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September 30, 1998

Ex Parte

Ms. Magalie R. Salas, Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, DC 20554

Re: Notification of Permitted Ex Parte Presentations –
CS Docket No. 98-102

Dear Mr. Salas:

Pursuant Section 1.1206(a)(1) and (a)(2) of the Commission's Rules, Comcast hereby submits an original and one copy of this letter and enclosure regarding permitted ex parte presentations in the above-referenced docket. On Tuesday, September 29, Jim Coltharp, Senior Director, Public Policy, of Comcast Corporation met with Jane Mago, Senior Legal Advisor to Commissioner Powell to discuss the Commission's annual assessment of the status of competition in markets for the delivery of video programming. Attached to this notice is a two-page handout provided during the meeting which summarizes the issues discussed in the meeting. If you have any questions, please contact the undersigned.

Sincerely,

James R. Coltharp

James R. Coltharp
Senior Director, Public Policy

cc: Jane E. Mago (w/encl.)

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COMCAST: VIDEO COMPETITION AND MARKET DYNAMICS

Comcast Corporation:

- Nation's fourth largest cable operator: 4.3 million customers in 21 states.
- 314th on FORTUNE 500 listing.
- $4.912 billion in revenues (1997).
- 17,600 employees.
- Comcast Cellular: digital and analog service to over 800,000 customers in PA, NJ, DE and MD.
- Wired local exchange service in FL and MD, and long-distance service in 14 states.

Comcast Cable key facts:

- Comcast faces competition from terrestrial competitors in 40% of its markets.
- Comcast faces competition from satellite competitors in 100% of its markets.
- 80% of Comcast's Customers are in 10 geographic clusters.
- 99.5% on-time record in 1996.
- Digital services available to 1.5 million customers in 7 markets.

DBS is real competition:

- In 1997, DBS subscribership grew 40%.
- In 1998, DBS growth is running nearly 35% above 1997.
- High power DBS subscribers grew from 3.28 million in July 1997 to 5.14 million in July 1998: a **56.6%** growth rate.
- In 35 states DTH satellite subscribership is over 10% of all TV homes.
- In 15 states DTH satellite subscribership exceeds 15%.
- DirectTV is received in more than 4 million homes, making it the nation's fourth largest multichannel video programming distributor.
- DirectTV calls its new high-definition digital satellite service "a cable replacement product."

DBS competition in Comcast markets is increasing rapidly, from 1996-1998:

- DBS penetration increased in Philadelphia by 279%.
- DBS penetration increased in Union, NJ by 270%.
- DBS penetration increased in Sacramento by 231%.

Terrestrial competition facing Comcast:

- Ameritech in 14 Michigan communities.
- Bell Atlantic in Dover Township, NJ.
- Knology in Charleston, SC and Panama City, FL.
- SNET in Connecticut.
- Additional SMATV providers like RCN.

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Comcast is responding to competition by structuring its program service offerings to offer three or more levels of service:

- Low-price basic service for between $9-12, includes local broadcast services plus C-SPAN.
- CPS Tier generally includes services such as ESPN, CNN, Discovery, MTV, A&E... priced $25-$30.
- NPT Tier – optional tier generally offering 8-9 new programming services.
- Almost 50% of Comcast's regulated service rates are below benchmark.

Comcast has spent $1.48 billion to upgrade its systems over the past three years:

- In 1998 alone, Comcast will spend $700 million to upgrade and rebuild systems.
- 80% of customers will be served by systems of 550 MHz or greater by year-end 1998.
- 60% of customers soon will be served by systems of 750 MHz or greater.
- $110 million in SE Michigan for digital service with over 175 channels & high speed Internet.
- $32 million invested in Chesterfield, VA.
- $42 million invested in Charleston, SC.
- $47 million invested in Orange County, CA.

Cable faces increasing input costs while costs for telephone and computer industries decline:

- Increased capital investments, such as Comcast's $1.5 billion into new broadband plant over the past three years.
- Programming increases for original programming and sports:
  1. Basic cable spent $4 billion on programming in 1997 compared to only $482 million ten years earlier.
  2. NFL and NBA increased price of their distribution rights by 100 to 150%, NHL increased price of its distribution rights by 260%.
  3. Average license fee increase Comcast has experienced for most highly penetrated regional sports networks exceeds 20%.
  4. Movie production costs have risen 33% in the last four years.
- Telephone companies have depreciated networks that often are not upgraded, and they are able to rely on personnel reductions to streamline costs.

High-Speed Internet services:

- Seven markets reaching over 865,000 residential customers.
- Comcast@Home now has 30,000 customers.
- Cable modem service markets: Baltimore, MD; Philadelphia, PA; Sarasota, FL; Chesterfield, VA; Union, NJ; Suburban Detroit, MI; Orange County, FL.

Schools and Libraries:

- Comcast led cable industry commitment to provide schools with free cable modems.
- 403 schools and 30 libraries have received free cable modems and service from Comcast.
- Developed award-winning Web page devoted to education: www.onlineschoolyard.com.

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