a grant program. "I personally believe that the consumer will justify that dollar a month if they know the money's being spent to upgrade their level of service," Gooch said.

Gooch said he doesn't consider it be a new fee, since some people are already paying it. For example, he said he's paying it now even though his local provider, Windstream, is not eligible to receive the funds. Everyone should have to pay it, he said, including Atlanta residents who often enjoy much faster speeds and more reliable connections at more affordable rates. "Not everybody can move to Atlanta," Gooch said.

But Stan Wise, who chairs the state Public Service Commission, which administers the fund, cautioned state lawmakers that any proposal to expand – or even continue – the fee will receive pushback from providers. The state Universal Access Fund has been around since 1995, when it was first created to help contain the cost of providing phone services in Georgia's rural areas. The fund was split into two parts in 2010, with half the program set to expire in the next few years. "They're seeing the light at the end of the tunnel and you're talking about maybe having it be a train," Wise told legislators Tuesday, referring to service providers.

The fee is altogether expected to bring in about $42 million this year, according to Wise. The PSC sets the amount charged to telecommunications companies, which typically pass the cost on to their customers. Wise said current state law limits the subsidy to basic telephone service, but he acknowledged that the funds may indirectly support extensions of subsidized networks that do provide broadband and video services.

The Senate study committee's work parallels the House Rural Development Council's focus on rural Georgia. Both panels are expected to propose fixes for the next legislative session, which begins in January. Gooch's bill evolved out of a rural broadband study committee that met last year and includes other recommendations, such as empowering the state's electric cooperatives to provide broadband. His bill and others dealing with rural broadband stalled this year but remain alive for next year. – ***Community Newspaper Holdings***

Dish Network Corp has joined forces with conservative media, trade and liberal advocacy groups in urging U.S. authorities to reject Sinclair Broadcast Group's proposed $3.9 billion acquisition of Tribune Media. Opponents of the deal, according to petitions filed with the Federal Communications Commission (FCC) made public on Tuesday, say it will raise prices while narrowing content and news viewing choices for millions of Americans. Some petitions say the proposed acquisition or merger will also give Sinclair too much influence over local news content.

Sinclair, which already owns 173 U.S. television stations, announced plans in May to acquire Tribune's 42 TV stations in 33 markets as well as cable network WGN America and digital multicast network Antenna TV, extending its reach to 72 percent of American households. Sinclair would control far more stations than any of its competitors if the Tribune deal goes forward. In April, the company also announced plans to acquire 18 stations in five states owned and operated by Bonten Media Group. "A free and diverse press, a bedrock principle of American democracy, will be crippled by this proposed merger," conservative media company Newsmax Group said in one filing with the FCC that echoed the sentiments of opponents across the political spectrum.

One group, Free Press, said Sinclair forces its stations to "air pro-Trump propaganda and then seeks favors from the Trump administration." The Hunt Valley, Maryland-based company has drawn criticism for favoring conservative political candidates. Sinclair in April hired a former Trump campaign adviser, Boris Epshteyn, as a commentator after he briefly served in the Trump White House.

The Tribune merger "would turn Sinclair into the nation's largest broadcast conglomerate and lead to higher prices, more station blackouts, less choice, and less local news for millions of consumers," Dish said in its filing with the FCC. Sinclair would have to divest stations in Seattle, St. Louis, Salt Lake City and Oklahoma City as part of the Tribune acquisition under current rules. But it could reverse course if regulators change media ownership regulations.

The American Cable Association, Competitive Carriers Association and advocacy group Common Cause are among the groups and companies that have filed petitions to oppose the deal. One America News Network, a conservative leaning channel, and a number of independent programmers filed a joint petition with the FCC, including conservative commentator Glenn Beck's The Blaze network, opposing the deal.

Sinclair defended the Tribune acquisition in its application with the FCC made public in July, saying it would increase "operational efficiencies" and "expand the stations' local coverage" including local news. A spokeswoman for Sinclair declined to comment on the batch of petitions made public

Tuesday. Sinclair Chief Executive Christopher Ripley said last week "the industry needs to consolidate to two or three large broadcasters, and really just one to two strong local players in each market ... There's significant savings to be had putting local content players together on a local level.

The Computer and Communications Industry Association, a group representing tech companies including Alphabet Inc and Amazon.com Inc, also opposes the deal, saying it would alter diversity and competition across the U.S. media landscape. Cellular operator T-Mobile USA Inc complained that the deal could delay the transfer of broadcast airwaves spectrum for wireless use. In April, the FCC reversed a 2016 decision limiting the number of television stations some broadcasters can buy, paving the way for the Sinclair Tribune tie-up. – ***Reuters***

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Higher fees for the Fox News, FX and sports cable networks lifted revenues for 21st Century Fox Inc. and helped offset weak performances from the Fox Broadcasting and film units in the most recent quarter. The cable networks unit reported a 10% gain in the fees pay-TV distributors pay to carry the channels compared with the same period a year ago. Domestic advertising revenue was up 6%, driven by higher ratings at Fox News and price increases at National Geographic, even as Fox Sports 1 and the regional sports networks carried fewer marquee events.

The importance of news and sports to 21st Century Fox was emphasized by Co-Executive Chairman Lachlan Murdoch, who told analysts that news and sports account for more than half the company's advertising revenue. Advertising brought in $8 billion in the fiscal year ended in June. The picture was bleaker at 21st Century Fox's broadcast network and film studio.

At the studio, filmed entertainment swung to an operating loss of $22 million, which was attributed to a decline in home entertainment revenues and higher marketing costs for summer movies including "War for the Planet of the Apes." Fox Broadcasting, which has been mired in a ratings slump for a few years, experienced a drop in ad revenue that was partially offset by an increase in the fees distributors pay to carry the Fox-owned television stations.

Overall, the company modestly beat analysts' earnings estimates and fell just shy of revenue projections. Net income for 21st Century Fox fell to $476 million, or 26 cents a share, in the quarter. Excluding restructuring charges and other items, profit fell to 36 cents a share from 45 cents a share a year earlier, when results included a tax benefit of 7 cents a share. Revenue rose to $6.75 billion, from $6.65 billion a year earlier. Analysts surveyed by Thomson Reuters had projected adjusted profit of 35 cents a share on $6.77 billion in revenue. The Wall Street Journal parent News Corp and 21st Century Fox share common ownership.

The results come as 21st Century Fox seeks to buy the shares of British TV giant Sky PLC it doesn't already own. The deal **remains under review** in the U.K. On a conference call with analysts, 21st Century Fox Chief Executive James Murdoch said he expected approval to come in the first six months of next year. Fox News turned in a strong financial performance, despite the turmoil inside the network over the past year.

The network continues to deal with lawsuits and accusations of sexual harassment and racial discrimination that have led to several high-level departures, both in front of the camera, such as host Bill O'Reilly, and in the executive suites, including that of its former chief executive, Roger Ailes. Mr. Ailes and other individuals accused have denied the allegations; Mr. Ailes died in May. Fox hired a law firm to investigate the claims and has said it is cooperating with a federal probe related to the allegations.

In a memo to employees released with its earnings announcement, James and Lachlan Murdoch said the company is "committed to being an organization where anyone, from anywhere, feels welcome and can thrive." For the nine months through March 31, the company disclosed $45 million in costs related to settlements and legal expenses following Mr. Ailes's July 2016 departure. – ***Wall Street Journal***

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Walt Disney 's decision to pull its content from Netflix marks a major shift, but it isn't going to be the thing that drives the media company's share price over the next few years. It also may not matter much for Netflix shares.

Disney, which reported fiscal third-quarter earnings Tuesday, said it will **end its deal** with Netflix, beginning with its 2019 film releases, and will launch its own Disney-branded streaming service. **The deal was struck in 2012** but didn't start until 2016. By then, it had become clear that the fees Netflix was paying to license media companies' content weren't enough to offset the loss of pay-TV subscribers who have cut the cord or downgraded to smaller bundles of channels, enabled by the availability of content on services such as Netflix.

Disney is doing what it can to limit the impact of the Netflix deal, but 2019 is a long time from now. In the meantime, its stock-price performance will be more reliant on its ability to stem the decline in subscribers at ESPN. The company's sports-rights costs have been climbing at the same time as subscribers have been leaving. Disney said operating income for its cable networks segment fell 23% in the third quarter due to a rate increase for its NBA contract. Affiliate revenue grew thanks to contractual rate increases, but subscriber declines cut into that growth.

Disney will have the **opportunity to remedy** that situation during its next round of negotiations with pay-TV providers, which will begin with Altice USA , whose contract expires this fall. The media company can use a combination of price increases and provisions that stipulate that a portion of pay-TV subscribers must receive its channels. Disney will also be launching an ESPN streaming service in early 2018 that will feature content not available on its TV channels. This could also offer a boost to affiliate revenues.

For Netflix, it is impossible to know how many new subscribers have signed up to watch Disney's new releases. The company now has until 2019 to come up with a substitute. It said Monday it was acquiring comic book publishing house Millarworld for an undisclosed amount. That could offer a clue to its ambitions for competing with Disney's Marvel. In the meantime, Disney content may continue to aid its subscriber additions. The future of TV still has plenty of gray areas. Investors in Disney and Netflix must focus on the threats and opportunities they can most clearly see. – ***Wall Street Journal***

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