Economic Policy Institute

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PROPOSED MERGER RAISES CONCERNS

The proposed merger between AT&T and Comcast could dampen competition within the telecommunications industry, according to a new report released today by the Economic Policy Institute. In "Narrowing the Broadband: The anti-competitive consequences of the proposed AT&T-Comcast merger," author William Shepherd calculates that the merged company could control half or more of the market for combined high-speed Internet and cable TV.

Specifically, the report estimates that the merged company would control 47 to 65 percent of the market for broadband bundled with cable TV services. According to the study, this level of market concentration could slow technical innovations, raise consumer prices and result in less varied programming.

The Federal Communications Commission (FCC) and the Antitrust Division of the U.S. Department of Justice, which must approve the merger for it to take effect, generally consider market shares above 30 percent to be significant.

"This merger is ill-advised," Shepherd says. "It would be far better for the industry and consumers if the two companies were to continue to evolve as strong, competitive rivals."

Shepherd also finds troubling the vertical integration that would be created by the merger. The combined company would control distribution of both video programming and high-speed Internet communications via broadband. Such vertical integration not only affects pricing, but can leverage subtle editorial control over the information and entertainment programming it distributes.

Shepherd's report outlines these consequences of the proposed AT&T-Comcast merger:

- Reduced competition in both the cable TV market and the broadband market. Subsequent mergers, which are already the subject of speculation in the press, would aggravate this loss of competition;
- The lack of competition would raise barriers to entry, discouraging competitors attempting to get into the market;
- Market dominance would increase the ability of the merged company to exert editorial control over the providers of video-programming content carried on cable TV systems, limiting consumer choice and reducing the ability of creators to finance a full range of content.

William G. Shepherd has been a professor of economics at the University of Massachusetts at Amherst since 1986 and has published 15 books and over 90 research papers on competitive and monopoly issues.

The **Economic Policy Institute** is a non-profit, non-partisan economic think tank founded in 1986. The Institute is located on the web at http://www.epinet.org