

**PREPARED STATEMENT OF DAVID L. COHEN
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BEFORE THE UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
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Mr. Chairman, Senator Inouye, and Members of the Committee:

Thank you for the invitation to be here today.

It's a particular honor to share this panel with Charlie Ergen, one of the great entrepreneurs of the communications industry, and with Jack Valenti, who has done so much for so many years to help parents make responsible choices for their children.

Cable Companies Are Listening to Their Customers

America's cable companies deeply value our relationship with our customers. We want to provide them with the greatest possible choice and control. At the same time, we want to run our businesses in a sound economic manner so that we can deliver the advanced services that our customers want and deserve.

Today, Americans have access to a dizzying array of video and interactive media choices. There is something for every possible taste. But not *everything* in the marketplace is to *everyone's* taste.

As the nation's largest cable company, Comcast is sincerely committed to ensure that our customers have all the choice they want, and all the controls they need. So, as some have asked for more alternatives to help manage family viewing, we have listened to them.

We have to deal with a few practical constraints, including the laws of economics, contracts and physics. We need to make decisions that are economically sensible for us and for the companies that provide content to us. We must honor our contractual agreements. And we need to come up with approaches that meet the needs of both our digital cable customers and of our customers who use analog cable equipment.

A La Carte Violates the Laws of Economics, Contracts and Physics

While some consumer groups have advocated that cable and satellite companies be required to make all of their channels available on an a la carte basis, this would violate the laws of economics, contracts, and physics.

First, a la carte services cannot be delivered to analog cable set-top boxes. To offer a la carte would require the individual sale of all of our channels, which would mean that 100 percent of television sets in cable homes would have to be equipped with digital set-top boxes. At the current state of technology, this would be prohibitively expensive for us and for our customers.

Second, we have scores of complex programming contracts in which cable networks have negotiated for the right to be carried on specified tiers of cable service. In an a la carte world, all of these contracts would have to be unwound or abrogated by force of law. This would be hugely disruptive to our industries, extremely expensive, and undoubtedly exceedingly litigious.

Third, after imposing all of those unnecessary costs and complications, an a la carte regime would yield no consumer benefits. Every independent analysis that has been conducted – from the Government Accountability Office to the Federal Communications Commission’s Media Bureau, from Booz Allen to Bear Stearns, from Paul Kagan to various academic economists -- has concluded that an a la carte regime would lead to consumers paying more and getting less.

An a la carte regime would guarantee that there will be fewer programming choices and less diversity. Over 200 consumer and civil rights organizations, elected officials, and others have gone on record objecting to the devastating effects that a mandatory a la carte regime would have on programming diversity. Dozens of creators of niche networks, who know their success depends on their ability to reach the greatest possible number of women, or African-Americans, or Hispanic-Americans, or other specialized segments, have protested that a la carte would sound their death knell.

Many analogies have been used to explain why a la carte is a bad idea. I think the most compelling analogy is to a public library. All of us pay for the maintenance of our libraries. Each library contains thousands and thousands of volumes. Most people will never open most of those volumes, but someone is likely to look at every volume at some point. If we cared only about the volumes that most people wanted to read most of the time, our libraries would look like The New York Times best-seller list. But none of us would want to sacrifice the immense diversity that our libraries contain, and all of us benefit from the opportunity to browse and to find something that we didn’t know about before.

Cable and satellite television work much the same way. Everyone pays about the same for basic service, and these fees (plus advertising sales) help to support an incredible diversity of programming. Not everyone who watches cable watches every channel, of course. But this economic model, which puts scores of channels into customers’ homes, is a proven success.

If an a la carte regime were pro-consumer, then surely one of the numerous competitors in the marketplace – Comcast, Time Warner, DirecTV, Dish Network, RCN, Knology, WideOpenWest, and dozens of others – would have adopted that model by now to

distinguish themselves from their competitors. The fact that none of these companies has seriously pursued an a la carte model speaks volumes about the lack of viability of this concept in the marketplace.

Our Innovative “Family Tier”

While we are firmly convinced that an a la carte requirement would not be in the best interest of our consumers, program providers, or our industry, we are nevertheless always exploring new ways to better serve our consumers.

We are absolutely committed to meeting the needs of families. We have shown this by providing flexible parental controls; by working with PBS to create the PBS Kids Sprout Network, the premiere service for young viewers; and by working with the cable and programming industries to constantly improve the information available to parents about how to manage the programming available in their homes.

As another step in that commitment, last month Comcast announced our plans to offer a new “Family Tier” service.

Subscribers to the “Family Tier” will receive 35 to 40 channels, including many of the premiere brand names in family programming, such as Disney, Discovery, National Geographic, and PBS Kids Sprout. Specific channel offerings include: Disney Channel, Toon Disney, Discovery Kids, Nickelodeon or Nick Too, Nickelodeon Games and Sports (GAS), PBS Kids Sprout, DIY (Do It Yourself Network), CNN Headline News, The Weather Channel, C-SPAN, C-SPAN 2, Food Network, National Geographic, Science Channel (Discovery), HGTV, and TBN (Trinity Broadcasting Network).

We carefully selected channels that offer primarily TV-G content in all parts of the day, and channels with less programming that is “live” -- and therefore unpredictable. Comcast’s Family Tier will retail for an average of about \$31 a month. This includes our basic cable service (which averages about \$12 per month and which must, by federal law, be made available to all of our customers), 16 family channels (at \$14.95), and a digital cable box, which is required to obtain this service (at an average regulated price of about \$4.25).

We created our Family Tier in a way that is consistent with the laws of economics, contracts and physics. We believe this is an economically viable offering that gives families another affordable choice and does not violate the reasonable expectations of cable programmers. And while this service does require a digital set-top box, we hope that it will encourage more penetration of digital services, a goal shared by this Congress.

We have been pleased by the initial response to our Family Tier.

- The *San Angelo Standard Times* in Texas called it “a welcome development.”

- The *Carlisle Sentinel* in Pennsylvania said, “this proposed ‘Family Tier’ is a good idea that appears to have a groundswell of popular demand behind it.”
- Faith and Family Broadcasting Coalition said it “is a welcome and important step in the right direction.”
- And the Rev. Jerry Falwell called it a “welcome response to the concerns of families.”

This new service will be available to 99 percent of homes across our cable footprint, and we will make sure that families interested in this option know how to take advantage of it.

I would also note that several other cable companies also have announced plans to launch a family tier, including Time Warner, Cox Communications, and, most recently, Insight Communications.

Empowering Parents with Information and Technology

Of course, we know our Family Tier won’t meet the needs of every home. That’s why we will still work hard to ensure that parents and caregivers know about, and know how to use, cable’s parental control technologies.

At Comcast, our digital cable customers -- and soon our Family Tier customers as well -- can press the “Menu” button on their remote, select “Ratings Locks,” and with a few clicks make the programming choices for their family and have them PIN-code-protected. They can block specific programs or channels, they can block programs based on their MPAA or TV rating, and they can hide adult titles on the program guide. Attached is a “screen shot” of our parental controls feature.

We will continue to innovate to make our parental controls and program guides even more useful to families. Later this year, we plan to give parents the power to PIN-code-protect access to our On Demand service. During 2007, we expect to roll out additional features including the ability to lock out programming by content label (based on TV ratings for violence, sexual situations, dialog or language), displaying these content labels on our program information screens, and offering family-friendly recommendations in our program guide. Our developers are at work on all of these new capabilities right now.

As we’ve said many times, we realize that it’s not enough to make these features available. We want all of our customers to know about these tools and to know how to use them. That’s why Comcast has worked closely with the National Cable & Telecommunications Association in its “Cable Puts You in Control” public information campaign.

Between May and November of 2005, the cable industry aired its "Take Control" public service announcements with an aggregate commercial airtime value of \$130 million – well on the way to the \$250 million in airtime we committed to last spring. Comcast alone has aired these PSAs over 1.6 million times.

In addition, about 30 Members of Congress have recorded public service announcements promoting public awareness of parental controls, and these are airing on cable systems across the nation. And our industry have held dozens of media literacy workshops across the nation, working with PTAs and other family organizations, and we plan dozens more in 2006.

Like other cable companies, Comcast also communicates directly with its customers about their options. We offer, on demand, a how-to video to instruct parents on our parental control features. For almost two years, we have provided one-click access to parental controls information from the homepage of our website, www.comcast.com. And nearly two years ago, we established a toll-free hotline (866-781-1888) to answer any questions our customers may have about the Family Tier or parental control features.

Finally, we are delighted to join with NCTA and our cable industry colleagues as part of the new pan-industry informational campaign that Jack Valenti announced today, and we are especially pleased to have enlisted the creative talents of the Ad Council for this effort.

Conclusion

Mr. Chairman, every hour of every day, we compete for our customers' loyalty against Mr. Ergen's company, Rupert Murdoch's satellite company, and now against the Bell companies as they offer competing cable services. To succeed, we must offer our customers choice, control, convenience and good value. We want parents to think of us as their partners. We want to offer every home the widest possible range of video programming, but we also want to give them the power to tailor their selections for the unique needs of each household.

We always remain open to constructive ideas about ways to better serve our customers. We think the competition we all face in the multichannel television marketplace compels all of us to keep our eyes and ears wide open.

We appreciate this Committee's interest in making sure that our industry hears the needs of our customers, and I am glad to be able to tell you, "We are listening very carefully." Thank you, Mr. Chairman.

Title Locks

Select to Lock or Unlock.

Press ◀▶ to change settings

Title Locks: ◀

What a Girl Wants 

TV Rating Locks:



Movie Rating Locks:



Channel Locks:

◀ 2 WTXF ▶

Master Locks:

Select to display

Adult titles:

◀ Show ▶