

Netflix supports Charter acquisition of Time Warner Cable

July 16 2015, by Tali Arbel



This June 24, 2015 photo shows the Netflix Apple TV app icon, in South Orange, N.J. Netflix, a vocal opponent of Comcast's failed bid for Time Warner Cable, on Wednesday, July 15, 2015 said it supports Charter Communications' bid to do the same in a deal that would create another cable giant. (AP Photo/Dan Goodman)

Netflix, a vocal opponent of Comcast's failed bid for Time Warner

Cable, supports Charter's quest to do the same in a deal that would create another cable giant.

In a filing with the Federal Communications Commission Wednesday, the online video company said it supports the deal because Charter says it won't charge companies to connect to its network and reach its customers.

Spread across a larger Charter with 19.4 million Internet customers, that would be a "substantial public interest benefit" and would help get online services to consumers and promote innovation, Netflix said.

Charter's policy and Netflix's support of it could help sway regulators to approve the Charter deal after the Comcast-Time Warner Cable transaction fell apart in April under pressure from regulators.

Charter Communications Inc. wants to buy Time Warner Cable and Bright House for \$67.1 billion to become the country's No. 3 traditional TV provider and the second-largest home Internet supplier after Comcast.

"It's certainly a positive for closing the deal, absolutely," said BTIG analyst Rich Greenfield, and a "nice win for Netflix." But he said there are still roadblocks to regulatory approval for Charter because the government is concerned about the lack of competition in the broadband market.

A spokeswoman for the Federal Communications Commission declined to comment because the transaction was under review.

After the Comcast deal collapsed because regulators worried that it could impede online video competitors while giving Comcast too much power over the nation's high-speed Internet access, Charter is trying to

position itself as a good Internet actor.

Charter's updated policy, which continues to let companies connect to its network without paying until the end of 2018, goes into effect "immediately," said spokesman Alex Dudley. It won't be extended to Time Warner Cable and Bright House properties until those acquisitions close.

Why does this matter? Netflix Inc. fought with Comcast and other big Internet providers over these commercial arrangements and in 2014 ended up paying companies including Comcast, Verizon, Time Warner Cable and AT&T to connect directly to their networks after congestion issues hurt video quality for Netflix customers. Comcast and some other broadband providers had argued then that Netflix should be responsible for some of the cost of handling the traffic generated by its popular service. According to Internet research firm Sandvine, Netflix watchers account for 36.5 percent of traffic downloads on fixed networks in North America during peak evening hours.

The FCC has been concerned about disruptions to users' online experience stemming from fights over these arrangements. It now has the power to hear disputes between Internet providers and companies according to its "net neutrality" rules that went into effect in June.

In another bid to endear itself to government regulators, Charter has said that it will submit disputes over these commercial Internet deals to the FCC. It has also promised to roll out faster Internet with no data caps for Time Warner Cable and Bright House customers and said it will abide by the government's net neutrality rules against blocking and slowing down Internet traffic and creating special paid fast lanes for content.

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