Thus, the higher program service prices of the affiliated services are not mere transfers, but will be regarded by the cable operator as a real cost increase to the extent that the operator does not wholly own the service. This is another loss that a vertically integrated cable operator must weigh against any increase in the profits of its protected cable systems.

Similarly, the vertically integrated cable operator's incentives to engage in this behavior are reduced to the extent that it does not wholly own the protected systems attributed to it. If the price squeeze permits the protected cable systems to increase price, the vertically integrated operator captures only a portion of any resulting increase in profits.

Where program services are only partially owned, which is a common situation, raising the price of the program service to disadvantage the cable system's rivals reduces the profits earned by other owners who are likely to object to the strategy. Moreover, in many cases of vertical integration, the cable operator does not control the program service, and the managers of the service are unlikely to be willing to sacrifice the profits of other owners, and perhaps their own incomes, in order to benefit the non-controlling cable operator-owner. In addition, the extent of vertical integration has been recently declining. According to the Commission, the percentage of MSO-affiliated, national, satellite-delivered program services has fallen between 1994 and 1997.[3]

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[3] Federal Communications Commission, *Fourth Annual Report In the Matter of Annual Assessment of Competition in Markets for the Delivery of Video Programming*, CS Docket No. 97-141 (adopted December 31, 1997), p. 89.

In sum, vertically integrated cable operators are unlikely to have either the ability or the incentive to engage in a price squeeze. Moreover, this situation can be expected to persist even if the current ownership limits are relaxed significantly.