

OPENING STATEMENT OF TIME WARNER INC.

Presented by Gerald M. Levin

Chairman and CEO

Federal Communications Commission

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Chairman Kennard, Commissioners, I'm pleased to have this opportunity to participate in the Commission's hearing on the proposed merger of Time Warner and AOL. Last January, when Steve Case and I announced the merger, it was with the vision of creating the first Internet-powered media and communications company. In the short time since, as the velocity of technological change has continued to accelerate, our confidence in the promise of this new venture has grown even stronger.

From Time Warner's perspective, the merger with AOL represents a logical next step in our efforts to increase consumer choice in communications services and content—a goal that coincides directly with the Commission's bedrock policies. Expanding consumer choice is part of who we are. It's as basic to our corporate DNA as the editorial independence and integrity of Henry Luce's Time Inc. and Ted Turner's CNN. Since Home Box Office's debut over a quarter of a century ago, Time Warner has been a leader in overthrowing the old paradigm that limited the public's programming choices to those selected by a triopoly of broadcast networks and designed to appeal to a single mass audience.

As you know, our leadership in expanding consumer choice in the television marketplace has proven immensely successful. The new networks we've developed—everything from CNN to TNT to the Cartoon Network—have enriched people's options for quality programming. The billions we've invested in our cable systems have dramatically enlarged the number of channels available and allowed a whole new level of programming diversity not just from Time Warner, but also from a wide variety of

sources. This includes news from MSNBC and Fox; public affairs from C-SPAN; innovative kids' television from Nickelodeon and Disney; ethnic- and gender-focused programming from BET and Lifetime. It extends to Time Warner Cable's success in introducing local cable news channels to a growing number of its systems.

While we're proud of our role in breaking open the television universe to the benefit of consumers, we're equally proud to be among the first to recognize the ability of digital technology to provide revolutionary new options for high-speed interactive services, such as video-on-demand, telephony and data delivery. Our early experiments with interactive television—QUBE, in Columbus, Ohio, and Quantum, in Queens, New York—presaged our effort to establish the world's first fully interactive digital broadband network in Orlando, Florida. The development of this breakthrough architecture by the engineers at Time Warner Cable made us the first to offer a broadband avenue for interactive communications.

Over the past five years, Time Warner has invested more than \$6 billion to the development and deployment of the broadband infrastructure that our engineers pioneered and created. Today, the role of this architecture in the broadband evolution of the Internet is clear.

Whatever the delivery mechanism, whether wired or wireless, cable or satellite, it's obvious that the digital revolution has put the global economy in general and the global media industry in particular on fast forward. We've now entered a new context: *Internet time*. As you know, the United States enjoys a leadership position in developing

and using the Internet. But that leadership is already being challenged by competitors in Europe, Asia and Latin America.

It was our shared understanding of the intense global competition that the Internet is spawning which helped give the initial conversations between AOL and Time Warner a sense of urgency. Steve and I saw that the world was entering a new competitive landscape, more challenging, more exciting and more unforgiving than ever before. Equally, we recognized the possibility for creating a company specially adapted to this uncharted terrain—one able to offer consumers an astounding array of quality content, from the widest selection of sources, along with Web features, services and communities that met their needs with unprecedented levels of ease, convenience and personalization.

In particular, as the Commission considers the merger of AOL and Time Warner, I believe it would be useful to focus on three of the public benefits that will flow from our combination:

- First, as well as making traditional media more accessible for online and interactive applications, our company will be a leader in developing new services. This, in turn, will help accelerate our competitors' efforts to innovate.
- Second, by actively pursuing our marketplace-driven multiple ISP policy, we'll ensure real consumer choice on our cable systems and provide a catalyst for other cable companies to follow suit.
- Third, as we speed up deployment of broadband capacity, we'll increase the consumer appetite for broadband services and hasten deployment across

competing platforms, whether cable, DSL, wireless or satellite—a critical FCC goal pursuant to Section 706 of the 1996 Telecommunications Act.

As Steve mentioned earlier, AOL's recently announced television service—AOLTV—offers a way to enrich programming with interactive features. Going forward, the combination of AOL's strength in providing consumer-friendly services and Time Warner's array of content will unlock many other possibilities. These range from the development of online financial services to e-commerce and telephony.

The merger of Time Warner and AOL will be especially beneficial in bringing the public a real diversity of Internet Service Providers. AOL is committed to make its service available on a non-exclusive basis over a multiplicity of platforms. Our new company will promote a competitive environment which encourages *all* broadband platforms to offer multiple ISP options.

We will also carry out the principles regarding multiple ISP service articulated in the Memorandum of Understanding signed by AOL and Time Warner. We're already moving to restructure our Road Runner partnership, thereby enabling us to introduce multiple ISPs substantially in advance of the 18 months remaining on the Road Runner exclusivity. In addition, we're negotiating with AOL and other ISPs about providing high-speed Internet service. In Time Warner Cable's Columbus, Ohio, system, we've begun technical trials of multiple ISP service, taking our commitment from the ideal to the practical.

By taking such actions, we've prompted other cable operators to modify their business plans to provide for multiple ISP choice. DSL, satellite, and wireless providers

are responding by accelerating their own broadband deployment efforts. From the consumer's point of view, this intensifying competitive struggle to take advantage of the untapped opportunities presented by the Internet revolution offers the best of all possible worlds: more choice, better value, and lower prices.

In this newly emerging Internet-oriented marketplace, companies can choose either to engage in open-ended competition or they can seek to co-opt the regulatory process to their own benefit and, ultimately, to the disadvantage of consumers. For our part, we agree with the Commission that competition is preferable to regulation. Our goal, like yours, is to give consumers access to content from all of the sources they desire, over as many platforms as possible, anywhere, anytime.

No medium in history has surpassed the wildly democratic potential of the Internet to break down the barriers to human communication, overturn the limits on cross-cultural understanding and expand the educational and economic prerogatives of people everywhere. The Internet is the technology of human freedom.

Together with our partners at AOL, we at Time Warner not only welcome the chance to accelerate this revolution. We embrace it.

Thank you for this opportunity to discuss our hopes for the future—hopes I believe that we hold in common with this Commission.

We'll now be happy to answer your questions.