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St. Louis, Mo. 63131
February 21, 2002

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01-348

Mr. Michael K. Powell, Chairman
Federal Communications Commission
445 12th Street S.W.
Washington, D.C. 20554

Dear Chairman Powell,

It's interesting to me that so many Congressmen are objecting to the Echo Star/Direct TV deal because of potential price gouging in rural areas from such a combination. Yet, no Congressman seems to care that we have that today with the monopoly enjoyed by the various cable companies throughout the country.

In truth cities across the country can do little but renew cable franchises for very long periods because the public does insist on access. But the cities have so little power. They are lucky to get some service quality upgrades and the like when doing so---but can do absolutely nothing with respect to pricing. If my experience is representative, and I believe it is, then the cable companies are guilty of price gouging now in their own selft interest.

Allow me to share my experience and make a suggestion for improvement. I enclose copies of my Charter Communications bill for the end of 1999 in the amount of $33.02 for Basic and Extended Service and the one I just received for the same services in the amount of $48.51. [This new rate, incidentally went into effect in Dec. 2001.] So in just three years my cable bill for the same services has been raised by 47%!! And yet, we all know that the cost of living index has increased by less than 10% over the same time period. I consider that unfettered, price gouging by a monopoly!

Now I'm told we have more channels to watch but they are of no interest to me and I couldn't tell anyone what they are. I'm sure some programming costs have gone up for the cable companies, but I very much doubt they have gone up anywhere close to 47% across the board. In my opinion the cable companies, at least Charter, are simply using their unmitigated, monopolist pricing power to increase their cash flow and operating earnings as they wish to satisfy shareholders--in particular controlling shareholders such as Allen, the Microsoft billionaire, in Charter's case. Also, please refer to a copy of an article in a recent Wall Street Journal enclosed. I had no idea that cable companies enjoyed 35 to 45% of revenues as operating profit. I spent my entire career in business and my last 10 as a CEO before I retired. I never witnessed such operating profit margins in any business with which I was associated and doubt that there are few companies that can compare.

I understand you are a free/open markets kind of guy. And fundamentaly, I agree with you--but I was always in a business where there was significant competition and the market dictated pricing. When that is not the case, and only one company can provide a product or service in a given territory, I believe that legislation or regulation is required with respect to pricing in fairness to the consumer while still allowing a company to earn a reasonable margin and return on invested capital.

With respect to cable companies, I have a suggestion. The FCC should establish a "fair" base price for "basic cable" in all territories across the country to provide a fair return on existing invested capital, but not to cover new investment intended to provide new services which should stand on their own and are a normal business risk issue in anticipation of future earnings for most companies, and should, in turn, be subject to future income and earnings based on future sales of such services. The "basic cable" package should provide 8 to 10 channels only. They would be the local 4 or 5 broadcasters plus 4 to 5 routinely watched cable channels such as CNN, ESPN, etc. Beyond that, then, the consumer could buy additional channels one at a time. Each would be priced on what the market would bear. Perhaps as little as 25 cents per month or as much a $5.00 per month---or again, whatever the market would bear. The key is to let the market dictate price based on the value as perceived by the consumer--- and not let the cable companies simply add channels as they choose and then charge the consumer what ever they wish. This would also address the issue of how much the companies that provide programming charge since they, too, would be subject to market forces. Cable companies would object to administrative costs, but in this day and age of computers [technology] I don't believe that would be material---and I daresay people could sign up for channels or stop service via a touch tone phone or over the Internet or whatever at little cost to the cable companies.

It seems to me, Chairman Powell, that such an approach would be consistent with your belief that the marketplace should dictate choice and price but with nominal regulation on the "basic cable" package to recognize we are dealing with monopolies.

The only other hope is that satelite service can truly become competitive and a viable alternative. Today that is not the case vis a vis cable with the limitation that multiple receivers cannot get differnet channels from one dish. In that respect, I personally would support the Echo Star acquisition of Direct TV to give them the scale and resources to overcome this deficiency and become a true competitor to cable. And it seems to me the FCC could establish a covenant in such a deal that would assure that rural areas [without access to cable] would not be gouged but priced consistently with their urban counterparts.

Thank you for listening--I can only hope you will give this matter your attention.

Sincerely yours,

L. R. Chapman

c/c: Members of Congress

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Charter COMMUNICATIONS A WIRED WORLD COMPANY

941 CHARTER COMMONS
TOWN & COUNTRY MO 63017-060941

TEMP--RETURN SERVICE REQUESTED

DATE DUE	AMOUNT DUE
NONE DUE	48.51

** -432-3775**
PLEASE NOTE YOUR HOME PHONE NO. ABOVE. CALL 636-207-7011 IF INCORRECT.

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PLEASE INDICATE AMOUNT ENCLOSED

PLEASE RETURN THIS TOP PORTION ONLY, WITH REMITTANCE TO

8913 AV 1 B 47 A 72380 **5DGT

L R CHAPMAN
18 FRONTENAC DR
SAINT LOUIS MO
63131-2618

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Charter COMMUNICATIONS A WIRED WORLD COMPANY

PO BOX 790250
SAINT LOUIS MO 63179-0250

10314 616109 01 7 3 004851 63

Charter COMMUNICATIONS

ACCOUNT NUMBER	BILLED FROM	BILLED TO	DATE DUE	INCLUDES PAYMENTS RECEIVED BY
10314-616109-01-7	2/16/02	3/15/02	NONE DUE	2/11/02

FOR- 18 FRONTENAC DR

1/15		BEGINNING BALANCE	48.50
2/01		PAYMENT-THANK YOU	48.50-
2/16-	3/15	BASIC SVC	13.67
2/16-	3/15	EXPANDED SERVICE	32.18
2/16-	3/15	1 ADD'L. OUTLET	.00
2/16-	3/15	FRANCHISE FEE	2.62
2/16-	3/15	FCC ADMIN FEE	.04
2/15		BALANCE MONTH END	48.51

FEB 16 THRU MAR 15, 2002

THANK YOU FOR ELECTING TO USE OUR AUTO-PAY OPTION! YOUR CHARGES FOR CABLE SERVICE WILL BE AUTOMATICALLY DEDUCTED FROM THE ACCOUNT YOU DESIGNATED ON YOUR DUE DATE OF THE 2ND. THE AMOUNT WITHDRAWN MAY VARY DUE TO MONTHLY BILLING ACTIVITY.

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* FOR REPAIR SERVICE, PHONE *
* REPS. AVAILABLE 24 HOURS. *
* CALL 636-207-7022 *
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new rate ... in 12/01

CHARTER COMMUNICATIONS

ACCOUNT NUMBER	BILLED FROM	BILLED TO	DATE DUE	INCLUDES PAYMENTS RECEIVED BY
10313-116109-01-4	12/16/98	1/15/99	01/02/99	12/08/98

FOR- 18 FRONTENAC DR

11/15		BEGINNING BALANCE	33.02
12/03		PAYMENT	33.02-
12/16-	1/15	BASIC SVC TIER	11.71
12/16-	1/15	EXPANDED SERVICE	19.63
12/16-	1/15	FRANCHISE FEE	1.65
12/16-	1/15	FCC ADMIN FEE	.03
12/15		BALANCE DUE	33.02

DEC 16 THRU JAN 15, 1999

THE PROMPT MANNER IN WHICH YOUR ACCOUNT HAS BEEN PAID IS APPRECIATED.

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Cable Industry Mergers? Let's Count the Ways

HEARD ON THE STREET

By [illegible] Frank
And Deborah Solomon
Staff Reporters of The Wall Street Journal

[illegible] Stay tuned for the [illegible] Let's Make a [illegible]

[illegible] Comcast's [illegible] to purchase AT&T Broadband [illegible] last month has [illegible] speculation [illegible] the industry [illegible] considering [illegible] regulators, AT&T-Comcast, with [illegible] subscribers, will control nearly [illegible] of the nation's cable [illegible] industry in the [illegible] events. With size [illegible] cable operators [illegible] in what could [illegible] dancing [illegible]

[illegible] fundamentally [illegible] compelling scale in the cable business," said John Trousdale, head of the mergers and acquisitions media group at Merrill Lynch. "I think more consolidation is likely as other cable players feel pressure to stay on a level playing field."

Several of the nation's biggest cable companies are openly pondering deals or customer swaps in the coming months. Topping the list are the "mid-tier" companies: **Adelphia Communications**, **Cox Communications**, **Cablevision Systems** and **Charter Communications**. While big enough to stand on their own, the companies are getting dwarfed by AT&T-Comcast and **AOL Time Warner**, the industry leaders.

The pressure for consolidation stems from broader changes in the media world. Programmers like **Walt Disney** and **Viacom**, which supply cable companies with channels, are using their increasing power to charge cable companies higher fees for programs. Cable companies need equal

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NOTICE TO READERS

U.S. stock and bond markets were closed yesterday, Martin Luther King Jr. Day. The daily U.S. stock and mutual-fund tables don't appear today.

Tues 1/22/02

HEARD ON THE STREET

Continued From Page C1

reach, and influence as "gatekeepers" to the public, to resist the cost increases.

At the same time, satellite-television companies continue to lure away cable customers, a trend likely to accelerate if **EchoStar Communications** gets regulatory approval to buy **Hughes Electronics** to create a satellite colossus. The $25.8 billion deal was announced in October.

"The fear coming from competition in the satellite industry and the fact that the content guys are getting bigger is going to drive the rest of the cable players to get economies of scale," says James Easterlin, an analyst with Oak Value Capital Management. Oak Value owns shares of Charter Communications, the cable company controlled by Microsoft co-founder Paul Allen.

Granted, cable companies are notoriously difficult to merge. Most are family-owned or controlled by a large shareholder and are loath to dilute their voting and economic stakes. They also are virtual monopolies, with little or no competition from other cable companies in their markets. Cable companies remain rich franchises, with operating earnings usually reaching between 35% to 45% of revenue and heady stock prices that have held firm through the recent market downturn. While the AT&T-Comcast deal shows the advantage of size, most operators are under little day-to-day pressure to sell.

"Family control is a complicating factor, but not an immediate impediment to further consolidation," says Paul J. Taubman, who heads Morgan Stanley's media and communications mergers and acquisition practice. "Family ownership presents a different set of challenges in crafting a deal."

Consider Adelphia, the nation's No. 6 cable company and based, like Comcast, in Philadelphia. It is controlled by the Rigas family, which [illegible] to sell. Yet at an industry conference in Arizona this month, Adelphia Chief Financial Officer Timothy J. Rigas made a dramatic statement. According to people attending, Mr. Rigas stood in front of a giant screen and displayed a series of maps showing Adelphia's huge customer reach if it were combined with AOL, Cox, Charter and AT&T-Comcast.

"Since you're all wondering anyway," Mr. Rigas said, "I decided to show you the possible combinations."

Adelphia also has been prettying up its balance sheet—shedding assets and paying down debt. Some investors see that as a sign the company wants to do a deal. On Jan. 14, Adelphia completed the spinoff of Adelphia Business Solutions, a telecommunications business in which it has a 79% stake, and two days later, it raised more than $1.5 billion in stock offerings to help pay down debt. The company raised about $1 billion in similar offerings last year. Adelphia didn't return calls seeking comment.

Whether Adelphia will do a deal remains to be seen, but industry observers say the company would fit best inside Time Warner Cable, the cable unit of AOL Time Warner. Such a deal would boost Adelphia from the No. 6 to the No. 2 spot but, perhaps more importantly, it would complement the [illegible] current operations. Both cable companies have large systems in the Northeast, Florida and the Carolinas. Time Warner declined to comment.

Cox is another company in the merger crosshairs. The nation's No. [illegible] cable company has always deflected talk of a deal, and Chief Executive James Robbins has said repeatedly that the company isn't a seller. The Atlanta company is firmly controlled by Cox Enterprises, a family-owned concern, which retains a 65% economic stake and [illegible] voting control of Cox Communications.

Yet Cox surprised the industry last year by entering the bidding war for AT&T Broadband. The bid would have left Cox with less than 25% of the combined company, signaling the company's willingness to sell under the right terms and management conditions. Possible combinations include Charter, AOL, Adelphia and even the new AT&T-Comcast, though the latter would likely encounter regulatory hurdles.

"With AT&T, Cox proved they're willing to be minority owners," said one person close to the AT&T talks. "That's a big concession."

Cox declined to comment.

Cablevision also is the subject of growing takeover talk. The Bethpage, N.Y., company controls three million cable-TV customers in New York, a highly lucrative market that could attract interest from AOL, which also provides service in the area. AOL has hinted repeatedly that it would like to buy the company under the right terms.

According to people close to the company, Cablevision CEO James Dolan, 45 years old, told investors recently that the company would consider an offer if it exceeds the value the company could achieve under current management. The Dolan family controls Cablevision with a 76% voting stake through its ownership of all 42 million super-voting Class B shares. It also has a 24% economic stake. Cablevision declined to comment.

Still, people close to the company say Mr. Dolan feels little pressure to do a deal. The company has managed to keep its programming costs down and has achieved scale in the huge New York market.

Charter Communications is also the subject of deal talk. Here, the decision rests with Mr. Allen, who has a 92% voting and a [illegible] economic stake.

People close to Mr. Allen say he isn't a likely seller, but remains interested in beefing up his own business. Charter has spent the past two years growing from one million customers to about seven million subscribers, and Mr. Allen "is very content to put more money in the cable business," says a person familiar with the situation.

But more than just growing bigger, this person says, Mr. Allen wants to "gain control of certain markets," either through buying or trading. The company, which has systems across the U.S., with a concentration in the Midwest and South, would fit nicely with Cox or Adelphia, say analysts. Charter recently conducted a $900 million bond offering, which it plans to use to pay down debt.

Dave Anderson, a Charter spokesman, says the company is "in this for the long haul." While the company is interested in bulking up its cable business, "it's not our ambition to get larger for the sake of getting larger," says Mr. Anderson. "Instead, the company is likely to buy assets that can complement its current cable systems.