market. Our regional market consolidation has allowed us to make some very limited inroads. But we are unable to compete as we would like, even in our own franchise areas, because we lack area-wide connectivity. If NET continues to have universal connectivity throughout New England, and cable is required to be fragmented by FCC regulations, there will never be competition between cable and telephone companies in this segment of the video marketplace, much less in alternate voice and data carriage. The FCC should not handicap one player while other competitors are highly concentrated on a regional basis.

If the Commission were to establish regional size limits, it should define a "region" as no smaller than the size of a Regional Bell Operating Company service area. If for the purposes of the break-up of AT&T it was felt that it was sufficient to create entities with regional concentration in markets of this size, it should be an adequate market within which a cable operator can expand its clustered systems. This is a size test that has withstood the rigorous competitive analysis of the Modified Final Judgment. Moreover, within such a region, a cable operator will need a very significant subscriber base to compete effectively with the regional BOC, particularly if that

BOC is allowed to provide "video dial tone" service in competition with cable.[14/]

Whether MSO ownership restrictions at the national level are necessary to assure the promise of a competitive video marketplace is an appropriate question for the FCC to address, given clear Congressional directions on this issue. But imposing regional ownership restrictions would foster nothing more than a continuation of the local exchange monopoly and long term erosion of the cable industry in what otherwise could be a promising competitive era in the 1990s.

Conclusion

The FCC should strive to foster the development of new technologies, and the resulting consumer services, while

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[14/] The FCC has recognized the critical nature of clustering to meeet competition in the area of cellular telephone service. In approving sales of small non-wireline cellular permits the FCC stated:

> Many permittees in various proceedings have stated that it is not economically feasible to operate their originally proposed stand-alone systems because they cannot attain the economies of scale achievable by operating wide-area systems.... Thus, allowing for-profit sales of unbuilt authorizations is likely to reduce costs to the public because carriers operating wide-area systems will be able to operate the systems more efficiently, without having to rebuild incompatible systems, which in turn will allow them to compete better.

In re Bill Welch, 3 FCC Rcd. 6502, 6504 (1988).

encouraging a truly competitive telecommunications marketplace. We therefore urge the Commission not to place constraints on cable operators' ability to cluster systems regionally. This will bring substantial consumer benefits, and is the only possible way for the competition the FCC desires to develop and thrive.

Respectfully submitted,

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