



AT&T Broadband

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June 11, 2002

VIA HAND DELIVERY

Board of Selectmen
Town of Westford
55 Main Street
Westford, MA 01720

**Re: AT&T Broadband's "Change of Control" Application –
Town of Westford's Request for Supplemental Information**

Dear Chairman and Members of the Board:

I am writing in response to the question raised at the Town of Westford's ("Town") April 10, 2002 hearing and subsequent follow-up meeting of the Cable Advisory Committee on May 30, 2002, regarding the FCC Form 394 application for consent (the "Application") to the transfer of control of the Town's current cable system Licensee, AT&T CSC, Inc. ("Licensee") that will result from the merger (the "Transaction") of AT&T Broadband and Comcast Corporation ("Comcast").

In light of the items raised, we feel it useful to underscore the nature of the Transaction. Under the Transaction, AT&T Broadband, which is currently owned and controlled by AT&T Corp. ("AT&T"), will be separated from AT&T and merged with Comcast to form a new parent entity, AT&T Comcast Corporation ("AT&T Comcast"). The merger – and therefore the change of control – is entirely at the top parent company level. Neither the cable system nor the license is being sold, transferred or assigned; the cable system will continue to be owned by Licensee. Moreover, the license agreement between the Town and the Licensee and the Licensee's legal obligations under the license agreement will remain in place and unchanged. After the Transaction, the Town will have the same Licensee, and the same rights and obligations with respect to the license agreement, as before the merger.

As discussed at the April 10, 2002 hearing and the Cable Advisory Committee meeting on May 30, 2002, federal and state laws limit the scope of review and information the Town may require as part of the change of control approval process.¹ Beyond the information required by the FCC Form 394, license or applicable local law, a local franchising authority ("LFA") may only request "such additional information as may be reasonably necessary to determine the qualifications of the proposed transferee."² A federal court has recently confirmed that a cable operator need not answer any requests

¹ See, e.g., Charter Communications, Inc. v. County of Santa Cruz, 133 F.Supp.2d 1184, 1201 (N.D.Cal. 2001) (Federal law imposes "certain outer limits on the LFAs' power to request information over and above that required by Form 394").

² Implementation of Sections 11 and 13 of the Cable Television and Competition Act of 1992, Report and Order, 8 F.C.C.R. 6828, ¶ 86 (1993). See also id. at ¶ 85; See Implementation of Sections 11 and 13 of the Cable Television Consumer Protection and Competition

for information that are outside this scope or are otherwise unreasonable, and such refusal may not be used as a basis for denying LFA consent to the FCC Form 394 Application.³

As described in the Application, the Transaction is entirely at the top parent company level. Much of the requested information is, in fact, unrelated to the Transaction or qualifications of the new controlling entity. Many of the questions appear to be precisely the type of inquiry that would be deemed unreasonable and/or beyond the appropriate scope of review in this proceeding.

Notwithstanding the foregoing, but reserving all rights, in an effort to accommodate any reasonable and lawful need for information that the Town may have, we provide, for informational purposes only, the responses set forth below. By responding, the companies do not waive any arguments regarding the relevance of such information or the Town's authority to make such requests.

For ease of reference, your question is repeated below in bold italics, followed by our response.

Response to Specific Request for Supplemental Information

1. Please provide further information about Comcast and their management.

Comcast began offering cable service in 1963 in Tupelo, Mississippi, with just over 1,000 cable customers. Under the leadership of Ralph J. Roberts and Brian L. Roberts, Comcast has experienced extraordinary growth in the scale and scope of its business. Comcast is a top-tier provider of cable television service, high-speed Internet service, electronic commerce, video programming and other services. Comcast's wholly owned cable systems served 8.471 million subscribers in 26 states as of December 31, 2001. Comcast has over 2.3 million digital cable customers and over 948,100 high-speed Internet service customers.

Mr. Brian Roberts, currently President of Comcast, will exercise all day-to-day authority over the operation of the AT&T Comcast, and expects to continue Comcast's demonstrated track record in system upgrades, deployment of new services and customer care. Comcast has a particularly strong upgrade record. Over 95% of Comcast's customers are served by systems with a capacity of at least 550 MHz, and over 80% are served by systems with a capacity of at least 750 MHz or greater.

To provide the Town with a further sense of the management expertise of Comcast, we have enclosed the biographies of several top executives and several recent articles discussing the company. We have also provided letters from local officials and other regulators regarding the strong leadership of the company, its commitment to upgrading systems and its involvement in local communities.

The merger of Comcast and AT&T Broadband will produce a host of substantial public interest benefits and anticipated cost savings for the proposed combined company. The combination will create efficiencies and synergies that will allow AT&T Comcast to accelerate the

Act of 1992, Memorandum Opinion and Order on Reconsideration, 10 F.C.C.R. 4654, 4676, ¶¶ 50-53 (1995). In addition, within the first thirty days of receiving the FCC Form 394 Application, an LFA may require the applicant to provide additional information to cure an application in accuracy or incompleteness. See 47 C.F.R. § 76.501(b).

³ See, e.g., Charter Communications, Inc. v. County of Santa Cruz, 133 F.Supp.2d at 1208 ("an operator may spurn an unreasonable request" for information; "if an LFA imposes unreasonable information demands, it may not then deny the application on the ground that the applicant refused to answer them").

availability of local telephony, digital video, high-speed Internet service, and other broadband services to millions of residential consumers in areas of 41 states. These benefits would not be achieved as broadly or quickly without the merger. This increase in facilities-based competition for each of these services will, as the FCC has recognized, provide important consumer benefits by creating choices in a range of services and accelerating competition and innovation for new advanced services and features.⁴ Furthermore, the FCC has previously recognized that cable mergers that bring together complementary assets and thereby create scale and scope efficiencies can greatly benefit the public by accelerating the deployment and availability of new cable-delivered services.⁵ In only two years, for example, the complementary assets and experiences of AT&T, TCI, and MediaOne have allowed AT&T Broadband to deploy local telephony and high-speed Internet services that are now marketed to millions of homes.

Although AT&T Broadband also has expended significant resources upgrading the former TCI and MediaOne systems, substantial additional investment still will be required to complete the upgrade of AT&T Broadband's systems. AT&T Broadband's merger with Comcast will enhance significantly its access to the capital required to underwrite an aggressive plan for deploying new broadband services such as HDTV and video-on-demand to residential consumers over existing AT&T Broadband systems. Comcast is widely recognized for its proven ability to manage an accelerated program for upgrading its plant while maintaining its operating margins. It also enjoys a significantly stronger balance sheet than AT&T Broadband. It is estimated that, within five years, the merger should result in synergies and efficiencies worth approximately \$1.25 to \$1.95 billion a year in increased Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"). This estimate includes cost savings due to the elimination of corporate overhead costs and improved operating margins. It also reflects the applicants' belief that the merger will moderate their programming expenditures in comparison to costs before the merger, which will help offset the escalating programming costs they have faced in recent years. Cost savings such as these, along with the other synergies and scale economies created by the merger that are described below, will enhance AT&T Comcast's ability to undertake the significant risks and costs in developing and deploying new, facilities-based services to customers.

Scale economies should further buttress the combined company's ability to upgrade the AT&T Broadband systems and deploy new services to consumers. It is estimated that AT&T Broadband and Comcast collectively will spend approximately \$5.5 billion in 2002 on capital expenditures items and, following the merger, AT&T Comcast will continue to incur capital expenditures. AT&T Comcast should be able to obtain lower prices for many of these capital items as a result of the increased scale of its purchases.

More generally, the scale economies created by the merger will foster more efficient use of infrastructure (e.g., by allowing for more efficient use of call centers), and provisioning, repair and maintenance (e.g., by providing local/regional scale to support efficient, centralized truck

⁴ See Extension of the Five-Year Build-Out Period For BTA Authorization Holders in the Multipoint Distribution Service, 16 FCC Rcd 12593, 6 (2001); Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, 15 FCC Rcd 3696, 103-104 (1999) ("UNE Remand Order").

⁵ AT&T-MediaOne Merger Order 7, 160; see also Applications of AT&T Corp. and Tele-Communications, Inc. for Transfer of Control of Tele-Communications, Inc. to AT&T Corp., 14 FCC Rcd 3160, 147 (1999) ("AT&T-TCI Merger Order") (finding that the merger of AT&T and TCI would "create an entity that has incentives to expand its operations and provide facilities-based competition in the local exchange and exchange access markets, and will be able to do so more quickly than either party could alone").

rolls). The merger will also provide national scale that will allow the merged firm more efficiently to defray the enormous research, development, and testing costs associated with new services and features. This increased scale is particularly important to accelerate the development and testing of new interactive TV services, voice-enhanced data service, home networking and security, and other new, and as yet untested, broadband services. In addition to increasing the merged firm's own incentives to make risky investments in such new services and technologies, the combination will create a larger player whose commitment to such services can be expected to accelerate investment and research by the many equipment manufacturers, software developers, and others that are critical to the successful development and deployment of such new services to consumers.

Please also refer to the "Public Interest Statement" filed by AT&T Corp. and Comcast with the FCC on February 28, 2002 available at <http://www.fcc.gov/mb/attcomcast/>. The Public Interest Statement contains substantial information and analysis regarding the financial benefits of the Transaction to the two companies, as well as the other public benefits of the Transaction. In particular, we refer you to the Declaration of Robert Pick filed as an Appendix to that Public Interest Statement, which provides a detailed analysis of why the Transaction will benefit the financial status of both companies.

We hope the above information is helpful. We look forward to working with the Town toward a successful Application review process. As always, please feel free to contact us with any additional questions or concerns.

Sincerely,



Elizabeth A. Graham
Director of Government Affairs

EAG/rar
Enclosures

cc: Peter Epstein, Esq. – Epstein & August, LLP
Mark E. Reilly, Esq. – AT&T Broadband Vice President of Law & Public Policy
Robert K. Travers - AT&T Broadband Manager of Government Affairs