COX COMMUNICATIONS
NEW DIGITAL SERVICES
(amended)

COX IS IMPLEMENTING THE FULL SERVICE
NETWORK CONCEPT

• In less than 2 years since the ’96 Telecom Act Cox has received certificates of convenience and necessity to offer full range of telephony services in all 9 of its clusters.
  • San Diego, Orange County, Phoenix, Omaha, Oklahoma City, New Orleans, Florida Panhandle, Hampton Roads & New England. Clusters serve 82% of Cox customer base.
• Cox has state-approved interconnection agreements with
  • PacTel CA
  • US West AZ and Nebr
  • Bell Atlantic VA
  • SWB OK
  • Process still underway with GTE, SNET, and BellSouth in VA, New England, and LA, respectively
• This process is time consuming and litigious
  • Lawsuits challenging Cox’s state arbitrated interconnection agreements are pending in Nebraska, Arizona, and Virginia
  • Cox had to get a restraining order to stop the illegal blocking of its calls in California by GTE
• Nevertheless, Cox’s advantage is that regulatory uncertainty and ILEC resistance to local competition is inversely proportional to the amount of infrastructure a
CLEC can bring to the party. Cox is not purchasing UNEs.

- Cox’s redundant ring, hybrid fiber coaxial networks are the most advanced in the industry. Our network reliability exceeds Bellcore standards.
  - Cox already has operational switches in 7 of its nine clusters
  - Cox has deployed a system-wide fully integrated information technology platform that supports low cost billing, collection, database management and all other aspects of customer care

**A FULL SERVICE NETWORK IS AN EXPENSIVE PROPOSITION**

- Capital expenditures: $3.5 billion to date; more than $4 billion at end of day
- Business model
  - defend core business (incremental rev. least)
  - expand into high-speed data (incremental rev. best)
  - expand into full range of telecom services (incremental rev. mid range)

- Need for clustering: 250,000 subs min critical mass; 500,000+ preferable
- Did Times Mirror deal in order to cluster
- At the end of last year (97), out of 3.3 million customer base:
  - more than 1.5 million were data ready
  - more than .25 million were telephony-ready
- by end of this year (98), majority of clusters will have
  - digital multichannel video
  - digital telephony
• digital high-speed data
• Sometime in 1999: comprehensive service in all 9 clusters

WHAT DO THESE SERVICES LOOK LIKE FROM A CONSUMER’S STANDPOINT?

• Digital TV
  • 200+ channels inc. 40 CD-quality music channels
  • 25 new all digital program networks
  • interactive program guide and heads-up display
    • what’s on (even during ads); when did it start; and what’s next
    • search programming by category
    • heads-up reminders of pre-selected, upcoming programs
    • elective children’s program blocking device; can be based on ratings and/or content
  • 40+ channels of enhanced pay per view (up to 10 movies starting every 30 min. in prime time); $3.95; never out of stock and never a charge for a late return
  • Cost for all of the above: $5.95 more/month
    • $10.95 more/month includes two additional digital network packages

• Digital Telephony
  • first residential line $9.99/mo. (11% under ILEC rate)
    • second line $4.99/mo. (56% under ILEC rate)
  • enhanced services: voice mail, caller ID, call forwarding, call waiting, etc. @ approx. 10% - 20% discount from ILEC
• free installation -- $31 savings during initial roll-out, (refund of first month excluding L.D. if not satisfied)
• LD interstate: 10 cents/min  7 x 24 (7 days a week, 24 hrs a day)
  • LD intrastate: 5 cents/min
  • intrazonal calls free (compare in zone 3 in CA, ILEC charges up to 8 cents/min.)
• Digital high speed data
  • 2.5 to 6 megabit service (2500 to 6000 Kb/sec.)
    • with modem purchase -- $29.95/month
    • with modem lease -- $44.95/month
    • without cable service -- $59.95/month
    • installation charge -- $75 to $100
• a directly competitive DSL telco service at 192 Kb/sec costs about $59.95/month  320 Kb/sec = $84.95/month  704 Kb/sec = $144.95/month and $514 to install
• Cox installation time well under two hours; approaching target of 1-1/2 hrs
• 60 teams currently working
• service includes @Home distributed network

CUSTOMER REACTION IS WILDLY BETTER THAN COX EXPECTED

• Penetration rate in telephony is 17% where service has been available for two or more months.
• Cox has 17K data customers
• Current incremental cost of equipment is high but we expect it to fall:
  • modem -- $350
• telephony -- $350
• digital TV -- $450
• Churn rate in high-speed data is virtually zero and we’re installing service as fast as we can train service teams
• Additional revenue per customer for all three new services is about $130/home/month