

Cablefax Daily™

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What the Industry Reads First

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Still Trying: Sinclair Switches Up Station Divestitures, Critics Aren't Having It

Sinclair's latest attempt to adjust its station divestitures post-Tribune to appease the FCC hasn't calmed down everyone. "Today's desperate, 11th-hour proposal again demonstrates [Sinclair's] refusal to respect the actions of the Commission," Newsmax CEO Christopher Ruddy said, urging FCC chmn Ajit Pai to stick to his plan to move the proposed Sinclair-Tribune merger to a hearings phase with an independent judge. ACA, which filed a petition to deny the deal, also isn't impressed. "Three FCC Commissioners have voted to send Sinclair's transaction to an Administrative Law Judge because they suspect that Sinclair has lied about it. Sinclair can't rescue this Titanic by shuffling the deck chairs," ACA pres/CEO Matt Polka said in a statement. Two days after Pai circulated a draft hearing designation order, Sinclair came Wednesday with a new proposal that withdraws the pending divestitures of stations in Dallas (KDAF) and Houston (KIAH) to Cunningham Broadcasting. It also withdraws the pending divestiture of Tribune's WGN in Chicago to WGN-TV LLC, a company formed recently and controlled by a business associate of a director and controlling shareholder of Sinclair. Now, Sinclair would simply acquire WGN, which it said has always been permissible under the FCC's 39% national ownership cap as it doesn't own any stations in the Chicago market. As for the Dallas and Houston stations, Sinclair will ask for permission to put them in a divestiture trust to be operated and sold by an independent trustee following the close of the Tribune deal. The broadcaster said it expects to have a purchase agreement with a third party buyer or buyers prior to close. Under this plan, post-transaction Sinclair would have a national audience reach of 38.86%—that figure includes the UHF discount currently being challenged in the DC Circuit. The FCC declined to comment on the updated proposal Wednesday. The agency's voluntary 180-day shot clock for reviewing the merger has been paused since January 11 to give staff time to digest divestiture applications. The FCC's hearing designation draft order has not been released, but some press reports have said the agency accuses Sinclair of acting deceptively with its plans to divest ownership of WGN. The order reportedly takes issue with the divestitures in Dallas, Houston and Chicago, hence the broadcaster's latest action. Sinclair said it has "been completely transparent about every aspect of the proposed transaction" with the FCC. "As a result and in light of the ongoing and constructive dialogue we had with the FCC during the past year, we were shocked that concerns are now being raised. Nonetheless, we have decided to move forward with these additional changes to satisfy the



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FCC's concerns," Sinclair said. While it remains to be seen if this will mollify the FCC's concerns, the updated plan doesn't address other issues raised by critics of the deal. Newsmax maintains Sinclair has withheld significant info about other divestitures, which it argues must be closely scrutinized to make sure they are truly arms-length given Sinclair's history of using sidecar agreements to control stations. The updated plan also doesn't address concerns raised by **NCTA** that Sinclair would own two of the Top 4 stations in St Louis and Indianapolis.

Zas Stays at Discovery: Discovery amended pres/CEO *David Zaslav's* contract in a deal that would run through the end of 2023. Zaslav has overseen the acquisition of **Scripps Networks Interactive** and **Eurosport**. His base salary remains at \$3m/yr for the duration of the agreement, while his target annual bonus for 2018 will remain at \$9m. That target bonus increases to \$22m for subsequent years, according to an **SEC** filing. His agreement also includes stock options, naturally. Zaslav joined the company from NBCU in 2007. "His vision and hard work have brought Discovery to new heights, increasing its global scale and market share and creating a unique portfolio of beloved brands. His commitment to creating a dynamic, forward-leaning company, fueled by an exceptional team, is unparalleled," read a statement from Discovery director and **Liberty Media/Liberty Global** chmn *John Malone*.

T-Mobile/Sprint Pleading Cycle: The **FCC** has set Aug 27 as the deadline for petitions to deny **T-Mobile's** \$26.5bn deal to acquire **Sprint**. Oppositions are due Sept 17, with replies due Oct 9.

Charter Compliance: While NY State has accused **Charter** of being in violation of its buildout requirements, the **FCC's** independent compliance officer said this week that the company appears in compliance with the Commission's build-out and data cap conditions that are part of the **Time Warner Cable** and **Bright House** merger order. The NY obligations, which Charter says it is meeting and exceeding, are separate from the FCC's. Charter submitted its fourth required semi-annual build-out report to the FCC in May, covering the period of July 1, 2017 to Dec 31, 2017. The heavily redacted document shows that the only recommendation from independent compliance officer is that Charter continue to work with the ICO in respect to field testing speeds to customer locations. Under the FCC conditions, Charter is required to 60Mbps service. That shouldn't be an issue given that the MSO's is offering 100Mbps in almost its entire footprint, with Spectrum Gig available to more than half of homes passed.

Oversight Hearings: Next Wed, the **House Communications subcmte** is slated to hold an oversight hearing on the **FCC**, with Commissioners to testify on issues such as 5G, the digital divide and security. Chances are high net neutrality and the proposed **Sinclair-Tribune** merger also will get attention. -- The **FTC** was under the microscope Wednes-

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day in the House Digital Commerce subcommittee, which probed the agency on data privacy and consumer protections. “The more competition, the more likely it is the consumer is going to be benefitted... We want to have vigorous competition, we want to make sure that firms are not behaving anti-competitively, and at the same time we want to make sure that consumers have the information that is necessary for them to make the right decisions and right choices in the marketplace,” FTC chairman *Joseph Simons* said. Committee chair *Bob Latta* (R-OH) began the hearing by announcing House Commerce leadership would be sending letter to location data aggregator **LocationSmart**, **Securus** and **3CInteractive** regarding consumer data protections. The move follows similar letters to **Apple** and **Google**.

Across the Pond: The EU’s **European Commission** has fined **Google** a record \$5bln for breaching antitrust rules and engaging in “illegal practices to cement its dominant market position in internet search.” Regulators ordered it to stop such conduct within 90 days or face additional penalties. Their complaints include Google requiring manufacturers to pre-install Google search and browser apps on devices running the Android operating system. Google plans to appeal. Sen *Richard Blumenthal* (D-CT) took to **Twitter** to say the fine should be a wake-up call in the US to the FTC. “I’m requesting a meticulous investigation into @Google for antitrust violations. Consumers & the Internet deserve fair & open competition,” he wrote.

Research: TV streaming services have overtaken paid TV for the first time in the UK. Subscriptions to the three most popular online streaming services in the UK—**Netflix**, **Amazon Prime** and **Sky’s Now TV**—reached 15.4mln in 1Q, compared to 15.1mln pay-TV subscriptions, according to **Ofcom**. Ofcom research also found that spending by the **BBC**, **ITV**, **Channel 4** and **Channel 5** on UK-made TV programs fell to a 20-year low.

Sales Call: **Adara Technologies** partnered with **The ECAM Group** to triple its sales and support coverage in the US. The vendor said the move is to meet demand for its SIPV Solution, which delivers video more efficiently by “switching” the programs into network service groups only when they are requested, rather than wasting bandwidth by the usual practice of broadcasting all channels all the time. It can free 80% or more of an operator’s bandwidth in as little as 90 days.

Ratings: **Disney Junior’s** “Fancy Nancy” is the network’s No 1 debut in two years with girls 2-5, pulling in 258K viewers in the demo (L+3). The previous record-holder was “Elena of Avalor,” which bowed in July 2016. Fancy Nancy premiered on July 13 at 11am. The show also won its slot with kids 2-5 (418K).

Programming: **HGTV’s** “My Lottery Dream Home” is renewed for 23 additional half-hour episodes. The show, which attracted 15.7mln viewers during its most recent run, features *David Bromstad* helping lottery winners find a house. The next season will air on Sept 21, 9pm. -- **AMC Network’s** streaming service **Shudder** greenlit a new “Creep-show” TV series helmed by “The Walking Dead’s” *Greg Nicotero*. The reboot will debut in 2019, and each episode will tell original scary stories by different directors. -- The comedy series “Ballers,” starring *Dwayne Johnson*, will return for Season 4 on Aug 12. The show will air exclusively on **HBO** at 10pm. -- **Tennis Channel** will have live coverage of the 2018 International Tennis Hall of Fame Induction Ceremony on July 21 at 12:30pm. Coverage will also be available on-demand on **Tennis Channel Plus**, the network’s digital subscription service.

Big Boost: **Shentel**, a provider in Virginia, West Virginia and Maryland, tripled the internet speed of its existing business customers for no additional cost. In other words, a 25Mbps speed service jumped to 101Mbps for the same price. Shentel said the move took place in June and benefitted thousands of customers. The provider also eliminated slower speeds that no longer meet business customer needs.

Doing Good: **Antietam Broadband** donated 30 Windows 10 PCs to the **Boys and Girls Club** of Washington County, MD, to further STEM programs. The tech donation will allow the club to upgrade computer rooms at all locations and enhance online educational programming for youth.

People: **SNY** brought on *Maurice Peebles* as the multiplatform network’s first digital editor-in-chief. The role has him leading all digital content initiatives across SNY’s web, mobile and social platforms. He most recently served as senior managing editor at **Bleacher Report**, where he had also spent time operating as senior deputy editor and deputy editor. -- **CNET** reports that *Marwan Fawaz* will no longer be CEO of **Nest**. The former **Motorola** and **Charter** exec will remain with **Google** and parent company **Alphabet** as an executive adviser, **CNET** said. -- **Liberty Global** tapped *Severina Pascu* as CEO of **UPC Switzerland**, succeeding *Eric Tveter*. Tveter will assume the role of UPC Switzerland chairman and, with the pending sale of UPC Austria, will continue to oversee Liberty Global’s Eastern European operations as CEO.

Welcome Aboard: The **Cablefax** team is pleased to welcome *Mollie Cahillane* as our associate editor based in NYC. She previously covered science & technology for *The Daily Mail*.

Think about that for a minute...

Pravda

Commentary by Steve Effros

Growing up during the “cold war,” all we heard was the “western press,” and that was anything from the *New York Times* to *The Wall Street Journal* to *The Post* or *The Daily News* or the *LA Times* or the *Chicago Tribune* or *Reuters* or BBC or “the networks” all giving various perspectives on the news. From “the east” it was Pravda. Pravda is the 106 year-old broadsheet newspaper of the Communist Party in Russia. It’s long been considered the unofficial “voice” of the government.



“Pravda” means “truth” in Russian. This, of course, immediately gives it a leg up over any other news source in Russia. Everyone else could be accused of “fake news” if they don’t adhere to the government line, as explained in “The Truth,” or the equivalent electronic media. Very convenient, and it shows you that today’s battles over “fake news” are nothing new. Consider the US history of the “yellow journalism” days which many claimed responsible for the Spanish-American war. Hearst and Pulitzer’s battle for press dominance was considered one of the significant moving forces in triggering that calamity. No more history lesson here, go look it up. Well, one last thing; Hearst was well known for his quote (now called a “tweet”); “You furnish the pictures, I’ll provide the war!”

Obviously this is all tremendously significant today as we suffer through a paroxysm of recriminations about “fake news,” and average citizens run for cover behind the complaint that they don’t know what to believe because “you can’t trust the press,” and therefore there is no basis upon which to make reasoned decisions. But that’s just not true. The cable industry, for one, provides numerous mechanisms that can be used by those who choose to make the effort. The “shining example” I always point to is C-SPAN. The underlying bedrock logic of Brian Lamb, the founder of C-SPAN, has always been that removing

the intermediary reporters and pundits and allowing folks to actually view the events at issue as they take place allows individuals to make reasoned conclusions for themselves. I have had long discussions about this with Brian, and while I agree with him that it’s certainly one mechanism, the complexity of what’s going on around us also requires context and expertise. Cable provides that as well, with both being offered from an array of viewpoints from MSNBC to Fox. The trick, for the citizenry willing to put in the effort, admittedly that’s my wishful thinking, is to make sure to experience a variety of input, from the “event” itself to a well rounded sampling of opinion and contextual explanation. Just sticking with one source won’t do it.

That’s the danger today. Some sources are getting so dominant that they have the potential of drowning out most others. It’s very important to make sure that there are a multiplicity of strong sources and no overwhelming dominance. That’s why what happened the other day at the FCC is so significant. The proposal that Sinclair, already a major broadcast force, be allowed to buy the Tribune television stations threatens to create a major behemoth that could have a dominant effect on broadcast news. Sinclair is already known for sending out required, unattributed texts that local newsreaders must include in their “reporting.” That’s dangerous. With the Internet we have a whole additional host of problems, but that’s for another column. Chairman Pai has now put the Sinclair/Tribune merger into an administrative hearing. That’s a major step in potentially avoiding creating another overly dominant “truth teller.”

Steve

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(Steve Effros was President of CATA for 23 years and is now an advisor and consultant to the cable industry. His views do not necessarily reflect the views of Cablefax.)

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