Opinion: Big media licking their chops

By Amanda Lotz, The Conversation

The year 2017 ended with a flurry of news affecting all aspects of the media industry. A shift in net neutrality policy and Disney's planned purchase of several Fox assets capped a year that also witnessed the pending merger between Sinclair Broadcast Group and Tribune Media.

As someone who teaches and writes about the media industry, I've been following these developments closely. Whether you're simply concerned about your cable and internet bill, or you're wondering how the elimination of net neutrality will influence access to your favorite websites, here are some key stories and developments you should tune into in 2018.

Buckle up for 'fast lanes'

The repeal of net neutrality – the rules that prevent internet service providers from charging websites to secure preferential treatment – hasn't gone into effect just yet, and legal challenges are in the works. But if the rollback goes through, as it's expected to do, it will likely affect companies and consumers in a couple of ways.

First, the business models of internet-reliant services such as Netflix and Spotify have always assumed that they would have free, unfettered use of the internet. They are among the first places that ISPs could target with fees, and these sites would feel compelled to fork over the money in order to reach consumers at the fastest speeds. At the same time, to offset these new costs, these internet-reliant services will likely pass these costs on to their customers.

Meanwhile, if paid "fast lanes" become standard practice,

consumers will also notice that accessing sites that don't or can't pay – such as government, education, libraries and other non-commercial sites – might seem slower or more difficult to use.

Also, expect to see internet service companies leverage the content they've purchased to encourage more subscribers. Companies that own content – whether it's TV channels or film franchises – will be able charge lower prices than those that license it. (This is at the heart of the AT&T-Time Warner merger discussed below.) For example, if AT&T succeeds in buying Time Warner – which includes HBO – it will likely offer HBO to AT&T subscribers at rates well below what their competitors like Comcast will charge, because these competitors must pay AT&T before they can offer HBO's content.

Investments and mergers galore

Though we're in the midst of an unpredictable regulatory environment, it seems likely that Disney's purchase of Fox assets will proceed.

This won't immediately bring big changes for consumers. As a content company, Disney's primary goal is to maintain and accumulate content assets: television series, films and brands like Star Wars, Marvel and DC. The more it owns, the better positioned it is to negotiate with companies such as Comcast and AT&T that make most of their money from distributing content (via internet, phone, cable service), but are also increasingly purchasing content of their own.

Companies built on owning content don't want to be left behind, so their goal is to be able to possess content so valuable that consumers demand that all distributors offer it. Just as Disney has long used used the popularity of ESPN to secure access for less popular channels like ESPN Classics or Disney XD, the more essential content Disney owns, the more leverage it has to charge high fees and ensure distribution

for content that’s less in demand.

The mergers likely to have a greater impact on consumers are the Sinclair-Tribune and AT&T-Time Warner mergers. Sinclair and Tribune aren’t household names, but they do own several local television stations. Sinclair already owns the most television stations in the U.S. – 193 stations in 89 markets that reach 40 percent of American households. Buying Tribune’s stations would enable it to reach 72 percent of American households, even though current rules cap national reach at 40 percent.

The Federal Communications Commission – with its current makeup geared toward deregulation – has signaled its intention to revise ownership rules to enable the merger to proceed. This scale of broadcast ownership is unprecedented in the United States and reminiscent of the late 1990s, when limits on national radio station ownership were eliminated and massive consolidation occurred.

Many have since decried this shift in radio ownership rules. The consolidation led to local job losses, and a recent change in rules allows conglomerates to operate without local studios. Sinclair has already been criticized for forcing all its stations to air the same editorials. This is contrary to broadcast policy that has long prioritized upholding the right of local stations to deliver programming attuned to the interests of their audiences.

The AT&T-Time Warner merger has been in the news for over a year now. The Department of Justice announced plans to sue to prevent the merger in November 2017 and the deal awaits court consideration. This merger deserves a closer look, because like Comcast’s 2011 purchase of NBCUniversal, it allows a distribution company (AT&T) to own content: Time Warner’s assets include HBO, CNN and the Turner networks. The Comcast merger was ultimately permitted, but it included a number of provisions to maintain a competitive marketplace.

Although much has been made of President Trump’s hostility toward CNN as a possible reason for the Department of Justice lawsuit, the potential anti-competitive actions AT&T could take as owner of Time Warner’s most lucrative asset – HBO – is a much better explanation. AT&T could refuse to allow competing services such as Comcast to offer HBO, or make it far more expensive to consumers that subscribe to a different ISP.

Over the next year, we’ll see media conglomerates continue to bid for assets and push to roll back rules in an effort to accumulate more power and profit. At the same time, ISPs – many of which already operate as local monopolies or with limited competition – now have permission to delegate access and raise fees.

If history is a guide, consumers will be the big losers.

Amanda Lotz is a fellow at the Peabody Media Center and professor of media studies at the University of Michigan.