

ORIGINAL



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EX PARTE OR LATE FILED

March 29, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, N.W.
Washington, D.C. 20554

RECEIVED

MAR 29 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: Notice of Ex Parte Communication

In the Matter of Applications for Transfer of Control to AT&T
Corp. ("AT&T") of Licenses and Authorizations Held by
MediaOne Group, Inc. ("MediaOne")
CSB Docket No. 99-251

Dear Ms. Salas:

Please include a copy of the attached in the record of the above-referenced proceeding.

I am submitting two copies of this letter and the attachment in accordance with Section 1.1206(b)(1) of the Commission's rules. We are also providing copies of this letter to the Commission staff listed below.

Sincerely,

Stephen C. Garavito /ha

Attachment

cc: To-Quyen Truong
Royce Dickens
Linda Senecal

No. of Copies rec'd _____
List ABCDE

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Stephen C. Garavito
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March 29, 2000

Ms. Royce Dickens
Cable Services Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

EX PARTE OR LATE FILED

Re: In the Matter of Applications for Transfer of Control to AT&T Corp.
("AT&T") of Licenses and Authorizations Held by MediaOne Group,
Inc. ("MediaOne")
CSB Docket No. 99-251

Dear Ms. Dickens:

This letter explains further the cable telephony penetration chart that was included in AT&T's letter to Deborah Lathen, dated February 22, 2000, which chart has been attached to this submission for your convenience.¹

This chart shows the increased penetration of cable telephony in MediaOne serving areas nationwide that could be expected as a result of the proposed merger. Specifically, the actual 1999 and projected 2000-2002 telephony market ready homes in MediaOne's serving areas nationwide for each segment of time shown on the chart were used as the base. The entry labeled "M-1 Subs" shows the absolute number of telephony subscribers nationwide that MediaOne actually acquired in 1999 and projects it will have acquired by each of the relevant dates. The entry "M-1 Pen" applies the absolute number of MediaOne telephony subscribers nationwide to the total number of telephony market ready homes in MediaOne serving areas nationwide to calculate a cable telephony penetration rate. As you will note, MediaOne projects it would have a 10% cable telephony penetration rate nationwide by the 4th quarter of 2002.

¹ This explanation also applies to the confidential version of the chart, which was filed under seal pursuant to the protective order (Bates No. AT&T 002555).

Ms. Royce Dickens
March 29, 2000
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As AT&T has previously explained to the Commission, the merger will significantly increase MediaOne's ability to successfully market cable telephony because MediaOne will gain the AT&T brand, customer support systems, marketing experience, and other benefits previously identified to the Commission. In order to estimate the increased telephony penetration MediaOne should achieve, AT&T applied the penetration rate AT&T has experienced in marketing cable telephony in its own cable telephony market ready areas to MediaOne's telephony market ready homes for each of the relevant periods. As explained in the February 22, 2000 submission, where AT&T has rolled out cable telephony it has achieved a telephony penetration rate against telephony ready homes in excess of 1% per month. AT&T therefore applied the conservative AT&T penetration rate of 1% per month to the MediaOne base of telephony market ready homes to estimate the increased penetration in MediaOne serving areas that would result from the merger.

The result of this exercise is shown on the attached chart. The entry labeled "M-1/AT&T Pen" substitutes the AT&T cable telephony penetration rate for MediaOne's penetration rate standing alone in order to reflect the benefits MediaOne will obtain through the merger. This shows that MediaOne's penetration rate (with the benefits obtained through the merger) would increase from roughly 10% to 30% by the 4th quarter 2002.² Finally, the entry labeled "Subs w/AT&T" applies this increased penetration rate to MediaOne's telephony market ready homes nationwide to show the total number of telephony subscribers MediaOne could acquire with the benefits obtained through this merger.

We hope this explains the process used in preparing the chart and the significance of the information depicted in the chart. Please contact us if you have any questions.

Sincerely,

Stephen C. Baravito/ha

cc: To-Quyen Truong
Linda Senecal

² For simplicity's sake, the chart applies the increased penetration rate expected from the merger retroactively to January 1999, when MediaOne's telephony activities began to be rolled out, whereas the benefits of the merger will not be obtained until closing. Thus, the increase in penetration by 4th quarter 2002 would be somewhat less than is shown on the chart. Nevertheless, the chart demonstrates that the merger will significantly increase MediaOne's success in offering cable telephony and that every month's delay in approving the merger denies consumers in MediaOne's serving areas the benefits obtained through vibrant local exchange competition.

Attachment

**Subscriber Count & Penetration
MediaOne Alone v. with AT&T**

