

EX PARTE OR LATE FILED



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February 9, 1999

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FEB - 9 1999

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TWB-204
Washington, D.C. 20554

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RE: Ex Parte
In the Matter of Applications for Transfer of Control to AT&T Corp. (AT&T)
Licenses and Authorizations Held by Tele-Communications, Inc. (TCL)
CS Docket No. 98-178

Dear Ms. Roman Salas:

Please include a copy of the attached in the record of the above-referenced proceeding. Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(2) of the Commission's rules.

Sincerely,

Attachment

cc: Chairman William Kennard
Commissioner Harold Furchtgott-Roth
Commissioner Susan Ness
Commissioner Michael Powell
Commissioner Gloria Tristani
Royce Dickens

No. of Copies rec'd 0+1
List ABCDE



C. Michael Armstrong
Chairman of the Board

32 Avenue of the Americas
New York, NY 10013-2142
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February 8, 1999

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

Chairman William E. Kennard
Federal Communications Commission
445 Twelfth Street, SW, Room 8-B201
Washington, D.C. 20554

Dear Chairman Kennard:

I wanted to bring you up to date on our deployment plans for TCI's facilities. AT&T has recently announced that it is accelerating its efforts to offer cable telephony services over TCI's facilities. In 1999, AT&T and TCI expect to conduct market pilots in ten of TCI's largest markets in which we will offer customers local and long distance telephony services, as well as video and high-speed data services. Once established, AT&T plans to expand these pilots and, as quickly as possible, begin offering local telephony services commercially to customers passed by TCI's facilities. Initially, we plan to use circuit switched technologies to offer telephony services, but expect to deploy IP technology when it becomes commercially available.

As we pursue these plans, I want to make one thing very clear. Once we begin to upgrade a cable system to prepare it for high-speed data, voice, and advanced digital entertainment, we will continue the process until TCI's facilities throughout the city are completely upgraded. The decision to proceed in this manner is both good policy and good business. AT&T has a proud history of serving customers in all neighborhoods in every city and state in this country, and that tradition will continue. AT&T does not and will not deny or delay system upgrades based on the income of individuals living in particular neighborhoods. Rather, our goal is to provide more and better services, and at lower cost, to consumers for as many people as we can reach.

In order to accomplish this goal, we will need to deploy telephony and high-speed data services to as many of the individual TCI systems as is economically feasible. It is already clear, however, that we face considerable economic challenges as we try to reach TCI's smallest and most geographically remote systems. There are certain costs associated with serving any market which are independent of the number of customers in that market. For example, each market must have geographic proximity to a local switching capability in order to provide telephony, and to a regional data center that supports high-speed data services. The costs of these facilities are significant and difficult to justify economically in circumstances where the potential customer base and/or the customer density are small, making it potentially difficult to reach some remotely situated customers on commercially acceptable terms.

Despite these factors, it is our intention to pursue every opportunity to serve these customers with viable, attractive service offers. The ongoing industry-wide effort to consolidate systems through swaps and affiliations could help in some cases by creating the critical mass of customers necessary to support the needed investment. New technologies such as IP will also help by driving down the costs of providing service. Of course, AT&T will work with the industry, the Commission, and State regulators to explore ways to offer a full array of competitive services to all Americans, particularly those in remote or hard-to-reach locations.

We recognize fully the intense interest that our merger with TCI has generated. The opportunity to bring new service options to consumers across America is, for AT&T, both exciting and invigorating. We are a company that has, for more than 100 years, offered high quality service to all Americans. We understand that we play an important, and perhaps unique, role in bringing choice in local phone service to the American public, and are mindful of the challenges we face in making such choice a reality. We are approaching the deployment of cable telephony and related services with these thoughts uppermost in our minds, and with a seriousness of purpose, and a full sense of commitment. We also recognize, and genuinely respect, the Commission's role as a steward of the public interest in this area, and will, of course, keep you informed personally of our progress as we move forward over the next two years.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mike Quinlan".

cc: Commissioner Susan Ness
Commissioner Harold Furchtgott-Roth
Commissioner Michael Powell
Commissioner Gloria Tristani