

Testimonies from Kaunakakai, Molokai

**Testimony Before the Department of Commerce and Consumer Affairs in Support of the
Application for the Indirect Transfer of Control of Oceanic Time Warner Cable LLC
September 17, 2015
Maui County (Excluding Lahaina)
Kaunakakai, Molokai**

Director Awakuni Colón, ladies and gentlemen, Aloha. My name is Gary Underwood. I am the Regional Senior Director of Government Affairs at Charter Communications and am responsible for all state and local government affairs for Charter's Southwest Region.

Thank you for this opportunity to discuss the proposed transaction between Charter and Time Warner Cable. I am honored to be here and excited to speak with you about Charter and our plans for the future. I am confident that Charter will be a positive addition to Hawaii – benefitting the people who live here by enhancing existing communications infrastructure and services, investing in the local economy, and providing good jobs for local residents.

Under the terms of the proposed transaction, Charter will merge with and assume control of Time Warner Cable, including its Hawaii subsidiary, Oceanic Time Warner Cable. This transaction, together with Charter's acquisition of a third cable provider - Bright House Networks - promises to build on the best attributes of the merging companies to offer world-class communications services to the people of Hawaii.

Charter recognizes the uniqueness of Hawaii. We value the State's rich history and diverse culture. After the transaction closes, we hope to operate Oceanic as part of our national footprint while still preserving the local nature of the company's presence here in Hawaii. Working with you and Oceanic's experienced employees, we plan to achieve the balance that will serve customers well in the future.

I. INTRODUCTION TO CHARTER

While Charter may not be well known in Hawaii, it is a leading communications company that provides some of the nation's most advanced broadband Internet, video, voice, and business services. Charter serves over 5.8 million residential customers and almost 400,000 commercial customers, including approximately 4.3 million video and 5.1 million broadband customers across the country. Headquartered in Stamford, Connecticut, Charter operates in 28 states and employs over 23,500 people.

Charter is widely recognized as having one of the best cable management teams in the industry. In the past 12 months, two of the industry's leading trade publications – Multichannel News and CableFAX Daily - named Charter its "Operator of the Year." The New York Times recently reported that Charter's CEO Tom Rutledge has "a reputation for being one of the best operators in the industry." Under his leadership, the merged company will have the incentive and the resources to extend Charter's existing pro-customer and pro-broadband model to Oceanic's systems in Hawaii, and to further increase investment in its network and communities.

When this management team came to Charter three and one-half years ago, it immediately began making significant changes. The company invested heavily in the network, upgraded its infrastructure and instituted a growth strategy founded on consumer-friendly principles. Today, Charter is the fastest growing publicly-traded cable company in the United States, and our customers are increasingly satisfied with both our products and our service.

The cornerstone of Charter's business strategy is to fulfill customers' needs by providing best-in-class product offerings at highly competitive prices and demonstrating a true commitment to customer care. Charter has infused more uniformity into its pricing and packaging and is noted for straightforward billing practices without a lot of additional taxes and charges added. The company is well known for some of the things it does *not* do. Charter does

not impose extra fees such as modem fees, state or federal USF fees, E911 fees, subscriber line fees, additional outlet fees, or early termination fees.

In the last three and one-half years, Charter has invested \$5.5 billion in our network and added approximately 7,000 new jobs. For a company with over 23,500 employees today, that means Charter has added almost a third of its workforce in a very short period of time without any major acquisitions or new service areas having been added to its footprint. The company has returned jobs to the United States from other countries, boosted base broadband speeds, and added more video programming channels, HD services and VOD options for our customers.

Charter also has a long history of technological innovation that, when combined with the technical capabilities of Time Warner Cable and Bright House Networks, will ensure that Hawaii continues to receive cutting-edge, high quality products and services. Many of the most popular technological advancements available today, such as Video-On-Demand, remote DVR, wide scale roll-out of WiFi over cable outdoors, and cable programming through an app, were created by people associated with Charter, Time Warner Cable and Bright House Networks. Our record demonstrates a commitment to making the investment necessary to ensure that Charter's network is not only robust for the needs of today, but is also positioned to evolve to meet consumer and business demands of the future.

Moreover, by combining Charter's business strategy of investing in and offering high-quality services at competitive prices, Time Warner Cable's technical expertise, operating momentum and established commitment to diversity, and Bright House Networks' strong reputation for customer care and initiatives to expand broadband adoption to close the digital divide, the transaction will deliver significant tangible benefits to the people of Hawaii. I would like to take just a few minutes to talk about some of those benefits.

II. SERVICES AND CUSTOMER CARE

A. Residential Video Services

Charter remains an innovative leader in the delivery of video programming content to customers. Having now transitioned virtually our entire network to digital, Charter is well positioned to continue Oceanic's efforts to move its systems in Hawaii to an all-digital format. This is critically important for Hawaii because the move to all-digital will free up spectrum, allowing Charter to provide faster broadband speeds and significantly more high definition and on-demand channels.

Charter is also a leader in the creation of new video technology. Charter's innovative interactive, on-screen guide (which we call *Spectrum Guide*) offers a customizable interactive experience that allows customers to find video content more easily across cable TV channels and on-demand options. Because the Spectrum Guide uses cloud-based technology, it works on customers' existing two-way set-top boxes, so they can avoid the time and expense of having to get a new box. The Spectrum Guide in an app form will soon be able to work with innovative retail devices such as Roku. Additionally, for consistency between the television and app viewing environments, the Charter TV app will include the Spectrum Guide user interface. Charter has committed to deploy our Spectrum Guide quickly across the merged entity, including within the State of Hawaii.

Upon completion of the conversion to all-digital, Charter will begin deploying our new Worldbox consumer premises equipment system. This system will enhance the customer experience by providing new and improved box capabilities, such as additional simultaneous recordings and increased storage capacity for DVR users.

Furthermore, Worldbox utilizes a downloadable conditional access system and digital rights management platform, which enables Charter to source set-top boxes that lack costly

proprietary security systems. Because the Worldbox security system works differently than current boxes, it provides customers a greater degree of flexibility to take their converter equipment with them when they move. Deploying Worldbox throughout Charter's territory will enhance the user experience and enable the more cost-efficient provision of service.

Furthermore, our adoption of Charter's downloadable security solution supports the development of devices manufactured by third parties, thereby increasing competition in the set-top box market and potentially driving down costs to consumers. Congress, the FCC, and consumer groups have long encouraged this sort of competition in the set-top box market as an important pro-consumer goal. Finally, Worldbox is designed to comply with the Environmental Protection Agency's ENERGY STAR 3.0 efficiency levels, which will help contribute to annual residential electricity savings, especially in Hawaii where electricity rates are some of the highest in the nation.

We know there is an interest in expanding cable and broadband offerings in Hawaii wherever economically feasible. Along with the technological advancements just discussed, Charter commits that within 4 years of transaction closing, the company will build out one-million line extensions to homes in our franchise areas. Additionally, the company has committed to spend an additional \$2.5 billion in the build-out of networks into commercial areas within our footprint beyond where we currently operate. While we do not know today how many of those line extensions or commercial build out projects will be constructed in Hawaii, upon closing the transaction, we will evaluate each of the Oceanic systems to determine where they are appropriate.

Increased scale will also help drive investment, which is good for customers. The transaction will lower the per-customer fixed costs of investments, facilitating the deployment of

new technology and advanced infrastructure. In addition, substantial synergies will reduce the merged company's costs, providing additional resources to invest productively.

Finally, with regard to the provision of cable television service, let me assure DCCA and the public that Charter intends to meet its obligations under its franchises; this includes PEG. The company has a long history of working with the public, educational and government access programming communities. In fact, because of Charter's willingness to engage with those interests in a positive and constructive manner, some in our existing service areas have already publicly lent their support to the transaction.

B. Broadband Internet Services

Next, although I recognize DCCA's regulatory jurisdiction is limited to cable television, one of the other significant benefits is Charter's commitment to faster base broadband services for residential and small business customers (without modem fees), and consumer-friendly terms including no data caps, usage based pricing or early termination fees. In virtually all of our service areas, Charter's lowest broadband speed is an extremely fast 60 Megabits per second, which, among other things, allows several people in a household to stream HD video, while surfing the web at the same time. In addition, Charter will introduce a new broadband program for low-income consumers, as discussed later in this testimony.

The company is also committed to expanding mobile broadband options. Charter knows that Oceanic has already begun deploying WiFi access points in Hawaii. Charter commits that within 4 years of the closing, we will deploy 300,000 new out-of-home WiFi access points nationwide. Again, Charter does not yet know how many will be in Hawaii, but the company commits to evaluate the needs of each local system as we develop our deployment strategy and Hawaii will be included in Charter's outdoor WiFi plans.

Consistent with our commitment to delivering superior broadband service designed for data-intensive applications, like HD online video, Charter has long practiced network neutrality, and we will not block or slow down Internet traffic or engage in paid prioritization. This commitment will remain in place for at least the next three years, regardless of the pending judicial appeal of the FCC's *Open Internet Order*. And we have consistently invested in interconnection capacity to avoid network congestion. We have also committed to continue settlement-free interconnection, fostering Charter's good reputation among leading Internet content providers, like Netflix, which opposed the Comcast-Time Warner Cable transaction, but publicly supports this one.

C. Customer Care

Charter's pro-consumer approach includes a commitment to customer care. We are focused on improving Charter's customer service and will leverage the transaction to better our relationships with customers across our footprint. As previously stated, Charter has brought back jobs from overseas call centers and hired thousands of people to improve customer care services. The company also brought more field service technicians in-house, providing better job-training, benefits and opportunities for advancement, developing our own highly-skilled and well-paid workforce that will serve to improve overall customer care functions.

Charter also offers multiple easy-to-access support services emphasizing convenience and efficiency. The company offers same-day, evening and weekend appointments for service calls. Charter provides telephone and email alerts to customers with scheduled service calls to inform them of the arrival time of the technician.

To further ensure that our customers receive the best possible service, Charter has upgraded and expanded its system monitoring capabilities, and will continue TWC's practice in Hawaii of monitoring all two-way devices in the home – digital converters and modems – 24

hours a day, 7 days a week, 365 days a year. Customer service representatives also have the ability to access in-home information with the customer on the phone, so that they may provide remedies while the call is taking place.

D. Community Commitment and Investment

Finally, I would particularly like to highlight Charter's positive role in the communities it serves. Charter considers our relationships with the communities we serve as partnerships. The company will work with the DCCA staff to ensure that the transaction is seamless and that Hawaii customers receive the highest quality and most reliable services.

Charter will preserve and expand existing programs offered by the three merging companies that establish their strong corporate citizenship. For example, Time Warner Cable has recognized best practices with respect to diversity and inclusion for employees, suppliers, and corporate governance. Charter will incorporate and build upon these practices. Moreover, within six months after the transaction closes, Charter will introduce a new low-income broadband service, which will enhance Bright House Network's existing Connect2Compete program by raising speeds and expanding eligibility, while still offering a discounted price. This program, which will be offered in Hawaii, can enable many more families and children access to the tools they need to succeed in today's digital world.

III. CONCLUSION

In closing, upon approval of this transaction, the people of Hawaii can expect increased technological capabilities, faster and more widely available Internet service, a robust commitment to customer service and community initiatives, and enhanced competition for business services. I speak for everyone at Charter when I say that we are excited to serve the people of Hawaii and become a part of your communities.