

FEDERAL COMMUNICATIONS COMMISSION

**Joint Petition of Time Warner Cable Inc. and
Comcast Corporation For Approval of a
Holding Company Level Transfer of Control.**

MB Docket 14-57

Statement of Opposition to Joint Petition

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Rochester, New York

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Stop the Cap! is a not-for-profit group founded in Rochester, N.Y. in 2008 to fight against the introduction of artificial limits on broadband usage (usage caps, consumption billing, speed throttling) and for better broadband speeds and service for consumers. Our group does not solicit or accept funding from lobbyists, companies, or others affiliated with the telecommunications industry. We are entirely supported by individual donors who share our views.

Introduction

Our opposition to the Joint Petition is based on our belief it is not in the public interest and must therefore be denied.

In the majority of documents available for public view, Comcast and Time Warner Cable express merger benefits in the vaguest of terms, without disclosing important facts including the terms and conditions customers must meet to take advantage of these benefits, and more importantly their cost.

The combined entity's ability to deliver these benefits is also suspect, particularly considering the dismal customer service record both companies have maintained for years and their inability to improve that record.

The Commission must look well beyond the platitudes and claims of "excellence" that come from the two companies and various supporting non-profit and political organizations that often have a direct financial link to Comcast and/or Time Warner

Cable and consider ordinary customers that will endure a Comcast monopoly or duopoly, particularly for High Speed Internet service in many areas of the country.

It is counterproductive for the FCC to promote broadband adoption and enhancement efforts at the same time companies like Comcast use their market power to raise prices, charge increasing equipment rental fees, and most importantly consider subjecting millions of Americans to home Internet usage limits/allowances.

Cable broadband technology has progressed to a point where usage limitations have become technologically and financially unnecessary. A close investigation by the Commission of Comcast's wholesale costs to supply broadband service to its customers will show bandwidth increasingly cheap and plentiful. But an uncompetitive marketplace has allowed some cable operators to impose artificial constraints that further monetize broadband usage and protect incumbents from over-the-top streaming video competition. The wide disparity of usage allowances (and the fact several large companies like Time Warner Cable and Verizon FiOS have no usage limits at all) demonstrate just how arbitrary these limits are and that they have little or nothing in common with the actual costs incurred by a provider to deliver the service.

A merger between Comcast and Time Warner Cable would subject nearly 12 million Time Warner Cable customers to Comcast's usage limits that Comcast executive vice president David Cohen predicted would be in place for all Comcast customers within five years. Time Warner Cable has no compulsory usage caps or allowances tied to overlimit fees. Comcast is testing such plans in multiple cities, mostly in the southern United States. There is every indication they will be introduced nationwide, likely after any merger approval.

In prior merger deals involving Comcast, the company has readily agreed to a series of minor, usually time-limited concessions to win favor with the FCC or Justice Department. All of these concessions have done nothing to improve the relationship Comcast has with its customers. Further concessions might mitigate certain deficiencies Comcast has with its Internet discount program or reaching rural consumers, but will do nothing for the vast majority of subscribers that will continue to face increasing cable

prices, consistently bad service, and the introduction of innovation-killing usage allowances.

In any review between the two companies that compares services side by side, it is critical the Commission consider the ongoing upgrades underway at Time Warner Cable (Maxx) that will give consumers nearly triple the broadband speed they used to receive at no additional cost, and without the threat of looming usage caps, allowances, or overlimit fees.

Virtually all of the tangible benefits from this merger will never reach the average subscriber. We believe Comcast's executive vice-president David Cohen made one of the strongest arguments why this merger simply does not make sense:

"We are certainly not promising that customer bills will go down or increase less rapidly."¹

Comcast's Cable TV Improvements Come at a High Price

Comcast's Transition to All-Digital Television Costs Subscribers

Comcast has offered the Commission a vague preview of how it intends to improve cable television service for customers, but rarely discloses important details about the costs and limitations their "improvements" will bring.

While Comcast is excited about the proposition of transitioning Time Warner Cable customers away from the current mixed analog-digital platform to an all-digital lineup, Time Warner Cable customers have paid less and avoided costly, unwanted extra equipment as a result of the choices consciously made by Time Warner Cable.

Comcast and Time Warner Cable have different philosophies about how to best deliver the bulging cable television packages most cable systems now offer:

- Time Warner Cable adopted "Switched Digital Video" from BigBand Networks, a technology that lets Time Warner deliver only the digital signals that are being watched

¹<http://arstechnica.com/tech-policy/2014/02/comcast-no-promise-that-prices-will-go-down-or-even-increase-less-rapidly/>

in a service group or node, instead of the entire lineup.² Since it is unlikely subscribers are watching every niche channel on offer, Time Warner has been able to reclaim unused bandwidth. As a result, customers using older cable-ready televisions can continue to access analog television channels without the use of a costly, often unwanted set top box.

- Comcast has more aggressively chosen a path to all-digital television service, moving most of their television channels to encrypted digital technology that requires a Comcast set top box, a less costly Digital Transport Adapter (DTA) designed for secondary-use televisions, or a CableCARD. Customers must choose one of these technologies, usually at an added-cost to access their cable television service.³

Time Warner Cable also began deploying DTA equipment in certain areas to free up additional bandwidth on its cable systems while still leaving most analog channels intact. The DTA boxes are supplied free of charge during an introductory phase lasting up to a year, after which a \$0.99 monthly charge for each box is imposed.⁴ (That fee has recently been raised in certain markets, including New York City, to \$1.50/mo.^{5 6})

In contrast, Comcast customers were initially entitled to receive up to three no-cost DTAs to install on televisions not equipped with a Comcast set top box.⁷

On January 1, 2013 Comcast began informing subscribers a new \$1.99/month “additional outlet service charge,” now applied for each DTA installed.⁸

Public officials in Eagan, Minn., responding to consumer complaints about the new charge, suspected Comcast was attempting an end run around the Federal Communications Commission’s prohibition of “excessive fees for cable equipment.”⁹

²<http://www.cedmagazine.com/news/2009/09/time-warner-cable-serves-up-sdv-in-n.y.,-dallas,-l.a.>

³<http://customer.comcast.com/help-and-support/cable-tv/how-bill-will-change-with-digital-migration>

⁴<http://www.cedmagazine.com/news/2012/01/time-warner-cable-wraps-up-all-digital-conversion-pilot-in-maine>

⁵<http://www.twcableuntangled.com/2013/04/were-converting-analog-signals-to-digital-across-the-new-york-region/>

⁶<http://www.timewarnercable.com/en/residential-home/support/faqs/faqs-tv/basicdvencryption/what-will-the-digital-adapter-cost.html>

⁷ http://www.twincities.com/ci_22617153/comcast-fee-plan-cause-confusion-controversy

⁸<http://customer.comcast.com/help-and-support/cable-tv/how-bill-will-change-with-digital-migration>

⁹http://transition.fcc.gov/Bureaus/Cable/News_Releases/nrcb4009.txt

The additional outlet fee was deemed by Comcast to be a service fee, not an equipment charge.¹⁰

Attorney Mike Bradley was hired by a group of suburban Minneapolis cable commissions to investigate the legitimacy of Comcast's new DTA service charge. If the fee was classified as an equipment charge, Comcast would charge 50 cents per DTA based on rate forms filed with the Minnesota cable commissions he represents, Bradley told The Pioneer Press.¹¹

For the average Comcast subscriber, the result was another rate increase in return for digital television service. Subscribers with three DTA's now pay up to \$5.97 extra per month in order to continue to receive the exact same programming on the same number of televisions within their household – a \$25 annual surcharge per DTA, \$75 if the customer uses three DTA's, complained Eagan, Minn. Mayor Mike Maguire in a letter to Sen. Amy Klobuchar.¹²

Comcast's fees, in addition to being well in excess of the actual cost of the equipment, will earn the company at least \$550 million annually in new revenue – all for equipment that costs the company around \$50 per unit.¹³ Because Comcast is encrypting its lineup, even televisions equipped with QAM tuners, capable of receiving digital television signals without a set top box, will also eventually need the new equipment to unscramble television signals.

Comcast's Much-Touted "X1" Platform Includes a Steep Installation/Upgrade Fee

At various public informational meetings run by the New York Public Service Commission, a Comcast representative promoted the benefits of Comcast's new X1 set-

¹⁰<http://stopthecap.com/2013/02/21/comcast-calls-1-99-charge-for-digital-adapters-a-service-fee-to-avoid-fcc-complications/>

¹¹http://www.twincities.com/ci_22617153/comcast-fee-plan-cause-confusion-controversy?IADID=Search-www.twincities.com-www.twincities.com

¹²<https://dl.dropboxusercontent.com/u/9008/pioneerpress/yourtechweblog/Eagan%20-%20Sen%20Klobuchar%20ltr%20re%20Cable%20Rate%20Concerns%203-5-13.pdf>

¹³<http://cisco-news.tmcnet.com/news/2011/04/25/5464600.htm>

top box/platform which can provide enhanced features and integrate with the Internet to provide more detailed programming information and social media interaction.

The Comcast representative did not mention that customers must pay up to a \$99 upgrade fee for the privilege of renting Comcast's X1 platform.¹⁴ That is well in excess of the cost of an entire month of cable TV service.

Time Warner Cable does not charge an upgrade fee for its set top boxes, including the latest models.

Volume Discounts: A Built-In Deterrence to Future Cable TV Competition

Allowing Comcast to dominate America's cable television marketplace will deter future competitors from entering the market, particularly for television programming.

One of the arguments made by proponents of the merger is the possibility of decreased wholesale television programming costs won through volume discounts available to the largest nationwide providers. Unfortunately for consumers, Comcast has already declared customers will not benefit from those discounts in the form of lower cable bills.

A prospective new entrant considering providing cable television service will face competition with Comcast without any benefit of volume discounts on programming.¹⁵ That makes it unlikely a provider will offer a competing television package.

This is not a theoretical problem.

In Ohio, independent cable company MCTV discovered that while large cable operators like Comcast were benefiting from volume discounts, it faced contract renewal prices more than 40 times the rate of inflation.¹⁶ Cable ONE, owned by the Washington Post,

¹⁴<http://www.multichannel.com/news/content/comcast-details-x1-upgrade-fee/356207>

¹⁵<http://www.fiercecable.com/story/comcast-twc-deal-will-squeeze-programming-and-technology-vendors/2014-02-13>

¹⁶<http://stopthecap.com/2014/06/05/independent-cable-companies-unify-against-cable-tv-programmer-rate-increases/>

had to drop more than a dozen Viacom owned channels for good because it could not afford the asking price.¹⁷

MCTV president Bob Gessner reminds us of just how concentrated the entertainment business has become, noting that nine media companies (Comcast is one of them) now control 95% of all paid video content consumed in the United States.¹⁸

MCTV's survival plan includes membership in the 900-member National Cable Television Cooperative, the only way smaller providers can pool resources and win discounts of their own. It is no longer effective as mergers and acquisitions continue to consolidate the cable and telco-TV business. All 900 NCTC members serve a combined five million customers. Comcast has 21 million, DirecTV: 20 million, Dish Networks: 14 million, and Time Warner Cable: 11 million.¹⁹

AT&T confesses it cannot compete effectively with Comcast and other larger competitors for the same reason. AT&T's solution, like Comcast, is to buy a competitor, in this case DirecTV.²⁰

Frontier Communications faced a similar problem after adopting Verizon FiOS franchises in Indiana and the Pacific Northwest after purchasing Verizon landline networks in several states. When Frontier lost Verizon's volume discounts on programming, Frontier's solution was to begin a marketing campaign to convince its fiber customers to abandon the technology and switch to one of its satellite television partners.²¹

¹⁷<http://online.wsj.com/articles/viacom-60-cable-firms-part-ways-in-rural-u-s-1403048557>

¹⁸<http://stopthecap.com/2014/06/05/independent-cable-companies-unify-against-cable-tv-programmer-rate-increases/>

¹⁹<http://stopthecap.com/2014/06/05/independent-cable-companies-unify-against-cable-tv-programmer-rate-increases/>

²⁰<http://www.bloomberg.com/news/2014-05-02/dish-or-directv-need-deal-most-in-at-t-love-triangle-real-m-a.html>

²¹<http://stopthecap.com/2011/08/16/frontiers-fiber-mess-company-losing-fios-subscribers-landline-customers-but-adds-bonded-dsl/>

Comcast/Time Warner Cable's Claims They Don't Compete Debunked

Comcast has argued there should be no antitrust concerns over their merger with Time Warner Cable because the two companies do not directly compete with each other.

That is precisely the problem. Nothing has ever precluded Comcast from applying to provide service anywhere they would face direct competition with another cable operator, including Time Warner Cable, but that has never happened. If one accepts Comcast's logic, nothing should preclude it from acquiring every cable company in the United States because in almost no cases do cable operators compete head-to-head for customers.

Comcast must not be convinced of its own argument, because it has voluntarily agreed to limit its television market share to less than 30 percent by selling groups of Time Warner Cable customers to Charter Communications.²²

The lack of competition is profound here in New York, particularly upstate, and will only grow worse if this merger is permitted.

While sections of New York enjoy competition from Verizon FiOS fiber to the home service, enormous regions, including metropolitan Rochester and Binghamton have no prospect of widely available fiber broadband speeds consistently above 10Mbps because Frontier Communications almost entirely relies on DSL and its variants in Rochester and Verizon suspended its fiber expansion before even contemplating upgrading Binghamton.

The cities of Buffalo and Syracuse can only find FiOS in wealthy suburban areas, while inner-city residents are left either choosing Time Warner Cable or Verizon DSL, if offered.

It is also critical to note both cable operators fiercely compete with each other for sports programming rights and advertising dollars, both of which have major implications in large metropolitan markets like New York and Los Angeles. Both Comcast and Time

²²<http://time.com/79053/comcast-time-warner-cable-charter/>

Warner Cable have records of withholding sports programming from competitors or charging excessively for access.²³

Effectively Comparing Rates: Getting Comcast and Time Warner Cable's Rate Cards Isn't Easy

One of the most difficult questions you can ask a customer service representative of either Comcast or Time Warner Cable is what their regular price is for service. As a Buffalo News reporter discovered in August 2013, Time Warner Cable refused repeated attempts to ascertain the non-promotional price of its broadband service.²⁴

Making a direct comparison between the prices charged by Comcast and those of Time Warner Cable require unnecessary perseverance made even more difficult by the fact Comcast only serves a tiny portion of New York State.

Both companies offer promotional deals to new customers as well as those threatening to cancel service, but those prices fluctuate wildly and eventually expire.

Time Warner Cable has made it even more difficult this year by completely eliminating the most popular plans from its retail price list: bundled service packages known in the industry as “double-play” (two services) or “triple play” (three services).²⁵

A Time Warner Cable spokesman told the Los Angeles Times the company is required by regulators to provide pricing information for only some of its fees, and Internet rates are not one of them.²⁶ This year, Time Warner kept the size of its broadband rate hikes to itself. It is much the same for Comcast.

Both cable companies make a point of telling the news media that these prices, including installation, reflect the “rack rates” and that “most customers will pay less [...] after cutting a deal for their programming package.”

²³http://judiciary.house.gov/_cache/files/665684a1-49d4-4aca-9bc1-79ae9ad387b9/grunes-testimony.pdf

²⁴<http://www.buffalonews.com/city-region-whats-the-big-secret-about-pricing-20130805>

²⁵<http://www.timewarnercable.com/en/support/account-and-billing/topics/retail-rates.html>

²⁶<http://articles.latimes.com/2014/mar/17/business/la-fi-lazarus-20140318>

In 2011, Time Warner Cable raised some of its “rack rates” by up to 51.1 percent.²⁷

Comcast’s Reputation for Bad Customer Service is Legendary and Never-Ending

Comcast has repeatedly touted its rating from J.D. Power & Associates claiming the company has been cited for the most improvement of any cable operator scored by the survey firm. That isn’t saying very much when one takes a closer look.

In fact, since 2010 Comcast has achieved very little improvement in its abysmal score. J.D. Power & Associates reports that over the last four years, Comcast has only managed to boost its TV satisfaction score 92 points and Internet satisfaction 77 points... on a 1,000-point scale.²⁸

Comcast also continues to have below-average scores in all four regions for both television and broadband, with the exception of Internet service in the north-central region, where it faces competition from DSL offered by telephone company CenturyLink.

Other consumer satisfaction surveys are far less charitable to Comcast.

Consumer Reports ranked Comcast 15th out of 17 large cable companies and called their service and customer relations mediocre. In a survey conducted in April, the consumer group found 56% of the public opposed to the merger, 11% supported it, and 32% offered no opinion. The survey found 74% believing the merger will result in higher prices and fewer choices for consumers.²⁹

“A merger combining these two huge companies would give Comcast even greater control over the cable and broadband Internet markets, leading to higher prices, fewer choices, and worse customer service for consumers,” Delara Derakhshani, policy counsel in Consumers Union’s D.C. office, said in a statement.³⁰

²⁷<http://articles.latimes.com/2011/dec/27/business/la-fi-lazarus-20111227>

²⁸<http://variety.com/2014/biz/news/comcast-time-warner-cable-remain-among-most-hated-tv-providers-survey-1201145921/>

²⁹<http://variety.com/2014/biz/news/comcast-time-warner-cable-merger-poll-shows-majority-oppose-1201224277/>

³⁰<http://cuactionfund.org/get-the-facts>

Nearly every year, Comcast CEO Brian Roberts acknowledges the problems with customer service and promises improvements.³¹ But according to the American Consumer Satisfaction Index, those improvements never arrive.

In 2004, ACSI noted it added cable television to its index in 2000, and since that time, “customer satisfaction has gone from bad to worse, and there is no improvement in sight.”³²

Among cable providers, Time Warner has the highest score of 60. Both Comcast and Charter Communications register at 56. For the private as well as public sector, including the IRS, this is the lowest level of customer satisfaction of any organization in ACSI. Consumer complaints are also much more common relative to any other measured industry. Almost half of all cable customers have registered complaints about one thing or another.

When buyers have meaningful choice alternatives, this level of customer (dis)satisfaction is neither competitive nor sustainable. Cable is the only industry to score below 60 in ACSI. With the satellite companies removed, the weighted average for the cable industry is 59.

Under normal competitive conditions, there would be mass customer defections. The reason this is not the case for the cable industry is due to local monopoly power, which means that in most markets, the dissatisfied customer has nowhere to go.

In 2007, ACSI foreshadowed what a merger between two giant cable companies would likely mean for customers as the two companies eventually attempted to integrate their disparate computer systems and management:³³

³¹<http://www.dslreports.com/shownews/Comcast-CEO-Makes-His-Yearly-Promise-to-Improve-Customer-Service-128206>

³²<http://www.theacsi.org/component/content/article/30-commentary-category/86-acsi-quarterly-commentaries-q1-2004>

³³<http://www.theacsi.org/component/content/article/30-commentary-category/169-acsi-quarterly-commentaries-q1-2007>

After a minor gain in 2006, the first ever for the industry, satisfaction among subscribers to cable and satellite TV service drops 2% to 62, the lowest level of customer satisfaction among all industries covered by ACSI. None of the providers has improved on customer satisfaction this year. Comcast (down 7% to 56), DirecTV (down 6% to 67) and Time Warner Cable (down 5% to 58) tumble. High system loads causing problems with reliability and pricing were major culprits. Both Comcast and Time Warner have acquired many new subscribers in their deal to divide up troubled cable provider Adelphia Communications - integrating these acquisitions often leads to short-term problems with customer satisfaction.

In 2008, things deteriorated further for Comcast customers, according to this ACSI assessment:³⁴

Comcast is down 4% to 54, an all-time low for the largest cable provider in the country. Rapid growth may have contributed to difficulties in operations as Comcast continues to add cable subscribers, often through acquisitions of companies in smaller markets.

[...] As is often the case, small is often better in terms of being able to provide good customer service. Cablevision, for example, with some 3 million subscribers, is barely 1/8th the size of Comcast. These companies don't generally seek to expand quickly beyond their geographic footprints and are often targets of acquisition by larger firms, companies that may be able to withstand depressed customer satisfaction in the short term as operations of the smaller providers are integrated.

This year, both Comcast and Time Warner Cable fell even further according to ACSI:³⁵

³⁴<http://www.theacsi.org/component/content/article/30-commentary-category/179-acsi-quarterly-commentaries-q1-2008>

³⁵<http://www.theacsi.org/news-and-resources/press-releases/press-2014/press-release-telecommunications-and-information-2014>

Cable giants Comcast and Time Warner Cable have the most dissatisfied customers. Comcast falls 5% to 60, while Time Warner registers the biggest loss and plunges 7% to 56, its lowest score to date.

“Comcast and Time Warner assert their proposed merger will not reduce competition because there is little overlap in their service territories,” says David VanAmburg, ACSI Director. “Still, it’s a concern whenever two poor-performing service providers combine operations. ACSI data consistently show that mergers in service industries usually result in lower customer satisfaction, at least in the short term. It’s hard to see how combining two negatives will be a positive for consumers.”

ACSI also scored Internet Service Providers this year and found even worse news:³⁶

High prices, slow data transmission and unreliable service drag satisfaction to record lows, as customers have few alternatives beyond the largest Internet service providers. Customer satisfaction with ISPs drops 3.1% to 63, the lowest score in the Index.

[...] Cable-company-controlled ISPs languish at the bottom of the rankings again. Cox Communications is the best of these and stays above the industry average despite a 6% fall to 64. Customers rate Comcast (-8% to 57) and Time Warner Cable (-14% to 54) even lower for Internet service than for their TV service. In both industries, the two providers have the weakest customer satisfaction.

In the past several weeks, further evidence has arrived demonstrating that Comcast’s promises to regulators about improved customer service just don’t represent reality:

1. A Chicago resident was left on hold for three hours trying to cancel his Comcast service, only to eventually discover the customer center he called closed for the day.³⁷

³⁶<http://www.theacsi.org/news-and-resources/press-releases/press-2014/press-release-telecommunications-and-information-2014>

2. Another Comcast customer was told any service call for any reason incurs a \$50 service charge, despite a commitment to the contrary recorded by the customer.³⁸
3. A California customer spent more than 20 minutes trying to cancel Comcast service only to be interrogated by a customer retention specialist who refused to cancel service without a detailed explanation.³⁹

All of these recent incidents were recorded by the customers involved and provide examples of how Comcast still treats its customers to this day.

Comcast claims the transaction will allow the two companies to invest in their networks, improve customer service, and enhance the products available to Time Warner Cable customers.

In reality, Comcast's largest investment will be in a \$17 billion share buyback to benefit stockholders.⁴⁰ Time Warner Cable's current CEO has secured a golden parachute package of \$78 million dollars after spending just two months on the job as CEO of Time Warner Cable.⁴¹

With that kind of money on the table, it is no surprise Comcast has invested in 76 lobbyists from 24 different lobbying firms and is spending millions trying to convince regulators that this transaction is a good deal for customers of both companies. The tens of thousands of combined comments filed with the FCC and state regulators overwhelmingly in strong opposition to this merger, disagree. Their voices should speak louder than any interest group.

³⁷ <http://arstechnica.com/business/2014/08/heres-another-comcast-cancellation-horror-story-with-video-evidence/>

³⁸ <http://arstechnica.com/business/2014/08/comcast-conveniently-forgets-no-fees-promise-until-confronted-by-recording/>

³⁹ <http://arstechnica.com/business/2014/07/call-to-cancel-comcast-service-descends-into-desperate-hysterical-fireworks/>

⁴⁰ http://www.cleveland.com/business/index.ssf/2014/02/comcast_agrees_to_purchase_of.html

⁴¹ <http://www.usatoday.com/story/money/business/2014/03/20/four-months-as-time-warner-cables-ceo--80-million/6658083/>

Time Warner Cable Customers' Broadband Future Is In Better Hands With Time Warner Cable

Usage Caps Cap Broadband Innovation, Harm the Digital Economy

Broadband will be critically impacted by any merger of Comcast and Time Warner Cable. The two companies could not be more different in their philosophies regarding access, pricing, and speeds.

This merger will have an especially profound impact on broadband service in the northeastern and mid-Atlantic cities largely left out from getting Verizon's fiber upgrades. Many former rust belt cities critically need modern, fast, and affordable Internet access to succeed in their transformation to an information economy.

Verizon has not only ceased expansion of its FiOS fiber to the home network, it has virtually capitulated competing for cable customers in non-FiOS areas by agreeing to sell Time Warner Cable service in its wireless stores.⁴² In cities like Rochester, served by Frontier Communications' DSL, Time Warner Cable is the only provider in town that can consistently deliver broadband speeds in excess of 10Mbps.

Time Warner Cable has never been the fastest Internet provider and has a history of being slower than others to roll out speed increases. But it is also the only cable provider in the country that experimented with usage caps and consumption billing and shelved both after subscribers bitterly complained in market tests in cities including Rochester.⁴³

Then CEO Glenn Britt announced the end of the usage cap trial just two weeks after it became public.⁴⁴ Britt would later emphasize that he now believed there should always be an unlimited use plan available for Time Warner Cable customers who do not want their Internet use metered.⁴⁵ In study after study, the overwhelming majority of customers have shown intense dislike of limitations on their Internet usage, whether

⁴²<http://www.verizonwireless.com/wcms/consumer/home-services/tv-internet-homephone/twc.html>

⁴³<http://www.reuters.com/article/2009/04/16/us-timewarnercable-idUSTRE53F6EQ20090416>

⁴⁴<http://stopthecap.com/2009/04/16/we-won-time-warner-killing-usage-caps-in-all-markets/>

⁴⁵<http://www.twcableuntangled.com/2012/02/launching-an-optional-usage-based-pricing-plan-in-southern-texas-2/>

from strict usage caps Comcast maintained for several years or usage allowances that, when exceeded, would result in overlimit fees.⁴⁶ Just this month, the Government Accounting Office confirmed these findings in a new study that reported near-universal revulsion for usage caps on home wired broadband service:⁴⁷

In only two groups did any participants report experience with wireline UBP [usage-based pricing].

However, in all eight groups, participants expressed strong negative reactions to UBP, including concerns about:

- The importance of the Internet in their lives and the potential effects of data allowances.
- Having to worry about data usage at home, where they are used to having unlimited access.
- Concerns that ISPs would use UBP as a way of increasing the amount they charge for Internet service.

Time Warner Cable has learned an important lesson regarding consumer perception of usage-based billing and usage caps on Internet service. In 2012, the company introduced optional usage caps for customers interested in a discount on their broadband service. Out of 11 million Time Warner Cable broadband customers, only a few thousand have been convinced to enroll in such programs.⁴⁸

Despite those results, Comcast has not learned that lesson and has twice imposed unilateral, compulsory usage limits on their broadband customers, starting with a nationwide hard usage cap of 250GB per month introduced in 2008. Repeat violators

⁴⁶<http://www.dailytech.com/Microsoft+Study+Bandwidth+Caps+Change+Internet+Users+Behavior/article24639.htm>

⁴⁷<http://eshoo.house.gov/uploads/7.29.14%20Preliminary%20GAO%20Report%20Findings%20from%20Data%20Cap%20Study.pdf>

⁴⁸<http://stopthecap.com/2014/03/13/time-warner-cable-admits-usage-based-pricing-is-a-big-failure-only-thousands-enrolled/>

risked having their broadband service terminated by Comcast.⁴⁹ Today, for some that would be comparable to losing electricity or telephone service. The threat has profound implications in areas where Comcast is the only broadband provider.

Comcast temporarily rescinded its cap in May 2012, but has gradually reintroduced various forms of usage-related billing and caps with market trials in several Comcast service areas⁵⁰:

Nashville, Tennessee: 300 GB per month with \$10/50GB overlimit fee;

Tucson, Arizona: Economy Plus through Performance XFINITY Internet tiers: 300 GB. Blast! Internet tier: 350 GB; Extreme 50 customers: 450 GB; Extreme 105: 600 GB. \$10 per 50GB overlimit fee;

Huntsville and Mobile, Alabama; Atlanta, Augusta and Savannah, Georgia; Central Kentucky; Maine; Jackson, Mississippi; Knoxville and Memphis, Tennessee and Charleston, South Carolina: 300 GB per month with \$10/50GB; XFINITY Internet Economy Plus customers can choose to enroll in the Flexible-Data Option to receive a \$5.00 credit on their monthly bill and reduce their data usage plan from 300 GB to 5 GB. If customers choose this option and use more than 5 GB of data in any given month, they will not receive the \$5.00 credit and will be charged an additional \$1.00 for each gigabyte of data used over the 5 GB included in the Flexible-Data Option;

Fresno, California, Economy Plus customers also have the option of enrolling in the Flexible-Data Option.

Comcast customers in these areas do not have the option of keeping their unlimited-use broadband accounts. Despite the fact Comcast executive vice president David Cohen

⁴⁹<http://arstechnica.com/uncategorized/2008/08/its-official-comcast-starts-250gb-bandwidth-caps-october-1/>

⁵⁰ <http://customer.comcast.com/help-and-support/internet/data-usage-trials-what-are-the-different-plans-launching>

refers to these as “data thresholds,” they are in fact de facto limits that carry penalty fees when exceeded.⁵¹

Cohen predicts these usage limits will be imposed on all Comcast customers nationwide within the next five years.⁵² Time Warner Cable has never imposed compulsory limits on its broadband customers. Verizon has never attempted to place limits on its home broadband customers. Frontier shelved a usage limit plan of 5GB per month attempted in 2008 and currently provides unlimited service. The Commission should investigate why America’s richest and most powerful cable operator needs usage limits on broadband service while smaller providers do not.

Comcast CEO Brian Roberts sat for an interview with CNBC in June in which he implied usage growth was impinging on the viability of its broadband business, justifying usage caps. At the end of the interview, Time Warner Cable ran advertising emphasizing it has no usage caps.⁵³ Both companies have highly profitable broadband services, as do other providers across the country.⁵⁴

While a Comcast representative offered (without any independent verification) that the average Comcast broadband user consumes fewer than 20GB of data per month, Sandvine released evidence in its *Global Internet Phenomena Report 1H2014* study that cord-cutters in the U.S. – at least those whose usage indicates the use of streaming as a primary form of entertainment – now consume about 212GB of data per month (with 153GB of that going toward “real-time entertainment usage”).⁵⁵

That would put many customers perilously close to Comcast’s current market tested usage allowance.

⁵¹ <http://customer.comcast.com/help-and-support/internet/data-usage-trials-what-are-the-different-plans-launching>

⁵² <http://techcrunch.com/2014/05/14/comcast-wants-to-put-data-caps-on-all-customers-within-5-years/>

⁵³ <http://stopthecap.com/wp-content/uploads/2014/04/nocaps.png>

⁵⁴ <http://gigaom.com/2014/02/12/comcast-and-time-warner-cable-forget-tv-it-is-all-about-broadband/>

⁵⁵ <http://www.multichannel.com/news/technology/cord-cutters-gobble-down-bits-sandvine-study/374551#sthash.JYFP7o69.dpuf>

Approving the transfer of franchises from Time Warner Cable to Comcast has the potential of saddling customers with usage caps and/or consumption billing with little or no savings or benefit to the consumer. But such usage policies would introduce a major deterrent for potential online video competition to help curtail cable television pricing.

Time Warner Cable Maxx Provides Superior Broadband Speeds at a Lower Price than Comcast Charges

Despite claims from Comcast that it will improve broadband speeds for Time Warner Cable customers, Time Warner has managed to do that without any help from Comcast. Through its TWC Maxx upgrade program, Time Warner now delivers faster broadband speeds than most Comcast customers receive, at a lower price, and without the threat of usage caps.⁵⁶

Residents in parts of New York City are already getting more than triple the broadband speeds they used to receive without any additional charges. A customer in Queens that used to pay \$57.99 a month for 15Mbps broadband service now receives 50Mbps from Time Warner. In contrast, Comcast's Performance plan delivers half that speed and costs \$66.95 a month.⁵⁷

Time Warner's 300Mbps service now costs \$107.99. For \$114.95, Comcast customers only get 150Mbps.

The public interest is not served replacing Time Warner Cable's broadband with Comcast's Internet which charges higher prices and delivers less speed and brings the extremely high likelihood of usage limits on broadband service in the near future.

⁵⁶<http://ir.timewarnercable.com/investor-relations/investor-news/financial-release-details/2014/Time-Warner-Cable-to-Transform-TV-and-Internet-Experience-in-New-York-City-and-Los-Angeles/default.aspx>

⁵⁷All Comcast and Time Warner Cable broadband prices reflect regular retail rates (not promo rates) obtained from: <http://www.comcast.com/internet-service.html> (Comcast) and <http://www.timewarnercable.com/en/support/account-and-billing/topics/retail-rates.html> (Time Warner Cable).

Time Warner Cable has already announced eight new cities targeted for Maxx upgrades with plans to accelerate upgrades across their service areas over the next two years.⁵⁸ It appears to be well worth the wait.

After selecting a broadband plan, customers of both Comcast and Time Warner Cable are confronted with modem rental fees. The vast majority of customers of both companies still pay to rent their cable broadband modem.⁵⁹ They pay less renting it from Time Warner Cable at \$5.99 a month.⁶⁰ Comcast customers pay one of the highest equipment lease rates in the country - \$8 a month.⁶¹

The Internet is Essential, But Comcast's Internet Essentials is Essentially Off-Limits to Most Customers

The Commission has heard repeatedly from those concerned about Internet access for the poor and disadvantaged. Comcast and its supporters have frequently pointed to Internet Essentials as an example of the kind of altruism Comcast is allegedly known for in its vast service areas.

Unfortunately, the truth is very different. Internet Essentials is both a political tool for Comcast's image-building effort and a discount program that carefully avoids cannibalizing the revenue the company already receives from hard-working, income-challenged broadband subscribers – many who might otherwise have qualified for the program had they know about it and made it through the onerous application process without being disqualified.

The Washington Post reported a remarkable admission from Comcast senior vice president David Cohen, who admitted he stalled the introduction of the program to use it as an incentive to win approval of its merger with NBCUniversal:⁶²

⁵⁸<http://www.twcableuntangled.com/2014/07/taking-eight-more-markets-to-the-twc-maxx/>

⁵⁹<http://stopthecap.com/2013/07/29/time-warner-cable-raising-modem-rental-fee-again-5-99month-starting-next-month/>

⁶⁰<http://gizmodo.com/time-warner-cable-is-once-again-increasing-its-modem-re-964861165>

⁶¹<http://www.dslreports.com/shownews/Comcast-Bumping-Modem-Rental-Fee-to-8-126117>

⁶²http://www.washingtonpost.com/business/technology/david-cohen-chief-dealmaker-in-washington-is-comcasts-secret-weapon/2012/10/29/151e055e-080a-11e2-858a-5311df86ab04_story.html

In fall 2009, Comcast planned to launch an Internet service for the poor that was sure to impress federal regulators. But David Cohen, the company's chief of lobbying, told the staff to wait.

At the time, Comcast was planning a controversial \$30 billion bid to take over NBC Universal, and Cohen needed a bargaining chip for government negotiations.

"I held back because I knew it may be the type of voluntary commitment that would be attractive to the chairman" of the Federal Communications Commission, Cohen said in a recent interview.

John Randall, program manager at the Roosevelt Institute/Telecommunications Equity Project, after studying the terms and conditions and pre-qualifications necessary to sign up for Internet Essentials declared it was more a public (and government) relations exercise than a charitable endeavor.⁶³ Comcast's terms protect its revenue base by disqualifying current customers (who presumably pay the regular price for Internet service), establishing a lengthy 90 day waiting period without cable or Internet service before current customers can sign up for the discount program, not allowing participation unless you have school age children qualifying for the National School Lunch Program, and not have an overdue bill or unreturned equipment.⁶⁴

Perhaps that explains why, in 2013, only 150,000 out of 2.6 million households eligible for Internet Essentials were able to sign up. In Comcast's home city of Philadelphia, only 3,250 families were signed up as of last summer.⁶⁵

Comcast continues its revenue protection efforts to this day, even after announcing a recent "Amnesty" program for customers rejected from getting Internet Essentials because of a past due balance.

⁶³<http://stopthecap.com/2013/07/10/comcasts-internet-essentials-facade-padding-the-bottom-line-without-cannibalizing-your-base/>

⁶⁴http://www.salon.com/2013/07/10/comcasts_new_partner/

⁶⁵<http://stopthecap.com/2013/07/10/comcasts-internet-essentials-facade-padding-the-bottom-line-without-cannibalizing-your-base/>

Just in time for regulators taking a hard look at Internet Essentials, Comcast has announced a 1.5 month special offer that includes “up to” six months of complimentary Internet Essentials service, but only to those who have never applied for the program before. Rejected applicants and current participants don’t qualify. Comcast does not specify whether customers will get an entire six months or a shorter term that seems to be indicated by the language Comcast uses.⁶⁶

Comcast’s new “Amnesty Program,” for Internet Essentials is also replete with pre-conditions and fine print.⁶⁷

Customers with a past due balance more than one year old will, “as long as they meet all the other eligibility criteria, provide amnesty for that back due bill for the purpose of connecting to Internet Essentials.”

It is unclear whether “amnesty” means Comcast will cancel collection efforts on the back balance or simply ignore it as grounds to reject an Internet Essentials application. Customers with a past due balance less than one year old don’t get much “amnesty” at all. Comcast wants them to pay up before they can sign up for Internet Essentials, but might accept an installment plan in certain circumstances.

Time Warner Cable, by accident, has managed to create a superior alternative to Internet Essentials that is open to everyone without pre-conditions or limits, although it costs \$5 a month more than Comcast’s program.

Time Warner’s Everyday Low Price Internet (\$14.99/month) was originally designed as a marketing campaign targeting price-sensitive DSL customers. But Time Warner Cable also recognized the 2/1Mbps Internet service would appeal to the income-challenged.⁶⁸

Time Warner’s program is vastly superior to Comcast’s Internet Essentials because every customer automatically qualifies for the service if they choose to enroll. There are no forms to fill out, income qualifications, account audits, waiting periods, or limits on

⁶⁶<http://corporate.comcast.com/comcast-voices/comcast-to-offer-six-months-of-free-internet-essentials-service-and-announces-debt-forgiveness-plan>

⁶⁷<http://corporate.comcast.com/comcast-voices/comcast-to-offer-six-months-of-free-internet-essentials-service-and-announces-debt-forgiveness-plan>

⁶⁸<http://www.twcableuntangled.com/2013/11/introducing-everyday-low-price-internet/>

how long you can keep the discounted service. Time Warner Cable seems unconcerned about whether this discounted Internet will cannibalize revenue from higher-priced plans and has launched aggressive marketing campaigns across its service areas.⁶⁹

Comcast's Evolving Position on Net Neutrality: It Was Against It Before It Claimed to Be For it

Should this merger be approved, Comcast will control 40-50 percent of all broadband access nationwide.⁷⁰ That offers Comcast market power that can be used to discriminate against others.

Comcast's recent past contains several disturbing incidents that came as a result of its market power and its vast resources to influence telecommunications public policy debates:

- In 2008, Comcast admitted to paying homeless people in Boston to pack an FCC meeting on Net Neutrality, keeping company critics out of the room.⁷¹
- The company that now promises to abide voluntarily to Net Neutrality regulations is also one of the few found culpable for violating the principle. In mid-2008, the FCC ruled that Comcast's policy of interfering with peer-to-peer file traffic was a violation of Net Neutrality rules. When customers found out, the company voluntarily ended the speed throttling, imposing usage caps instead.⁷²
- This summer, Comcast reportedly stepped in and ordered the removal of news content critical of its Net Neutrality policies from a publication in which it has an ownership interest.⁷³

⁶⁹<http://www.twcableuntangled.com/2013/11/introducing-everyday-low-price-internet/>

⁷⁰<http://broadcastingcable.com/news/washington/judiciary-raises-programming-broadband-control-issues-comcasttwc/130396>

⁷¹http://www.mediabistro.com/fishbowlny/homeless-comcast-will-pay-to-attend-fcc-hearings_b7915

⁷²<http://www.dailydot.com/politics/net-neutrality-violations-history/>

⁷³<http://www.republicreport.org/2014/comcast-affiliated-newsite-censored-my-article-about-net-neutrality-lobbying/>

- In May 2011, a Comcast manager threatened to pull funding from a Seattle-based media advocacy group that criticized the company for hiring a former Republican FCC official, Meredith Attwell Baker, just after she supported the NBC Universal deal.⁷⁴
- Comcast has aggressively pursued agreements with over-the-top (online video) competitors that effectively force them to sign special connection agreements that mitigate the deteriorating quality of streamed video Comcast customers receive from services like Netflix.⁷⁵ Comcast's size gives it de facto control over its customers' online experiences.

While we note Comcast has agreed to temporarily abide by Net Neutrality principles, the Commission should know Comcast has a long record lobbying against Net Neutrality on philosophical grounds.⁷⁶

Comcast agreed to abide by Net Neutrality principles as a condition to win approval of its acquisition of NBCUniversal, approved by the FCC in 2011. But as Brian Fung from the Washington Post noted, its agreement with the government will expire just four years from now⁷⁷:

But what Comcast doesn't say is that its commitment to "full" net neutrality expires in 2018. After that, it will no longer be legally bound to follow the 2010 rules, and it'll be free to abandon that commitment literally overnight.

Just one year earlier, Comcast was before the United States Court of Appeals – D.C. Circuit suing the FCC over its authority to enforce Net Neutrality policies. Comcast won its case.⁷⁸

⁷⁴http://www.washingtonpost.com/blogs/post-tech/post/comcast-yanks-funds-for-nonprofit-after-tweet-about-fcc-bakers-jump/2011/05/19/AF7aGG7G_blog.html

⁷⁵<http://online.wsj.com/news/articles/SB10001424052702304899704579391223249896550>

⁷⁶<http://online.wsj.com/news/articles/SB125354032776727741>

⁷⁷<https://www.techdirt.com/articles/20140724/13525627992/comcast-ramps-up-ad-campaign-claiming-to-support-net-neutrality-even-as-it-really-supports-killing-it.shtml>

⁷⁸[http://www.cadc.uscourts.gov/internet/opinions.nsf/EA10373FA9C20DEA85257807005BD63F/\\$file/08-1291-1238302.pdf](http://www.cadc.uscourts.gov/internet/opinions.nsf/EA10373FA9C20DEA85257807005BD63F/$file/08-1291-1238302.pdf)

If Comcast now feels favorable towards Net Neutrality, it should voluntarily agree to abide by its guiding principles in perpetuity.

1. Media Concentration – Comcast’s Long List of Owned & Operated Networks Will Grow Even Longer With Time Warner Cable

The recent revelation that a Comcast-controlled enterprise deliberately and consciously removed news content critical of Comcast and its public policy lobbying practices speaks to the impact media concentration has on news dissemination.

It also exposes the close relationship Comcast maintains with non-profit groups it financially supports, encouraging the kinds of positive letters about its operations the FCC can now find on file in this case.⁷⁹

The group involved in the current controversy reportedly received \$350,000 from Comcast and promptly began a vocal opposition campaign against Net Neutrality, an open Internet policy Comcast still opposes being enacted as official FCC policy.⁸⁰

Professor Todd Gitlin of Columbia University called Comcast’s close relationship with the Minority Media and Telecommunications Council (MMTC) the “closest thing I can imagine to a political quid pro quo. The fact NewsOne saw fit to delete a report that they previously posted without any claim that anything was mistaken in the report tells you something about their commitment to open discourse.”

Jeff Cohen, an associate professor of journalism at Ithaca College, also commented on the NewsOne decision. “Just as corporate cash can corrupt civil rights groups, this incident shows how corporate power can corrupt and censor the news.”⁸¹

⁷⁹<http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=14-m-0183>

⁸⁰<http://www.publicintegrity.org/2013/06/06/12769/civil-rights-groups-fcc-positions-reflect-industry-funding-critics-say>

⁸¹<http://www.republicreport.org/2014/comcast-affiliated-newsite-censored-my-article-about-net-neutrality-lobbying/>

Time Warner Cable operates local news channels in most of the major cities it serves. These channels will also come under the umbrella of Comcast, giving it an even greater news voice through its NBC and Telemundo networks, MSNBC, local cable news operations, and owned and operated local broadcast affiliate stations in many major cities.

In closing, as a reminder to the Commission, Comcast's list of broadcast, cable and digital media assets is already enormous and will grow even larger if a merger with Time Warner Cable is approved.⁸²

Comcast-NBCUniversal

Broadcast Television

NBC Television Network
NBC Entertainment
NBC News
NBC Sport Group
Universal Television (UTV)
Universal Cable Productions
NBCUniversal Domestic Television Distribution
NBCUniversal International Television Distribution

NBC Local Media Division

NBC New York (WNBC)
NBC Los Angeles (KNBC)
NBC Chicago (WMAQ)
NBC Philadelphia (WCAU)
NBC Bay Area (KNTV)
NBC Dallas/Fort Worth (KXAS)
NBC Washington (WRC)
NBC Miami (WTVJ)
NBC San Diego (KNSD)
NBC Connecticut (WVIT)
NBC Everywhere
LX TV
Skycastle Entertainment

Telemundo

KVEA (Los Angeles)
WNJU (New York)

⁸²<http://www.cjr.org/resources/index.php>

WSCV (Miami)
KTMD (Houston)
WSNS (Chicago)
KXTX (Dallas/Fort Worth)
KVDA (San Antonio)
KSTS (San Francisco/San Jose)
KTAZ (Phoenix)
KNSO (Fresno)
KDEN (Denver)
KBLR (Las Vegas)
WNEU (Boston/Merrimack)
KHRR (Tucson)
WKAQ (Puerto Rico)
KWHY (Los Angeles) (Independent)

Television Channels

Bravo
Chiller
CNBC
CNBC World
Comcast Charter Sports Southeast
Comcast Sports Group
Comcast SportsNet Bay Area
Comcast SportsNet California
Comcast SportsNet Chicago
Comcast SportsNet Houston
Comcast SportsNet Mid-Atlantic
Comcast SportsNet New England
Comcast SportsNet Northwest
Comcast SportsNet Philadelphia
SNY
The Mtn.-Mountain West Sports Network
CSS
Comcast Sports Southwest
New England Cable News (Manages)
NBC Sports Network
The Comcast Network
E! Entertainment Television
G4
Golf Channel
MSNBC
mun2
Oxygen Media

Cloo
Sprout
The Style Network
Syfy
Universal HD
USA Network
The Weather Channel Companies
Syfy Universal (Universal Networks International)
Diva Universal (Universal Networks International)
Studio Universal (Universal Networks International)
Universal Channel (Universal Networks International)
13th Street Universal (Universal Networks International)
Movies 24 (Universal Networks International)
Hallmark Channel (non-U.S.) (Universal Networks International)
KidsCo (Interest) (Universal Networks International)

Film

Universal Pictures
Focus Features
Universal Studios Home Entertainment

Parks and Resorts

Universal Parks and Resorts

Digital Media

DailyCandy
Fandango
Hulu (32%)
iVillage
NBC.com
CNBC Digital
Plaxo

Communications

XFINITY TV
XFINITY Internet
XFINITY Voice

Sports Management

Comcast-Spectator
Philadelphia Flyers
Wells Fargo Center
Global Spectrum (Public Assembly Management)
Ovations Food Services
Front Row Marketing Services

Paciolan
New Era Tickets (ComcastTIX)
Flyers Skate Zone

Other

Comcast Ventures, which is invested in numerous companies.

Time Warner Cable Assets

Local channels

Time Warner Cable News⁸³

NY1: Manhattan, Bronx, Brooklyn, Queens, Staten Island
NY1 Noticias: Spanish language news for New York City
NY State of Politics Blog
TWC News Capital Region (Albany, Amsterdam, Saratoga and Berkshire counties)
TWC News Central NY (Syracuse, Ithaca/Cortland, Utica/Rome)
TWC News Hudson Valley
TWC News Northern NY (Watertown/Ft. Drum)
TWC News Southern Tier (Elmira/Corning, Binghamton/Oneonta)
TWC News Western NY (Buffalo, Finger Lakes Region, Jamestown, Rochester, and Batavia)

Regional Sports Networks

Metro Sports
Time Warner Cable Sports
Time Warner Cable SportsNet
Time Warner Cable Deportes
TWC Sports 32
SNY

Other Holdings

Adelphia — former cable television company in PA
NaviSite — cloud and hosting services company
Insight Communications — cable operator
DukeNet Communications — Fiber optic network
Time Warner Cable Internet
Time Warner Cable Media (advertising)

⁸³<http://twcnews.com/>