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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

December 10, 1999

VIA HAND DELIVERY

Ms. Magalie Roman Salas
Secretary, Federal Communications Commission
445 12th Street, S.W.
Room TW-B204F
Washington, D.C. 20554

Re: CS Docket No. 99-230; Annual Assessment of Competition in the Markets
for the Delivery of Video Programming; Comcast Corporation
ORAL EX PARTE PRESENTATION

Dear Ms. Salas:

On Thursday, December 9, 1999, James R. Coltharp and Joseph W. Waz, Jr. of Comcast Corporation ("Comcast" or the "Company") and the undersigned met with Clint E. Odom, Acting Legal Advisor (Detailed) for Commissioner Powell. During that meeting, we discussed the issues raised by Comcast's Reply Comments filed in the record of the above-referenced proceeding and also discussed Comcast's continuing response to competition in its cable television markets. In addition, Comcast presented the enclosed summary of facts and statistics drawn from its Reply Comments regarding the Company, its competitors, and the state of competition in the multichannel video programming distribution markets.

Pursuant to Section 1.1206(b) of the Commission's Rules, an original and one copy of this letter are being submitted to the Secretary's office and copies are being provided to the Commission participants in the meeting.

Very truly yours,



Barbara S. Esbin
Counsel for Comcast Corporation

BSE/rb
Enclosure
cc: Clint E. Odom

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COMCAST: VIDEO COMPETITION AND MARKET DYNAMICS

In 1999, Comcast is responding to accelerating video competition by delivering new broadband products and better service through improving clustering and expanded investment.

Comcast Corporation:

- Nation's third largest cable operator: More than 8 million customers in 26 states upon completion of pending transactions.
- Currently 292nd on FORTUNE 500 listing.
- \$5.590 billion in revenues (1999).
- 17,600 employees.
- Wired local exchange service in FL, MD, and VA, 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.
- 84% of Comcast's customers are in 6 geographic clusters of 200,000 customers or greater.
- Over 450,000 digital cable customers in 7 markets; service now available to 60% of customers.

Satellite competition is vigorous and accelerating:

- Satellite Home Viewer Act passage in November 1999 allows DBS to retransmit local TV stations.
- During the past year, 2 out of 3 new multichannel video customers chose DBS.
- DBS adds subscribers at the rate of more than 8,000 a day.
- The price of DBS is down 40% in the past year, and median subscriber income is 8% below last year.
- DirecTV is received in more than 7.5 million homes, making it the nation's fifth largest multichannel video programming distributor.
- Competition drives DBS to form strategic alliances with partners such as Bell Atlantic, SBC and AOL to deliver bundled packages of communications, entertainment and Internet services.

Comcast also faces increasing terrestrial competition:

- RCN is in Washington, DC market, and reports cable penetration of 30% and local phone penetration of 20% in its service areas.
- Knology in Charleston, SC and Panama City, FL.
- SNET in Connecticut.
- Ameritech in 14 Michigan communities.
- Additional SMATV and MMDS providers.

Competitive pressure for the cable industry:

- Competing MVPDs capture 70% of new subscribers, with 12 million total households subscribing.
- Cable market share continues to decline, and is down 3% from 1999.

COMCAST'S COMPETITIVE RESPONSE

New Product ⇒ Digital Cable Service:

- Comcast Digital Cable offers more than 170 channels of programming with CD quality sound to over 450,000 customers in 7 markets.
- Digital services offers 35 premium movie, 38 pay-per-view, and 40 commercial free digital music channels.
- Interactive screen guide allows customers to search for programs by title, time, channel or category.

New Product ⇒ Comcast@Home High-Speed Internet services:

- 140,000 customers in 15 markets, reaching over 2.4 million or 43.6% of Comcast residential customers.

- Cable modem service markets include Baltimore, MD; Philadelphia, PA; greater NJ; Alexandria and Chesterfield, VA; Charleston, SC; Chamblee and Augusta, GA; Sarasota, FL; Southeastern Michigan; Indianapolis and Fort Wayne, NJ; Orange County and Sacramento, CA.

New Product ⇒ Telephony:

- Comcast provides (1) circuit-switched local exchange service to residential customers, including MDUs, in MD, VA and FL; and (2) interexchange service to business and residential customers in over a dozen states.
- Comcast is a leader in developing IP telephony through PacketCable, which is likely to emerge as the leading multimedia delivery mechanism. Currently conducting a technology trial with Lucent.

Clustering:

- Enables more efficient use of resources to provide high quality video programming, improved customer service, and competitive and reasonable prices.
- The economic efficiency of consolidation helps to offset the increasing costs for programming and investment and positions Comcast to compete in multichannel video and broadband markets.
- Clustering yields benefits and economies: fewer headends, more branding capability, increased ad sales.
- Regional programming like CN8 is cablecast to over 3 million customers in Mid-Atlantic area, providing the quality local programming that is less often available from broadcast stations.

Comcast has spent nearly \$2 billion to upgrade its systems over the past three years:

- In 1998 alone, Comcast spent \$700 million in private capital to upgrade and rebuild systems.
- 85% of customers will be served by systems of 550 MHz or greater by year-end 1999, and 63% of customers soon will be served by systems of 750 MHz or greater, subject to completion of pending acquisitions.

Comcast continues to structure program service offerings to offer three or more levels of service:

- Low-price basic service for between \$9-12, includes local broadcast stations plus C-SPAN.
- CPS Tier generally includes services such as ESPN, CNN, Discovery, MTV, A&E... priced \$25-\$30.
- New Product Tier – at least one optional tier offering 8-9 new programming services, averaging \$5-6.

ECONOMIC CHANGE—Cable's rising inputs are unlike declining costs for telephone and computer industries:

- Increased capital investments—with industry consolidation, acquired systems often need substantial investment.
- Programming increases for original programming and sports:
 1. Programming costs have increased for Comcast 13-15% in 1999. Some services have increased as much as 33%. ESPN increased by 20%
 2. Average license fee increase for most highly penetrated regional sports networks exceeds 20%.
 3. Basic cable spent \$4 billion on programming in 1997 compared to only \$482 million ten years earlier.
 4. NFL and NBA increased price of their distribution rights by 100 to 150%, NHL increased price of its distribution rights by 260%.
 5. Meanwhile, movie production costs have risen 33% in the last four years.

COMMUNITIES--Comcast strengthens roots through services to schools and libraries:

- Comcast led cable industry commitment to provide schools with free high-speed cable Internet service.
- Over 630 schools are receiving free cable Internet service from Comcast.
- Comcast will meet pledge to provide free cable Internet service to 250 libraries.
- Comcast offers free Internet training for parents, students, educators and senior citizens.
- Comcast developed award-winning Web page devoted to education: www.onlineschoolyard.com.