

*The Media Institute Luncheon
March 22, 2006
Pat Esser, President, Cox Communications*

Good afternoon. It's my pleasure to be in Washington with you today.

I know you're well aware of the dizzying pace of activity in the cable and telecommunications industries. Each week we confront a new, potentially seismic shift in our business – from mega-mergers among the telephone giants to proposed legislation which could dramatically change the rules of our game.

I realize these developments pose very high stakes for some of you here today...and less so for others. But another seismic shift is occurring in the world around us. And it's universally important to every media entity represented in this room.

I'm referring to changing demographics -- the baby boomers and the echo boomers to be precise.

In my comments, I'm going to provide a look at who these powerful generations are, how they'll consume media in the digital home of 2010 and how Cox Communications will meet these demands in the complex world ahead.

A quick glance around indicates that baby boomers, me included, are well represented here today. U.S. Census data indicates that the baby boom generation is 83 million strong. The purchasing power of this imposing group is undeniable and will remain for years to come.

But who here has heard of the echo boomers?

Even if you're not familiar with this term, I suspect many of you -- like me -- have one or more echo boomers living in your house today.

Also known as millenials, the echo boomers are 15 to 25 years of age. This new generation of 73 million consumers will soon displace their baby boomer parents as the household decision-makers. In fact, in three years, they'll make nearly 25 percent of all household purchasing decisions for communications and entertainment services.

Echo boomers want online entertainment – music...videos... and gaming. They've been part of their lifestyle since they were little kids.

Mobile phones and game consoles rival the importance of TV in their lives. And Echo boomers love their PCs...so much so, that research indicates they'd choose a PC over a TV.

Above all else, they want two things: networked devices....and portable content.

You may be aware that later this year, we'll add wireless phone to our service bundle, through our joint venture with Sprint-Nextel.

Currently, only 10 percent of U.S. broadband households have abandoned their landline telephones. But a full 30 percent of echo boomers plan to do so in the next four years.

Needless to say, these are our future VIP customers.

Echo boomers will clearly drive change in media consumption. And, they'll take their baby boomer parents with them.

Our children know technology better than we do. They've been pausing TV for years. And if you want to talk to your teenager today, you'd better master text messaging.

For Cox, that means more technologically savvy consumers -- of all ages.

And more buyers of our bundle of video, telephone high-speed Internet services.

Let me take a moment to walk you through the digital household of 2010 and explain how media consumption will change. Thanks to convergence and product integration, it will be tricky to discern one Cox service from another. But I'll attempt to sort it out for you...starting with video.

In 2010 we'll provide 100 percent digital simulcast. Three-fourths of our video customers will be digital TV households. Seventy percent of these digital homes will have a Digital Video Recorder, or DVR. Sixty five percent will have a high definition TV package, with more than 50 channels and a vast array of high-def, on-demand selections.

Our entertainment-on-demand platform will feature access to some films at the same time they hit theaters. And our customers will love Cox PRIME on-demand, featuring broadcast and cable's primetime lineup for 24 hours after it airs on the linear network.

Appointment TV viewing will be a thing of the past – a trend that's already well underway. Today, 665,000 Cox customers subscribe to our DVR service.

Penetration has more than doubled from one year ago. Our DVR users report that 40 percent of their viewing time is spent watching recorded programs.

More than half of our digital homes have access to Entertainment-on-Demand today. And our entire digital subscriber base will have access by the end of next year. About 40 percent of our on-demand enabled subscribers use the service, viewing an average of nine programs each month.

Based on these trends, we estimate that half of TV viewership in the digital home of 2010 will be time-shifted and on-demand -- not on linear networks.

What does our high-speed internet service look like in 2010?

It's lightening fast. But who cares -- everyone has a fast internet product. We're working with multiple application partners to meet consumer demand for valuable, integrated services. What's exciting at Cox are our robust applications and our superior in-home customer support.

In 2010, telephone service will come in many different flavors. It's no longer just Ma Bell's plain old telephone service. It could be circuit-switched, IP-delivered, Internet messaging or wireless.

Our platform offers a suite of services, with and without wires. And voice and internet services are fully integrated.

What do our customers say about Cox in 2010?

They describe us as reliable...we make them feel enabled...and we're known for our integrated approach.

Cox people, who sell and support our services, are called smart...valued....trusted.

It's here that we'll stake our claim for a prosperous future.

Cox's 23,000 employees nationwide have a clear mission in the fiercely competitive battles ahead....to provide simple solutions for our customers in a technically complex world.

Making our services portable and mobile, will further enhance our customer value proposition. And our award-winning service will separate us from the competition.

For three years running, Cox has scored highest in the western region in JD Power and Associates residential telephone customer satisfaction ratings. It's pretty good for a phone company with less than 10 years experience to beat the century-old incumbent Bells. In 2005, Cox High Speed Internet also received top customer satisfaction honors from JD Power. And we've achieved a "threepeat" as top broadband ISP in PC Magazine's Readers' Choice Awards.

We firmly believe that combining quality products and simplicity with stellar customer service is *the* winning formula in the turf wars ahead.

That's presuming however, that the rules and regulations governing our business apply fairly to all, regardless of the delivery platform.

The stakes in Washington are immense at the moment, as powerful interests vie for new legislation that could dramatically change the regulatory framework of our industry.

Who wins and who loses in the legislative battles ahead, I frankly don't know. There's clearly much work to be done to sort through the issues and to reconcile the many disparate iterations of proposed telecom legislation being batted about the House, Senate and state capitols today.

What I do know is that consumers will lose big on a tilted playing field that favors one provider over another. It's not okay to have two wildly differing sets of rules for companies in a hotly competitive video business. And it's not okay to burden providers in a competitive marketplace with arcane, cumbersome rules and regulations that stifle innovation, choke private investment and drive up prices for the new services that consumers deserve.

I appeal to lawmakers to let the marketplace pick the winners and losers -- based on service quality and a good price/value proposition -- by creating sensible laws that foster fair competition, and continued innovation.

It's a tall order, to be sure. Making reasonable rules today that allow the nascent services of tomorrow to flourish is no easy task, particularly while trying to balance the interests of powerful players with lots riding on the game.

But I'm confident that our lawmakers and regulators are up to the task of crafting laws that reflect today's competitive realities, fulfill our industries' important social obligations, and give consumers what they expect -- which is user-friendly, robust technology at a reasonable price.

I'm also confident that letting market forces -- not government regulators -- shape consumers' media use is what our nation's Founding Fathers had in mind. I'm neither a First Amendment scholar, nor a lawyer. But I am a cable guy with

nearly three decades of experience in the business, and I've witnessed our industries' commitment to innovation and meeting consumers' seemingly insatiable appetite for entertainment and information services.

When you combine that appetite with our technology, programming and operational expertise, you get what I understand is First Amendment nirvana: a true marketplace of ideas – where consumers choose which views to support and which to reject. Few industries have done more than cable to expand citizens' information horizons, through a vast array of video programming choices and a robust link to the World Wide Web.

I'm excited about the opportunities ahead for Cox and our industry. With appropriate safeguards in place, American consumers will be the biggest winners of all – with more choices, improved functionality and tremendous value in the years ahead.

At Cox we're squarely focused on providing our customers what they want, when they want it, where they want it. Where competition's concerned, we say bring it on, in a fair marketplace of ideas, right where it belongs.

Thank for your time today.