

TABLE OF CONTENTS

	<u>Page</u>
I. THE COMMISSION SHOULD RECOGNIZE THAT EXCLUSIVE CONTRACTS BENEFIT CONSUMERS BY ALLOWING COMPETITIVE MVPDS TO ENTER A VIDEO SERVICES MARKET DOMINATED BY ENTRENCHED MONOPOLY PROVIDERS.....	2
II. PRIVATE NEGOTIATIONS, RATHER THAN AN FCC MANDATE, SHOULD DETERMINE THE APPROPRIATE LENGTH OF EXCLUSIVE CONTRACTS BETWEEN COMPETITIVE MVPDS AND MDU BUILDING OWNERS.....	7
III. THE RECORD SUPPORTS ADOPTION OF A LIMITED “FRESH LOOK” POLICY FOR CONTRACTS ENTERED INTO IN THE ABSENCE OF EFFECTIVE COMPETITION	9
A. The FCC’s Fresh Look Policy Must Provide a Meaningful Opportunity For Competitive Entry and Accommodate the Needs of Different Video Delivery Options.....	9
B. A Limited Reevaluation of Existing Agreements is Justified.....	11
IV. GTE AGREES THAT THE TECHNICAL AND OPERATIONAL ISSUES ASSOCIATED WITH SHARING HOME RUN WIRING ARE INSURMOUNTABLE AT THE PRESENT TIME	13
V. CONCLUSION	15

SUMMARY

As members of Congress and the Commission recognize, the video distribution market remains dominated by incumbent cable operators, and consumers in most markets have yet to realize the benefits of competition. By adopting its wiring disposition framework, the Commission has taken an important first step to promote competition from new entrants for multiple dwelling unit ("MDU") building residents. In GTE's view, the ultimate success of this framework and the ability of new entrants to serve as a credible, competitive threat to entrenched providers largely also will depend on the decisions made in this proceeding concerning exclusive contracts.

In order to achieve the goal of increased competition, GTE first recommends that the Commission ensure that private negotiations determine the length of exclusive contracts signed by competitive multichannel video programming distributors ("MVPDs") and MDU building owners. New entrants require the ability to enter exclusive contracts without the imposition of artificially-imposed limits to justify the substantial up-front investment and risk associated with providing service to customers in a market dominated by incumbent providers. Where competition exists, exclusive arrangements can serve useful and rational business purposes, in contrast to the anticompetitive concerns raised by exclusive contracts entered into with a monopoly provider. The Commission should refrain from limiting this effective competitive tool, which could impede the very competition that the agency seeks to foster.

In addition, GTE supports those parties asking the Commission to adopt a limited "fresh look" policy to ensure that existing, perpetual exclusive contracts do not stand in the way of competition. In particular, GTE recommends that such a policy apply only to

perpetual exclusive contracts signed where competition did not exist and that building owners have the discretion to choose whether to reevaluate an existing agreement. Further, the “fresh look” window should commence immediately upon adoption of rules in this proceeding and close in a particular franchise area five years after a regulatory decision finding that “effective competition” exists for that area. This limited exception to permitting exclusive contracts will ensure that building owners are presented with real competitive choices, rather than being locked into deals they made when no alternative existed.

Lastly, GTE urges the Commission to decline to adopt a rule that requires MVPDs to share cable wiring facilities within an MDU building. Such sharing is not technically feasible at the present time and would raise numerous implementation problems. These concerns -- such as the allocation of bandwidth on a single facility and limits on system expansion -- make adoption of a sharing requirement impractical and contrary to the public interest.

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Telecommunications Services)	
Inside Wiring)	CS Docket No. 95-184
)	
)	
Customer Premises Equipment)	
)	
)	
In the Matter of)	
)	
Implementation of the Cable)	MM Docket No. 92-260
Television Consumer Protection)	
and Competition Act of 1992)	
)	
)	
Cable Home Wiring)	

**REPLY COMMENTS OF
GTE SERVICE CORPORATION**

GTE Service Corporation, on behalf of its affiliated domestic telephone and video service companies (collectively "GTE")¹ hereby files its reply comments in response to the *Second Further Notice of Proposed Rulemaking* issued in the above-captioned dockets.² In GTE's view, this proceeding presents the Commission with a unique

¹ GTE Alaska, Incorporated, GTE Arkansas Incorporated, GTE California Incorporated, GTE Florida Incorporated, GTE Hawaiian Telephone Company Incorporated, The Micronesian Telecommunications Corporation, GTE Midwest Incorporated, GTE North Incorporated, GTE Northwest Incorporated, GTE South Incorporated, GTE Southwest Incorporated, Contel of Minnesota, Inc., Contel of the South, Inc., GTE Communications Corporation, and GTE Media Ventures, Inc.

² *In the Matter of Telecommunications Services Inside Wiring*, CS Docket No. 95-184, MM Docket No. 92-260 (Report and Order and Second Further Notice of Proposed Rulemaking) (rel. Oct. 17, 1997) ("*Further Notice*").

opportunity to encourage meaningful competition with incumbent cable operators. To realize the full benefit of this competition, however, the Commission must not adopt regulations that hinder new entrants' ability to compete.

To this end, the Commission should allow private negotiations to govern the duration of future exclusive contracts between competitive multichannel video programming distributors ("MVPDs") and multiple dwelling unit ("MDU") building owners. Permitting such contracts promotes competition with entrenched, incumbent operators by enabling new entrants to justify the substantial up-front investment necessary to serve customers in MDUs. In order to ensure that all consumers are able to receive the benefits of emerging competition, the Commission also should adopt a limited "fresh look" policy for perpetual, exclusive contracts signed by incumbent cable operators when effective competition did not exist.

I. THE COMMISSION SHOULD RECOGNIZE THAT EXCLUSIVE CONTRACTS BENEFIT CONSUMERS BY ALLOWING COMPETITIVE MVPDS TO ENTER A VIDEO SERVICES MARKET DOMINATED BY ENTRENCHED MONOPOLY PROVIDERS

The Commission has a unique opportunity in this proceeding to meaningfully promote increased competition in the video distribution marketplace by not hampering new entrants' ability to overcome incumbent operators' inherent market advantages. GTE maintains that the rules developed in this proceeding will be extremely significant in determining the extent to which new entrants will be able to compete against incumbent operators for MDU subscribers. Chairman William E. Kennard has noted, "it is clear that broad-based, widespread competition to the cable industry has not

developed and is not imminent.”³ Members of Congress and other FCC Commissioners also have expressed this same concern.⁴ GTE agrees with Chairman Kennard's statement that “[t]enants would see more choice and better prices if an incumbent faced a competitive environment sooner.”⁵ Accordingly, it is imperative that the Commission not develop rules -- such as imposing limits on exclusive contracts for competitive MVPDs -- that hinder a new entrant's ability to compete with an incumbent provider and deliver competitive choices to MDU residents.

Throughout this proceeding, GTE has maintained that exclusive contracts between “competitive MVPDs”⁶ and MDU building owners benefit consumers.⁷ The

³ Separate Statement of Chairman William E. Kennard, *In the Matter of Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming*, CS Docket 97-141, FCC 97-423, at 1 (rel. Jan. 13, 1998) (“1998 Video Competition Report”).

⁴ See, e.g., *Markey Introduces Cable Regulation Sunset Bill*, *Communications Daily*, Feb. 26, 1998, at 5; Seth Schiesel, *Cable TV Lacks Competition*, *F.C.C. Notes*, *N.Y. Times*, Jan. 14, 1998 at D6; Paige Albinak, *Deregulation Derailed*, *Broadcasting & Cable*, Nov. 10, 1997, at 64; Jube Shiver, *FCC Sends 'Red Flare'*, *Los Angeles Times*, Jan. 14, 1998, at A1; Separate Statement of Commissioner Gloria Tristani, *1998 Video Competition Report*, at 1-2.

⁵ Separate Statement of Chairman Kennard, *1998 Video Competition Report*, at 4.

⁶ For purposes of these reply comments, as GTE stated in its initial comments, the term “competitive MVPD” refers to cable operators subject to “effective competition” under Section 623(l)(1) of the Act and all other non-cable operator MVPDs as defined by Section 602(13) of the Act. See 47 U.S.C. §§ 543(l)(1), 522(13); see also 47 C.F.R. § 76.905(d).

⁷ See, e.g., *Ex Parte* Letter from Whitney Hatch, V.P. Regulatory Affairs, GTE Service Corporation to Ms. Meredith Jones, Chief, Cable Services Bureau, Federal Communications Commission, CS Docket No. 95-184, at 1-2 (filed Feb. 7, 1997); *Ex Parte* Letter from Whitney Hatch, V.P. Regulatory Affairs, GTE Service Corporation to Mr. William F. Caton, Acting Secretary, Federal Communications Commission, CS

(Continued...)

costs and risks associated with market entry against an entrenched, monopoly provider are significant. Exclusive contracts enable new entrants to serve customers by justifying the substantial up-front investment necessary to provide service and to ensure that such costs may be recovered in the future. GTE thus believes that exclusive contracts play an important role in jump starting competition and allowing subscribers to benefit from new, competitive MVPD services.

The record in this proceeding provides ample evidence of the pro-consumer benefits that flow from exclusive contracts between competitive MVPDs and MDU owners. Most significantly, two organizations representing customers wish to retain the ability to enter into exclusive contracts and describe the benefits of such arrangements. The Community Associations Institute ("CAI"), an association representing community homeowner associations and condominium, cooperative and planned community residents, explains that, without the option of entering into an exclusive contract, "community associations and their residents are occasionally unable to attract certain telecommunications providers at all or secure favorable rates for residents."⁸ In summarizing the benefits of such agreements, CAI states:

it is worthwhile to recognize that an exclusive agreement in a competitive environment may also return significant benefits to residents who are able to secure high quality services and lower prices because of the prospect of an exclusive contract. In fact, homeowners may actually receive more

(...Continued)

Docket No. 95-184, at 1-2 (filed May 15, 1997); Comments of GTE Service Corporation, CS Docket No. 95-184, MM Docket No. 92-260, at 13-15 (filed Dec. 23, 1997).

⁸ Comments of the Community Associations Institute, CS Docket No. 95-184, MM Docket No. 92-260, at 3 (filed Dec. 23, 1997) ("CAI Comments").

benefits from an exclusive contract in a competitive environment than they might otherwise in a monopolistic arena since providers would need to compete vigorously to secure any such agreement – competition that does not exist when only one provider is available.⁹

Echoing this concern, the Building Owners and Managers Association International, *et al.*, explains that without the right to enter into exclusive contracts “many buildings might not have any kind of video programming service” and that “many building owners would be forced to deal with the incumbent cable operator and nobody else.”¹⁰

New entrants also describe the importance of exclusive contracts as they seek to justify providing new service to consumers in a market dominated by incumbent providers. For example, the Independent Cable and Telecommunications Association (“ICTA”) explains that exclusive contracts are necessary to allow private cable operators and other competitive MVPDs to attract the “investment and secure the *long-term* financing necessary to initiate operations and present meaningful *long-term* competition to franchised operators” throughout a franchise area.¹¹ Likewise, the Wireless Cable Association International, Inc. (“WCA”) notes that it is “a basic economic fact that in many cases alternative MVPDs will not be able to incur the cost of entry into

⁹ *Id.* at 4.

¹⁰ Joint Comments of the Building Owners and Managers Association International, *et al.*, CS Docket No. 95-184, MM Docket No. 92-260, at 3-4 (filed Dec. 23, 1997) (“Building Owners and Managers Association Comments”).

¹¹ Comments of the Independent Cable and Telecommunications Association, CS Docket No. 95-184, MM Docket No. 92-260, at 5-6 (filed Dec. 23, 1997) (“ICTA Comments”).

a particular MDU building absent exclusivity,” a concern which it points out may become even more acute as wireless providers are permitted to migrate to new, more expensive digital systems.¹² The Commission thus should recognize the concerns of both residents and providers by not limiting exclusive contracts where there are competitive alternatives.

Further, GTE disagrees with CableVision, the National Cable Television Association (“NCTA”) and other incumbent providers who argue that any rule regarding exclusive contracts must apply uniformly to all providers.¹³ Title VI establishes a different regulatory scheme where market participants are not subject to effective competition and where there are other unique circumstances, such as system size.¹⁴ As noted above, the role that exclusive contracts play in the MDU video distribution marketplace raises different competitive concerns depending on whether the provider is subject to effective competition. While incumbents may use exclusive contracts to retain their monopoly position and exclude competition, new entrants need exclusive contracts in order to gain a foothold in the marketplace and justify the substantial

¹² Comments of Wireless Cable Association International, Inc., CS Docket No. 95-184, MM Docket No. 92-260, at 5-8 (filed Dec. 23, 1997) (“WCA Comments”).

¹³ See Comments of CableVision Communications, Inc., CS Docket No. 95-184, MM Docket No. 92-260, at 2-4 (filed Dec. 23, 1997) (“CableVision Comments”); Comments of the National Cable Television Association, CS Docket No. 95-184, MM Docket No. 92-260, at 5-7 (filed Dec. 23, 1997) (“NCTA Comments”).

¹⁴ See, e.g., 47 U.S.C. § 543(b) (rate regulatory authority exists where “effective competition” is not present); 47 U.S.C. § 532(b) (leased access requirements governed by system size); 47 U.S.C. § 533 (cross-ownership restrictions not applicable where “effective competition” is present); see also 47 C.F.R. § 76.95 (network non-duplication); 47 C.F.R. § 76.156 (syndicated exclusivity).

investment associated with market entry. Thus, it is entirely appropriate to consider the relative market positions of new entrants and incumbent providers when considering issues related to exclusive contracts.¹⁵

II. PRIVATE NEGOTIATIONS, RATHER THAN AN FCC MANDATE, SHOULD DETERMINE THE APPROPRIATE LENGTH OF EXCLUSIVE CONTRACTS BETWEEN COMPETITIVE MVPDS AND MDU BUILDING OWNERS

GTE agrees with those parties who ask the Commission to allow the market to govern the duration of exclusive contracts between MVPDs and MDU building owners.¹⁶

The fundamental premise underpinning the issue of exclusive contracts is, as the Wireless Cable Association points out, that these contracts are the result of market conditions and, by permitting operators to provide service to MDUs, such contracts “ultimately promote competition and therefore the public interest.”¹⁷

The record details the considerations that operators and MDU owners alike must evaluate when providing service to MDU buildings. For example, an operator may incur relatively high costs per subscriber in smaller MDU buildings as compared to larger

¹⁵ Likewise, the Commission should reject CableVision’s suggestion that local exchange carriers that provide video services within their exchange areas should be prohibited from entering into exclusive contracts. See CableVision Comments at 5. Given that a local exchange carrier -- like any other new entrant -- will enter a market without *any* established market share, there is no reason for additional regulation that only will serve to hinder the new entrant’s ability to compete with the incumbent provider.

¹⁶ See, e.g., ICTA Comments at 4-5; Comments of OpTel, Inc., CS Docket No. 95-184, MM Docket No. 92-260, at 4-5 (filed Dec. 23, 1997) (“OpTel Comments”); WCA Comments at 4-7, 9-10.

¹⁷ WCA Comments at 4.

buildings, given that many equipment and service costs must be incurred regardless of system size.¹⁸ Moreover, programming costs, service offerings, customer discounts and wiring costs are a few of the many factors that new operators face when initiating service to an MDU building.¹⁹ Exclusive contracts permit these providers to attract the investment and secure the necessary long-term financing they need to offer service.²⁰ Similarly, an MDU owner may wish to enter into an exclusive contract with a new entrant in order to secure larger discounts and other service options for its residents.²¹

Where competitive forces are present, the Commission need not interfere with private negotiations. If an MVPD is subject to effective competition, it does not have sufficient market power to force unreasonable terms on MDU owners. In these situations, prudent business judgment through arms length negotiations -- rather than unilateral constraints imposed by a monopoly provider -- will govern the appropriate contract duration. Long term exclusive contracts are often rational economic decisions in the face of competitive alternatives, and parties should be free to reach such a result where competition removes the leverage of an exclusive provider. Thus, the

¹⁸ ICTA Comments at 5-7.

¹⁹ See Building Owners and Managers Association Comments at 5; WCA Comments at 9.

²⁰ See ICTA Comments at 5-8; OpTel Comments at 5.

²¹ See CAI Comments at 8-9.

Commission should leave the appropriate contract term to private negotiations where an MVPD is subject to effective competition.²²

III. THE RECORD SUPPORTS ADOPTION OF A LIMITED “FRESH LOOK” POLICY FOR CONTRACTS ENTERED INTO IN THE ABSENCE OF EFFECTIVE COMPETITION

A. The FCC’s Fresh Look Policy Must Provide a Meaningful Opportunity For Competitive Entry and Accommodate the Needs of Different Video Delivery Options

In order to promote overall competition and consumer choice, the Commission must ensure that existing, perpetual²³ exclusive contracts entered into in the absence of competition do not stand in the way of its pro-competitive cable wiring disposition framework. Based on the record in this proceeding, GTE urges the Commission to adopt the following limited “fresh look” policy. First, GTE proposes that a “fresh look” policy apply only to perpetual, exclusive contracts that were signed where there was no competition. Second, such a policy must be optional at the discretion of the MDU building owner. Third, GTE maintains that the “fresh look” window should begin immediately upon adoption of rules in this proceeding and should remain open for all

²² Further, the record underscores the difficulty in establishing a mandated proposal given the lack of consensus among those parties who addressed the issue of a cap. See, e.g., ICTA Comments at 4-5 (opposing a cap, though advocating a 15-year period if a cap is adopted); OpTel Comments at 6 (same); Comments of Bell Atlantic, CS Docket No. 95-184, MM Docket No. 92-260, at 3-4 (filed Dec. 23, 1997) (favoring a cap of 5 years).

²³ The Commission should define “perpetual” contracts to include those contracts that either are tied to the term of the franchise agreement or are ambiguous as to the terms of renewal. See ICTA Comments at 12.

operators in a franchise area until five years from the date at which a decision finding “effective competition” is made under the Commission’s rules for that franchise area.

This limited “fresh look” mechanism narrowly targets a defined set of contracts and will permit building owners to actually take advantage of competitive alternatives to existing operators. By addressing only perpetual, exclusive contracts signed in the absence of competition, the Commission may focus its efforts on those agreements that were not subject to competitive market forces when signed and that currently prevent consumers from receiving the benefits of lower prices and increased service options. In addition, the optional nature of this policy fully protects building owners’ long-standing constitutional and statutory rights to maintain existing contractual arrangements and control building facilities.

Further, the length of the “fresh look” window ensures that competition from a variety of sources -- such as franchised and private cable operators and other providers -- can develop. For example, franchised operators generally are required to construct distribution facilities throughout a franchise area within a specified period of time (typically 3 years), while private operators may take longer, often five years or more, to provide service within an area given the significant up-front investment associated with constructing their systems. Also, the proposed time period is workable and predictable because the duration of the fresh look window is defined by objective criteria already familiar to the Commission and service providers. Accordingly, GTE urges that this policy be adopted.

B. A Limited Reevaluation of Existing Agreements is Justified

GTE agrees with those commenters who support the adoption of a limited “fresh look” policy for perpetual, exclusive contracts between incumbent cable operators and MDU building owners.²⁴ GTE submits that the Commission may adopt a limited “fresh look” policy for such contracts pursuant to its authority under Section 623 of the Communications Act. In particular, Section 623(b) requires the Commission to ensure that the rates for “the basic service tier are reasonable” and that any such regulations “achieve the goal of protecting subscribers” in the absence of effective competition.²⁵ Further, Congress specifically explained that it intended to give the Commission the “authority to choose the best method of ensuring reasonable rates” under Section 623.²⁶

Moreover, application of a limited “fresh look” mechanism in this context is supported by many of the same policy concerns that justified application of “fresh look” in other circumstances. For example, the Commission adopted such a policy when it sought to open the market for special access services (dedicated lines used for local connections between a customer and an interexchange carrier) since it was concerned that incumbent carriers had “locked-up” existing customers, thereby precluding them

²⁴ See, e.g., ICTA Comments at 14-15, Comments of Media Access Project and Consumer Federation of America, CS Docket No. 95-184, MM Docket No. 92-260, at 9 (filed Dec. 23, 1997); OpTel Comments at 2-4.

²⁵ 47 U.S.C. § 543(b).

²⁶ See H.R. Rep. No. 862, at 62 (1992), *reprinted in*, 1992 U.S.C.C.A.N. 1231, 1244.

from using competitive alternatives.²⁷ Similarly, when the Commission sought to increase competition in the provision of toll-free “800” service, it allowed customers to reexamine existing contracts in light of new, competitive service provider offerings.²⁸ As in those instances, a “fresh look” policy is justified here because the Commission’s otherwise pro-competitive rules could be substantially frustrated by the dominant cable incumbent that has entered into a perpetual exclusive contract, which undermines a new entrant’s ability to compete.

A number of commenters -- such as OpTel, the Wireless Cable Association and ICTA -- describe the sound policy concerns that favor adoption of a limited “fresh look” mechanism. As an initial matter, ICTA and the Wireless Cable Association point out that perpetual, exclusive contracts present a significant barrier to competitive entry by precluding customers from taking advantage of new alternatives.²⁹ As OpTel further states, the current market conditions in the MDU marketplace dominated by entrenched providers support a limited “fresh look” policy in order to “ ‘make[] it easier for an incumbent provider’s established customers to consider taking service from a new

²⁷ See *Expanded Interconnection with Local Telephone Company Facilities*, 7 FCC Rcd 7369, 7463-7465 (1992), *recon.*, 8 FCC Rcd 7341 (1993), *vacated on other grounds and remanded for further proceedings, Bell Atlantic Tel. Cos. v. Federal Communications Commission*, 24 F.3d 1441 (D.C. Cir. 1994).

²⁸ See *Competition in the Interstate Interexchange Marketplace*, 6 FCC Rcd 5880, 5905-5906 (1991), *recon.*, 7 FCC Rcd 2677, 2681-2683 (1992).

²⁹ ICTA Comments at 14-16; WCA Comments at 12. See also *Ex Parte* Letter from Charon J. Harris, Director -- Policy Matters, GTE Service Corporation to William F. Caton, Acting Secretary, Federal Communications Commission, CS Docket No. 95-184, MM Docket No. 92-260, at 5-6 (filed Nov. 27, 1996).

entrant [and] obtain . . . the benefits of the new, more competitive . . . environment.’ ”³⁰ GTE agrees and urges the Commission to adopt an optional, limited “fresh look” policy consistent with the framework described above.

GTE also strongly disagrees with Time Warner’s inference that a “fresh look” policy (or any regulations pertaining to contracts for the provision of MVPD services) cannot apply in states that have enacted a mandatory access statute.³¹ Time Warner’s broad declaration is clearly overreaching since these statutes vary considerably in application and scope. In addition, Time Warner is asking for a curious reverse preemption that would permit a state statute to override a national policy goal of promoting competition. The Commission should not indulge Time Warner’s attempt to obviate the Communications Act’s pro-competitive goals.

IV. GTE AGREES THAT THE TECHNICAL AND OPERATIONAL ISSUES ASSOCIATED WITH SHARING HOME RUN WIRING ARE INSURMOUNTABLE AT THE PRESENT TIME

Several commenters point out that there are significant technical and operational problems with any proposal to permit the sharing of cable home run wiring.³² For example, U S West and others note that the hardware required to permit the

³⁰ OpTel Comments at 2 (quoting *In re Expanded Interconnection with Local Telephone Company Facilities*, 9 FCC Rcd 5154, 5207 (1994)).

³¹ See Comments of Time Warner Cable, CS Docket No. 95-184, MM Docket No. 92-260, at 10-12 (filed Dec. 23, 1997).

³² See Comments of Ameritech, CS Docket No. 95-184, MM Docket No. 92-260, at 12-13 (filed Dec. 23, 1997); ICTA Comments at 17; NCTA Comments at 8-10; Comments of U S West, Inc., CS Docket No. 95-184, MM Docket No. 92-260, at 8-9 (filed Dec. 23, 1997) (“U S West Comments”).

simultaneous use of a single wire currently is not commercially feasible.³³ As explained by NCTA, such equipment includes the development and use of high frequency amplifiers, frequency splitters and filters that would be necessary to maintain a high quality signal for the cable customer.³⁴ NCTA further explains that the second user of the cable wiring would be required to use frequencies above 1 GHz, and it is not clear whether such transmissions could be accommodated by most existing cable plant.³⁵

Notwithstanding these technical considerations, mandated sharing of cable home run wiring also presents a number of practical problems. Most notably, such a proposal will invariably limit all providers' use of and ability to expand their system since the capacity of the cable wiring is fixed. Given that most operators will be likely to use the same spectrum band to provide service, mandated sharing would require one operator to relocate to other spectrum, which may make service more expensive to deliver and unsatisfactory for customers because of channel positioning issues. Further, this proposal could entail substantial competitive problems where, for example, either operator seeks to expand service to provide increased channel capacity. Where two operators share the same facility, such an expansion might not be feasible at all or would require the cooperation of its competitor.³⁶ Lastly, as U S West notes, other regulatory issues -- including establishment of a process to resolve potential

³³ See NCTA Comments at 8; U S West Comments at 9.

³⁴ See NCTA Comments at 9-10.

³⁵ *Id.*

³⁶ *Id.* at 10.

interference problems and to govern the situation where multiple (or subsequent) sharing requests are received -- would need to be addressed before sharing could be considered.³⁷ Accordingly, the Commission should decline to adopt a rule that mandates that providers share cable home run wiring in an MDU.

V. CONCLUSION

The Commission should recognize the opportunity that this proceeding presents to facilitate competition between competitive MVPDs and incumbent cable operators. As noted in the recent report to Congress, the video distribution market remains dominated largely by incumbent cable operators, and lower prices and increased consumer choice result from competition. GTE's proposal to adopt a limited "fresh look" policy and to allow the market to govern future exclusive contracts by competitive

³⁷ See U S West Comments at 9.

MVPDs will promote much needed competition and allow the market to operate in a manner sought by the Commission and contemplated by Congress.

Respectfully submitted,

GTE SERVICE CORPORATION and affiliated
domestic telecommunications and video service
companies

John F. Raposa, HQE3J27
GTE Service Corporation
P.O. Box 152092
Irving, TX 75015-2092

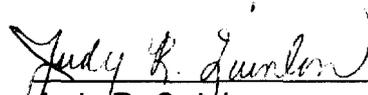
By 
Gail L. Polivy
1850 M Street, N.W.
Suite 1200
Washington, D.C. 20036
(202) 463-5214

March 2, 1998

Their Attorneys

Certificate of Service

I, Judy R. Quinlan, hereby certify that copies of the foregoing "Reply Comments of GTE Service Corporation" have been mailed by first class United States mail, postage prepaid, on March 2, 1998 to all parties of record.



Judy R. Quinlan