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 Charles E. Schumer

The proposed joint venture between Comcast and NBC represents a dramatic change in the cable and Internet markets. I appreciate the many assurances you have offered to protect consumers and competition in the marketplace, and I am gratified that this merger will not result in job reductions. I do, however, have a few remaining questions about this proposed endeavor.

1. **Given the size and influence of both NBC and Comcast, how can we be assured that competition in the cable programming and distribution markets will be preserved or even improved? What about in the emerging market for Internet video?**

Competition is, and will remain, intense in the three markets you mention.

Competition is – and will remain – intense among cable programming networks. NBCU's cable networks, while valuable, represent a small fraction of the total market for video content. The new NBCU will be ranked fourth in total national cable network revenues among major media companies (the same ranking NBCU now has), owning 16 national cable networks. At last count, there were 565 national programming networks. The new NBCU will continue to have strong incentives to reach as broad an audience as possible and to secure the widest possible distribution, not only from Comcast, but also from the 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 both affiliate fees and advertising revenue decline. As a result, these marketplace realities will ensure that content is distributed as widely as possible; the costs of a foreclosure strategy would outweigh any conceivable benefit to limiting distribution.

Competition is – and will remain – intense among multichannel video programming distributors as well. As the FCC has found, in every community, virtually every consumer can choose from a minimum of three MVPDs, and in many cases a fourth or fifth MVPD is available or will be soon. 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. After the transaction, Comcast will continue to have a strong incentive to offer the most compelling, innovative consumer experience possible; increase consumer, choice; increase the amount, quality and diversity of programming available; and expand multiplatform options.

Competition is – and will remain – intense among providers of online video. Only one company, Google, controls a significant share of online video views – 55 percent of all online video views. Both Comcast and NBCU are relatively small players both as providers and distributors of online video content and will remain so after the transaction. The proposed joint venture will account for only about 12 percent of total national cable network revenues, and its share of video content that can be distributed over the Internet will be still lower. Online video distribution sites owned by Comcast account for less than one-half of one percent of online video views, and sites owned by NBCU account for less than one percent of online video views. Hulu, in which NBCU owns a minority interest, only accounts for four percent of online video views. Even if NBCU's partial interest in Hulu were thought to be entirely in the control of the combined company (which it will not be), the combined company's share of online video viewing would only be approximately five percent of online video views. The combined company will therefore have no market power, either as a provider or distributor of online video content, and no ability to limit competition in this dynamic marketplace. Online video is still very much a nascent marketplace. Everyone, content producers and distributors alike, is looking for a business model that works. The competitive dynamics of this emerging business will be determined by the interplay of many, many actors on the Internet, including Google, Apple, Netflix, Blockbuster, Amazon, Yahoo, and many others. Barriers to entry are low, and new competitors and business models are emerging all the time.

Comcast and NBCU hope that, through this transaction, we will be able to bring new investment and innovation in all of these areas. As we become more innovative players in video programming and distribution, we will spur other content producers and distributors to invest and innovate as well. This is good for competition and good for consumers.

2. **You have offered a number of voluntary steps you will take to protect the public interest. Given that these steps are in fact voluntary, can consumers rely on the protections you propose continuing?**

This joint venture has the potential to bring myriad public interest benefits to consumers: it will enhance the *diversity* of programming by expanding the amount, quality, variety, and availability of content; it will provide increased *localism* through more and better local programming; it will foster *competition* by better serving consumers and spurring other players to follow suit; and it will accelerate *innovation* by combining compelling content with state-of-the-art distribution platforms. Both companies are working tirelessly to make these benefits a reality.

We have also proposed to enhance these benefits by offering an unprecedented array of public interest commitments. Consumers can rely on these commitments because in our public interest statement, we proposed that they be included in any Commission Order approving the transaction and become binding on the parties upon completion of the transaction.

As I noted in my testimony, Comcast has a history of promising consumer benefits associated with its acquisitions and delivering on those promises. I assure you that we will do so again in our joint venture with NBCU.