STOP MEGA CABLE

February 24, 2016

EX PARTE PRESENTATION

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Ex Parte Presentation in MB Docket No. 15-149, *Applications of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to Transfer Control of Licenses and Authorizations*

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Commission's rules, 47 C.F.R. § 1.1206, the Stop Mega Cable Coalition submits this letter summarizing a meeting on February 23, 2016 with Robin Colwell, Chief of Staff and Senior Legal Advisor, Media for Commissioner O'Rielly. The following members of the Stop Mega Cable Coalition were present: David Goodfriend, beIN Sports and Sports Fans Coalition; George Slover, Consumers Union; Alison Minea, DISH; Hadass Kogan, DISH; and Paul Raak, ITTA.

The Stop Mega Cable Coalition is a diverse group of public interest groups, media and telecommunications businesses, programmers, labor and other concerned parties[1] united in the belief that the merger of Charter Communications, Time Warner Cable and Bright House Networks presents significant harms for consumers, competition and innovation. This transaction will produce a new cable and broadband giant – Mega Cable – that threatens the future of video distribution services provided by over-the-top ("OTT") distributors, and smaller and new entrant MVPDs. During the meeting, members of the Coalition discussed the many harms that would result from this merger, including in the following key market segments:

Broadband. Mega Cable would be the dominant broadband provider in many of the country's largest and most important geographic markets, including New York City, Los Angeles and Dallas-Ft Worth, among many others. In addition, Mega Cable and Comcast would control broadband access to the vast majority of American homes at speeds of 25 Mbps and above – at *least* 70% and possibly as high as 90%. Mega Cable and Comcast's massive control of the high-speed broadband market would allow the companies to coordinate efforts to reduce

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[1] Current Coalition members include: Alliance for Community Media, beIN Sports, Cincinnati Bell, Common Cause, Consumers Union, DISH, FairPoint Communications, Future of Music Coalition, Greenlining Institute, ITTA, Media Alliance, NTCA-The Rural Broadband Association, Open Technology Institute at New America, OpenMedia, Public Knowledge, The Rural Broadband Alliance, Sports Fans Coalition, Writers Guild of America, East, Writers Guild of America, West, and Zoom Telephonics.

competition from other streaming services, while raising prices for consumers. This concentration of the broadband market will allow two companies to control the fate of OTT services that rely on a robust high-speed broadband connection. Mega Cable and Comcast could coordinate their actions by simply responding to the other's behavior. This could take the form of parallel action or even express agreements. These harms would be particularly acute for Mega Cable subscribers, given that approximately two-thirds of customers in the Mega Cable footprint will not have access to a competing broadband alternative at 25 Mbps and above.

Streaming Services. Mega Cable would have the means and incentive to harm established and emerging streaming services, to the benefit of its own service offerings. Mega Cable could limit consumer access to a stand-alone broadband service, or raise the price of stand-alone broadband in a way that favors its own bundle of services. Mega Cable could also discriminate against competing streaming services while treating its own content favorably.

Programming. Mega Cable will have the incentive and ability to coordinate efforts to starve out independent programmers. This could allow the entity to force independent, local and diverse voices to accept below-market terms, thus jeopardizing their viability. Or, Mega Cable could restrict the ability of third-party programmers to distribute their content on competing OTT platforms.

Mega Cable would also be able to leverage its dominance to prevent streaming or MVPD competitors from acquiring affiliated and unaffiliated must have programming, including RSNs, or ensure it acquires programming on more favorable rates and terms than competitors. Due to its enlarged size post-transaction, Mega Cable would be able to enjoy discounts for programming and ensure that rivals get less favorable rates, terms and conditions for programming.

Consumers. Mega Cable would compound ongoing price hikes, poor customer service and the lack of choice in the cable and broadband marketplaces. Charter, Time Warner Cable and Bright House Networks boast some of the lowest customer satisfaction scores – not just in the cable industry, but *any* industry. In order to merge, Mega Cable would take on $27 billion in new debt – about $1,142 in debt for each customer – which could be reconciled by passing along these costs to consumers. Mega Cable will have every incentive to cut costs by further degrading customer service, limiting investment in new innovations and raising prices.

Members explained that all of the harms enumerated above would be exacerbated by coordinated action by Mega Cable and Comcast. The Coalition also provided the attached documents, which illustrate some of the many ways that Mega Cable could threaten competing OVD and MVPD services.

* * *

Charter's proposed acquisition of Time Warner Cable and Bright House Networks threatens serious harms for consumers, competition and innovation. The Stop Mega Cable Coalition urges the Commission to solve or prevent the harms presented by this transaction.

Respectfully submitted,

/s/

Stop Mega Cable Coalition

Enclosure

Cc: Robin Colwell

STOP MEGA CABLE

STOP MEGA CABLE COALITION MEMBER LIST

- Alliance for Community Media
- beIN Sports
- Cincinnati Bell
- Common Cause
- Consumers Union
- DISH
- FairPoint Communications
- Future of Music Coalition
- Greenlining Institute
- ITTA
- Media Alliance
- NTCA-The Rural Broadband Association
- Open Technology Institute at New America
- OpenMedia
- Public Knowledge
- The Rural Broadband Alliance
- Sports Fans Coalition
- Writers Guild of America, East
- Writers Guild of America, West
- Zoom Telephonics

STOP MEGA CABLE COALITION FACT SHEET

The proposed merger of Charter Communications, Time Warner Cable and Bright House Networks would create a new vertically integrated, cable-and-broadband giant – Mega Cable – that threatens the future of video distribution services provided by over-the-top ("OTT") distributors, and smaller and new entrant MVPDs.

- Mega Cable would control more than one-third of the markets for cable pay TV (35%) and cable broadband (36%), and be the dominant cable/broadband provider in the country's largest and most important geographic markets including New York City, Los Angeles, and Dallas-Ft. Worth, among many others.
- Mega Cable would pass 40% of the country where broadband is currently available.
- Approximately two-thirds of Mega Cable subscribers would have *no other option* for high-speed broadband of 25 Mbps and above.

Mega Cable, together with Comcast, would create a dangerous duopoly in the broadband market that would control the future of broadband in America.

Broadband: Mega Cable and Comcast's massive control of the high-speed broadband market would allow the companies to coordinate efforts to reduce competition from other streaming services, while raising prices for consumers.
- Mega Cable and Comcast would control broadband access to the vast majority of American homes at speeds of 25 Mbps and above – at *least* 70% and possibly as high as 90%.
- This concentration of the broadband market would allow two companies to control the fate of new and emerging OTT services that rely on a robust high-speed broadband connection.
- Mega Cable and Comcast could coordinate their actions by simply responding to the others' behavior. This could take the form of parallel action or even express agreements.

Streaming Services: Mega Cable and Comcast would have the means and incentive to harm established and emerging streaming services, to the benefit of their own service offerings. Their coordinated efforts could:
- Limit consumer access to stand-alone broadband service, or raise the price of stand-alone broadband in a way that favors their own bundle of services.
- Discriminate against competing streaming services while treating their own content favorably.

Programming: Mega Cable and Comcast would have the incentive and ability to coordinate efforts to starve out independent programmers. Mega Cable would also be able to leverage its dominance to prevent streaming or MVPD competitors from acquiring content, or ensuring that competitors get less favorable rates, terms, and conditions. Among other things, Mega Cable could:
- Force independent and diverse voices to accept below-market terms, thus jeopardizing their viability.
- Restrict the ability of third-party programmers to distribute their content on competing OTT platforms.
- Leverage its dominance to prevent streaming or MVPD competitors from acquiring affiliated and unaffiliated must-have programming, including RSNs, or ensure Mega Cable can acquire programming on more favorable rates and terms than competitors.
- Enjoy discounts for programming due to its increased size, and ensure that rivals get less favorable rates, terms and conditions for programming.

Broadband Modem Marketplace: Mega Cable would have the power to severely damage competing modem manufacturers and dramatically limit the equipment options available to consumers.

- Charter is one of the only cable providers that does not give customers the option of saving money by purchasing their own modem.
- Charter addresses this anticompetitive approach by claiming that it charges no “modem fees” when, in fact, the cost of the modem is bundled into a consumer’s bill. This practice inhibits Charter consumers from purchasing their own equipment.
- Charter has promised to extend this same anticompetitive practice from its own relatively small subscriber base to millions of Time Warner Cable and Bright House customers, potentially crippling the market for retail modem manufacturers and along with it, consumer choice.

Consumers: Mega Cable would compound ongoing price hikes, poor customer service and the lack of choice in the cable and broadband marketplaces.

- Charter, Time Warner Cable and Bright House Networks boast some of the lowest customer satisfaction scores – not just in the cable industry, but *any* industry.
- In order to merge, Mega Cable would take on $27 billion in new debt – about $1,142 in debt for each customer – which could be reconciled by passing along these costs to consumers.
- Mega Cable would have every incentive to cut costs by further degrading customer service, limiting investment in new innovations and raising prices.

The FCC and DOJ must solve for the harms presented by Mega Cable.

ABOUT THE STOP MEGA CABLE COALITION

The Stop Mega Cable Coalition brings together public interest groups, media and telecommunications businesses, labor and other concerned parties united in our belief that the FCC and DOJ must solve the harms that would result from the merger of Charter Communications, Time Warner Cable and Bright House Networks. Current coalition members include:

Alliance for Community Media • beIN Sports • Cincinnati Bell • Common Cause • Consumers Union • DISH • FairPoint Communications • Future of Music Coalition • Greenlining Institute • ITTA • Media Alliance • NTCA-The Rural Broadband Association • Open Technology Institute at New America • OpenMedia • Public Knowledge • The Rural Broadband Alliance • Sports Fans Coalition • Writers Guild of America, East • Writers Guild of America, West • Zoom Telephonics

For more information, please visit stopmegacable.com.

MEET THE MEN BEHIND MEGA CABLE

The roles of media mogul Dr. John Malone and Charter CEO Tom Rutledge in the proposed merger of Charter and Time Warner Cable are cause for significant concern.

DR. JOHN MALONE: Post-merger, Malone would represent Mega Cable's largest shareholder, while continuing to own major stakes in various programmers, including Starz, Discovery Communications and Lionsgate. This dual position of power is worrisome particularly considering Malone's often-stated desire to promote collaboration rather than competition among cable giants.

Remarkably, even with the pending transaction, Malone still made clear his intentions in a panel discussion hosted by the Aspen Institute.[1] First, the mogul describes his approach to managing his various cable-and-broadband assets by saying, "I try to coordinate their behavior, if I can" (found at timestamp 06:25), echoing precisely the widespread concern that the merger would give Charter and other major cable entities the ability and incentive to coordinate efforts to decrease competition and raise prices for consumers.

Then, when asked how he would operate absent the watchful eye of the DOJ/FCC, Malone concedes his instinct would be to "get together with Comcast and have a common random access platform" (found at timestamp 21:40). Finally, he goes on to outline his ideal vision for the cable marketplace, one in which Charter and Comcast consolidate their content and operate "off of one technical platform," thus creating a singular, universal cable system that could be used by "all of our brethren in the cable industry" (found at timestamp 22:25). That is, Malone's core vision continues to be a marketplace premised upon collaboration and cooperation among dominant cable providers rather than one of competition that would drive innovation, lower prices and consumer choice.

CHARTER CEO TOM RUTLEDGE: Similarly concerning, Charter CEO Tom Rutledge has made a series of hostile statements over the past two years regarding over-the-top (OTT) services and programming. This stands in direct contrast to Charter's recent statements of welcoming competition from OTT.

Specifically, on multiple occasions since late 2014, Rutledge has publicly discussed Charter's perspective on the likely damage that OTT services would cause to the existing economics of the cable industry. Rutledge has also issued broad threats to end carriage of programmers that seek to distribute their content on competing OTT platforms – a particularly concerning proposition for programmers seeking to reach consumers outside of the cable bundle and for consumers seeking alternatives. Instances of Rutledge's comments include:

- **November 19, 2014:** Before the Charter/TWC merger was even announced, at Liberty Broadband Corporation's 2014 Analyst Day, Rutledge stated, "Anybody who sells their content over the top and also expects to continue to exist within a bundle sold to cable or satellite providers is really deluding themselves, [… and] anybody who pushes that [OTT] envelope and sells their content to Netflix is really sowing their own seeds of destruction."[2]

- **December 9, 2014:** One month later, at the UBS Annual Global Media & Communications Conference, Rutledge reiterated this anti-OTT stance: "I think for any entrenched video provider to begin breaking up their carriage in a big bundle and going over-the-top puts them at great risk of being a much smaller business."

- **December 9, 2014:** To further drive home his point, later in the conference Rutledge went on to level a threat to the entire market: "So if the whole market were sold a la carte today, I think you take a $70 billion ecosystem and turn it into a $7 billion ecosystem. So that's what they risk by changing it. And you see people playing around the edges thinking there is incremental dollars there, but to some extent they are playing with fire."[3]

- **August 4, 2015:** Finally, on an earnings call just last fall, Rutledge emphasized the reduced value of programming sold outside of the cable bundle model, stating, "[T]o the extent that people go a la carte direct, I think they lower their value to us, which is ultimately good for our cost structure. In trying to go after ancillary revenues, they've devalued their core product, and they may or may not be carried in the future as a result of that."[4]

But Rutledge's worrisome statements go beyond the issue of OTT. During a conference call with press and financial analysts in March 2015, Rutledge acknowledged programming fee discounts as a key benefit of absorbing other cable entities, stating, "As we go over 10 million subscribers, we sort of assume the Time Warner Cable role, if we negotiate well."[5] Mega Cable's increased bargaining power over programming fees would severely undercut smaller and emerging cable entities, thus threatening the vitality of the industry overall.

Compounding this issue, Charter has thus far refused to commit to passing along any cost savings to its customers post-merger, suggesting the company would hoard any savings gleaned from obtaining programming at discounted rates and customers would see their cable bills continue to climb.

These comments, paired with John Malone's statements around coordination and market control are deeply troubling for the future of the cable industry.

We urge the FCC and DOJ to closely scrutinize the implications of these public statements and to solve for the competitive threats presented by this transaction. Find more information on www.stopmegacable.com.

[I] Vanity Fair. (2014, October 8). *Chairmen of Discovery and Liberty Media Stay Tuned on Television - FULL CONVERSATION.* Retrieved from https://www.youtube.com/watch?v=Hsbfnu8KUVg.
[II] CNBC. (2014, November 19). *Charter CEO: Cable more than distribution*. Retrieved from http://video.cnbc.com/gallery/?video=3000331653&play=1.
[III] Farrell, Michael. (2014, December 9). Rutledge: OTT Is 'Playing With Fire'. *Broadcasting & Cable*. Retrieved from http://www.broadcastingcable.com/news/currency/rutledge-ott-playing-fire/136249
[IV] TheStreet Transcripts (2015). *Charter Communications (CHTR) Earnings Report: Q2 2015 Conference Call Transcript*. Retrieved from http://www.thestreet.com/story/13243727/8/charter-communications-chtr-earnings-report-q2-2015-conference-call-transcript.html
[V] Breznick, Alan. (2015, April 1). Charter's Bright Idea: The Big Payoff. *LightReading*. Retrieved from http://www.lightreading.com/video/video-services/charters-bright-idea-the-big-payoff/d/d-id/714819.

United States Senate
WASHINGTON, DC 20510

February 17, 2016

The Honorable Loretta Lynch
Attorney General
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

The Honorable Tom Wheeler
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Dear Attorney General Lynch and Chairman Wheeler,

As Chairman and Ranking Member of the Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights, we write today to raise important considerations regarding Charter Communications' proposed acquisitions of Time Warner Cable and Bright House Networks. We urge you to closely review these transactions to ensure that they do not impede new, developing options for consumers to receive video content or undermine independent programmers' ability to access consumers.

We are on the threshold of a dramatic transformation of the way consumers obtain video content that should increase competition and benefit American consumers. Until recently, consumers could receive video content only through cable or satellite television services, but broadband is challenging the competitive status quo. Now services like Netflix offer content directly to consumers. Other content providers such as HBO, which previously provided content exclusively through cable television, offer programming to consumers via a broadband internet connection. As a result, consumers can choose HBO content without having a cable subscription, which is commonly referred to as an over-the-top service. These options should increase competition, lower prices, and improve the quality of video content and service.

American consumers will benefit if we cross this threshold to increased competition, and we believe that your agencies play a role in making sure that transformation occurs. As Chairman and Ranking Member of the Antitrust Subcommittee, we have carefully examined consolidation in these industries to ensure that existing market leaders do not block or co-opt new options for receiving video content or exercise disproportionate control over the video content market. In the 112th Congress, the Judiciary Committee held a hearing on Comcast's proposed acquisition of Time Warner Cable, and the Antitrust Subcommittee held a hearing on AT&T's acquisition of DirecTV. Based on those hearings, in addition to our investigation of Charter's proposed acquisition of Time Warner Cable, we believe two issues merit particular attention.

First, some content providers have raised concerns that after the acquisition Charter and Comcast will control 70 to 90 percent of the broadband internet connections to American homes, based on the minimum speeds for broadband as outlined in the Federal Communication Commission's 2015 Broadband Progress Report. Some worry that such a dominant position would allow the two companies, without overtly colluding, to undermine the ability of online video distributors to offer a viable alternative to cable services. Charter responds that 88 percent of households have the choice of two or more broadband providers, and there is little overlap among Charter, Time Warner, and Bright House. Charter further asserts that the merger will make its broadband service a better platform for online video distributors and that it has made commitments, endorsed by some content providers, not to block or slow down internet traffic or disfavor online video distributors.

The FCC recognized that companies offering both video and broadband service have an incentive to interfere with online video distribution services. A critical issue here is whether this transaction would increase Charter's incentive and ability to interfere with online video distribution services. Relatedly, it is important that this transaction does not make it harder for regional cable companies to compete. If there are competitive concerns, you should require conditions that would alleviate the potential competitive harms.

Second, maintaining a robust marketplace of ideas, news, and entertainment relies in part on the viability of independent programmers. Their channels often provide a diversity of programming for consumers, particularly to rural markets often served exclusively by satellite. Some consumer groups, independent programmers, and content creators such as the Writers Guild worry that the increased size of Charter will allow it to pay less for content or otherwise discriminate against independent programmers. Charter responds that it does not have programming interests. Charter stated that it has no incentive to discriminate against independent programmers, and that a number of independent programmers support the transaction.

We urge you to take the above considerations into account as you conduct your respective reviews of the merger to determine whether the acquisitions will hinder or promote the development of new alternatives for consumers to receive video content. Of course, antitrust analysis is extremely fact-specific. Any decision on intervention must be based on the evidence. It depends on whether the merger would serve the public interest and whether it would substantially lessen competition to the detriment of consumers or instead enhance it through pro-consumer innovation. Thank you for your attention to these matters.

Sincerely,

Mike Lee, Chairman
Subcommittee on Antitrust,
Competition Policy and Consumer Rights

Amy Klobuchar, Ranking Member
Subcommittee on Antitrust,
Competition Policy and Consumer Rights

Cable critics seek to repeat role as deal-killer in Charter merger

By Alex Byers | January 20, 2016

Some of the same voices that helped kill Comcast's deal to acquire Time Warner Cable are now taking aim at Charter Communications' bid for it.

The deal's biggest detractors, including DISH Network and USTelecom, are launching a new coalition, Stop Mega Cable, on Thursday to fight the merger at the FCC and Department of Justice. They argue Charter's bid to become the nation's second-largest broadband provider would give it and Comcast too much control over the high-speed Internet marketplace. It would also give Charter the power to help crowd out burgeoning online video providers, they say.

The groups are using a familiar name and blueprint. As the FCC's review nears what's likely to be its final stage - the agency's informal shot clock for considering mergers is almost two-thirds complete - the coalition's members are hoping to scuttle, or at least extract more concessions, from Charter.

"Comcast-Time Warner Cable was a Category 5 hurricane. Charter-Time Warner Cable is a Category 4. It's still really bad," said Jeff Blum, deputy general counsel to DISH, a leading member of the coalition that also includes Consumers Union and Public Knowledge.

If approved, Charter's $67 billion bid for Time Warner Cable and Bright House Networks would give the combined firm a customer base of 19.4 million broadband subscribers, according to data provided by the company. That would make it the nation's second-largest provider behind Comcast, which has 22.9 million broadband customers.

Critics contend the two companies could control as much as 90 percent of the consumer high-speed broadband market, which includes connections of 25 megabits per second or faster. Charter argues its share of that market - around 23 percent - puts it far behind Comcast and isn't a problem. But the coalition claims that having two companies control so much of the consumer broadband market is unacceptable, even if they aren't actively colluding.

"'Mega Cable' and Comcast could coordinate their actions by simply responding to the others' behavior. This could take the form of parallel action or even express agreements," the 16-member coalition argues in its launch announcement.

Charter has tried to prevent concerns by promising some noteworthy concessions. It promised not to impose data caps or charge content providers for Internet traffic, or interconnection, agreements for three years. That move was designed to attract support from online video providers and it did help convince Netflix to endorse the deal.

But the coalition's members, which includes Common Cause, cable trade group ITTA, and the Writers Guild of America, West, sound unconvinced Charter's deal is in the public interest.

"They offered three years. So what happens at three years and one day?" Blum asked. "They impose data caps that destroy Sony, Sling TV, HBO Go, and their merger is approved. There's no going back from that."

The new group, which includes 80 percent of the founding members of the anti-Comcast merger coalition, have successfully convinced regulators of the perils of big cable mergers. Many of the same public interest groups, as well as DISH, also opposed AT&T's failed bid for T-Mobile in 2011. Both the Comcast and Charter deal-buster coalitions were organized by Glover Park Group, the D.C. communications and policy firm.

But scuttling Charter's merger could be harder than killing Comcast's since Charter's current customer base alone isn't gargantuan and the combined company would own very little video programming.

The coalition's members also don't agree on whether the transaction should be banned outright, or could be approved with some conditions. That's a significant change from their opposition to Comcast's deal, which they said no conditions could salvage.

Charter has dismissed the idea that its merger isn't in the public interest. The company says it is a broadband-oriented cable firm that wants to focus on offering premium Internet service, not prop up its pay-TV business by trying to stifle online competitors. Charter points to its minimum speed tier of 60 megabits per second, commitment to net neutrality and lack of data caps.

Charter is "committed to creating American jobs, offering the most innovative products, fast internet speeds, an open internet and [online video] friendly policies including no data caps and no modem fees," said Charter spokeswoman Tamara Smith said in a statement, adding that the deal "will only build on what we've already accomplished."

Charter's efforts to sweeten the pot for regulators and opponents has drawn praise from some. Public Knowledge, which is part of the new coalition, previously praised the company's practice of forgoing data caps and its plan to offer discounted 30 megabit per second broadband to low-income customers. But the proposals have not been enough to win the group's support.

"We call them exactly as we see them," said Public Knowledge CEO Gene Kimmelman. "We will praise any meaningful concessions that actually are in the public interest, that eliminate competitive harms, and we think Charter has made a few on the front end. But not nearly enough."

STOP MEGA CABLE

The New York Times

Cable Acquisitions by Charter Communications Face Rising Opposition

Emily Steel and Cecilia Kang | January 20, 2016

Comcast's failed $45 billion merger with Time Warner Cable collapsed last year under pressure from regulators, who found that the combined company would have had both the power and incentive to inhibit the future of streaming video.

Now, as rival Charter Communications seeks approval for its $67.1 billion takeover of Time Warner Cable and Bright House Networks, critics point to the same potential for harm.

"If Comcast's deal for Time Warner Cable was a Category 5 hurricane, Charter-Time Warner is a Category 4," said Jeff Blum, deputy general counsel of Dish Network, the satellite television provider.

Mr. Blum made his comments during a conference call Thursday held by a coalition of companies, advocacy and industry groups publicizing the potential harms of Charter's takeover bid.

If approved, the proposed merger would create a powerful new force in the country's broadband market. The combined company would rank as the country's second-largest broadband provider behind Comcast with about 19.4 million subscribers, and the country's No. 3 video provider with 17.3 million customers, across about 40 states. That increased heft is coming under close scrutiny as federal regulators continue their review of the Charter deals. If approved, the merger would most likely include strong conditions meant to prevent Charter from leveraging its market power to hurt rival streaming services, regulatory experts said. With increased clout, for instance, the company could restrict television networks from selling their content through stand-alone streaming services.

Charter, which already has announced a number of commitments related to the merger, has extra incentive to agree to conditions. Time Warner Cable would receive a breakup fee of up to $2 billion if the transaction falls apart. The company received nothing when Comcast walked away from its deal.

Another prominent issue is the role and influence of John C. Malone, the media mogul whose company Liberty Broadband would hold a 20 percent stake in a reconstituted Charter. Some groups have called for regulators to place restrictions on the involvement of Mr. Malone, saying that his interests in entertainment companies — including Discovery Communications and Starz — could represent untenable conflicts. Whit Clay, a spokesman for the Liberty businesses, declined to comment.

Charter has argued that its deals pose no threat to the online video market because the future of its business depends more on broadband than its legacy video business. Alex Dudley, a Charter spokesman, said in a statement that the company is committed to creating American jobs, offering innovative products, faster Internet speeds, preserving an open Internet and online video with no data caps or modem fees.

“It should come as no surprise that Dish and other parties seeking to use the regulatory review process to extract concessions are also engaging in tired P.R. tactics to further their self-interests,” Mr. Dudley said in a statement. “Their arguments against the pending transactions are baseless.”

Federal regulators declined to discuss their reviews of Charter’s proposed merger with Time Warner Cable and Bright House. But in recent months, antitrust officials have provided some insight into their priorities when considering cable mergers. Central to their analysis has been whether bigger cable firms — with strong bargaining power with programmers and fast-growing broadband Internet businesses — could harm their newest threat: streaming video providers like Netflix and Hulu.

In a September speech, Jonathan Sallet, the general counsel for the Federal Communications Commission, said that the agency focused on the streaming companies in its decision to reject Comcast’s bid for Time Warner Cable.

The biggest concern was how a combined cable giant, with more than half of the high-speed Internet market and a major portion of the cable video market, could pressure programmers to keep their best content off online video services that competed with cable TV. Such market concentration over distribution would have given the company too much of an incentive to do so, Mr. Sallet said.

“Simply put, the core concern came down to whether the merged firm would have an increased incentive and ability to safeguard its integrated Pay TV business model,” Mr. Sallet said in the speech at a telecom policy conference.

Announced a month after Comcast aborted its bid last spring, Charter’s proposed acquisitions have been the target of significantly less backlash than the Comcast merger, which would have united the two largest cable operators in the country.

Some of the loudest critics of the Comcast deal, like Netflix, have come out in support of Charter’s takeover bid. Reed Hastings, Netflix’s chief executive, said this week that it would be a “tremendous positive” for the streaming industry because of Charter’s agreement to a “multiyear, strong net neutrality policy” across its new, bigger footprint.

“That means that we, Hulu, Amazon and others can compete on an open basis,” Mr. Hastings said. “We think it would be a huge step forward for U.S. policy” for streaming services.

Yet criticism of the deal has escalated in recent weeks as a number of media and technology companies, public interest groups and other organizations stepped forward to voice concerns over Charter’s proposed acquisitions.

In a meeting with F.C.C. officials last week, for example, executives from the media giant Time Warner said that public and private statements by Charter executives suggested that the deal could deter the development of streaming video options to the detriment of consumers. Dish, one of the most vocal opponents, has urged regulators to reject the proposed merger; its new Sling TV video service, which offers streaming television without a traditional cable or satellite subscription, is one of the offerings that could be harmed.

Dish has joined other opponents of the deal to form a new Stop Mega Cable coalition, which wants to raise awareness of the harms that could result from the deal, including increased costs and worse service for customers. In addition to Dish, members of the coalition include the public interest group Public Knowledge and industry trade group USTelecom — The Broadband Association, and Consumers Union, the advocacy arm of Consumer Reports.

STOP MEGA CABLE

“We want to make sure that the very dangers that enforcers were willing to challenge in the Comcast-Time Warner Cable merger are not allowed to go forward through a second company that can coordinate with Comcast,” Gene Kimmelman, chief executive of Public Knowledge and a former antitrust official at the Justice Department, said on the conference call Thursday.

“There is the danger of coordination on one side,” he added in an interview later. “But the opportunity here, through the right enforcement requirements, is to actually push for a new business model. That won’t happen automatically. It will have to be pressured.”

Coalition Forms to Fight "Mega Cable" Merger Between Charter, TWC & Bright House

By Ashlee Kieler | January 21, 2016

Last year a group of unlikely allies came together to create the coalition called Stop Mega Comcast to, well, stop the creation of the Comcast-Time Warner Cable mega company. This year, a similar group of improbable allies have come together to oppose the latest big-cable merger between Time Warner Cable, Charter, and Bright House Networks.

Similar to last year's mission, the "Stop Mega Cable" coalition aims to raise awareness about the potential harms consumers face should Charter's acquisition of TWC and Bright House be approved, while also calling for thorough investigations into the merger by federal regulators.

The 17-member alliance includes media companies, consumer advocacy groups, and TV/telecom businesses. On the business side, Dish is the biggest headlining name. They are joined by trade groups representing mid-sized and rural communications companies.

Advocacy group Public Knowledge is also in the alliance, as is Consumers Union. They are joined by the Writers Guild of America and by groups representing diversity interests, musicians' interests, and sports fans' interests.

Chief among the coalition's concerns is the fact that the merger would form a new "mega cable" company that would have a Comcast-like hold over consumers.

The group believes the combination of Charter/TWC/Bright House would create a duopoly in the high-speed broadband market, stifle innovation, reduce competition, and raise costs for consumers.

"We have the same concerns as last year's merger," Gene Kimmelman, President and CEO of Public Knowledge, said during a press call Thursday. "This merger, as proposed, would create a cable giant that, alongside Comcast, would control the overwhelming majority of high-speed broadband homes in this country, most of which have very few competitive options."

The group also fears that if Charter becomes as large as Comcast, the two mega companies would coordinate their treatment of programs and consumers in a way that harms consumers.

"This merger demands the highest degree of scrutiny," Kevin Rupy, Vice President of USTelecom – The Broadband Association, said. "The stakes of this merger are too high – for both consumers and the future of the broadband marketplace. Regulators and elected officials must ensure that the threatened harms to consumer choice, competition and innovation are fully addressed."

While Kimmelman said that Charter should be commended for taking action to placate concerns about the merger by offering free interconnection deals to content providers for three years, it's not enough.

“We want to acknowledge them for eliminating some discriminating practices,” Kimmelman said. “However, in becoming a dominant firm, they would have durable market power for many years to come.”

Jeff Bloom, deputy general counsel for Dish, raised concerns about Charter’s ability after three years to impose data caps that would destroy over-the-top options like Dish’s SlingTV.

“Charter’s argument for the merger is that they aren’t as terrible as Comcast,” Bloom said. “That’s not sufficient. The people who will benefit [from the merger] are not customers, it’s shareholders. Allowing this merger to take place… means you will have two companies that have a stranglehold over broadband access.”

On the advocacy side, George Slover, a policy advocate for our colleagues at Consumers Union, said that the merger would harm consumers and increase prices.

“These two cable companies routinely show up near the bottom on Consumer Reports surveys for customer satisfaction,” he said. “Letting them become more powerful will only make things worse.”

STOP MEGA CABLE

VARIETY

Charter-Time Warner Cable Merger Faces Fierce Opposition From New Coalition

Ted Johnson | January 21, 2016

The conventional wisdom has been that Charter Communications faces a smoother regulatory approval process in merging with Time Warner Cable than Comcast did.

A Charter-TW Cable combination would not be as mammoth, New York regulators have already signed off on the merger and Netflix CEO Reed Hastings, a vocal opponent of the Comcast deal, supports this one.

But some opponents are raising the volume on their opposition, particularly when it comes to what the potential combination would mean for the growth of online video services.

On Thursday, Dish Network, USTelecom, Public Knowledge and a number of other groups launched the Stop Mega Cable Coalition, with members sharing criticisms of the transaction, but differing on whether they would like to see the deal blocked outright or subject to stringent conditions.

“Comcast was a category 5 hurricane; Charter is a category 4. It is still really bad,” said Jeff Blum, senior vice president and deputy general counsel of Dish Network, which believes the merger should be blocked. He noted that Charter would have the incentive to try to restrict programmers from offering content to Dish’s online service Sling TV, a cheaper alternative to cable bundles.

Gene Kimmelman, the president of Public Knowledge, said that the merger would create a cable giant that would control the “overwhelming majority” of high-speed broadband homes in the country. From an antitrust perspective, he warns of two dominant players, Comcast and Charter, that could coordinate the way that they treat video programmers and the emerging market of online video, also called “over-the-top” services. Public Knowledge is asking regulators to address the potential duopoly and other issues.

Other members of the coalition also include the Writers Guild of America, which opposed the Comcast merger as well.

They contend that the newly merged company would control 35% of the market for cable pay TV and 36% for cable broadband, with a dominant position in markets like Los Angeles and New York.

In a statement, Charter said that it “should come as no surprise that Dish and other parties seeking to use the regulatory review process to extract concessions are also engaging in tired PR tactics to further their self interests. Their arguments against the pending transactions are baseless.” Charter has said that it would impose no data caps, which pose a potential limitation to online video.

Charter noted its support not just from Netflix, but independent channels like Fuse Media and RFD-TV, as well as groups like the National Urban League and the National Action Network.

“These parties have taken a close and honest look at the benefits of these transactions and have all come to the same conclusion: they are in the public interest.”

Last week, representatives from Time Warner (the former parent of Time Warner Cable and not a member of the coalition) and HBO met with FCC officials to raise concerns that the Charter-TW Cable merger would “be inclined to take action directed at programmers in response to the development of” online video services. HBO has launched HBONow, which offers the ability to subscribe to the premium service on platforms like Apple TV. The meeting was at the invitation from FCC staff.

Critics of the merger have cited comments made by Charter CEO Tom Rutledge, who told CNBC in 2014, “Anybody who sells their content over-the-top and also expects to continue to exist within a bundle sold to cable or satellite providers is really deluding themselves.” That comment came before Charter had proposed to acquire TW Cable.

Late last week, Charter posted a blog entry in which it said that it was the “most friendly” operator to online video distributors, along with more recent comments from Rutledge on CNBC.

“We like over-the-top television because it makes our broadband product look better,” he said in November. “We like it because it pressures the price of video. Obviously, if consumers are unwilling to pay for video at a certain price, we’re unwilling to pay for that as well. So our cost structure is positively impacted by over-the-top.”

In its filings with the FCC, Dish has charged that the merger would only increase the incentive for Charter to limit the growth of online video services because they pose a threat to the more lucrative cable bundle. Dish said that Rutledge’s 2014 comments were “outright threatening behavior” to discourage content providers from granting rights to online video services.

Dish’s Blum was asked at a press conference why Netflix, the online video giant, would support the Charter merger after opposing the Comcast deal. Hastings praised it in the Netflix earnings call as a “tremendous positive for the [over-the-top video] industry.”

“I don’t know what deal Netflix and Charter entered into,” Blum said.

Another issue raised has been the role of John Malone, and whether he would withhold Discovery Communications programming from competitors. Malone is chairman of Liberty Broadband, an investor in Charter and its biggest shareholder, and the largest shareholder in Discovery Communications.

In an FCC filing, Discovery said that they would not have an incentive to favor Charter, “because doing so would cause each economic harm.”

“Despite having had a common owner in John Malone for a number of years, Charter and Discovery are both structurally and operationally independent of each other,” Discovery said in the filing.

Why the Charter-Time Warner Cable Merger is a Bad Deal (Guest Column)

Writers Guild of America West | January 25, 2016

In April 2015, after a 14-month review process, Comcast dropped its bid to acquire Time Warner Cable, having learned that the Department of Justice and FCC were preparing to block the merger. FCC Chairman Tom Wheeler explained that "the proposed merger would have posed an unacceptable risk to competition and innovation especially given the growing importance of high-speed broadband to online video and innovative new services." It was a major victory for content creators and consumers alike.

But the victory was soon put in jeopardy. Only a month later, Charter Communications, a small cable operator and broadband provider, announced its intention to acquire Time Warner Cable and Bright House Networks, making it the nation's second-largest residential broadband company. This latest attempt at consolidation is still a bad deal.

Had the Comcast-Time Warner Cable merger had been approved, one company would have controlled more than half of the nation's high-speed broadband market. If this latest merger is approved, two companies—Comcast and the new Charter entity—will control close to 90% of that market. This is a problem because these two companies will have both motive and opportunity to coordinate actions to stifle online video competition that threatens their traditional cable business.

Companies like Charter, Time Warner Cable and Comcast have controlled video distribution for decades, deciding what networks were available to consumers. But the Internet has put consumers in charge and the results are compelling.

Subscriptions to Netflix, Amazon and Hulu are all surging. Original programming for the Internet is booming. In 2015, 37 WGA-covered television-length series were released online. Traditional television networks are even bypassing the cable companies, with HBO, Showtime and Starz offering consumers direct access to their programming through an online subscription. Satellite provider Dish Network has joined in, offering customers more flexible, Internet-delivered TV network bundles. All of this means more content, more competition and more consumer control, none of which cable operators like.

That's why the Writers Guild of America, West is part of the Stop Mega Cable Coalition, which includes more than a dozen organizations that represent consumers, online video providers and broadband providers and are opposed to this merger.

If this merger is not stopped we can expect a future that looks very much like the past, with the same cable gatekeepers controlling Internet-delivered video. Companies like Charter and Comcast can use the pricing of Internet service and proprietary set-top boxes to determine which online content is accessible and at what price to their customers; they can add data caps to make online video more expensive; or they can pick which video services can be watched through the company's set-top box.

This future is not only possible, it is probable: two-thirds of households in the merged company's footprint 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, knowing that most consumers have no alternative. In Los Angeles County, the merged company will reach 98% of County residents and 70% of those residents will have no alternative for high-speed broadband.

We are once again faced with a merger that threatens competition and innovation. WGAW is not the only industry organization to hold this belief. Both Dish and HBO have expressed their concern about this merger’s effect on the online video market. To protect the new opportunities for talent and the breadth and depth of content the Internet now offers consumers, this merger must be stopped.

David Young is the executive director and Ellen Stutzman is the senior director, research and public policy, Writers Guild of America, West.

The Scariest Cable Merger Nobody in Washington Is Talking About

Michael Copps | February 1, 2016

When Comcast tried to merge with Time Warner Cable last year, reaction was swift and negative. Not many people liked the idea of America's largest and least loved cable company getting any bigger; the deal collapsed after hundreds of thousands of Americans spoke out and federal regulators signaled that they would not let it go forward.

Big Cable should have gotten the message. But here we are just a year later with a new cable mega-merger in the works. This time, Charter Communications wants to snatch up Time Warner Cable along with Bright House Networks.

Unfortunately, this deal hasn't received nearly as much public attention as the Comcast-Time Warner Cable proposal. The harms it presents are just as serious however—serious enough for lawmakers and regulators to give this outrageous proposal the attention it merits.

Let's start with some basics. The three merging companies would create a new Mega Cable company, controlling about one-third of the nation's cable and cable broadband markets. In addition, the new colossus would own programming, including regional sports networks all across the country, and would completely dominate some of America's largest media markets, including New York City, Los Angeles, Dallas, Charlotte, Tampa Bay, Orlando and St. Louis. Finally, the combined companies would have an anticompetitive incentive to preference their streaming video offering over that of competitors.

When you add it up, the new company would look a lot like, well, Comcast. Yes, this merger would create a new Comcast—a national cable giant with the ability and the incentive to thwart competition, diversity, and consumer choice.

And it gets worse. Because they don't compete in any markets, Comcast and the new Mega Cable company would stand shoulder-to-shoulder in control of more than 70 percent of the high-speed broadband market. The two companies would have no incentive to compete against each other, but every incentive to coordinate against their shared marketplace competitors.

Thanks to services like Netflix, Hulu, and Sling, television is are in the midst of a creative renaissance. These emerging services are finally breaking the decades-long stranglehold of the cable bundle on American consumers who have been forced to collectively fork over billions of dollars in monthly cable bills, largely to pay for channels they never watch. The services' growth has been fabulous for consumers, content creators, and workers in the entertainment industry. Now, just when competition is finally gaining traction, the Comcast-Mega Cable duopoly could squash it.

Then there is the issue of independent programming. Already, too much of the cable dial is filled with content produced by a handful of media conglomerates. When the vast majority of cable homes are served by just two companies, it will become even harder for independent and diverse voices to gain a foothold. That is especially problematic because Comcast and the new Mega Cable will own content that directly competes with independent programmers.

That kind of dominance leads to homogenization of content and the marginalization of independent voices, cutting right to the heart of the public interest in diverse cable offerings that give voters a broad range of perspectives on the issues of the day.

Finally, there is the issue of price and customer service. To finance this deal, Charter will be taking on $27 billion in new debt—about $1,142 for each subscriber. To keep its lenders and creditors happy, the merged company will have every incentive to raise prices and slash service. And because it will face very little competition, the company will run little risk in doing so. How much more beneficial it would be if Charter invested those billions in building cable competition in presently uncompetitive markets!

The bottom line is that this merger is no less threatening to consumers than the Comcast-Time Warner Cable tie-up would have been. It points a dagger directly at competition, diversity in programming and consumer rights. Before it’s too late, the public should send a message telling regulators to once again stand up to the cable giants and stop this harmful merger.
More than a hundred thousand have already spoken, but there’s still time to speak out if you have not already. Take action today to stop this affront to the public interest.

Michael Copps is a retired FCC Commissioner, public interest advocate, and special adviser for Common Cause’s Media and Democracy Reform Initiative.

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THE BUSINESS OF TELEVISION

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Senate Judiciary Leaders ID Key Charter-TWC Issues

John Eggerton | February 17, 2016

The bipartisan leadership of the Senate Antitrust Subcommittee have advised the FCC and Justice Department on what key issues the FCC should look at as it reviews the merged Charter/Time Warner Cable deal.

FCC staffers are apparently drilling down on potential conditions as the FCC approaches the informal shot clock deadline (the end of March) for making a decision.

In a letter to the FCC, Sens. Mike Lee (R-Utah) (chairman) and Amy Klobuchar (D-Minn.) (ranking member) said that if the FCC has issues with a combined company interfering with competing online video services, it should "require conditions that would alleviate the potential competitive harms."

They cited HBO specifically as a former exclusively cable supplier now offering an over-the-top version that did not require a cable subscription. HBO parent Time Warner (not to be confused with Time Warner Cable) has raised OTT issues with the deal at the FCC.

They also said that the FCC should make sure that independent programmers are viable. It advised the FCC to take those into account as it reviews the deal--for public interest harms and benefits.

Recognizing that the DOJ's is a strict antitrust review, they said any decision must be fact-specific and any "intervention" must be based on evidence.

In a statement responding to the letter, Charter talked about its general consumer-friendliness: "As we continue to engage with state and federal regulators on their thorough review of our pending transactions with Time Warner Cable and Bright House Networks, we recognize the importance of demonstrating why they are in the public interest.

"Charter is a different type of cable company-committed to creating American jobs, offering the most innovative products and preserving an open internet. New Charter has received broad support from Netflix because of its online video friendly practices; independent programmers including TV1, Fuse Media and RFD-TV due to its support of independent and diverse programming; national civic organizations like National Urban League, NAN and LULAC due to its commitment to expand diversity and inclusion; and from numerous local and state regulators including New York which recently approved the merger. These parties have taken a close, honest look at the benefits of these transactions and have all come to the same conclusion: these transactions are in the public interest."

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POLITICOPRO

Senators want federal officials to focus on broadband, programming in Charter deal

Alex Byers | February 17, 2016

The leaders of the Senate antitrust committee are asking the federal officials weighing the proposed Charter Communications-Time Warner Cable merger to focus their review on its effect on the high-speed broadband market and independent programmers.

Sens. Mike Lee and Amy Klobuchar wrote to FCC Chairman Tom Wheeler and Attorney General Loretta Lynch today outlining their priorities, which they say stem from the committee's previous review of the pay-TV and broadband markets.

A "critical issue" in the merger is whether the transaction would boost "Charter's incentive and ability to interfere with online video distribution services," the lawmakers write. "If there are competitive concerns, you should require conditions that would alleviate the potential competitive harms."

The pair also point to the importance of independent programming in the video marketplace and note the concerns from some content creators who've warned that Charter will have more leverage to pay less for channels once the deal is complete. Charter says it has no incentive to hurt independent programmers, an argument noted by the lawmakers.

In response to the letter, Charter touted support for its deal from online video providers and independent programmers, such as Fuse Media and RFD-TV.

"These parties have taken a close, honest look at the benefits of these transactions and have all come to the same conclusion: these transactions are in the public interest," the company said in a statement.

The FCC's informal shot clock for ruling on the deal expires late next month.

Musicians Miffed at Mega Cable (guest column)

Future of Music Coalition | February 17, 2016

Another year, another massive merger. Recall back in April 2015, when cable/internet behemoth Comcast—also owners of the major content studio NBC-Universal—walked away from its planned acquisition of Time Warner Cable, after folks like Future of Music Coalition pointed out how devastating this deal would be to content creators and Internet users. Well, now another slightly-less-massive cable co., Charter Communications, is attempting to gobble up TWC. If allowed to go through, this deal would create a true Mega Cable conglomerate with the same incentive as Comcast to call the shots on content and innovation while depriving creators and fans of choice in the legitimate digital marketplace.

As our friends at Writers Guild of America, West are expert at pointing out, this deal would have perilous consequences for the emerging "over-the-top" video market, where consumers are able to choose which programming suits their interests and budgets using apps and services delivered over the Internet. This is an attractive opportunity for many households that are already paying hundreds of dollars for broadband and cable television bundles. A combined Charter-TWC would have every incentive to preserve its lock on the delivery of TV programming, and could do so via their cozy relationships with some pretty big cable networks. But it's not just video content that would be affected if Mega Cable comes to pass. Musicians and composers are content producers, too—a considerable number of of us provide television and movie producers with songs and scores. The downward pressure that comes from just a couple of companies controlling this space can be felt in several ways. It could mean smaller music licensing budgets and less opportunity to get our music in front of audiences due to tight control of cable set top boxes and Internet-powered applications.

Let's make that more real. Imagine that there's a new, artist-owned, truly cooperative on-demand streaming service just getting off the ground. As a musician or listener, you want to support this platform because you think it has a real shot at satisfying the needs of artists and fans alike. But what if it's not included on the box where all your home media options live? Or what if using that app or service meant incurring huge data overages, whereas Mega Cable's proprietary service (or that of a business crony) does not?

The above is a scenario that is playing out right now. It reduces choice in the marketplace and lessens the viability of artist-friendly services. In 2016, we know how hard it can be to eke out a living as a creator. We're not asking for a handout. We're asking for a chance to compete.

Another concern is whether a combined Charter-TWC will live up to their obligations under law with regard to artist and rightsholder intellectual property. As far as we know, Charter is not a member of the Copyright Alert System—a voluntary community of Internet Service Providers that has implemented an educational system to remind users of alternatives to piracy. Like the National Music Publishers Association, who raised these issues in a letter to the Federal Communications Commission, we'd like to have a better understanding of whether Mega Cable intends to be a good actor on creator rights, and to have this be one of the merger conditions should the deal go forward.

But there's yet another wrinkle. If individuals and families are already paying a ton of money per

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month for Internet access (wireline, mobile or both), chances are they don't have a lot left over for discretionary spending. You know, like on subscription services or live concerts or even album purchases. The thing you don't hear about with these mergers is how much they cost the corporation that's doing the buying. In this case, it's Charter—not the worst in customer service, and a company with a modest plan to build out to more areas. To finance the deal, Charter has to take on tremendous debt to finance the $67 billion-dollar acquisition. How do you think that will affect their plans to build out to underserved communities? Will they stop investing in customer service? Will they raise prices? All of the above seems likely.

At this moment in history, fans enjoy unprecedented access to music and other content through a plethora of licensed platforms and technologies. That's all wonderful, but creators need to have some flexibility in choosing which avenue makes sense for their small businesses. Massive mergers like the Charter-TWC deal make it harder for content creators to enjoy fair pricing and crucial paths to potential audiences. Rather than carve up the broadband and entertainment delivery market between two massive companies whose incentives are to preserve their dominance over the distribution ecosystem, the FCC should look very closely at this deal and ask whether it serves the public interest and competition.

And if they need any help answering, we've got plenty of pointers.

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THE HILL

Charter would have to raise prices – a lot – to make its merger math work (guest column)

Free Press, Dana Floberg | February 18, 2016

If you find yourself in a hole, they say, stop digging. But in the latest cable-giant merger bid, Charter Communications is preparing to dig itself even deeper into debt.

Charter is already swimming in debt, and to merge with Time Warner Cable and Bright House Networks the company's committed to taking on as much as $27 billion in new debt. If the merger goes through, the combined company will be saddled with a whopping $66 billion in debt.

This is absurd. Charter is willing to pay a huge premium over the price Comcast offered for Time Warner Cable in its failed merger bid for many of the same assets and customers. For this sum, Charter could build broadband to millions of homes where it currently doesn't offer service, tripling the size of its existing service area. It could also use that money to cover the company's current annual capital expenditures 12 times over. Instead, it'll use that money to line shareholders' pockets — a completely unnecessary and excessive expense.

How does Charter plan to pay off this debt? With your money.

Free Press research suggests that the merger wouldn't result in significant savings on programming fees for the new company, nor would Charter benefit significantly from new economies of scale. As we reported in comments filed at the Federal Communications Commission, the only way for Charter to cover its debt burden is to squeeze customers.

The merged company would have enormous market power, controlling more than a quarter of national broadband customers. Together Charter and Comcast would control nearly two-thirds of existing customers, forming a national broadband duopoly of unprecedented scale. The merger would limit consumer choice by giving people even fewer competitive options for cable and broadband service.

And that's exactly what Charter wants. With monopoly-style market power, it could raise prices on captive customers and protect its existing cable-TV model by thwarting competition from online video services. There's hardly any competition in the broadband market as it is. Many customers won't have the option to take their business elsewhere should Charter start hiking rates and abusing its gatekeeper power.

In fact, this substantial market power is the only significant benefit Charter would receive from the merger, and the only realistic way it could pay off its debt. The new company plans to take on an additional debt burden of $1,142 per customer, and Charter has every incentive to make that money back by raising your rates. With U.S. broadband prices already significantly higher than those in most developed countries, this is a significant burden.

STOP MEGA CABLE

This isn’t mere speculation: Charter has told investors it plans to exercise its expanded market power after the merger. How else could it justify taking on such massive debt?

Charter is busy trying to schmooze the FCC with promises of good corporate citizenship, but the numbers don’t lie. If the merger goes through, Charter customers will see considerable price hikes and anti-competitive plans to crush online video.

For many customers, this money grab wouldn’t just be an inconvenience: It would force them offline. It’s likely the merged company would eliminate Time Warner Cable’s popular lower-cost service tiers, forcing current Time Warner Cable customers to pay more for comparable Charter packages — or lose their service. Many of these families already make impossible sacrifices to afford Internet access. This merger will hit them first, and hit them hard.

The merger’s debt tag tells us loud and clear that it’s a bad deal for the public. The math doesn’t work unless Charter starts raising rates and edging out low-income families — all to pay off a handful of greedy cable executives.

The FCC needs to stand up for the public interest and deny this wasteful, debt-ridden deal.
Floberg is the C. Edwin Baker policy fellow at Free Press.