

# Competition Works. Consumers Win!

Competition, Choice  
and Value Shape  
Today's Communications  
Marketplace



# Today's Communications Marketplace

Intensely competitive, offering consumers more choices than ever before.

A large and growing number of competitors.

- Cable operators
- Direct Broadcast Satellite (DBS), e.g., DirecTV and Dish Network
- Telephone companies
- Overbuilders, e.g., RCN, Knology, WOW, etc.
- Broadcasters
- Web video
- Wireless broadband
- Home video



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# The Triple Play:

## How Cable Competes Today

Compelling Programming and Digital Video  
Lightning-Fast High-Speed Internet  
Digital Phone Service



# Compelling Programming and Digital Video

Basic cable networks invested \$84 billion in programming 1995-2005. Cable operators invested \$90.7 billion in all forms of programming during the same period.

28 cable channels are transmitting in high-definition. HD service is available to 97 million homes passed by cable.

## On-Demand Services

- 84% of homes are VOD-enabled.
- More than two billion on-demand programs were ordered in 2006.
- One in four households report using free VOD at least once a week.

## Digital Video Recorders

- In May 2006, 12% of cable subscribers used the DVR service offered by their cable companies.
- An additional 7% owned a TiVo-branded DVR.



# Lightning-Fast High-Speed Internet

First to market with residential high-speed service.

- Since 1996, cable operators have invested more than \$110 billion to upgrade their networks to provide broadband services.
- At the end of 2006, cable broadband service was available to 94% of all U.S. homes.  
(Kagan Research)

Fast, secure and full of features:

- Security software
- Dynamic content
- Personal web space
- Multiple email addresses
- Home networking
- Parental controls
- Web filters

Downstream speeds of 5-15 Mbps vs. DSL's downstream speeds of 1.5-6 Mbps.



# Digital Phone Service

High quality, highly affordable.

Fully featured:

- Unlimited local and long-distance calls
- E-911 service
- Number portability
- Voice mail, call waiting, caller ID and call forwarding

Billions in consumer savings.

- U.S. consumers and small businesses could save \$100 billion over the next five years with real facilities-based competition in phone service.

(Microeconomic Consulting & Research Associates, September 21, 2006)



# What's Next? Wireless!

Integration of the Triple Play with a wireless platform.

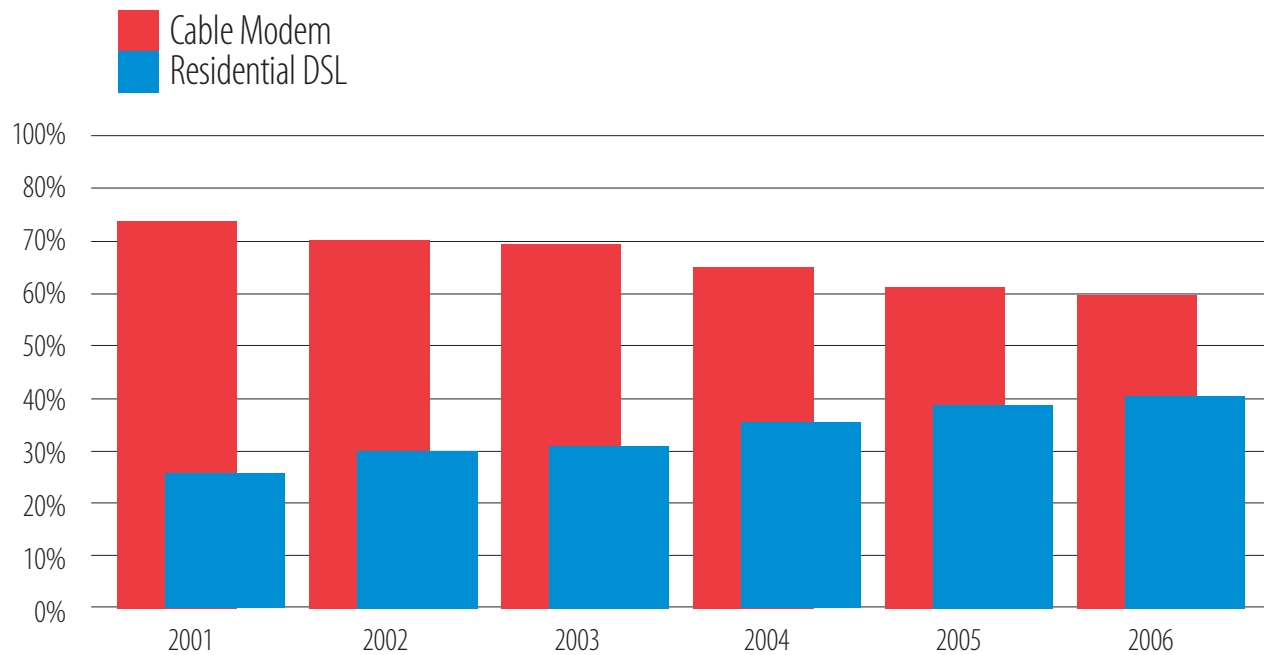
Launches in seven markets announced, involving four cable operators in the Sprint joint venture:

- Comcast
- Time Warner
- Cox
- Advance/Newhouse



# Competition is Fierce to Provide High-Speed Internet

Share of Residential High-Speed Market



# Finally: Real Competition in Telephone Service

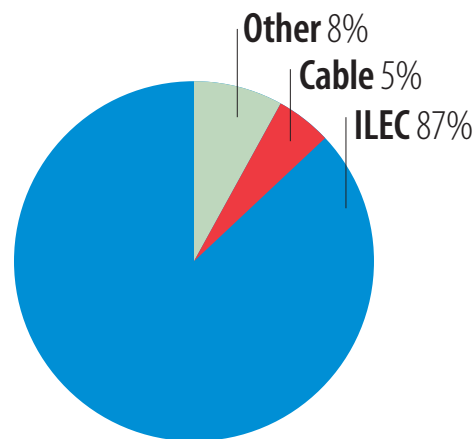
Cable delivers true facilities-based competition.

Cable companies rank highest in phone customer satisfaction in five of six U.S. regions. (J.D. Power 2006)

More than 8.5 million households have chosen cable phone service with more than 100% growth (4.6 million homes) since December 2004.

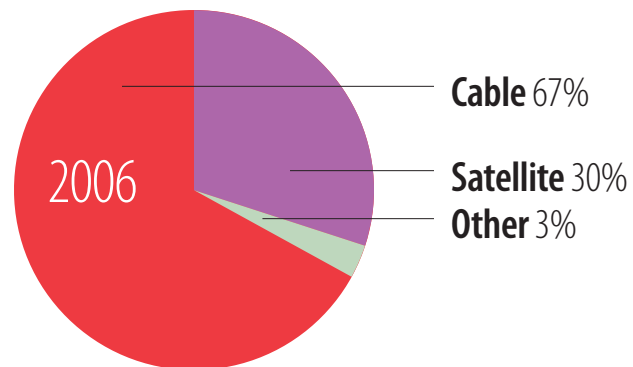
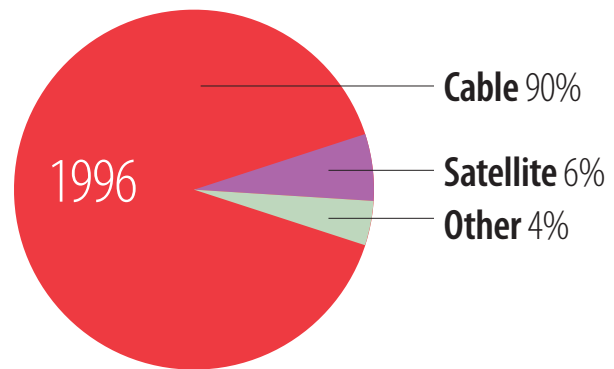
However, ILECs still controlled more than 87% of the market as of the most recent FCC report.

Residential Wireline Phone Access Lines, December 2005



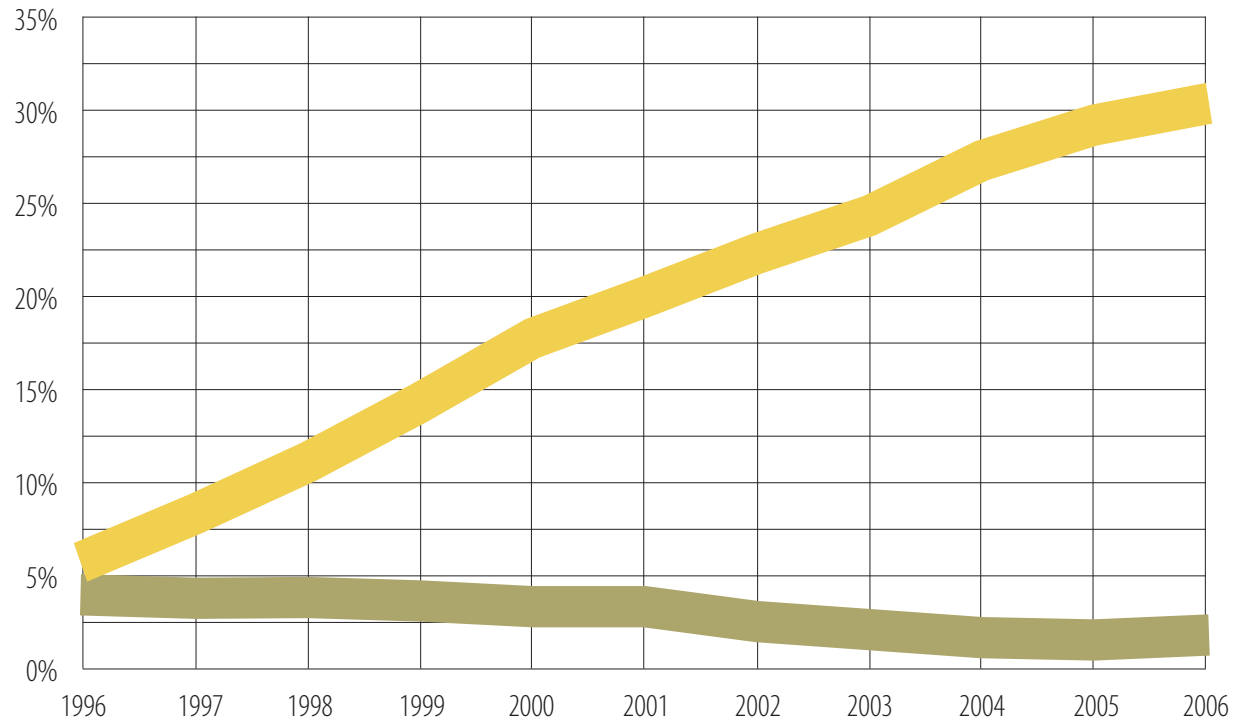
# Video Competition is Intense

Residential Subscribers to Multichannel Video Programming Distributors (MVPDs)



# DBS Market Share is Growing for Consumers

Competitor's Market Share



# Cable. Competition Works.

Television  
Broadband  
Telephone



# Competition in Video

## Produces Greater Choice and More Value

The FCC Agrees:

“[C]ompetition in the delivery of video programming has provided consumers with increased choice, better picture quality, and greater technological innovation.”

– FCC’s 12th Annual Report on the Status of Competition in the Video Marketplace (March 3, 2006)

“[T]he vast majority of Americans enjoy more choice, more programming and more services than [at] any time in history.”

– FCC’s 10th Annual Report on the Status of Competition in the Video Marketplace (January 28, 2004)



## By Any Measure... Consumers Are Winning

The real “price per viewing hour” of cable decreased 7.4% between 2002 and 2005, from 28.4 cents to 26.3 cents.

Cable’s real price per channel dropped 5.3% in the past decade.



# Consumers Are Winning...

## In More Ways Than One

Bundles offer more and better services for less.

### 1996

- Local phone service
- Long distance with per-minute charges
- Dial-up Internet access at 28 Kbps
- 46 channels video
- **Price: \$129.38**

### 2006

- Unlimited local and long distance phone service
- High-speed Internet at 5+ Mbps
- 75+ channels video
- **Price: \$99**

1996 price based on FCC figures and adjusted for inflation.

2006 price based on bundle promotions.



# The Real Story on Cable Video: Consumers Love It

Viewing time of basic cable networks has increased by 68% over the last ten years.

Cable viewership is growing.

- For the fifth consecutive year, ad-supported cable is leading the seven broadcast networks combined in primetime viewership, with 55.4% vs. 40.4% household share.
- During the 2006 television season, for the first time ever, cable channels out-rated broadcast network channels, on four of seven nights of the week.

Cable networks won half of the 2006 Primetime Emmy Awards, nearly doubling their Emmy-winning percentage from ten years earlier.

“Cable providers continue to close the [customer] satisfaction gap.”  
“Cable companies lead their satellite rivals in two of four U.S. regions.”

—J.D. Power and Associates 2006 Residential Cable/Satellite Satisfaction Study



# Cable Puts You in Control

## Putting Parents in Control

Cable's parental controls, in combination with TV's V-Chip, provide the ultimate in parental controls to help families manage the flow of programming into the home.

Cable programming services in 2005 strengthened their commitment to the TV Parental Guidelines ratings system.

- Larger ratings icons appearing at the start of every rated program and icons inserted after every commercial break.



# Cable Puts You in Control

## Putting Parents in Control

Cable operators and programmers have made a significant investment in consumer education on parental controls.

- Since 2005, more than \$230 million in commercial airtime has been contributed; more than seven million public service spots have aired.
- Have staged more than 100 community meetings around the country.
- Helped spearhead cross-industry effort to create “Be the Boss of Your TV” national advertising by The Ad Council.

Cable operators provide many tools to promote online safety and literacy.

- Software for security and online filtering.
- Consumer education efforts.
- Public service advertising.





## Cable is Committed to its Communities

Cable is a major contributor to the U.S. economy, accounting in 2002 for more than \$173 billion in gross economic output.

(Bortz Media & Sports Group, Inc., July 1, 2003)

Cable accounts for more than 1.1 million jobs in the U.S. and more than \$42 billion in personal income.

(Bortz Media & Sports Group, Inc., July 1, 2003)

In 2004, cable industry companies contributed more than \$1.3 billion in philanthropic, charitable and public service projects serving communities nationwide.

(Cable TV Public Affairs Association, 2005)

Cable's committed to education and diversity.

- *Cable in the Classroom* serves thousands of schools with 500+ hours each month of commercial-free, educational programming and complimentary cable and High-speed Internet service.
- *Cable's Walter Kaitz Foundation* contributes more than \$1 million annually to diversity organizations.



# FCC Cable Price Survey

## **Obsolete on arrival.**

A 20th century approach to a 21st century marketplace.

Old data.

- Measures rates from two years ago and overlooks marketplace developments since.

Stuck in an analog world.

- Focuses on analog cable, ignoring more than 30 million households subscribing to digital cable.

Looks the other way.

- Doesn't even look at satellite company (DBS) prices, which saw an average increase of 8.1% from 2005 to 2006.

Ignores the bundle.

- Today's bundle of video, Internet and voice services is priced 23% less than 10 years ago.



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