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**CHARTER COMMUNICATIONS**

**FEDERAL COMMUNICATIONS COMMISSION**

**Video Competition Panel**

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Good morning Chairman Martin, Commissioners Adelstein, Copps, and Tate. My name is Joi Philpott and I thank you for the opportunity to participate on this panel on behalf of Charter Communications. I am the Corporate Vice-President of Government Affairs and Franchise Relations, and I am responsible for the oversight of local, state, and federal franchising issues impacting Charter Communications and its customers. I am especially pleased to greet you in Keller, Texas, which is one of Charter's local markets.

When Charter began as a small company in 1993, our only product was analog video and we had just a few hundred franchises. Today we're a Fortune 500 company, the nation's fourth largest cable operator, with 4,063 franchises throughout four operating divisions, covering 37 states. During Charter's peak growth period, we completed over 2,000 franchise transfers with local franchising authorities.

In addition to working diligently within the current Title VI framework for franchise renewals and transfers, Charter has also worked hard to rebuild its network. Since 2000, we've invested approximately \$10.5 billion throughout the country with the majority of the capital spent on upgrading our infrastructure. In Texas alone, Charter has invested approximately \$430 million and has over 210,000 customers. Over the past decade, we've grown our national customer base from 1 million to more than 6 million customers.

Throughout much of our broadband network of coaxial and fiber optic cable, we offer our customers traditional cable video programming (analog and digital), high-speed cable Internet access, advanced broadband cable services (such as video on demand), high

definition television service and interactive television, and in some of our markets, VOIP telephone service.

This is a hearing on video competition and I want to share with you Charter's views on a subject that we know very well and also correct some misunderstandings that seem to have been reported as to our experience in Keller. We can speak to the subject of video competition authoritatively because we operate in a highly competitive marketplace.

In the broadband industry, our principal competitors for video services throughout our footprint are the two large direct broadcast satellite ("DBS") companies that offer multichannel service throughout our service areas and throughout the nation. The DBS industry has grown rapidly over the last several years, far exceeding the growth rate of the cable television industry, and now serves more than 24 million subscribers nationwide. Total DBS penetration in Charter's national footprint is approximately 26%.

In response to competition from DBS, we, like other cable companies, have invested billions of dollars to offer a more attractive and more competitive product and to retain our customers. To compete with DBS's all-digital product we deployed our own digital services, which enable our customers to receive not only digital-quality audio and video but also an array of new functions to better enjoy cable service— such as video on demand and digital video recording. We also deployed high-speed Internet services, which enables us to offer customers who purchase cable and Internet services prices that are lower than the standalone prices for either service.

We also face competition from traditional non-telco wireline competitors. Presently, we compete against such overbuilders impacting approximately 750,000 of our homes passed.

Our Texas market, like many of Charter's markets, has a very significant DBS penetration. In fact, DBS penetration in the Dallas-Fort Worth DMA has been reported at 32%, compared to a nationwide penetration of approximately 21%. Moreover, other companies such as OneSource Communications provide video service to residents of Keller.

Notwithstanding the fact that Charter was already operating in this fully competitive marketplace before Verizon ever arrived with its video product, some claim that Verizon's entry into the marketplace directly resulted in a 50% reduction in Charter's prices. This is simply not the case.

Almost a year before Verizon launched FIOS video in Keller, in response to the high penetration and competitive threat of DBS, Charter initiated a high-speed Internet and video introductory package to attract new customers and existing video-only customers. The introductory package initially offered 240 channels of video programming along with high-speed Internet service for up to 12 months for \$49.95. This was a significant discount for this new customer base: At that time, we offered standard analog – only 86 channels – for \$46.99. Our standard digital offering started at \$52.99 up to \$68.99 for 240 channels. Additional tiers, channels and products were also available.

Our high-speed Internet and video introductory package continues with Verizon's arrival, but I note that the price was *increased* not decreased, by \$10 as of January 1, 2006, to \$59.95 for 5Mbps and \$49.95 for 383Kbps.

This introductory package was designed to induce new cable customers and existing video-only customers to try – and hopefully retain – two products: digital video and high-speed Internet. Our two-way digital products like video-on-demand and our high-speed-Internet services also set us apart from our DBS competitors. Offering special introductory packages is something we would have done – and we in fact planned – long before Verizon arrived on the scene with its FIOS video product.

Charter routinely introduces promotions and special offers in direct response to DBS penetration. Last year in South Carolina, Charter offered discount packages for high-speed Internet and video for up to 240 channels for \$79.99 compared to the regular price of \$109. In St. Louis, MO, Charter initiated a dish win-back program worth \$500 whereby customers received a video package priced at \$75 per month for only \$50 over a twenty month period.

Special introductory pricing and packaging discounts is a standard practice in today's competitive landscape. We will continue to compete by providing a compelling value proposition for our customers, specifically in the areas of product quality, bundling and customer service.

To sum up, competition is not a new concept for the cable television industry since the Cable Television Consumer Protection and Competition Act of 1992, which invited additional franchises and facilitated entry by satellite companies. Consumers benefit

from a vigorously competitive market – so long as winners and losers are determined by who best and most efficiently meets their needs and demands, and not by artificial regulatory advantages.

If our new ILEC competitors, who already have ubiquitous networks, well-known brands, deep financial resources, and relationships with every home in their multi-state territories, are subject to the same regulatory obligations as Charter and our other wireline competitors, Charter will be able to compete effectively and attract capital investment for competitive broadband facilities and new services. Competition will continue to flourish, and consumers will be the beneficiaries.

Thank you.