Disney Buys Murdoch, December 16, 2017.

A. Michael Noll
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by William Dutton

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Walt Disney is purchasing Murdoch's entertainment empire for over $50 billion. Is this a great deal – or a huge challenge for the future of Disney?

The vision is a future in which video entertainment (and sports) is downloaded over the Internet directly from the source, bypassing the middle distributors, such as the cable TV company, the satellite company, or the phone company. This vision has been known as cable bypass. But it assumes an Internet that is "free."

Disney, and its Bob Eger, should be frightened that the FCC just terminated "net-neutrality," which means that the middle distributors can charge different Internet rates depending upon the source and the content.

Rubert Murdoch is known as a very shrewd businessman. The fact that he wants to sell his entertainment properties should be the cause of suspicion. If it looks like a good deal, it most likely is a good deal – for Murdoch.

Indeed, the Internet was not designed for the delivery of broadband video. The bandwidth (or data capacity) and need for instantaneous delivery, coupled with the one-way nature, of video is costly. One solution is to charge more, as now allowed by the elimination of net-neutrality. Another solution would be a network optimized for the technological demands of video – but that would require technological innovation. Unfortunately, the Bell Labs of the past that used to give us such innovation is no more, and the telephone companies, such as AT&T, simply are not innovative.

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