

Testimony of  
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Comcast's merger with AT&T Broadband will accelerate the growth and availability of broadband services. Combining these two companies, and drawing on the special strengths and capabilities and resources of each, will ensure that more Americans have access to more digital services and features, sooner. The transaction will yield demonstrable benefits in investment, innovation, facilities-based competition, and new and improved video, data, and voice services, with no offsetting detriments. The merger will therefore serve the public interest.

The merger of Comcast and AT&T Broadband will accelerate the deployment of facilities-based high-speed Internet service and other broadband services. Speeding the deployment of these advanced services not only will benefit consumers by offering them innovative video and other services, but also will benefit the nation at large by stimulating productivity gains and economic growth. Although Comcast has substantially finished the upgrades to its cable plant necessary to offer broadband services, AT&T Broadband's systems require significant additional investment in order to complete needed upgrades. Due to economies of scale and scope and cost savings resulting from the merger, those upgrades can and will be implemented faster, bringing more benefits to more consumers sooner, than would be possible without the merger. Scale and scope efficiencies and cost savings generated by this merger will also increase the incentive and ability of the merged firm to invest in, and assume the risks associated with, developing and deploying a variety of innovative services and features, such as high definition television ("HDTV"), video-on-demand, and other interactive television ("interactive TV") services.

The proposed merger will also bring benefits in the form of long-awaited local telephone competition, particularly for residential customers. AT&T Broadband brings to this merger its considerable expertise and experience in the provision of circuit-switched telephony over cable plant. It currently markets cable telephony to more than seven million households and serves more than 1.5 million lines. Significantly, Comcast has no comparable offerings, and the merger will thus permit Comcast to accelerate its entry into this market.

Although providing local telephone service in competition with incumbent carriers involves substantial business risk, AT&T Comcast will be better equipped to confront that risk than either company could alone, because of the complementary assets and expertise of Comcast and AT&T Broadband. Importantly, this competition will be facilities-based, thus allowing the merged company to offer residential customers a broader range of differentiated services and features that are far less dependent on access to the incumbent telephone companies' facilities on economically-viable terms and conditions.

The proposed merger also will deliver benefits to consumers by stimulating the production and delivery of local and regional programming. Comcast is widely recognized as an industry leader in the development of successful, high-quality programming geared to regional and local markets. The merger will enable AT&T Comcast to extend this expertise to areas in which

AT&T Broadband has significant clusters. The merger will also allow the two companies to draw on their respective expertise in community outreach efforts, including initiatives to connect classrooms to the Internet.

The proposed merger is consistent with all applicable laws, including the antitrust laws. The proposed merger will have no anticompetitive effects in any relevant market. Comcast and AT&T Broadband provide services to consumers in different local markets and, therefore, their union will not affect horizontal concentration in any relevant market. Further, the combined entity will not have either the ability or incentive to exercise buyer or seller market power in any relevant market.

It will not result in any violations of the Communications Act or the Federal Communication Commission's rules. In particular, it bears emphasis that AT&T Comcast will serve less than 30% of the nation's multichannel video programming distribution ("MVPD") customers, the national limit that was reversed and remanded in Time Warner II. That calculation does not include the customers served by the Time Warner Entertainment ("TWE") and Time Warner Inc. ("TWI") cable systems. AT&T, with the full support of Comcast, is firmly committed to completing the sale of its limited partnership interest in TWE. If that divestiture is not completed prior to closing, the Applicants are prepared to take the steps that may be necessary to insulate the interest (and thus render it non-attributable) under the Commission's rules, as well as such additional steps as may be appropriate to ensure that AT&T Comcast would not be able to influence TWE prior to its ultimate sale.

In addition, AT&T Comcast is fully committed to negotiating mutually beneficial service agreements with Internet service providers ("ISPs") so that its cable customers will have a choice of ISPs. Both AT&T Broadband and Comcast have conducted trials to explore the issues associated with multiple ISP arrangements. Now, each Applicant is actively (and independently) negotiating to reach commercial agreements with unaffiliated ISPs. Indeed, Comcast recently announced that it has executed an agreement with United Online that will provide Comcast's customers in Indianapolis and Nashville with access to United's ISP service, with the potential to roll-out this offering to other Comcast cable systems with the concurrence of both Comcast and United Online. In addition, AT&T recently announced that it has reached an agreement with Earthlink.

In summary, the proposed merger of Comcast and AT&T Broadband offers real and substantial benefits to consumers. It will enable AT&T Comcast to accelerate costly investments required to equip cable systems with the capability to deliver and improve high-speed Internet and other broadband services. The proposed combination will also promote facilities-based local telephone competition, particularly for residential customers, and will hasten the development and deployment of other advanced competitive services. The merger will not have any adverse competitive effects in any relevant market. Thus, the merger will be pro-competition, pro-consumer, and consistent with the public interest.