MediaOne is a prime example of fulfilling that promise. MediaOne has made great progress, in a short time, into the delivery of high-speed data and competitive local exchange company (CLEC) telecommunications services. MediaOne launched residential local telephone offerings over its HFC network infrastructure in Atlanta in January, 1998 and in Southern California in April, 1998. We have obtained CLEC certifications in California, Florida, Georgia, Illinois, Massachusetts, Michigan, and Minnesota, and by the end of 1998, we expect to offer competitive telephone service to over 1 million ***residences.***

Scale has also allowed MediaOne to aggressively roll out high speed Internet service. MediaOne Express has been introduced to markets that include Boston, Chicago, Atlanta, Jacksonville, South Florida, Detroit and Los Angeles, with more to follow.[33] Over 40,000 MediaOne customers now subscribe to this service. By the end of 1998, over 2.4 million homes passed by MediaOne's network will be able to receive high-speed Internet access service. To date, MediaOne has provided some 300 schools across the country with free high speed connections to the Internet via MediaOne Express. In addition to a free cable modem, free service and free installation, MediaOne also offers the schools a number of training and support services.

[33] MediaOne Express has merged with Time Warner's RoadRunner. The figures presented here are for service over MediaOne's network only.

Clearly, facilities-based competition against ILECs is possible. But MediaOne needs to increase its scale to make it work. While our largest region, the Northeast provides service to 1.2 million customers, Bell Atlantic, by virtue of its FCC-approved acquisition of NYNEX, provides 43,714,000 access lines from Virginia to Maine.[34] Nationwide, MediaOne's domestic cable operations generated revenue of $2.3 billion in 1997, while Bell Atlantic's revenues in the Northeast alone topped $25 billion in 1997.[35] MediaOne's Northeast region is dwarfed by Bell Atlantic's customer base, and MediaOne's annual cable revenues for the entire country are less than one tenth Bell Atlantic's revenues.[36] Yet MediaOne is the party constrained by ownership caps.

In purchasing telephone equipment, size matters. For example, as a result of its merger with Bell Atlantic last year, NYNEX reported savings in excess of 25% on $1.5 billion worth of fiber optic transmission equipment.[37] SBC and Ameritech projected $1 billion in annual savings from their planned merger.[38] Southern New England Telephone (SNET), with whom MediaOne competes in video and voice, offered a similar explanation of its merger with SBC.

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[34] PRELIMINARY STATISTICS OF COMMUNICATIONS COMMON CARRIERS 1997 (FCC).

[35] PRELIMINARY STATISTICS OF COMMUNICATIONS COMMON CARRIERS 1997 (FCC).

[36] Attachment B is a state-by-state comparison of telephone and cable providers in MediaOne's largest region.

[37] *SBC Continues Acquisition Binge With Ameritech Next Target*, Communications Today, May 12, 1998. Analysts cite "enormous cost savings" from the merger. *SBC/Ameritech Merger Would Create Fiber Power House*, Fiber Optics News, May 18, 1998.

[38] "*SBC Would Create Biggest LEC In $62 Billion Stock Deal for Ameritech*," Comm. Daily, May 12, 1998.

The only sensible way for MediaOne to compete with Bell Atlantic is to continue to cluster and grow its facilities to achieve the scale needed to stay in the competition. If the Commission wishes to encourage facilities based competition, it must allow MSOs to close the gap in purchasing power with ILECs. The "dynamic market" which the ownership rules must serve offers an opportunity undreamed of in 1992--to promote a regulatory environment in which cable operators may not merely offer better video distribution and customer service, but one in which they may present the first real competitive choice of residential telephony, the key goal of the 1996 Act.

## IV. Existing Rules Handicap Cable Against Our Competitors

### A. The More Relaxed Ownership Rules Applied to Cable's Competitors Have Stimulated Investment

The distorting effects of the current ownership rules must be contrasted with the rules in place for competitors. Telephone mergers are subject to FCC scrutiny under Justice Department standards which do not find *a priori* concern for concentration far in excess of the cable industry.[39] Courts frequently approve even larger consolidations.[40] The result of these

[39] *See In re Applications of NYNEX Corp. and Bell Atlantic Corp*, 12 FCC Rcd. 19985, 20053 - 20058 (1997)(Commission approved merger of RBOCs where the relevant market concentration, as measured by the Hirschman-Herfendahl Index (HHI), would be over 3400, would be "well above the thresholds" of the Justice Department's 1992 Merger Guidelines for identifying highly concentrated markets; increase in market share also exceeded amount presumed by Justice create or enhance market power). In comparison to Bell-Atlantic's market power, the entire cable industry's HHI was estimated by the FCC at 1166, less than one-third of Bell-Atlantic's HHI, and well below the level (1800) classified in the Merger Guidelines for a "highly concentrated" industry.

more realistic ownership criteria in the telephone industry has been increased investment. CLECs have raised about $15 billion over the past two years to construct and operate local exchange facilities.[41] The largest companies -- the 5 RBOCs and GTE -- invested $24 billion in 1996 and $26.3 billion in 1997 to maintain and enhance their domestic networks and to add ADSL, HDSL, and "DSL-lite".[42] Ameritech, BellSouth, and GTE have likewise invested hundreds of millions of dollars in wired and wireless overbuilds.

Even under the heightened scrutiny sometimes applied to the video market, broadcasters are allowed at least a 35% reach, plus more (through the UHF handicap) to encourage investment in technology.[43] This expanded reach is permitted even though broadcasters program 100% of their analog time and 100% of their digital channel capacity, while cable operators have claim to half of their own. Yet even these limits are widely recognized as counterproductive for today's competitive climate.[44] Likewise, DBS has been a formidable and

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[40] *United States v. Aluminum Company of America,* 148 F.2d 416, 424 (2d. Cir. 1945). As the leading treatise on antitrust theory explains:

> Because it would be rare indeed to find that a firm with half of a market could individually control price over any significant period, we would presume that market shares below 50 or 60 percent do not constitute monopoly power. Several courts have adopted such a presumption.

Phillip E. Areeda, Herbert Hovenkamp and John L. Solow, IIA ANTITRUST LAW ¶ 532 at 166 (1995)(citing additional cases that do not find any monopoly power possible with shares below 60% or 50%).

[41] *Why Investment Matters,* Remarks of Commissioner Ness Before the Economic Strategy Conference, March 3, 1998.

[42] *Id.*

[43] 47 C.F.R. § 73.3555(e).

[44] *See* comments of NBC, CBS, ABC, Fox and Paxson broadcast networks filed in MM Docket 98-35.

rapidly growing competitor, not subject to any arbitrary limit on growth;[45] while the more relaxed ownership limits on commercial mobile radio service (CMRS) wireless spectrum (including PCS) has spurred investment and compelled cellular providers to accelerate their conversion to digital.[46]

### B. The FCC's Rules Should Not Presume The Best Business Combination For Today's Market.

MediaOne believes that hopes for competition to ILECs for voice and high-speed data rest on an aggressive rollout of wired broadband capacity, along with customer service and telephony capabilities available only with scale. In the words of Commissioner Ness: "Telecommunications is an infrastructure business -- like railroads and highways and electricity . . . If we want more and better telecommunications and information services to be available to business and residential customers, someone has to put up the money to develop and deploy them."[47] But the communications landscape is in an intensely dynamic stage of development. In this environment, companies explore alternative platforms, technologies, and corporate

[45] Comments of the National Cable Television Ass'n CS Docket No. 98-102, filed July 31, 1998 at 9 (data collected from Media Business Corp. newsletter, *SkyReport*). The NCTA comments provide extended analysis of the overall market impact of DBS service in the multichannel video programming market, and demonstrate that DBS is an effective consumer substitute for, and direct competitor to, cable television service.

[46] Ownership interests below 20% are ignored, and no entity is limited as to its ability to hold nationwide interests in CMRS, so long as it does not aggregate an interest in more than 45 MHz of spectrum in any one market. 47 C.F.R. § 20.6(a),(d). *Third Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Service,* FCC 98-921 (released June 11, 1998) at A-3 (over $20 billion of investment), App. B-3 ($3.7 billion from the public capital markets in 1996 and 1997 alone), p. 30 (conversion to digital).

[47] *Why Investment Matters,* Remarks of Commissioner Ness Before the Economic Strategy Conference, March 3, 1998.

combinations. No one knows how consolidation in cable will occur. It might be consolidation of existing MSOs, similar to the SBC-PacTel and the Bell Atlantic-NYNEX mergers in LEC industry. It might be through mergers which cross traditional industry lines. AT&T's proposed merger with TCI represents a clear bet that facilities-based competition with ILECs will come through the broadband network. It might be Internet-style consolidations, such as GTE's purchase of BBN (and Bell Atlantic's announced interest in acquiring it with GTE.) All of these combinations are possible in today's marketplace, and the FCC's regulations should be sufficiently realistic not to presume that one form of combination will deliver a better product than the other.

At present, the FCC's attribution policies treat MediaOne as having 9.6 million customers more than the 4.9 million actually served by MediaOne cable systems. This makes it impossible for MediaOne to even reach the actual size which is attributed to it. It could not acquire more than another 2.6 million subscribers without likely violating the 30% ownership cap.[48] This artificial calculation effectively removes MediaOne from the dynamic marketplace, or, at a minimum, forces it into other business combinations which may not make as much business sense. Unless there are very compelling justifications for prohibiting one form of business growth, FCC attribution policies should not artificially constrain the size of cable companies and force one form of consolidation over another.

[48] This number is based on MediaOne's national penetration of 58.6% of homes passed. Another 2.6 million customers would mean an additional 4.5 million homes passed, which would give MediaOne total homes passed in excess of the current 28.359 million threshold. In actual fact, MediaOne only serves directly less than 8% of all U.S. cable households, and passes less than 9% of all homes passed by cable.

The Commission has often expressed its desire to not let the hand of archaic government regulation constrain the rapid deployment of broadband service to American homes. As Chairman Kennard put it last month:

> I don't care who wins the race to bring high capacity broadband services to America's homes. Whether it's ILECs, or CLECs, broadcasters, cablecasters, or satellite providers, my goals are simple: get this capacity into America's homes, get it there as quickly as possible, and make sure that every competitor has an opportunity to compete on a level field in getting it there. And most importantly, give Americans a choice in the providers of these services. . . . I believe we have a narrow window of opportunity here to create a truly competitive marketplace for these new services. If we do not act with dispatch, that window will close.[49]

The Commission's cable attribution rules are anachronistic, counterproductive, and diminish investment. The time to remove artificial constraints is now.

## V. Suggested Changes to the Rules.

MediaOne has identified six specific changes in the attribution and ownership rules which will reflect the fundamental changes in the communications marketplace since 1992 and promote the goals of the 1992 and 1996 Acts. A draft of the rules to reflect these changes is provided as Attachment C.

[49] Remarks by Chairman Kennard to the National Ass'n of Regulatory Commissioners, (July 27, 1998).

### A. The Commission Should Eliminate Double Counting of Subscribers Where Programming Is Not Under Common Control.

Given that the fundamental purpose of Congress and the Commission in creating the horizontal ownership rules was to eliminate perceived incentives for MSOs to "discourage the formation of new cable programming services,"[50] the Commission should now reform its rules to reflect the reality of the marketplace as it has evolved since 1992.

This is especially true where the rules presume a level of programming influence that does not exist. MediaOne's investment in TWE is a prime example. Despite MediaOne's 25.5% equity interest in TWE, MediaOne has no control at all over the programming on TWE cable systems.[51] Yet the rule presumes that MediaOne's ownership of TWE creates a level of programming influence sufficient to treat MediaOne as if it alone held TWE's 9.6 million TWE customers. Investments such as MediaOne's interest in TWE should not create the false presumption that MediaOne controls programming for TWE's 9.6 million subscribers. The rules should instead allow MediaOne to grow its business through acquisition and build out of systems over which it has actual programming control.

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[50] CABLE TELEVISION CONSUMER PROTECTION AND COMPETITION ACT OF 1992, H. R. Rep. No.102-628 at 42 (1992); Second Report in Docket MM 92-264 at ¶ 10.

[51] Attachment A, Aff. of Jedd Palmer at ¶ 3.

Whatever rules ultimately govern cable ownership for other purposes, the Commission's horizontal ownership rule should not attribute customers if: (1) the interest is a minority interest, and (2) the entity in which the minority interest is held is not included in, and does not come under, the minority owner's carriage agreements. To further insure against any shared benefit when one entity has a minority interest in another that would not be attributed under this proposed rule, the Commission could borrow from its existing rules on carriage agreements. It could provide that neither the MSO with a minority interest nor the prime MSO may coerce any video programming vendor to provide, nor retaliate against such vendor for failing to provide, the programming service to the other company.[52] The Commission could incorporate this proposal into its existing cable ownership "reporting" regime as a simple certification.

This proposed rule would only attribute cable subscribers to the party that controls the programming for those customers, and in doing so it would more narrowly tailor the ownership rules to serve Congress's stated purpose of limiting ownership as needed to encourage programming growth. Double counting of subscribers, which is routine for jointly-owned cable

[52] This last concept is borrowed from Section 616 and 47 C.F.R. § 76.1301(b), where Congress and the Commission acted to curb a perceived ability of MSOs to obtain ownership interests in programmers as a condition of carriage.

systems under the current rule, would be eliminated in all cases except where the programming of the jointly-held systems is in fact influenced by a minority owner.[53]

### B. The Rule Should Reflect the Percentages of Interlocking Interests Regardless of Whether the Commission Adopts Higher or Different Thresholds For Attribution of Equity.

Regardless of the Commission's ultimate decision on how to revise the cable attribution rules, the rules should be revised to dilute an entity's attributable portion of cable subscribers by that entity's attributable equity in any business structure. If a company holds 25% attributable equity in another cable entity, then it would be deemed to have 25% of the subscribers served by that entity, rather than 100% as under the current rules. With the variety of interlocking ownership vehicles in existence today, and the inability to foresee future permutations, this simple rule would assure that the Commission's ownership limits on cable systems do not attribute any more of a system's subscribers to the party holding that interest than the level of equity attributed to that party.

### C. The Commission Should Treat Partnership Interests Like Corporate Equity To Reflect Attributable Cable Subscribership.

As a corollary to this rule, the Commission should treat partnerships as corporate vehicles for dilution purposes, and allow the holder of the interest to multiply the number of

[53] For instance, if a cable company in which MediaOne holds a minority interest comes under or is able to avail itself of MediaOne's programming contracts, that company's customers would be counted against MediaOne.

subscribers served by the equity percentage held in limited partnership form. The distinctions the Commission has made in the past between partnership and corporate attribution arose from old forms of classic partnerships, which were most common in smaller businesses entering the broadcast field.[54] Today, however, partnerships and joint ventures are often highly complex structures that serve a multitude of interests, including the tax treatment of existing interests that are contributed to the venture.[55] Yet tax barriers to corporate change, and the corporate efforts to obtain access to capital and other benefits of a venture, should not be allowed to control communications policy, or to dissuade a willing investor from growing its business.

MediaOne's investment in TWE is again a good example. US West initially made its investment in 1993 as a way to gain experience with Full Service Networks.[56] The investment is a limited partnership that cannot realistically be altered without severe tax consequences. But those tax laws should not dictate communications policy.

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[54] *See, e.g., Magdalene Gunden Partnership*, 3 FCC Rcd. 488 (Rev. Bd. 1988)(summarizing Commission policy and precedent governing treatment of limited partnerships in broadcast hearings as of the date of decision)(subsequent history omitted); *Anax Broadcasting Inc.*, 87 FCC 2d 483 (1981)(limited partnership with a single general partner and miscellaneous limited partners solely for financial backing); *Mize & Rowland Radio*, 86 FCC 2d 782 (1981)(general partnership with three equal general partners analyzed).

[55] *See, e.g., US West, Inc. v. Time Warner, Inc. and Time Warner Entertainment Co., L.P.*, 1996 Del. Ch. LEXIS 55, (*1 - 2) (Del. Ch. 1996) ("Increasingly, large scale business projects are undertaken in legal forms that, through complex contracting, allow for joint corporate investment and for specified allocation of managerial authority. . . But, because the participants in such joint venture projects often have important investments in related businesses held outside the joint venture structure, the venturers will not have identical incentives in all future situations.")

[56] *Id.* at *18 (U S West contacted cable operators in 1992 "to determine the feasibility of joint ventures to develop a broadband network ('full service network') that could supply telephony as well as other services.")

The key point for this proceeding is that the holder of a limited partnership interest should be attributed only with the number of subscribers equal to its pro-rata equity stake in the venture. The current presumption is that, unless a limited partnership agreement meets all the criteria for insulation specified in the Attribution of Ownership proceeding conducted in 1984 through 1986,[57] a limited partner is treated as if it were a general partner of a classic partnership,[58] and the holder is considered as owning every subscriber. Even if the attribution rules do not treat limited partnership interests as passive, the multiplier should be adopted for purposes of assessing subscribers reached under Section 613.

### D. The Commission Should Adopt a Rule That Measures the MVPD Market.

MediaOne also urges the Commission to abandon its current rule on cable ownership, which measures the percentage of cable subscribers as a percentage of all homes passed, in favor of a rule that measures cable penetration as a percentage of all homes served by MVPDs. As a policy matter, Congress and the Commission have recognized repeatedly that

[57] *Report and Order, Attribution of Ownership of Broadcast Licensees*, 97 F.C.C.2d 997 (1984), *recon. granted in part, Memorandum and Order,* 58 R.R.2d 604 (1985), *further recon. granted in part, Memorandum Opinion and Order*, 1 FCC Rcd. 802 (1986).

[58] *Attribution of Ownership*, 97 FCC 2d at 1022 - 1023 (Limited partners "under a partnership agreement which differs in any material respect from these provisions will be accorded non-cognizable status only upon submission of the agreement to the Commission accompanied by an acceptable explanation of how it nonetheless satisfies our stated concerns")(subsequent history omitted).

cable in fact competes with all MVPDs for customers.[59] Franchised cable operators are in competition with unfranchised "private cable" operators, DBS providers, and MMDS providers, at minimum. The rules should reflect this market reality.

Section 613 requires the Commission to adopt a rule that measures the number of "cable subscribers" a cable operator reaches. 47 U.S.C. § 533(f)(1)(A). Nothing in the statute or its legislative history, however, requires the Commission to use "homes passed" as the measure of how many cable subscribers an operator reaches. The Commission should act accordingly, and adopt a rule that incorporates the number of actual MVPD subscribers as the yardstick for measuring the size of a cable operator under the statute.

### E. The Commission Should Adopt a Cap of at Least 35% of MVPDs As the Limit.

The Commission should allow a single cable operator to serve no less than 35% of all MVPD subscribers. As detailed above in these Consolidated Comments, the current limit of 30%, if enforced, would limit the ability of an entity such as MediaOne to grow as it needs to deliver its highest level of service to customers, and to be ready for telephony competition.[60]

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[59] *See, e.g., Annual Assessment of the Status of Competition in the Market for Delivery of Video Programming, Third Annual Report,* 12 FCC Rcd, 4358, ¶ 130 (1997) ("In assessing the true impact national concentration may have in the MVPD programming network market, we believe that it is now appropriate to consider the presence of all MVPDs and MVPD subscribers in national concentration figures, not just cable MSOs and cable subscribers. As their subscribership increases, the significance of DBS, MMDS and SMATV operators in the MVPD programming network market also increases."); *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming, Fourth Annual Report*, FCC 97-423 at ¶ 150 (same).

[60] *See* Sections III.B.-C. above.

By comparison, any broadcaster is free to purchase television stations that serve up to 35% of the nationwide television audience. Each of these stations is subject to the complete programming control of the owner. Cable operators like MediaOne must make available up to half of their channels for unaffiliated parties pursuant to the must-carry and leased commercial access rules, plus public, educational and governmental access channels.[61] The threat of MSO elimination of independent programmers is precluded by law on cable, yet cable is limited to a smaller national reach.

In the event the attribution rules are not modified in a manner that eliminates the current double counting, MediaOne proposes that the national limit be the 50% reach allowed in other industries. If an airline or commercial bank wants to grow, antitrust guidelines allow it to reach 50% before any impediment exists.[62] The Commission initially elected to set a threshold much lower than the general industry standard because it was concerned that diverse programming flourish. That concern, as detailed above, is moot in light of the proliferation of non-MSO affiliated programmers. If the Commission is not inclined to revise its attribution rules, a simple of the threshold for cable ownership to reflect the prevalent standard for other industries would alleviate much of MediaOne's concern raised in these Comments.

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[61] *See* Section III.A.1. above.

[62] ABA Section of Antitrust Law, *Antitrust Law Developments (Fourth)* 236 (1997)(cited in *Ownership Limits*, FCC 98-138 at ¶ 14 n. 34).

### F. The Commission Should Allow Cable Operators to Grow Internally Through Increased Subscribership to Existing Systems.

The Commission should clarify its cable ownership rules to allow a cable operator that is below the cap to add customers internally to existing systems without violating the Commission's rule, even if such internal growth raises the operator's total subscriber base above the cap. This growth would include both customers gained through perceived value of the services, and from extensions of existing systems into previously unserved areas. Apart from the need of MediaOne and others to grow through acquisition of new systems that fit their existing clusters, cable operators must be free to grow the business through improved service, lower rates that attract new customers, and through the extension of existing plant.

This exception to any ownership limit is necessary to meet overriding Congressional directives. First, Congress specified that the cable ownership rules "reflect the dynamic nature of the communications marketplace," and "impose no limitations that prevent cable operators from servicing previously unserved rural areas."[63] Second, an exception that allows the continued growth of subscribership to existing systems is necessary to satisfy Congress' overriding policy in the Telecommunications Act of 1996 "to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services

[63] 47 C.F.R. § 533(f)(2)(E) - (F); *Ownership Limits*, FCC 98 - 138 at ¶ 7.

to all Americans."[64] Any other rule would freeze a cable system's reach at an arbitrary point in time where the MSOs national subscribership meets a certain threshold. Without such an exception, a cable operator that has grown to be near the limits would have no incentive to improve the value of its service offerings, lest it be found in violation of the law.

Moreover, without this exception for internal growth, a cable operator could be forced to abandon plans to extend existing plant into the less-densely populated areas on the fringes of the system. Indeed, a cable operator would likely be forced to choose between violating franchise requirements that require the extension of the system to areas where population grows to meet certain thresholds, or violating the national ownership limits. Clearly, Congress did not intend such an irrational and counter-intuitive result. The Commission should include the exception.

## VI. Conclusion.

If the Commission were to effect the changes suggested in these Comments, it can be assured that each of the statutory criteria will be met: no operator will have the power to unfairly impede the flow of programming, nor to favor its affiliates. Each operator will have the ability to grow its business, through line extensions and through consolidations, to bring the maximum efficiencies to bear in delivering expanded cable service, superior customer service, and telephony competition. And the rules will serve the express Congressional policy to account

[64] TELECOMMUNICATIONS ACT OF 1996, Conference Report, H.R. Rep. No. 104-458, at 1, 104th Cong., 2d Sess.

for the dynamic nature of the communications marketplace, in which facilities based competition to ILECs is now within reach, and to let market forces and consumer demand–rather than government presumptions–select the optimum vehicle for communications services.

For the foregoing reasons, MediaOne respectfully asks the Commission to incorporate the modifications to the cable ownership limits and the cable attribution rules as detailed in these Comments.

Respectfully submitted,

**MEDIAONE GROUP, INC.**

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**MEDIAONE GROUP, INC.**

August 14, 1998

# Attachment A

# AFFIDAVIT OF JEDD PALMER

I, Jedd Palmer, declare that the following is true:

1. I am the Senior Vice President of Programming for MediaOne, Inc ("MediaOne"). I have held my present position since January 5, 1998.

2. In this position I have responsibility for the acquisition of programming for all MediaOne cable systems in the United States and am in charge of the programming group at MediaOne which negotiates all national programming and carriage agreements.

3. While MediaOne owns a 25.51 % priority capital and residual equity interest in Time Warner Entertainment, MediaOne has not exercised any control over the selection of programming on Time Warner Cable systems nor is any Time Warner system covered today by any MediaOne programming affiliation agreement.

I declare under penalty of perjury that the foregoing statements are true to the best of my knowledge and belief.

Executed on this 13th day of August, 1998.

Jedd Palmer

# Attachment B

## Comparison Between Telephone and Cable Providers in MediaOne's Largest Region (New England)

### Percentage of Incumbent LEC Presubscribed Lines vs. Percentage of MediaOne Cable Subscribers By State - 1997*

| | Total Presubscribed Lines in State | Bell Atlantic/NYNEX - SNET Presubscribed Lines in State | Percentage of Bell Atlantic/NYNEX - SNET Presubscribed Lines | Total Cable Subscribers in State | MediaOne Cable Subscribers in State | Percentage of MediaOne Cable Subscribers |
|---|---|---|---|---|---|---|
| **Connecticut** | 2,035,573 | 2,015,389 | ***99.01%*** | 1,014,648 | 35,524 | **3.50%** |
| **Maine** | 754,878 | 633,594 | ***83.93%*** | 307,521 | 18,472 | **6.01%** |
| **Massachusetts** | 4,151,814 | 4,148,019 | ***99.91%*** | 1,708,123 | 841,296 | **49.25%** |
| **New Hampshire** | 752,763 | 707,034 | ***93.93%*** | 365,493 | 166,047 | **45.43%** |
| **Rhode Island** | 602,318 | 602,318 | ***100.00%*** | 300,502 | 15,036 | **5.00%** |

* Sources: Telco Data - Preliminary Statistics of Communications Common Carriers, Table 2.3 (Federal Communications Commission 1997 Ed.)
Cable Data - Warren Publishing, Inc. *Television and Cable Factbook*, Services Volume No. 65, 1997.

### Incumbent LEC Revenues vs. MediaOne Revenues in New England - 1997**

| | Total Operating Revenues for All LECs | Proportionate ILEC - Bell Atlantic/NYNEX - SNET Revenues*** | MediaOne Revenues | Percentage of MediaOne Revenues to ILEC Revenues |
|---|---|---|---|---|
| **Connecticut** | $1,480,000,000 | $1,465,324,859 | $15,879,000 | 1.08% |
| **Maine** | $465,800,000 | $390,961,301 | $7,739,000 | 1.98% |
| **Massachusetts** | $2,882,500,000 | $2,879,865,227 | $384,410,000 | 13.35% |
| **New Hampshire** | $534,400,000 | $501,936,160 | $66,012,000 | 13.15% |
| **Rhode Island** | $399,500,000 | $399,500,000 | $6,996,000 | 1.75% |

** Source: Telco Data - Preliminary Statistics of Communications Common Carriers, Table 2.13 (Federal Communications Commission 1997 Ed.)
*** Total operating revenue for all local exchange carriers in state times ILEC share of total presubscribed lines in state.

# Attachment C

## PROPOSED RULE

**§76.503 National subscriber limits.**

(a) No person or entity shall be permitted to serve more than 35% of all multichannel video programming subscribers nationwide through multichannel video distribution systems owned or controlled by such person or entity.

(b) Attribution of ownership interests in multichannel video distribution systems that are held indirectly by any party through one or more intervening corporations or partnerships will be determined by successive multiplication of the ownership percentages for each link in the vertical ownership chain and application of the relevant attribution benchmark to the resulting product. [For example, if A owns 10% of company X, which owns 60% of partnership Y, which owns 100% of "MVPD", then A's interest in "MVPD" would be 6%.]

(c) For purposes of attribution under paragraph (a), where a person or entity certifies that it holds less than a majority interest of another person or entity which owns or controls multichannel video distribution systems, and that the entity in which it holds less than a majority interest is not included in, and does not come under, that entity's programming affiliation agreements, the multichannel video programming subscribers served by such entity shall not be attributed to the persons or entities holding a minority interest.

(d) A person or entity shall be allowed to exceed the subscriber limits imposed by paragraph (a) where such excess is the result of internal subscriber growth in systems currently owned or controlled or the expansion of currently owned or controlled systems into unserved areas.