Before the FEDERAL COMMUNICATION COMMISSION Washington, D.C. 20554

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In the Matter of:	Ś
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Applications for Consent to the	í
Transfer of Control of Licenses	,
Transfer of Control of Elections) MB Docket No. 10-56
General Electric Company,) WID DOCKET NO. 10-30
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Comcast Corporation,)
Transferee	j
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To the Commission:

NCAAOM REPLY TO COMCAST-NBCU OPPOSITION

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Dated: August 19, 2010

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EXECUTIVE SUMMARY

The Merger would harm the public interest by providing Comcast-NBCU the ability and incentive to discriminate against African American owned broadcast networks and programming in order to restrain competition, to the detriment of MVPD viewers. Therefore, the Commission must protect the public interest by either denying the merger applications or instituting much needed conditions, namely, (1) a 10% set aside (at least 25 channels) to be programmed by African American independently owned companies and (2) a 4 hour set aside during the 22 hours of prime time programming on NBC for African American independently owned programming.

In addition, the Commission should not be easily persuaded by Comcast's statements and positions because they are purposely misleading.

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I. INTRODUCTION

The National Coalition of African American Owned Media ("NCAAOM"), pursuant to Section 309(d) of the Communications Act of 1934, as amended (the "Communications Act"),¹ and Section 73.3584² of the Commission's Rules,³ hereby replies to the Comcast Corporation ("Comcast") and NBC Universal, Inc.'s ("NBCU") Opposition ("Opposition") to its petition to deny ("Petition") the above-captioned application for transfer of control of NBCU from General Electric Company ("GE") to Comcast.⁴

¹ 47 U.S.C. § 309(d).

² This Reply extends to all of the licenses and authorizations included in the Application.

³ 47 C.F.R. § 73.3584.

⁴ See Applications for Consent to the Transfer of Control of Licenses, Gen. Elec. Co., Transferor, to Comcast Corp., Transferee, Public Notice, 25 FCC Rcd 2651 (2010) (hereinafter, the applications referred

II. THE COMMISSION MUST PROTECT THE PUBLIC INTEREST

A. Comcast And NBCU Have Not Proven That The Transaction Will Serve The Public Interest.

As demonstrated in the Petition, the Comcast-NBCU Transaction raises substantial and material questions of fact whether it will serve the public interest. In its Opposition, Comcast has failed to demonstrate that it can overcome its burden to prove that the Transaction, as currently proposed, serves the public interest.

Comcast, the country's largest multichannel video programming distributor ("MVPD"), has a history of not widely carrying independent 100% or wholly African American owned programming networks. The Application, if granted, would give Comcast control over some of the most desirable cable programming in the U.S. making it even more difficult for African American owned programming networks to gain wide carriage on Comcast cable systems and other cable systems nationwide.

The proposed Merger will injure the public interest by granting Comcast-NBCU the ability and incentive to cause harm and discriminate against independent programmers in order to restrain competition. This discrimination threatens imminent injury to independent programmers, particularly those which are wholly African American owned, and will negatively affect the viewing public.

The Commission must deny the Application as currently proposed. In the alternative, if the Commission was to grant the Application, the Commission must condition the Merger to dissuade Comcast from further discriminating against African American owned programming and programming networks.

to therein, "Application," the transaction referred to therein, the "Transaction" or the "Merger," and the parties thereto, "Applicants").

B. Comcast's Recommendation to Defer Transaction-Specific Remedies to the Completion of Commission Rulemakings Disregards the Specific Harms the Transaction Poses.

NCAAOM objects to Comcast's recommendation that the Commission defer addressing the harms to be caused by the Merger to rulemaking proceedings. Such a recommendation is contrary to Section 309 of the Communications Act⁵ and relevant precedent. The threatened harms to wholly owned African American programmers are a direct result of the proposed vertical merger and thus are merger specific. The issues raised by the merger are not generic industry concerns best handled in a rulemaking proceeding. Section 309 of the Communications Act requires the Commission to address any harms to be caused by the Transaction as part of its review of the Merger.

The Commission must determine if the transaction violates the Communications Act or its rules, "the Commission considers whether they could result in public interest harms by substantially frustrating or impairing the objectives or implementation of the Act or related statutes." In its review, the Commission needs to consider if the transaction incorporates the "broad aims of the Communications Act," which include, among other things, a deeply rooted preference for preserving and enhancing competition in relevant markets [and] ensuring a diversity of information sources and services to the public. . . ." In the Petition, NCAAOM detailed the substantial harms to African American programmers and media owners raised by the Transaction. NCAAOM also detailed the Commission's responsibility to preserve ownership

⁵ 47 U.S.C. § 309.

⁶ In re Adelphia Commc'ns Corp., et al., Memorandum Opinion and Order, 21 FCC Rcd. 8203, 8218 (2006) (hereinafter, "Adelphia").

⁷ Id. at 8217.

and content diverse, which highlights the unique nature of this Transaction compared to previous transactions.

Section 310(d) of the Communications Act requires the Commission to consider the application before it, sincluding the competitive harms that might result, and to weight any applicant promises that may or may not be fulfilled. While reviewing this Merger, the Commission must consider the harms that will be caused by the largest media merger in history, combining major video networks and production capacity with the nation's largest MVPD.

The Merger, as proposed, creates more harms than benefits. The Transaction creates a distribution powerhouse to most major American cities with an unprecedented programming portfolio. Comcast's acquisition of NBCU creates significant opportunities for it to harm other programmers by restricting access to Comcast's cable systems and other MVPDs.

Comcast's suggestion that issues raised by NCAAOM and other parties be deferred to industry-wide rulemaking¹⁰ fails to acknowledge the harms caused by the Transaction are inconsistent with the Communications Act and with precedent.¹¹ The Commission has held that its public interest authority is broad enough under Section 303(r) of the Communications Act to

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⁸ 47 U.S.C. § 310(d) ("[I]n acting thereon the Commission may not consider whether the public interest, convenience, and necessity might be served by the transfer, assignment, or disposal of the permit or license to a person other than the proposed transferee or assignee.").

⁹ Adelphia at 8218.

¹⁰ <u>See</u> Comcast Opposition at 7 (program access and program carriage rulemaking) 11-12 (net neutrality), 16 (program carriage; media consolidation, minority ownership, and media ownership), 153 (retransmission consent); 158 (program access), 179 n.612 (program carriage), 196 (Internet network management principles), 209 (program access), 224 (media ownership), 239 (independent programming), and 266 (shared services and news-sharing).

[&]quot;Where appropriate, the Commission's public interest authority enables it to impose and enforce narrowly tailored, transaction-specific conditions that ensure the public interest is served by the transaction." Adelphia, supra, at para. 26.

permit it to impose conditions to remedy transaction-specific harms.¹² The Commission must condition any grant of the Merger to ensure that competitors are protected from anticompetitive conduct.¹³

In addition to its substantially broad discretion under Section 303(r) of the Communications Act, as a matter of generally settled administrative law, the Commission has broad discretion to act either through adjudication or rulemaking. As the Supreme Court noted in Chenery, agencies may use adjudications to address unforeseen situations either by "general rule or individual order. To insist upon one form of action to the exclusion of the other is to exalt form over necessity."

¹² In re News Corp. and DirecTV Group, Inc. and Liberty Media Corp., 23 FCC Rcd 3265, 3280 ¶ 26 (2008). The Applicants attempt to deflect from the Commission's precedent of addressing transactionspecific harms in the context of its public interest review of the transaction. (Opposition at 13 n.16). Facing related, transaction specific harms to the public interest in the past, the Commission has acted. See e.g., Applications for Consent to the Assignment and/or Transfer of Control of Licenses: Adelphia Commc'ns Corp., Assignors, to Time Warner Cable, Inc., Assignees, Adelphia Commc'ns Corp., Assignors and Transferors, to Comcast Corp., Assignees and Transferees, Comcast Corp., Transferor, to Time Warner Inc., Transferee; Time Warner Inc., Transferor, to Comcast Corp., Transferee, Memorandum Opinion and Order, 21 FCC Rcd 8203 ¶ 156 & App. B (2006) (imposing commercial arbitration remedy tailored to program access and carriage concerns with respect to regional sports networks); cf. In re Time Warner Inc., et al., Decision and Order, 123 F.T.C. 171, 197, 1997 FTC LEXIS 13, at *50 (Feb. 3, 1997) ("[T]ime Warner shall execute a Programming Service Agreement with at least one Independent Advertising-Supported News and Information National Video Programming Service, unless the Commission determines, upon a showing by Time Warner, that none of the offers of Carriage Terms are commercially reasonable"). Like the Commission's rules on program carriage, its recent Notice of Inquiry regarding media ownership rules is simply not a forum where the Commission is likely to be able to address the unique public interest harms of anticompetitive channel placement decisions incentivized by this Transaction before those harms become embedded as a result of the closing of the Transaction. See In re 2010 Quadrennial Regulatory Review - Review of the Comm'ns Broad. Ownership Rules and Other Rules Adopted Pursuant to Section 202 of the Telecomm. Act of 1996, Notice of Inquiry, 25 FCC Rcd 6086 (2010).

¹³ See Petition at 27-28.

SEC v. Chenery Inv. Corp., 332 U.S. 194, 202 (1947) and Petition of Free Press et al. for Declaratory Ruling that Degrading an Internet Application Violates the FCC's Internet Policy Statement and Does Not Meet an Exception for 'Reasonable Network Management', Memorandum Opinion and Order, 23 FCC Rcd 13028, 13045 (Aug. 1 2008), vacated on other grounds Comcast Corp. v. FCC, 600 F.3d 642 (D.C. Cir. 2010).

Since the Commission may rely on adjudication to enunciate and enforce new federal policy, ¹⁵ NCAAOM's conditions are narrowly tailored to resolve the unique and unusual factual circumstances of this Merger.

Comcast's recommendation to address Transaction-specific issues in rulemaking ignores the Commission's responsibility under the law to consider such hams as part of its review of the Transaction. The issues that Comcast would have the Commission defer to rulemaking are precisely the issues at the heart of this transaction of great concern to NCAAOM: program access and program carriage; ¹⁶ and media consolidation, minority ownership, and media ownership. ¹⁷ Unless the Commission intends to designate the Application for hearing, it must include binding conditions in its consent to the Merger in order to address the anticompetitive harms caused by the Transaction. If the Commission does not impose conditions on its consent to the Merger, then Comcast will be able to engage in anticompetitive behavior by discriminating against independently owned African American programming networks. Once the Merger is completed, the Commission will have very limited ability to apply industry-wide rules retroactively to resolve the harms caused by the Merger. ¹⁸ Therefore, the Commission must act in this proceeding to address the anticompetitive effects of Comcast's acquisition of a controlling interest in NBCU.

¹⁵ See id; see also Cablevision of Dallas, Inc., Order Setting Basic Equipment and Installation Rates, Farmers Branch TX, Order, 19 FCC Rcd 10628, 10630 (2004) ("[I]t is a well-established principle that administrative agencies have discretion to proceed by either adjudication or rulemaking to decide issues that both arise in adjudicatory proceedings and could be the subjects of a rulemaking." (emphasis added)).

¹⁶ Opposition at 7, 153, 179 n. 612, 209.

¹⁷ <u>Id</u>. at 16, 224.

¹⁸ See e.g. Williams Natural Gas Company v. Federal Energy Regulatory Commission, 3 F.3d 1544, 1554 (D.C. Cir. 1993) (indicating that there has emerged a basic distinction between (1) new applications of law, clarifications, and additions, and (2) substitution of new law for old law that was reasonably clear. In the latter situation, which may give rise to questions of fairness, it may be necessary to deny retroactive effect to a rule announced in an agency adjudication in order to protect the settled expectations of those who had relied on the preexisting rule.).

C. The African American Owned Media Market.

NCAAOM believes that the single greatest negative impact on African Americans stems from the lack of media ownership, and the current absence of nationwide carriage of any independent 100% African American owned programming and programming networks, and by the extremely low rate of ownership of full and low power television stations by African Americans.

Research studies continue to illustrate the negative social impact on African Americans when their media images are not controlled by African Americans. Continuous negative images of African Americans in the media – on television, in film and in print – have a significant effect on the world's perception of African Americans. Over the last three decades, the African American consumer segment has grown to represent more than \$1 trillion in spending power from a base of 13% of the U.S. population. An increased ability by African Americans to produce and own content and secure distribution of that content on major distribution channels will stop the erosion of image, build positive perceptions and have a strong positive economic impact for the African American community at large.

Comcast is the primary MVPD provider, with a dominant share of the cable subscribers, in 19 of the county's top 25 DMAs, some of which include African American populations in excess of 50%.²¹ The availability of African American owned media does not reflect these

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¹⁹ Ardis C. Martin, M.D., Television Media as a Potential Negative Factor in the Racial Identity Development of African American Youth, 32 Academic Psychiatry 338 (2008) ("The images seen in media, in general, and on TV, in particular, perpetuate these negative stereotypes about African Americans and impact majority society's views of Blacks.").

²⁰ The Multicultural Economy 2008, Selig Center for Economic Growth, at 7, <u>available at http://www.terry.uga.edu/selig/docs/buying_power_2008.pdf</u>.

²¹ Fact Sheet, 2006-2008 American Community Survey, U.S. Census Bureau, http://factfinder.census.gov/ (The African American population in the following cities exceeds 50%: Atlanta, GA (55.8%); Washington, DC (54.4%); Detroit, MI (83.0%); Baltimore, MD (63.4%)).

statistics. Not one of the widely distributed networks on Comcast's cable television platform is 100% African American owned and channels that carry African American targeted content are no longer independently, wholly owned by African Americans: Viacom owns BET and Comcast owns 33% of TV One.²² The Merger will perpetuate or even worsen the lack of independently owned African American cable networks.

Interestingly, Comcast cites to the NAACP 2008 Consumer Choice Guide as evidence of its commitment to diversity. It highlights Comcast's B for Supplier Diversity²³ but disregards Comcast's overall 2.68 out of 5 or C+ for diversity; 2.31 or C for African American employment and 1.50 or D+ for Marketing / Communications targeted to African Americans.²⁴ Clearly Comcast's willingness to purchase business supplies from African Americans is no indication of its willingness to carry independently owned African American programming since it currently carries none. These numbers are far more telling than the many comments solicited by Comcast from African American organizations requesting their support of the Merger in exchange for donations²⁵ or the companies Comcast lists in its Opposition.

²² Comcast also has no "internal mechanism for tracking the race, ethnicity, or gender composition of owners of cable channels and networks distributed by Comcast Cable." Letter with Responses of Comcast Corporation and NBC Universal, Inc. to Questions Submitted by Several Members of the United States House of Representatives ("Response"), to William T. Lake, FCC, from Michael H. Hammer, Willkie Farr & Gallagher LLP, and A. Richard Metzger, Jr., Lawler Metzger Kenney & Logan, LLC, Dkt. No. 10-56, dated June 2, 2010, Response at 3.

²³ Opposition at 259

²⁴ Petition at 7.

²⁵ See, e.g., Letter from Germaine Smith-Baugh, Ed.D, President and CEO, Urban League of Brown County, to Hon. Julius Genachowski, Chairman, FCC, dated May 21, 2010, in MB Docket No. 10-56; Letter from Dr. Dorothy Anderson, President, Tacoma Urban League, to Hon. Julius Genachowski, Chairman, FCC, dated Mar. 29, 2010, in MB Docket No. 10-56; Letter from Maudine R. Cooper, President and CEO, Greater Washington Urban League Inc., to Hon. Julius Genachowski, Chairman, FCC, Michael J. Copps, Commissioner, FCC, Robert M. McDowell, Commissioner, FCC, Mignon Clyburn, Commissioner, FCC, Meredith Attwell Baker, Commissioner, FCC, dated May 3, 2010, in MB Docket No. 10-56; Letter from Marcus C. Mundy, President and CEO, Urban League of Portland, to Hon. Julius Genachowski, Chairman, FCC, dated June 8, 2010, in MB Docket No. 10-56; Letter from Dr.

III. COMCAST'S STATEMENTS AND POSITIONS ARE PURPOSELY MISLEADING

A. Comcast Alleges it Carries 11 African American Channels.

While Comcast alleges that it carries 11 African American "channels," it does not carry 11 African American television programming networks on its cable television platform. Instead, Comcast misleadingly includes some of their music and video on demand offerings in an attempt to inflate their number.

Moreover, none of the Africa American targeted television programming networks that are widely distributed are owned by African Americans. BET and TV One are the only widely carried African American networks on Comcast's cable systems and neither are independently owned – Viacom owns BET and Comcast owns TV One. And the Africa Channel is only carried on a high tier in a very limited number of cable systems.

It is incredulous that Comcast is claiming that it legitimately carries African American content when less than 1% of its channels are actual African American channels – assuming a cable system of 250 channels.

Comcast also heralds itself as a friend and contributor to the African American community but NCAAOM's experience has been vastly different. On May 12, 2010, Mr. Washington, President and CEO of NCAAOM, introduced himself to Brian Roberts at the National Cable Telecommunication Association Cable Show in Los Angeles, California, and requested a meeting to discuss why Comcast does not widely distribute 100% owned African American programming networks on Comcast cable systems. Mr. Washington's meeting request

Warner Dickerson, President, Memphis Branch NAACP, to Hon. Julius Genachowski, Chairman, FCC, dated May 10, 2010, in MB Docket No. 10-56; and Letter from Kenneth L. Harris, President and CEO, International Detroit Black Expo Inc., to Marlene H. Dortch, FCC, dated Apr. 6, 2010, in MB Docket No. 10-56.

²⁶ See id.

was denied. Only when it was announced that Mr. Washington was scheduled to testify at a House Judiciary Field Hearing on the Comcast-NBCU Transaction did a mid-level executive of Comcast contact NCAAOM – a meeting with Mr. Roberts still has not occurred.

B. Comcast's Voluntary Commitment to Carry Ten New Independently Owned and Operated Channels Is Inadequate.

If the Commission decides to grant the Merger, NCAAOM proposed in the Petition that the Commission should adopt a 10% set aside (at least 25 channels) to be programmed by independently owned African American companies. Comcast proposed a new voluntary commitment stating that it would carry ten (10) independently owned and operated channels over the next eight (8) years with four of those channels earmarked for African American programming. In the next year, Comcast has already announced that it will complete the conversion of its cable systems to digital operations. Comcast's channel capacity will expand from approximately 250 channels to nearly limitless. Even if Comcast will initially only carry 500-600 channel on its digital cable systems, a voluntary commitment to add 10 independently owned and operated channels is inadequate considering that African Americans make up more than 40% of Comcast's revenue and subscribers in urban centers.

Four new channels if added to Comcast's cable systems today represent only 2% of a cable system's 250 channel capacity. Considering that Comcast's cable systems are or soon will be digital, an additional 4 channels is only 1% of a 500 channel capacity cable system. Comcast has more than enough channel capacity to carry at least 25 independently owned and operated channels.

²⁷ Petition at 27.

²⁸ Opposition at 47.

²⁹ Opposition at 241 and Response at 3.

C. Comcast Should be Required to Meet Its Public Interest Commitments.

In the Opposition, Comcast states that "[t]here is no requirement that any MVPD carry a specified number of networks that are 100 percent minority-owned on widely available tiers." NCAAOM is participating in this proceeding because Comcast is not providing independently owned African American programming. NCAAOM seeks to obtain an enforceable condition against Comcast that independently owned African American programming will be carried by Comcast since over 40% of Comcast's revenue and subscribers in urban areas are African Americans.

Excessive media consolidation reduces ownership opportunities for African Americans and hinders African American owned programming networks and programming. The 1992 Cable Act was adopted to address concerns about vertically-integrated programmers and transmission systems.³¹

As media consolidation increased, the number of minority-owned media outlets has decreased. The protections adopted in the 1992 Cable Act are no longer adequate and the Commission needs to take additional steps to protect the free flow of information and prevent harmful consolidation. The FCC's rules do not provide meaningful incentives for MVPDs to carry independently owned African American programming networks, or provide adequate relief for African American -owned programming networks that are discriminated against during the carriage negotiation process. The Commission's carriage complaint process is cumbersome and

³⁰ Opposition at 241.

Turner Broad. Sys., Inc. v. FCC, 910 F. Supp 734, 740 (D. Columbia 1995) ([T]he cable industry has become increasingly horizontally concentrated and vertically integrated. Power has been concentrated in the hands of fewer and fewer operators (horizontal concentration), which has led to increased vertical integration as the largest operators have begun to demand ownership interests in cable programming networks.) (subsequent history omitted).

takes too long to resolve carriage disputes. Moreover, the penalties for discriminating during carriage negotiations or the complaint process are insufficient to deter anti-competitive behavior.

D. Protecting Independently Owned African American Programming is a Legitimate Basis for Denying the Application.

In response to NCAAOM's assertion that Comcast not be permitted to continue to discriminate against independently owned African American programming, Comcast incorrectly and foolishly proclaimed that the arguments in NCAAOM's Petition did not provide a basis for denying the application. However, preservation of minority interests and diversity of ownership are clearly principles of federal communications policy and, as such, must be included in the Commission's determination of whether the transaction is in the public interest.

The Commission "must determine whether the transaction violates our rules, or would otherwise frustrate implementation or enforcement of the Communications Act and federal communication policy" and diversity is a cornerstone of communications regulatory policy. In fact, "[i]n setting its licensing policies, the Commission has long acted on the theory that diversification of mass media ownership serves the public interest by promoting diversity of program and service viewpoints, as well as by preventing undue concentration of economic power." The Commission has also indicated that the "broad aims of the Communications Act" include "a deeply rooted preference for preserving and enhancing competition in relevant markets ... [and] ensuring a diversity of information sources and services to the public[.]" The courts also support the Commission's efforts to promote diversity of ownership. "We have

General Motors Corp. and Hughes Electronics Corp and The News Corp., Memorandum Opinion and Order, 19 FCC Rcd 473, 484 ¶ 16 (2004) (internal citations omitted) (hereinafter, "News Corp.").

³³ Id. at 780.

News Corp., the DirecTV Group, Inc. and Liberty Media Corp. Application for Authority to Transfer Control, Memorandum Opinion and Order, 23 FCC Rcd 3265, 3277-78 ¶ 23 (2008) ("DirecTV Order").

identified a corresponding 'governmental purpose of the highest order' in ensuring public access to a 'multiplicity of information sources.'"³⁵

Therefore, in determining whether the Applicants have met their burden of showing by a preponderance of evidence that the transaction serves the public interest, it is clearly appropriate and required for the Commission the consider the long held federal policies supported by NCAAOM.

IV. CONCLUSION

The merger would harm the public interest by giving Comcast-NBCU the ability and incentive to discriminate against African American owned broadcast networks and programming in order to restrain competition, to the detriment of MVPD viewers. If the Commission does not deny the merger applications, it must impose conditions to ensure that the public interest standard is met. NCAAOM's conditions are narrowly tailored to meet the specific harms the Merger will cause independently-owned African American programming. If the Commission grants the Merger, it should adopt the following conditions: (1) a 10% set aside (at least 25 channels) to be programmed by African American independently owned companies and (2) a 4 hour set aside during the 22 hours of prime time programming on NBC for African American independently owned programming.

Respectfully submitted,

Bv:

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³⁵ Turner Broad, Sys., Inc. v. FCC, 520 U.S. 180, 190 (1997).

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Dated:

August 19, 2010

CERTIFICATE OF SERVICE

I, Carly T. Didden, hereby certify that on this 19th day of August, 2010, I caused true and correct copies of the foregoing "Reply to Comcast-NBCU Opposition" to be sent by U.S. Mail, postage prepaid, on the following individuals:

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