Comcast, Charter and Time Warner Cable all say Obama’s net neutrality plan shouldn’t worry investors

By [Brian Fung] December 16, 2014

Last week, a Verizon exec made headlines when he told an investors' conference that strong, federal net neutrality rules designed to police Internet providers won't stop the company from plowing new money into its networks and making them better. The company shortly after clarified its statement, emphasizing that strict regulations in other countries have been shown to depress infrastructure investment. Still, many, including the nation's top telecom regulator, took the initial comments as a sign that Verizon would continue to thrive under strong oversight.

Turns out, Verizon wasn't the only one trying to ease concerns about the FCC's potential aggressive rules. On the same day Verizon was playing down the investment risks of stricter regulation, so too were three other major Internet providers: Comcast, Time Warner Cable and Charter Communications.

Executives from each of the three broadband companies said at an industry conference last week that the prospect of more stringent rules was something they could — grudgingly, in some cases — live with. That signal contrasts sharply with the broader industry's argument in Washington: that aggressive rules would cause new investments to dry up, hurting consumers in the process.

Asked about President Obama's proposal to regulate ISPs with Title II of the Communications Act — the same law regulators currently use to oversee phone companies — Charter chief executive Tom Rutledge said he was surprised by the plan. But, he added, so long as the Federal Communications Commission waived parts of Title II that weren't relevant — a step that even staunch net neutrality advocates support — it would be an acceptable outcome.

"Obviously, forbearance done properly could work and we think the fundamental objective is reasonable," Rutledge said. "It's not like we can't operate in that world and that we don't want to, but we'd rather have a good regulatory regime than a complicated one."

A Charter spokesman did not immediately reply to a request for comment.

Other companies at the conference sought to soothe investor worries about federal regulation of company prices — a fear expressed by some opponents of stricter rules. When UBS analyst John Hodulik asked Time Warner Cable chief executive Robert D. Marcus to discuss that prospect, he said government intervention of that kind was far-fetched.

"You've got potential Title II," said Hodulik, "which, with all the forbearance we're talking about, won't put a cap on anything anytime soon. But does that change your view on how much pricing power you have in that business?"

"It really doesn't," Marcus replied. "No one, Title II proponents and opponents alike, have suggested that whatever the FCC does it should include any component of rate regulation."

A Time Warner Cable spokesman added that regardless of what the FCC does on net neutrality, the company finds the broadband market "very attractive" in the short and long terms.

When Hodulik asked Comcast about Title II and whether strong broadband regulation stood to affect the "long-term [return-on-investment] potential" of Comcast's assets — including Time Warner Cable, which Comcast is seeking to buy — the cable giant brushed off the idea.

"I don't think so yet," said Michael Angelakis, Comcast's vice chairman and chief financial officer, who qualified his remarks by saying the company still opposed Title II as a form of 20th-century-style regulation.

Hodulik pressed for more.

"Do you think it would change how you run the business or your ability to lessen your price flexibility?" he asked. "Are there any sort of day-to-day issues that you think would change as a result of it?"

"I certainly hope not," Angelakis said. "I think the devil would be in the detail and it's too speculative right now to sort of make those kinds of decisions. … We want to invest in infrastructure, we want to invest in broadband, we want that to be an important part of our legacy in terms of how we invest in and build these kinds of things and Title II just is unfortunately a negative."

Angelakis' remarks are the least specific of the three; the executive also made clear his preference for weaker rules. Nevertheless, Angelakis signaled two key things: First, that strong net neutrality rules should not deter investors; and, second, that he would "hope" stronger regulations would not affect short-term operations. Both points could bolster the thinking of FCC Chairman Tom Wheeler, who last week said comments like Verizon's were not a surprise.

A spokesperson for Comcast declined to comment, but referred me to the company's blog posts on the matter. In the wake of Obama's statement on net neutrality, Comcast said it was in agreement with the White House's principles seeking to prevent blocking and slowing of Internet content, but that it disagreed with his preferred policy tool, Title II. (In response to Comcast, Gizmodo wrote a snarky rejoinder "fixing" the corporate statement.)

While Internet providers are expected to sue the FCC if it draws up broadband rules based on Title II, last week's remarks suggest that more than a couple of companies may be bracing — outside the Beltway, at least — for greater oversight. It would be one thing if Verizon were alone in playing down Title II concerns to investors. But four companies? That's interesting.