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COMCAST  
CORPORATION



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EXTERNAL AFFAIRS --- WASHINGTON  
1317 F STREET, NW • WASHINGTON, DC 20004 • (202) 638-5678

December 11, 1998

Ex Parte

Ms. Magalie R. Salas, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Room TWB204  
Washington, DC 20554

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

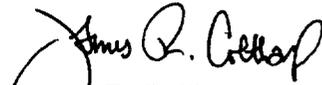
Dear Ms. Salas:

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 Thursday, December 10, Jim Coltharp, Joe Waz and Tom Nathan of Comcast Corporation met with:

- Rick Chessen, Sr. Legal Advisor, Ofc. of Commissioner Tristani
- Commissioner Harold Furchtgott-Roth & Helgi Walker, Legal Advisor
- Commissioner Susan Ness & Anita Wallgren, Legal Advisor
- Commissioner Michael Powell & Jane Mago, Legal Advisor
- Susan Fox, Sr. Legal Advisor, Ofc. of Chairman Kennard
- Bill Johnson, John Norton & Nancy Stevenson, Cable Services Bureau

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. Also attached is a full-page advertisement from the *Philadelphia Inquirer* as an example of DBS competition. If you have any questions, please contact the undersigned.

Sincerely,

  
James R. Coltharp  
Senior Director, Public Policy

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cc: Rick Chessen, Comm'r Harold Furchtgott-Roth, Helgi Walker,  
Comm'r Susan Ness, Anita Wallgren, Comm'r Michael Powell, Jane Mago,  
Susan Fox, Bill Johnson, John Norton & Nancy Stevenson,

(w/encl.)

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## COMCAST: VIDEO COMPETITION AND MARKET DYNAMICS

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### Comcast Corporation:

- Nation's fourth largest cable operator: 4.3 million customers in 21 states
- 314<sup>th</sup> 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.

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### 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.

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### 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.
- Knology in Charleston, SC and Panama City, FL.
- SNET in Connecticut.
- Additional SMATV providers like RCN.

**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, CA.

**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](http://www.onlineschoolyard.com).

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