U.S. Senate Committee on the Judiciary,
Subcommittee on Antitrust, Competition Policy, and Consumer Rights
Hearing on "The Comcast/NBC Universal Merger: What Does the Future Hold for Competition and Consumers?"

March 15, 2010

Responses to questions for the record submitted by Senator Amy Klobuchar:

1. **The price of expanded basic cable service has gone up faster than the rate of inflation since 1995. Some industry observers have claimed that the pairing of the nation's largest cable company with one of the leading television broadcasters would raise prices even more for viewers.**

   (a) What assurances can you give that this merger will not result in higher fees for customers?

This transaction should not affect cable pricing to consumers. Competition is – and will remain – intense among programmers and multichannel video programming distributors ("MVPDs"). Comcast will have continuing incentives to offer the most compelling, innovative consumer experience possible, increase consumer choice, expand the amount, quality and diversity of programming available, and expand multiplatform options. Nothing about the transaction will increase Comcast's incentive or ability to increase prices to consumers. There is no increase in Comcast's size as a distributor and no increase in our ability to raise rates in the very competitive video distributor market. In just the past two years, cable companies have lost 1.6 million customers while our competitors have gained over 7.6 million new subscribers. Last quarter, Comcast alone lost 200,000 subscribers. We have every incentive to remain price competitive in video distribution.

There is little doubt that consumers are getting more for their money than they did in the past. Indeed, at a little over $2 a day, cable is about the price of a morning cup of coffee. On a monthly basis, standard cable is less expensive than taking a family of four to the movies once and a fraction of the price of taking the family to a single sporting event. The average cable household viewing time is 310.5 hours per month; compare that to one three-hour ballgame or a few hours at the movies. When adjusted for inflation, the "price per viewing hour" of cable service has decreased 26 percent over the last 10 years. Plus, the quality of the programs we deliver has increased, as has the versatility of the service (e.g., video-on-demand, which offers thousands of choices at no additional charge).

In addition, many of our customers take advantage of promotional or multi-product discounts. We offer High-Speed Internet and digital voice services in addition to video, and consumers who buy two- or three-product packages enjoy significant savings as compared to the prices for the services when purchased separately. Other customers receive promotional price discounts, e.g., when they first sign up for service or when they agree to a service-level upgrade. The growing use of such discounts is often omitted from cable price surveys, which skews the results.

Times are tough, and we are highly focused on controlling costs and improving value for the benefit of our customers. Like all of our competitors, however, we must adjust prices to account for our increased costs of doing business. Separate and apart from the proposed transaction, it is unfortunate that programming costs have risen. It is important to note that other leading MVPD competitors have increased their prices by as much or more than Comcast, though this competition has worked to constrain the relative size of the price increases and to improve consumer value.

(b) What assurances can you give me that this merger will not limit viewers' access to content in the cable marketplace?

Our goal is to expand consumers' choices, not to limit them. As a combined company, we will have every incentive – both as a network owner and a distributor – to maximize access to content. As we said in our public interest statement, the proposed transaction, which links NBCU's content with Comcast's multiple distribution platforms, will give the combined entity greater incentive and ability to deliver more content choices to consumers sooner, and across more platforms, than either company could do alone.

The imperatives of the competitive marketplace provide strong assurances that viewers will continue to have access to all of the content they have come to expect. The new NBCU will continue to have strong incentives to reach as broad an audience as possible. To do that, NBCU will need to secure the widest possible distribution not only from Comcast, but also from other MVPDs, which together serve over 75 percent of MVPD households. If NBCU charges excessive prices for its programming, it will risk losing distribution and that, in turn, will translate quickly into revenue losses as affiliate fees and advertising revenue both decline. As a result, these marketplace imperatives will ensure that content is distributed as widely as possible; the costs of a foreclosure strategy would outweigh any conceivable benefit to limiting distribution. As Professor Richard Epstein of the University of Chicago has written, speaking specifically about the Comcast-NBCU joint venture, "why would either company wish to make its network weaker than it need be, by entering into actions of exclusion that hurt itself as much as any outsider?"

Nonetheless, the FCC's program access regulations remain available as a backstop. The program access rules that currently apply to Comcast's cable networks will now apply to NBCU's cable networks as well, providing a regulatory backstop to prevent unfair practices and discrimination by distributors who are affiliated with programmers. Comcast has always abided by these rules, and has never been found to have violated them.

2. What is the current state of the Internet video market? How will the proposed merger impact competition in this market?

The marketplace for online video is highly fragmented, highly dynamic, and intensely competitive. It is highly fragmented because there are many players in the marketplace. The dominant leader in online viewing (by far) is Google (through YouTube and other sites it has built or acquired), with nearly 55 percent of online video views. This puts Google well ahead of Microsoft, Viacom, and Hulu (all of which have low- or mid-single-digit percentages of online video views) and even farther ahead of Comcast's Fancast (currently well below one percent of online video views). There are countless other sites that provide robust competition and near-infinite consumer choice.

The marketplace is highly dynamic because both new and established players are constantly deploying new technologies and experimenting with new and innovative business models. The marketplace is intensely competitive because consumers have an almost unimaginable array of places to go on the Internet to access online video. Barriers to entry are low; new websites, business models, and technologies are introduced all the time. The combination of Comcast's and NBCU's Internet properties poses no threat to this abundant, aggressive, and growing competition.

We believe that the proposed transaction will give the new NBCU an opportunity to become a better competitor in the online video marketplace by combining compelling content with state-of-the-art distribution platforms. With respect to NBCU's movie and television production content and other NBCU content, Comcast and the new venture will be in a better position to expand the convenient availability of all genres of television and movie content across multiple platforms on an accelerated basis through a workable and replicable business model, to the benefit of consumers. Our ability and incentive to innovate and bring new and better services to consumers will make the online marketplace more competitive.

3. **If approved by the Department of Justice and the Federal Communications Commission, how will this merger transform the market for Multi-Channel Video Programming Distributors (MVPD)?**

We don't believe the proposed transaction will fundamentally transform the MVPD market, but we do believe it will foster further innovation in an already competitive and dynamic marketplace. Comcast currently competes against DirecTV and Dish in every market in which we provide service. In many of those markets, we also face competition from telephone companies like AT&T and Verizon, as well as overbuilders. And these competitors are fierce. In about 15 years, DirecTV and Dish have become the second and third largest MVPDs, respectively. And Verizon and AT&T are now both top-ten MVPDs and continue to grow every quarter. As the U.S. Court of Appeals for the D.C. Circuit recently found, no MVPD has "bottleneck" control over video programming. Along the way, cable has become a better value proposition than ever before, and Comcast has continued to increase this trend. Abundance and diversity of programming have never been greater.

By linking NBCU with Comcast, a company that is focused on and committed to investing in the media and communications industry, the joint venture will create new opportunities to better serve consumers. Through the joint venture, NBCU and Comcast will each be stronger, more effective players in both the video programming and video distribution marketplaces than they would be alone. By becoming better competitors, the new NBCU will spur other content producers and distributors to invest and innovate. This is good for competition, which is good for consumers.