

December 11, 2006

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

**Re: Notice of Oral *Ex Parte* Presentations - WC Docket No. 06-74, AT&T Inc.
and BellSouth Corporation Applications for Approval of Transfer of Control**

Dear Secretary Dortch:

On December 8, 2006, Alexandra Wilson, Vice President of Public Policy for Cox Enterprises, Inc., Megan Delany, Senior Director and Legislative Counsel of Federal Government Relations for Charter Communications, Howard Symons of Mintz Levin, and the undersigned met with Commissioner Michael J. Copps and Scott Deutchman to discuss the issues set forth in the September 27, 2006 written *ex parte* presentation and the October 24, 2006 written comments filed by Advance/Newhouse Communications, Cablevision Systems Corp., Charter Communications, Cox Communications, and Insight Communications Company in the above-referenced docket. The participants discussed the importance of cable competition in the residential market. During the meeting, the parties discussed and distributed the attached handout.

In addition, on December 8, 2006, Patrick J. Esser, President of Cox Communications Inc., spoke on the telephone with Commissioner Jonathan S. Adelstein to discuss the importance of interconnection and the need for interconnection-related conditions consistent with the September 27, 2006 and October 24, 2006 filings referenced above.

Please contact the undersigned if you have any questions regarding this matter.

Respectfully submitted,

/s/ Michael H. Pryor

Michael H. Pryor

Attachment

cc: Commissioner Michael J. Copps
Commissioner Jonathan S. Adelstein
Scott Deutchman

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

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Interconnection-Related Conditions Are Necessary to Facilitate Robust Cable Telephone Competition

Advance/Newhouse Communications
Cablevision Systems Corp.
Cox Communications
Charter Communications
Insight Communications Company

Ex Parte Presentation
Commissioner Michael J. Copps
WC Docket No. 06-74
December 8, 2006

The Promise of Competition from Cable Telephone Service

- Approximately 7 million customers now subscribe to cable-provided telephone service.
- For the companies represented in this meeting:
 - Advance/Newhouse - 250,000 telephone customers
 - Cablevision - 1 million circuit-switched and VoIP residential and business customers
 - Charter - 258,000 telephone subscribers in 30 markets
 - Cox - 1.1 million residential and 150,000 small business customers in 20 markets
 - Insight - 100,000 telephone customers
- Cable hopes to bring voice competition to increasing numbers of residential and small business consumers:
 - AT&T cites estimates of 22 million cable VoIP customers by 2010.
 - MICRA Study estimates 23.7 million cable telephone customers by 2011 and a potential of 37.5 million over the next 15 years.
 - By contrast, ILECs currently control about 144 million access lines, and AT&T post-merger would alone control about 70 million. Ten years after the 1996 Act sought to open the local market to competition, ILECs still have 87% of the local mass market.

Benefits of Cable Competition to Residential Consumers

- Cable telephone subscribers pay on average about \$11.19 less per month than ILEC customers (MICRA Study citing JD Powers and Associates July 12, 2006 Report).
- Cable VoIP provides feature rich bundle at low prices (e.g., \$34.95 per month plus approximately \$6.00 taxes and fees).
 - Unlimited long distance and local, 911 access, bundled billing
 - Call Waiting, Caller ID, Call Blocking, 3-Way Calls
 - Call Screening, Repeat Dialing, Speed Dialing, Voice Mail
- Comparable plans from AT&T and BellSouth cost approximately \$50.00 per month plus fees and taxes (MICRA Study at 4-5).

Cable Competition Can Offer Substantial Consumer Savings

- The findings by Microeconomic Consulting & Research Associates, Inc. (MICRA Study) are significant:
 - Based on \$11.19 price difference and projection of 23.7 million cable subscribers by 2011, residential consumers will save \$1.3 billion next year and \$11.2 billion over the next five years.
 - Indirect benefits to residential consumers caused by pricing pressure on ILECs from cable telephone entry estimated in MICRA Study to be approximately \$70 billion over the next five years.
 - Cable competition will also benefit small business customers (less than 10 employees):
 - Small businesses that switch to cable telephone service will save \$525 million over the next 5 years, which assumes about 700,000 small business cable telephone subscribers by 2011 and an average monthly cost savings of about \$20.
 - All small businesses will benefit from ILECs lowering their prices in the face of cable competition, and the MICRA Study estimates these savings at \$13.4 billion over five years.

Cable Is Bringing Competition to Rural Areas

- Cable VoIP is working to bring voice competition to rural areas.
- Charter is bringing competition to 8 rural exchanges in Georgia, 6 in Missouri, 13 in Tennessee and 15 rural exchanges in Wisconsin.
- Sprint Nextel has sought new authorizations to support cable-based VoIP services in rural markets in 11 states (Comments of Sprint Nextel in WC Docket 06-55 at 8).
- Proceedings are underway in at least 10 states where rural ILECs refuse to provide interconnection to cable VoIP providers.

Cable Is the Only Near Term Alternative

- Cable VoIP is the only near term facilities-based alternative to the ILECs for residential and small business consumers.
- CLECs: With the loss of UNE-P, CLECs are no longer a viable competitor in the local market.
- Wireless. Wireless constrains ILEC prices only where there is complete substitution, and FCC found that occurred in only about 6% of households (*SBC/AT&T Merger Order* ¶ 89).
- Over the top VoIP (like Vonage): The FCC excluded over-the-top VoIP from its local market competition analysis (*SBC/AT&T Merger Order* ¶ 88).
- AT&T and BellSouth recognize cable is their most important competitor:
 - “SBC views cable-based VoIP as its primary competitive threat in the mass market.” (*SBC/AT&T Merger Order* ¶ 87).
 - “[C]able is BellSouth’s most important competitor for bundled [local and long distance] service” (Public Interest Statement at 88).

Interconnection is a Key Component of Ensuring Competition

- Cable competition requires ILEC interconnection:
 - “[C]able compan[ies] .. will still need an agreement with the incumbent LEC to enable the entrant’s customers to place calls to and receive calls from the incumbent LEC’s customers” (1996 Local Competition Order ¶ 13).
 - ILECs have market power over interconnection (Qwest Forbearance Order ¶¶ 85-86).
- The merger will increase and enhance AT&T’s incentives and ability to use its market power over interconnection to harm cable:
 - AT&T claims major benefit of the merger is to “creat[e] a more efficient and ubiquitous competitor to cable” (Public Interest Statement at 25).
 - Merger is designed to enhance ability to provide bundled voice, video and broadband over new, converged BellSouth/Cingular/AT&T network.
 - Competition over the triple play increases AT&T’s incentive to use its bottleneck power over interconnection to harm cable’s voice product. By doing so, it can knock out one leg of the cable bundle. AT&T reaps all the benefits because it will be the only alternative.

Cable Companies Have Proposed Targeted Conditions

- The cable companies' proposed conditions are designed to address AT&T's market power over interconnection.
- Streamline Interconnection Negotiations:
 - Expand opportunities to opt into AT&T interconnection agreements, as the FCC has done in previous BOC mergers (e.g., *SBC/Ameritech Merger Order* ¶ 388).
- Efficient Interconnection:
 - Provide new entrants the right to choose a single point of interconnection as required by FCC rules (*Virginia Arbitration Order* ¶ 52).
- Transiting:
 - Require AT&T to continue providing transiting as part of section 251/252 interconnection process.