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The Hill: Op-Ed: Been there, done that on broadband

[link to http://thehill.com/blogs/congress-blog/technology/200581-been-there-done-that-on-broadband]

March 13, 2014, 10:00 am

By Ev Ehrlich

A DC federal court struck down the FCC's "net neutrality" regulations earlier this year, but did nothing to resolve an ongoing debate over whether or how the government should regulate the Internet. At the heart of the controversy lies a central question – should we regulate the Internet as we did the old telephone network and other so-called "common carriers"?

In a paper to be released this week by the Progressive Policy Institute, I examine the past two decades' experience to shed light on this question. And the answer that keeps coming up is that proposals for strict utility-style regulation of the Internet have two things in common. First, they are based on the presence of a "natural monopoly" for broadband that simply does not exist. And second, where they have been tried, utility-style rules have been the greatest single obstacle to investment in broadband infrastructure.

From the earliest days of the Bell monopoly, our telephone system was built around an explicit bargain. In exchange for a guaranteed and low-risk profit, the Bell system would provide quality, reliable phone service to the nation. This bargain was deemed necessary because it was assumed that phone service was a "natural monopoly" where the costs of infrastructure were so high that competition wasn't possible. But by the 1990s, those assumptions had completely broken down. Microwaves and coaxial cable could carry phone calls, phone lines could deliver video, and an "information superhighway" loomed in the future.

The Clinton administration's Telecommunications Act of 1996 sorted this mess out and launched the age of modern Internet policy – trusting market forces and technological innovation to the maximum extent. It was an act of incredible political maturity. Its authors knew something remarkable was about to happen and that government could best serve it by stepping back and letting private investment happen.

So the 1996 Act drew a line – the old phone system would remain regulated as a "common carrier," but the emerging new world of "information services" would be allowed to develop on its own free from utility-style requirements such as government oversight of prices, forced sharing of infrastructure with competitors, or rigid traffic management rules. As a result, we have seen over $1.2 trillion in investment since the 1996 Act, and the innovation, growth and new services the Act's framers imagined.

Further light is shed by the treatment of the incumbent phone companies. As a transitional measure, the Act preserved the utility model for the telcos, which were forced to share any infrastructure they built with

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all comers at a government supervised price (well below its long-term cost). That requirement smothered investment since no one would build new infrastructure if they had to share it with competitors at a loss. The result was initial stagnation in DSL broadband. And when that requirement was later –overturned, investment followed there as well – more evidence of the dangers of the utility model in this space.

Europe still relies on these utility-style regulations and has used its state post and phone monopolies to build out broadband. The results haven't been pretty. Since 2007, broadband capital spending is up by 75 percent in the United States but has actually declined in Europe.

As a result, our major European trading partners are anchored near the bottom of the Internet speed charts – Germany is 27th in the world on the most recent Akamai speed rankings, France is 34th, Italy 48th. The US by contrast is 8th, trailing small, dense, and highly urbanized places like Japan, South Korea, and Hong Kong, in contrast to the U.S.' sprawling geography. No one wonder EU Digital Policy chief Neelie Kroes says the continent "needs to catch up" in broadband.

The "natural monopoly" pro-regulation arguments depend on clearly does not exist. America now has three different broadband technologies fully deployed and competing for customers (cable, telco, and 4G wireless). The U.S. is near the top of global rankings in both high-end service, with 85 percent of households served by networks capable of 100 mpbs or more, and the most affordable entry-level wired broadband of any nation in the OECD. Imagine what would ensue if we were to change course and regulate the Internet as a monopoly utility? Which of the three technologies would regulators adopt? How would we ensure continued investment?

The Internet is undeniably incredibly important. But that importance doesn't mean that we should treat it as a public utility. Bringing back the days of Ma Bell won't fulfill broadband's remarkable promise.

Ehrlich is president of ESC Company, an economics consulting firm, and former Under Secretary of Commerce in the Clinton administration

San Jose Mercury News: Op-Ed: Who Holds the Cards Online

[link to http://www.mercurynews.com/opinion/ci_25291788/ev-ehrlich-who-holds-cards-online?source=nav]

By Ev Ehrlich

POSTED: 03/07/2014 02:00:00 PM PST

The proposed merger between Comcast and Time Warner Cable highlights the vast gap between the world the broadband industry's critics imagine and the real world in which these companies compete.

For years, critics have argued that America's broadband is gripped by a "cable/telco duopoly" that squelches innovation and gouges consumers. And the Comcast-TWC combination is their new monster under the bed.

The critics, however, are wrong. Akamai now ranks the U.S. eighth and rising in broadband speed, and the International Telecommunications Union depicts U.S. entry level wireline broadband as the most affordable among our trading partners.

But even more dissonant are the data on profitability. In a forthcoming study to be published by the Progressive Policy Institute, I compare the rates of profit of Fortune 500 companies that provide the Internet (such as AT&T, Verizon,

Comcast or Frontier) vs. the leading companies who reside on it (such as Apple, Microsoft, Facebook or Yahoo). The (average weighted) rate of profit on sales for "providers" is

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3.7 percent, versus 24.4 percent for "residers." Calculated on assets, the rates are 2.1 percent vs. 17.7 percent.

In other words, companies that use the broadband Internet make six to eight times the margins of the companies who provide it -- the opposite of what you'd see if the price gouging accusation was real.

The regulatory advocates simply don't get the competitive dynamics of the broadband industry. In the rotary phone world, "connectivity" -- dial tone -- created all the system's value. But the Internet is different. Rather than a "dumb" signal, Internet connectivity is part of a multipart parlay with devices, services and applications that delivers value to the consumer. Each competes for its slice of the integrated customer value pie.

Consider the iPhone. Its vaunted voice-recognition technology has been around for a long time, but it's only arrived in phones now because mobile broadband has become powerful enough for the cloud to deliver it in real time. The innovation that put Siri in the "resider" iPhone was the faster network speeds offered by "providers."

And that's the competitive dynamic. "Providers" are caught in a loop in which they innovate, the downstream device and service "residers" capture the innovations' value, and providers must then innovate all over again to keep their customers. No wonder "residers" have lusher margins than "providers."

And it's not just the mobile market. Bandwidth-munching 4K TV soon will reach consumers, now that there's enough bandwidth to support it. But the set-makers will make the margins, not the broadband providers who made the new sets possible.

Providers also have little power over content. If Comcast were to block, say, YouTube, would you keep their service, or switch to fiber, satellite or any other competing technologies? Is it more likely that Comcast will charge you to reach YouTube (as the critics assert), or that YouTube will one day charge Comcast for access? Content, not connectivity, has the ultimate market muscle.

This is how we should see the Comcast/TWC merger. Comcast's offerings will not only improve service to TWC's customers, but it will make the combined company a better competitor and innovator in the competitive cage match in which providers of connectivity, devices, apps, services and content fight for a share of the value the broadband world creates. Rather than deny competition, the proposed merger is Comcast's attempt to gird itself for that battle. The right policy is to let them do so.

Ev Ehrlich is president of ESC Company, an economics consulting firm, and former undersecretary of Commerce in the Clinton administration. He wrote this article for the Mercury News.

Oakland Tribune: Letter: Column ignores many benefits of merger

[link to http://www.insidebayarea.com/news/ci_25273118/march-5-letters-editor]

Letters to the editor, Oakland Tribune

POSTED: 03/04/2014 04:00:00 PM PST

Michael Hiltzik's recent online column opposing the Comcast/Time Warner Cable merger ignores substantial community benefits from the deal.

Comcast will expand its respected Internet Essentials broadband adoption program to TWC communities to close the digital divide. This will make $10 broadband and affordable hardware and computer training available to thousands of low-income families in TWC communities.

The deal would spur new networks, independent programming, and promote diverse voices. Comcast helped launch networks like Aspire and El Rey, and entrepreneurs like Sean Combs and Mark Cuban have praised the deal as a game-changer for independents.

The deal also would bring higher broadband speeds to TWC communities, tens of thousands more streaming and on-demand programs, more high-definition channels and better mobile device access to cable TV. If there are a few examples of industry practices that need to be addressed, let's fix that. But let's not throw out the baby and ignore real tangible benefits to the community. The Jobs and Housing Coalition supports the merger.

Greg McConnell

President and CEO Jobs and Housing Coalition Oakland

Baltimore Sun: Op-Ed: A merger of necessity [Commentary]

[link to http://www.baltimoresun.com/news/opinion/oped/bs-ed-time-warner-comcast-20140304,0,7665516.story]

Companies that use broadband connectivity are far better off than those supplying it

By Ev Ehrlich

1:34 p.m. EST, March 4, 2014

The proposed merger between Comcast and Time Warner highlights the vast gap between the imagined world the broadband industry's critics and the real world in which these companies must compete.

For years, the critics have advocated forcing companies such as Verizon and Comcast to share their infrastructure with their competitors or mandating that the broadband market only offer one level of service. Their argument is that America's broadband is gripped by a "cable/telco duopoly" that uses its market power to slow innovation and gouge the consumer. And the Comcast-Time Warner combination is their new monster under the bed.

In fact, the substance of these criticisms is simply wrong. The latest rankings from Akamai show the U.S. eighth and rising in global Internet connection speeds, and a new report from the International Telecommunications Union depicts U.S. wireline broadband as being the most affordable among our trading partners as well.

But even more dissonant are the data on profitability. In a new study set to be released next week by the Progressive Policy Institute, I examine the rates of profit of two subgroups of the Fortune 500 — companies that provide the Internet (from ATT and Verizon down to Level 3 and Frontier) versus companies who reside on it (from Apple and Microsoft to Facebook and Yahoo). The (average weighted) rate of profit on sales for the "providers" is 3.7 percent, versus 24.4 percent for the "residers." Calculated on assets, the rates are 2.1 percent versus 17.7 percent, respectively.

So the companies that use the broadband Internet are making six to eight times the margins of the allegedly monopolistic companies who provide it — the exact opposite of what you'd see if the price gouging accusation was real.

The problem is that advocates for regulation simply don't get the competitive dynamics of the broadband industry. And if we don't have that understanding, we can't understand the Comcast/Time Warner merger.

In the rotary phone world, "connectivity" — dial tone — created all the system's value, once you had a phone. But the Internet is different. Rather than a "dumb" signal, Internet connectivity is part of a multi-part parlay with devices, services, applications and other components that deliver value to the consumer. All of these components compete for a larger slice of the integrated customer value pie.

Consider the iPhone. Its vaunted voice recognition technology, for example, has been around for a long time. It's only been offered in phones now because mobile broadband is powerful enough to let the cloud deliver the service to the user in real time.

So the innovation that makes the iPhone and its applications more valuable to consumers was really the faster speeds offered by mobile service providers. And this is the competitive reality today. The device, website, app and content companies are capturing most of the benefits created by the connectivity "providers," hence their lusher margins. Yet the providers must continually innovate and improve their service so their customers will bring those devices and applications to the providers' platforms. In essence, the "providers" are caught in a loop in which they innovate, the downstream device and service providers capture the value created by those innovations, and the providers must then innovate all over again. No wonder the residers make money far outstripping providers.

And it's not just the mobile market. Watch bandwidth-munching UltraHD TV — so-called "K4" — as it enters the consumer market, now that there's enough bandwidth to support it. Will the set-makers make the margin, or the broadband providers who made the new sets possible?

So, unlike their caricature as duopolists, provider market power is extremely limited. They are essentially high fixed-cost systems that must continually attract new customers to spread their fixed costs over a larger base, even as other companies garner most of the benefits of their innovation.

And they have little power over content as well. If Comcast were to block, say, YouTube, would you keep their service, or switch to Verizon, ATT, Sprint, Dish, DirectTV or any of several other provides to get what you want to see? And which is the danger — that Comcast will charge you to reach YouTube, or that YouTube will one day charge Comcast to be on its system? In the real world, content, not connectivity, has the muscle.

And this is the backdrop against which we should see the Comcast/Time Warner merger. Comcast's offerings will immediately improve the service Time Warner's customers receive. And that will make the combined company a better competitor and innovator in the competitive cage match in which the providers of connectivity, devices, apps, services, content fight for a share of the value the broadband world creates. Rather than a denial of competition, the proposed merger demonstrates that active, aggressive competition is underway in broadband, and Comcast is girding itself for that content. The right policy is to let them do so.

Ev Ehrlich is president of ESC Company, an economics consulting firm, and former under secretary of commerce in the Clinton administration. His email is Ehrlich@evehrlich.net.

Lehigh Valley Express-Times: Letter: Most programmers will welcome Comcast

[link to http://www.lehighvalleylive.com/opinion/index.ssf/2014/03/letter_most_programmers_will_w.html]

By Express-Times Letters to the Editor

March 04, 2014 at 12:15 AM, updated March 04, 2014 at 12:16 AM

Nick Falsone's coverage of the Comcast/Time Warner merger ("Comcast-Time Warner merger: What it means for Lehigh Valley cable subscribers," Feb. 27) omits a number of facts.

As the article notes, Comcast and Time Warner Cable operate in separate markets, so there is no reduction in competition from the merger, which will simply move Time Warner Cable customers from one provider to another — bringing Comcast's superior technology and broadband speeds to new markets.

Most independent programmers will welcome Comcast's arrival to these new markets. It has led the way, supporting new and diverse channels such as Ovation, where I used to work, Aspire, Revolt and Baby First, and has the best record in the business backing independent programmers.

As part of the NBCU deal, Comcast supports 10 new independent networks, the majority women or minority owned, and has already launched five of them. I wish all multichannel video programming distributors followed Comcast's example in this respect.

Concerns that Comcast as an Internet provider will discriminate against unaffiliated content companies such as Netflix now that the Federal Communications Commission's "net neutrality" rules have been overturned are also wrong. Comcast agreed to those rules during federal review of its acquisition of NBC Universal and now stands as the only Internet service provider that must adhere to them — something the merger review could actually extend.

Finally, there is no basis to fear the merged company could bully advertisers and programmers. Retransmission consent abuse and other practices give large programmers the upper hand already, which may explain why CEO Leslie Moonves of CBS essentially said he had nothing to fear from a bigger Comcast. If anything, this consolidation might balance power in the wholesale market and slow the growth of prices to consumers.

Although there are real issues to address here, there's lots of upside in this deal for consumers to love.

CHAD E. GUTSTEIN
Los Angeles

Comcast Plugs TWC Deal With Internet Program

[link to
http://www.lightreading.com/services-apps/broadband-services/comcast-plugs-twc-deal-with-internet-program/d/d-id/708067?

MARI SILBEY, Independent Technology Editor

3/4/2014

With one eye on Washington regulators overseeing its pending buyout of Time Warner Cable, Comcast announced Tuesday that it will both expand the size and extend the duration of Internet Essentials, its low-cost broadband adoption program for low-income families in the US.

Launched in June 2011, Internet Essentials was initially scheduled to last for three years as a voluntary condition of Comcast Corp. (Nasdaq: CMCSA, CMCSK)'s acquisition of NBC Universal . Now that the company is seeking to take over Time Warner Cable Inc. (NYSE: TWC) in a proposed $45.2 billion deal, the company plans to extend the program indefinitely. In addition, with the planned addition of TWC's customer footprint, Comcast aims to offer the program in even more of the nation's largest markets.

"With the recent announcement of our merger with Time Warner Cable, we see a tremendous and an exciting opportunity to bring the benefits of Internet Essentials to millions of additional families," said Comcast Executive

Vice President David L. Cohen in announcing the news on a press conference call. "And I'm thrilled that after the Time Warner Cable transaction closes, Internet Essentials will be available in 19 of our nation's 20 largest cities."

Spreading the wealth further, Cohen also announced that Comcast will award more than $1 million in grants through its Gold Medal Recognition program to help select communities build Internet Essentials Learning Zones. (Details were light on what those learning zones would feature.) Fifteen communities won these grants for demonstrating superior efforts to bridge the digital divide, including Atlanta, Chicago, Miami, and San Francisco. Five additional communities were recognized for being "most improved" in their efforts to spread broadband adoption.

All 20 communities have been given an offer for the next two weeks that allows families in their regions who are eligible for Internet Essentials to sign up for the program and receive six months of free Internet service. That offer ends on March 18.

Besides the news on Internet Essentials, Cohen took the opportunity to highlight the milestones that the program has so far achieved. According to Comcast, Internet Essentials has now connected more than 1.2 million individuals, or about 300,000 families. That's a significant step up from the 150,000 families that were covered a year ago. (See Comcast Internet Essentials Connects 600K Americans.)

Since 2011, Comcast has also used the program to sell 23,000 subsidized computers for less than $150 each; partner with more than 8,000 community organizations, government agencies, and elected officials; and offer Internet Essentials to more than 30,000 schools in 39 states and Washington DC. Cohen said Comcast has spent more than $165 million "in cash and in-kind" donations on digital literacy outreach and education.

As a special guest at the press conference, Philadelphia Mayor Michael Nutter was on hand to accept recognition for his city being one of Comcast's "most improved" communities and to congratulate Comcast on the success of its program. He not only praised Internet Essentials, but also voiced his backing for Comcast's plan to acquire Time Warner Cable, calling himself "a strong supporter of the Comcast/Time Warner merger."

Coinciding with the extension of the Internet Essentials program, Comcast also announced the release of a new report called The Essentials of Connectivity. Dr. John B. Horrigan, who led the study and was formerly head of research for the Federal Communications Commission (FCC) 's National Broadband Plan, said the study found that community expectations and social networks play a big role in broadband adoption.

Specifically, 83% of the Internet Essentials participants surveyed said their children's schools expect them to have broadband access at home. Half or more of those surveyed also said that banks, health insurance companies, and government agencies have the same expectation.

Currently, only families with children in the federal school lunch program can sign up for Internet Essentials, but Comcast isn't against the idea of expanding eligibility in the future. Cohen said that Comcast has already done a pilot program with AARP, and that it continues to study the results.

For now, though, participants in Internet Essentials must have at least one child eligible for free or reduced school lunch, not have subscribed to Comcast Internet service within the last 90 days, and not owe Comcast any money or equipment. Households that meet those requirements and sign up for the program are offered elementary broadband service for $9.95 per month plus tax.

Capital New York: Niche networks get a shot, thanks to Comcast deal

[link to
http://www.capitalnewyork.com/article/media/2014/02/8540967/niche-networks-get-shot-thanks-comcast-deal]

By Alex Weprin 5:02 a.m. | Feb. 27, 2014

El Rey Network, which launched quietly in December, wouldn't exist if Comcast hadn't acquired NBCUniversal.

Case in point: How John Fogelman, a former William Morris Endeavor agent who became C.E.O. of Hollywood media incubator FactoryMade Ventures, approached his friend, director Robert Rodriguez (Spy Kids, Sin City, Machete.").

"'I just started a network called The Hub, I think we can do it again,' Rodriguez recalled Fogelman telling him. "'I think we have an opportunity at Comcast, where they are giving away networks to independent owners.'"

As part of its deal to acquire NBC, Comcast promised the F.C.C. that it would add at least 10 independent cable channels to its programming lineup, with at least four of them being owned by minorities.

Sean Combs launched a music channel called Revolt TV as a result of the deal, while Magic Johnson launched Aspire, targeting African Americans.

Fogelman pitched Rodriguez on an English-language channel for young Hispanics.

"My hand went up, right away, and I was like wondering why," Rodriguez told reporters Wednesday in the Stanford White Studio of the Chatwal Hotel. "I already had a good movie career, why would I want to get into television like that?"

"I always liked television, but the process seemed a lot more convoluted: possibly you would get a pilot, maybe it would go to series, maybe it would get put on the right night," Rodriguez added. "You had no control, maybe it would get canceled really quick. It seemed like a lot of maybes, whereas a movie was a sure thing, so I stuck with movies for a long time."

El Rey is different, most obviously, in that Rodriguez has ownership and total creative control.

"There are no executives. if something needs to be a certain way, we can just make it, give it the authenticity it needs and go for it," Rodriguez said.

That isn't entirely true of course. There are executives. Leading the charge is Scott Sassa, the former president of entertainment and syndication for Hearst. El Rey also has Michael Finn, senior V.P. of ad sales, who has been out selling the channel to advertisers.

It is no small task for a brand new channel with an admittedly niche target audience to get itself off the ground, at least at the beginning. That said, the channel locked up two deals: one with General Motors, which will be a launch sponsor throughout 2014, and will have its cars be featured in the channel's programming; and one with Heineken, which will integrate its products, like Dos Equis beer, into shows.

"We had Robert at a dinner last night with about 20 clients, he is very natural in that atmosphere," Finn recalled Wednesday. "They kept saying to me that it is really an amazing thing, to have the head of the network be the guy that has the ideas, that is holding the camera, that is integrating my brand into these shows."

Rodriguez will direct ads and content for the brands that can run during commercial breaks.

The channel expects to become Nielsen-rated in the fourth quarter, Sassa told reporters, which would also help its standing with advertisers, who crave data.

While the channel is unabashedly niche, its first original series is taking a big swing. It is an adaption of From Dusk Till Dawn, the cult movie directed by Rodriguez and written by his friend Quentin Tarantino. Yes, the cast will be driving Chevys, and they will be drinking Dos Equis.

“I thought to start the network off, I would start with something that nobody else could do,” Rodriguez said. “Nobody could get myself and Quentin [Tarantino] to do television for them.”

Rodriguez directed the first eight episodes of the show, and promises appearances from Tarantino on the channel.

Other original shows include “Matador," about a playboy soccer star, and “The Director’s Chair,” which features Rodriguez interviewing well-known directors. Mark Burnett is also on board to bring Lucha Libre (Mexican wrestling) to the channel.

El Rey is just one of many niche channels in an increasingly splintered and competitive marketplace. The big media companies, like NBCUniversal, 21st Century Fox and Viacom, have the leverage to gain their channels distribution on cable and satellite partners.

Generally speaking those channels have goals of reaching a relatively broad audience. Even “niche” channels like MTV and HGTV have broad appeal.

El Rey, with its English-speaking Hispanic demo, is not broad, even if some of its programming like Dusk Till Dawn is.

Some of the channels most under threat by the emerging cable marketplace are those that try to cater to minorities. Viacom-owned BET seems secure, but there aren’t many others trying or able to reach African Americans, or Latinos, or Asian-Americans. Univision and ABC partnered to launch Fusion, a TV news channel for Latinos and millennials, last year (Univision also handles back-end deals like distribution for El Rey), but the marketplace remains thin.

The Comcast deal provided the opening for channels like El Rey and Aspire to gain at least some traction, even if it means going up against the big guys.

Whether it works remains to be seen.

For Rodriguez, there is a personal element to it.

“I remember one time when I was doing Spy Kids, [Bob and Harvey Weinstein] asked me—and they weren't being jerks at all—they were just wondering, ‘why are you making the characters Hispanic? It doesn't make any sense, this is supposed to be for everybody,” Rodriguez recalled. “I said, well, they are American, but it is based on my family, so they are Hispanic, but they will be speaking English, it is going to be for everybody.' But nobody had done it before, so there was nothing to point to.”

“I said, 'you don’t have to be British to watch James Bond,'” Rodriguez added. “By making him British it actually makes him more universal, because it makes him more specific. We did it, and Spy Kids was a big hit. Those who were Hispanic, it meant a whole lot to them. People have come up to me for years saying ‘you changed my kids' whole lives because they see little kids that are Hispanic, that are spies, and they saw your name as the writer and director. You changed their vision of what the future could be.’”

Forbes: Op-Ed: Ignore Paranoid Bloggers: The Comcast-Time Warner Merger Is Good For Consumers

[link to
http://www.forbes.com/sites/realspin/2014/02/27/ignore-paranoid-bloggers-the-comcast-time-warner-merger-is-good-for-consu

By DOUG BRAKE

It has been over a week since Comcast announced its intention to acquire Time Warner Cable: it's time we all calmed down and had a rational discussion. This is no doubt a large and important transaction, giving Comcast roughly a third of the pay TV market. But a merger this serious deserves a fair review with accurate facts. Unfortunately, there is a large amount of misinformation flying around. It's worth

taking a step back and evaluating the transaction in terms of the bigger picture of broadband competition policy.

It is popular, especially in the blogosphere, to automatically distrust cable and telecommunications companies, a stance that often leads to inaccurate statements and misunderstandings. Susan Crawford recently provided a prime example of this populist thinking. Crawford's claim that the deal is "Bad for America" because it will lead to a monopoly on broadband is inaccurate, and leads her to make some strange claims with respect to the proposed merger. For example, she proclaims that "for the vast majority of businesses in 19 of the 20 largest metropolitan areas in the country, their only choice for high-capacity wired connection will be Comcast." On the contrary, in dense cities, competition for enterprise Internet access is undeniably fierce: XO Communications, Level 3, Windstream, and MegaPath are just a few of the larger companies providing business services.

In the consumer market, where "last-mile" costs are higher, competition is admittedly not as heated. But even the softened claim that residential consumers' only choice will be Comcast is also wrong. RCN Corporation, a competitive cable provider operating in Boston, New York City, Chicago, Washington, D.C., and Philadelphia probably wouldn't appreciate being written off. DSL and wireless broadband are similarly absent from the analysis. The broadband populists that dominate this conversation like to claim that DSL is not fast enough to be a competitor to cable. But some of DSL's 31 million subscribers (compared to cable's 51.5 million) might disagree. And there is good reason to expect DSL speeds to improve – new technology, called vectored DSL, promises 100 Mbps under the right circumstances. And of course, in 6 of the 19 metros, Verizon FIOS fiber service is a robust competitor.

Let's not forget another big announcement made on the heels of the merger proposal – Google has started early plans to expand its fiber build-out to nine new metro areas. The timing of Google's release exposes a key flaw in Crawford's arguments against the merger: immediately after Comcast's announcement, many detractors dismissed Google fiber as a viable competitor to cable because it is in only a handful of cities. Yes, cable is well positioned, yes, Comcast is a large, successful company, but that doesn't make it a monopoly, and certainly doesn't make it a permanent monopoly without strong competitors in sight.

The real paranoia comes out with the claim that Comcast "will be serving the interests of its shareholders by keeping investments in its network as low as possible . . . making no move to provide world-class fiber-optic connections." Forget that fact that Comcast already has an incredibly large fiber network; forget that fiber speeds are already available to businesses; forget that Comcast has been pouring money into its network, spending $5.4 billion in capital expenditures on its cable business last year alone. Moreover, technology is generally being improved to provide faster internet for everybody. Current generation cable modem technology – DOCSIS 3.0 – is capable of well over 100 Mbps. DOCSIS 3.1, the next generation, which can be deployed with minimal changes to infrastructure, is designed for 10 Gbps downstream and 1 Gbps upstream.

There's one final way that broadband populists like Crawford get it wrong. For them big is bad and big business is the worst. But economists have found that there are significant scale economies in the provision of broadband services. A recent study from the Canadian government found that economies of scale were responsible for 30 to 40 percent of productivity growth in the telecommunications sector from 1984 to 2008. The increasing returns to scale in the communications industry is a key reason why this deal is good for the economy and consumers.

Innovation in technology, especially networks like broadband, benefits immensely from scaled operations. Comcast is incredibly good at scaling innovation throughout its network. The efficiencies that would come with a merger can't be ignored – scaled innovation is certainly one of them.

The overall unthinking distrust of cable by some serves no one, obscures the benefits of the merger that should be considered and skews the broader policy debate that should take place.

Doug Brake is a Telecom Policy Analyst with the Information Technology and Innovation Foundation.

San Jose Mercury News: Letter: Cable merger works

[link to http://www.mercurynews.com/news/ci_25242707]

I often agree with Mercury News editorials, but your opposition to the merger of Comcast and Time Warner Cable (Editorial, Feb. 21) overlooked key points.

First, the central antitrust question is whether the acquisition will lessen competition. Because the companies operate in different markets there is no reduction in consumer choice for video or Internet service.

Second, Comcast may not be a perfect company, but its broadband is among the nation's best. Comcast networks are capable of 100 Mbps in virtually all of its markets and hit speeds of 500 Mbps in many — far in excess of Time Warner Cable.

Third, the deal is good for network neutrality. Comcast supported the original 2010 Open Internet regulations and, during the NBC Universal acquisition, voluntarily agreed to be bound by them (even if vacated by the courts). The merger will extend these rules to Time Warner Cable.

Fourth, Comcast and NBC Universal have been industry leaders in fairly licensing video programming and there have been few, if any, complaints otherwise. Networks like HBO and CNN are owned by Time Warner, not TWC as your editorial claimed, and the deal adds virtually no media consolidation.

Carl Guardino

CEO, Silicon Valley Leadership Group

Scranton Times-Tribune: Op-Ed: Big merger suits all audiences

[link to
http://thetimes-tribune.com/opinion/editorials-columns/guest-columnists/big-merger-suits-all-audiences-1.1639721]

BY JAMES BARRETT MCNULTY (GUEST COLUMNIST)

Published: February 25, 2014

I never have written a letter to The Times-Tribune, but I am compelled to respond to your editorial "Pull Plug Now on Cable Deal" (Feb. 16). You are trying to turn the channel on quality programming that will strengthen the commonwealth.

The editorial argued the proposed merger with Time Warner Cable could give Comcast too much power over consumers, programmers and others that do business with the cable and Internet industries. You paint a hypothetical, doomsday scenario that is only one of any vast number of possibilities - an unlikely one at that - while skipping over the real and actual benefits at hand.

We've come a long way since the factory shutdowns decried in Billy Joel's "Allentown," but the sentiment still rings true for young Pennsylvanians searching for jobs and careers. Comcast is a homegrown Pennsylvania company and the leader in high-speed technology and communications. There is a concrete, sustainable future in this field for decades.

Comcast employs 13,000 Pennsylvanians. It is building a new innovation and technology center that promises $2.75 billion in economic activity translating into 4,000 permanent new careers and 20,000 temporary jobs. This is two hours down the turnpike, a great opportunity to help us retain our talented young people and give some of our brightest and best a reason to relocate back home. This merger

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creates growth and strengthens a critical platform for Pennsylvanians to communicate their ideals and values into the future.

It also should advance our Pennsylvania tradition of helping the under-served. Several years ago, Comcast embarked on a visionary program, Internet Essentials, getting broadband into low-income households with discounted subscriptions, computer equipment and digital training. The program serves over 1 million people. Fostering access to technology can reduce inequality by providing a more level playing field, which strengthens democracy.

You correctly denounced last year's CBS/Time Warner Cable blackout. However, Comcast is taking the management lead in this merger and has never blacked out any cable network during these types of disputes. The company has said it will extend protections for diversity, local news, and children's programming to the Time Warner Cable system.

To make an informed decision about what a company will do in the future, look at what it has done in the past. Comcast has experienced remarkable growth, but all indications are that it is growing responsibly and ethically. It seems far-fetched that after the merger, Comcast would trade in its "white hat" and don a black one.

Similarly, the reception is blurry on the critic's channel trying to show that the merger would allow Comcast to strong-arm consumers and competitors by leveraging the market. You pointed out that Comcast and Time Warner do not serve the same customers or compete in the same markets, yet you jumped to the illogical conclusion that it would somehow hurt competition anyway. It won't.

Further, the threat of leveraging big video companies like Netflix or HBO is even less tenable. Those companies and networks like ESPN, with programming customers demand have the power, and they are the ones earning larger and larger fees that ultimately fuel consumers' costs. Even a larger Comcast is no match for them.

Comcast has fully converted to digital; Time Warner Cable has not, only upgrading 17 percent of its operation. Comcast has invested in the future with high quality HD, Internet speeds twice those of Time Warner Cable, and more streaming and more on-demand offerings. Businesses and residential customers would now get a company that is actually able to compete with Verizon and AT&T for telephone and high-speed Internet. Again, this merger does not stifle competition, it enhances it.

Comcast is a technological innovator offering real benefits to Pennsylvanians and its workers. We cannot afford to forfeit our financial future as a state by pulling the plug on Pennsylvania. It is time to put down the remote and quit channel surfing on job opportunities. I rate this deal "TV-G for Pennsylvanians - General Audience, Suitable for All Ages."

New York Times: Letter: The Comcast-Time Warner Cable Merger

[link to http://www.nytimes.com/2014/02/24/opinion/the-comcast-time-warner-cable-merger.html?_r=2]

To the Editor:

Re “If a Cable Giant Becomes Bigger” (editorial, Feb. 14), which criticizes the Comcast-Time Warner Cable merger:

As you note, Comcast and Time Warner Cable operate in separate markets, so there is no reduction in competition from the merger, which will simply move Time Warner Cable customers from one provider to another, bringing Comcast’s superior technology and broadband speeds to New York and elsewhere.

Most independent programmers will welcome Comcast's arrival to these new markets. It has led the way, supporting new and diverse channels like Ovation (where I used to work), Aspire, Revolt and Baby First, and has the best record in the business backing independent programmers.

As part of the deal in which Comcast acquired NBC Universal, Comcast supports 10 new independent networks, the majority owned by women or minorities, and has already launched five of them. I wish that all multichannel video programming distributors followed Comcast's example in this respect.

Your concern that Comcast as an Internet provider will discriminate against unaffiliated content companies like Netflix now that the Federal Communications Commission's "net neutrality" rules have been overturned is also misplaced. Comcast agreed to a version of those rules during federal review of its acquisition of NBC Universal and now stands as the only Internet service provider that must adhere to them — something the merger review could actually extend.

Finally, there is no basis to fear that the merged company could bully advertisers and programmers. Retransmission consent abuse and other practices already give large programmers the upper hand. If anything, this consolidation might balance power in the wholesale market and slow the growth of prices to consumers.

CHAD E. GUTSTEIN
President
Entertainment Media Advisors
Los Angeles, Feb. 16, 2014

Philadelphia Inquirer: Editorial: Comcast deal great for the city

[link
to http://articles.philly.com/2014-02-24/news/47607054_1_comcast-time-warner-comcast-set-time-warner-cable]

POSTED: FEBRUARY 24, 2014

Just days after the news that Comcast Corp. would expand its national reach by more than a third with its proposed purchase of Time Warner Cable, federal communications regulators announced renewed efforts to set much-needed rules to make sure Internet providers like Comcast and Verizon don't install speed bumps that would slow Web traffic like those Netflix movies cord-cutters plan to stream tonight.

The feds' timing is fortuitous, if coincidental. That's because the challenge of preserving an open Internet - as the Federal Communications Commission hopes to do - will be a central issue as the huge Comcast-Time Warner merger seeks required government approvals in the coming months.

With Comcast set to control about 30 percent of the nation's pay-TV business, and possibly an even larger share of landline Internet broadband sales, consumer groups already are calling for the deal to be rejected. They fear a bigger Comcast will have too much sway over pricing and Internet access.

Comcast - whose chief, Brian L. Roberts, says the deal will be "pro-consumer," "pro-competitive," and "in the public's interest" - has offered to spin off several million customers, expand its low-cost Internet offer to Time Warner territory, and grant Web competitors equal speed and access on its network.

Those are important provisions, but regulators may well demand even greater concessions after they scrutinize the proposed deal in detail.

As for the impact on pay-TV consumers, that's less clear. The upgrades in service that Roberts promises long-suffering Time Warner subscribers should be welcome. And new and old Comcast customers alike have to hope

the union of two companies too often dinged with customer-service gripes produces less carping and more kudos.

Consumers' view of the deal would be decidedly more upbeat, of course, if there were a pledge that they would share directly - via their monthly cable bills - in the expected merger savings of $1.5 billion. But that's not on the table as yet.

For this region's economy, there's a clear upside to having a bigger Comcast based here. Mayor Nutter applauded the deal for the jobs it is expected to create and for enhancing the city's "reputation and prominence as a technology and innovation leading city." U.S. Sen. Robert P. Casey Jr. (D., Pa.) also applauded the merger's job-generating potential.

Coming on the heels of Comcast's decision to occupy a stunning, second office tower set to rise along Market Street - an expansion that offers the prospect of hundreds of new hires - the Time Warner takeover clearly would strengthen an important player on the city's corporate and civic scene.

Before that can happen, though, regulators need to set terms for any deal that, above all, protect the interests of consumers shopping for the best service and price for broadband Internet, pay-TV programming, and phone service.

CableFax Daily: Op-Ed: Proud

[link to http://corporate.comcast.com/images/cfax022014.pdf]

Commentary by Steve Effros

Needless to say, the phone started ringing off the hook last week with the Comcast-TWC announcement. Heck, I knew there was going to be a big brouhaha when I got three fundraising appeals from a major “public interest” group in a matter of hours asking for money to mobilize against the media Armageddon that they now insist is coming.

Of course, these same folks predicted that same thing when AOL and Time Warner merged, and when AT&T bought TCI, and when Comcast bought NBCUniversal. The only thing that actually happened is more folks got better service and technology continued shooting ahead at a pace the public, and certainly the lawmakers, can’t keep up with! This is supposed to be bad? The numbers tell a different story: there are more program channels today than ever before. More diversity, more video production, more competitors both in the delivery marketplace and the programming marketplace. More consumers are watching different, high-quality programming (see, for instance, the latest Emmy Awards). We can all argue over programmer pricing, escalating costs, and whether OTT or a la carte would “solve” that or destroy diversity while upping the consumer cost, but in the meantime, per channel cable costs have gone down, not up. What has gone up is customer satisfaction, particularly for our broadband service, which gets high marks from more than 80% of subscribers.

I tried to explain this in some talk-radio programs where I was paired with “public interest” advocates. Again, needless to say, they basically reverted to form saying the public hates their cable “monopolist,” wants more, cheaper, and thinks that blocking any significant consolidation and encouraging more government-built systems will solve all ills. And oh, by the way, it’s “obvious” that an ISP as big as Comcast-TWC would “clearly” discriminate against all other programmers in favor of their own stuff. Forget the fact that Comcast has already said it would agree to special FCC “net neutrality” requirements extending to all the customers the merger would cover.

That wasn’t good enough, they complained, because those restrictions “only” apply until 2018! So now we know what the fight for the next year is going to be about: stop consolidation and extend common carrier prescriptions. What a waste of time. If the “public interest” folks would focus on helping to sensibly rewrite the Communications Act, which is likely to happen around 2018, we would all be better off. But of course that doesn’t raise as much money as a raucous “battle,” so it’s not likely to happen.

Too bad. Because I think what Comcast is doing is going to be excellent for consumers in major markets. We will finally have an almost-national footprint for a cable operator in the major DMAs, offering real service cohesion and a likely faster transition to cloud navigation services and hybrid IP technology.

That's all good for the consumer. I'm hopeful that folks recognize, however, that the smaller towns and the smaller operators are going to be offering a different type of service, as only they can. Comcast has to be wary of creating nationwide over-expectations. I think Comcast will see the benefit of doing so, and of helping the small operators. We don't want a greater geographic "digital divide" than necessary. But for now, I think this proposed merger will finally bring "cable/broadband" to a new level as a national media player, like the broadcast networks, like the satellite providers, and like the biggest telcos. That means more competition, not less. That's good for everyone. It should make us proud.

Los Angeles Times: Letter: A cable behemoth?

[link to http://www.latimes.com/opinion/la-le-0216-sunday-comcast-time-warner-20140216,0,6966395.story#ixzz2tblrhWZJ]

February 16, 2014

Re "A media behemoth," Feb. 14

The proposed merger of Comcast Corp. and Time Warner Cable is unthinkable. For federal regulators, it should be dead on arrival.

It is an example of media consolidation at its worst. The beneficiaries would be Comcast and Time Warner Cable, period. Consumers would be the big losers.

To mitigate any negative effects on the public, Congress should pass legislation that mandates a la carte pricing for cable programming, allowing consumers to pay for only the channels they want. Realizing that the average cable consumer watches only 17 channels each month but has to pay for many more, Sen. John McCain (R-Ariz.) has introduced badly needed a la carte cable legislation.

Consumers are fed up with skyrocketing cable prices. The federal government needs to study the reasons why effective cable competition has not materialized, how to control escalating prices and how to compel cable providers to offer