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May 2, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Room TW-A325
Washington, DC 20554

Re: Notice of Oral Ex Parte
In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc. to AT&T Corp.
(CS Docket No. 99-251)

Dear Ms. Salas:

On behalf of U S WEST, Inc. ("U S WEST"), William R. Richardson, Jr. and Julie A. Veach of Wilmer, Cutler & Pickering and Melissa Newman of U S WEST met yesterday with Helgi Walker of Commissioner Furchtgott-Roth's office. We discussed the nature of U S WEST's interest in this proceeding, as a competing provider of broadband access over DSL facilities and as a new competitor in the market for delivery of cable services, holding cable franchises. We also discussed issues identified in the attachments hereto.

The original and one copy are enclosed for filing pursuant to Section 1.1206 of the Commission's rules. Should you have any questions, please communicate with the undersigned.

Sincerely,

Julie A. Veach

Julie A. Veach

Attachments

cc: Helgi Walker

No. of Copies rec'd 0+1
List A B C D E

May 1, 2000

AT&T/MEDIAONE MERGER

I. THE COMMISSION SHOULD REQUIRE DIVESTITURE WITHIN 6 MONTHS OF A COURT DECISION UPHOLDING THE STATUTORY CAP REQUIREMENT.

- The rules are required by statute. Enforcing them is what the Commission told MSOs it would do in 1993 and again in 1998. It is what the Commission told the D.C. Circuit it would do less than a month ago. FCC Br. 48.
- If the rule is not enforced for an MSO with an attributable interest in 40.3% of the Nation's cable subscribers, it will be a dead letter.
- There is *no record evidence* that the Commission was wrong in concluding that six months is adequate for divestiture.
- There is nothing "technical" about common ownership of over 25% of TWE (with its 11 million subscribers), 9% of its parent, and 100% of one of its most important sources of programming. Such common ownership goes to the heart of the statute's concern about the viability of independent programmers.
- There is nothing "post hoc" about requiring compliance with the Commission's clear deadline for cable divestiture, and with its clear policy on attribution of limited partnership interests. AT&T and MediaOne have now had *one year* to explore avenues for divestiture.
- While *the public interest standard* of Section 310(d) does warrant weighing of competitive benefits and harms, *rule violations* should not be excused based on promises of unrelated benefits.
- The cable telephony benefits promised here relate to the *MediaOne* systems, not the *TWE* systems -- in which AT&T has now committed to sell its interests (or insulate itself).

II. TO ENSURE REGULATORY PARITY WITH DSL, SECTION 706 REQUIRES THAT APPROVAL BE CONDITIONED ON A REQUIREMENT OF NONDISCRIMINATORY ACCESS TO AT&T'S CABLE MODEM FACILITIES.

- This major merger will set a practical standard for the cable industry: voluntary, post-2002 open access promises for AT&T as it sees fit, in a race against DSL providers facing mandatory, immediate line-sharing, loop unbundling, and DSLAM collocation obligations.
- Rep. Dingell: "Why should they be regulated differently when they are giving functionally equivalent service?" Chairman Kennard: "Well, they shouldn't, but the question is: How do we get them both on an even keel"? MultiChannel News, Nov. 1, 1999, at 38.

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4/28/00 Wall St. J. A3
2000 WL-WSJ 3027261

The Wall Street Journal

Friday, April 28, 2000

AT&T Faces Challenge Over Cable-Phone Goal
By Leslie Cauley
Staff Reporter of The Wall Street Journal

AT&T Corp. finished the first quarter with about 40,000 customers for its phone service that runs over beefed-up cable-television lines, and it faces a daunting challenge meeting its year-end goal of 400,000 to 500,000 customers, people familiar with the matter said.

For AT&T to reach its target, and find at least 360,000 new customers, it has to sign up at least 43 times as many as it did in all of 1999. Some people close to the company insist that AT&T is up to the challenge. AT&T is "going to deliver, come hell or high water," said one such person.

AT&T has committed more than $110 billion to buy cable giant Tele- Communications Inc. and MediaOne Group, with an eye on using their cable-TV lines to provide local phone service nationwide.

The telecom giant is adding new cable-telephony customers at a rate of about 15,000 a month, this person said. That represents an improvement over just a few weeks ago, when AT&T was adding an average of 12,000 customers a month, which in turn was a tenfold improvement over last fall, when AT&T was adding just 1,200 local phone customers a month.

AT&T declined to confirm any figures, but noted that "cable telephony is on track to meet its target for the year." AT&T is scheduled to announce its latest tallies on cable telephony when it releases firstquarter earnings on Tuesday. AT&T finished up last year with 8,300 cable-phone customers.

Time is critical. The local Bell phone companies are edging ever closer to entering AT&T's core long-distance market in force, putting pressure on AT&T to respond aggressively with its own local-phone offering. But AT&T doesn't own traditional phone lines into customers' homes, forcing it to go the more exotic cable-line route.

Bell Atlantic Corp., based in New York, earlier this week announced that it had signed up about 428,000 long-distance customers in New York state during the first quarter, almost double what some analysts had predicted. People familiar with the matter say that figure has since shot past the 500,000 mark, putting the Bell on a fast track to easily have more than one million long- distance customers in New York state by mid-year, and 1.5 million by the end of the year. Many of Bell Atlantic's new customers are coming out of AT&T's coveted long-distance customer base, and Bell Atlantic is pushing to enter several other states, including New Jersey and Pennsylvania.

AT&T had hoped to use Time Warner Inc.'s cable-TV networks to offer AT&T- branded local-phone service in New York. But that may not happen now that Time Warner is set to be acquired by America Online Inc., which has telephone aspirations of its own.

In New York, AT&T is reselling Bell Atlantic's services under its own name, and has signed up more than 300,000 such customers, people familiar with the matter said. But AT&T eventually hopes to flip these customers to its own cable networks or those of partners, because leasing Bell lines is very expensive.

So far, customer response to the AT&T cable-phone product has been good, insiders said. But the technical challenge of putting phone service on cable-TV networks continues to be a big one, often requiring that older cable systems be rebuilt. "Unless you have really a good cable plant, phone service is the one application that really falls down," said one person familiar with the situation.

Even so, some insiders say AT&T has been making progress. AT&T has "the basic delivery down, now it's just fine-tuning," said one person. AT&T is working on systems that would allow automatic handling of customer orders, known as "flowthrough" in phone parlance. But others point out that a lot of work remains to be done. "Time will tell," said another person, a nod to thelooming 400,000 customer goal later this year.

Another obstacle for AT&T, and the cable industry at large, is the lack of qualified field personnel to install cable-telephone setups, as well as new high-speed Internet services. AT&T crews have cut cable-telephony installation times by an hour per home, but the whole process is still time-consuming -- about two hours, plus driving time.

As if all that wasn't enough, AT&T is also dealing with a host of integration issues related to its acquisition of cable company MediaOne. Dan Somers, who took over as head of AT&T's cable unit last fall, has been working with outside consultants on a number of integration issues, people familiar with the matter said, all with an eye on easing integration once the deal closes. Consultants are looking at how to best merge the various systems of the two companies, such as billing, so that there will be little disruption. That work is expected to conclude within 30 days.

The MediaOne deal is expected to close early this summer. MediaOne, a former unit of Denver-based Bell U S West Inc., is also a longtime supporter of cable telephony, one reason it was of interest to AT&T.

AT&T had originally promised to have about 800,000 cable-telephony customers in hand by the end of 2000. AT&T made that prediction when it set plans to buy TCI in June 1998, but scaled back its goal when it became apparent that it would take longer than expected to outfit TCI's patchwork of cable-TV systems for phones.

MediaOne recently announced that it finished the first quarter with 94,000 cable-telephony customers. According to people familiar with the matter, the cable giant recently installed its 100,000th customer, and is continuing to sign up customers at a rate of about 10,000 a month. MediaOne began upgrading its systems for cable telephony more than four years ago.

AT&T doesn't yet intend to count MediaOne's cable-phone customers toward the 400,000 to 500,000 such customers it has promised to install this year.

Counting Talking Heads

AT&T has promised to have 400,000 to 500,000 cable telephony customers by the end of this year, not counting MediaOne phone customers. A look at phone-over-cable users with each company:

	1999 Customers
AT&T	8,300
MediaOne	66,000
	First-Quarter 2000 Customers
AT&T	40,000
MediaOne	94,000
	Current Monthly Customer Rate
AT&T	Adding about 15,000
MediaOne	Adding about 10,000

Source: The company

---- INDEX REFERENCES ----

COMPANY (TICKER): Bell Atlantic Corp.; At&T Corp.; Mediaone Group Inc. (BEL T UMG)

NEWS SUBJECT: Corporate Actions; High-Yield Issuers; Corporate Profiles; Acquisitions, Mergers and Takeovers; World Equity Index; Wall Street Journal (CAC HIY PRO TNM WEI WSJ)

MARKET SECTOR: Consumer Cyclical; Utilities (CYC UTI)

INDUSTRY: Broadcasting; Cable Industry; All Entertainment & Leisure; Long Distance Telephone Providers; Media; Regional Telephone Systems; Telecommunications, All; Telephone

Systems (BRD CBL ENT LDS MED RTL TEL TLS)

PRODUCT: Leisure; Media; Telecommunications; Embargoed Journal Stories (DLE DME DTE EMB)

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