

Cable companies typically have local monopolies for high speed Internet access.

Three out of four American households have, at most, a single option for 21st Century Internet speeds of 25 Mbps. This is particularly true for rural Americans.<sup>1</sup> With the proliferation of connected devices and Internet services, families increasingly require home Internet speeds of 10 Mbps, 25 Mbps or higher. Internet providers have reported that more than two-thirds of U.S. subscribers rely on connections of 10 Mbps or higher.<sup>2</sup> In fact, almost half of Comcast's Internet customers purchase speeds of 50 Mbps or more.<sup>3</sup>

| Internet Speed | Cable Market Share <sup>4</sup> |
|----------------|---------------------------------|
| 10 Mbps+       | 73%                             |
| 25 Mbps+       | 90%                             |

Other options for Internet access are far inferior.

## DSL Cannot Compete Against Cable

With the rapid proliferation in online video, consumers are left with only cable as viable option for modern Internet access. While a typical HD movie takes 16 minutes to download on a 25 Mbps connection, it takes more than 2 hours on a typical phone company DSL connection.<sup>5</sup> Verizon's Chief Financial Officer recently told investors "where I only have copper to compete against cable, I am not going to win that battle: We can't compete on speed."<sup>6</sup> Despite the lower monthly cost of DSL, more than half the users who subscribed in 2008 have left.<sup>7</sup> Time Warner Cable's COO called the continued existence of DSL subscribers in their territory "inconceivable and unacceptable."<sup>8</sup>

1 Federal Communications Commission Chairman Wheeler, "More Competition Needed in High-Speed Broadband Marketplace," Sept. 4, 2014, [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-329160A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-329160A1.pdf).

2 Letter from William T. Lake, Chief, Media Bureau to Marlene H. Dortch, Secretary, Federal Communication Commission, Dec. 9, 2014, Exhibit 4, [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-330922A2.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-330922A2.pdf) ("FCC Data").

3 Comcast Corp., 2nd Quarter Earnings Call, July 22, 2014, <http://seekingalpha.com/article/2330185-comcast-corporations-cmcsa-ceo-brian-roberts-on-q2-2014-results-earnings-call-transcript?page=2>.

4 Letter from William T. Lake, Chief, Media Bureau to Marlene H. Dortch, Secretary, Federal Communication Commission, Dec. 9, 2014, Exhibit 4, [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-330922A2.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-330922A2.pdf).

5 See National Broadband Map, Broadband Classroom, Speed, <http://www.broadbandmap.gov/classroom/speed>.

6 Sean Buckley, "Verizon's Shammo: Enterprise spending is showing signs of life," Fierce Telecom, Dec. 9, 2014, <http://www.fiercetelecom.com/story/verizons-shammo-enterprise-spending-showing-signs-life/2014-12-09>.

7 Free Press, Petition to Deny, MB Docket No. 14-57, Aug. 25, 2014, Figure 4, <http://apps.fcc.gov/ecfs/document/view?id=7521818670>.

8 Time Warner Cable Inc., 3rd Quarter Earnings Call, Oct. 31, 2013, <http://seekingalpha.com/article/1793472-time-warner-cable-management-discusses-q3-2013-results-earnings-call-transcript?page=6>.



## Mobile Broadband Isn't a Replacement for Cable Broadband

Additionally, mobile broadband networks are not a substitute for cable broadband. Substituting a cable connection for wireless service would leave many customers with a monthly bill in the thousands.<sup>9</sup> AT&T's wireless subscriber contracts make explicit that its mobile broadband service is not a substitute for a fixed broadband connection, explaining that customers who use their wireless connection "as a substitute or backup for private lines or full-time or dedicated data connections" or "with high bandwidth applications" are in violation of their contract's terms of service.<sup>10</sup>

While mobile connections have nonetheless become increasingly important, cable and wireless services are complements to one another rather than substitutes. For instance, Americans connect smartphones to fixed broadband networks (via Wi-Fi) much more often than to mobile networks because fixed networks offer faster performance and lower costs.<sup>11</sup> Data from 2013 show that only 10 percent of Americans, disproportionately low-income, relied solely on a mobile device for Internet access.<sup>12</sup>

The fact that mobile and high-speed fixed broadband are complementary, not competing services, is clear to cable operators. After closing an agreement to sell spectrum to Verizon Wireless in 2012, Comcast explained the most important components of the deal were the "ability to market Verizon Wireless services throughout our footprint in order to offer our customers a wireless option [and] Verizon Wireless' ability to market our products in virtually all of our footprint."<sup>13</sup> The transaction and accompanying company statements clearly showed that cable and wireless companies view themselves as collaborators rather than competitors.

Without competitors for high-speed broadband service, cable operators saw record margins in 2014 and they have been unequivocal that they will continue to invest in their networks regardless of the legal authority the FCC relies on to protect an open Internet.<sup>14</sup> As one financial analyst put it last year, "[t]he last mile of the Internet belongs to cable."<sup>15</sup>

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9 Kate Cox, "Comcast Says Mobile Data Is Competitive, But It Costs \$2k To Stream Breaking Bad Over LTE," *Consumerist*, Aug. 18, 2014, <http://consumerist.com/2014/08/18/comcast-says-mobile-data-is-competitive-but-it-costs-2k-to-stream-breaking-bad-over-lte/>; U.S. Government Accountability Office, "FCC Should Track Application of Fixed Internet Usage-Based Pricing and Help Improve Consumer Education," Figure 5, Nov. 2014, <http://www.gao.gov/assets/670/667164.pdf>.

10 AT&T Wireless Customer Agreement, Section 6.2, 2015, <https://www.att.com/legal/terms.wirelessCustomerAgreement.html>.

11 Deloitte Development LLC, "Global Mobile Consumer Survey," October 2013, <http://assets.fiercemarkets.net/public/newsletter/fiercewireless/deloitte2013.pdf>.

12 Kathryn Zickuhr and Aaron Smith, "Home Broadband 2013," Pew Research Internet Project, Aug. 26, 2013, <http://www.pewinternet.org/2013/08/26/home-broadband-2013/>.

13 Katy Bachman, "DOJ Conditionally Approves Verizon Wireless Deal With Big Cable," *AdWeek*, Aug. 16, 2012, <http://www.adweek.com/news/technology/doj-conditionally-approves-verizon-wireless-deal-big-cable-142821>.

14 Brian Fung, "Comcast, Charter and Time Warner Cable all say Obama's net neutrality plan shouldn't worry investors," *Washington Post*, Dec. 16, 2014, <http://www.washingtonpost.com/blogs/the-switch/wp/2014/12/16/comcast-charter-and-time-warner-cable-all-tell-investors-strict-net-neutrality-wouldnt-change-much/>; Tony Lenoir, "Top operators' video margins hit all-time low," *SNL Kagan*, Nov. 3, 2014.

15 Dana Blankenhorn, "The Simple Lesson in Broadband Numbers: People Want Speed," *The Street*, Aug. 18, 2014, <http://www.thestreet.com/story/12848311/1/the-simple-lesson-in-broadband-numbers-people-want-speed.html>.

