cable

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Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, D.C. 20554

MB Docket No. 05-311, Implementation of Section 621(a)(1)

Dear Ms. Dortch:

One of the key claims in this proceeding raised by telcos is the price competition that would result from expediting their entry into video services. For instance, the Reply Comments of AT& Inc. tout the "enormous consumer benefits that will accompany increased wireline video competition," benefits which include "*lower prices.*"[1]

The formal pleadings have been accompanied by a print, television and radio campaign in several markets funded by these companies under the "TV Freedom" moniker. These ads, which even a casual viewer would be at pains to avoid, consist of exploding TVs in living rooms, supposedly detonated by pent-up cable service rate increases which will be quelled by telco entry into video. The advertising – as well as the pleadings in this proceeding – neglect to point out that the "TV freedom" avidly sought by TV Freedom has been available since April 1996, when Congress removed the cable-telco in-region prohibition.

Beyond this pertinent omission, the suggestion of the pleadings and advertising campaign -- that telco entry will lead to lower cable service rates provided by telcos upon entry -- is belied by recent statements by telco executives managing these new services. For instance, XChange, an online service, reported that Richard Lindner, CFO of AT&T, said in late April that Project Lightspeed IPTV services probably will be priced somewhat *higher* than the average cable TV subscription.[2]

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[1] Reply Comments of AT&T Inc., MB Docket No. 05-311 at 2 (emphasis supplied). And in the only market where AT&T service exists, a group of 200 households composed of AT&T employees and other local residents, The Wall Street Journal reported that "the company won't reveal the price of its service but said *it was competitive* with other cable-TV offerings in the area." The Wall Street Journal, Jan. 5, 2006, at D3 (emphasis supplied).

[2] "AT&T Earnings Higher Than Expected", XChange Magazine, Apr. 25, 2006, http://www.xchangemag.com/hotnews/64h25111135.html. (emphasis supplied).

Jeff Weber, VP-Product and Strategy, AT&T, at the April 2006 NAB Show "demurred on the topic of commercial pricing [of AT&T's cable service] but said AT&T believes it will offer a better product than competitors so 'we don't have to be the low-price guy in the market.'"[3] And Bruce Byrd, AT&T VP-General Counsel, at an April 2006 event sponsored by TIA and TelecomHub, was reporting as stating that "our business plan is not built around extreme price cuts." He called AT&T's IPTV "a high-end service," so "our model has not been slash & burn prices."[4]

Verizon apparently also shares AT&T's view that competition need not result in lower prices for its products. Thomas Maguire, Verizon Director-Federal Public Affairs, said Verizon will price its FiOS service "competitively, but not at a discount" since it's "worth somewhat more than cable."[5]

Accordingly, we would urge care in relying on price competition by telcos as a public policy justification for action this proceeding. There may be other competitive features of telco entry into video. But for AT&T and Verizon at least, undercutting the prices of incumbent cable operators does not appear to be one of them.

Sincerely,

/s/ Daniel L. Brenner

Daniel L. Brenner

cc: Heather Dixon, Legal Advisor, Office of Chairman Martin
Rudy Brioché, Legal Advisor, Office of Commissioner Adelstein
Jessica Rosenworcel, Legal Advisor, Office of Commissioner Copps
Dana Shaffer, Office of Commissioner Tate
Donna Gregg, Chief, Media Bureau
Natalie Roisman, Legal Advisor, Media Bureau

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[3] Communications Daily, Apr. 25, 2006, at 13.

[4] Communications Daily, Apr. 28, 2006, at 7.

[5] *Id.* at 7.