

**\* EMBARGOED UNTIL: Monday, November 12<sup>th</sup> 2:00 pm (PST)\***

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President, Cox Communications  
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Eleven years ago the Telecommunications Act was signed into law by President Bill Clinton. Even before the ink was dry, Cox was preparing its network to seize the opportunities provided by this landmark legislation. By April 1996, we had the technology in place to deliver not just cable TV, but a full-service package of communications services, also including high-speed Internet and digital telephone, via our newly upgraded broadband network.

A decade ago – October 29, 1997, to be exact – Cox birthed the triple play bundle right here in Orange County, less than 30 miles down The Five from where I stand today. That was the day that Cox Digital Cable rounded out our advanced service line-up of Cox High Speed Internet and Cox Digital Telephone, launched in late '96 and September '97 respectively. Here in Southern California, our company made history becoming the nation's first cable provider to deliver digital video, internet and telephone service over a single broadband network, forever changing our business and fueling the digital revolution that consumers are experiencing today.

Now, more than half of our customers buy a “bundle of joy” – as we've affectionately nicknamed it internally – provided by Cox Communications. And that number will continue to grow with the introduction of new services, like wireless.

As you can imagine, birthing the bundle was no small feat. It took countless months of hard work and planning by thousands of Cox employees, not to mention billions in private investment capital to come to fruition. And we couldn't have done it without reasonable laws on the books that paved the way.

Ten years later, you could say that cable's digital telephone service has entered its 'tween years -- no longer a baby...still rapidly changing...but not yet fully mature. I've parented three daughters through their 'tweens and I'm sure many in this room can relate - it's exhilarating and challenging all at the same time, and the rules, obligations, rights and how they're applied must evolve along the way.

As regulators, I commend you for the important role you've played in fostering competition, particularly for voice services. In many ways your role is similar to that of a parent -- with its emphasis on creating a framework, keeping a watchful eye on progress and breaking up fights when they occur.

As with all sibling battles, there are two sides to every story. But I have some undeniable, hard facts to share with you today. Thanks to the hard work and investment of the cable companies and even-handed oversight by regulators, cable telephony has been a boon for American consumers.

Just a decade into the business, Cox has become the nation's 8<sup>th</sup> largest phone company, providing service for 2.3 million residential customers and 200,000 businesses across the country. And

according to the National Cable and Telecommunications Association, more than 100 million U.S. households have access to telephone service from a cable company.

Last year, NCTA commissioned a study of facilities-based phone competition. Among its findings: cable telephone service could yield **\$100 billion** in savings for consumers and small-businesses across the country over the next five years. Translation: annual savings of \$135 per household and nearly \$500 each year for small businesses.

Our customers love the convenience, simplicity and value proposition provided by doing business with one company for all their entertainment and communications needs. And credible third parties confirm this.

For five years running, Cox has scored highest in the western region in JD Power and Associates' residential telephone customer satisfaction ratings. And more recently, we've earned this distinction across the country in the northeast and southwest regions as well. We've also received four PC Magazine Reader's Choice Awards for Internet service provider in the last five years.

Good old-fashioned American competition is alive and kicking in the communications marketplace and consumers are truly the big winners. But for a scrappy, determined, ten year-old full service provider, Cox is wise beyond its years when sizing up the competition – the more than 100-year-old incumbent Regional Bell Operating companies.

The behemoth Bells still vastly dominate the U.S. voice services market, and I implore our state commissions to maintain a watchful eye on the yet maturing competitive marketplace to ensure sustained momentum in the future.

Verizon and AT&T alone represent more than 100 million switched access lines in this country, according to recent earnings reports. And they're gaining a foothold in video with the aggressive rollouts of services like FIOS and U-Verse.

This foray into video has been aided by changing laws that allow for state-wide video franchising and fewer regulatory burdens. In fact, some type of franchise reform has happened in 10 out of 18 states where Cox operates, representing 70% of our basic cable subscriber footprint. The reforms, in most cases, have moved franchising to the states.

Cox has consistently supported Bell-sponsored video franchising reform across the country, with one critical stipulation: that all video providers, not just new entrants, play by the same rules and regulations. We're actively applying for statewide video franchises where these reforms have been made.

I realize to some this begs the question, as the Bells have advocated, of why not likewise reform voice regulations, by freeing the incumbents from their current obligations.

**But I urge you to proceed with caution.**

Now don't get me wrong. I'm all for a reasonable de-regulatory framework that lets consumers, not the government, pick the competitive winners. However, you're all keenly aware that video and telephone are very different services which require different regulatory treatment to function effectively.

Clearly, my company's success is a testament to the hard work state regulators have done to break down many of the barriers to voice competition. And I applaud your ongoing efforts to eliminate arcane regulations that no longer reflect today's competitive realities. But to ensure continued progress as the vibrant competitive marketplace matures, I ask for your thoughtful consideration of three important policy objectives:

First -- maintain appropriate circuit-switched interconnection protections and establish clear interconnection rights for voice over internet protocol.

Effective voice competition hinges on the ability of consumers to connect to anyone on the public switched telephone network. And, for competitive providers to obtain the required interconnections at fair and reasonable rates.

Yes, cable has sparked voice competition, aided by your efforts.

But, the Bells market power remains vast and should not be underestimated. They remain the hub that all other carriers must connect with. Without enforceable protections to ensure economical, reliable and timely traffic exchange, voice competition will grind to a halt.

Second – adopt a technology-neutral approach for voice regulations. Base it on the user experience, not the underlying technical platform. As I’ve noted, Cox Digital Telephone was born in Orange County ten years ago using tried and true circuit-switched architecture. It had a proven track record, we understood how it worked, and our customers loved it. In 2003, Cox introduced packet-switched telephone service in Roanoke, Virginia. Most of our subsequent phone rollouts have utilized VoIP technology and we’ve employed this architecture to expand telephone capacity in our circuit-switched markets.

What’s important to note is that a Cox Digital Telephone customer in Santa Barbara, where we introduced phone most recently via VoIP, has an identical experience to a Cox Digital Telephone customer in Orange County, where we launched circuit-switched phone a decade ago. Same dial tone...same phone features...same quality of service – in spite of the different technical platforms underneath.

Why make regulatory distinctions based on technology, if the customer experience is the same? Why force one provider to navigate a complex set of regulations, while streamlining the rules for others based on technology nuances that are largely indiscernible to consumers? While I realize crafting a uniform framework will be challenging, it’s nonetheless crucial for ensuring sustained competition, and state commissions play a critical role in working with federal and local policymakers to make it happen.

The third policy consideration I ask of you today, is to pursue retail de-regulation with great care. As traditional providers and competitive upstarts slug it out in the marketplace, consumers will pick the winners based on value proposition, reliability and quality customer service. IP-based voice providers and wireless carriers also offer an alternative to traditional wire-line service. The bottom line in this hotly competitive marketplace: Providers, not regulators, should set prices except where sustainable facilities-based competition doesn't exist.

Narrow the filter for retail regulations, to ensure appropriate social goals like fraud and abuse prevention, public safety and security, and universal service are addressed. Cox has, and always will be, firmly committed to fulfilling these important social obligations. For instance, the e911 system and requirements of the Communications Assistance for Law Enforcement Act are two regulations worth retaining for our citizens' safety.

To advance equal access to technology for all Americans, Universal service is yet another worthy social program. But it desperately needs a makeover. Billions are spent each year for universal service, and the demands on the fund are growing.

Collecting USF subsidies through a tax on long distance service no longer makes sense, since many consumers buy unlimited voice service in bundles today. And current distribution rules unfairly favor incumbents, distorting the market and discouraging competitors from providing certain services. Universal service contributions should come from all voice providers, to lessen the burden on individual phone subscribers. The FCC and the states should adopt a telephone numbers-based approach, whereby all providers using phone numbers contribute – regardless of technology.

USF subsidies should apply first and foremost to basic residential phone service delivered to qualifying low-income and physically impaired consumers. Subsidies also should be available to residences in truly high-cost areas. Finally, USF subsidies for residential customers should be available to all service providers at the same amount, regardless of the carrier type or network technology.

Cox also supports continued funding for advanced communications services for schools, libraries and rural healthcare providers. Subsidies for schools and libraries, in particular, are a significant investment in our nation's future. Cox is a strong supporter of youth and education in our communities, and the more opportunities children have to connect to the world, the better equipped they are to contribute to our modern global information society.

And I implore you to continue to address the problems with the current USF regime as you consider expanding these programs to include broadband services. The largest barriers to increasing U.S. broadband deployment are related to demand, not availability. Computer ownership, language obstacles, and income, all must be considered by policy-makers in evaluating our progress.

I've talked a lot today about Cox's tremendous success with telephone, but I'm equally proud of what Cox employees have done to make broadband service available to nearly all the households in our network footprint.

Cox High Speed Internet was the first-born of our advanced-service triple play bundle, launched in late '96 in Orange County. Today, more than 3.5 million households across the country subscribe to this blazing fast service, which is available for more than 99% of the homes we pass.

I know broadband deployment currently tops the priority list for policymakers at all levels of government. But in spite of the claims that the U.S. is falling behind the rest of the world in rolling out broadband we have a great story to tell. Cox High Speed Internet is available to virtually all of our customers, including many rural areas. In fact, we've deployed high-speed internet to more than 98% of the homes we pass in the 285 rural communities we serve. And our broadband service is available for nearly 97% of the homes below the median household income in our rural communities.

For nearly a decade, Cox has partnered with local organizations like Boys and Girls Clubs of America to bridge the digital divide for disadvantaged communities and families. And we're making a wide range of choices available for our customers with various competitive price points and speeds to meet their unique needs.

I'm exceptionally proud of what Cox and the cable industry have done to make broadband widely available and I support the worthy goal of getting it to all Americans. But it should be done with appropriate incentives and without cumbersome reporting requirements that distract providers from effectively operating the business. In recognition of this leadership, Cox was invited to join Governor Schwarzenegger's broadband task force, which is studying broadband deployment here in the Golden State.

I appreciate the opportunity to be with you today – not only to tell Cox and the cable industry’s great success story – but also to say thank you for the important role you’ve played in partnering with us to make telecommunications competition a reality for American consumers. As our bundle of communications and entertainment services enters adolescence, I anticipate lots more change, with our services and the competitive landscape.

As we continue to raise our bundle of joy, we approach those difficult, unpredictable teen years. But at the same time, they’re filled with possibilities. And I fully intend to harness Cox’s youthful energy and exuberance to embrace the opportunities ahead to ensure a long and prosperous adulthood.