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July 25, 2002

JUL 25 2002

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Re: Applications for Consent to the Transfer of Control of Licenses From Comcast Corporation and AT&T Corp. to AT&T Comcast Corporation
MB Docket No. 02-70

Dear Ms. Dortch:

This letter provides notice for the public record that undersigned counsel to Comcast Corporation ("Comcast") filed today certain confidential material under seal and subject to the Protective Order, DA 02-734, in the above-referenced docket.

The confidential material filed under seal provides the narrative response of AT&T Corp. ("AT&T") and Comcast to the Further Document and Information Request attached to the letter dated July 18, 2002, from Royce D. Sherlock to James R. Coltharp, Comcast, and Betsy J. Brady, AT&T. The unredacted, confidential version of this filing is being hand delivered to you, as well as to Roger Holberg and Linda Senecal of the Media Bureau, as required by the Protective Order. The confidential version will be made available for inspection pursuant to the terms of the Protective Order at the office of Davis Polk and Wardwell, 1300 Eye Street NW, Washington, DC 20005. Arrangements may be made by contacting the undersigned at 202-777-7700.

Two copies of the filing, as redacted, are submitted herewith pursuant to the Protective Order. If you have any questions or require further information, please do not hesitate to contact me.

Sincerely,



A. Renée Callahan
Counsel to Comcast

cc: Roger Holberg
Linda Senecal

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OFFICE OF THE SECRETARY

**RESPONSE OF AT&T CORP. AND COMCAST CORPORATION
TO JULY 18, 2002 FURTHER DOCUMENT AND INFORMATION REQUEST
MB Docket No. 02-70**

E. Broadband

Question E.2: *Please provide a narrative description of each Applicant's plans, if any, to provide customers the ability to select an unaffiliated ISP as their primary ISP in the future and a schedule of when and where that service will be deployed. Please submit documentation necessary to support your response.*

FOLLOW-UP QUESTION/REQUEST: AT&T's response describes plans to offer a choice of ISP in Boston and Seattle pursuant to agreements with EarthLink and NET1 Plus. Please state whether ISP choice will be available to all of AT&T's Boston and Seattle cable modem subscribers. Which market(s) will each ISP serve?

AT&T RESPONSE:

EarthLink will offer high-speed Internet service over AT&T Broadband cable systems in both Massachusetts and the greater Seattle area. NET1Plus, a Massachusetts-based ISP, will offer high-speed Internet service over AT&T Broadband cable systems in Massachusetts. Internet Central, a Seattle-based ISP, will offer high-speed Internet service over AT&T Broadband cable systems in the greater Seattle area. ISP choice will be available to all Massachusetts and greater Seattle area homes served by high-speed data-ready AT&T Broadband cable systems (*i.e.*, all such customers will have the ability to choose EarthLink and, depending upon the state in which they reside, either NET1Plus or Internet Central). For purposes of this response, "the greater Seattle area" includes all AT&T Broadband high-speed data-ready cable systems in Washington State, with the exception of the Vancouver, Washington system, which AT&T Broadband treats as part of the Portland, Oregon market due its proximity to that city.

F. Technical Standards/ITV

Question F.3: *The Application states that, in connection with the exchange agreement between Comcast, AT&T, AT&T Comcast and Microsoft (the "QUIPS Exchange Agreement"), Comcast and Microsoft have agreed to a binding term sheet which provides that the parties will conduct a*

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trial of an ITV platform, including set-top box middleware.¹ Please provide a copy of the term sheet.

FOLLOW-UP QUESTION/REQUEST: The term sheet states that Microsoft will provide [REDACTED]. Please explain what is meant by a [REDACTED] service and explain whether such service is consistent with Comcast’s responses to Questions E.4 and E.5.

COMCAST RESPONSE:

As described in the Application, the term sheet between Comcast Cable and Microsoft provides that the parties will conduct a trial during 2002 of an interactive TV platform, including set-top box middleware. Set-top box middleware acts as an interface between set-top box hardware and interactive TV software applications.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹ *Applications for Consent to the Transfer of Control of Licenses, Comcast Corporation and AT&T Corp., Transferors, To AT&T Comcast Corporation, Transferee, MB Docket No. 02-70, Applications and Public Interest Statement at 8 (filed Feb. 28, 2002) (“Application”).* [Footnote in original FCC request.]

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[REDACTED]

[REDACTED]

[REDACTED]

As noted in the Application and Reply Comments, the interactive TV business is nascent and ill-defined, and the demand for these services, and the economics of their deployment, remain untested. [REDACTED]

G. Telephony

Question G.1: *For any AT&T cable system in which cable telephony was available to any subscribers as of December 1, 2001, please provide the following information in an electronic spreadsheet form: a) The number of homes passed by such system; b) The number of homes passed to which circuit-switched cable telephony services are offered; and c) The number of such homes passed that subscribe to circuit-switched cable telephony services.*

FOLLOW-UP QUESTION/REQUEST: The Applicants' response to this request requires clarification. The response to Question G.1 lists 15 separate markets in which AT&T provides cable telephony services. However, in response to Question G.4 and the Application, AT&T states that it provides cable telephony services in 16 markets. Please explain this apparent inconsistency.

AT&T RESPONSE:

The 16 "markets" where AT&T Broadband currently offers cable telephone service are often identified as: Boston, Richmond, Pittsburgh, Hartford, Atlanta, Jacksonville, Pompano, St. Paul,

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Chicago, Denver, Dallas, Salt Lake City, Seattle, Portland, the Bay Area, and Southern California. There is, however, no single “counting convention” for internal cable telephony data collection and reporting purposes. Rather, different data are maintained in different groupings to track management responsibility and for other purposes. The response to Question G.1 reports homes passed, market ready homes, subscribers and upgrade homes in the manner in which that data are customarily maintained. Although 15 “markets” were listed in the response, only 13 active cable telephony “markets” were included, because the report included separate line items for “Central California” and “Rocky Mountain” (where cable telephone service is not currently available). These 13 cable telephony “markets” differ from the 16 “markets” listed above as follows: in the G.1 response, Boston and Hartford are combined, Pittsburgh and Richmond are combined, Jacksonville and Pompano are combined, and St. Paul is reported as “Midwest.”

Question G.2: *For each cable system included in the scope of your answer to Question 1 of this Section, please explain whether AT&T intended, prior to entering into the merger agreement, to upgrade such system to offer cable telephony services to additional homes passed by that system, and, if so, provide the schedule for completion of those upgrades. Please explain (i) the extent to which such scheduled upgrades will enable the provision of circuit-switched or Internet protocol (“IP”) telephony and (ii) any changes or modifications that have been made or may be made to such schedule or to the type of technology to be deployed as a result of or in contemplation of the proposed transaction.*

FOLLOW-UP QUESTION/REQUEST: In response to this question, AT&T has provided [REDACTED]

Please submit the requested information about upgrades that AT&T anticipates or plans [REDACTED], if any, or confirm that there are no such upgrades. In addition, please respond to clause (ii) of the second sentence of Question G.2. In your response, include information about any changes or modifications that have been or are being discussed or contemplated within AT&T, regardless of whether final decisions have been made regarding those changes or modifications. If no changes or modifications were discussed or contemplated, please so state.

AT&T RESPONSE:

AT&T Broadband generates schedules for the completion of upgrades to its cable systems to offer cable telephony services to additional homes as a part of its annual budgeting process. That process begins in July and is generally completed in November. At the time of the July 2, 2002 response, the 2003 budgeting process was just beginning, and AT&T Broadband was therefore unable to provide, by market, a schedule of telephony upgrades it intends to complete in 2003. In the past week, however, the normal budgeting process has generated preliminary 2003 telephony upgrade schedules. Although these schedules are subject to change during the

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budgeting process and are, at this time, available only as annual figures (monthly incremental rebuild upgrade schedules will not be generated until later in the budgeting process), a revised spreadsheet reflecting the preliminary annual 2003 upgrade schedules by market is appended as Attachment 1. In addition, AT&T Broadband's 5-year plan contains assumptions about the total number of telephony market ready homes that AT&T Broadband will have at the end of 2004 and 2005. Although those numbers are not broken out by market or by month and are extremely tentative and subject to substantial change in the ordinary course of future budgeting cycles, AT&T Broadband has included them in the revised spreadsheet. With respect to clause (ii) of the second sentence of Question G.2, AT&T Broadband has not made, does not expect to make, and is not considering making, any changes or modifications to its cable telephony upgrade schedules as a result of or in contemplation of the proposed transaction. Based upon discussions with senior officers responsible for AT&T Broadband's cable telephony operations, AT&T Broadband is not aware that any such changes or modifications to AT&T Broadband's cable telephony upgrade plans as a result of, or in contemplation of, the proposed transaction have been discussed or contemplated.

H. Benefits/Efficiencies to be Realized by Merger

Question H.6: *The Applicants have stated that the merged entity "will have strong incentives to reduce prices" (Reply Comments, p. 22). What specific evidence supports a view that the proposed merger will result in reduced prices?*

- a. *Did AT&T lower rates or hold down rate increases for any services after its merger with Media One? If so, please quantify these merger-related rate effects and explain how they resulted directly from the merger.*
- b. *Please provide any documents, memoranda, or analyses in your possession which project consumer rates subsequent to the merger and discuss the merger's potential effect on consumer rates.*

FOLLOW-UP QUESTION/REQUEST: The Applicants state that AT&T Broadband price increases subsequent to the merger were below industry average (i.e., an increase of 4.8% as compared with 7.3% in 2001), and that the former Media One properties price increase was even lower, because these properties adopted the AT&T Broadband pricing methodology. To permit us to evaluate this assertion, please provide us with the combined subscriber weighted average price of the basic and expanded basic tiers for AT&T Broadband and separately for the former MediaOne properties as of June 1999, June 2000, June 2001, and June 2002.

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AT&T RESPONSE:

As stated in the original answer to Question H6, it is difficult to quantify the cost savings AT&T Broadband has realized (and will realize) as a result of the MediaOne merger, and how those savings affected (and will affect) consumer prices, particularly since the merger only closed on June 15, 2000. However, as requested, the following table provides the combined subscriber weighted average price of the basic and expanded basic tiers for AT&T Broadband and separately the former MediaOne properties for June of 1999, 2000, 2001, and 2002:

	1999	2000	2001	2002
Former MediaOne Properties	\$ [REDACTED] ²	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED] ³
AT&T Broadband Properties	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Combined AT&T Broadband and MediaOne Properties	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]

² AT&T Broadband does not have reliable information available for the 1999 price for the former MediaOne properties. AT&T Broadband's understanding is that the corporate guideline for MediaOne for 2000 was to have price increases between [REDACTED]. Therefore, the \$ [REDACTED] price for 1999 was derived for this chart by assuming that the MediaOne price increase for 2000 was [REDACTED]

³ The 2002 price for the former MediaOne properties was substantially affected by extraordinary price increases for two sports programming services – [REDACTED] – which affected approximately [REDACTED] for the former MediaOne properties. By comparison, although the AT&T Broadband properties also experienced extraordinary price increases for regional sports programming, those increases only affected [REDACTED] for the AT&T Broadband properties.

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For 2001, the first year after the merger, the price increases for the AT&T Broadband properties, the former MediaOne properties, and the combined company (including both the AT&T and MediaOne properties) were [REDACTED] respectively, all below the industry average of 7.3% (as set out in the FCC's *Report on Cable Industry Prices*, 17 FCC Rcd 6301, ¶ 4 (2002)). Because the results of the FCC's price survey for 2002 have not yet been released, it is not possible to compare the 2002 price increases for AT&T Broadband and the former MediaOne properties with the industry average for this year.

In addition, the follow-up question/request raises the issue of the former MediaOne properties adopting the AT&T Broadband pricing methodology. To clarify, the parties' original answer to Question 6.a. (at footnote 62) pointed out that with regard to video equipment and installation, many of the MediaOne systems had lower prices subsequent to the merger as a result of moving to AT&T Broadband's equipment averaging methodology. This comparison arises in the context of the *equipment and installation prices*, not the prices for the basic and expanded basic tiers. By way of example, in the [REDACTED] for 2001, AT&T Broadband's price for installation (pre-wired) was \$[REDACTED], while MediaOne's price was \$[REDACTED]. After the merger, MediaOne lowered its installation price to \$[REDACTED]. Similarly, AT&T Broadband's price for service upgrades was \$[REDACTED], while MediaOne's price was \$[REDACTED], and AT&T Broadband's price for service downgrades was \$[REDACTED], while MediaOne's price was \$[REDACTED]. After the merger, MediaOne adopted the lower service upgrade and downgrade prices.

ATTACHMENT 1

**CONFIDENTIAL INFORMATION –
SUBJECT TO PROTECTIVE ORDER
IN MB DOCKET NO. 02-70**

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