

Before the Federal Communications Commission

**Prepared Testimony of John K. Billock
Vice Chairman and Chief Operating Officer, Time Warner Cable**

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Good Morning, Mr. Chairman and Commissioners. My name is John K. Billock, and I am Vice Chairman and Chief Operating Officer of Time Warner Cable. I thank the Commission for the opportunity to appear this morning to address the company's deployment of cable-based Internet protocol voice services.

Time Warner Cable is the second largest cable operator in the nation, passing more than 18 million homes and serving nearly 11 million customers. In 2001, Time Warner Cable completed the upgrade of 98% of its cable plant to two-way capable, hybrid fiber-coaxial cable, at an investment of nearly five billion dollars. This upgrade permits us to offer a multitude of broadband, digital, and interactive services. Some examples of such offerings include high-speed cable modem services, Digital Cable, Video on Demand, High Definition Television, and Digital Video Recording devices. And, I am pleased to report that with respect to broadband services, Time Warner Cable's infrastructure upgrade since the Telecommunications Act of 1996 has permitted it to deploy high-speed Internet services to three million customers.

Capitalizing on our broadband cable system and the efficiencies and flexibility of IP technology, Time Warner Cable is now poised to deliver to consumers local and long distance telephony services delivered more efficiently, at a lower cost, and with the reliability and quality of service that customers require. Time Warner Cable believes that

the deployment of IP voice services by cable operators presents an exciting opportunity to provide facilities-based residential local phone competition on a national scale.

Although the company deployed residential circuit-switched telephony in Rochester, New York in 1993, prior to the passage of the 1996 Act, Time Warner Cable has not otherwise deployed circuit-switched telephony on a broad scale. Since the year 2000, the company has been testing the delivery of phone services using IP technology in various technical trials, devoting capital and other resources to these trials in order to gain significant technical and operational experience and prepare for the deployment of these services in the market. In May 2003, Time Warner Cable began offering residential phone service, branded as Digital Phone, on a commercial basis to its customers in the greater Portland, Maine area, making IP voice services delivered over the cable infrastructure a marketplace reality. In addition, we intend to continue deploying Digital Phone service to Time Warner Cable divisions in the coming months.

From a consumer perspective, Time Warner Cable Digital Phone provides unlimited local and long distance calling for a single price that includes popular calling features such as call waiting, caller ID, and call waiting with caller ID. International calling, as well as Operator Services and Directory Assistance, are offered at an extra charge at competitive rates. Time Warner Cable Digital Phone utilizes Local Number Portability, permitting consumers to maintain their existing telephone numbers, in addition to whole-home wiring and the opportunity to utilize each telephone jack in the home. Customers also have access to toll-free 800 calling, Telecommunications Relay

Services, Enhanced 911 services, and Directory Listings. Customers are billed for their Digital Phone service, in addition to other Time Warner Cable-provided services, on a single billing statement.

Time Warner Cable Digital Phone currently services more than 7,200 customers in the greater Portland, Maine area, with more than 80 percent of customers choosing to port their telephone numbers. Today, in the Portland, Maine market, Digital Phone is offered in packages ranging from \$39.95 per month to \$49.95 per month. Our long-term plans with respect to Digital Phone packaging and pricing continue to evolve and develop as we study market response and other factors and prepare our business plans for both Portland and our additional service areas.

Importantly, the Digital Phone services are delivered over a managed network with quality of service standards, ensuring that customers are provided with the level of quality offered by traditional telephone service and to which they are accustomed. In the case of Portland, Maine Digital Phone customers calling each other, the entire call is routed on the Time Warner Cable managed network, which is supported with quality of service standards.

In order to reach customers not served by Time Warner Cable, calls must at times traverse not only our managed network but also the Public Switched Telephone Network. Time Warner Cable accomplishes this through relationships with competitive local exchange carriers that provide to us a variety of services, including the transport and

termination of local and toll calls, the provision of Directory Assistance and Operator Services, and the delivery of 911 calls to Public Safety Answering Points. Through this type of arrangement, calls destined for the PSTN, whether local or interexchange, are terminated in accordance with existing intercarrier compensation regimes. As market penetration of cable-based IP voice services grows, however, the opportunity to keep more calls on managed IP cable networks increases and Time Warner Cable is able to gain increased efficiencies.

Additionally, Time Warner Cable is committed to supporting important public policies associated with its delivery of IP voice services. As I mentioned earlier, Digital Phone supports and offers access to Enhanced 911 services. In addition, Time Warner Cable will support the goals of Universal Service by contributing to both state and federal Universal Service Funds in connection with the Digital Phone service. Finally, the IP voice solution deployed by Time Warner Cable supports the capability to assist law enforcement agencies by permitting the capture, where necessary, of both call identifying information and call content. Time Warner Cable views this as a critical aspect of its Digital Phone service in this time of heightened national security and law enforcement concerns.

One of the more exciting aspects of the Digital Phone service is the potential for the deployment of new features and functionalities not traditionally seen by residential telephone users. The flexibility of the IP technology and the broadband cable infrastructure promises the delivery of services—such as multimedia conferencing,

interactive gaming, and other multimedia applications—that will demonstrate the real benefits consumers can reap from the integration of video, data, and voice services over a single broadband network.

The deployment of IP voice services by Time Warner Cable and other cable operators that we are now seeing in the marketplace not only will deliver the promise of the 1996 Act—the provision of facilities-based local phone service to vast numbers of residential consumers—but also will serve the Act’s additional goal of increasing the deployment of broadband services. Providers such as Time Warner Cable have invested in—and are committed to—deploying these services on a wide scale and in a sustainable manner, and we believe that regulators should do all they can to encourage the rapid deployment of these services so that consumers can realize the full benefits of a competitive marketplace.

Mr. Chairman and Commissioners, I thank you again for the opportunity to appear to discuss the exciting opportunity in the communications marketplace presented by the emergence of IP voice services. We at Time Warner Cable look forward to working with the Commission in its continued efforts to monitor and investigate the deployment of these services, and I will be glad to answer any questions.