

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of:	)	
	)	
Annual Assessment of the Status of	)	MB Docket No. 02-145
Competition in the Market for the	)	
Delivery of Video Programming	)	
of the Commission's Rules	)	

**COMMENTS OF COMCAST CORPORATION**

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Comcast is pleased to participate in this ninth inquiry on the status of competition in the delivery of video services. In this annual proceeding, the Commission can obtain and evaluate the facts about the current state of the marketplace and relevant trends, independent of the pressures and constraints associated with rulemakings and transactional reviews.

We believe that the record in this proceeding will demonstrate, unambiguously, that the circumstances facing multichannel video programming distributors (“MVPDs”) are dramatically different from those of a few short years ago. The salient characteristics of *today’s* MVPD environment are substantial investment, continuous innovation, robust competition, significant risk, and – of greatest importance to the Commission – abundant (and still increasing) video programming choices for consumers.

Comcast will provide current, detailed company information (*e.g.*, homes passed, customer counts, etc.) in response to numerous questions raised in the Notice in our reply

comments, after the relevant data become publicly available.<sup>1/</sup> For the present, we offer a general overview of the major developments and trends of the past year.

We think it is important to begin with the following undeniable facts:

- Consumers in virtually every corner of the nation have real choices among multiple providers of MVPD services. The vast majority of households can choose from among three separate, facilities-based MVPD providers, and many can choose from four or more.
- Key provisions of the 1992 Cable Act, and the 1998 Satellite Home Viewer Improvement Act, have been a huge success in empowering DBS providers to compete aggressively and successfully. DBS continues its astounding growth, and now has more than 18 million customers.
- The decision by Congress in the Telecommunications Act of 1996 (“1996 Act”) to roll back rate regulation (effective March 1999) enabled cable companies to obtain and invest the capital necessary to provide a torrent of new video services, including digital video, video-on-demand (“VOD”), and high-definition television (“HDTV”).
- The cable industry’s massive investments have also enabled the deployment of valuable new nonvideo services.
  - No other industry can claim to have made so important a contribution to the widespread availability of high-speed Internet services to American homes (and, in so doing, created market incentives for others to follow).
  - It is now clear that cable companies offer the best remaining hope for widespread, facilities-based, voice phone competition.

For these and other reasons, Comcast is confident that the record in this proceeding will demonstrate that consumers have been well served by the cable industry and by the Commission’s pursuit of the procompetitive, deregulatory course set by the 1996 Act: a focus on breaking down government barriers to competition (particularly facilities-based competition) and eschewing the application of monopoly-era regulations to a competitive video marketplace.

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<sup>1/</sup> The Commission requests company data as of June 30, 2002. *Notice of Inquiry*, 17 FCC Rcd. 11579 ¶ 2 (2002). Comcast’s information as of that date will be released later this week and will be included in our reply comments.

Consistent with the foregoing, these initial comments focus on two main topics: the expansion of new cable services, and the growth of competition in the video marketplace. In both respects, the past year has been an extraordinarily busy one for Comcast. We have moved with great speed to upgrade newly acquired cable systems to make them capable of supporting new services; we have had continued success in demonstrating to consumers the value added by digital tiers of video programming; and we have begun the introduction of VOD and HDTV services. At the same time, we have faced increasingly vigorous competition, not only from the DBS companies whose growth continues to be rapid, but also from aggressive overbuilders like RCN/Starpower, WideOpenWest and Knology.<sup>2/</sup>

**I. COMCAST CONTINUES TO EXPAND THE ARRAY OF DESIRABLE NEW SERVICES THAT IT OFFERS AND TO INCREASE THE NUMBER OF CONSUMERS WHO HAVE THE OPPORTUNITY TO OBTAIN THESE SERVICES.**

One key to the cable industry's growth has been its ability to find ways to offer consumers a growing array of attractive services at prices they are willing to pay. The more than \$5 billion of capital improvements that Comcast has made over the past several years reflects the company's confidence that consumers will find value in the new services that it offers, even as their array of competitive alternatives continues to grow. And so they have.

Comcast has played a leadership role in deploying services that an advanced broadband platform makes possible. Over 95 percent of our cable systems have been

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<sup>2/</sup> As the Commission is well aware, Comcast has also been busy planning a merger with AT&T Broadband. The public interest benefits of that merger have been discussed in abundant detail in the Commission's merger review proceeding, MB Docket No. 02-70, and will be mentioned only in passing here.

upgraded for two-way, digital communications.<sup>3/</sup> We have been deeply involved in industry efforts to develop technical standards to enable – and to improve – a variety of new services. We have been in the vanguard of bringing new services to market.

*Digital video services* have been an exceptional success. By building additional channel capacity and reaching agreements to offer additional programming networks from myriad sources (as well as our own investments in niche networks), Comcast can now offer its customers an extraordinary array of video programming content that meets virtually every viewing interest.<sup>4/</sup> Some digital customers who love movies or award-winning original series want access to ten HBO channels, not just one – and digital cable offers that choice. Others want the ability to watch channels that might not have drawn sufficiently widespread viewership to warrant channel capacity in an analog world, but that can draw sufficient audiences to warrant space on a digital platform of 200 or more channels.

These digital tiers of service are, of course, entirely optional. Nonetheless, an ever-growing percentage of Comcast's customers find that these additional viewing choices are worth the money. And consumer surveys show that, even though they pay

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<sup>3/</sup> The acceleration of the rebuilds of the AT&T systems, and the new services these rebuilt systems will be able to offer, are a primary public interest benefit of the proposed merger between Comcast and AT&T Broadband. *See Applications for Consent to the Transfer of Control of Licenses Comcast Corp. and AT&T Corp. to AT&T Comcast Corp.*, CC Docket No. 02-70, Application and Public Interest Statement at 28-47 (filed Feb. 28, 2002) (“*Public Interest Statement*”).

<sup>4/</sup> Comcast's digital cable offering includes not only more channels of video programming than ever before but also improved parental controls, a managed, interactive, on-screen guide, and dozens of channels of commercial-free, all-digital music in a wide range of formats, including many not available on commercial radio. *See* [http://comcast.com/Products/Cable\\_Details.html](http://comcast.com/Products/Cable_Details.html) (last visited July 26, 2002).

more for these services, digital video customers have higher levels of satisfaction with their cable service.<sup>5/</sup>

*Video-on-demand* functionality (which includes VCR-like capabilities of pause, rewind, etc.) holds the potential to further stimulate demand for digital video services, and to provide consumers with even more control over their viewing choices. VOD can be a means of expanding consumers' ability to access pay-per-view offerings at a time, and in a manner, of maximum viewer convenience. VOD can also be provided as a subscription service (*i.e.*, with a library of content available for a small monthly fee). And VOD can also be provided as a "free" addition of functionality to existing digital tiers. We anticipate trialing all three of these models.<sup>6/</sup> Consumer response to the additional flexibility inherent in VOD has been favorable.<sup>7/</sup>

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<sup>5/</sup> *E.g.*, Monica Hogan, *Digital-Cable Subs More Satisfied*, MULTICHANNEL NEWS, Apr. 23, 2002 (survey by Leichtman Research Group shows that, "while digital cable customers pay an average of \$16 more per month than their analog cable counterparts, they're more likely to see their cable companies as innovators and more likely to be satisfied with the choice of channels available to them").

<sup>6/</sup> *See Comcast's Watson Cooks Up VOD Centerpiece*, MULTICHANNEL NEWS, July 15, 2002, at 8B *et seq.* (company is experimenting with different models; new model now being readied for launch in Philadelphia); Jennifer 8. Lee, *Cable Offering More Viewing on Demand*, NEW YORK TIMES, Apr. 8, 2002 (quoting Comcast's Watson as saying, "It's a great example of competition kicking in").

<sup>7/</sup> *SmartMoney: Is There Any Hope for Telecom*, DOW JONES NEWS SERVICE, Apr. 16, 2002 ("The appeal of this killer application speaks for itself. It's more than just downloading movies – it's the opportunity to view anything ever filmed, even old TV shows and newsreels. VOD is also a no-brainer for cable operators who, according to Jeffries & Co., can use it to halve customer defections"); Brenda Rios, *Some Detroit-Area Comcast Customers To Try Out Movie Rentals via Cable TV*, DETROIT FREE PRESS, Apr. 4, 2002 ("if you fall asleep watching a movie, you can go back to where you were before you nodded off," said . . . a Fraser resident . . . [Comcast] expects to offer the service to more than 6 million homes by the end of the year . . . . A December study from Jupiter Media Matrix, a New York technology research company, found that Video On Demand would grow to a \$641.9-million market by 2006").

*High-definition television* is off to a promising start. Comcast has offered HDTV to 1.3 million customers in the Philadelphia market since autumn 2001.<sup>8/</sup> Even with the somewhat limited number of HDTV channels available, consumer response has been favorable.<sup>9/</sup> Comcast has also announced plans to introduce HDTV in Detroit, Indianapolis, and the Washington, DC, area. The Washington area deployment will begin this summer in northern Virginia and will extend to the Maryland suburbs later this year (the Detroit and Indianapolis rollouts are also scheduled for this period), and then extend to the District in 2003.<sup>10/</sup> Comcast also joined with the cable industry in taking a leadership position in response to Chairman Powell's call for voluntary industry efforts to accelerate the HDTV transition.<sup>11/</sup> No other industry responded as promptly to embrace

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<sup>8/</sup> Karen Brown, *HDTV Picture Gets Sharper As MSOs Step up Rollouts*, BROADBAND WEEK, Feb. 4, 2002.

<sup>9/</sup> *Mass Media*, COMMUNICATIONS DAILY, July 9, 2002, at 6 (“In the months since we launched HDTV, customer response has been strong,” said Michael Doyle, President of Comcast’s Eastern Div.”); *Powell Updates His DTV Challenge, Sees 2003 as “Watershed” Year*, COMMUNICATIONS DAILY, July 12, 2002, at 6 (quoting Chairman Powell as saying that, as a result of HDTV, “consumers across the country will benefit with supersharp television pictures and even more entertainment and educational choices”); Monica Hogan, *Comcast Adds HD PBS Feed in Philly*, MULTICHANNEL NEWS, July 15, 2002, at 14 (Comcast’s HDTV service originally introduced with programming from ABC, NBC, Showtime, and HBO; PBS station WHYY-HD to be available beginning in August).

<sup>10/</sup> Press Release, *Comcast To Debut HDTV in Major Markets by End of 2002* (Mar. 14, 2002), available at <http://www.comcast.com/PressRoom>. We are pleased to report that the channel offering in the Washington, D.C. market will include all available HDTV signals from the major commercial broadcast networks and the flagship PBS station, plus HBO, Showtime, and Comcast SportsNet game coverage.

<sup>11/</sup> See Letter from Chairman Michael K. Powell, FCC, to Honorable Ernest F. Hollings, Chairman, Committee on Commerce, Science and Transportation, U.S. Senate (Apr. 4, 2002) (attaching Proposal for Voluntary Industry Actions to Speed the Digital Television Transition), available at <http://www.fcc.gov/commissioners/powell>; Letter from Robert Sachs, NCTA, to FCC Chairman Michael Powell (May 1, 2002), available at [http://www.ncta.com/pdf\\_files/ResponsetoPowellPlan.pdf](http://www.ncta.com/pdf_files/ResponsetoPowellPlan.pdf).

the Chairman's vision, and to make concrete commitments to get the transition back on track.<sup>12/</sup>

*Non-Video Services:* Comcast, like others in the cable industry, has worked extraordinarily hard to provide consumers with a high-speed on-ramp to the information superhighway. Although the sudden demise of [Excite@Home](#) (“@Home”) required us to allocate enormous financial and personnel resources to build our own network, we successfully migrated one million high-speed Internet customers to our own network in eight weeks' time with only modest transitional difficulties. We now offer a service that is more reliable than the @Home service, and we have continued to sign up thousands of new customers every week.<sup>13/</sup> Meanwhile, we have moved from technical trials to commercial operations in providing ISP choice with United Online in Indianapolis and Nashville,<sup>14/</sup> and additional agreements with third-party ISPs are currently in negotiation.<sup>15/</sup>

Comcast has also accelerated plans to expand its role in bringing new competition to the residential phone market. At a time when telephone competition has suffered numerous setbacks due to failed business plans, diminished support from the financial

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<sup>12/</sup> See *Victory Lap: DC Contingent Shows Cable Some Digital Love*, CABLEFAX DAILY, May 8, 2002) (citing Chairman Powell as calling cable the “leader” of the digital transition, Commissioner Abernathy as crediting the cable industry's response as “amazing and a credit to your industry,” Commissioner Martin calling it “an important first step,” and Commissioner Copps terming it “excellent”).

<sup>13/</sup> Comcast Corp., 2001 ANNUAL REPORT 4 (2002); Comcast, Presentation at Allen & Company Sun Valley Conference 2002, Slide 10 (July 11, 2002), available at <http://www.cmcsk.com/medialist.cfm>.

<sup>14/</sup> Press Release, *Comcast and United Online To Offer NetZero and Juno High-Speed Internet Service* (Feb. 26, 2002), available at <http://www.comcast.com/PressRoom>; Jim Wagner, *Juno Broadband Enters Comcast Country*, ISP, May 30, 2002, available at <http://www.internetnews.com/isp-news.com>.

community, and unending regulatory complications and disputes, we were pleased to announce our commitment to bring new, facilities-based phone competition to one million homes in Philadelphia and Detroit. Comcast has pledged to make these competitive offerings available as a result of our planned merger with AT&T Broadband.<sup>16/</sup> In connection with this deployment, Comcast has now concluded that Voice over Internet Protocol (“VoIP”) phone service is, at last, substantially ready for commercial deployment (although various issues, such as scalability, remain to be worked through). Thus, assuming a timely and favorable decision on the merger application, “residential primary-line VoIP phone service [will be introduced] in a portion of the Philadelphia area during the second quarter of 2003.”<sup>17/</sup>

## **II. COMCAST FACES INTENSE COMPETITION FOR EVERY SERVICE IT OFFERS.**

In all of the ways described above, Comcast is increasing the choices available to consumers. One main reason for doing so is that market forces demand it. Comcast must innovate and expand its service offerings, or its leadership in the multichannel video marketplace will unquestionably be challenged.

The fact is, consumers who are not satisfied with Comcast’s video services offerings have at least two – and sometimes three or more – additional choices of

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<sup>15/</sup> Our merger partner, AT&T Broadband, has likewise begun commercial operations with Earthlink in Seattle.

<sup>16/</sup> *Public Interest Statement* at 38.

<sup>17/</sup> Press Release, *Comcast Announces Plans for Residential Primary-Line IP Phone Service in Portion of the Philadelphia Market* (June 27, 2002), available at <http://www.comcast.com/PressRoom>; Press Release, *Comcast Announces Additional Details for Voice Service Plans; Broadband Provider Lists Additional Vendors for Internet Protocol Phone Service* (July 19, 2002), available at <http://www.comcast.com/PressRoom>.

multichannel video programming distributors.<sup>18/</sup> EchoStar and DirecTV were well ahead of the cable industry in their use of digital technologies, which gave them a head start in offering the hundreds of digital quality channels that millions of Americans now desire. Overbuilders, too, tend to enter the market with state-of-the-art facilities, giving them the ability to bundle their video offerings with high-speed Internet and competitive phone services as well.

Faced with this competition, cable companies must invest, expand their platforms, develop and deploy new technologies, pursue effective retail marketing alliances, and offer new services – or face rapid erosion of their customer base to rival platforms. Comcast has risen to the challenge. It now competes aggressively, but entirely within the bounds of applicable law and regulation, against two nationwide DBS providers<sup>19/</sup> and, in various markets, against overbuilders such as WideOpenWest, Knology, and RCN/Starpower.<sup>20/</sup> This competition not only requires a commitment to upgrading our plant, expanding our channel line-ups and video program packages, and introducing new technologies and services, but also serves to discipline consumer prices (though *all*

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<sup>18/</sup> See Sam Diaz, *Competition Between Satellite, Cable Means Deals for Consumers*, SAN JOSE MERCURY NEWS, Apr. 11, 2002, at E1 (“Finally, Bay Area television viewers have real choices in programming and the satellite and cable TV companies are doing everything they can – from blow-out sales to free months of service – to get their receivers in your home . . . . Satellite systems have changed quite a bit over the years, and cable operators – feeling the pinch of their own subscribers jumping the fence – have enhanced their product as well . . . . Ah, the beauty of competition”); Harry Berkowitz, *Tug of War: Freebies, Buybacks Used To Woo America’s Viewing Households as Cable-Satellite Duel Intensifies*, NEWSDAY, Aug. 20, 2001, at C14; Beatrice E. Garcia, *Satellite TV Getting Cheaper*, MIAMI HERALD, Nov. 11, 2001, at 1E (“In the battle for subscribers, the satellite television providers are turning up the heat”).

<sup>19/</sup> As of April 2002, the two leading providers had 18.7 million customers, up more than two million from the same point in 2001. See SkyREPORT, *Satellite TV Subscriber Counts April 2001-April 2002*, available at [http://www.skyreport.com/dth\\_counts.htm](http://www.skyreport.com/dth_counts.htm).

<sup>20/</sup> *Public Interest Statement* at 66-67.

MVPDs face programming costs that continue to increase at double-digit rates), demands improvements in customer service capabilities, and generally compels Comcast to be more attentive to its customers' needs and desires than ever before.

Competition is just as much a fact of life in the provision of residential broadband services. Here, Comcast competes primarily against the local telephone companies (though DBS providers and many other wireless and satellite providers also offer high-speed Internet services). The telephone industry withheld DSL technology from the market for more than a decade. Only when prodded by competitive entry from cable did the phone companies roll out DSL and begin the plant upgrades necessary to expand the areas in which DSL services are available.<sup>21/</sup> Recent FCC statistics show that DSL is again growing faster than cable Internet,<sup>22/</sup> so cable companies must redouble their efforts to make high-speed cable Internet service more widely available and ever more attractive to consumers.

In the phone market, Comcast faces its next great challenge. By now, the difficulties of competing against incumbent local exchange carriers in their core business have been abundantly demonstrated. Nonetheless, bolstered by the resources we will have access to as a result of the AT&T Broadband merger, Comcast is committed to offer

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<sup>21/</sup> Deborah A. Lathen, *Broadband Today: A Staff Report to William E. Kennard, Chairman Federal Communications Commission, on Industry Monitoring Sessions Convened by Cable Services Bureau*, at 45 (1999), available at <http://www.fcc.gov/Bureaus/Cable Reports/broadbandtoday.pdf>.

<sup>22/</sup> *High-Speed Services for Internet Access: Status as of December 31, 2001, Report*, Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division, July 23, 2002 at 2 (DSL lines increased 47% in six months, while cable Internet rose 36% in same period), available at <http://www.fcc.gov/wtb/stats>.

cable phone services, beginning in Detroit and Philadelphia. Again, because competition makes every market participant work harder, the American consumer is certain to benefit.

### **III. CONCLUSION**

The past year has been a time of considerable progress – for the cable industry, for consumers, and for Comcast in particular. Facing intense competition, we have invested to sustain our leadership in delivering new video services, successfully managed a major transition in the provision of high-speed cable Internet services while still maintaining growth, and set the stage for new competition in phone services. We believe that we are serving our customers and our communities responsibly and well. We are offering more choices to more people, in a more competitive market, than ever before. And consumers are reaping the benefits.

The Commission deserves credit for many of these salutary developments. The Commission has largely heeded the deregulatory and procompetitive guidance that Congress provided in 1996, and freed the industry to go about its business – albeit under increasing competitive pressures. The Commission has recognized the enormous increase in multichannel video competition since 1992. The Commission has generally resisted the pleas of those whose ill-considered proposals for more regulation would turn back the clock to a time of less investment, less innovation, less choice, and less competition.

Congress and the Commission have helped to create the environment in which Comcast can bring its customers a wide array of beneficial and competitive services. We urge the Commission to take stock of the enormous progress that been made in promoting such a healthy marketplace and to continue the policies that have made it possible.

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Respectfully submitted,

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