

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)
)
)
Implementation of the Cable)
Television Consumer Protection)
and Competition Act of 1992)
Review of the Commission's)
Cable Attribution Rules)

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CS Docket No. 98-82 SEP - 3 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

REPLY COMMENTS OF CHASE CAPITAL PARTNERS

Chase Capital Partners ("Chase") hereby submits these reply comments in response to the Commission's Notice of Proposed Rulemaking in the above-captioned matter.¹ In its comments, Chase argued that the Commission's cable attribution rules should be relaxed with respect to institutional investors, like Chase, in order to expand the availability of capital needed both to establish and to upgrade a variety of video delivery services. Such investors are not motivated to impair the competitiveness of companies in which they invest, and, so long as they cannot exercise control over those companies, do not have the means to do so.

The Commission can thus help to expand the range of service offerings available to the public by (i) raising the ownership benchmark for attribution from five percent of voting equity to at least ten percent,² (ii) applying the same limits and exceptions to cable/MDS cross-ownership as are applied to broadcast services and to cross-ownership of cable and other

¹ FCC 98-112, released June 26, 1998.

² See 47 C.F.R. § 76.501 n. 2(a).

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services,³ and (iii) re-defining investment companies to include all non-operating investors, like Chase, increasing the allowable ownership of such entities from ten to twenty 20 percent, and permitting such entities that do not exercise actual control or take part in day-to-day operations to name directors of the companies in which they invest. The majority of commenters echoed the need to relax the attribution standards in order to attract additional capital to the video delivery market, and included similar proposals to achieve these goals.⁴ In particular, a number of comments called for the cognizable ownership benchmark to be raised to at least ten percent.⁵

Two commenters, Ameritech New Media, Inc. and Consumers Union, et al., opposed relaxation of the current attribution rules, arguing that this would make it easier for cable operators to exert improper influence over competitive services and service providers.⁶ These comments address the situation in which an entity whose core business is the delivery of video services has a cross-interest in another video service provider. Chase's recommendations, on the other hand, apply to institutional investors--entities neither engaged in providing video

³ See 47 C.F.R. § 24.912.

⁴ For example, commenters propose (i) a passive investor exception to the attribution rules, to apply even if the investor holds a minority of the seats on the company's board (Comments of Cablevision Systems Corporation at 19); (ii) an increase in the passive investor ownership limit to above ten percent (Comments of the National Cable Television Association at 16); (iii) an increase in the institutional investor benchmark to 49 percent (Comments of TCI at 50-51); (iv) making exceptions to the cable attribution rules equally applicable in the cable/MDS context (Comments of Ohio Valley Wireless, Ltd. at 2); and (v) expanding the passive investor exception to include all institutional investors and applying it to cross-ownership of cable and MDS providers (Comments of Mediacom LLC at 15-16).

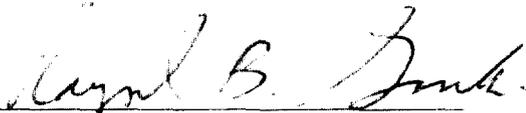
⁵ See, e.g., Comments of Cablevision Systems Corporation at 18-19; Comments of Time Warner Inc. at 51; Comments of the National Cable Television Association at 15; Comments of TCI at 50; Comments of the Wireless Communications Industry Association at 20; Comments of Mediacom LLC at 11-12.

⁶ See Comments of Ameritech New Media, Inc. at 27; Comments of Consumers Union, et al. at 3-4.

services nor in control of the companies that are--who are in business simply to obtain a return on their investments. The Commission should consider this difference as it weighs the need for capital against the likelihood of wrongdoing by any particular class of interested parties.

No commenter presented evidence to show that institutional, non-controlling investors present a material threat to competition in the video services industry. To the contrary, limiting the involvement of such investors to current levels unnecessarily denies capital to the companies that need it the most. Chase urges the Commission to implement these long overdue changes in the cable attribution rules.

Respectfully submitted,

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