National Cable & Telecommunications Association

2003 Year-End Industry Overview

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I. INTRODUCTION

During the last half century, the cable industry has experienced extensive growth and dramatic transformation. From initially offering clear reception of broadcast stations, cable has grown into a broadband provider of video, Internet and voice telephone services, expanding from analog technology to an increasingly digital platform. Along the way, cable has become an important contributor to the U.S. economy.

Cable's leadership in the digital TV transition in part can be traced to enactment of the Telecommunications Act of 1996. That legislation enabled cable operators to undertake a multi-year and massive upgrade of cable's infrastructure, fueled by a capital investment of nearly $85 billion since 1996. During that period of time, competition also has increased, leading to improvements in quality and choice for consumers.

With a substantial roster of industry progress, 2003 can be viewed as a year in which the digital TV transition leapt forward, under cable's leadership. Gains were made in the deployment of High-Definition Television (HDTV), Video-on-Demand (VOD), digital cable, and other new consumer-driven services representing the fruits of cable's investment in the broadband digital platform.

Cable's deployment of HDTV service increased nearly 90 percent during the first 11 months of 2003, reaching 70 million homes by December 1. In addition, the amount of cable HD programming increased steadily, and now comes from a diverse set of programming services. Last December, the consumer electronics and cable industries reached agreement on standards for the creation of Digital Cable Ready (DCR) equipment for the home. The FCC approved those standards in September 2003 and new DCR sets are beginning to be sold at retail.

During the course of 2003, consumers continued to demonstrate strong interest in cable's advanced services. Despite intense competition from the providers of digital subscriber line (DSL) service, cable's offering of high-speed Internet access experienced customer growth of almost 30 percent during the first nine months of 2003, ending the Third Quarter with 15 million subscribers. The number of digital cable customers grew to 21.5 million by the end of the Third Quarter of 2003. There were also approximately 2.5 million cable telephone customers at the end of the Third Quarter of 2003, even as the industry geared up for deployment of Voice Over Internet Protocol (VoIP) phone service.

The economic impact of cable's huge broadband investment was evidenced in a report by Bortz Media & Sports Group entitled, *Reinvesting in America: An Analysis of the Cable Industry's Impact on the U.S. Economy*. The study showed that the cable industry accounted for 1.1 million jobs at the end of 2002. The industry also was responsible for approximately three percent of net new U.S. jobs from 1990 to 2002, according to the report. This impact reaches all of America, with cable employment found in all 50 states, and financial benefits for state and municipal coffers, charities and non-profit organizations.

One of cable's strengths always has been its roots in local communities. Cable companies employ local residents, pay taxes and franchise fees, engage in local public affairs initiatives, provide a wide variety of local and community programming, and contribute to the educational strength of their communities through Cable in the Classroom and other efforts.

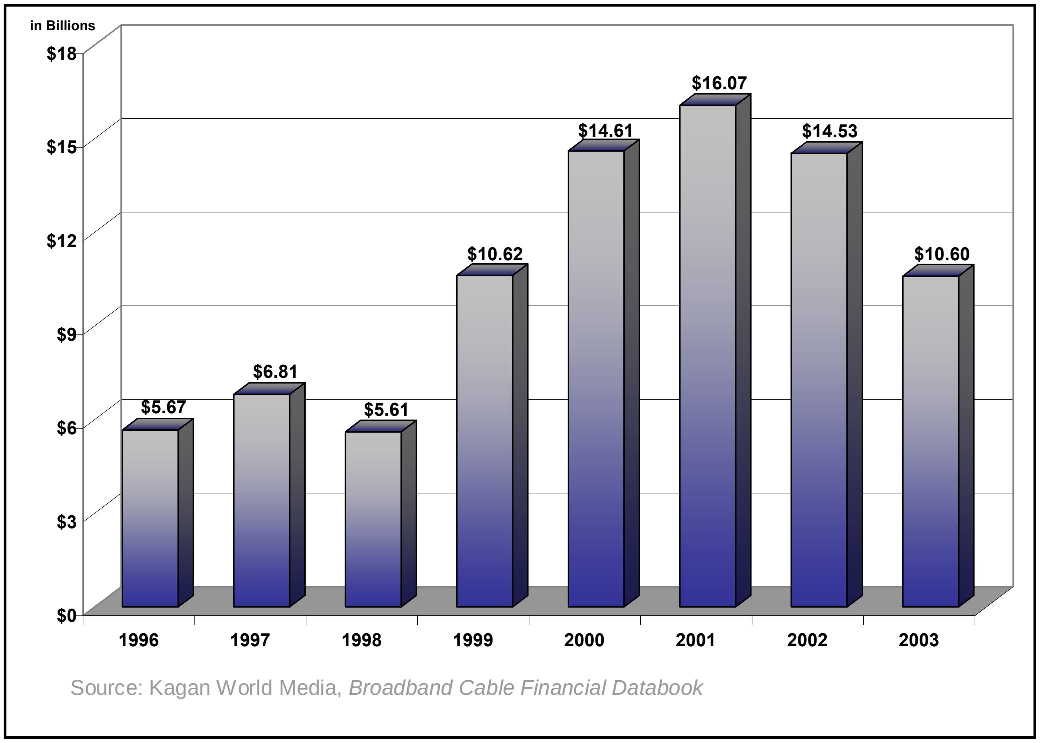
Cable TV service today represents one of the best entertainment values in America. With an ever increasing variety of programming and services, cable is delivering choice, convenience and control to consumers. As the industry moves forward into 2004, consumers will benefit even more.

II. CABLE'S COMMITMENT TO OFFER DIGITAL SERVICES

Cable companies have demonstrated their commitment to create and offer new digital services for American consumers by heavily investing in infrastructure upgrades and facility improvements.

- Between 1996 and 2003, cable capital expenditures exceeded $84 billion (see Chart 1). In 2003 alone, $10.6 billion was invested.
- This $84 billion equates to roughly $1,200 per customer spent to upgrade cable systems and launch new broadband services. The upgrades, which involved rebuilding more than one million miles of cable plant, were nearly 85 percent complete by year-end 2003.

Chart 1: Cable Industry Infrastructure Expenditures: 1996-2003



Facility Upgrades

At year-end, more than 90 percent of all cable homes were passed by cable plant with a capacity of at least 550MHz – with nearly 90 million cable homes passed by systems with a capacity of 750MHz or higher. These upgrades position cable to compete more effectively with Direct Broadcast Satellite (DBS) companies, which typically offer more than 150 channels of video programming. Also by year-end 2003, more than 95 million households were passed by activated two-way plant.[1]

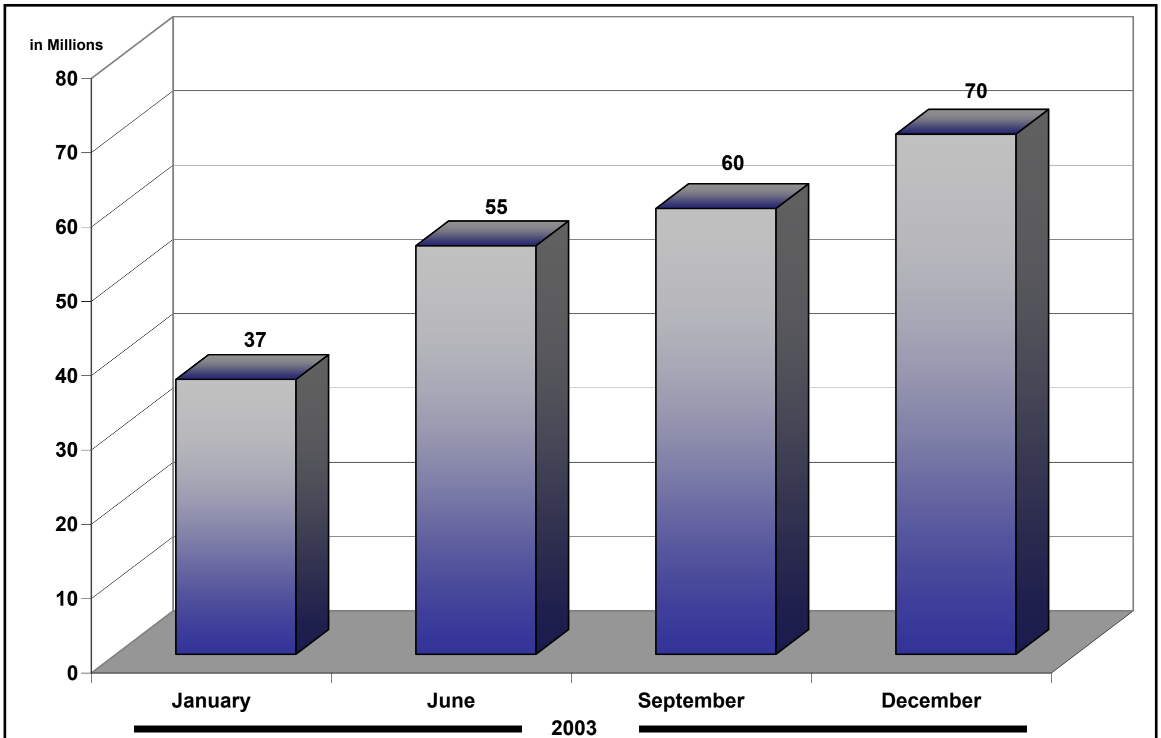
[1] Kagan World Media, a PRIMEDIA Company, *Broadband Cable Financial Databook*.

III. CABLE DELIVERS HIGH-DEFINITION SERVICES TO CONSUMERS

One of the most important consumer benefits of the digital transition is high-definition television (HDTV) – a digital television format delivering theater-quality pictures and CD-quality sound. HDTV offers an increase in picture quality by providing up to 1,920 active horizontal pixels by 1,080 active scanning lines, representing an image resolution of more than two million pixels. In addition to providing improved picture quality with more visible detail, HDTV offers a widescreen format and Dolby® Digital 5.1 surround sound.

Cable operators and programmers began providing HDTV services in 2002, and deployment has been on an upward arc ever since. As of December 1, 2003, 70 million U.S. television households were passed by a cable system that offers HDTV, growth of nearly 90 percent since the beginning of the year when HD was available to 37 million households (see Chart 2).

Chart 2: Homes Passed by Cable HDTV Service: 2003



Source: NCTA estimates, based on company data

At least one cable operator in 96 of the top 100 Designated Market Areas (DMAs) – including all of the top 30 markets – is offering a package of HDTV programming to consumers. In addition, 47 markets beyond the top-100 also are being served by a cable operator offering HDTV, bringing the total number of DMAs in which at least one cable operator is offering HDTV to 143 of the 210 DMAs nationwide.

The number of digital broadcast stations cable operators are carrying has jumped to 304, from 190 on June 1. A variety of cable networks now produce high-definition programming, including HBO HDTV, Showtime HD, Cinemax HDTV, The Movie Channel HD, STARZ! HD, Bravo HD+, Discovery HD Theater, ESPN HD, INHD, INHD2, MSG Networks in HD, Comcast SportsNet INHD, HDNet, and HDNet Movies.

Consumer electronics manufacturers are beginning to produce "Digital Cable Ready" sets that allow cable subscribers to receive one-way digital cable services without the use of a set-top box, including HDTV services offered by cable operators. A security device called a CableCARD allows cable customers to view encrypted digital programming once authorized to do so by the cable operator. The CableCARD plugs into a slot built into the digital television.

The production of Digital Cable Ready DTVs was enabled by the "Plug & Play" agreement between cable operators and consumer electronics manufacturers which proposed technical requirements for the production of one-way Digital Cable Ready equipment for the home. The terms of the agreement are embodied in a December 2002 Memorandum of Understanding (MOU) signed by 14 consumer electronics companies, representing the majority of HDTV sales in the United States, and eight major cable companies, representing more than 75 percent of all cable subscribers.

"As of December 1, HDTV was available to 70 million U.S. households from local cable operators and a total of 143 markets nationwide."

The cable–consumer electronics agreement consists of a package including voluntary commitments, technical standards, license agreements, and proposals for rules that were adopted by the Federal Communications Commission (FCC) in September 2003. The current rules and agreement concern one-way Plug & Play devices; inter-industry discussion of standards for two-way "Interactive Digital Cable Ready" television sets is underway.

IV. CABLE DELIVERS ADVANCED SERVICES TO CONSUMERS

The cable industry's investment has put it at the forefront of providing the digital services consumers want. Today, cable's advanced digital services are available to more than 90 million homes, or 85 percent of U.S. households.

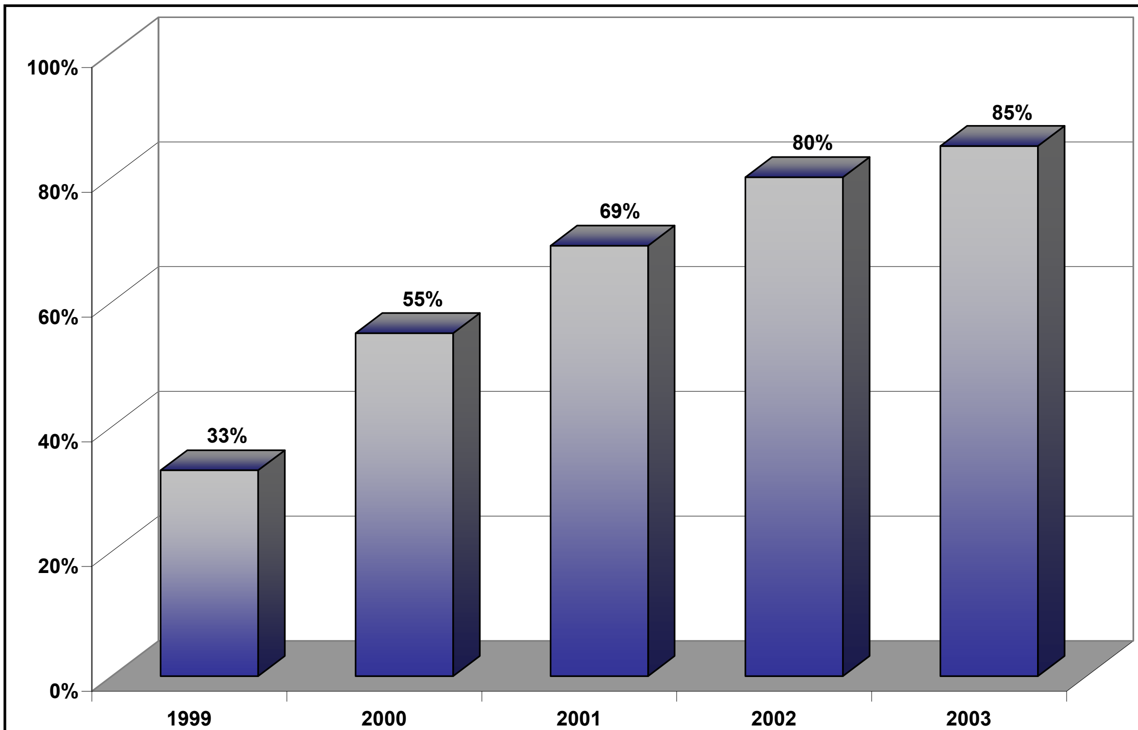
While some of the immediate benefits of the cable industry's network upgrade included the ability to provide customers with increased reliability and more basic and digital cable channels, the broadband platform is a competitive advantage for cable operators in their ability to offer consumers multiple services.

Several cable multiple system operators (MSOs) have begun aggressively bundling packages of their services as a way to attract new consumers and retain existing video subscribers.

- Cox Communications has more than two million subscribers that take at least two services, such as video, high-speed Internet or local telephone service, representing 33 percent of Cox's basic cable customers. In the 12 markets where Cox is offering telephone service, 42 percent of customers take at least two services and 15 percent take three services.

- Cablevision is selling Optimum Voice, its new VoIP service, in conjunction with Optimum Online, the existing high-speed data service.

Chart 3: Cable Broadband Availability as a Percentage of Homes Passed by Cable: 1999-2003



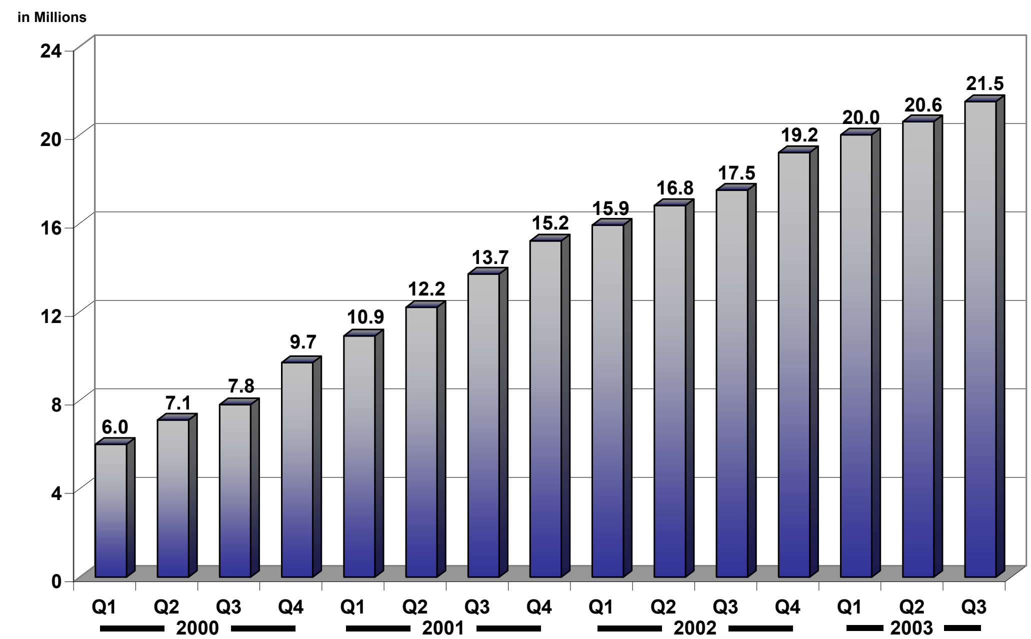
Source: NCTA estimates based on Morgan Stanley, "Where There is a Willner… There's a Way," December, 27, 2002; "Fruit Salad," April 7, 2003; "Tug of War," Oct. 9, 2003.

Digital Cable

Cable's digital services are integral to the industry's plans to increase customer satisfaction and compete effectively with DBS, telephone companies and other broadband providers. The increased channel capacity and wide variety of new programming available through digital cable have been welcomed by consumers.

- Today, more than 30 percent of U.S. cable customers – approximately 21.5 million – subscribe to digital cable service (see Chart 4).
- Cable networks have responded to the availability of additional digital capacity by launching a wide array of new programming services. Digital tiers often package network lineups by genre, such as sports, music, movies, family and Spanish-language programming.

Chart 4: Digital Cable Customers: 2000-2003



Source: NCTA estimates, based on company data

Interactivity

As cable operators upgrade their systems with digital capability and two-way plant, they are offering more sophisticated interactive services. Interactive TV (ITV) is changing the way consumers watch TV, use the Internet, access and view movies, communicate, shop, and play games, among other things.

The marketplace for these services continues to develop, and several potential new services are being deployed, such as digital video recorders (DVRs), video-on-demand (VOD), interactive program guides (IPGs), enhanced TV services (ETV), TV-based Web access and local content.

- Cable companies including Cablevision Systems, Charter Communications, Comcast Corporation, Cox Communications, Insight Communications, Mediacom, and Time Warner Cable are testing or actively deploying VOD services.
- In September of 2003, iN DEMAND and NASCAR Digital Entertainment earned an Emmy from the Academy of Television Arts & Sciences (ATAS) for Outstanding Achievement in Interactive Television. Cablevision Systems also won an Emmy for Outstanding Achievement in Interactive Television for its iO: Interactive Optimum digital cable service.
- Kagan World Media estimated that by the end of 2003, 16.5 million U.S. homes had access to VOD from their local cable operator.[2]

Several MSOs have either deployed digital video recorders (DVRs) or announced plans to do so. DVRs record video programming onto a hard drive located in the set-top box and allow the viewer to pause, fast forward and manage other functions and applications, including the ability to pause live television.

- Time Warner Cable has rolled out DVRs in 30 of its top 31 divisions. At the end of the Third Quarter of 2003, it reported more than 250,000 DVR customers.
- Cox Communications announced plans to have DVRs in 35 percent of its households by year-end 2003. Markets where Cox had launched DVR service include Gainesville, FL and Fairfax, VA.
- Comcast plans to have DVRs available to all of its customers by year-end 2004. It has launched the service in Albuquerque, NM; northern Virginia; selected systems in New Jersey; Charleston, SC; and Panama City, Sarasota and Fort Myers/Naples, FL.
- In January 2004, Insight will launch DVR service in 12 of its 14 markets.
- Other operators – including Charter, Cablevision, Mediacom, Bright House, and Adelphia – have announced plans for DVR deployment in the coming year.

"More than 30 percent of U.S. cable customers – approximately 21.5 million – subscribe to digital cable service, which provides customers with a wide array of new interactive features."

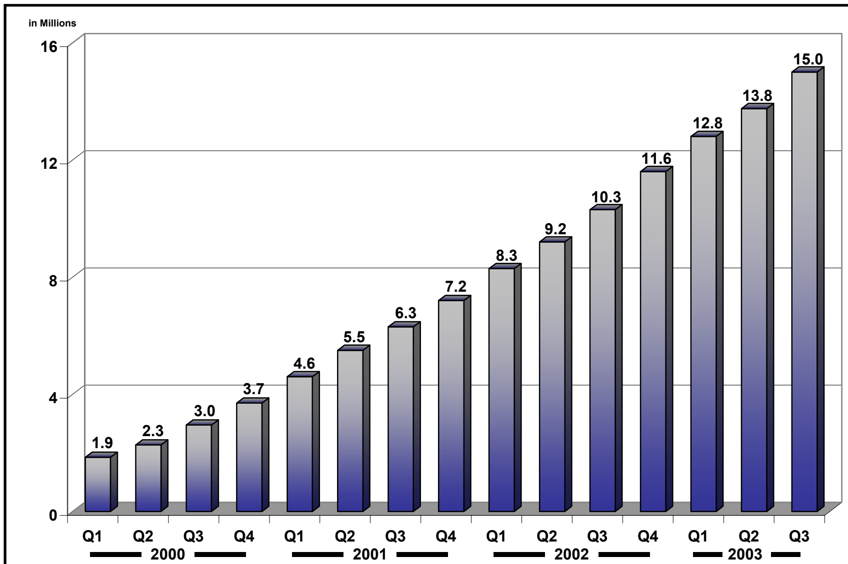
[2] Kagan World Media, a PRIMEDIA Company, *Broadband Financial Databook 2003*.

High-Speed Internet Service

Cable is the ideal medium through which to offer consumers high-speed access to the Internet. Cable's superior bandwidth enables transmission speed significantly faster than its competitors; the cable connection is "always on" and it doesn't interfere with normal telephone activity or usage. The cable industry also has developed standards to make interoperable, non-proprietary cable modems available at retail.

- Today, the U.S. cable industry counts more than 15 million high-speed Internet customers (See Chart 5).
- More than 20 percent of cable households today are cable modem customers, and among cable households that own PCs, nearly 35 percent are cable modem customers.
- Many cable companies have increased the download speeds for their high-speed Internet service to 3 megabits per second, up from 1.5 mbps. The increase in bandwidth offers subscribers an even more satisfying broadband experience. According to a study released in 2003 by measurement firm comScore Networks, cable modems were 50 percent faster on average than DSL connections.[3]
- Cable operators continue to deploy new online services that take advantage of cable's high speed and bandwidth. These cable Internet services provide content-rich local and national programming and access to other educational and informational resources.
- Comcast has added content to its broadband portal .Net, including "The Fan," a broadband multimedia player; "The Assistant," a personalized toolbar with always-on utilities, and content from E! Online, G4, The Weather Channel, The Independent Film Channel, Planeta Networks and AtomFilms. Comcast also contracted with Real Networks to carry the online company's Rhapsody online music service, which allows consumers to buy digital music or play it online.
- Cablevision launched a series of enhancements to its high-speed Internet access service, including Pop-Up Stopper, a download to stop pop-up ads; SpamAway, to filter incoming spam; and a complete suite of security software.

Chart 5: Cable Modem Customers: 2000-2003



Source: NCTA estimates, based on company data

[3] comScore Networks Press Release, April 22, 2003.

Cable Phone Service

As of the end of the Third Quarter of 2003, major MSOs including Cox Communications, Charter Communications, Comcast Cable, Insight Communications, Cablevision Systems, and Time Warner, along with other cable operators, served approximately 2.5 million residential cable phone customers across the country. Companies including Cox Business Services and Cablevision Lightpath are offering telephone services to businesses as well.

- Cox Communications took top honors in J.D. Power and Associates' annual residential-telephone customer-satisfaction survey, placing first in the Western region. The MSO beat seven competitors in the category, winning top honors in all six criteria categories: company image; customer service; performance and reliability; billing; cost of service; and offerings and promotions. It marks the first time in study history that a cable company has placed first.

VOIP – Voice over Internet Protocol. In addition to the deployment of circuit-switched telephony, many companies have begun trials or are launching voice over Internet protocol (VoIP) service. These companies include Cox Communications, Armstrong Cable, Charter Communications, Mediacom, Time Warner Cable, and Comcast Cable. VoIP uses data "packets" to transmit voice, hence the name "Voice-Over-Internet-Protocol."

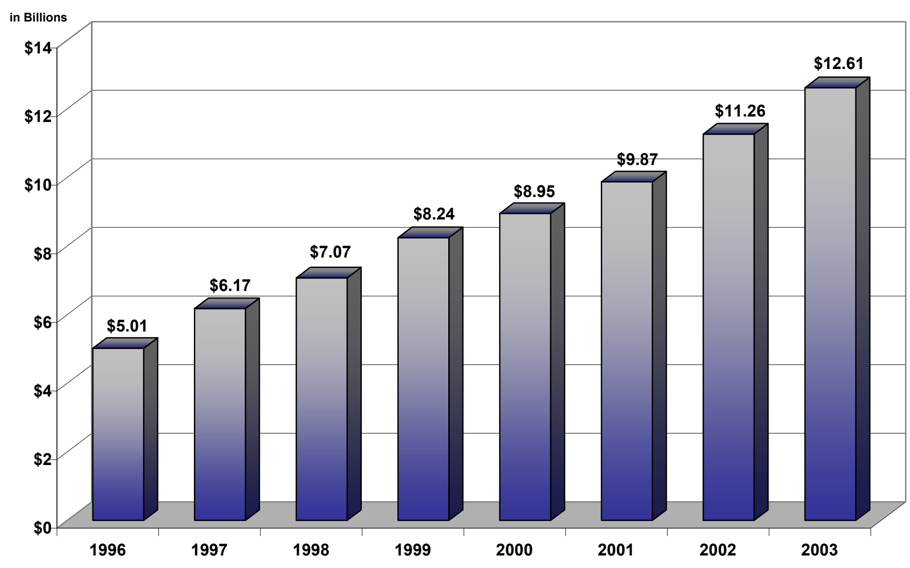
- Cablevision launched Optimum Voice VoIP in the Fourth Quarter of 2003 throughout its New York City service area of four million homes. For $34.95, customers receive unlimited local and long-distance service, caller ID, call waiting, call return, three-way calling, call forwarding, and emergency 911 service.
- Time Warner Cable has launched VoIP service to subscribers in Portland, ME. The MSO has announced a partnership with MCI and Sprint, both of which will help Time Warner provision its digital voice service, terminate its IP voice traffic, manage its emergency 911 service, and provide long distance service.
- In December 2003, Cox made its first deployment of VoIP service in Roanoke, VA, which marked the 12th market in which Cox introduced phone service.
- Comcast is currently testing VoIP in Coatesville, PA and Philadelphia, and plans launches in Indianapolis, IN; Hartford, CT; and Springfield, MA in the coming year.
- Armstrong has partnered with VoIP service provider Vonage to offer Zoom Phone service to cable customers throughout Armstrong's 11 cable systems, located in MD, OH, PA, WV, and KY.

V. CABLE DELIVERS PROGRAMS THAT CONSUMERS ARE WATCHING

Cable investment in programming has resulted in original, compelling, and high-quality content that is attracting more and more viewers.

Programming Quality. Cable is increasingly recognized as the outlet for high-quality, cutting-edge programming by both television critics and the viewing public. Cable networks continue to increase financial investments in their programming – recent examples include Lifetime committing $800 million for two seasons of programming, and Discovery allocating $2.5 billion over five years. In total, cable networks invested over $12.6 billion in programming during 2003 (see Chart 6).

Chart 6: Cable Networks' Programming Expenditures

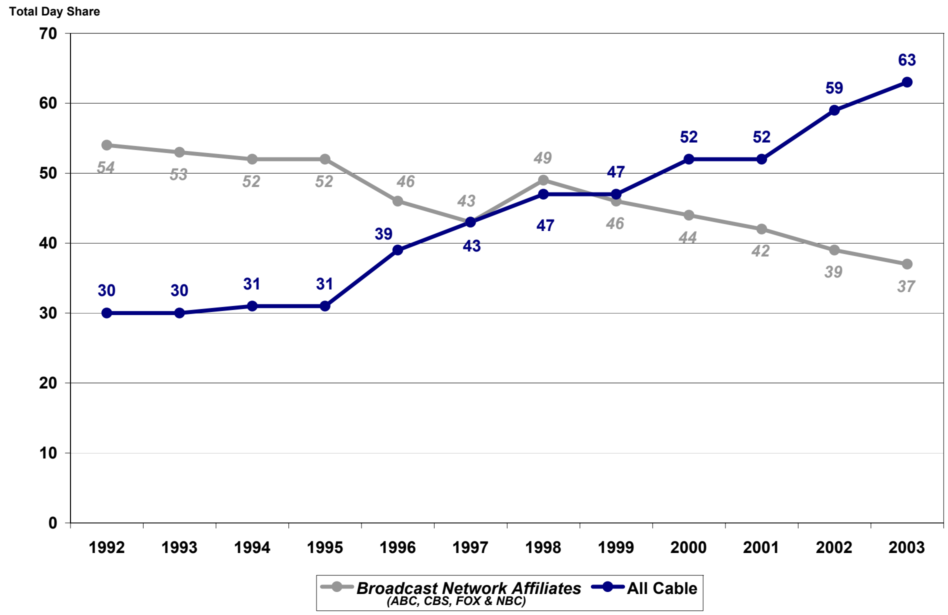


- Cable networks received a record number of Emmy nominations in 2003, with 19 cable networks garnering a total of 199 nominations. Cable networks received a total of 39 Emmy wins during the 55th Annual Primetime Emmy Awards in September 2003.
- In January 2003, FX, USA Network and HBO won Golden Globe Awards.
- In February 2003, the Humane Society of The United States (HSUS) presented its 17th Annual Genesis Awards, dedicated to increasing awareness of animal issues through the power of the media. Honors went to such cable programming as *Vanishing Giants* (National Geographic Channel); *National Geographic Explorer* for the episodes "America's Big Cat Crisis" and "Jane Goodall: Chimps in Crisis" (MSNBC); *A Ring Of Endless Light* (Disney Channel); *Kermit's Swamp Years* (STARZ!); and *Animal Cops* (Animal Planet).
- In March 2003, A&E and HBO won Producers Guild Awards, and in April 2003, cable won nine George Foster Peabody Awards out of 31 awards granted. The Peabody ceremony was telecast to a national audience for the first time ever, on cable network A&E.
- ESPN won six Sports Emmy Awards in April 2003, followed by HBO with five, and ESPN2 with four. The event was televised for the first time, courtesy of Fox Sports Net.

- Cable continues to develop new programming – A&E, Bravo, Comedy Central, Disney Channel, ESPN, FX, IFC, Lifetime, National Geographic, SCI FI, USA Network, and WE: Women's Entertainment all launched new original series during 2003.

Programming Viewership. More viewers are tuning into cable's diverse offerings than ever before. Recent years have shown a decline in viewership of the big four networks (ABC, CBS, FOX, NBC), and a steady growth of viewership for all cable networks (see Chart 7).

Chart 7: Viewers Tune In Cable and Tune Out the Big Four (Total TV Households / Total Day Shares)



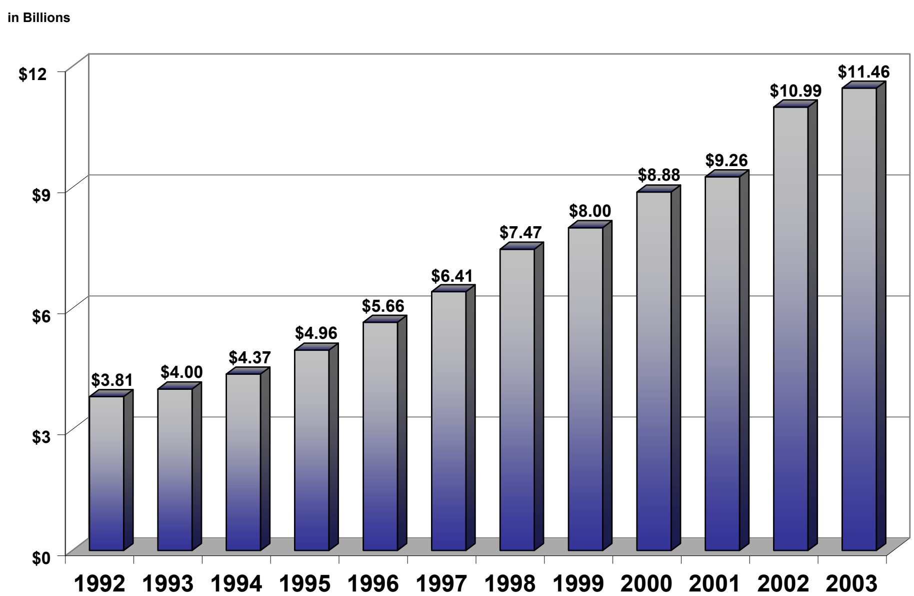
Source: Cabletelevision Advertising Bureau's analysis of Nielsen data

- More than half of primetime television viewers watched ad-supported cable networks during the 2002/2003 TV season, the second consecutive year that cable networks have topped all national broadcast networks collectively. And, TV households tuned in to more hours of ad-supported cable television than any other source of TV programming. By season's end, U.S. homes spent an average of 28.8 hours per week--on a total day basis--tuned in to ad-supported cable networks compared to 26.7 hours per week for all commercial broadcast sources combined.
- During the current 2003/2004 TV season, cable networks continue on pace to break last season's viewing levels and further surpass broadcast. An analysis of Nielsen data by the Cabletelevision Advertising Bureau (CAB) shows that for calendar year 2003, ad-supported cable networks will have pulled more viewers than the seven broadcast networks combined, for the second year in a row. For the period of time from January 1, 2003, through December 8, 2003, cable had a primetime share of 50.3, versus a 44.7 prime share for the seven national broadcast networks. That's a wider gap than in calendar year 2002, when cable's prime share was 48.1 versus broadcast's 46.4.

- Ad-supported cable primetime viewership increased from a 7.5 share during the 1985/1986 television season to a 49.6 share during the 2002/2003 TV season.
- In all television households on a total day basis, ad-supported cable networks received 51.3 share of all viewing during the 2002/2003 season. During the past 10 years, basic cable network viewing share in all television households increased 96 percent.[4]

Programming Investment. Cable operators continue to make substantial investments in programming – $10.99 billion in 2002 and $11.46 billion in 2003 – resulting in more choice and higher-quality programming for consumers (see Chart 8).

Chart 8: Cable Operators' Programming Expenditures: 1992-2003



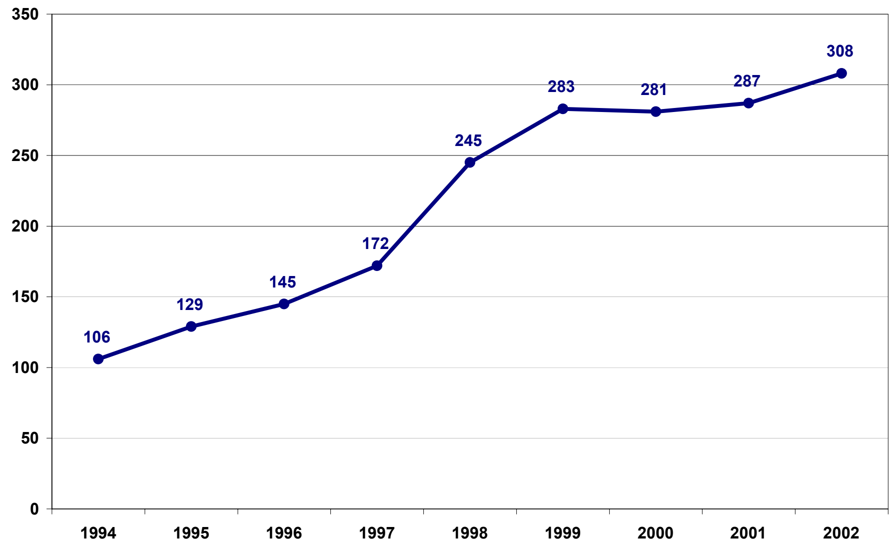
Source: NCTA estimates based on data from Kagan World Media, a PRIMEDIA Company, and the U.S. Copyright Office

NOTE: Programming expenditures include license fees, copyright fees and investments in local programming

[4] All viewership data provided by Cabletelevision Advertising Bureau (CAB), based on analysis of Nielsen data.

Programming Choice. Cable's investments have resulted in the creation of an increasing number of cable networks. The number of national cable networks has grown from 145 in 1996 to 308 by year-end 2002 (the most recent data available) – a 112 percent increase over six years (see Chart 9).

Chart 9: National Video Programming Services: 1994 - 2002



Source: FCC, "Annual Report on the Status of Video Competition."

Children's Programming. Cable networks continue to provide many hours of quality programming for children and families.

- Cable networks such as ABC Family, Cartoon Network, Discovery Kids, Disney Channel, Hallmark Channel, Nickelodeon, Noggin, Toon Disney, and WAM! continue to attract a growing audience share of children. Total day viewing by kids (ages 2-11) of advertising-supported cable networks increased from a 26.7 share in 1992/1993 to a 52.2 share during the 2002/2003 season.[5]
- TLC and Discovery Kids this year re-launched the award-winning "Ready Set Learn!" three-hour weekday morning block of commercial-free programming for preschoolers.
- In May 2003, ABC Family premiered a new teen block of programming, including youth-oriented scripted and reality series.
- Recently-launched network ¡Sorpresa! caters to Hispanic children.

[5] CAB analysis of Nielsen data.

VI. CABLE OPERATES IN A COMPETITIVE MARKETPLACE

Cable faces vigorous competition in its core video business, and has fueled competition in emerging services such as high-speed Internet access and cable phone service.

Video Competition

Today, the American television consumer can choose from a variety of multichannel video providers, including DBS, alternate broadband providers like RCN/Starpower and local utility companies. The fact that the two national DBS companies now number among the top four national multichannel video providers demonstrates the heightened level of competition in today's marketplace.

As a result of this competition, more than 23 million consumers (almost one out of four subscribers) now obtain multichannel video programming from a company *other than* their local cable operator (see Chart 10).

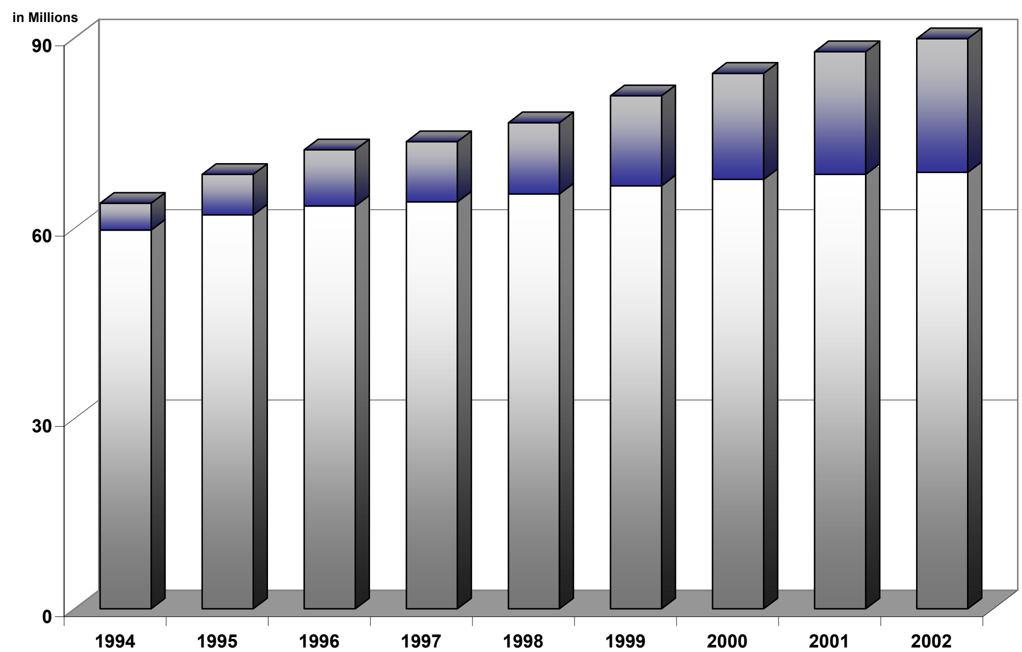
Chart 10: Analysis of MVPDs
(Multichannel Video Program Distributors)
November 2003

	Customers (In Millions)	Percent of MVPD Market
Cable	71.10	74.46%
DBS	21.08	22.08%
C-Band Satellite	0.50	0.52%
Multichannel Microwave Distribution System	0.20	0.21%
Satellite Master Antenna Television	1.2	1.26%
Alternative Broadband Providers	1.4	1.47%
Total MVPD	95.48	100.00%

Source: NCTA estimates based on data from Kagan World Media, *Kagan Media Money*, Nov. 11, 2003, p. 7; SkyTRENDS, www.skyreport.com; Nielsen Media Research.

Between December 1994 and November 2003, the number of non-cable multichannel video homes has increased from 4.24 million to 24.38 million (see Chart 11). Like its competitors, cable continues to grow, and – as of Third Quarter 2003 – the industry had attracted 21.5 million digital video customers among its analog base of more than 71 million customers.

Chart 11: Growth in Multichannel Video Program Households



Guide: Dark bar represents non-cable multichannel video households; light bar represents cable multichannel video households
Source: FCC, "Annual Report on the Status of Video Competition."

Direct Broadcast Satellite (DBS). The most potent competition to cable in multichannel video has been DBS service, offering more than 150 digital channels of video to satellite customers.

- The total number of DBS subscribers rose from 19.4 million in December 2002 to 21 million in December 2003.[6]
- DirecTV now has more customers (12 million) than all but one cable operator (Comcast), which makes it the second largest multichannel video provider in the U.S. Meanwhile, EchoStar, the second-largest DBS provider with nine million, has more subscribers than all but two companies (Comcast and Time Warner).
- DirecTV and EchoStar are increasing their provision to television households of "local-into-local" service, which provides several local television stations to customers in their markets. According to company reports, DirecTV is delivering local channels to 64 markets; EchoStar offers local channels in 94 markets nationwide.

[6] Based on company data.

Broadband Overbuilds. While DBS is available to consumers nationwide, satellite is not the only alternative to incumbent cable operators. Broadband "overbuilders" – who construct local broadband networks to directly compete with incumbent cable providers – serve approximately 1.4 million customers.

- The ability to sell telephone, high-speed Internet access, and an expanded number of video programming channels over a single broadband facility (or together with wireless or satellite providers) has driven facilities-based broadband competition. Companies like RCN/Starpower, Knology, WideOpenWest, SureWest, and others are providing consumers with competitive video and broadband services.
- Many of these providers tout competitive pricing in their marketing communications and offer bundled packages of video, Internet and phone service.
- Some utilities and incumbent local exchange carriers also are adding video programming to their product line-ups.

High-speed Internet Competition

Cable's leadership in creating and developing the market for affordable high-speed Internet access has led to a profusion of competitive offerings from other facilities-based suppliers – such as local telephone companies. The deployment of cable modem service spurred the Regional Bell Operating Companies (RBOCS) to aggressively deploy digital subscriber line (DSL) service.

Industry analysts report that consumers are increasingly enjoying an expanding choice of broadband providers, including cable, DSL, wireless, satellite and alternate broadband suppliers.

- Approximately 90 million homes have access to cable modem and/or digital subscriber line (DSL) service, with more than one out of four PC-equipped homes electing to take either cable modem or DSL broadband service, according to a Morgan Stanley Research analysis.[7]

"Cable's high-speed Internet service has proved to be a great success, with more than 15 million subscribers by the end of 2003."

[7] Morgan Stanley, "Tug-of-War," Oct. 9, 2003.

Digital Subscriber Line (DSL). The number of DSL customers in recent years, while lagging cable modem customers, nevertheless also has grown rapidly.

- The four major DSL providers – BellSouth, Qwest, SBC Communications and Verizon – increased total subscribers from 5.42 million to 7.16 million between December 2002 and Third Quarter 2003, according to Leichtman Research Group data.[8]
- In addition to those companies, other providers include Broadwing (formerly Cincinnati Bell), and DLECs (data-centric competitive local exchange carriers) such as Covad.
- Cable continues to lead the competitive market because of its broader availability, easier installation and higher customer satisfaction levels compared to DSL.

Satellite. Satellite firms also have stepped up their high-speed access offerings on a nationwide basis.

- EchoStar Communications, Inc., and SBC Communications Corporation announced a strategic marketing alliance in July 2003. The companies said they would bundle EchoStar's DISH Network offerings with SBC's broadband DSL Internet access service. EchoStar also entered a marketing alliance with Earthlink to offer bundled DSL service.[9]
- Qwest Communications announced a partnership with EchoStar and DirecTV in July 2003. Qwest's customers will be able to order local, long distance, wireless, DSL, and video service with one phone call.[10]
- BellSouth and DirecTV entered into an agreement in which DirecTV's service is made available to BellSouth customers as part of a bundle of services.[11]

[8] Leichtman Research Group.
[9] "SBC to Co-Brand EchoStar's Dish," *Multichannel News*, July 21, 2003.
[10] "Qwest Forges Agreement with DirecTV to Offer Satellite Services as Part of Communications Bundles," Press Release.
[11] "BellSouth and DirecTV announce agreement to sell digital satellite television service as part of BellSouth Answers(sm) bundle," BellSouth press release, August 27, 2003.

VII. CABLE'S COMMITMENT TO EDUCATION

In addition to the contributions cable is making to consumer services and the competitive environment, the industry continues to make a substantial commitment to education. Cable's broadband platform is used to provide unique educational benefits to teachers, students, and parents, and these benefits are manifest in communities around the country through Cable in the Classroom (CIC).

The mission of CIC, a non-profit foundation, is to improve teaching and learning for children in schools, at home, and in their communities.

Since 1989, 1,500 local cable companies have connected 86 percent of all public and private K-12 schools to cable, which provides teachers and students with access to commercial-free, educational programming. In 1996, the cable industry expanded its commitment to local schools by agreeing to provide all K-12 schools with a cable modem connection. CIC aids educators by identifying and making accessible to them the highest-caliber content – from cable networks, cable companies, and other educationally valuable sources.

Throughout 2003, CIC focused on creating new resources, demonstration projects, and partnerships that examine, showcase, and add to the national body of research about the educational potential of quality content combined with broadband technology and video. Projects included:

- *Shakespeare: Subject to Change* (www.ciconline.org/broadband): an online experience for parents, educators, government officials and others interested in seeing firsthand how broadband technology—with its capacity to deliver video, audio, interactivity, and quality content—can support active, meaningful and memorable learning. It has been featured as Yahoo's Site of the Day and USA Today's Pick of the Day, and has been awarded Macromedia's top honor.
- *Threshold: Exploring the Future of Education* and *Access Learning*: two new online and print publications created for key audiences including classroom teachers, parents and national education and technology leaders.
- Online Professional Development (www.ciconline.org/onlineworkshop): an interactive professional development Web site created for teachers that demonstrates how to weave technology into classroom teaching.
- Media Literacy Research: an ongoing partnership with the National PTA to help parents and other adults guide children through an ever-increasing accumulation of media messages.
- Newly Developed Technologies Including CLIC and Project Cam: CLIC (Communicate. Learn. Interact. Create.) is a secure online workspace technology that allows educators, students, parents, experts and others in different locations and on different schedules to collaborate on projects. Project Cam is a secure online tool that bridges geographic boundaries to bring educators, students, experts or community members together to collaborate on projects through Webcams and broadband access.
- CIC in 2003, in partnership with a variety of industry companies and outside groups, also created a series of pioneering Education Technology Demonstration Projects, designed to investigate practical applications of technology and content and ways that they can facilitate teaching and learning.

VIII. CABLE'S COMMITMENT TO LOCAL & REGIONAL PROGRAMMING

At its core, the cable business is a local business serving more than 30,000 communities across the country. In addition to its commitment to education through CIC, cable ensures that community needs are met through local and regional programming.

Under agreements with local authorities, cable companies provide channel space for public, educational and governmental (PEG) access channels. In addition, many cable systems produce and transmit their own local and regional programming, ranging from news and sports to weather and traffic. Cable systems also carry a variety of public affairs networks that focus on state and regional issues.

Some examples of this community commitment include:

- Time Warner Cable has launched a number of regional services which provide 24-hour local news coverage. For more than a decade, New York 1 News has provided 24-hour news coverage of New York City's five boroughs. Other operations include R News in Rochester, NY; News 8 in Austin, TX; News 14 Carolina in Raleigh, NC; News 14 Carolina in Charlotte, NC; Capital News 9 in Albany, NY; and News 24 in Houston, TX. News 9 San Antonio in Texas and News 10 Now in Syracuse, New York were launched in 2003.
- The California Channel, an independent, non-profit public affairs cable network, offering gavel-to gavel proceedings of the California Legislature, and other forums where public policy is discussed – all without editing, commentary or analysis.
- Michigan Government Television, which produces unedited coverage of Michigan's state government. MGTV offers live (as well as tape-delayed) gavel-to-gavel coverage of the House and Senate sessions and oral arguments before Michigan's Supreme Court. MGTV also covers executive branch boards, including the State Board of Education, House and Senate committees, live phone-in shows, and many government-related events.
- The Pennsylvania Cable Network (PCN), which provides unedited live and same-day coverage of the Pennsylvania Senate and House floor proceedings. The network also televises committee hearings, press conferences, speeches and other public forums and events where the business of the state is debated, discussed and decided.
- Rainbow Media provides local content to subscribers in New York, Connecticut and New Jersey with the News 12 Networks and MetroChannels. The News 12 regional news channels include News 12 Bronx, News 12 Connecticut, News 12 Long Island, News 12 New Jersey, News 12 Westchester, and News 12 Interactive. MetroChannels provide a suite of three networks with a wide range of "hyper-local" information geared toward the tri-state region, including a 24-hour entertainment and lifestyle guide.
- Comcast in 2003 expanded distribution of its regional news, sports and entertainment channel CN8 to 2.2 million New England households. The channel was already available to four million households in Delaware, Maryland, New Jersey and Pennsylvania.
- The Arizona News Channel (Phoenix metro area), delivers 24-hour local news, weather and sports.

IX. INDUSTRY STATISTICS

U.S. Television Households (TVHH)[1]	108,410,160
Cable Headends[2, 8]	9,899
Basic Cable Customers[3]	73,365,880
Cable Penetration of TVHH[3]	67.7%
Premium Cable Units[4]	50,614,000
Annual Cable Revenue[4]	$51.3 billion
Occupied TV Household Passed by Cable[4]	102,900,000
Occupied TV Household Passed as a Percent of TVHH[4]	95%
Cable Systems[5]	9,339
National Cable Networks[6]	308
Annual Franchise Fees Paid by Cable Industry[7]	$2.4 billion

[1] A.C. Nielsen Media Research (January 2004)

[2] A.C. Nielsen Media Research (November 2003)

[3] A.C. Nielsen Media Research (May 2003)

[4] Kagan World Media, a PRIMEDIA Company (2003)

[5] Warren Communications News, Inc.

[6] Federal Communications Commission (2002)

[7] NCTA estimate for 2003

[8] Headend – the control center of a cable television system, where incoming signals are amplified, converted, processed, and combined into a common cable along with any original cablecasting, for transmission to subscribers. The system usually includes antennas, preamplifiers, frequency converters, demodulators, modulators, processors, and other related equipment.

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