

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
Second Periodic Review of the)	MB Docket No. 03-15
Commission's Rules and Policies)	
Affecting the Conversion)	RM 9832
To Digital Television)	
)	
Public Interest Obligations of TV)	MM Docket No. 99-360
Broadcast Licensees)	
)	
Children's Television Obligations of)	MM Docket No. 00-167
Digital Television Broadcasters)	
)	
Standardized and Enhanced Disclosure)	MM Docket No. 00-168
Requirements for Television Broadcast Licensee)	
Public Interest Obligations)	

COMMENTS OF COMCAST CORPORATION

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COMMENTS OF COMCAST CORPORATION

Comcast Corporation ("Comcast") hereby submits these comments in response to the *Notice* in the above-captioned proceeding.¹

I. INTRODUCTION AND SUMMARY

The Commission invited comment in this proceeding on the cable industry's deployment of digital facilities, programming, and equipment.² As discussed below, Comcast has made very significant investments upgrading its cable systems and associated equipment to provide HDTV

¹ See *In the Matter of Second Periodic Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television*, Notice of Proposed Rulemaking, 18 FCC Rcd. 1279 (rel. Jan. 10, 2003) ("*Notice*").

² *Id.* ¶¶ 20-22.

and other advanced digital services, and these services are meeting with remarkable success among consumers. Consider the following:

- **Investment in digital facilities.** Over \$20 billion has been invested over the last seven years in upgrading cable systems Comcast now owns, including the former AT&T Broadband systems. We have also budgeted an additional \$1.2 billion in capital improvements through the end of 2003, so that 94% of our cable plant can provide two-way digital and high-speed Internet services, up from 82% at the end of last year.
- **Digital cable service.** We have over 6.6 million digital cable customers (approximately 31% of our customer base³) and are adding 30,000 new digital customers *per week*. Our digital service consists of up to 250 programming channels, including 35 premium movie, 38 pay-per-view, and 45 commercial-free digital music channels, an interactive program guide, and a parental control option that enables parents to control what their children can watch.
- **HDTV offerings.** We have rolled out a new HDTV service that is now available to 15.7 million homes (approximately 40% of the homes passed by Comcast cable systems⁴). The service, which includes HDTV programming from the major broadcast networks, public television, and leading cable programmers, is now available in areas that we serve in several major television markets, including the New York, Philadelphia, Boston, Washington, D.C., Atlanta, Detroit, Seattle, Tampa/Sarasota, Baltimore, Indianapolis, Nashville, Central Pennsylvania, Jacksonville, Knoxville, Flint, and Ft. Myers/Naples markets.
- **VOD.** We have made available video-on-demand (“VOD”) capabilities, known as Comcast ON DEMAND, to over 7.5 million homes (approximately 19% of the homes passed by Comcast cable systems) in twelve states: Alabama, California, Georgia, Indiana, Maryland, Michigan, New Jersey, New Mexico, Oregon, Pennsylvania, South Carolina, and Virginia. We plan to make VOD available to over half of our customers by year-end.

Comcast has also taken a leading role in negotiating the landmark plug-and-play agreement between the cable and consumer electronics industries. As detailed in our comments

³ As of December 31, 2002, our consolidated cable systems served 21.3 million customers in 41 states. *See* Comcast Corporation, Securities and Exchange Commission Form 10-K, at 4 (Mar. 20, 2003) (“*Comcast 10-K*”).

⁴ *See id.* (noting that Comcast cable systems passed over 39 million homes as of December 31, 2002).

in the Commission's plug-and-play proceeding, this agreement will create the technical, marketplace, and regulatory certainty necessary to hasten consumer acceptance and rollout of digital products and services, and thereby accelerate the transition to digital television. We have already placed orders for the high-definition set-top boxes and other equipment necessary to implement this agreement, and are pursuing several initiatives with leading consumer electronics retailers to sell high-definition equipment and cable service in retail outlets. Retail is critical to our efforts to compete more effectively against the DBS industry, which has historically enjoyed great success in selling its products and services at retail outlets. We are firmly committed to making the retail deployment of one-way and two-way digital cable-ready devices a reality.

In short, Comcast, along with other cable companies, is leading the charge on many fronts to accelerate the DTV transition. We will continue to do all we can to achieve this important goal.

II. COMCAST HAS MADE SUBSTANTIAL INVESTMENTS IN THE DEPLOYMENT OF DIGITAL CABLE FACILITIES, SERVICES, AND EQUIPMENT.

Digital service offerings are critical to remaining competitive in the multichannel video programming distribution market. Our DBS competitors have built a thriving digital business, and continue to launch new services and equipment, such as VOD, HDTV, and DVR-enabled set-top boxes, that compete directly with our own digital offerings. In short, we face a business imperative to meet this competitive challenge by investing in our cable systems and cable services so that we can provide consumers with a compelling product. We are making that investment, and our digital services are meeting with strong consumer acceptance.

A. Comcast Has Made Substantial Investments Upgrading Its Cable Systems To Support Digital Services.

The *Notice* requests comment on the progress that cable operators have made in “constructing facilities and deploying the equipment necessary to carry digital television programming, including HDTV.”⁵ Over \$20 billion has been invested over the last seven years in upgrading cable systems Comcast now owns, including the former AT&T Broadband systems, to make those systems capable of delivering digital and other advanced services. We have also budgeted an additional \$1.2 billion in capital improvements through the end of 2003, so that 94% of our cable plant will have a capacity of at least 550 MHz and be capable of providing two-way digital and high-speed Internet services, up from 82% at the end of last year.

We are now rapidly upgrading the former AT&T Broadband cable systems. Prior to our acquisition of AT&T Broadband, 95% of our cable customers were served by two-way cable systems with a capacity of at least 550 MHz and 86% with a capacity of at least 750 MHz.⁶ In contrast, only 73% of the former AT&T Broadband plant had been upgraded to 550 MHz or greater at the time the merger closed. Over the next two years, we will invest more than \$2 billion to rebuild approximately 67,000 miles of cable plant in the systems acquired from AT&T Broadband. As a result, the former AT&T Broadband plant will be 90% upgraded by year-end 2003 and 97% upgraded by year-end 2004.

⁵ *Notice* ¶ 20.

⁶ See *Comcast 10-K* at 4. See also Press Release, *Comcast Full Year and Fourth Quarter Results Meet or Exceed All Operating and Financial Goals*, at 3-4 (Feb. 27, 2003) (“*Comcast 4Q02 Statement*”).

B. **Subscribership To Comcast’s Digital Cable Service Continues To Enjoy Remarkable Growth.**

Customer response to our digital services has been extremely favorable. Today, over 6.6 million customers, or 31% of our customer base, subscribe to our digital service.⁷ This is an increase of 1.5 million customers over last year, and we continue to add approximately 30,000 new digital customers every week. We project that our total number of digital customers will rise to at least 7.5 million by the end of this year.⁸ Our digital service features up to 250 programming channels, an interactive program guide that allows customers to easily search for programs by title, time, channel, or category, and a parental control option that enables parents to control what their children can watch.

C. **Comcast Has Launched HDTV In Most Major Markets.**

Comcast was among the first cable companies to offer HDTV programming when it launched the service to 1.3 million Philadelphia customers in November 2001. In 2002, we joined the cable industry in a commitment to Chairman Powell to expedite the introduction of HDTV services in our major markets.⁹ HDTV service has been launched on upgraded cable

⁷ See Comcast Press Release, *Comcast Provides Strong Financial Outlook*, at 2 (Feb. 27, 2003) (“*Comcast Financial Outlook*”). As for the cable industry as a whole, more than 25% of cable customers now receive digital cable service. See NCTA, *Cable & Telecommunications Industry Overview 2002 Year-End*, at 4 (2002), available at http://www.ncta.com/pdf_files/YERDraft.pdf.

⁸ See *Comcast Financial Outlook* at 1.

⁹ See Letter from Robert Sachs, NCTA, to FCC Chairman Michael Powell (May 1, 2002), available at http://www.ncta.com/pdf_files/ResponsetoPowellPlan.pdf (committing the ten largest cable operators to offer to carry HDTV and other value-added digital programming on cable systems with more than 25,000 customers and activated channel capacity of at least 750 MHz in the top 100 markets by January 1, 2003) (“*MSO Commitment Letter*”).

systems in our major service areas, and (as of March 2003) is now offered to 15.7 million homes (approximately 40% of the homes passed by Comcast cable systems) in the New York, Philadelphia, Boston, Washington, D.C., Atlanta, Detroit, Seattle, Tampa/Sarasota, Baltimore, Indianapolis, Nashville, Central Pennsylvania (including Carlisle, Harrisburg, Hershey, Lancaster, and Lebanon), Knoxville, Flint, and Ft. Myers/Naples television markets.¹⁰ In addition, we just launched the service in Jacksonville,¹¹ and plan to offer it in several more major markets in the next couple of months.¹² We do not charge an additional monthly fee to access broadcast HDTV programming (although customers currently must lease a special high-definition-equipped set-top box to receive the programming).¹³ Currently, 53,000 customers have obtained the set-top boxes needed to receive HDTV programming.

Comcast's HDTV service includes programming from three broadcast networks (ABC, CBS, NBC), public television, and several cable programmers, such as HBO, Showtime, and Comcast SportsNet, with some variations from market to market. In the Philadelphia and Baltimore/Washington, D.C. markets, Comcast SportsNet will offer more than 200 professional sporting events in HDTV this year, including games featuring the Philadelphia Phillies, Flyers,

¹⁰ See http://www.cmcsk.com/pressroom/cable_hdtv.cfm (last visited Apr. 4, 2003).

¹¹ See Earl Daniels, *Comcast To Offer High-Definition Television Access In Jacksonville, Fla. Area*, Florida Times-Union, Apr. 8, 2003.

¹² *Comcast 4Q02 Statement* at 3. The cable industry as a whole is offering high-definition programming in 73 of the top 100 DMAs, including 17 of the top 20 DMAs. See Robert Sachs, President & CEO, NCTA, *Cable New Season*, Remarks to the CTPAA Forum 2003, Washington, D.C. (Apr. 1, 2003).

¹³ See http://www.cmcsk.com/pressroom/cable_hdtv.cfm (last visited Apr. 4, 2003) and http://www.cmcsk.com/pressroom/cable_ondemand.cfm (last visited Apr. 4, 2003).

and 76ers, the Baltimore Orioles,¹⁴ and the Washington Wizards and Capitals.¹⁵ Comcast believes that adding high-definition content to our digital cable service will increase consumer interest in our digital services, particularly since our competitors are taking the same approach.¹⁶ Therefore, we continue to work with leading cable and broadcast programmers to expand our HDTV content offerings.

We have devoted considerable effort and resources to negotiating digital carriage agreements with local public television stations. We appreciate the efforts by many public television stations to develop innovative, quality digital programming services for children, educators, and the general public, and those offerings can be an important part of our digital programming mix. At this time, Comcast carries or has an agreement to carry the digital signals of six leading public television stations -- WNET (New York), WHYY (Philadelphia), WETA (Washington, D.C.), WTVS (Detroit), WFYI (Indianapolis), and WITF (Harrisburg) -- to approximately 4.8 million homes.¹⁷ These stations cover four of the top ten largest television

¹⁴ Comcast SportsNet plans to broadcast 34 Baltimore Orioles games in high-definition this year. *See Comcast to Broadcast O's in HDTV*, Wash. Bus. J. (Apr. 2, 2003).

¹⁵ *See* http://www.cmcsk.com/pressroom/cable_hdtv.cfm (last visited Apr. 4, 2003).

¹⁶ EchoStar's and DirecTV's HDTV services include several full-time channels, a pay-per-view channel, and select sports events. *See* <http://www.dishnetwork.com/content/products/hdtv/index.shtml> (last visited Apr. 8, 2003); <http://www.directv.com/DTVAPP/imagine/HDTV.jsp> (last visited Apr. 8, 2003).

¹⁷ Consistent with our voluntary commitment under Chairman Powell's Voluntary DTV Initiative, we are also prepared to carry certain value-added digital programming that is not in HDTV format. For example, Comcast began carrying WETA's digital multicast services in the Greater Washington area last year. Comcast carries WETA's day-time multicast including: WETA Kids (children's programming), WETA Plus (education programming for adults), WETA Simulcast (a simulcast of WETA's analog channel), and WETA Prime (special programming with each day featuring a different theme). From 8:00 P.M. until midnight, Comcast carries the
(footnote continued...)

markets. We are also working to complete digital carriage agreements with other public television stations that would reach an additional two million homes.¹⁸

D. Comcast Is Also A Leading Provider Of VOD.

In addition to its HDTV offerings, Comcast provides VOD capabilities to its digital customers. Comcast ON DEMAND enables customers to use their remote controls to rewind, fast forward, and pause programs, and store selections for up to 24 hours from the time of ordering. Comcast makes VOD available to nearly 7.5 million homes in Alabama, California, Georgia, Indiana, Maryland, Michigan, New Jersey, New Mexico, Oregon, Pennsylvania, South Carolina, and Virginia,¹⁹ and we plan to offer VOD to over half of our customers by the end of this year.²⁰

Comcast ON DEMAND offers our digital customers a rich array of programming choices. Some of these options, such as pay-per-view movies, are offered for a fee. However, Comcast also delivers other VOD content at no additional charge, in cooperation with rights holders, as a means of driving sales of digital video service.²¹ In the Philadelphia and

(...footnote continued)

WETA HD Showcase (high-definition programming featuring art, entertainment, and performances). See <http://www.weta.org/tv/dtv/> (last visited Apr. 4, 2003). Comcast is also carrying WNET's "Kids Thirteen" digital multicast service in northern and central New Jersey.

¹⁸ We have concluded at this time that market-by-market negotiations with public broadcasting stations will be the most effective way to expedite our carriage of digital public TV services.

¹⁹ See http://www.cmcsk.com/pressroom/cable_ondemand.cfm (last visited Apr. 4, 2003).

²⁰ *Comcast 4Q02 Statement* at 3.

²¹ See Matt Richtel, *Technology Battle Between Satellite Operators and Cable*, N.Y. Times, Apr. 15, 2003 (explaining that Comcast VOD customers have access to "about 1,000 hours of (footnote continued...)

central/northern New Jersey areas, for example, Comcast offers free VOD content from several leading programmers, including: A&E Television Networks, BBC America, Bloomberg, Comcast SportsNet (Philadelphia only), Comedy Central, Court TV, C-SPAN, Fox Cable Networks Group, the Golf Channel, NBC, Outdoor Life Network, PRIMEDIA, Scripps Networks, the Sundance Channel, Turner Broadcasting System, Anime Network, Atom Television, and WISDOM Television.²² We are exploring VOD partnerships with numerous other programmers, to further enhance the appeal of our digital services to our customers. In addition, subscribers to premium services like Showtime and The Movie Channel can now use VOD capabilities to view movies on The Movie Channel and past episodes of individual Showtime programs like “Flipper” and “Soul Food” at no extra charge.

E. Comcast Has Taken A Leading Role In Promoting The Availability -- Including The Retail Availability -- Of Digital Set-Top Boxes And Digital Cable-Ready Equipment.

Finally, the *Notice* requests comment about the general availability of digital consumer equipment, including cable-ready devices.²³ Consistent with the cable industry’s commitments

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free on-demand programming from channels like Comedy Central and Biography”); *see also* Matt Stump, *Comcast’s Watson Cooks Up VOD*, Multichannel News, July 15, 2002 (quoting Comcast executive Dave Watson regarding Comcast ON DEMAND: “We have significantly boosted the amount of free content we expect to deploy. . . . We think the best solution is to not charge incrementally for the on-demand component of the programming.”).

²² See Comcast Press Release, *Comcast Announces Additional Content Partners for Video On Demand Service in Philadelphia* (Jan. 17, 2003).

²³ See *Notice* ¶ 22.

in support of Chairman Powell's Voluntary DTV Initiative,²⁴ Comcast has placed orders for high-definition set-top boxes that include a DVI digital connector, and we expect delivery of these boxes later this year.²⁵ Moreover, we have played a leading role in negotiating the recent plug-and-play agreement between the cable and consumer electronics industries, which will facilitate the commercial availability of one-way digital cable-ready high-definition television sets and other devices. We strongly support the agreement -- as well as follow-on negotiations to establish solutions for two-way devices -- and have urged the Commission to adopt the proposed rules to implement the agreement.²⁶

As we detailed in our comments in the Commission's plug-and-play proceeding, we already comply with key elements of the agreement. With respect to digital equipment issues, we have placed orders for quantities of special security devices, known as "point-of-deployment" ("POD") modules, that will enable customers to receive encrypted programming on their cable-ready devices, and we also plan to place orders for next-generation high-definition set-top boxes that will include *both* the DVI *and* 1394 connectors, consistent with the agreement.²⁷ Comcast is also working with established and new consumer electronics companies to develop innovative, cable-ready equipment options to receive one-way and two-way digital cable services. For

²⁴ See *MSO Commitment Letter* (committing leading cable operators "to place orders for integrated high-definition set-top boxes with digital connectors and provide these boxes to customers who request them as soon as the boxes are obtained from manufacturers").

²⁵ See Comcast Comments, filed in CS Dkt. No. 97-80, at 15 (Mar. 28, 2003).

²⁶ See *id.* at 1-4.

²⁷ See *id.* at 15.

example, Comcast has an agreement with Pace to purchase 300,000 digital gateway devices over a three-year period, and shipments have recently begun.²⁸

In addition, successful implementation of the plug-and-play agreement will help us to build on the relationships we already have with leading consumer electronics manufacturers and retailers for the marketing of digital equipment and services at retail. For example, we established a successful partnership with Best Buy last year to offer our high-definition digital cable service at Best Buy stores in Philadelphia, and we have recently expanded that arrangement into four new markets, including Nashville, Baltimore, Knoxville, and Washington, D.C. Under the program, a total of 31 Best Buy stores will sell HDTV sets and Comcast digital cable service using a co-branded sales activation kit. The kit, which sells for \$79.99 (and includes a total of \$250 in promotional items), is free when customers subscribe to Comcast's digital cable service and purchase an HDTV set from Best Buy. The kit includes free service installation, two months of free HBO and Showtime in HDTV, and several pay-per-view movie coupons. The offer is available to new Comcast digital cable customers, including those upgrading from Comcast analog cable service.²⁹ We are also in the process of finalizing similar marketing arrangements with other retailers.³⁰

²⁸ See Karen Brown, *Comcast Picks Up Shipment Pace*, Multichannel News, Mar. 25, 2003.

²⁹ See Comcast Press Release, *Comcast And Best Buy Expand Philadelphia Retail Program For HDTV And Digital Cable To New Markets* (Apr. 8, 2003) (also noting that customers can sign up for Comcast's digital cable service as a standalone service for \$29.99 at Philadelphia area stores). We also run extensive cross-channel promotions for HDTV and our digital cable services.

³⁰ Our company also has a strong track record of promoting our high-speed Internet service and consumer purchase of cable modems at retail in partnership with leading retail outlets,
(footnote continued...)

III. CONCLUSION

As these comments demonstrate, Comcast has made substantial investments in the deployment of digital facilities, programming services, and equipment. These investments are serving the public interest by expanding consumers' options for new digital programming and equipment, increasing competition between cable and its competitors, and ultimately hastening the transition to digital television. We are committed to digital technology, and will continue to take the steps necessary to meet growing customer demand for new digital products and services.

Respectfully submitted,

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(...footnote continued)

including Best Buy, Circuit City, Radio Shack, CompUSA, and Office Depot. Our high-speed Internet service supports cable modems from a wide range of modem suppliers.