Comcast deal may be dead, but cable consolidation will go on (Update)

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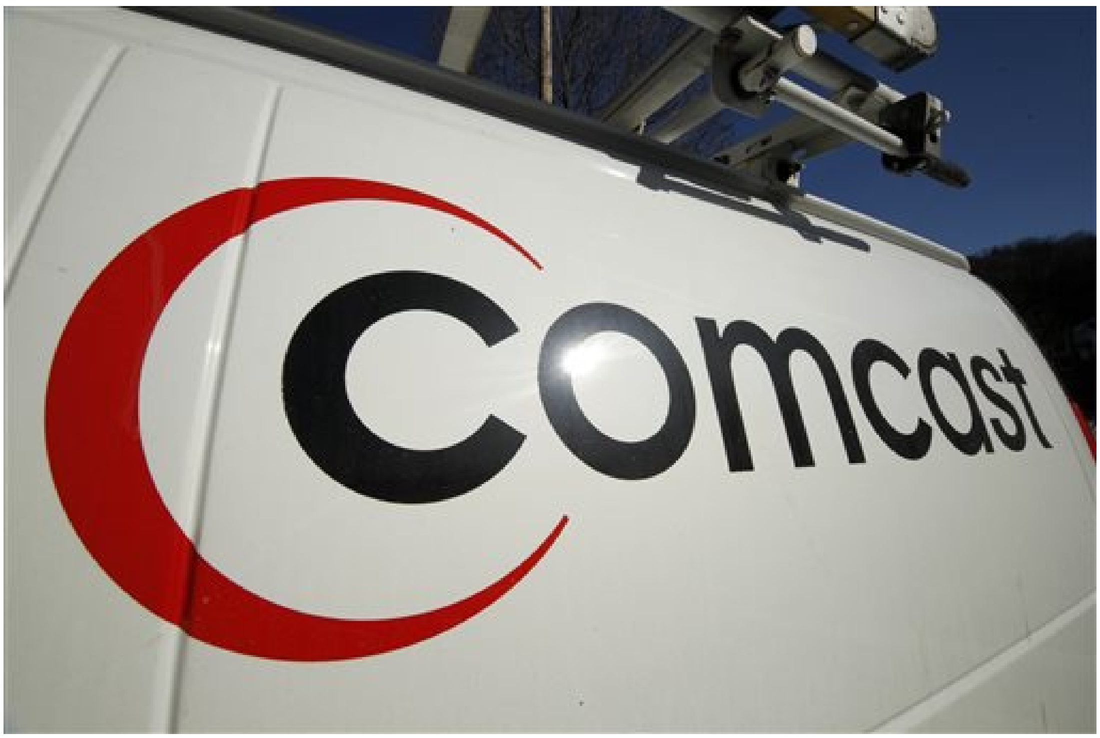

This Feb. 11, 2011 file photo shows the Comcast logo on one of the company's vehicles, in Pittsburgh. Wall Street appears increasingly convinced Comcast's $45.2 billion purchase of Time Warner Cable is dead. telling indicator is the gap between the value Comcast's all-stock bid assigned to each Time Warner Cable share and Time Warner Cable stock's current price. That was at its widest point yet Thursday, April 23, 2015, a signal that investors are giving just 20 to 30 percent odds that the deal will go through, said Nomura analyst Adam Ilkowitz. (AP Photo/Gene J. Puskar, File)

Even if Comcast's $45.2 billion bid for Time Warner Cable is dead, consolidation among the companies that pipe in our TV, phone and Internet will carry on.

Combining the No. 1 and No. 2 U.S. cable companies would have put nearly 30 percent of TV and about 55 percent of broadband subscribers under one roof, along with NBCUniversal. That appeared to be too much concentration for regulators.

Bloomberg News and The New York Times both said Thursday that Comcast is planning to drop its bid, citing unidentified people with knowledge of the matter. Comcast and Time Warner Cable declined to comment on the reports.

But cable companies are likely to keep merging as online video options proliferate, the number of cable and satellite TV subscribers slips and costs rise for the shows, sports and movies piped to subscribers.

At the same time, there will be more competition for young customers seeking stand-alone Internet and mobile video offerings and cheaper TV channel packages.

This is already happening. Verizon's FiOS is trying smaller, customizable TV bundles, while HBO has launched an online version of its content, HBO Now, that doesn't require a cable TV subscription.

"I don't think it's the demise of the cable industry. But its complete dominance of distribution is over," said Randy Giusto, a media industry analyst with advisory firm Outsell Inc.

One of the concerns consumer advocates and competitors had with the Comcast deal was that it could undermine the streaming video industry that is reshaping TV. Comcast could, for example, require onerous payments from new online-only video providers for connecting to its network. Dish, the satellite TV company behind the new Web video service Sling TV, and Netflix opposed the deal.

"It goes to show you how important broadband is," said Amy Yong, a Macquarie analyst.

Regulators have taken other steps that signal how important they consider Internet access. The Federal Communications Commission in February released new "Net Neutrality" rules meant to keep broadband providers from charging Internet companies for "fast lane" access or favoring some content. The broadband industry has sued to stop the rules.

So how did this play out?

Opposition from consumer advocates and competitors has been fierce since the deal was announced in February 2014.

"This is one of those deals where the opponents of the merger have been one of the most vocal I can remember," said S&P Capital IQ Tuna Amobi.

Then on Friday, Bloomberg, citing unidentified people, said Department of Justice staff attorneys were leaning against the deal. On Tuesday Al Franken, D-Minn., along with five other Democratic senators and Bernie Sanders, I-Vermont, urged the Federal Communications Commission and the Department of Justice to block the merger, saying it would lead to higher prices and fewer choices.

"It's a dead end for Comcast," said Rob McDowell, a former FCC commissioner.

Comcast spokeswoman Sena Fitzmaurice confirmed that company executives met Wednesday with Justice Department and FCC officials. But she would not comment on what occurred during the meetings or what other conversations the company was having with regulators. The Justice Department and the FCC declined to comment.

A dropped Comcast-Time Warner Cable deal means a transaction with Charter Communications Inc. aimed to smoothing the way for regulatory approval also falls apart. Charter's bid for Bright House Networks, which it announced in March, could also be killed.

Many analysts expect that Charter, which lost out on its bid for Time Warner Cable to Comcast, to resurrect its effort.

"Other cable deals that don't involve Comcast might be allowed to go through," McDowell said. There "seems to be an antipathy towards Comcast at the FCC" because the agency thinks Comcast didn't stick to the conditions of its acquisition of NBCUniversal, he said.

A combined Charter and Time Warner Cable would have 15 million video customers and 16.5 million Internet customers. That's still smaller than Comcast alone, which has 22.4 million video subscribers and 22 million Internet customers.

And the $48.5 billion combination of DirecTV and AT&T is still expected to go through.

But Comcast may have to look overseas for big cable acquisitions.

"Washington's concern here is excessive control of broadband in the hands of a single company," wrote MoffettNathanson analyst Craig Moffett in a client email. "For all intents and purposes, their M&A ambitions would be on ice in the U.S."