Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of
Applications for Consent to the Transfer of Control of Licenses
Comcast Corporation and AT&T Corporation, Transferors, Docket No. MB 02-70

To

AT&T Comcast Corporation, Transferee

SUPPLEMENT TO PETITION TO DENY OF
CONSUMERS UNION CONSUMER FEDERATION OF AMERICA
MEDIA ACCESS PROJECT

Gene Kimmelman Andrew Jay Schwartzman Mark Cooper
Senior Advocacy Director President and CEO Research Director
Chris Murray Harold Feld CONSUMER
Internet & Telecom. Counsel Associate Director FEDERATION OF
CONSUMERS UNION MEDIA ACCESS PROJECT AMERICA
1666 Connecticut Avenue, NW, #310 1625 K St., Suite 1118 1424 16th St., NW #1604
Washington, DC 20009-1039 Washington, DC 20006 Washington, DC 20036
Phone: (202) 462-6262

September 30, 2002
INTRODUCTION

Consumers Union,\textsuperscript{1} together with the Consumer Federation of America,\textsuperscript{2} the Media Access Project,\textsuperscript{3} and a host of other consumer and public interest groups (collectively referred to as the Joint Consumer Petitioners), filed in the above-captioned docket a Petition to Deny the pending transfer applications of Comcast Corporation and AT&T Corporation, on the ground that Applicants have not met their burden under Sections 214 and 310 of the Communications Act of 1934, as amended, to show that the proposed transfer will serve the public interest.\textsuperscript{4} As the Joint Consumer Petitioners discussed at length in their Petition, the proposed AT&T/Comcast merger poses significant monopoly and monopsony market power problems. The effective competition necessary to discipline market power in the cable industry has failed to materialize, in part because of the pervasive behaviors of both AT&T and Comcast that frustrate market entry. While AT&T’s and Comcast’s overbuilder competitors have long complained of these behaviors, the Commission has done little to curb them. Consumers Union submits these Further

\textsuperscript{1} Consumers Union is a nonprofit membership organization chartered in 1936 under the laws of the State of New York to provide consumers with information, education and counsel about goods, services, health, and personal finance; and to initiate and cooperate with individual and group efforts to maintain and enhance the quality of life for consumers. Consumers Union’s income is solely derived from the sale of Consumer Reports, its other publications and from noncommercial contributions, grants and fees. In addition to reports on Consumers Union’s own product testing, Consumer Reports (with approximately 4.5 million paid circulation) regularly carries articles on health, product safety, marketplace economics and legislative, judicial and regulatory actions which affect consumer welfare. Consumers Union’s publications carry no advertising and receive no commercial support.

\textsuperscript{2} The Consumer Federation of America is the nation’s largest consumer advocacy group, composed of over 280 state and local affiliates representing consumer, senior, citizen, low-income, labor, farm, public power an cooperative organizations, with more than 50 million individual members.

\textsuperscript{3} Media Access Project is a nonprofit, public interest law firm that represents the interests of the public to speak and to receive information via the electronic media of today and tomorrow.

Comments to urge the Commission to take the specific actions discussed below, in response to the practices of applicant Comcast that recently have been illuminated in this proceeding.

**ALL CONSUMERS SHOULD HAVE THE BENEFIT OF COMPETITIVE CABLE RATES**

The Joint Consumer Petitioners have presented to the Commission extensive information establishing that the intent of Congress to open cable markets to competition largely has been thwarted, and that cable pricing patterns increasingly reflect the abuse of market power by the largest incumbent cable operators.⁵ RCN Telecom Services, Inc., a competitive cable overbuilder that competes with AT&T and Comcast in five of the nation’s major metropolitan cable markets, has brought to light in this proceeding specific, detailed evidence of Comcast’s anti-consumer, anti-competitive marketing and promotional practices,⁶ which reserve the benefits of price competition for the lucky few who have a choice of cable providers, while requiring the majority of subscribers to continue paying monopoly rates. Worse, it appears the monopoly rates charged by the Applicants to the majority of their subscribers are so high as to permit them to offer sustained, predatory discounts to the customers of their overbuilder competitors, such that the overbuilders can no longer compete. Ultimately, if the practices described in the comments of the overbuilder competitors in this docket and documented in RCN’s recent filings are allowed to continue, what little cable competition currently exists will be extinguished, and the cable monopoly will become permanently entrenched. For this reason,

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⁵ “The Failure of ‘Intermodal’ Competition In Cable and Communications Markets,” by Dr. Mark Cooper, April 2002, at 17-20, appended to the Joint Consumer Petition.

Consumers Union urges the Commission to require rate uniformity, and endorses the proposal made by RCN to require AT&T/Comcast to post on their website all promotions, discounts, or other special offers made available to any customer in a given area, so that all consumers may see the range of rates being charged.\footnote{“RCN Telecom Services, Inc., Written Ex Parte Presentation Proposing Condition,” \textit{In the Matter of Applications for Consent to the Transfer of Control of Licenses of Comcast Corporation and AT&T Corporation, Transferors, to AT&T Comcast Corporation, Transferee}, August 21, 2002.} In addition, the company should include notice of such subscriber discounts in all advertising within franchise territories where discounts are being offered. Notification should be in a font and for a duration that makes it legible and understandable to consumers.

Consumers, consistent with the intent of Congress, are entitled to the benefits of cable competition – mandating improved disclosure of cable rates is one, minimally intrusive step the Commission can take to help give consumers their due.
THE COMMISSION SHOULD REQUIRE ADDITIONAL DOCUMENTATION RE THE APPLICANTS’ EXISTING PRACTICES AND FUTURE PLANS

The affidavit filed by RCN on August 14, 2002, also calls into question Comcast’s candor with the Commission in responding to the Commission’s effort to better understand the Applicants’ marketing and promotional practices. In response to the concerns raised by the Joint Consumer Petitioners, the overbuilder competitors, and the host of other commenters in this proceeding, AT&T and Comcast have provided repeated assurances that the anticipated competitive and public interest harms associated with the merger are nothing to worry about. It now appears, however, that the Applicants may have been less than fully forthcoming with the Commission. Consumers Union strongly urges the Commission to reopen the record in this proceeding and to insist that AT&T and Comcast disclose the underlying corporate documents that will support – or belie – their assertions regarding the competitive issues raised by the Joint Consumer Petitioners and other market participants. Consumers Union submits that complete and accurate development of the record will establish, as the Joint Consumer Petitioners contend, that the Applicants cannot meet their burden of proving that their proposed merger and, thus, the transfer of licenses to the merged entity, will serve the public interest.

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8 See, e.g., “Reply to Comments and Petitions to Deny Applications for Consent to Transfer Control,” In the Matter of Applications for Consent to the Transfer of Control of Licenses of Comcast Corporation and AT&T Corporation, Transferors, to AT&T Comcast Corporation, Transferee, May 21, 2002, at 30-95 (“The merger will have no anticompetitive effects in any relevant market.”).
CERTIFICATE OF SERVICE

I hereby certify that copies of the Further Comments of Consumers Union were served on September 30, 2002, on the following parties, via e-mail, as indicated below:

Qualex International (via e-mail)
Portals II
445 12th Street, S.W.,
Room CY-B402
Washington, D.C. 20554
e-mail: qualexint@aol.com

Roger Holberg (via e-mail)
Federal Communications Commission
Media Bureau
445 12th Street, S.W.
Room 2-C262
Washington, D.C. 20554
e-mail: rholberg@fcc.gov

Erin Dozier (via e-mail)
Federal Communications Commission
Media Bureau
445 12th Street, S.W.
Room 2-C221
Washington, D.C. 20554
e-mail: edozier@fcc.gov

David Sappington (via e-mail)
Chief Economist
Federal Communications Commission
Office of Plans and Policy
445 12th Street, S.W.
Room 7-C452
Washington, D.C. 20554
e-mail: dsapping@fcc.gov
James Bird (via e-mail)  
Federal Communications Commission  
Office of General Counsel  
445 12th Street, S.W.  
Room 8-C824  
Washington, D.C. 20554  
e-mail: jbird@fcc.gov

Donald Stockdale (via e-mail)  
Federal Communications Commission  
Office of Plans and Policies  
445 12th Street, S.W.  
Room 7-C324  
Washington, D.C. 20554  
e-mail: dstockda@fcc.gov

William Dever (via e-mail)  
Federal Communications Commission  
Common Carrier Bureau  
445 12th Street, S.W.  
Room 5-C266  
Washington, D.C. 20554  
e-mail: wdever@fcc.gov

Cynthia Bryant (via e-mail)  
Federal Communications Commission  
International Bureau  
445 12th Street, S.W.  
Room 6-C807  
Washington, D.C. 20554  
e-mail: cbryant@fcc.gov

Jeff Tobias (via e-mail)  
Federal Communications Commission  
Wireless Telecommunications Bureau  
445 12th Street, S.W.  
Room 2-C828  
Washington, D.C. 20554  
e-mail: jtobias@fcc.gov

Respectfully,

Chris Murray, Internet & Telecom Counsel, Consumers Union