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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

December 3, 2001

HAND DELIVERY

Ms. Magalie Roman Salas
Secretary, Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

EX PARTE OR LATE FILED

Re: Ex Parte Presentation: Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, CS Docket No. 01-129

Dear Ms. Salas:

On November 30, 2001, James R. Coltharp of Comcast Corporation and I met with William H. Johnson, Marcia Glauberman, Ann Levine, Steve Broechaert, and Karen A. Kosar, all of the Commission's Cable Services Bureau. The purpose of the discussion was to review information and analysis presented in Comcast's comments and reply comments, filed August 3, 2001, and September 5, 2001, respectively. The attached handout – which to some extent updates the data presented in Comcast's formal pleadings – was used as the basis for the discussion.

Pursuant to section 1.1206(b)(2) of the Commission's rules, an original and one copy of this letter are being filed with the Office of the Secretary. A copy of this letter and its enclosure are also being delivered to the other participants in the meeting.

Sincerely,

James L. Casserly

Enclosure

cc: William H. Johnson
Marcia Glauberman
Ann Levine
Steve Broechaert
Karen A. Kosar

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VIDEO COMPETITION AND MARKET DYNAMICS

In 2001, Comcast is responding to video competition by delivering new cable and broadband products, better service through improved clustering, and expanded investment in advanced technologies.

Comcast Corporation:

- Nation's third largest cable operator: More than 8.4 million customers in 26 states.
- Currently 233rd on FORTUNE 500 listing, with $8.2 billion in revenues (2000), and 18,000 employees.
- Wired local exchange service in FL, MD, VA, and MI; long-distance service in 14 states; new business communications unit operating in mid-Atlantic region.
- Comcast's content businesses include E! Networks, Comcast-Spectacor, Comcast SportsNet, The Golf Channel, and Outdoor Life.

Comcast Cable key facts:

- Comcast faces competition from terrestrial competitors in 40% of its markets.
- Comcast faces competition from satellite competitors in 100% of its markets.
- Approximately 85% of Comcast customers are located in 6 geographic clusters, each with more than 200,000 customers. The largest (Mid-Atlantic Super Cluster) serves over 4 millions customers.
- Broadband cable modem service now has over 800,000 customers; available to nearly 10 million homes.
- Expect 2.3 million digital cable customers by year-end 2001; service now available to 97% of customers.

Satellite competition is vigorous and accelerating:

- Over 18% of multi-channel households receive DBS as of 6/30/2001.
- Satellite Home Viewer Improvement Act, passed in 1999, allows DBS to retransmit local TV stations. Together, EchoStar and DirecTV offer local TV signals to 61 million television households.
- DBS adds customers at the rate of more than 9,500 a day.
- 70% of new DBS customers are in areas served by cable.
- DBS is increasingly aggressive in its pricing.
  - DirecTV offers a 105-channel basic package for $31.99.
  - EchoStar offers a 118-channel promotion, with free installation, for only $9.00 a month for customers who pay equipment for $199 and sign up for one year.
- Competition drives DBS to form strategic alliances with partners such as Verizon, SBC, and AOL to deliver bundled packages of communications, entertainment and Internet services.
- With 10 million customers, DirecTV now serves more multi-channel video customers than Comcast. With 6 million customers, EchoStar is bigger than all but the five largest cable operators.

Comcast also faces increasing terrestrial competition:

- RCN, with $1.6 billion in available cash, is providing service in DC, MD, and VA (under the Starpower name) and also in PA, NJ, and other states.
- Knology in Charleston, SC; Panama City, FL; Huntsville, AL; Knoxville, TN; and Augusta, GA.
- WideOpenWest in 16 Michigan communities, continuing cable operations begun by Ameritech.
- New overbuilders and OVS providers: Western Integrated Networks, Everest Communications, Carolina Broadband, Grande Communications, Broadband Connect.

Competitive pressure for the cable industry:

- Competing MVPDs capture over 80% of new customers, and have signed up over 20 million households.
- Cable market share continues to decline, and is down over 5% from 1999.
- DBS has grown from 40,000 customers in 1994 to well over 16 million today.

COMCAST'S COMPETITIVE RESPONSE

New Product ⇒ Digital Cable Service:

- Comcast Digital Cable offers more than 170 digital channels of programming with CD quality sound to 97% of its customers with more than 1.84 million customers at mid-year 2001.
- Digital services offers 35 premium movie, 38 pay-per-view, and 40 commercial free digital music channels.
- Digital Plus Tier offers over 280 analog and digital channels, including 45 premium channels.
- Interactive screen guide allows customers to search for programs by title, time, channel or category.

New Product ⇒ Comcast@Home **High-Speed Internet services:**

- 792,700 cable modem customers as of 9/30/01, with recent growth of 9000 per week.
- Available to nearly 10 million homes, with penetration rate closing on 10%.

New Product ⇒ Telephony:

- Comcast provides (1) circuit-switched local exchange service to residential customers, including MDUs, in MI, MD, VA and FL; and (2) interexchange service to business and residential customers in 14 states.
- Comcast Business Communications is offering service and building out its network in central and northern New Jersey, Philadelphia, Delaware, and Detroit.
- Comcast is a leader in developing IP telephony through PacketCable, which is likely to emerge as the leading multimedia delivery mechanism. Currently conducting a technology trial in New Jersey.

New Products on the Horizon:

- Comcast launched Video-On-Demand in 2001 and expects to reach over 2 million homes by year end.
- Interactive TV will be available by year-end 2002.

Clustering:

- Enables more efficient use of resources to provide high quality video programming, improved customer service, and competitive and reasonable prices.
- Clustering yields economic benefits: fewer headends, more effective marketing and branding capability, and increasing network reliability while lowering maintenance expenses.
- Regional programming like CN8 – made possible by clustering – reaches over 3 million customers in Mid-Atlantic area, providing the quality local programming that broadcast stations are less willing to provide.

Comcast has spent $5 billion for fiber optics and system upgrades over the past five years:

- By YE 01, 95% of customers will be served by systems of 550 MHz or greater, and 80% of customers by systems of 750 MHz or greater;
- Every month, Comcast upgrades plant serving approximately 250,000 homes.

Comcast structures program service offerings to offer three or more levels of service:

- Low-priced basic service for $9-12; includes local broadcast stations plus C-SPAN.
- CPS Tier generally includes services such as ESPN, CNN, Discovery, MTV, A&E…priced $25-$30.
- New Product Tier – at least one optional tier offering 8-9 new programming services, averaging $5-8.

ECONOMIC CHANGE—Cable's rising inputs are unlike declining costs for telephone and computer industries:

- Increased capital spending—with industry consolidation, acquired systems often need substantial investment.
- Costs for original programming and sports continue to increase by 15-20% a year.

COMMUNITIES--Comcast strengthens roots through services to schools and libraries:

- Comcast led cable industry commitment to provide schools with free high-speed cable Internet service.
- Over 1200 schools and 200 libraries are receiving free cable Internet service from Comcast.
- Comcast offers free Internet training for parents, students, educators and seniors. Comcast Technology Academy, partnering with Cable in the Classroom, has trained over 1500 teachers in the D.C. metro area.