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New Day One: Collier Positions Fox Entertainment as Scrappy Startup

As **21st Century Fox** prepares to offload major assets to **Disney**, newly minted **Fox Entertainment** CEO *Charlie Collier* acknowledged Wednesday that downsizing amid wider industry consolidation may seem crazy. But "one thing I've learned in this business is that crazy is in the eye of the beholder," he told TV critics at the **TCA** Winter Press Tour. The exec referred to the upcoming deal close as Fox's "new Day One." Competition with larger entities like **Comcast-NBCU, Disney, Amazon** and **Netflix** lets the new Fox Entertainment be "more nimble and more able to match business with opportunity than I think some of the vertically integrated partners that are out there," he said. That could mean more work with indie studios, big-name creators looking for homes for passion projects and even new voices yet undiscovered. "One of the great components of our strategy is that we can pair the right business model with the right project," Collier said, noting that recently announced pick-ups have all been unique partnerships. "I feel like we're building assets with these people and giving them platforms that can compound the value of their shows. There's a great deal of win-win in it for both of us." Fox's Wednesday announcement of the launch of **Sidecar** as a "content development accelerator" in partnership with well-known producer *Gail Berman* plays into that goal, he said, and goes beyond just replacing the loss of its **20th Century Fox** studio going to Disney. "I think we're really well positioned not just to build upon the strengths of a broadcast network but also bolt on capacity and capabilities without the overhead," he said. As for the outsized presence of **Fox News** that will only grow within the smaller New Fox, Collier said he's not worried about famously liberal Hollywood names shunning the network. "It's a heated issue for a lot of people. I appreciate and respect those who speak up about it," he said. "The bottom line is that the news division and the entertainment division are run completely separately." Overall, Collier said the uncoupling of Fox from a larger entity means it's free to take risks and experiment—even as it leverages its vast content library with potential reboots and other creative launches. "Fox Entertainment is an open canvas upon which we'll create new ways to do business," he said. "It's a startup company."

Ahead of the Merger: **21st Century Fox** might have just reported its last quarterly financials before the closing of its Disney deal, and the results were encouraging despite a dip in earnings. Adjusted quarterly EPS for the company was $0.37 in 2Q19, a 12% drop YOY, thanks to the sale of its investment in **Sky**. That drop didn't come without

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some gains, as income hit $10.83bln as a result of the sale. Revenues rose to $8.5bln, a 6% increase over last year fueled by higher affiliate fees and ad revenues in the cable network programming and television segments. That was partially offset by higher sports rights costs at both the Fox RSNs and **FS1** as well as higher programming costs at **FX Networks**. The company also said it has made "significant progress" in its transaction with Disney, a deal that is expected to close within the first half of 2019. "Our achievements, including the value we have delivered for shareholders, are a credit to all our talented colleagues," executive chmn *Rupert and Lachlan Murdoch* said in a statement. "Thanks to their hard work, we have created durable businesses for the long term, and strong momentum as we near the creation of Fox Corporation and the combination with Disney." **MoffettNathanson** lowered its FY2019 revenue growth estimate from +6% to +4%, but is maintaining its estimated EBITDA growth of +3.5%.

SOTU: President *Trump's* State of the Union address Tuesday night touched on infrastructure, but didn't linger there. "I know that the Congress is eager to pass an infrastructure bill—and I am eager to work with you on legislation to deliver new and important infrastructure investment, including investments in the cutting edge industries of the future," the president said. "This is not an option. This is a necessity." Last February, Trump unveiled an infrastructure plan that pegged $200bln in federal incentives to spur investment that hinges on public-private partnerships. Under it, cities and states would shoulder much of the financial burden for the plan to generate $1.5 trillion in new infrastructure investment over 10 years. Nothing much has come of it, and Dems have their own plans for infrastructure after retaking the house. The battle will be over where the money comes from... "Things I didn't hear last night, but wish I did: 5.7 billion for broadband infrastructure, to ensure that every community across this country gets the connectivity they need for a fair shot at digital age success," Democratic **FCC** commish *Jessica Rosenworcel* tweeted after the speech. Next Wednesday, **Senate Commerce** is slated to hold a hearing on America's infrastructure that includes **ACA** pres/CEO *Matt Polka* alongside leaders from trucking, railroad and ports. **Ratings**: Early **Nielsen** numbers show **Fox News** winning coverage of the speech from 9pm-10:30pm ET, delivering 11.2mln total viewers. Runner-up **NBC** had 7.1mln viewers, followed by **CBS** (6.7mln), **ABC** (5.9mln) and **Fox** (4.2mln). **MSNBC** (3.8mln) triumphed over rival **CNN** (3.4mln). **Univision's** coverage from 8:50-11pm nabbed 1.6mln viewers.

Net Neutrality – AKA The Song that Never Ends: If you thought last week's oral arguments over the **FCC's** decision to revoke Title II classification for broadband meant you'd be spared net neutrality headlines for a few months, think twice. Thursday's **House Commerce** hearing picks at the net neutrality scab again, giving Dems their first chance to tackle the FCC's 2017 order as the majority party in the chamber. In prepared testimony for the hearing, **NCTA** chief *Michael Powell* calls net neutrality an "infinite loop"—in other words, a piece of coding that repeats indefinitely because it doesn't have a functional exit. The only way to debug it, the cable exec argues (again), is to reach a bipartisan consensus codifying rules. "There should be no blocking or throttling of lawful content. There should be no paid prioritization that creates fast lanes and slow lanes, absent public benefit. And there should be transparency to consumers over network practices," he says in his testimony. Powell argues that "ambiguous legal authority" is the problem and the cure is more cow bell—er, make that congressional action. Thursday's hearing kicks off at 11am ET, with Powell to make that case that ISPs agree on the basic rules (expect a lot of arguing over what constitutes public benefit on prioritization). There could be some fireworks with former FCC chmn *Tom Wheeler*, who established the previous Title II regime, at the witness table alongside **Free Press** and **Mozilla** reps. Maybe they will all find a way to sing a new tune instead of the old standard…

Two for One: **beIN Sports** is taking additional action against **Comcast** through the **FCC** Media Bureau. On Tuesday, the soccer-focused net filed a refusal-to-deal complaint at the FCC that claims Comcast is unwilling to negotiate a deal that would restore beIN to its platform. It already has another carriage complaint pending against the MSO at the FCC that claims Comcast unlawfully discriminated against it in favor of its own affiliated content, including **NBCSN** and **Universo**. BeIN was removed from Comcast platforms on July 31. In the new complaint, beIN said the ongoing dispute is a prime example of the problems caused by vertical integrations like Comcast-**NBCU**. "Our practices and decisions with respect to beIN's programming are justified by clear data and marketplace facts," Comcast said in a statement. "This is just another attempt by beIN to use the regulatory process improperly to try to extract non-market carriage terms from Comcast." BeIN also requested a status conference with the agency to which Comcast is unopposed.

Carriage: **Newsmax Media** and **Altice USA** reached an agreement that will see the distributor launching the 24/7 cable news channel to **Optimum** and **Suddenlink** customers. The net will initially launch in Altice's Expanded Basic package to Optimum customers and to Suddenlink systems within a year. The deal will add approx 4mln new subs to Newsmax, which is currently available to 65mln homes. In September, the conservative-leaning network signed a deal with **Comcast**. It also has agreements with other major MVPDs, such as **Charter** and **Verizon**. Newsmax expects to reach as many as 80mln cable/satellite homes by the end of 2019.

Surcharge Grievance: **Charter** is getting heat for its broadcast surcharge fee with a law firm soliciting complaints on the issue, *Ars Technica* reports. The *LA Times* reported last week that Charter would be raising the fee on March 1 to $11.99 from $9.95. It was $8.85 until November of last year. Makes you wonder how much of the new fee is going to **Tribune**…

Target Practice: **FCC** chmn *Ajit Pai* called on wireless carriers and standards bodies Wednesday to make more progress towards implementing rules to boost geographic targeting of wireless emergency alerts. They're all working toward a deadline of November 30, established by the FCC last year as the day when participating wireless providers must be able to deliver alerts to areas targeted by public safety officials with no more than a one-tenth of a mile overshoot. The **Alliance for Telecommunications Industry Solutions** is expected to finalize its standards for the improved geo-targeting by the end of March.

AT&T's Full Court Press: **AT&T** and **NBA** are now on the same team, embarking on a multiyear marketing partnership to develop marquee moments, community involvement opportunities and next-gen content experiences. The new agreement will begin at NBA All-Star 2019 with the AT&T Slam Dunk. AT&T will also be the presenting partner of the NBA All-Star Practice and Media Day. AT&T will be the marquee partner of the **WNBA** beginning with the 2019 season. For the duration of the partnership, AT&T will be integrated into NBA assets.

Making the Switch: **Windstream** is teaming up with **MOBITV** to launch app-based television service **Kinetic TV**. Windstream will use the MOBITV Connect platform to transition its network's video delivery system to an IP-based approach to app-based television, including on-demand, live TV and network DVR. The service will launch in phases, starting in select Windstream markets in North Georgia followed by Lincoln, Nebraska. The rollout across Windstream's 18-state footprint is expected to be completed by the end of this year.

People: **NCTC** tapped *Jared Baumann* as vp, broadband solutions. He'll lead strategies on key initiatives such as broadband transport aggregation, home WiFi solutions, community WiFi, 5G opportunities and more. Baumann joins from **C Spire**. -- **Showtime** named *Geoff Stier* as svp, original programming. From 2009-2018 he served as evp, production at **Paramount Pictures** and was most recently CEO of **Fabula** in North America. He replaces *Amy Israel*, who was promoted to evp, scripted programming. -- *Brian Wieser* has left his role as senior analyst at **Pivotal Research** to join **GroupM** as global pres, business intelligence. Reporting to Global CEO *Kelly Clark*, he will collaborate with GroupM's agencies and WPP's broader network to gather, analyze and distribute actionable marketplace intelligence.

Think about that for a minute...

Should We Care?

Commentary by Steve Effros

The FCC and the "Net Neutrality" folks were back in court this week arguing over whether the Commission appropriately decided to resume regulating the provision of broadband as a "Title I" rather than a "Title II" common carrier service. Headlines ensued. Familiar positions were firmly taken, and nothing changed. The Court of Appeals in DC will now mull the case, probably for months, then a decision will come out and undoubtedly will be appealed to the Supreme Court. Should we care? Not very much.

This is all part and parcel of a long-running dispute between those who believe the development of broadband had gone relatively well and those who believe broadband should be considered a utility. This is not about "neutrality." It's not about "blocking and throttling." Those bumper-sticker issues have given the consumer media a great lede for their articles and headlines but really miss the point.

Broadband delivery companies, ISPs, do not derive much if any benefit from "blocking or throttling" service through their facilities unless they are also offering the same or similar services to those that they are allegedly blocking or throttling. As it turns out, because ISPs are local delivery mechanisms and programming or applications are national or international in nature, it's of little value for a local ISP to engage in such actions and risk losing customers because of it. In fact there's little evidence that ISPs ever engaged in widespread blocking or throttling and most have made it clear, including contractually, that they have no intention of doing so.

The real underlying issue is rate and service regulation. Things like the FCC's attempt to ban "paid priority." That is, specialized rates for specialized services. But even that's a questionable reason for "Title II" common carrier regulation. Why? Because analysts have already pointed out that "paid priority" services would not yield terribly much profitable income, so there's little if any indication that ISPs even want to offer these services. Will they? Would they? Well, in certain circumstances I would guess the answer is yes. Specialized, guaranteed delivery speeds or transport priority may be needed for some businesses or safety or medical purposes. But those are already offered under "Title II" regulation of the telephone industry, so the argument that such services should be banned is somewhat moot. You can buy a "T1, T2, or T3" line of service from the telcos now. That's paid priority.

No, the issue is the risk of other types of rate regulation or government interference in new business plans. Was all that hashed out in Court the other day? No, not really. The policy issues took a backseat to arguments over preemption of State actions, which section of the FCC rules should properly apply regarding "transparency," Administrative Procedure Act complaints about adequate notice, alleged "arbitrary and capricious" actions and the application of the "Chevron Doctrine." All of this stuff is interesting, at least for lawyers, but it has little to do with "saving" or "destroying" the Internet. That's nonsense.

So should we care? Well, I think our industry will continue to be the primary provider of broadband however this all eventually gets resolved, and most of it is a lot more noise and political posturing than substance. So no, in the long run it's not likely to make a major difference to us whatever happens. Remember, the last time the government approved rate regulation of cable, it approved higher rates than most companies charged! Advice to the NN folks: beware of what you ask for!

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.)