L.A. CONSOLIDATION

THE EFFECTS OF THE COMCAST-TIME WARNER CABLE MERGER IN LOS ANGELES

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INTRODUCTION

It has been more than a year since Comcast, the nation's largest pay TV and broadband Internet service provider announced its plans to acquire the second largest cable operator, Time Warner Cable (TWC). If approved, Comcast will control 30% of the pay TV market and 50% of high-speed broadband connections nationally. In addition, Comcast intends to acquire certain cable systems from Charter Communications, including those in LA County, which will increase Comcast's regional concentration in Southern California. Locally, Comcast will acquire almost 2 million TWC and Charter subscribers, eliminating two providers and becoming the largest pay TV distributor in the area.[1]

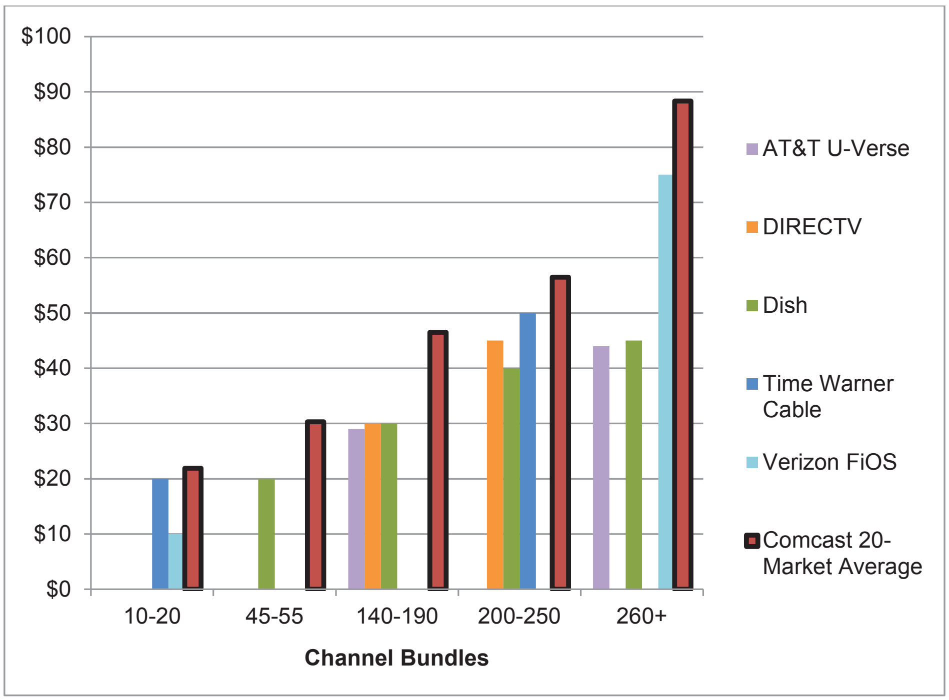
Comcast's increased national and newly-established local dominance will impact local consumers, sports fans, content creators and diverse Southlanders, particularly Latinos who today represent 48% of Los Angeles County's population.

This paper outlines why such a result will be harmful to all of these parties.

HIGHER PRICES

Higher prices for cable TV service are likely if Comcast becomes the dominant local provider. The average prices for Comcast's "Limited Basic," "Digital Economy," "Digital Starter," "Digital Preferred" and "Digital Premier" cable packages across its twenty largest markets are higher than cable packages offering similar numbers of channels from local competitors including AT&T, DirecTV, DISH, Verizon FiOS and the incumbent provider in Los Angeles, Time Warner Cable.[3]

CHART 1: MONTHLY CABLE PACKAGE PRICES



LA CONSUMERS

If Comcast acquires both the TWC and Charter cable systems, it will offer service to 96% of the County's population.[2] Comcast claims that this merger will benefit consumers, ignoring that Los Angeles residents are almost certain to face higher prices, the implementation of anti-consumer policies that limit access to content and the ability to use the device of their choice and even worse customer service. With little competition, particularly in high-speed broadband, LA consumers will be forced to accept this new and harmful reality.

Standalone broadband is also likely to become more expensive for LA residents because almost all of Comcast's California prices are higher than Time

TABLE 1: STANDALONE BROADBAND INTERNET OFFERS

Speed	Comcast	TWC
3 Mbps	$39.95	$14.99
6/10 Mbps	$29.99	$29.99
50 Mbps	$39.99	$34.99
105/100 Mbps	$44.99	$44.99
150/200 Mbps	$114.95	$54.99

LOW INCOME CONSUMERS

Comcast's acquisition of TWC would impact low income residents who could lose Time Warner Cable's valuable standalone 3 Mbps Internet offering for a non-promotional price of $14.99 per month. In contrast, Comcast's lowest-cost standalone Internet offerings in California are 3 Mbps for $39.95 per month, or 6 Mbps, currently offered at a discounted price of $29.99 per month for the first year, but regularly priced at $49.95 per month.[4] Comcast's Internet Essentials program offers 6 Mbps service for $9.95 per month but has overly restrictive eligibility requirements. The program does not do enough to address the problem of access for low-income consumers because it limits participation through requirements such as having a child enrolled in the federal reduced cost lunch program and not allowing current subscribers or those with an outstanding balance within the past year with the company. The California Emerging Technology Fund (CETF) has noted that only 11% of eligible households in California have enrolled in the program.[5] The CETF says that the application process is long and cumbersome, and sometimes requires traveling long distances to Comcast offices if an applicant does not have a Social Security number.[6] Comcast also ran credit checks on some participants despite the program's rules against such checks.[7]

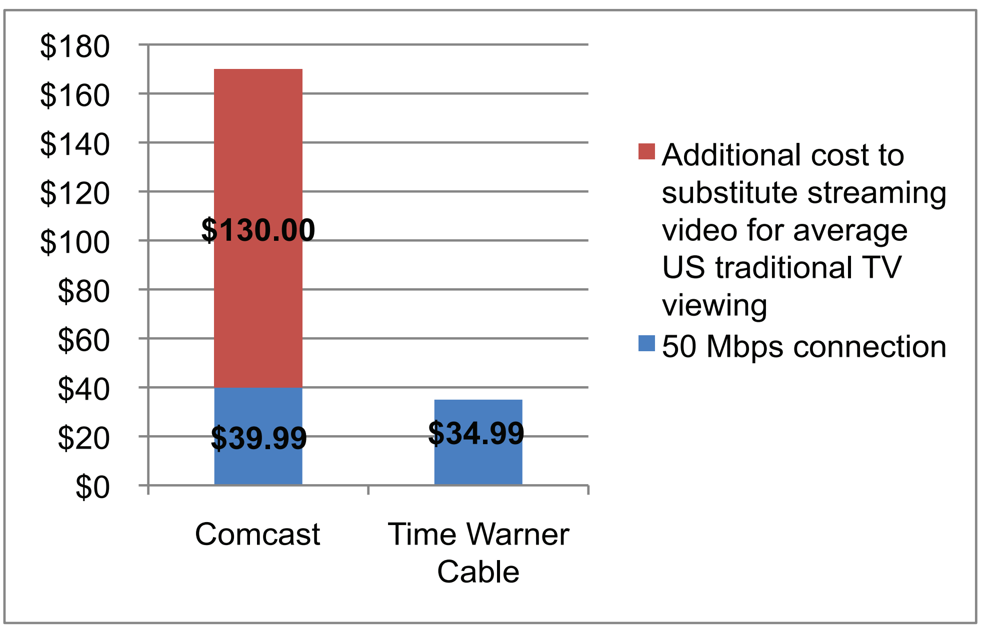
Warner Cable's. Comcast's 3 Megabits per second (Mbps) service costs more than double TWC's offering. While both companies have a service tier for $29.99 per month, TWC's offers a faster speed. At 50 Mbps, Comcast's standalone Internet service costs 14% more than TWC's. Only at the 100 Mbps speed do the prices match. For the fastest speeds, however, TWC's service is far more affordable.

ANTI-CONSUMER PRACTICES

Time Warner Cable customers currently have access to unlimited broadband data, and TWC has stated that its customers "will always have access to unlimited broadband."[8] In contrast, Comcast's Executive Vice President has stated that Comcast envisions moving to a "usage-based billing model" for all customers within the next five years.[9] Los Angeles Internet users will, as a result of the merger, likely face higher costs or have to restrict their Internet usage if Comcast becomes LA's dominant Internet service provider.

Comcast's usage-based billing practices further drive up the cost of Internet access by charging customers additional fees for using data above a given allowance, generally 300 GB per month.[10] In real dollars, this could add an extra *$130 per month* to the Comcast bill for a family of two who want to watch all of their video online.[11]

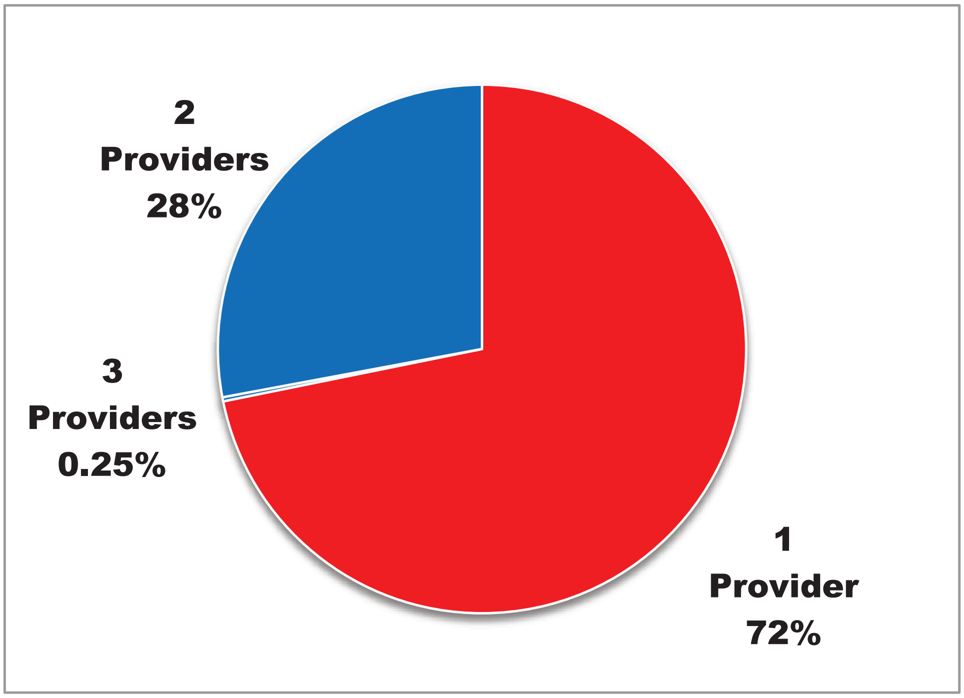
CHART 2: THE COST OF INTERNET FOR CORD-CUTTERS



TWC customers have also had more flexibility in the devices they may use to access cable content because TWC has been open to working with third-party device suppliers, even allowing customers to use a Roku instead of a leased set top box for a second television.[12] Comcast, on the other hand, has focused on its own X1 streaming service and platform, and has used restrictive authentication and licensing policies to limit what devices customers can use to watch the content of their choice. While TWC announced that it would support HBO Go on devices such as the Roku in May 2012,[13] Comcast has only just announced that it would do the same for the Roku, and it still does not support HBO Go on the Playstation 3 or the Amazon Fire TV, which TWC does.

Roughly 70% of County residents, or 6.8 million people, will only have a choice between Comcast and one DSL provider. DSL providers offer much lower speeds, which are not competitive with cable. Therefore, the overwhelming majority of County residents will have only one choice for high speed Internet service:

CHART 3: RESIDENTIAL PROVIDERS OFFERING 25 MBPS+ IN COMCAST'S PROPOSED FOOTPRINT (% OF POP.)



FEW ALTERNATIVES

LA residents will have little recourse in the face of Comcast's anti-consumer policies, because of the lack of broadband competition and limited alternatives for high-speed Internet service. Cable and fiber-based Internet technologies are the only services that are capable of delivering the faster speeds that consumers demand, particularly for data-intensive activities such as video streaming. According to Writers Guild of America, West (WGAW) analysis of NTIA broadband data, only 22% of LA County residents within Comcast's footprint would have access to both cable and fiber Internet services. The Federal Communications Commission (FCC) recently adopted a broadband benchmark speed of 25 Mbps (download). Analysis of competition using this standard reveals that 72% of LA County residents served by Comcast will have no alternate provider offering such speeds while only 28% will have a choice of one other provider. Comcast. This gives Comcast significant power over the broadband market and will allow it to institute price increases and other anti-consumer policies such as data caps with the knowledge that consumers do not have any alternatives.

"72% of LA County residents served by Comcast will have no alternate provider offering speeds of 25 Mbps or greater."

The state of broadband competition and deployment in Los Angeles is unlikely to improve if the merger is allowed. The proposed market swaps with Charter reveal that Comcast's goal in this merger is to consolidate existing networks, not to build new ones. Increased geographic clustering reduces the

THE MERGER'S EFFECT ON LOS ANGELES RESIDENTS OF COLOR

This merger would make Comcast the largest broadband provider and video distributor in Los Angeles County, where half of all residents are people of color. Comcast will be the only choice for most residents of color who want high-speed broadband service at speeds of 25 Mbps or faster. Seventy-eight percent of African-Americans and 73% of Asian-Americans in Comcast's LA County footprint will have no option for high-speed Internet aside from Comcast, according to WGAW analysis of NTIA broadband data. Only 22% of African-Americans and 27% of Asian-Americans in LA County will be served by at least two high-speed providers.

Comcast will become a major video and broadband distributor in the Southland, but it has made minimal effort to invest in sourcing from diverse suppliers, in accordance with the California Public Utility Commission's General Order 156 (GO 156) program. While the California telecommunications industry collectively spent over $2.6 billion on supplier diversity in 2013, Comcast only spent $24 million.[14] In comparison, Cox Communications, which has a smaller footprint in the state, spent $90 million on minority business enterprise (MBE) suppliers in 2013. On a related issue, Comcast, NBCU and the Hispanic Leadership Organizations entered a Memorandum of Understanding (MOU) in 2010 that stated Comcast would "recruit and retain more Latinos so that their workforces more accurately represent the communities they serve." Despite this commitment, Comcast has not publicly shared information on its workforce demographics, either nationwide or in California.[15] Comcast's minimal participation in GO 156 and its lack of transparency in connection with the MOU raises concerns that Comcast will not invest in LA's diverse communities, either by sourcing from MBEs or by adopting diverse hiring practices.

likelihood of new providers entering the market and the acquisition of an adjacent provider eliminates the most likely prospect for competition.

"While the California telecommunications industry collectively spent over $2.6 billion on supplier diversity in 2013, Comcast only spent $24 million."

WORSE CUSTOMER SERVICE

Neither Comcast nor TWC can count customer service as a core strength, as reported by major national consumer surveys, but numerous customer service horror stories shared online by customers frustrated in their attempts to change or cancel Comcast service paint a vivid picture of how much worse things could get for LA consumers.[16] Comcast is currently under investigation by the California Public Utilities Commission for disclosing unlisted phone numbers, a service customers pay for, over a period of two years.[17] Some customers had unlisted numbers because of personal safety or domestic violence concerns.[18] Comcast claims that it doesn't track broadband outages in California (Time Warner and Charter do) so we do not know how reliable its network is.[19] However, Comcast and TWC have similar numbers of California customers, but Comcast reported twice as many "escalated complaints" about broadband as TWC reported for *all three* of its services.[20]

LATINOS

Post-merger, Comcast will be the cable provider for up to 90% of U.S. Latinos, including those in Los Angeles, the largest Latino media market.[21] The merger will give Comcast unprecedented national and local control over access to Latino households.

As the gatekeeper to the Latino pay TV market, Comcast will have the power to decide what content reaches this audience. Without carriage by Comcast, Latino programmers will have little chance of survival. This power dynamic will allow Comcast to hold Latino programmers captive, paying them below market rates and negotiating carriage agreements that limit how Latino programmers may distribute their content, thereby stifling the ability of Latino programmers, in Los Angeles and elsewhere, from becoming viable content suppliers. It is no surprise the Los Angeles Latino Chamber of Commerce has come out in opposition to the merger.

Because Comcast already owns Latino content delivery providers, including major networks Telemundo, NBC Universo and TeleXitos, it has the incentive and ability to discriminate and foreclose against independent Latino programmers through below-market payments, channel positioning and outright exclusion. When its ownership of Latino content is combined with the increased control over Latino audiences, the incentive and ability to discriminate and foreclose against unaffiliated Latino content and programmers will be significantly enhanced. Comcast's increased buyer power in this market and its gatekeeper role over Latino viewership will hurt the quantity, quality and diversity of Latino programming, threatening the ability of Latino audiences to receive diverse and quality programming that is produced by Latinos in the U.S., including in Los Angeles, and attuned to the interests of the growing Latino community, including its youth, its women, and its bilingual members.

"Post-merger, Comcast will be the cable provider for up to 90% of U.S. Latinos, including most Latinos in Los Angeles, the largest Hispanic media market."

In addition to Comcast acting as a gatekeeper for Latino programming, the higher prices that will likely occur as a result of the merger will have a disproportionate impact on Latinos, who are less able to afford cable TV and broadband with a median income of $21,314, compared with $44,929 for Anglo-Americans in LA County.[22]

LOCAL SPORTS FANS

Los Angeles Dodgers and Lakers fans will likely face a choice of watching fewer games or paying a higher price to watch their home teams if the merger is approved. TWC owns the regional sports networks (RSNs) that broadcast Lakers and Dodgers games. TWC has already used control of 140 regular season Dodgers games to demand excessive fees from competing pay TV distributors. TWC is reportedly demanding $4-$5 per month per subscriber for SportsNet LA, which would make it one of the most expensive RSNs in the country, according to SNL Kagan estimates.[23] Currently 70% of local pay television customers do not have access to the Dodgers channel because TWC is demanding such a high price.

Research has demonstrated that when a cable company owns an RSN, the prices for that network go up and the availability to competitors goes down. The research also found that the problem only gets worse as the cable company gets larger. "[W]hen an RSN is owned by a cable or satellite operator, the RSN

COMCAST IN PHILADELPHIA

Comcast historically refused to sell its affiliated RSN, Comcast SportsNet Philadelphia, to DIRECTV and DISH Network, depriving sports fans who did not subscribe to Comcast cable, including many rural Pennsylvanians who could only get satellite, of local Phillies (MLB), Flyers (NHL) and 76ers (NBA) games. The Federal Communications Commission found that Comcast's behavior reduced satellite TV penetration in Philadelphia by 40%.[24] While the FCC no longer allows such exclusive contracts, Comcast has kept the price of SportsNet Philadelphia so high that neither DirecTV nor Dish has entered into a carriage agreement for the network. Speaking in 2012, former Executive Vice President of DirecTV Derek Chang said, "They [Comcast] win either way... They're either going to gouge our customers, or they're going to withhold it from our customers."[25]

charges rival distributors a significantly higher license fee. Most significantly for our purposes, the vertical integration premium increases significantly with the local downstream market share of the RSN's affiliated distributor."[26] Comcast intends to acquire both TWC and Charter Communications cable systems locally, making it an even larger local provider than TWC has been. Combined with Comcast's control of local NBC and Telemundo broadcast stations and its suite of almost 20 basic cable networks, it will have the power to demand ever-increasing fees for access to this unique local content.

"This is not a healthy situation for the community. The Dodgers are a key part of the fabric of this City, and Dodgers games with the legendary Vin Scully in the broadcast booth have traditionally been available to viewers throughout this region at no extra charge."

- LA Mayor Eric Garcetti
From the City's FCC Filing

THE CREATIVE COMMUNITY

This merger will have troubling consequences for writers and others in the entertainment industry because it will give one company too much power over content. This will affect how much and what type of content is made, which could have negative implications for employment in one of this region's most important industries.

Comcast has told the FCC that it expects to save $1.5 billion in the first three years following the merger and $1.5 billion each year thereafter. Comcast has attributed some portion of this to programming cost savings from paying lower rates to carry television networks than TWC does. The problem is that these fees, paid by cable companies to television networks and other content suppliers, have helped finance television's recent creative renaissance. As a result of the merger, content suppliers will have less money to invest in content, which could mean less creativity, fewer jobs and lower quality productions.

The merger also threatens the growing online video distribution market. Comcast would control half of the high-speed broadband market and, as the largest pay TV distributor and major television network owner, has strong incentives to limit the growth of competing alternatives. With control of broadband, it will have the power to implement practices that harm unaffiliated online video distributors. Comcast has already engaged in such behavior in its interconnection dispute with Netflix. By refusing to upgrade connections to handle the Netflix traffic that Comcast consumers were demanding, Comcast was able to extract higher fees from Netflix. Netflix has said that the fees are 150% more than its combined costs for transit, hardware, engineering and colocation to deliver Comcast subscribers' data.[27] Comcast can use its control of interconnection to charge companies like Netflix or Amazon for access to consumers. This will raise costs for online video distributors, which could mean less investment in content.

While the effects of this merger will be felt nationally, the planned cost-cutting and increased control over broadband will have real consequences here in Los Angeles. Los Angeles is the home of the entertainment industry, providing 132,000 jobs and $14.2 billion in payroll, and generating $2.8 billion in taxes.[28] State and local officials have worked hard to keep production here through local programs and improvements to the state's incentive program, such as eligibility for Internet productions. FilmLA reports that in 2014, on-location TV drama production increased almost 30% from 2013, to 3,666 days.[29] In 2014, there were 1,129 web TV production shooting days.[30] Web TV now constitutes more on-location shooting days locally than TV pilots and sitcoms, according to FilmLA. Amazon projects including *Transparent, Bosch* and a number of pilots are shot here in Los Angeles. The rise of Internet-delivered television series is important for local employment, as incentive programs from other states have lured away some television production.

CONCLUSION

The Comcast-TWC merger is a bad deal for Los Angeles as well as the rest of the country. Comcast's increased buyer power as a distributor of television and the Internet will lead to higher prices for consumers, fewer content choices and less diverse and innovative content. The California Public Utilities Commission and the FCC both have the ability to prevent this outcome and should act to deny the merger because it does not serve the public interest.

PARTICIPATING ORGANIZATIONS

ENTRAVISION

Entravision Communications Corporation is a diversified Spanish-language media company utilizing a combination of television, radio and digital operations to reach Latino consumers across the United States, as well as the border markets of Mexico. Entravision is the largest affiliate group of both the top-ranked Univision television network and Univision's UniMas network, with television stations in 20 of the nation's top 50 Latino markets. The company owns and/or operates 58 primary television stations and also operates one of the nation's largest groups of primarily Spanish-language radio stations, consisting of 49 owned and operated radio stations. Additionally, Entravision has a variety of cross-platform digital content and sales offerings designed to capitalize on the company's leadership position within the Latino broadcasting community.

THE GREENLINING INSTITUTE

The Greenlining Institute was created 21 years ago to drive solutions to redlining, the unsustainable practice of excluding communities of color from economic opportunities. The term Greenlining is the proactive practice of providing targeted access and service to communities of color. Greenlining represents a coalition of 50 community based organizations in California that collaborate to bring more Greenlining policies to the forefront on issues related to the Environment, the Economy, Health, Energy, Voting, and Telecommunications and Technology. Greenlining strongly believes that for our nation to succeed, communities of color will have to succeed.

PRESENTE.ORG

Presente's mission is to advance Latino power and create winning campaigns that amplify Latino voices; expand the political imagination and traditional boundaries; and foster inspiration for freedom, equity, and justice. Presente is the largest national Latino online organization advancing social justice with technology, media, and culture.

PUBLIC KNOWLEDGE

Public Knowledge promotes freedom of expression, an open internet, and access to affordable communications tools and creative works. We work to shape policy on behalf of the public interest.

SPORTS FANS COALITION

Sports Fans Coalition is the American sports fan's advocate in the Washington D.C. public policy arena and around the country for fair return to the fans for public resources used in sports, and fair access to sporting events at the game and in the media. We are a new, non-profit organization made up of sports fans who want to have a say in how the sports industry works, and to put fans first.

WRITERS GUILD OF AMERICA, WEST

The Writers Guild of America, West (WGAW) is a labor union representing writers of motion pictures, television, radio, and Internet programming, including news and documentaries. Founded in 1933, the Guild negotiates and administers contracts that protect the creative and economic rights of its members. It is involved in a wide range of programs that advance the interests of writers, and is active in public policy and legislative matters on the local, national, and international levels.

APPENDIX

The table below provides the detailed channel package information represented in Chart 1.[31]

Comcast vs. Other MVPD Prices for Video Packages				
Channel Category	**Operator**	**Package**	**# of channels**	**Monthly Price**
10-20	Verizon FiOS	FiOS TV Local	17	$10.00
	TWC	Starter TV	20+	$19.99
	Comcast Average	**Limited Basic**	**10+**	**$21.91**
45-55	Dish	Smart Pack	55+	$19.99
	Comcast Average	**Digital Economy**	**45+**	**$30.33**
140-190	AT&T U-Verse	U-Family TV	140+	$29.00
	DIRECTV	Entertainment	140+	$29.99
	Dish	America's Top 120	190+	$29.99
	Comcast Average	**Digital Starter**	**140+**	**$46.48**
200-250	Dish	America's Top 200	220+	$39.99
	DIRECTV	Ultimate	225+	$44.99
	TWC	Preferred TV	200+	$49.99
	Comcast Average	**Digital Preferred**	**220+**	**$56.48**
260+	AT&T U-Verse	U200 TV	300+	$44.00
	Dish	America's Top 250	290+	$44.99
	Verizon FiOS	Extreme HD	300+	$74.99
	Comcast Average	**Digital Premier**	**260+**	**$88.34**

ENDNOTES

1. SNL Kagan estimate of Pay TV subscribers.

2. US Department of Commerce, National Telecommunications and Information Administration, State Broadband Initiative (CSV format December, 31, 2013). WGAW analysis of broadband data for Los Angeles County.

3. SNL Kagan estimates of Comcast subscribers by Designated Market Area used to identify the top 20 markets. Pricing information from company websites. Prices as of December 2014 for Comcast; January 2015 for all other providers. All prices listed are as advertised promotional prices; Verizon's prices are for a home not already wired for FiOS.

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