

Testimony of

The Honorable Strom Thurmond

April 23, 2002

Mr. Chairman:

Thank you for holding this important hearing today on the proposed merger of AT&T Broadband and Comcast. The plan to merge these two companies warrants particular scrutiny by this committee because the resulting company would be approximately two times larger than the next largest cable company, AOL-Time Warner. The sheer size of the merged company would give the resulting corporation close to 30% control of the cable market, which could then be leveraged to gain significant control of the broadband Internet and cable telephony markets. Given these troubling facts, I have several concerns that I hope our witnesses will address today.

First, we should ask whether consumers will benefit from the proposed merger. Past cable mergers have actually resulted in higher cable rates, rather than lower ones. For example, in Columbia, South Carolina, cable rates increased after Time Warner acquired the local franchise in 1995. Not only did rates increase, but they began to outpace inflation significantly. Proponents of the merger need to make a compelling case explaining why the creation of a cable giant will lower prices for the cable consumer.

Second, we should examine whether the merged company's large market share will give it an undue amount of control over programming. Obviously, as one of the biggest buyers of programming, the new company would have influence over the types of television shows that are produced. This committee should examine the wisdom of allowing one company to wield such heavy influence over cable television programming.

Third, this committee should examine the effects of this proposed merger on the markets of component parts, such as set top boxes. The cable companies already have substantial influence over which manufacturers can break into the set top box market. By further consolidating the industry, the merged company would have tremendous influence over the abilities of manufacturers to compete. Additionally, the new company would also play a major role in any negotiations over industry standards for set top boxes and other technologies.

Mr. Chairman, I appreciate your interest in the proposed merger of AT&T Broadband and Comcast. This deal raises serious concerns about the future of competition in the cable industry, and it is imperative that we consider all possible ramifications of this merger. Above all, we should look to see if the American consumer will benefit. I look forward to hearing from our witnesses today.