

COX COMMUNICATIONS NEW DIGITAL SERVICES (amended)

COX IS IMPLEMENTING THE FULL SERVICE NETWORK CONCEPT

- In less than 2 years since the '96 Telecom Act Cox has received certificates of convenience and necessity to offer full range of telephony services in all 9 of its clusters.
 - San Diego, Orange County, Phoenix, Omaha, Oklahoma City, New Orleans, Florida Panhandle, Hampton Roads & New England. Clusters serve 82% of Cox customer base.
- Cox has state-approved interconnection agreements with
 - PacTel CA
 - US West AZ and Nebr
 - Bell Atlantic VA
 - SWB OK
 - Process still underway with GTE, SNET, and BellSouth in VA, New England, and LA, respectively
- This process is time consuming and litigious
 - Lawsuits challenging Cox's state arbitrated interconnection agreements are pending in Nebraska, Arizona, and Virginia
 - Cox had to get a restraining order to stop the illegal blocking of its calls in California by GTE
- Nevertheless, Cox's advantage is that regulatory uncertainty and ILEC resistance to local competition is inversely proportional to the amount of infrastructure a

CLEC can bring to the party. Cox is not purchasing UNEs.

- Cox's redundant ring, hybrid fiber coaxial networks are the most advanced in the industry. Our network reliability exceeds Bellcore standards.
 - Cox already has operational switches in 7 of its nine clusters
 - Cox has deployed a system-wide fully integrated information technology platform that supports low cost billing, collection, database management and all other aspects of customer care

A FULL SERVICE NETWORK IS AN EXPENSIVE PROPOSITION

- Capital expenditures: \$3.5 billion to date; more than \$4 billion at end of day
- Business model
 - defend core business (incremental rev. least)
 - expand into high-speed data (incremental rev. best)
 - expand into full range of telecom services (incremental rev. mid range)
- Need for clustering: 250,000 subs min critical mass; 500,000+ preferable
- Did Times Mirror deal in order to cluster
- At the end of last year (97), out of 3.3 million customer base:
 - more than 1.5 million were data ready
 - more than .25 million were telephony-ready
- by end of this year (98), majority of clusters will have
 - digital multichannel video
 - digital telephony

- digital high-speed data
- Sometime in 1999: comprehensive service in all 9 clusters

WHAT DO THESE SERVICES LOOK LIKE FROM A CONSUMER'S STANDPOINT?

- Digital TV
 - 200+ channels inc. 40 CD-quality music channels
 - 25 new all digital program networks
 - interactive program guide and heads-up display
 - what's on (even during ads); when did it start; and what's next
 - search programming by category
 - heads-up reminders of pre-selected, upcoming programs
 - elective children's program blocking device; can be based on ratings and/or content
 - 40+ channels of enhanced pay per view (up to 10 movies starting every 30 min. in prime time); \$3.95; never out of stock and never a charge for a late return
 - Cost for all of the above: \$5.95 more/month
 - \$10.95 more/month includes two additional digital network packages
- Digital Telephony
 - first residential line \$9.99/mo. (11% under ILEC rate)
 - second line \$4.99/mo. (56% under ILEC rate)
 - enhanced services: voice mail, caller ID, call forwarding, call waiting, etc. @ approx. 10% - 20% discount from ILEC

- free installation -- \$31 savings during initial roll-out, (refund of first month excluding L.D. if not satisfied)
- LD interstate: 10 cents/min 7 x 24 (7 days a week, 24 hrs a day)
 - LD intrastate: 5 cents/min
 - intrazonal calls free (compare in zone 3 in CA, ILEC charges up to 8 cents/min.)
- Digital high speed data
 - 2.5 to 6 megabit service (2500 to 6000 Kb/sec.)
 - with modem purchase -- \$29.95/month
 - with modem lease -- \$44.95/month
 - without cable service -- \$59.95/month
 - installation charge -- \$75 to \$100
 - a directly competitive DSL telco service at 192 Kb/sec costs about \$59.95/month 320 Kb/sec = \$84.95/month 704 Kb/sec = \$144.95/month and \$514 to install
 - Cox installation time well under two hours; approaching target of 1-1/2 hrs
 - 60 teams currently working
 - service includes @Home distributed network

CUSTOMER REACTION IS WILDLY BETTER THAN COX EXPECTED

- Penetration rate in telephony is 17% where service has been available for two or more months.
- Cox has 17K data customers
- Current incremental cost of equipment is high but we expect it to fall:
 - modem -- \$350

- telephony -- \$350
- digital TV -- \$450
- Churn rate in high-speed data is virtually zero and we're installing service as fast as we can train service teams
- Additional revenue per customer for all three new services is about \$130/home/month