

Comcast Chief Hints at Plan to Compete

Cable firm to push content as Verizon mounts challenge

WALTHAM -- Comcast Corp.'s future in the cable business depends on offering more content to its subscribers, in many cases for free, the company's chief executive, Brian Roberts, said in a speech here yesterday. Addressing a gathering of local telecommunications executives and investors, Roberts said his company intends to add hundreds more movies, video clips, and other free content to its OnDemand service in the coming year, stressing that he wanted to "build value" for subscribers, rather than compete for business on price.

His comments, before the annual meeting of the Massachusetts Network Communications Council, signal Comcast's strategy for competing with Verizon Communications Inc., the telephone and broadband company that has staked much of its future growth on an aggressive push into the pay TV market. Verizon launched the service with a \$39.95 per month expanded basic package in Keller, Texas, two weeks ago, about \$10 below Comcast's cheapest digital tier.

"We want to give a great add value to customers. When Hyundai cuts its price, it doesn't make BMW customers switch," Roberts said in one of many swipes he took at Verizon before and after his speech. Verizon debuted its new television service that runs over fiber-optic cables in Keller, a Houston suburb, on Sept. 22. Last week, the company won permission to roll out the service in Woburn, the first such franchise it has won in New England.

Like cable, Verizon pipes its TV service into customers' homes via underground lines, though it uses a high-speed fiber-optic network, dubbed FiOS, that it also uses to provide high-speed Internet service. The company's expanded basic package includes

180 digital TV and music channels, plus access to 600 video-on-demand movies. Verizon says that will be expanded to 1,800 by year-end. Comcast offers a digital cable package that includes 150 TV channels, about 40 music channels, and includes video-on-demand for \$50 monthly. It sells a bundle of cable, Internet, and telephone service for \$99 monthly. Still, Verizon spokesman Eric Rabe said his company is not out to force a price war with cable companies.

"That's not a matter of undercutting anybody, but having competition prevents a monopoly from doing whatever it wants to do," Rabe said. He said FiOS TV could debut in Woburn by early next year. Analysts noted that Roberts has long resisted price competition, evidenced by the company's investment of tens of billions of dollars to upgrade its network and offering products like OnDemand, high-speed Internet, and phone service, for which it can charge premium rates. Comcast also plans on continually increasing the speed of its Internet service. Right now the company offers a choice of six or eight megabytes per second, but that could reach up to 100 megabytes per second on Comcast's existing network, Roberts said.

Yet some industry watchers said Comcast could still be forced to cut cable rates, at least temporarily. With its fiber network, Verizon is able to offer the same "triple play" bundle of phone, TV, and broadband service as Comcast, something previous competitors haven't been able to match, said Adi Kishore, director of the media practice at Boston research firm the Yankee Group. "I think it's shaping up to be a good battle," he said. If Verizon gains enough subscribers in Comcast markets, the incumbent cable company might start offering promotional deals, he said.

"They'll say 'OK, for two months if you sign on for cable modem service from Comcast, we'll give it to you for \$15.' After two months you bump the price up again and it's a \$45 product." Roberts also said Comcast needs to do more business with networking and content entrepreneurs. Comcast has had success doing business with networking firms like Cedar Point Communications Inc. in Londonderry, N.H., SeaChange International Inc. of Maynard, and Camiant Inc. of Marlborough, he said. "You have to have the idea yourself, or you have to buy it or you have to partner with somebody for future growth. We understand that you have to work with entrepreneurs," Roberts said.