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What the Industry Reads First

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Uncertain Future: FCC Sending Sinclair-Tribune to ALJ Hearing

With FCC chmn *Ajit Pai* dealing a significant blow to **Sinclair's** proposed \$3.9bln **Tribune** deal, what happens next? The merger agreement between the two expires on Aug 8, with some questioning if this may be the opportunity for broadcast station hungry **21st Century Fox** to swoop in and buy Tribune. Given that Sinclair has made five different station divestiture proposals—all with it retaining some sidecar arrangements for some stations—there's skepticism over whether the broadcaster will be able to ultimately satisfy the FCC. Watchers were taken by surprise Monday when Pai revealed that he's circulated a draft order to send the merger to an administrative law judge—an arduous process that would put the companies through discovery and various legal hoops. It's often viewed as a merger killer, though a deal restructuring could potentially stave off a hearing. Pai said he has "serious concerns" with some of Sinclair's station divestitures suggesting the broadcaster would be allowed to control those stations "in practice, even if not in name, in violation of the law." The order reportedly already has the needed three votes to send the merger to the ALJ, with *Jessica Rosenworcel* confirming she's 100% on board. The Democratic commissioner has repeatedly raised concerns about the deal, arguing that actions at the agency that seem to serve Sinclair's business plans (such as the reinstatement of the UHF discount) merit investigation. "With this hearing designation order, the agency will finally take a hard look at its proposed merger with Tribune. This is overdue and favoritism like this needs to end," Rosenworcel said. Commish *Mike O'Rielly* indicated he would support the hearing if timelines are put in place for the ALJ to act. He has frequently criticized the ALJ process, noting it took nearly six years for **GSN's** carriage complaints against **Cablevision** to be resolved. It appears the ALJ method "may no longer be the most efficient means to complete our work," he said in voting last July to overturn the ALJ's determination that Cablevision discriminated against GSN by moving it to a sports & entertainment tier. He reiterated that stance Monday: "The ALJ process is in need of significant reforms, including putting an end to the interminable hearing." The FCC only has a single admin law judge, chief ALJ *Richard Sippel*, who has heard all cases referred to him over the past several years—from GSN-Cablevision to **Tennis Channel** and **NFL Network's** complaints against **Comcast**. The timing of the hearing, assuming the Commission votes for one, is up to the administrative law judge. Once the ALJ issues a



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determination, the FCC commissioners would have to vote to approve/deny it, and then the matter can still be appealed. Neither Sinclair nor Tribune responded to requests by **Cablefax** for comment. "Given that this order seems to specify the divestiture stations, [Sinclair] may be able to work with the FCC to get this approved. That said, our legal contacts believe Pai went far enough to suggest the deal is at more serious risk. We think [Sinclair] is digesting its options at the same time that we are," **Wells Fargo Securities** said in a research note Monday. Shares of Sinclair shares shed nearly 12% at Monday's close, while Tribune was down nearly 17%.

Sinclair-Tribune Reax: A coalition of groups opposed to the deal, including **Cinemoi, ACA, Public Knowledge, RIDE TV, DISH** and **Common Cause**, thanked the **FCC** for "recognizing today that no matter how many times Sinclair revised this deal, they were never serious about proposing a merger that follows the rules." **Chris Ruddy's Newsmax Media** didn't join the coalition, but repeatedly went to the FCC in opposition to Sinclair's divestiture plans, calling them a "sham." "We did represent millions of conservatives worried about the implication of this deal, and the fact other major networks could buy many local TV stations across the country," Ruddy told **Cablefax**. "We oppose media concentration of power. We did take a leading role in opposing the deal with the public, Congress and the FCC." He applauded Pai for acting in a "non-partisan manner in making this decision." ACA's **Matt Polka**, whose organization voiced concerns over the deal's potential for higher retrans fees, called on Sinclair to withdraw the transaction "so the FCC no longer needs to devote any of its limited resources to a doomed endeavor." Reps **Frank Pallone** (D-NJ) and **Mike Doyle** (D-PA) sent a letter last week urging a **GAO** review of broadcasters shared service arrangements, such as those proposed by Sinclair. "I was pleased to see Chairman Pai echo our concerns in his announcement today," Pallone said.

Lionsgate Board Exit: Liberty's **John Malone** and media/tech venture capitalist **Scott Paterson** have notified **Lionsgate** they will retire from the board when their terms expire at the next annual meeting, which is expected to be held in September. Lionsgate said in an **SEC** filing that their departures are not the result of any disagreement.

Great Expectations: **Netflix** may have beat out **HBO** in Emmy nods last week, but not everything was stellar at the streamer in Q2. The company ended the quarter with 130mln subs (+5.2mln), 1mln below its projections of 6.2mln net additions. Paid net adds were also lower than expected, totaling 5.5mln in Q2 compared to 4.7mln and a projection of 6.1mln. Netflix is being a bit more cautious with its Q3 estimates, forecasting global net adds of 5mln, with 0.65mln in the US and 4.35mln internationally. Paid net adds are predicted to hit 5.2mln. Streaming revenue overall grew 43% YOY thanks to increases in average paid memberships (+26%) and ASP (+14%).

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Rumor Has It: After an **FCC** filing sparked talk of a **Roku** smart speaker, the company revealed it is in fact pursuing the technology. Roku revealed the Roku TV wireless speakers Monday, the first to be made exclusively for the platform. It pairs wirelessly via Roku Connect, allowing them to listen to audio from any streaming channel on the Roku platform, live TV from an antenna or other devices like set-top boxes. The speakers also support Bluetooth music streaming from mobile devices. Automatic volume leveling is integrated into the speaker as well as dialog enhancement, which makes speech easier to understand. The Roku TV wireless speaker bundle will sell for \$199.99 and begin shipping in late October, including two wireless speakers, the Roku TV voice remote, the Roku Touch remote, two power cables and batteries. Roku TV owners can pre-order the speakers from the company's website through July 23 for an introductory price of \$149.99. The price will rise to \$179.99 from July 24-October 15 before rising to the final \$199.99.

Under My Umbrella: A new business website is coming from **CNN** expanding its technology coverage, according to *Bloomberg*. The move is a part of a restructuring of the network's digital operations. CNN plans a new streaming video service aimed at business and technology. Beginning this fall, CNN will group business websites CNN Money, CNN Tech and CNN Media under the new name CNN Business. It will hire six journalists to cover tech from a new bureau in San Francisco, CA, centered on Silicon Valley companies. The change comes following **AT&T's** acquisition of CNN parent **Time Warner** last month for \$85.4mln.

Best in Class: **Comcast NBCU** revealed the 10 startups that will take part in the inaugural Comcast NBCUniversal LIFT Labs Accelerator, powered by **Techstars**. The companies will spend 13 weeks at Comcast's Philadelphia headquarters before a Demo Day on October 11. Those weeks will be spent refining and testing their business models while receiving one-on-one mentoring. The 2018 class includes chat software company **Alive5** (Austin, TX), augmented reality experience creator **eyecandylab** (Munich, Germany), AI speech coach **Orai** (Philadelphia), IoT-powered platform **Pium** (NYC and Seoul, South Korea), modern arcade gaming console **Polycade** (LA), personalized media network for rideshare vehicles **Portl Media** (Toronto, Canada), live interaction game show platform **Tally Interactive** (Toronto, Canada), children's companion and toy creator **Thinker Tinker** (LA), social network marketing company **Trapica Labs** (NYC) and augmented reality prototyping tool **WiARframe** (Singapore).

To the Clouds: **Zone tv** developed a new suite of cloud-based video services under the zone-tv Studio brand that allow content owners and video distributors to create self-branded, linear TV channels. The channels can be customized by each viewer in the household. The suite includes a programming studio for authoring a channel; an AI studio that assesses a channel's content, boosts its metadata, classifies it and incorporates trending information; an ad studio for ad management and the integration of ad tech partner services for ad insertion; and a configuration studio for quick delivery of a partner's content to any system.

Distribution: A deal between **Hulu** and **A+E Studios** means the fourth and final season of drama "UnREAL" has jumped from **Lifetime** to streamer **Hulu**. The fourth season as well as the entire series is now available on the platform.

Come Together: **Spectrum Noticias NY1**, **ESPN Deportes** and ESPN Deportes 1050AM are partnering to provide sports content on Noticias' weekday newscasts from 7am-12pm. "ESPN Deportes en Noticias NY1," debuting Monday, offers three-minute sports segments covering NYC sports stories each day as well as international coverage of Latin American soccer clubs. Noticias is available on **Spectrum** and **Optimum** in NYC.

Star of the Show: **CNN's Don Lemon** will be the opening keynote speaker for the 32nd Annual **NAMIC** Conference during Diversity Week. He'll be tasked with kicking everything off while embodying the conference's theme, "Empower Leaders, Create Superheroes." The conference will run from October 16-17 at the Marriott Marquis in NYC.

Honors: **The Center for Communication** will celebrate **Showtime Networks** pres/CEO *David Nevins* at its annual luncheon, presenting him with the Frank Stanton Award for Excellence in Communication. The award, named after the Center's founder and longtime **CBS** president *Dr Frank Stanton*, is presented every year to an industry innovator. Nevins has been behind the greenlighting of "Homeland" as well as "Patrick Melrose" and "Ray Donovan." Before coming to Showtime, Nevins acted as president of **Imagine Television** from 2002-2010, where "Arrested Development" and "24" were produced under his leadership. The luncheon will be held at the Pierre Hotel in NYC on September 27.

Ratings: Saturday's "Wimbledon Ladies' Championship" on **ESPN** averaged 2.697mln HHs, a 32% boost from 2017. The audience was the largest for the event since 2012, the first year the network aired the Finals, and showed growth with M25-54 (+24%), P18-49 (+26%) and P25-54 (+36%).