FINAL TRANSCRIPT

Thomson StreetEvents℠

CMCSA - Comcast Corporation at Merrill Lynch US Media Conference

Event Date/Time: Jun. 07. 2007 / 4:20AM ET

CORPORATE PARTICIPANTS

John Alchin
Comcast Corporation - EVP and Co-CFO

CONFERENCE CALL PARTICIPANTS

Jessica Reif-Cohen
Merrill Lynch - Analyst

PRESENTATION

Jessica Reif-Cohen - *Merrill Lynch - Analyst*

As the largest U.S. cable operator, Comcast has used its scale to improve its programming and equipment costs. It is now focused on deploying voice across its vast footprint of 48 million households, of which they should have 40 million by year-end '07. Given the positive impact Cablevision and Time Warner Cable enjoyed in positive basic sub adds and accelerated high-speed data subs, we look forward to several years of double-digit revenue, EBITDA, and free cash flow growth.

Additional future growth drivers include small- and medium-sized businesses as well as interactive advertising. Representing Comcast are John Alton, Executive Vice President and co-CFO and Treasurer, and Marlene Dooner, now Senior Vice President, Investor Relations. Congratulations, Marlene. With that, John?

John Alchin - *Comcast Corporation - EVP and Co-CFO*

Thanks a lot, Jessica. Great to be here again with you all. This really is an exciting time to be in the cable television business in the United States. The momentum that we have all been able to report in terms of rolling out new products across the entire industry is really outstanding and driven I think in just about each and every one of our companies by the packaging or bundling of not one or two products, but now three products, voice, video, and data. That is really what I want to walk you through this morning.

I'm sure you are all familiar with the Safe Harbor disclaimer.

But the momentum that we began to build up at the beginning of the first quarter in 2006 was all of the back of our rolling out the Comcast Digital Voice product. We had a record-setting year in 2006 and as we took into the first quarter of this year, that momentum continued. We expect that to continue throughout the remainder of the year into '08 and '09.

One of the key factors I think that we all face at this point in time is that we have a competitive advantage, a time to market advantage against the competition. You will hear telcos talk about introducing their product's triple play into certain markets, but the fact that they have scaling issues are very distinctly different from what we have as cable systems. And I will show you in some later slides where we stand in terms of our rollout.

In fact we were a little bit later getting into the phone business because of the legacy systems that we acquired from AT&T Broadband, some fix up work we needed to do there. And we really did not launch our phone product until the fourth quarter of 2005, so it was 2006 that really began to drive that momentum.

One of the other key factors is the rebuild is behind us and we have an enormously flexible network that we can upgrade onto higher levels of capacity, of functionality on an as needed basis. Because we have taken fiber deep into these networks, what we are able to do as we develop new functionality is to split nodes, use various other technologies like switch digital to do digital simulcast and analog recapture, and we're now at a point where in fact 75% of the capital that we are investing is variable, drives revenue, and it is a complete reverse of the situation that we were in three and four years ago where in fact at that point in time, 75% of the capital that we were investing was fixed, did not drive revenue. Only 25% of the capital that we were investing was driving the revenue.

So this puts us in a great position to continue this momentum from here on out. We announced recently at our investor day that in addition to the guidance that we have given for 2007, which is for at least 12% revenue growth and 14% operating cash flow growth, that we see ourselves being able to maintain that momentum on a compounded basis through the end of 2009, so it is not just a one-year scenario, not a two-year scenario, but sort of a three-year scenario on a compounded basis without being at all specific about what the intervening points are in terms of growth rates for '08 or '09 as yet.

I think nothing better displays the momentum that we've built with this triple-play offering than this slide. You can see before we got into the business of rolling out the phone service that we were adding a lot of digital product, a lot of high-speed data product, on average 2003, 2004, and 2005, 2.6 million units -- 2.6 million net ads a year in terms of RGUs. And the way we define a revenue generating unit is the sum of basic digital, high-speed data, and voice customers.

The one revenue component that this definition does not catch, those digital customers that upgrade to a high-definition DVR combination, and that combination delivers us another $10 on average of incremental revenue per customer per month.

If you look at the results then as we went into 2006, we pretty much doubled from 2.6 million to 5 million and the 6.5 understates the outlook for 2007 in that this is a number that is net of the 600,000 -- sorry -- 500,000 circuit switch customers that will roll off our circuit switch business in 2007. So on a gross basis, we actually have to add 7 million RGUs to report the 6.5 million that we have here. This will be a 32% increase over the 2005 numbers and again, does not include those customers who are taking the high-def DVR box who are already digital customers, and they continue to drive revenue as well.

Just for those of you who are not that familiar with our triple-play offering, it is a combination of our starter level digital service, which gives our customers access to video on demand and the interactive programming guide, the flagship 6 Mb high-speed data service that we offer. I will say a little bit more about our high-speed data service as I get into the presentation. But this includes to each and every customer access to our power boost functionality, so if you are a 6 Mb customer, you get double that speed on an as available basis. The software that monitors the networks identifies if additional capacity is available. If that is in fact the case, with no active intervention on the part of the consumer, the speed that you are downloading a file automatically doubles from 6 Mb to 12 Mb. That is not something that is sustained over ours. It is sustained over minutes, but obviously enough to download a normal sized file at accelerated speeds.

Then finally the voice service that we offer, this is a very, very competitive product than the legacy products that have been available from the phone company including about a dozen features, including voicemail, access to the communications portal so that you can monitor your account on line. It is all distance calling, all local, all national footprint of the United States, Canada, Puerto Rico. The only thing you have to buy as a consumer on top of that is international calling if that is a feature that you want.

Just a few headlines here as to why the reaction to this has been as positive as it is. It is really value and convenience to the customer. It is one bill. It is one installation. It is really operationally incredibly efficient. It is simple to sell. It is simple to install. It is ubiquitous across all of the footprint where this is rolled out. It has simplified the marketing message. It has simplified the installation message from our operational installing people that we have.

And on average you can see that the response to this offer has been outstanding. While we are offering it in as a combination price of $99, the average sell-in rate runs between $120 and $130. That has been consistent. We've been doing this for five quarters that we've reported so far. That average sell-in rate has stuck to that $120 to $130 band throughout that period.

The other interesting statistic that has emerged in that five quarter period is the impact on basic customers, on digital customers, and on high-speed data as three individual products. If you look at the period five quarters before we introduced our voice product, we lost about 120,000 basic subscribers in that five quarter period cumulatively across the five quarters.

In the five quarters subsequent to then, the sort of halo effect or ripple effect that has been so obvious with the rollout of triple play has caused the basic subscriber loss in that five quarter period to revert to a gain of about $155,000 in that five quarter period.

Similarly with digital, we've seen about a 75% lift from 1.4 million digital net adds in the five quarter period before first quarter of 2006 to 2.5 million in the five quarters subsequently and about a 10% lift in high-speed data from 2.2 million to almost 2.5 million. So there is -- it is not just having an impact in terms of selling the phone product to customers, but also having a halo effect with other products.

First product I want to highlight here among those that we are offering is the digital product. We added 1.9 million digital customers in 2006 and in the first quarter of this year alone, we added almost 650,000. That was an 82% increase over the 355,000 that we added in the first quarter of last year. We are now at a point where we have 13.3 million digital customers on average. Our customers have 1.5 boxes per household. We are at a point where 55% of our customers now subscribe to our digital service and in one of the latest slides I'll show you, the sell-in rate for digital is significantly higher than that. So we don't think we've come anywhere near capping out the potential for digital penetration.

The other aspect of our digital service that I think is pretty interesting is the profile of our digital customers. I mentioned the entry-level service that we offer at virtually no incremental subscription rate. But what we get out of these customers is an incremental average revenue, because on average these customers buy more pay-per-view compared to our analog customers. On average, we're generating about $4 of incremental revenue out of these customers, bringing them up to average revenue per customer of about $50 a month.

And once they take even this entry-level of digital service, they are three times more likely to upgrade to higher levels of digital service. Obviously what we want to do is move them up this graph here to the $65 or $75 a month category. So we're now at a point where 83% of our customers are subscribing to these higher levels.

If you move up to the $65 level, what you get is an extra 100 channels of digital service. We're now at a point where we have got 38% of our customers subscribing to the higher level of -- the advanced level of digital service that includes high-definition or DVR.

You may hear some rhetoric out there perhaps from the satellite providers that they have the most advanced digital high-definition offering. I think there will be a number of slides or a couple of slides beyond this that will try to put that in perspective. I do not believe that is the case at all. In fact if you look at the subscription rates to our higher level of service including high-def and DVR, we are now at a point where 21% of all of our video customers take our high-def DVR subscription; 38% of our digital customers take our high-def DVR offering. We have now got as I said, 83% of our customers paying us $65 a month or more.

On demand is one of the key features that differentiate our service from the satellite providers. This is not a function that they can provide. They do not have an interactive platform. They can not offer the library of programming and obviously their customers are not showing the viewing profile that our customers are showing. In the last -- since we launched this offering back in 2004, we have had about 4.5 billion hits to the video-on-demand platform. This accelerated to the point that in 2006 we had 2 billion hits in 2006 alone. If you look at the statistics for April of 2007, we are at a run rate of 2.6 billion hits annually.

The whole viewing experience of television is changing. It is all about what you want where you want as a viewer and it is functionality like video-on-demand that enhances the customers' experience in that regard. It has taken us two or three years to build up the library from 1700 programming choices to the point that we are at now, 9 million -- sorry -- 9000 programming choices in any one month. It will be a while before we get to 9 million.

And the what you want where you want experience does not stop there. We're in trials right now in Pittsburg and Denver with day and date release in conjunction with DVD release. In these two markets we're working with seven studios to put onto ON DEMAND a day and date release with DVDs to see if we can't prove to ourselves, to retailers, to the studios that all boats rise in this tide together, that we are all better off if we have day and date release, that viewers will rent more, viewers will buy just as much as they have historically, so it is a win-win for us. It is a win-win for the studios. And the retailers are at least as well off as they are today.

I cannot share any specific statistics on that because we are bound by certain confidentiality agreements at this point in time, but we think that we are off to a very good start with those trials in at least two cities at this point.

This is the point that I referenced just a couple of minutes ago in terms of programming choices that you have on satellite in high-definition versus on cable in high-definition. In fact we did a very specific test in the Philadelphia market just recently and looking at the choices that were available on DirecTV, they had 17 choices, 17 linear channels. We on the other hand had 23 or 24 linear channels and on top of that a number of other programming choices in terms of movies and shows in high-definition which gave us altogether 200 programming choices at a moment in time on our service versus 17 for DirecTV.

If you look at press releases that have been made and a goal that has been established for the end of 2008, a goal of 150 choices versus where we think we will be, we're going to double the number of choices that we have today by year-end going to 400. We will double the number of choices again in 2008. We're looking at 800 plus choices by the time we get to the end of 2008. We have the superior product in relation to high-definition. We will maintain that product superiority. We will continue to add to that superiority over time.

Further enhancing this issue, we had a private -- we commissioned a private independent study looking at viewer reactions to side-by-side comparison of satellite high-definition to Comcast high-definition and the outcome was clear and resounding. Two-thirds of the viewers preferred our product to the satellite product. So we are winning on choice. We're winning on quality and we are winning on value.

Moving onto the broadband experience, we are delivering speed and features and all of the research tells you that customers place the highest value on speed and constant connection. We continue to enhance the product here. We have got product superiority again and we continue to enhance that over time.

In the last three years we've increased the speed three times. We have gone from having a 1.5 megabit flagship service to the point that we are at now, a 6 megabit flagship service reinforced with power boost. We have power boost currently on the downstream. By the end of the year we will introduce power boost on upstream. We have already licensed this power boost in-house developed technology to another cable operator. This is something that I think you'll see more throughout the industry. We have added 65 new features with McAfee security, photo sharing, free streaming of radio, lots and lots of video on our broadband service.

You can see what it is doing to growth. The growth numbers are just pretty amazing, particularly when you consider this in the context of our average revenue per high-speed data customer has been around the $42 to $43 mark for a long time now. We added 1.9 million customers in 2006. We added 563,000 customers in the first quarter of this year. That was the highest quarterly net adds ever in our history.

We have been in this business now for eight years. We have not discounted the product. We continue to enhance the product in terms of its features and functionality and independent research showed in the first quarter of this year, that 55% of our high-speed data customers came from DSL. They had previously been subscribers to DSL. They are coming to us. We like to say that DSL is the new dial-up service of 2007 and beyond.

We now have 12 million customers and as I wrap up the product overview here, I will show you a slide at the end that indicates that the sell-in rates are well above the 26% penetration that we have. By the way, in closing this slide, the Yankee group in the fourth quarter of last year announced that we were the largest residential broadband provider in the United States.

In terms of the broadband experience with our 12 million customers, with our 14 million unique viewers, we find ourselves in a position where we are a top 10 nationally ranked site in terms of search, in terms of page views, in terms of video streaming. We have been very, very -- we really embrace the notion of putting as much video onto our portal as we possibly can and encouraging our customers to use video as much as they possibly can.

In fact if you look at the numbers for the first quarter or for the month of April, our number of video streams in April were up fully 33% over January. We moved from a 59 million monthly number in January to over 80 million in April. So we continue to leverage our position as a top 10 provider, recently did a display partnership for advertising on display with Yahoo!.

We believe that we've got an investment in our portal that has amounted to about $120 million. So over the few years we have been building this up, we supper have a search contract that comes up at the end of this year. By the time we renew that in conjunction with the new display agreement that we have, we will have over the next five to six years probably about $1 billion of revenue that will generate from this portal, all of it developed in-house, none of it contracted to an outsider.

Moving onto voice, obviously since we got into this business you can see in earnest with about 150,000 net adds in the fourth quarter of 2005, it has just continued to ramp quarter-over-quarter and we like to say here -- you ain't seen nothing yet in terms of continued escalation of these numbers, an all-time record with 571,000 net adds in the first quarter of this year.

One of the key factors about this growth profile here is that 80% of our CDV customers take all three products. We haven't even finished rolling out this product yet. We came into the year with about 32 million of our 47 million homes having access to this product. We will end the year with about 85% or 40 million homes having access to this product. We're still only at 7% penetration.

We feel comfortable enough with all of the growth metrics that we've seen to date to have revised our outlook by year-end 2009 that we set as a five-year goal when we first started talking about this business at the beginning of 2005 from 20% to a range of somewhere between 20% to 25%. By the end of this year, we believe we will be the fourth-largest phone company, wireline phone company, in the United States.

This is a graph where we try to highlight the sell-in rates in relation to our existing penetration rates. So as you read across, you can see product sell-in rates on digital video at 80% compared to a 55% penetration rate now; high-speed data sell-in rate of 55% compared to 26% rate now; and a long, long way to go with phone yet, 35% sell-in rate. In fact that 35% sell-in rate is up from 25% as recently as two or three quarters ago. So as we get more and more footprint, as there is more and more advertising, as there is more and more usage and more and more word-of-mouth, we find those sell-in rates continue to lift.

This is just on the residential side. We announced at the end of last year, beginning of this year that we are now moving into the commercial business. There is a tremendous opportunity here. This is sort of a $25 billion business in our footprint with about 5 million small- to medium-sized businesses generating between $12 billion to $15 billion of annual revenues from telecom services. About 3 million of those 5 million customers are very, very close to our footprints.

In fact, at our recent analyst day, we showed a map of a very specific area, that being Baltimore where the number of businesses that were within a 100-feet business of our existing network were highlighted on the map in green dots. Those that were beyond the 100 feet in red and the map of the city was basically a sea of red dots.

This is a business where we're going after a very clear segment of the market. It is that segment that has less than 20 employees, less than 20 lines. Probably on average we're looking at those businesses that have primarily somewhere in the range of about five to 10 lines, a market that has really been underserved by the telephone companies, where we are the local provider. We have local offices. We have local service people. At the same time, we recognize that there is a need for dedicated sales, dedicated service here. And we are in the process of putting all of that together this year.

That is going to be the primary thrust of this year's business. We are already in this business as you see on the far left-hand side generating in 2006 about $250 million of revenue. This is really a small- to medium-sized business offering data service, so we're in the process now of launching this into voice and probably throwing in video in a number of places as well. But we see this growing over a five-year time frame to a $2.5 billion business. That is only 20% penetration of our target market. We think that is a very achievable number. We think it is very achievable to achieve 20% operating cash flow margins and we have a very specific internal rate of return that we have to achieve before we hook on any business, go into any area.

So this is all about incremental capital that is attached to a proven return criteria that we have. We expect we will probably invest about $3 billion over the next five years, about $250 million of that will be invested in 2007 alone.

Then speaking of capital, we made a very clear, specific strategic decision at the beginning of 2007 or as we announced the outlook for 2007. We decided to move our capital investment from the $4.6 billion level to $5.7 billion in 2007 to secure the competitive advantage, to take advantage of the timing opportunity that we have with the product superiority, with scaling of our triple-play offering to really go for market share.

Included in that $5.7 billion off the top is $250 million that I just referred to out of the commercial service category and about $150 million acquired with the rollout of voice, video on demand, digital simulcast into the acquired properties that we got in August of last year with the transaction that we did with Time Warner, Time Warner Cable acquiring some Time Warner cable properties, some Adelphia properties and exchanging some of ours out. So the Adelphia properties did not have any phone. We have to put in our version of VOD. We have to roll out digital simulcast.

75% of the capital that we are investing this year is invariable capital, so to the extent that we've got increased capital, it's driving increased revenue. And as we look at the incremental return that we are getting on this capital, it is a 30% return on the incremental capital that is invested. And two of the fastest-growing categories that we have are in fact among the highest users of capital.

In the category of Comcast Digital Voice, we invest on average about $250 to $300 per customer in the area of the high-def DVR boxes that we are deploying. That is about a $400 investment per customer. So that is included in these numbers and remember the RGUs often do not reflect the high-def DVR customer base, because that is -- if they are already a digital customer, that is not counted.

The other point that I would make is that again, the flexibility that we have within this famous network, if you go back and look at our website, a specific slide that was used by our Chief Technology Officer at the investor day, he showed how as demand for our services, as penetration of our services, as usage of our services increases in individual nodes, we tend with switched digital, with node splits, with various technologies, continue to upgrade the capacity just in specific regions, specific areas. We do not have to go back and do the entire area. So it is not a case of having to go back and dig up streets. It is all about just catering to incremental capital in very specific areas.

So just in closing then, let me spend a couple of minutes on the balance sheet and allocation of capital. The way we think about the balance sheet profile that we have and the capital that we allocate, it is almost like three legs of the stool where we are trying to maintain a balance between strong investment-grade ratings, continuing first and foremost to invest in the business and to continue to drive growth and differentiation and product superiority with the product offering that we have. And all of that balanced against returning capital to shareholders.

You are probably all very familiar with what we've been doing over the last while in terms of acquisition activity, billions of dollars dedicated to transactions that we have done with Time Warner, Adelphia, more recently in regional sports, a transaction that we announced about a month ago, further enhancing our capability in that area. Even more recently we announced that we will be splitting up inside the acquisition of Susquehanna, of PatriotMedia, a transaction that we and our MSO partners and Time Warner Cable, Cox and Bright House have done with Sprint to make sure that no one leaves us behind in terms of our capability.

In the wireless arena experimenting with or trialing with the rollout of our product that we're doing with the Sprint joint venture that will be available to 3 million of our homes by the end of this year, integrating wireless functionality back into the wireline functionality, giving our customers an ability to look at their television schedule to be able ultimately to program DVR to look at a common voicemail platform across all of those areas products.

Continuing to invest in content, so a lot of investment going into those areas and in fact driving our debt load from the $23 billion level that we were at at the beginning of last year to a closing number that we will be at by about the end of this year of about $31 billion.

And at the same time continuing to buy back a very large amount of stock, almost 400 million shares since we launched the buyback program, over $8 billion of value reducing shares outstanding by 12%, leaving us still at the end of the first quarter with about $2.5 billion of availability under that program. And as we do all of this, we have a lot of flexibility I think in a range of between 2.5 and 3 times debts to cash flow to be able to continue to do all of these things simultaneously without having to abandon one in favor of the other but be able to do all of them simultaneously.

So with all of this momentum, with this product superiority, with the scaling of the product rollout that we already have, we see ourselves in a position where we will be able to grow operating cash flow and revenue at 14% and 12% respectively at least for this year. We see compound growth rates that look very much like that for a time frame that goes through the next two to three years. We see significant growth ahead as I tried to demonstrate with those sell-in rates on the previous graph. And all of our focus at this point in time is on execution of the rollout of triple play and maintaining the superiority of that product lineup against any and all of the competition in the respective markets that we serve.

So with that, Jessica, hopefully we have time for some --.

QUESTIONS AND ANSWERS

Jessica Reif-Cohen - *Merrill Lynch - Analyst*

I will kick off. Two questions. On the video-on-demand day and date trials that you're doing with the studios, what do you or they need to see to make this no longer a trial and a real rollout?

Secondly, what do you need to do to offer interactive advertising? What do you need to do to the systems? What do need to do on a national basis?

John Alchin - *Comcast Corporation - EVP and Co-CFO*

Sure. In terms of day and date rollout, what we are trying to do there is really prove to all of the participants in this, the seven studios that we're currently working with, the retailers who are obviously monitoring the results of this trial that this is something, this is a business model that is a win-win for all of us. It is not a case of the day and date being cannibalistic of existing sales of product, but this is an opportunity for all of us to see all boats rise in this tide, that we all do better as a result of it.

So hopefully that is what we're going to deal to demonstrate. We have seen some very early indicators that are really encouraging. While I cannot share the precise numbers, I think that the outlook is just exactly what we were hoping for and we hope that it does go into more markets than the two that we have it in right now.

In terms of interactive, we've got work to do there in terms of coming up with a hopefully a unified approach to this opportunity across the cable industry, because if you think about it, there really is no other delivery medium out there that's going to be able to offer as many eyeballs to advertisers as the combined cable television industry could or can.

So what we're doing there is working very collaboratively with the other cable operators. Steve Burke is taking a very personal involvement in this activity, working in conjunction not just with the other MSOs, also in conjunction with cable labs to try and drive a common platform of technology, a common platform of metering, a common approach to advertisers. And we think that ultimately this becomes a very compelling strategically imperative business model.

So as you think about what is happening to the momentum that we're developing, we have still got lots of momentum with the existing triple-play offering. We've got new momentum that you'll begin to see as we go into the latter part of this year in 2008 with the small- to medium-sized business opportunity. Then on top of that, you'll begin to see the interactive advertising model begin to build. And obviously as we go into 2008, pretty exciting year with Olympics and with the political year that we have coming up in 2008. Any other questions?

Unidentified Audience Member

Could you give us some flavor as to how the $99 compares to unbundled set of products from alternative suppliers? Also as to how general DSL and fixed voice pricing trends are going in the U.S.?

John Alchin - *Comcast Corporation - EVP and Co-CFO*

Sure, I mean $99 is a very competitive offering. First of all in relation to the voice product that we offer, if you look at that on an unbundled basis from one of the telcos with all of the features and functions that we're offering, you're probably looking at a $60 to $70 product. We are offering that at $33. So there is just no question that that is great value added from the consumer standpoint.

If you think about the price point on the high-speed data service that we offer, $33 is not the most significant discount that we have ever offered that product at. We in fact since we got into the business in late '90s virtually at any time of the year would offer a $19.95 three-, six-month promotional period and it would then revert to the full price, which is if you are leasing a modem around about $45.

At $33 for 12 months, that is less of a discount than $19.95 for six months. And if you think about the evolution of pricing on the high-speed data product, when we first got into the business we discounted to a price point below the RBOCs. They introduced the DSL service in the mid 50s. We came in like $39 or $40 and then subsequently had a $5 increase from there. They as they saw their market share erode began discounting down into the 30s, down into the 20s, and then even more dramatically down into the mid and even low teens.

I think that is one of the reasons that you are now seeing this perception of quality associated with the cable modem service, not just Comcast but the cable industry at-large, and that DSL has become as some say tomorrow's dial-up. So our pricing their is above many of the offers that you can get with DSL, but you also have to read the fine print with DSL too, because their discounted service is not the highest speed service that they have. That tends to be a lower speed service and in fact you've seen some pricing increases that they have taken.

Obviously where Verizon rolls out their FiOS DSL, that is a different service with a different speed profile and a different price point around that.

Then with video, for a very long time we were priced above where the satellite providers were. If you go back to the mid '90s before we did the rebuild of our network, there was a point in time where the satellite providers had an all-digital 200 channel service that compared to our all analog 70 channel service and our 70 channel service in analog form was priced generally a bit higher than where they were priced. Now they have done a very smart job of offering lower entry price points for their video product, but in fact -- and I can only speak for Comcast specifically -- generating average revenue per customer from their video customers that was higher than we were generating off ours.

So they did a very effective marketing campaign of saying here we are as the low-cost provider, but they actually got their customers up to a higher price point than we were at. Our people, our operating people are now very, very excited about we've got with the triple-play offering with a digital product offering at $33, with access to the interactive programming guide, video on demand. Now you don't get the extra 100 digital channels that you get with the full-blown digital offering, but you get sort of an entry-level digital offering at $33.

Now obviously we do everything we possibly can to upsell the customer from there to offer them premium product, to offer them the full digital service, even trying to get them to buy high-definition and DVR. That is the reason that you see the $99 triple-play offer on average selling at between $120 to $130, because the only add-on that we have to offer is effectively the video add-on and that is what takes us up to the $120 to $130.

Unidentified Audience Member

Could you just comment briefly on customer retention strategies against FiOS when you're seeing that?

John Alchin - *Comcast Corporation - EVP and Co-CFO*

Sure. FiOS is in a few of our markets now, but we're talking about overbuild that amounts to a few hundred thousand homes. Obviously we know exactly where they are because the trucks are out there, the construction permits are out there. There is a very aggressive marketing campaign that goes hand in glove with that launch effort when they launch the product offering.

What we do in knowing that they're going to ultimately launch the product in that market where they've started construction, we almost immediately further increase the speed on our product offering. So we go to something like 6 and 16 megabits of service so it competes very effectively against the service offerings that they have.

If you think about their video offering, they are where we were several years ago with video on demand, they offer video on demand is well. We got into the video on demand business with a couple of hundred viewing choices. We're now at a point where we have 9000 viewing choices in any one month. Our video on demand is better than their video on demand. Our high-definition is better than their high-definition, because we built up the high-definition library that is available in video on demand.

I think it's also worth sort of looking at the targeted goal that Verizon has and I'm just referring to press releases and if there is any misstatement here excuse me for that, but I think the following numbers are correct. Their goal is to be in front of something like 18 million homes by the end of 2010. We have 47 million homes. We will have triple play in front of 40 million of the 47 million by the end of this year.

There's a little bit of a delay factor with them launching FiOS TV in the rebuilt areas, so if they have FiOS DSL in front of 18 million, they will probably have FiOS TV in 15 of the 18 million by the end of 2010. We have about a 35%, 38% overlay with them if they were to roll out on a proportionate basis. That means by the end of 2010 they would have overbuilt something like 5 million of our homes and have a goal of getting 20% penetration.

That means that in our footprint 3.5 years from, they would have 1 million video customers. Now no way all of those customers come from us. There's two incumbent satellite providers. In some instances there is another overbuilder we're the incumbent cable provider. But if you are really, really conservative and say okay, 50% of those customers will come from us, that means that theoretically we could -- if we kind of stand there and do nothing or if they are incredibly good at what they do -- get 500,000 customers.

In that time frame if you follow those growth trajectories that I've shown with triple play, we're going to add millions of phone customers. We will continue to add millions of high-speed data customers. We see ourselves at a point 2009, 2010, we will definitely have more high-speed data and phone customers combined than we have video customers. We will be a balanced company between video on one side, high-speed data and voice on the other side.

So our growth opportunity is to add millions of revenue generating units and if you take at face value stated goals and give them 100% credit for what they say they're going to do in our footprint, there is potentially a loss of 500,000 video customers while at the same time, we will grow millions and millions of units and maintain the revenue and cash flow growth profile that I described.

So we have competed I think very, very effectively against tough competition in the past. If you think about the satellite providers coming into our business back in the mid '90s, they now have 20 million customers. They did a very effective job of marketing. I think we responded in a very effective and competitive way. We've taken ourselves from having an inferior product to having superior video product and bundling that with superior data products and superior voice products and putting together a superior package of value that is driving this growth profile that we showed in the presentation.

It looks like Jessica is going to cut me off.

Jessica Reif-Cohen - *Merrill Lynch - Analyst*

We're running so late. We're going to take a five to ten minute break. Thank you.

John Alchin - *Comcast Corporation - EVP and Co-CFO*

Thanks.
