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Press Release

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NEW PHOENIX CENTER ECONOMIC ANALYSIS DISPROVES THEORIES ABOUT INCENTIVES AND REMEDIES FOR VERTICAL MERGERS INVOLVING CONTENT AND NETWORKS

New economic analysis finds no price effect on programming costs after Comcast-NBCU merger

WASHINGTON, D.C. — In 2009, the proposed merger of Comcast and NBCUniversal was hotly contested by "consumer" advocacy groups and Comcast's competitors on the grounds that Comcast would use its control of cable networks and broadcast stations as a weapon against its rivals. While the merger was eventually approved, the Federal Communications Commission imposed a number of behavioral conditions on the merger, including requiring Comcast to make available its programming to rivals at prices which were "the economic equivalent of the price, terms and conditions that a Similarly Situated [Multichannel Video Programing Distributor] would pay…" and in the event of a dispute, the FCC would apply "baseball-style arbitration" to establish a price.

It is déjà vu all over again. Concerns about anticompetitive actions by vertically-integrated MVPDs have arisen in the context of the proposed merger between AT&T and Time Warner. Unlike the Comcast-NBCU merger, however, the Department of Justice now believes behavioral remedies are ineffective and sued to block the merger.

In a new POLICY BULLETIN released today entitled ***A Retrospective Analysis of Vertical Mergers in Multichannel Video Programming Distribution Markets: The Comcast-NBCU Merger***, Phoenix Center Chief Economist Dr. George S. Ford presents a retrospective analysis of the price effects of the Comcast-NBCU merger. In particular, Dr. Ford conducts an econometric analysis of data on the prices paid for programming by multichannel video programing distributors ("MVPDs") before and after the transaction and finds no evidence that Comcast's programming prices rose after the merger. The analysis covers general interest programming, news channels, and national and regional sports networks. Given these results, Dr. Ford concludes that there is either a lack of a net positive effect on incentives to raise programming prices above competitive levels following the vertical merger or that the behavioral remedies placed on the Comcast-NBCU merger were effective.

"The evidence is strong—there was no price effect on programming prices resulting from the Comcast-NBCU merger," says Dr. Ford. "When behavioral remedies are available, excessive concern about the prices of programming following a vertical merger in the MVPD market appear unwarranted."

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A full copy of PHOENIX CENTER POLICY BULLETIN NO. 43, *A Retrospective Analysis of Vertical Mergers in Multichannel Video Programming Distribution Markets: The Comcast-NBCU Merger*, may be downloaded free from the Phoenix Center's web page at: http://www.phoenix-center.org/PolicyBulletin/PCPB43Final.pdf.

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