

four (24) months to negotiate a franchise, during which time customers are denied a choice in video service.

The 1992 Cable Act, with its prohibitions on exclusive franchises and franchising authorities unreasonably denying a cable franchise, has greatly aided Ameritech in its franchising efforts. However, many franchising authorities have acted in ways contrary to the interests of their residents, dragging out negotiations endlessly or outright refusing to negotiate reasonably a franchise.^{20/} Much of this foot dragging and unreasonable behavior appears to be instigated by incumbent cable operators.

For example, it took fifteen months for Ameritech to negotiate a franchise with the City of Elgin, Illinois. The incumbent operator, Jones Intercable, did everything in its power to ensure that the city did not grant Ameritech a franchise. In a letter writing campaign, the management and attorneys for Jones raised numerous spurious issues, all designed to frighten city officials into delaying the grant of a franchise, and, therefore, the onset of competition. In spite of Jones' efforts, Ameritech New Media and the city were able to reach an agreement; however, Jones' efforts added needless additional time and expense.

In the Village of Oak Lawn, Illinois, the efforts of Multimedia Cablevision, Inc. have resulted in the Village declining to negotiate a cable franchise with Ameritech until the proposed merger between Ameritech Corp. and SBC is consummated.^{21/} Ameritech had been negotiating with the Village for nearly a year and had come to an agreement in principle on all terms of a franchise. However, while the incumbent operator had remained rather silent, and apparently,

^{20/} Debbi Palmer, *Cable Negotiations Yet to Start*, PARMA SUN POST (Ohio), July 23, 1998 at 1. See Attachment 9 of these Comments.

^{21/} Lisa Pevtzov, *Ameritech Cable Plan Shot Down*, DAILY SOUTHTOWN (Illinois), June 30, 1998, at A3.

disinterested, during the preceding year of negotiations, as the specter of competition approached, Multimedia began in earnest to undermine Ameritech's negotiations with the Village. In this instance, the incumbent operator has temporarily succeeded in convincing the franchising authority that competition is not in the Village's best interest.

In most cases, the improvement in quality of service and price stabilization brought about by Ameritech's entry into the marketplace has been the single most significant factor in a franchising authority's consideration of the award of a competitive franchise. However, in some instances, such as the above, the incumbent operators have managed to adversely impact Ameritech's negotiations, all to the detriment of consumers.

Even the Commission has implicitly recognized that the franchising process may well delay competition. In a recent Commission decision, the FCC permitted ECI to avoid the requirements and delay associated with obtaining a franchise.²² Ameritech is concerned that the Commission's decision in the *ECI* case may tilt the playing field against Ameritech, a cable overbuilder complying with Title VI of the Communications Act, in favor of another competitor freed of the need to participate in the franchising process. The Commission must ensure regulatory parity among competitors as it seeks to promote competition in the MVPD marketplace.

B. Home Run Wiring Rules Have Not Enhanced Competition for the Millions of Subscribers Living in MDUs.

Ameritech is concerned that, despite the attractiveness of their high density of potential customers, customers residing in multiple dwelling units ("MDUs") still remain captive to a single provider. Despite the release by the Commission of its Home Run Wiring rules for MDUs, which were intended to foster competition in the MDU market, there has been little progress in sparking

²² *In the Matter of Entertainment Communications, Inc.*, FCC 98-111, Memorandum Opinion and Order, rel. June 30, 1998.

competition in MDUs. The rules require an MVPD which *no longer has a legally enforceable right to remain on the MDU premises*, to sell, remove or abandon its wiring. The most glaring defect in the rules is the loophole created by the language emphasized above. Very rarely does an MVPD unambiguously lose its legal right to remain on the premises. Indeed, many cable operators have perpetual agreements, permitting them to provide service so long as they are franchised to provide service in the relevant community. In addition, “right of access” laws, such as in the state of Illinois, which give cable operators a legal right to serve MDUs, ensure that cable operators, essentially, never lose their right to remain on the premises, thereby precluding competitive providers from gaining access to incumbent-owned home run wiring. Additionally, MDUs often do not want duplicative wiring or are subject to exclusive agreements, effectively foreclosing the MVPD from competing in that MDU.

A second shortcoming of the rules is giving MVPDs the option of removing the home run wiring. It is an extremely rare instance in which an MVPD removes wiring from an MDU. However, having that option gives the MVPD, intent on maintaining its service to an MDU, an opportunity to coerce the MDU into foregoing competition. Removing wiring ensures that residents will be without service for some period of time. Just the simple threat of leaving residents without cable service for an indefinite period of time between one MVPD’s removal and another’s installation of wiring may be enough to convince the MDU owner that the transition to another MVPD is not a wise choice. In at least one instance in which Ameritech was pursuing an opportunity to provide its competitive service to an MDU, the incumbent operator threatened to remove the wiring at the conclusion of its agreement. More must be done by the Commission to foster competition for the millions of consumers who reside in MDUs.

VII. AMELIORATIVE ACTION THAT WILL ENCOURAGE COMPETITION IN THE MVPD MARKET.

There is still time for the Commission to take a number of concrete steps to encourage competition in the MVPD market prior to the March 31, 1999 deadline deregulating cable rates.

The Commission should strengthen its procedural rules governing program access complaints in three ways.^{23/} First, the Commission should block incumbent, vertically integrated cable operators and programmers from continuing to take advantage of ineffective complaint procedures under the program access rules by incorporating a deadline for the Commission to resolve program access complaints. Second, the Commission should provide a right to limited discovery. Incumbent, vertically integrated cable operators and programmers continue to profit from discriminatory pricing, due, in part, to the fact that their victimized competitors are unable to gain access to rate cards and other relevant information, absolutely critical to proving a program access violation. Third, the rules should be amended to provide for economic disincentives in the form of fines and damages, otherwise, incumbent, vertically integrated cable operators and programmers will continue to engage in unlawful activities because it is more profitable for them to break the law than to follow it. However, since the statutory minimum for violations by cable companies -- \$250,000 -- and the cap on forfeitures for vertically integrated programmers -- \$75,000 -- are too low to deter anticompetitive behavior, the Commission must explore avenues by which it may strengthen its forfeiture authority for program access violations. At a minimum, the Commission should recommend to Congress that it enact legislation amending Section 503, to increase the statutory forfeiture caps for violations of the program access rules to \$1 million,

^{23/} See *Program Access NPRM*.

commensurate with maximum penalties for violations of Commission rules by common carriers.^{24/} The strengthening of forfeiture authority, however, is not enough. Damages that reflect the full amount of economic and competitive harm inflicted on competitors, must be awarded. Taken together, these two changes would greatly improve the pro-competitive thrust of the program access rules by giving incumbents essential market incentives to follow the rules.

Given the amount of activity among the country's major cable operators in expanding their horizontal ownership interests on both the national and local level, the Commission should maintain its horizontal ownership and attribution rules in the pending NPRM.^{25/} The increase in the horizontal ownership levels of incumbent cable operators enable them to enjoy pricing discounts, as well as to exert tremendous market pressure on unaffiliated programmers to provide them with exclusives as the price of carriage of their programs. This harms competition by impeding the ability of aspiring competitors to obtain access to programming in a manner required by Section 628 -- on nondiscriminatory prices, terms and conditions.

A direct response is needed to the burgeoning problem experienced by independent cable operators, being denied access to non-vertically integrated programming because of the success of incumbent cable operators in tying-up such programming in exclusive arrangements. Exclusivity is an anticompetitive tool wielded by incumbent cable operators and does absolutely nothing to promote competition. The Commission should utilize its broad authority under Section 628(b) of the Communications Act to strike down these injurious, anticompetitive arrangements on a case-by-case basis and should recommend to Congress that it amend Section 628 to prohibit generally exclusive arrangements with non-vertically integrated programmers.

^{24/} See 47 U.S.C. § 503(b)(2)(B).

^{25/} *Horizontal Ownership NPRM.*

Section 628(b) should also be used to prevent vertically integrated cable operators from evading the reach of the program access rules by utilizing transmission methods other than satellite delivery. Because the program access rules, by their terms, are limited to satellite delivered programming, vertically integrated cable operators and programmers are able to elude the rules by delivering programming terrestrially. Moreover, the Commission should recommend that Congress amend Section 628 to protect all programming, regardless of the technology used to distribute it because this loophole will only expand as technological advances are made and local markets become more concentrated.

The Commission should also recommend that Congress amend Section 628 to eliminate price discrimination. If competition is to flourish, competitors must have meaningful access to programming -- on nondiscriminatory prices, terms, and conditions.

In addition, large incumbent cable companies are augmenting power achieved through their horizontal concentration by also increasing their vertical integration. They have extended their tentacles into almost every aspect of the MVPD and adjacent markets. The Commission, in conjunction with the Justice Department, therefore, must closely monitor transactions in new technologies to counter anticompetitive acquisitions. This is especially important given the increasing importance of digital cable set-top boxes and electronic programming guides.

In essence Ameritech urges the Commission to reinvigorate its efforts, and recommend to Congress that it do the same, to foster competition so that consumers can enjoy all the intended benefits of a vibrant and robust MVPD marketplace. While both the Commission and Congress should do everything in their power to promote competition, they must not do so in a manner that has the unintended, yet still harmful consequence of creating disparities in the application of the rules and laws in favor of competitors, classes of competitors or particular technologies. For

example, as regulations and laws are amended to address the ability of DBS providers to retransmit local broadcast signals to subscribers in local markets, care must be taken to ensure a level playing field upon which all competitors to incumbent cable operators can play.

VIII. CONCLUSION.

Ameritech's experience providing vibrant, head-to-head competition to incumbent cable operators vividly illustrates why Congress and the Commission should continue to strive for a competitively robust MVPD market. Competition brings benefits to consumers -- lower prices, higher quality, and more choice. In this regard, the Commission should do everything in its power to encourage aspiring competitors, and ensure a level playing field for actual competitors. It is only by these actions that all consumers will enjoy the tangible benefits of competition.

Respectfully submitted,



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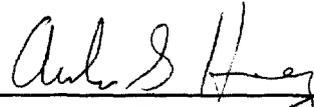
CERTIFICATE OF SERVICE

I, Andrew S. Hoenig, a legal secretary with the law firm of Verner, Liipfert, Bernhard, McPherson & Hand, hereby certify that on this 31st day of July, 1998, I placed in the United States mail via first class, postage prepaid, copies of the foregoing "In the Matter of Notice of Inquiry Annual Assessment of the Status of Competition in Markets for the Delivery of Video Programming" of Ameritech New Media, Inc., to the following individuals:

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Examples of Competitive Response To Ameritech Market Entry

Competitor	Before Ameritech New Media's Entry	After Ameritech New Media's Entry	Adjacent Non-Competitive Community Served by Incumbent
Time Warner (Franchise sold to MediaOne, 6/98)	Wayne, MI 54 Expanded Basic Channels 6 Premium Channels 2 PPV Channels Expanded Basic \$23.95 Disney \$11.45 Regional Sports \$13.95 Premiums \$12.95 <u>Converter/remote \$3.37</u> Total Package \$65.67	Wayne, MI 63 Expanded Basic Channels 10 Premium Channels 3 PPV Channels Expanded Basic \$22.81 (incl. Disney & Regional Sports) Premiums \$9.95 <u>Converter/remote \$2.95</u> Total Package \$35.71	Farmington, MI 64 Expanded Basic Channels 10 Premium Channels 3 PPV Channels Expanded Basic \$30.48 (incl. Regional Sports) Disney \$8.95 Premiums \$8.95 <u>Converter/remote \$2.40</u> Total Package 50.78
Cablevision	Berea/North Olmsted, OH 43 Expanded Basic Channels 8 Premium Channels 2 PPV Channels Expanded Basic \$19.63 Disney \$9.95 <u>Premiums \$9.95</u> Total Package \$39.53 Tyson/Holyfield fight \$49.95	Berea/North Olmsted, OH 64 EB Channels 11 Premium Channels 5 PPV Channels Expanded Basic \$21.95 (incl. Disney) <u>Premiums \$9.95</u> Total Package \$31.90 Tyson/Holyfield fight Free	Strongsville, OH 44 Expanded Basic Channels 8 Premium Channels 2 PPV Channels Expanded Basic \$23.44 Disney \$10.45 <u>Premiums \$10.45</u> Total Package \$44.34 Tyson/Holyfield fight \$49.95

Examples of Competitive Response To Ameritech Market Entry

Competitor	Before Ameritech New Media's Entry	After Ameritech New Media's Entry	Adjacent Non-Competitive Community Served by Incumbent
Media One	Canton, Plymouth, MI 49 Expanded Basic Channels 5 Premium Channels 2 PPV Channels Expanded Basic \$21.79 Disney \$9.69 Regional Sports \$11.95 <u>Premiums \$9.69</u> Total Package \$53.12	Canton, Plymouth, MI 65 Expanded Basic Channels 12 Premium Channels 5 PPV Channels Expanded Basic \$22.95 (incl. Disney & Regional Sports) <u>Premiums \$9.95</u> Total Package \$32.90	Ann Arbor, MI 65 Expanded Basic Channels 9 Premium Channels 3 PPV Channels Expanded Basic \$26.75 (incl. Disney & Regional Sports) <u>Premiums \$9.95</u> Total Package \$36.70
TCI	Berkley, MI 85 Expanded Basic Channels 12 Premium Channels 9 PPV Channels Expanded Basic \$32.23 Equip \$3.30 <u>Premiums \$14.95</u> Total Package \$50.48	Berkley, MI 85 Expanded Basic Channels 12 Premium Channels 9 PPV Channels Expanded Basic \$24.95 1st Equip Free For 1 Year <u>Premiums \$10.45</u> Total Package \$35.40	Rochester, MI 85 Expanded Basic Channels 12 Premium Channels 9 PPV Channels Expanded Basic \$32.23 Equip \$3.30 <u>Premiums \$10.45</u> Total Package \$45.98

Examples of Competitive Response To Ameritech Market Entry

Competitor	Before Ameritech New Media's Entry	After Ameritech New Media's Entry	Adjacent Non-Competitive Community Served by Incumbent
TCI	Lincoln Park, MI 48 Expanded Basic Channels 7 Premium Channels 5 PPV Channels Expanded Basic \$25.32 Equip \$3.30 Disney \$10.90 Regional Sports \$10.90 <u>Premiums \$14.95</u> Total Package \$65.37	Lincoln Park, MI 68 Expanded Basic Channels 12 Premium Channels 2 PPV Channels Expanded Basic \$23.95 1st Equip Free Indefinitely (incl. Disney and Regional Sports) <u>Premiums \$10.45</u> Total Package \$34.40	Gibraltar, MI 63 Expanded Basic Channels 12 Premium Channels 3 PPV Channels Expanded Basic \$26.01 Equip \$3.30 (incl. Disney and Regional Sport) <u>Premiums \$10.45</u> Total Package \$39.76
Comcast	Southgate, MI 52 Expanded Basic Channels 7 Premium Channels 3 PPV Channels Expanded Basic \$24.05 Disney \$12.95 Regional Sports \$12.95 <u>Premiums \$11.95</u> Total Package \$61.90	Southgate, MI 65 Expanded Basic Channels 12 Premium Channels 4 PPV Channels Expanded Basic \$23.95 (incl. Disney and Regional Sports) <u>Premiums \$12.95</u> Total Package \$36.90	Grosse Isle, MI 65 Expanded Basic Channels 12 Premium Channels 3 PPV Channels Expanded Basic \$27.06 (incl. Regional Sports) Disney \$ 7.95 <u>Premiums \$12.95</u> Total Package \$47.96

Examples of Competitive Response To Ameritech Market Entry

Competitor	Before Ameritech New Media's Entry	After Ameritech New Media's Entry	Adjacent Non-Competitive Community Served by Incumbent
Comcast	<p>Melvindale, MI</p> <p>51 Expanded Basic Channels</p> <p>7 Premium Channels</p> <p>3 PPV Channels</p> <p>Expanded Basic \$25.95</p> <p><u>Disney \$12.95</u></p> <p>Total Package \$38.90</p>	<p>Melvindale, MI</p> <p>65 Expanded Basic Channels</p> <p>12 Premium Channels</p> <p>6 PPV Channels</p> <p>Expanded Basic \$25.95</p> <p><u>(incl. Disney)</u></p> <p>Total Package \$25.95</p>	<p>Harper Woods, MI</p> <p>60 Expanded Basic Channels</p> <p>7 Premium Channels</p> <p>3 PPV Channels</p> <p>Expanded Basic \$27.95</p> <p><u>Disney \$12.95</u></p> <p>Total Package \$40.90</p>
Coaxial	<p>Columbus, OH</p> <p>50 Expanded Basic Channel</p> <p>9 Premium Channels</p> <p>7 PPV Channels</p> <p>Expanded Basic \$29.61</p> <p>Disney \$6.95</p> <p><u>Turner Classic Movies \$11.95</u></p> <p>Total Package \$48.51</p>	<p>Columbus, OH</p> <p>56 Expanded Basic Channels</p> <p>9 Premium Channels</p> <p>7 PPV Channels</p> <p>Expanded Basic \$26.40</p> <p><u>(incl. Disney & TCM)</u></p> <p>Total Package \$26.40</p>	<p>New Albany, OH</p> <p>53 Expanded Basic Channels</p> <p>7 Premium Channels</p> <p>6 PPV Channels</p> <p><u>Expanded Basic \$26.40</u></p> <p><u>(incl. Disney & TCM)</u></p> <p>Total Package \$26.40</p>

Examples of Competitive Response To Ameritech Market Entry

Competitor	Before Ameritech New Media's Entry	After Ameritech New Media's Entry	Adjacent Non-Competitive Community Served by Incumbent
TCI	Prospect Heights, IL 56 Expanded Basic Channels 8 Premium Channels 5 PPV Channels Expanded Basic \$27.90 Equip \$ 3.30 <u>Premiums \$14.40</u> Total Package \$45.60	Prospect Heights, IL 62 Expanded Basic Channels 6 Premium Channels 2 PPV Channels Expanded Basic \$27.90 1st Equip Free Indefinitely <u>Premiums \$14.40</u> Total Package \$42.30	Mount Prospect, IL 56 Expanded Basic Channels 8 Premium Channels 5 PPV Channels Expanded Basic \$27.90 Equip \$ 3.30 <u>Premiums \$14.40</u> Total Package \$45.60
Jones Intercable	Naperville, IL 55 Expanded Basic Channels 4 Premium Channels 2 PPV Channels Expanded Basic \$23.87 <u>Disney \$ 6.95</u> Total Package \$30.82	Naperville, IL 60 Expanded Basic Channels 5 Premium Channels 2 PPV Channels Expanded Basic \$23.87 <u>(incl. Disney)</u> Total Package \$23.87	Aurora, IL 55 Expanded Basic Channels 4 Premium Channels 2 PPV Channels Expanded Basic \$27.44 <u>Disney \$ 6.95</u> Total Package \$34.39

Competitive Promotions

Media One

Communities: Canton, Plymouth, Plymouth Twp, Northville, Northville TWP

6/96 - 6/97

- Rolled out "Continental Rewards" Promotion - One year binding contract
 - Extended contract until August 1998. Customers can choose between:
 - \$5 off monthly cable bill or
 - Free HBO (Fee of \$9.95 per month)
 - Introduced "Continental Rewards" Value Packaging
 - Best Value Package - EB, Equipment with IPG and Music Choice, HBO,2,3,, Encore/Starz, Max,2, Franchise Fees, Independent Film Channel, fxM, Music Choice, 12 PPV Coupons. For \$39.95 per month with a signed "Continental Rewards" contract. (Regularly \$49.95)
 - Value Pack - EB, Equipment with IPG and Music Choice, HBO,2,3, Encore/Starz, fxM, Independent Film Channel, Franchise Fees, 6 PPV Coupons. For \$29.95 per month with a signed "Continental Rewards" Contract. (Regularly \$39.95).

6/97 - 6/98

Communities: Canton, Plymouth, Plymouth Twp, Northville, Northville TWP, Westland, Roseville, Madison Heights

- Continued "Continental Rewards" promotion in all competitive communities.
 - Extended contracts through 1999
 - Modified Value Packaging in Westland, Roseville, and Madison Heights to the following:
 - Best Value Package - HBO,2,3,Family, (Choice of Showtime, Cinemax, or The Movie Channel), Starz, Encore, Independent Film Channel, Fox Movies, and Equipment with IPG and Music Choice for \$15 per month with a signed "Continental Rewards" Contract. (Regularly \$27.95)
 - Value Pack - HBO,2,3,Family, Starz!, Encore, and Equipment with IPG and Music Choice for \$5 per month with a signed "Continental Rewards" contract. (Regularly \$18.95)
 - MediaOne intermittently offers the following packaging to Roseville:
 - Best Value Package - HBO,2,3,Family, Cinemax, Showtime, and Equipment with IPG and Music Choice for \$15 per month with a signed "Continental Rewards" contract.
 - Value Pack - HBO,2,3,Family, Cinemax, and Equipment with IPG and Music Choice for \$5 per month with a signed "Continental Rewards" contract.

Jones Intercable, Jones Spacelink

6/96 - 6/97

Communities: Naperville, Glen Ellyn

- Jones rolled out a one year non-binding contract giving customers discounts on Expanded Basic (Promotional Price of \$19.89 vs. Regular Price of \$23.87.)
- Jones offered a long term premium promotion offering customers 2 premiums for \$10, 4 premiums for \$20 (Normally \$10.95 for each)

6/97 - 6/98

Communities: Naperville, Glen Ellyn, and Elgin

- Without mass-marketing the offer, Jones stopped charging many of their customers in Naperville and Glen Ellyn for at least one of the set-top boxes in their home.
- In Naperville, Jones offered Americast subscribers the following offer:
 - Free Reconnect (Value of \$28.30), Free first month of Expanded Basic service (Value of \$23.87), Free HBO for six months (Regularly \$10.95 per month), Free converter box for six months (Regularly \$1.15), and Expanded Basic service for \$19.89 per month for six months (Regularly \$23.87).
- In Naperville and Elgin, Jones offered Expanded Basic and HBO for \$21.95 per month for six months.
- In Naperville Jones offered ANM customers \$60 towards their cable bill in return for switching back to Jones.

Cablevision Systems

6/96 - 6/97

Communities: Berea, OH; North Olmsted, OH

- Cablevision launched their OptimumTV Campaign with the following promotional offers:
 - Offered six month free preview of 19 new channels - maintained EB price at approximately \$19.73 for 60+ channels for five months.
 - Offered the Tyson/Holyfield fight for free in Berea and North Olmsted. Value of \$49.95
 - Offered multiple months of free Expanded Basic
 - Offered at least three months of free premium services to most customers

6/97 - 6/98

Communities: Berea, OH; North Olmsted, OH; Westlake, OH

- In August of 1997, Cablevision credited all current customers \$15 to their bill as a "goodwill" gesture.
- Cablevision instituted their "Options Card" campaign in Berea, North Olmsted, and Westlake. The "Options Card" is a discount card valued at \$250, and redeemable for discounts at area restaurants, retailers, and ticket vendors. Every quarter a new "Options Card" and list of participating retailers are mailed out to all current customers.
- Cablevision offers several months of free service based upon what package a customer bought. A customer who purchased:
 - Expanded Basic for \$21.95 per month in Berea and North Olmsted and \$23.99 in Westlake will receive the 1st, 3rd, 6th, and 9th months free.
 - Value 1 for \$32.95 per month in Berea and North Olmsted will receive the 1st, 3rd and 9th months free
 - Rainbow Gold for \$52.25 per month in Berea and North Olmsted will receive the 1st and 6th months free.
 - Optimum Preferred and Optimum Gold packages for \$49.95 and \$58.95 per month respectively will receive the 1st and 6th months free.
- There have been numerous reports of Cablevision's attempts at keeping "high-value" customers by offering them several months to a year of free premiums. Such deals are struck between the door-to-door salesmen or telemarketer and the customer, and never mass-marketed.

Comcast Communications

6/96 - 6/97

Communities: Fraser, Garden City, Southgate, Sterling Heights, St. Clair Shores, Clinton Township,

- Comcast rolled out the "Club Comcast" Promotion - One Year Binding Contract in Fraser, Garden City, and Southgate.
 - Rate guarantee and \$3 off monthly Expanded Basic Bill:
 - Pledged to meet or beat any offer from a wired cable provider for similar services
- Launched win-back campaign: Free HBO for one year - Normal charge of \$12.95/month
- Rolled out "Comcast Connection Reward Program" - One Year Binding Contract
 - Free PASS (Regional Sports) on basic
 - Free Music Choice
 - Best Price and Rate Guarantee
 - Free Advertising on the Comcast Classifieds Channel
 - Free Line and Wire Maintenance
 - Free Installation on Additional Outlets
- Offered Comcash - 12 coupons for \$10 off a customer's monthly cable bill
- In Garden City Comcast offered Americast customers \$75 gift certificates to Meijer's (Grocery) and one month of free service.

6/97 - 6/98

Communities: Fraser, Garden City, Southgate, Sterling Heights, St. Clair Shores, Clinton Township, Mount Clemens, Melvindale, Utica, Warren

- Comcast extended the "Comcast Connection Reward Program" to all competitive communities and renewed all contracts.
- Comcast continued to offer Comcash to many customers - 12 coupons for \$10 off a customer's monthly cable bill.
- Over the course of the year there were numerous reports of Comcast offering "high-value" customers free premiums and other services for several months to a year. Such deals are always struck between Comcast a door-to-door salesmen or telemarketer and a customer and never mass-marketed. The following are examples of such deal-making:
 - Free (HBO,2,3, or Showtime,2,The Movie Channel), Encore, Starz, and Equipment for one year with a signed contract. - Garden City. (Value of over \$200)
 - Expanded Basic for \$15.95 per month and free HBO for a year. - St. Clair Shores (Value of over \$250)
 - Expanded Basic, Equipment, and HBO or Showtime and The Movie Channel for \$26.95 per month. With Comcash the price for this package would be reduced to \$16.95 per month. - Clinton Twp. (Value of over \$200)
 - Expanded Basic, Equipment, HBO, Showtime, Cinemax, The Move Channel, Starz, and Encore for \$39.95 per month. With Comcash the price for this package would be reduced to \$29.95 per month. - Clinton Twp. (Value of over \$200)
 - HBO and Cinemax or Showtime and The Movie Channel free for 12 months. - Various locations (Value of over \$250)
- Comcast offered Americast subscribers \$75 gift certificates to area retailers and a free first month of service as a benefit to switching.
- Comcast lowered the rates for their packages in all competitive communities by at least \$10.
- Comcast mass-marketed an offer of Free Installation, the Select Gold Package free for the 1st month, Showtime and The Movie Channel free for 6 months, and \$50 cash back at the end of 12 months (if the consumer has remained a Comcast customer).

Time Warner (Chicago DMA)**6/96 - 6/97**

Communities: Glendale Heights

- Launched the Time Warner Difference Plan in which customers can choose from a 6 month or 12 month agreement. (Non-binding)
 - 6 Month Agreement - 1/2 price for the sixth month
 - 12 Month Agreement - 12th month free
 - Either agreement includes:
 - Free converter and remote for the duration of the agreement.
 - Coupon Book worth \$200 towards area merchants

6/97 - 6/98

- Time Warner extended all "Time Warner Difference Plan" contracts.
- Time Warner offered ANM customers the following promotion:
 - Free installation
 - Expanded Basic Service, Skyline Package, Cinemax,2, and Equipment for \$14.95 per month for 6 months. (Value of over \$100)

Time Warner (Columbus DMA)**6/96 - 6/97**

Communities: Columbus, Upper Arlington, Worthington,

- Launched "President's Club" loyalty program - one year non-binding contract with the following benefits.
 - \$2 off monthly cable bill or
 - One Free premium (\$10.00 Fee) for a year

6/97 - 6/98

Communities: Columbus, Upper Arlington, Worthington, Blendon Twp., Franklin Twp. Marble Cliff, Minerva Park

- Time Warner adjusted the "President's Club" loyalty program to offering the following benefits:
 - 1/2 Price Premium for one year. (Value of \$60)
 - PPV Coupons, Sweepstakes Entries, and other membership bonuses
- Time Warner offered all Americast customers and all current Time Warner customers, who are considering switching, 4 months of free expanded basic service and one free premium for a year. (Value of \$180)
- Several times throughout the year Time Warner has offered Americast subscribers and their own customers two premiums for the price of one for several months.

Time Warner (Detroit DMA)**6/96 - 6/97**

Communities: Wayne, MI

- Launched the Extra Value Club, a retention campaign with two plans for subscribers who commit to Time Warner for one year to choose from (non-binding):
 - Plan A - 1/2 off first month, 1/2 off seventh month, and the thirteenth month for free.
 - Plan B - Free Cinemax for one year, no charge for converter and remote.

6/97 - 6/98

- For several months Time Warner has offered the following to Americast subscribers in Wayne:
 - Expanded Basic, Equipment, and Cinemax for \$12.95 per month for six months. (Value of over \$150)

TCI (Detroit DMA)**6/96 - 6/97**

Communities: Troy, MI; Lincoln Park, MI

- Reduced the price for Expanded Basic to \$23.95 in Troy and Lincoln Park.

6/97 - 6/98

Communities: Troy, MI; Lincoln Park, MI; Royal Oak, MI; Clawson, MI; Huntington Woods, MI; Berkley, MI; Pleasant Ridge, MI; Trenton, MI

- TCI lowered the price for Expanded Basic from \$32.23 to \$28.95 in Royal Oak and Clawson, and from \$32.23 to \$24.95 in Huntington Woods, Berkley, and Pleasant Ridge.
- TCI offered free equipment (\$3.30 per month) to customers in all competitive communities.
- TCI offered 2-6 months of free digital service (\$10.00 per month) to customers in Royal Oak, Clawson, Troy, Lincoln Park, and Trenton.
- TCI offered one free year of digital service (\$10.00 per month) to customers in Huntington Woods, Berkley, and Pleasant Ridge. (Value of \$120)
- TCI sent "TCI Checks" to customers in Troy, Lincoln Park, Royal Oak, Clawson, Huntington Woods, and Trenton. "TCI Checks" are coupons for \$10 off a customer's monthly cable bill and most subscribers in these communities have been promised that they will continue to receive "TCI Checks" until 10/99.

TCI (Chicago DMA)**6/96 - 6/97**

Communities: Arlington Heights, IL

- TCI granted subscribers in Arlington Heights several months of free HBO.

6/97 - 6/98

- TCI made the following offer to Americast subscribers in Arlington Heights:
 - Free installation of digital services, digital services free for 2 months (\$20.00 value), TCI People Link telephony service free for one year (\$96 value), and a \$10 prepaid calling card.
- TCI has made the following loyalty offers to subscribers in Prospect Heights and Des Plaines:
 - Coupons for \$5 off a customer's monthly cable bill for one year, free Equipment for a year, and 3 free PPV coupons.

Coaxial Communications**6/96 - 6/97**

Communities: Columbus

- Coaxial offered current customers two premiums for the price of one for several months.

6/97 - 6/98

Communities: Columbus

- Coaxial has offered Americast subscribers and their own subscribers who are considering switching extremely discounted rates for expanded basic and premiums. The following are examples of the promotional packages which have been offered in the past year:
 - Expanded Basic, Equipment, and 3 Premiums free for 3 months; and priced at \$29.95 per month for the nine months following. (Value of \$441)
 - Expanded Basic, Equipment, and 2 Premiums free for 3 months; and priced at \$24.95 per month for the nine months following. (Value of \$200)
 - Expanded Basic free for 3 months; and priced at \$14.95 per month for the nine months following. (Value of \$140)
 - Expanded Basic, Showtime, The Movie Channel, and Equipment for \$19.95 per month for nine months. (Value of \$200)

Cox Communications**6/97 - 6/98**

Communities: Fairview Park

- Cox has offered their current customers 4 months of free expanded basic service as a loyalty program. (Value of \$120)

Get \$120 in AmeriChecksSM and a Price Guarantee*!



Use your \$120 in AmeriChecks to pay for *americast* or other Ameritech services.

* You will receive twelve \$10 AmeriChecks with a signed Price Guarantee. Use one AmeriCheck each month toward any Ameritech bill. Allow 6-8 weeks for delivery of first three AmeriChecks. Three additional AmeriChecks will be sent after each three months of continuous *americast* service until offer is completed and provided you are not past due on your account at the time AmeriChecks are issued. AmeriChecks not valid on Ameritech.net™ service. Without a signed Price Guarantee, you will receive \$60 in AmeriChecks. Further details are in the Price Guarantee agreement provided at time of installation. Other restrictions may apply.

Grab A Great Value On Our "Incredible Package."

Order the "Incredible Package," featuring ★ expanded basic service, ★ Showtime (1 & 2), ★ The Movie Channel, ★ FLIX and our set-top box and remote for only \$33.90[†] per month.

[†] To receive the \$33.90 Incredible Package, you must sign a 12-month Price Guarantee and commit to 12 months of service. Regular rate \$41.85.

Plus,
Free
Installation

Despite Digital Cable, DBS Growth Chugs Along

"People love this product," researchers say; Ameritech's inroads

BY ALAN BREZNICK

Despite the long-awaited rollout of digital cable, DBS providers are seeing faster growth this year because of greater DBS advertising, higher cable rates, superior DBS service and strong DBS recommendations from friends and relatives, according to the Yankee Group.

The Boston-based research consulting firm recently announced early results from three separate studies of consumers. In general, it concluded that the DBS industry is steadily growing by luring away many of cable's biggest, most affluent customers.

Bruce Leichtman, director of media and entertainment strategies research and consulting for the Yankee Group, said the DBS business is now "going through a second wave" of growth after leveling off some last year. With more than 6.8 million households, he said, the small-dish industry continues to pick up subscribers by offering more channels, greater movie selection, clearer pictures and more sports than cable.

"This [DBS] product is a five [on a

customer satisfaction scale of one to five]," he said. "People do really love this product."

Leichtman said widespread dissatisfaction with cable service is also fueling the renewed DBS surge. In one of its consumer studies, the Yankee Group found



that 42% of new DBS subscribers cited disenchantment with cable as a reason for getting a small satellite dish.

Furthermore, new DBS customers prefer their satellite TV service far more than their old cable operator. In the Yankee Group study, DBS subscribers rated their new service well ahead of their old cable service in all seven categories measured.

Plus, relatively few DBS customers subscribe to cable after getting their small dishes. A second Yankee Group found that only 25% of consumers with access to cable still took cable after signing

up for DBS, while 37% dropped cable when they obtained their dishes and another 20% pulled the cable plug before even making the switch.

But cable is faring somewhat better in markets where telephone companies are overbuilding traditional cable systems. The third Yankee Group study found that consumers rated cable higher in Midwest areas where Ameritech Corp. is building rival video systems.

"In almost every case, the perception of cable TV is higher in competitive markets," Leichtman said. At the same time, he noted, DBS penetration and customer perception lag the national average in these markets.

Despite the current push by EchoStar Communications Corp. and other DBS providers to offer local broadcast signals, consumers don't seem to see the lack of local channels as a big problem for satellite TV providers. In the third Yankee Group study, just 8% of the sample cited "no local channels" as a major reason to avoid DBS, well behind lack of need and cost issues.

But Leichtman suggested that the addition of local channels might help DBS providers persuade consumers that they need satellite TV. **CW**

RCN Tries To Elbow It's Way Into Cable's Turf

BY ALAN BREZNICK

Muscling its way into the market with eye-catching bus and subway posters heralding the downfall of the cable "empire," RCN Corp. has started signing up phone and data customers in Washington, D.C., and plans to begin offering cable TV there in the fall.

RCN, a competitive local exchange carrier (CLEC) that already provides bundled phone, video and Internet-access services in New York, Boston, New Jersey and Pennsylvania, is building a \$300-million, 350-mile fiber network in the Washington region with a local utility, Potomac Electric Power Co. Their joint venture, Starpower, rolled out phone and data service last month using leased fiber lines.

Starpower's Washington launch comes as the city's two incumbent cable and phone providers, Telecommunications Inc. and Bell Atlantic Corp., scramble to upgrade their own video, voice and data offerings in the nation's capital.

TCI's District Cablevision system, preparing for a franchise renewal in two years, has started rolling out digital cable and plans to upgrade its oft-criticized operation. After years of testing, Bell Atlantic just announced last week that it plans to begin introducing asymmetric digital subscriber line (ADSL) technology to Washington and other prime markets in September.

In its first week of service, RCN reported that Starpower signed up more than 750 local and long-distance phone customers in Washington, which it termed "stronger than anticipated initial sales." The company said it signed up fewer than 75 customers apiece in previous market launches.

RCN also said it has contracts to provide telecommunications services to nearly 7,000 housing units in the Washington area, including Georgetown University Law School, real estate developer Charles E. Smith Co. and other large apartment building owners and managers. The company says its local

phone rates are up to 5% less than Bell Atlantic's charges.

Spokesmen for RCN and Pepco said Starpower will begin offering cable and high-speed data services over its own fiber network sometime in the fourth quarter. Plans call for launching service in the city and then expanding to the Maryland and Virginia suburbs.

Starpower has not yet disclosed the pricing or packaging for its planned 330-channel system, which includes 110 channels of video. But in New York and Boston, RCN offers 81 basic channels for \$27.95 a month, or \$24.95 a month if taken with phone service.

"We plan to be very competitive in the District and the surrounding suburbs," said an RCN spokesman. The company now has at least 63,000 video customers in Manhattan and Boston and recently expanded cable service to Queens.

Separately, RCN bought fiber lines last week from Qwest Communications International Inc. to link its local networks from Boston to Washington. **CW**