

December 4, 2003

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

*Ex Parte Notice*

**Re: Annual Assessment of the Status of Competition in the Market for the Delivery of  
Video Programming, MB Docket No. 03-172**

Dear Ms. Dortch:

On December 2, 2003, representatives of Comcast Corporation (“Comcast”) met with representatives of the Commission’s Media Bureau to discuss the above-captioned proceeding. Comcast was represented by James R. Coltharp, Senior Director, Public Policy, and by James L. Casserly and the undersigned, both of Willkie Farr & Gallagher LLP. The Media Bureau was represented by Danny A. Bring, Jane Frenette, Marcia Glaubermen, Anne Levine, Timothy May, and Royce Sherlock.

The discussion centered on points covered at length in Comcast’s comments and reply comments filed on September 11, 2003 and September 26, 2003, respectively, and summarized in a two-page handout distributed at the meeting and attached to this letter as Attachment 1. In addition, Comcast distributed selected pages from its Third Quarter Earnings Press Release, attached to this letter as Attachment 2, in order to highlight the change in Comcast’s subscriber numbers over the past few months.

Pursuant to 47 C.F.R. § 1.1204(b)(1), the Commission has determined that no *ex parte* or disclosure requirements apply to this proceeding. *See Notice of Inquiry*, FCC 03-185 ¶ 50 (July 30, 2003). Nonetheless, we wanted to place the attached handouts on the public record to summarize and, to some extent update, the information presented in Comcast's previously filed comments and reply comments.

Respectfully submitted,

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Attachments

cc: Danny A. Bring  
Jane Frenette  
Marcia Glaubermen  
Anne Levine  
Timothy May  
Royce Sherlock

**THE COMMISSION SHOULD STAY ON THE PRO-COMPETITIVE AND  
DEREGULATORY COURSE THAT HAS CREATED A COMPETITIVE AND  
INNOVATIVE VIDEO MARKETPLACE.**

**I. THE VIDEO MARKETPLACE HAS EVOLVED SIGNIFICANTLY OVER THE PAST DECADE. COMPETITION, NEW SERVICES, AND MORE CHOICES FOR CONSUMERS ARE THE HALLMARKS OF TODAY'S MARKETPLACE.**

- Today's multichannel video marketplace looks nothing like the one that Congress felt compelled to address by the combination of regulation and market-opening initiatives in the 1992 Cable Act. With Congress's decision in 1996 to emphasize a pro-competitive and deregulatory approach to the communications marketplace, American consumers have seen a veritable explosion of investment, innovation, channel capacity, new programming networks, and new choices. Competition, choice, and diversity abound.
- **DBS.** In December 1993, DIRECTV launched the first high-power DBS satellite and, in June 1994, began to offer service nationwide. EchoStar began broadcasting its DISH Network service to subscribers in March 1996. Between them, they had only 40,000 subscribers as of the first video competition report. Since then, DIRECTV has become the United States' second largest MVPD and EchoStar (operating as "DISH Network") has become the country's sixth largest MVPD. Together, they have captured over 20 million subscribers, offer hundreds of channels (including HDTV and local broadcast channels) at competitive prices, market their services in thousands of retail outlets, carry highly-popular exclusive programming unavailable to cable operators, and routinely offer free or deeply discounted equipment and free installation. DIRECTV and DISH Network continue to grow rapidly; in the past quarter alone, DIRECTV added 326,000 subscribers while DISH Network added 285,000. DIRECTV and DISH Network have also continued to expand their service offerings to include digital video recorders ("DVRs") and HDTV, which have attracted new customers to their service: EchoStar recently announced that it now has over one million DVRs deployed; DIRECTV recently announced that it has joined with Best Buy and Circuit City to bundle its HDTV receivers and service with HD-television sets; and DISH Network has expanded its HDTV offerings and claims to have the lowest price in the industry for HDTV services. DBS competition is likely to become even more aggressive if News Corp. acquires a controlling interest in and management control of DIRECTV.
- **BSPs, SMATVs, and Other Distributors.** New BSPs have built state-of-the-art wireline networks to provide bundles of services that include video programming, high-speed Internet access, and telephony. SMATVs and wireless cable operators also continue to compete for video consumers. Technologies such as digital broadcasting, Internet video, DVRs, and DVD rentals and sales are presenting new video programming options for consumers.
- **Cable Operators.** Cable companies, too, have been transformed. Stimulated by the deregulation mandated in the 1996 Act and by competition, the cable industry has invested over \$75 billion of private risk capital to expand system bandwidth and upgrade systems to two-way capabilities, add digital video programming, and introduce various new services and capabilities. Today's cable company offers multiple tiers of analog and digital video programming as well as per-channel and per-program offerings, digital music channels (typically 45 commercial-free channels on Comcast's systems, representing diverse genres of music), high-speed Internet services, electronic programming guides, VOD, HDTV, and -- increasingly -- telephone services.

- **Programming Choices:** Today, the multichannel video universe counts over 300 national programming networks and scores of regional programming networks, with dozens more networks on the horizon. And, while the number of national cable networks has nearly tripled in the past 10 years, the percentage that are vertically integrated with cable operators has decreased dramatically during the same period. In addition to having their choice of multichannel providers, consumers have an abundance of choice among video programming packages from each of these providers.

## **II. COMCAST HAS BEEN THE INDUSTRY LEADER IN RESPONDING TO CONSUMER DEMAND AND THE PRESSURES AND CONSTRAINTS IMPOSED BY COMPETITION.**

- Everything that we do at Comcast -- every investment we make, every new technology we test, every new initiative we launch to improve customer service and satisfaction -- is driven by the inescapable competitive realities of the multichannel video marketplace. Comcast has been at the forefront as the video marketplace has evolved, and has itself expanded from serving 2.6 million video customers in 1992 to serving over 21 million video customers today. In response to competition, we have invested over \$39 billion to upgrade the majority of our cable systems in order to meet consumers' expectations for products, new services and features, and customer service. Nowhere are our efforts more apparent than in the systems we acquired from AT&T Broadband a year ago, 89% of which have been substantially upgraded to address the needs of our customers (over 43,000 miles in the first three quarters of 2003).
- As of September 30, 2003, we offered digital cable service to all 21.39 million of our basic subscribers, and we were providing digital cable service to over one-third (or 7.27 million) of these customers; we offered high-speed Internet service to 33.43 million homes and delivered it to approximately 14.5% of those customers (or 4.86 million); we offered telephone service to 9.38 million homes and were providing it to approximately 14% of those customers (or 1.31 million); we offered HDTV to 65% of our customers and expect that number to increase to 75% by the end of this year; and we offered VOD to 31% of our customers and expect that number to increase to over 50% by the end of this year. We are currently introducing DVR service to customers in select markets and expect to have DVRs available to 10% of our customers by the end of this year and *all* of our customers by the end of 2004.
- Comcast continues to create and distribute innovative local and regional programming, such as CN8 and Comcast SportsNet. Comcast also has dedicated considerable resources to meeting the demands of its diverse customer base. For example, Comcast helped create and launch TV One, a new channel serving the programming needs of African American adults, and now offers new tiers of Spanish-language programming distributed in markets with large Hispanic populations. Comcast has also assisted unaffiliated programmers in producing and distributing new content, especially HDTV content.

## **III. THE FCC SHOULD RECOGNIZE THAT ITS DEREGULATORY POLICIES HAVE SUCCEEDED IN BRINGING COMPETITION TO THE VIDEO MARKETPLACE.**

- What is abundantly clear is that multichannel video programming competition is a marketplace reality. Consumers are now well aware that they have a choice to make when it comes to obtaining video programming. We -- and our competitors -- factor the presence of competition into every decision we make. *For its part, the Commission should now conclude that Congress's vision of a competitive marketplace is here and that the transition envisioned by the 1992 Cable Act is substantially complete.* The state of multichannel video competition provides compelling reasons for Congress to allow the marketplace to work, and for the Commission to continue its efforts to reduce regulation of cable television services.



## PRESS RELEASE

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### **COMCAST REPORTS THIRD QUARTER 2003 RESULTS**

**Consolidated Revenue Increased to \$4.546 Billion**

**Consolidated Operating Income Increased to \$493 Million**

**Consolidated Operating Cash Flow Increased to \$1.632 Billion**

### **COMCAST CABLE REPORTS PRO FORMA OPERATING CASH FLOW GROWTH OF 35.3% TO \$1.6 BILLION**

**Cable Operating Cash Flow Margin Reached 37%**

**Cable Operating Income Increased to \$534 Million**

### **COMCAST INCREASES GUIDANCE FOR HIGH-SPEED INTERNET SUBSCRIBER ADDITIONS FOR 2003 TO 1.7 MILLION FROM 1.6 MILLION**

**High-Speed Internet Subscribers Increased 472,700 to 4.9 Million**

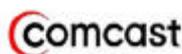
**Digital Cable Subscribers Increased 318,300 to 7.3 Million**

### **EXCEPTIONAL PROGRESS MADE IN DEBT REDUCTION**

**Debt Reduced by Nearly \$5 Billion Year to Date**

Philadelphia, PA – October 30, 2003...Comcast Corporation (Nasdaq: CMCSA, CMCSK) today reported results for the quarter ended September 30, 2003. Comcast will discuss third quarter results on a conference call and webcast today at 10:30 AM Eastern Time. A live broadcast of the conference call will be available on the investor relations website at [www.cmcsa.com](http://www.cmcsa.com) or [www.cmcsk.com](http://www.cmcsk.com).

Brian L. Roberts, president and CEO of Comcast Corporation said, "As we approach the one year anniversary of our acquisition of AT&T Broadband we cannot be more excited about the progress we have made in integrating the new cable systems and the potential for continued growth from our unparalleled cable footprint. We delivered another quarter of exceptional financial and operational results. Operating cash flow from our cable business exceeded \$1.6 billion this quarter, a 35% increase over the prior year and our operating cash flow margin continues its rapid improvement from 30% last year to 37% this quarter. Our business strategy is producing better than expected results."



**TABLE 6**  
**Pro Forma Data - Cable Segment (Unaudited) (1)(2)**

	<u>Historical Systems (3)</u>			<u>Acquired Systems (3)</u>			<u>Total</u>		
	<u>3Q03</u>	<u>2Q03</u>	<u>3Q02</u>	<u>3Q03</u>	<u>2Q03</u>	<u>3Q02</u>	<u>3Q03</u>	<u>2Q03</u>	<u>3Q02</u>
<b>Cable</b>									
Homes Passed (000's)	14,447.2	14,364.2	14,139.3	25,299.6	25,224.7	24,640.8	39,746.8	39,588.9	38,780.1
Subscribers (000's)	8,514.6	8,536.5	8,504.9	12,883.4	12,860.7	12,831.9	21,398.0	21,397.2	21,336.8
Penetration	58.9%	59.4%	60.2%	50.9%	51.0%	52.1%	53.8%	54.0%	55.0%
Quarterly Net Subscriber Additions (000's)	(21.9)	(23.1)	(2.6)	22.7	36.2	(131.1)	0.8	13.1	(133.7)
<b>Digital Cable</b>									
"Digital Ready" Subscribers (000's)	8,514.6	8,536.5	8,478.4	12,883.4	12,860.7	12,831.9	21,398.0	21,397.2	21,310.3
Subscribers (000's)	2,550.2	2,417.6	2,113.5	4,723.2	4,537.5	4,123.6	7,273.4	6,955.1	6,237.1
Penetration	30.0%	28.3%	24.9%	36.7%	35.3%	32.1%	34.0%	32.5%	29.3%
Quarterly Net Subscriber Additions (000's)	132.6	94.9	131.3	185.7	67.4	277.8	318.3	162.3	409.1
Monthly Average Revenue per Subscriber	\$15.08	\$15.47	\$15.52	\$15.10	\$15.18	\$14.08	\$15.09	\$15.28	\$14.57
<b>High-Speed Internet</b>									
"Available" Homes (000's)	13,631.1	13,424.7	12,061.1	19,803.7	18,698.9	16,830.0	33,434.8	32,123.6	28,891.1
Subscribers (000's)	2,072.0	1,881.8	1,338.8	2,789.0	2,506.5	1,914.6	4,861.0	4,388.3	3,253.4
Penetration	15.2%	14.0%	11.1%	14.1%	13.4%	11.4%	14.5%	13.7%	11.3%
Quarterly Net Subscriber Additions (000's)	190.2	163.6	169.7	282.5	187.3	169.3	472.7	350.9	339.0
Monthly Average Revenue per Subscriber	\$41.22	\$42.31	\$41.34	\$43.02	\$44.11	\$42.83	\$42.25	\$43.34	\$42.22
<b>Phone</b>									
"Available" Homes (000's)	453.7	355.5	274.6	8,928.7	8,808.4	8,039.0	9,382.4	9,163.9	8,313.6
Subscribers (000's)	39.4	38.5	38.7	1,272.4	1,328.0	1,322.9	1,311.8	1,366.5	1,361.6
Penetration	8.7%	10.8%	14.1%	14.3%	15.1%	16.5%	14.0%	14.9%	16.4%
Quarterly Net Subscriber Additions (000's)	0.9	0.5	(1.9)	(55.6)	(52.8)	102.7	(54.7)	(52.3)	100.8
Monthly Average Revenue per Subscriber	\$51.19	\$49.58	\$50.03	\$46.87	\$49.16	\$53.75	\$46.99	\$49.17	\$53.63
Total Revenue Generating Units (000's) (4)	13,176.2	12,874.4	11,995.9	21,668.0	21,232.7	20,193.0	34,844.2	34,107.1	32,188.9

(1) See Non-GAAP and Other Financial Measures in Table 7.

(2) Pro forma financial data includes the results of AT&T Broadband acquired in November 2002 (acquired systems). Pro forma financial data excludes the results of the 314,000 cable subscribers sold to Bresnan Communications in March 2003 and excludes the results of the net reduction of 16,000 subscribers associated with the cable system exchange with Insight Communications in February 2003. Pro forma subscriber data includes 6,100 subscribers acquired from Telemedia, Inc. in June 2003, 16,600 subscribers acquired from ATM in July 2003 and 16,000 subscribers acquired from Millennium Inc. in September 2003.

(3) Historical systems represent those cable businesses operated by the Company prior to the acquisition of AT&T Broadband. The acquired systems represent those cable businesses acquired from AT&T.

(4) The sum total of all primary analog video, digital video, high-speed Internet and phone customers, but excluding additional outlets.