Competitive Effects of the Proposed Comcast Time Warner Cable Merger

Abstract

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In February 2014 Comcast announced its intention to purchase Time Warner Cable (TWC). Comcast was the largest pay TV distributor and Internet service provider in the United States. TWC was the fourth-largest pay-TV provider and second largest Internet service provider in the United States. After a regulatory review at the U.S. Department of Justice (DOJ) and U.S. Federal Communications Commission (FCC) lasting 14 months, Comcast ultimately withdrew its merger proposal in April 2015 after regulators expressed various concerns with the proposed transaction. One of the main arguments in favor the transaction presented by the applicants was that the two companies essentially served completely separate geographic areas and that the transaction would therefore not directly diminish competition in any retail pay-TV or Internet service market. While regulators acknowledged this point, they nonetheless identified various potential competitive harms related to input markets and other adjacent markets that were still of concern to them. Thus the main issues debated and considered in the analysis of this transaction were not the standard "loss of horizontal competition in downstream retail markets" arguments, but were more novel. This paper summarizes and provides an economic analysis of the main theories of benefit and harm advanced by applicants and other interested parties and considered by regulators.