ConsumersUnion
POLICY & ACTION FROM CONSUMER REPORTS

May 7, 2014

The Honorable Bob Goodlatte, Chairman
The Honorable John Conyers, Jr., Ranking Member
Committee on the Judiciary
United States House of Representatives
Washington, DC 20515

Dear Chairman Goodlatte and Congressman Conyers:

Consumers Union, the public policy and advocacy division of Consumer Reports, appreciates your holding a hearing to examine the proposed merger between Comcast and Time Warner Cable ("TWC"). We believe this merger – which would give Comcast unprecedented power in the video and Internet marketplace – would be extremely harmful to consumers. Given the poor track record of these two cable and Internet giants, and the power they would wield as a combined company, this merger should be flatly rejected.

A combined Comcast/TWC would control nearly two-thirds of the nation's cable TV service, nearly forty percent of its Internet broadband service, and half of its video-voice-Internet "triple-play" service – far exceeding the next-closest competitor in any of those categories.

Comcast claims that the merger should not raise concerns with either the Federal Communications Commission or the Justice Department's Antitrust Division, because the two companies do not currently compete in each other's geographical territories. But this overlooks important ways in which the combined companies' market power would be further increased, to the detriment of competition, consumers, and programming diversity and innovation, now and for years to come.

This merger would solidify and increase the two companies' combined market power not only as sellers of TV and broadband to consumers, but also as buyers of programming and content that consumers want. The combined firm would be gatekeepers for an enormous portion of consumers – and monopoly gatekeepers in numerous major markets – which Comcast's proposed market swap deal with Charter Communications would only further solidify. Comcast also owns a valuable stream of content from its merger with NBCUniversal – including cable channels, news networks, locally owned broadcast stations, and production and content development operations. The merger thus would give the combined firm the ability and incentive to exact higher "admission tolls" from programming and content producers seeking to reach all those consumers, and to look for ways to make it more difficult and costly for rivals to enter the market. If that happened, those programming and content producers could be forced to raise prices, cut corners on quality, go out of business, or not enter in the first place. All of these results would be at the expense of consumers, and programming diversity and innovation.

Consumers are already dissatisfied with the service they receive from these two companies, and there is little reason to believe that combining them will improve the situation. According to the latest survey by Consumer Reports, Comcast and Time Warner Cable are among the worst-ranked companies in customer satisfaction for TV service. Both companies received particularly poor marks for value received for money, as well as for phone and online customer support. Combining these two companies would give the merged entity an even larger national presence, more market power, and less incentive to address consumers' concerns.

As a condition for allowing the Comcast-NBCUniversal merger, the FCC and DOJ required Comcast to adhere to a number of commitments designed to protect the public from the substantial marketplace harms that could result from combining the two companies. But concerns continue that Comcast is not always complying with these commitments – for example, there are complaints that it discriminatorily imposed data caps against rival content providers, and that it banished Bloomberg news to a remote place in its channel lineup.

And the FCC is now considering new Net Neutrality rules that would allow Internet service providers to sell preferential access to content providers who are willing to pay for it. This would give Comcast – especially after the Comcast-NBCUniversal commitments expire in 2018 – new power to play favorites among web sites and services, and to control the quality, speed, and availability of programming that reaches consumers. A combined Comcast/TWC would have even more power.

Attached are materials from recent Consumer Reports publications illustrating the importance of the concerns and issues at stake: a chart showing how cable rate increases have continuously surpassed inflation; a summary of and press release regarding our recent survey showing Comcast and Time Warner Cable near the bottom of customer satisfaction for pay-TV providers; and recent articles from *The Consumerist* addressing issues related to the merger.

We urge you to convey these concerns strongly and clearly to the FCC and the Justice Department. We want their investigations to be thorough. We believe that once their investigations are concluded, it will only be clearer that this proposed merger is not in the public interest. – that it will substantially harm competition, restrict consumer choice in programming, lead to price hikes, and hamper innovation. This merger should not be permitted to go forward.

Respectfully,

Delara Derakhshani
Telecommunications Policy Counsel

George P. Slover
Senior Policy Counsel

cc: Members of House Judiciary Committee

Attachments