WRITERS GUILD OF AMERICA, WEST

WGAW is Opposed to the Charter-Time Warner Cable Merger

Announced less than a month after Comcast abandoned its bid to acquire Time Warner Cable (TWC), Charter now proposes to acquire TWC and Bright House Networks, taking on extraordinary levels of debt and increasing its size more than threefold. The merged entity (New Charter) would become the nation's second-largest wired Internet provider and third-largest pay-TV provider. In addition, it would give two companies–New Charter and Comcast–duopoly control of the national high-speed broadband market, allowing them to determine the future of content distribution. The merger will reduce competition in video distribution markets and harm the consumers and creators who have benefitted from the growth of online video. Merger conditions cannot resolve these issues, and therefore the FCC should deny the merger.

Key Concerns

- *New Charter Will Harm Online Video Competition:* As the nation's second-largest wired internet provider, New Charter will have greater incentive and ability to harm the online video distributors ("OVDs") that threaten its video business. **Two-thirds of households in New Charter's footprint nationally, and 70% in areas such as Los Angeles, will have no other choice for broadband at speeds of 25 Mbps or greater**, leaving the company free to implement practices that make online video less attractive. New Charter can raise the price of standalone broadband service to limit online video substitution and use its control of set-top boxes to become a gatekeeper of online video programming, deciding what online content is easily accessible to its pay-TV customers.

- *New Charter's Debt Threatens Its Viability*: If the merger is approved, New Charter will owe at least $55 billion, which will likely require the company to devote cash to interest payments rather than making good on the investment promises of the merger. With debt levels significantly higher than its competitors, the pressure to meet revenue projections will further encourage New Charter to use its market power in broadband distribution to undermine OVD competition.

- *New Charter Will Use Vertical Programming Relationships to Harm Competition:* John C. Malone owns a controlling stake in major programmers Discovery Communications and Starz, and controls Liberty Broadband, which will be New Charter's largest shareholder. These relationships will increase New Charter's motivation to use programming to harm competition in pay-TV and online video. When asked about his plans in the cable industry John Malone said "I do not control these things, I invest in them. But, I try to coordinate their behavior if I can."[1]

- *Merger Conditions Will Not Prevent Harms:* New Charter offers meager conditions in an attempt to address concerns, but the conditions do not outweigh the significant harms. They won't prevent harm to standalone broadband or discrimination via set top boxes, video interfaces or content licensing, nor will the time-limited commitments to refrain from data caps and charging for interconnection provide real protections against the significant harms this merger poses.

Who We Are

WGAW is a labor organization representing more than 8,000 professional writers of motion pictures, television, radio and Internet programming, including news and documentaries. For more information on the WGAW, please visit: www.wga.org.

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[1] Vanity Fair, *Chairmen of Discovery and Liberty Media Stay Tuned on Television – Full Conversation*, (Oct. 8, 2015) http://video.vanityfair.com/watch/chairmen-discovery-liberty-media-stay-tuned-on-television.