



NEWS

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FCC RELEASES TWO NEW MEDIA BUREAU STAFF RESEARCH PAPERS

The Media Bureau of the Federal Communications Commission (FCC) today released two new papers in the Staff Research Paper series. The goal of this series is to closely examine marketplace issues that affect media policy and regulation. These two papers are not part of the Media Ownership Working Group studies that were recently released and incorporated into the third Biennial Regulatory Review of Broadcast Ownership Rules proceeding.

Today's papers examine various possible economic impacts of consolidation on cable operators' bargaining power in the programming market. Nodir Adilov of Cornell University and Peter J. Alexander of the FCC's Media Bureau authored both papers. These papers represent the individual views of their authors and do not necessarily reflect the views of the FCC, any FCC Commissioners, or other staff.

The first paper, "Asymmetric Bargaining Power and Pivotal Buyers," examines the possible effects of merger on the bargaining power of the merged firm. Some previous research suggests that a merged firm's bargaining position can actually be worsened post-merger. The current study suggests that this worsening of bargaining position may occur in the case where buyer bargaining power is equal, but not in the case where buyer bargaining power is unequal.

The second paper, "Most Favored Customers in the Cable Industry," explores the implications of most-favored-customer (MFC) clauses in the cable industry. The paper demonstrates that the introduction of a most-favored-customer clause for large buyers may increase their profitability, and that a seller's profits may decrease.

The issues discussed in these two papers are now a part of the record of the FCC's consideration of the pending cable ownership rulemaking proceeding (CS Docket Nos. 98-82, 96-85; MM Docket Nos. 92-264, 94-150, 92-51, 87-154, 16 FCC Rcd 17312 (2001)) and the AT&T-Comcast license transfer proceeding (MB Docket No. 02-70, released March 29, 2002).

The full text of these papers is available at www.fcc.gov/mb or on ECFS.

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