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Palo Alto City Council
City of Palo Alto
250 Hamilton Avenue
Palo Alto, CA 94301

Dear Palo Alto City Council Member:

Given the Council's upcoming consideration of the FTTH project, we at Comcast believe it is appropriate to provide you with an update on our activities in Palo Alto. Please consider this letter a brief update on Comcast's commitment to our Palo Alto customers, reflected in the investments we've made during our short tenure here, as part of your frame of reference in considering the FTTH issue.

Comcast took over AT&T Broadband's California cable systems in November 2002, gaining the opportunity to serve Palo Alto as well as surrounding Bay Area communities. Most of the systems, including Palo Alto's, had not been upgraded to new digital technology. In Palo Alto, Comcast inherited a 550 MHz system that lacked any fiber backbone. AT&T Broadband had purchased this system from the Palo Alto cable co-op in 2000 for approximately \$75 million.

Soon after assuming ownership of the AT&T Broadband cable systems, Comcast embarked on an aggressive upgrade program in California. During 2003 and 2004, Comcast will invest about \$600 million to upgrade its systems in California, with the bulk of that amount dedicated to the Bay Area. In Palo Alto, we began construction to upgrade the Palo Alto system shortly after our merger with AT&T closed, and we completed this work in mid-July of last year, a period of only eight months. As a result of this \$25 million investment, our cable system in Palo Alto is now an advanced 860 MHz, two-way digital network with a fiber backbone.

This highly robust and flexible fiber platform will serve our customers' needs well into the future. The advanced architecture provides us with the capability to greatly expand High-Speed Internet speeds and the flexibility to enhance current services and add new services in all of our lines of business as customer demand and technological innovation create new market needs and interests.

State-of-the-art services that are currently available to Palo Alto residents include:

- High-Speed Internet (HSI) service at 3.0 Mbps downstream;
- Home office and business applications of HSI service (Comcast Pro and Teleworker, respectively);

- An expanded channel lineup;
- 11 local and national channels available in high definition;
- 36 premium channels;
- Capability to provide telephone service.

In addition, residents will soon receive exciting new services such as Video-on-Demand and Digital Video Recording. Our investments in Palo Alto demonstrate our commitment to be a long-term player in this community and in the Bay Area.

Even though Comcast has customers throughout the country, our philosophy is to operate our systems as local businesses. Comcast Area Vice President Nick Nocchi has complete responsibility for and authority over San Francisco and Peninsula operations, putting our decision-making capabilities as close to the customer as possible. Our business also supports the communities we serve. In the past year alone, Comcast paid the City of Palo Alto \$410,000 in franchise fees, and we paid the PEG access corporation another \$280,000. Customers benefit from our operational structure because, as a large company, Comcast has the resources to maintain its cable systems at state-of-the-art levels, offering the latest services, while the operations are driven by local, close-to-the-customer decision-making.

This local approach to running the business also results in excellent customer service that meets customers' needs and is continuing to improve. During 2003, Comcast reinforced its commitment to Northern California when it invested millions of dollars to build three new call centers here while expanding a fourth to better serve customers by answering video-related service, repair and billing calls locally. These call centers operate within a shared fiber ring, which provides redundancy and disaster recovery 24 hours a day, 7 days a week. We also added nearly 2,000 employees to staff these call centers, resulting in a greatly improved customer care experience as demonstrated in performance levels that exceed Federal Communications Commission (FCC) standards for call-answering promptness.

Our substantial investments in Palo Alto and other communities have, in part, been driven out of necessity. We are engaged in a highly competitive marketplace in each line of business:

- Video providers such as Dish Network and DirecTV, along with Comcast, compete aggressively in Palo Alto.
- Competitors for Internet services include providers large and small, including SBC and Earthlink with their DSL services and locally owned Sky Web ISP.
- For telephone service, competitors include SBC, MCI, AT&T and numerous cellular providers.

This aggressive, healthy competition forces each competitor to continually innovate with new services and enhance customer care offerings to attract and retain customers.

