MICHIGAN STATE UNIVERSITY

April 21, 2010

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Ex Parte Communication in MB Docket No. 10-56

Dear Ms. Dortch:

On April 20, 2010, I spoke by telephone with Rebekah Goodheart, Daniel Shiman, Deborah Broderson, William Beckwith, Julie Salovaara, and Jessica Almond of the Media Bureau; Jim Bird, Joel Rabinovitz, and Virginia Metallo of the Office of General Counsel; Erin McGrath of the Wireless Bureau; and Stacey Jordan of the Wireline Bureau. The discussion focused on the Commission's review of the proposed joint venture between Comcast Corporation and NBC Universal, Inc.

James H. and Mary B. Quello Center for Telecommunication Management and Law
Michigan State University
406 Communication Arts and Sciences Building
East Lansing, MI 48824-1212
Tel: (517) 432-8001
FAX: (517) 432-8065
Email: quello@msu.edu
web: http://quello.msu.edu

I provided my views on the current state of the online video market. I noted that Hulu is the leading aggregator of full length video online. I explained that online provision of network programming is still in an experimental stage, and that many content providers are beginning to pull back the amount of content available online by reducing the number of sites offering the programmers' content. I also stated that advertising revenues from online distribution have not been on par with offline advertising revenues, but advertising online is evolving and video sites strategies have been shifting from an initial reliance on banner ads to pre-roll ads (ads that appear before the video starts) and increasingly to ads that play during breaks in the video. I explained that content providers (networks and television stations) currently are balancing the potential benefits of reaching a wider audience (and therefore higher advertising revenues) through online distribution against concerns that online distribution will divert viewers from traditional television broadcasts that yield higher per viewer advertising revenues and ultimately reduced license fees from MVPDs should viewers in substantial numbers find online distribution of video a feasible alternative to programs delivered through traditional channels.

We also discussed the possibility of horizontal harm in markets where both a Comcast regional sports network and an NBC owned and operated station operates. There may be scenarios where the combined company may have more leverage when negotiating with competing MVPDs who want access to programming controlled by the company, but as a matter of economic theory it is not obvious that this would be the case.

With respect to the over-the-air market, I stated that the recent developments in retransmission consent negotiations are moving broadcasters closer to the cable programming model. Broadcasters are beginning to charge cable systems for retransmission agreements, although the per subscriber fee under retransmission agreements is currently much lower than the license fees received by the more popular cable networks. I expect, however, that the broadcaster's fees will over time become closer to the per subscriber fees of popular cable networks. If these developments continue, broadcasters' incentives regarding advertising and carriage on cable systems will more closely resemble those of the current cable channels.

I also explained that the Commission's program access rules created an incentive for competition in the MVPD market. The program access rules have encouraged competition in the United States MVPD market, unlike many other countries where a dominant provider has exclusive access to content and competition in the MVPD market is weaker. I also discussed the possibility, raised during the call, that a similar regime for online access to content could provide a similar incentive to online distributors of content.

Sincerely,

Steve Wildman, Ph.D.

/jdm