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September 19, 2002

Chair Michael Powell
Federal Communications Commission
1919 Main Street, N.W. - Room 222
Washington, DC 20554

Dear Chair Powell and the Honorable Commission:

As President of the New Jersey Board of Public Utilities (NJBPU). I would like to express my concerns about the planned merger of AT&T and Comcast Cablevision.

Approximately 54% of our state cable subscribers have Comcast as their single multi-channel video operator. The proposed merger, while not adding to the horizontal concentration of subscribers in our state, will give the new merged entity an unparalleled national 40% concentration of ownership. An unconditional merger of these entities could limit the state's ability to protect more than 1.3 million Comcast customers in New Jersey unless consumer safeguards are put into place.

While Comcast has stated that costs associated with the proposed merger will not result in any increase in subscriber rates, our concern is the new entity will have unlimited pricing power in the multi-channel video market where competition from Direct Broadcast Satellite is at less than 15% in New Jersey based on a 2002 first-quarter analysis. Since the 1999 deregulation of cable programming services tier (CPST), Comcast has increased unregulated rates on that tier alone by 51.6 % in our state surpassing the Consumer Price Index (CPI) of 9.43% over this same period. My concern is that CPST rates would continue or escalate in the largely deregulated services Comcast provides. It has been our experience that cable operators use the unregulated CPST rates to mitigate the benefits of local regulatory results on basic rate reductions.

While the combined entity may benefit from economies of scale in programming cost savings, there is an undeniable risk that any savings would not benefit subscribers. It is estimated that subscriber growth could total on average less than 1% nationally over the next few years. Consequently, a mature video market will not provide traditional revenue increases in the entity's video business. Therefore, the FCC should in any order of approval, hold

Comcast to any commitment it has given the agency about not increasing rates. It is my understanding that Comcast made such a commitment and the FCC asked for the company's assurance or explanation of that forecast. Comcast has also maintained in discovery that the merger will not trigger rate hikes in our state. The FCC should also instruct Comcast to make available to all franchising authorities its 2003 budget as well as a 2003-2007 forecast of product line pricing and penetration levels, balance sheets and statements of both income and cash flow. This would assist us in understanding the statement that rate hikes would not be an unintended consequence of merger approval.

The FCC should further have AT&T/Comcast provide a satisfactory alternate plan of financing and forecast in the event they are downgraded below investment grade. This plan should be accompanied by an independent auditor's opinion that the alternate plan of financing will not reasonably be expected to have a Material Adverse Effect on the proposed merged company, compared with prior financing plans. The company should have 90 days from the date of closing to provide such a plan satisfactory to the FCC or the merger should be voided.

It has been our experience through the rapid consolidation of cable operators in our state, including Comcast, that this trend of regional clustering often produces a lesser quality of customer care, most notably in call center performance. More than half of the Comcast customers in New Jersey and 80% of AT&T/Comcast customers nationally will be served in systems that service more than 250,000 subscribers in 17 of the nation's 20 largest metropolitan areas, including Atlanta, Baltimore, Washington, Boston, Chicago, Dallas-Fort Worth, Denver, Detroit, Miami, Philadelphia and San Francisco-Oakland. The parties have said that the new entity will consolidate customer care and service, maintenance and repair centers once the merger takes place. A residual effect and implication is that the merger creates additional savings through a lesser quality customer service as the new entity integrates customer care across different product lines. These factors will lead to greater difficulty *of* franchising authorities to ensure compliance with the rules and regulations and franchising commitments of the merger company.

While the Federal Communications Commission is currently sorting out over one thousand comments from interested parties on establishing horizontal and vertical integration limits, we assume the FCC will reach a decision on the merger prior to the adoption of the FCC's regulation on these issues. We assume and would recommend any approval given the merger would be conditioned on comporting with the new levels set by the FCC in the adopted regulation.

The combined company will own or control several regional and national electronic retail and programming services, such as QVC, E-Entertainment Television, Style Network, Outdoor Life Network, Golf Channel, CN8 Regional News and Comcast Sportsnet. AT&T aggregate programming services known as Headend in the Sky includes additional content. The potential for exclusive network carriage agreements or more favorable programming carriage arrangements could restrict public access to a broad range of information, entertainment and sports programming. The FCC should condition any approval on a condition that the new entity distribute its programming on a nondiscriminatory basis regardless of the technology (satellite, terrestrial, internet) used to distribute such content.

In light of AT&T's agreement to carry AOL's high speed internet service over AT&T, and later AT&T/Comcast, the FCC should condition any approval on providing this carriage to

Comcast systems on an equal time basis or as rapidly as it does on former AT&T systems. The new AT&T/Comcast should not require customers to pay twice for both affiliated and unaffiliated Internet service. This would constitute one of my major concerns that customers might risk facing if an unconditional merger were to be approved. Comcast is the largest provider of Cable Modem Internet Access in our state with more than 224,000 subscribers and 948,000 nationwide as of 12131101. The NJBPU also repeats its request in CS Docket No.02-52 In The Matter of the Inquiry Concerning High Speed Access to the Internet Over Cable and Other Facilities, that the FCC restrain from preempting state's from ensuring that customer service complaints among cable modem users be resolved consistent with state regulation of traditional cable service.

The ability to measure fault management, track outages and resolve subscriber issues became evident in New Jersey in January 2002 when Comcast established itself as a self-provider of all functions on its Internet backbone due to the bankruptcy of its ISP. Our success in assisting over 2,200 users of the network speaks to the wisdom of permitting experienced local franchising authorities *to* best address local service quality issues.

On the telecommunications side, the newly merged entity suggests that they would be poised to provide widespread local and inter-exchange telephone service over their cable facilities in the near future. AT&T Broadband suggested the same in merged efforts with TCI. Inc. but left our state without fulfilling such a plan.

In conclusion, I urge the FCC to consider the following:

1. Restricting the merger company from foreclosing competition in the cable market and for High-Speed Internet Access services.

2. Require the new entity to comply with customer service standards set by the states across all its product lines.

3. Prohibit cross-subsidization in pricing and delivery of services to all customers

4. Prohibit AT&T/Comcast from using its vertical integration dominance to withhold programming or otherwise discriminate against unaffiliated entities seeking to obtain AT&T/Comcast programming. AT&T/Comcast should be required to distribute its programming regardless of the technology (satellite. terrestrial, Internet) used to distribute. The new company should not be allowed to prevent competing video programming distributors from obtaining any programming in which AT&T/Comcast has an attributable interest.

5. Require AT&T/Comcast to give access in a non-discriminatory manner to its cable modem platform to ensure choice for consumers.

6. AT&T/Comcast should be required to provide carriage of high speed Internet services to Comcast systems as quickly and evenly as it does on former AT&T systems. That is, Comcast systems should not be second in line to AT&T systems in accessing these advanced services.

7. AT&T/Comcast should provide to any franchising authority who requests it a 2003 budget and a 2004-2007 forecast indicating product line pricing and penetration levels as well as balance sheets, statements *of* income and cash flow.

It is my understanding that various jurisdictions impacted by this merger have proposed varying conditions be applied to the mega-merger. While the states are preempted in many of these areas, it is our urgent desire to see the FCC exert its regulatory authority over this merger by issuing protections of historic importance to the residents of New Jersey and the country.

I am available to discuss this matter with you at any time.

Very truly yours,

Jeanne M. Fox

Jeanne M. Fox
President

CMF/et