Before the

Federal Communications Commission

Washington, D.C. 20554

In the Matter of	**)**	
	)	
Implementation of Section 3 of the Cable	**)**	
Television Consumer Protection and Competition	**)**	MM Docket No. 92-266
Act of 1992	**)**	
	)	
Statistical Report on Average Rates for Basic	**)**	
Service, Cable Programming Service, and	**)**	
Equipment	**)**	
	)	
	)	

REPORT ON CABLE INDUSTRY PRICES

Adopted: December 15, 2014   **Released: December 15, 2014**

By the Chief, Media Bureau:

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I. INTRODUCTION AND EXECUTIVE SUMMARY

1. As required by law, the Media Bureau's staff conducted an annual survey for the calendar year ending January 1, 2014, of the rates cable operators charge for basic cable television service, expanded basic cable service, and equipment. The survey used a random sampling of cable systems. About half of the cable systems in the sample are subject to local franchise authority (LFA) regulation of basic cable service rates. The other half are exempt from such rate regulation. Media Bureau staff compared the rates of those two groups and found that the average rates for these services generally continue to be higher for the cable operators exempt from rate regulation of their basic service rates. This is due, at least in part, to the fact that cable operators in the survey response that are exempt from rate regulation provide a greater number of video channels, on average, than the responding cable systems subject to local rate regulation. The average monthly price of expanded basic cable service increased overall by 3.1 percent in the year ending January 1, 2014, while the average price per channel increased by 0.9 percent.

2. Section 623(k) of the Communications Act of 1934, as amended by the Cable Television Consumer Protection and Competition Act of 1992 (Cable Act),[1] requires the Commission to publish annually a statistical report on the average rates that cable operators[2] charge for "basic cable service, other cable programming," and cable equipment (the Report).[3] That section also requires the Commission to compare the rates of cable operators found to be subject to effective competition, under a statutorily

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[1] Section 623(k) was adopted as Section 3(k) of the Cable Act, Pub. L. No. 102-385, 106 Stat. 1460, codified at 47 U.S.C. § 543(k).

[2] All averages in this Report are weighted averages where the weight given to an individual cable operator depends on the number of subscribers to the operator in that community. For the purpose of our Report, a cable operator (or operator) refers to an entity that operates a wireline system and is a multichannel video programming distributor (MVPD) that makes available for purchase, by subscribers or customers, multiple channels of video programming. *See* 47 C.F.R. § 76.905(d). In our Report, the term cable operator includes operators of traditional coaxial and fiber cable systems, municipalities, and telephone companies (including Verizon FiOS) registered with the Commission. *See* 47 C.F.R. § 76.1801. DBS systems and AT&T U-verse are not registered operators and are therefore excluded from this report. The Commission however considers DBS and U-verse competitors for assessing effective competition.

[3] The Cable Act requires operators to offer an entry-level basic service, which must include, at a minimum, all commercial and noncommercial educational local broadcast stations entitled to carriage under the must-carry provisions of the Communications Act of 1934, as amended, 47 U.S.C. §§ 534-35. Basic service must also offer any other local broadcast station provided to any subscriber, as well as public, educational, and governmental access channels that the LFA may require the operator to carry. *See* 47 U.S.C. § 543(b)(7). The term "cable programming service" refers to a tier of video channels for which the operator charges a separate rate, other than the basic service channels and channels for which per-channel or per-program charges apply. *See* 47 U.S.C. § 543(k)(l)(2). Cable equipment refers to a converter box and other customer premises equipment used for accessing cable services. *See* 47 U.S.C. § 543(b)(3).

defined standard (hereinafter referred to as "effective competition")[4] with those of cable operators that the Commission has not found to date to be subject to such effective competition.[5] For purposes of this survey, we have defined all cable operators that do not have an FCC finding of effective competition as "noncompetitive". In many such communities, the incumbent cable operator could possibly meet the test yet for various reasons has not petitioned the Commission for an effective competition finding; or, if a petition was filed it may be pending or may have been granted after the January 1, 2014 cut-off date for our survey. Available data are inadequate to allow us to estimate the potential impact that these communities may have on our findings. For reasons discussed in paragraphs 7 and 9, infra, a significant number of these communities may exist in our sample of noncompetitive cable operators that remain subject to local basic rate regulation. We note, however, that even without an effective competition finding, the LFA may elect not to regulate the price of basic service. In fact, according to our survey, in the communities without an effective competition finding, only 13 percent of subscribers are in areas where the LFAs elect to regulate the price of basic service.   This Report fulfills the statutory directives and presents key findings for the 12 months ending January 1, 2014.[6]

        3.   *Average prices for all communities.* The average monthly price of expanded basic service (the combined price of basic service and the most subscribed cable programming service tier excluding

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[4]*See* 47 U.S.C. § 543(k)(1) (cross-referencing 47 U.S.C. § 543(a)(2)). Under the Cable Act, if the Commission grants a finding of effective competition to an operator and the community it serves, that operator is not subject to regulation of its basic service price. Such a finding requires the operator to meet one of four statutory tests: (1) fewer than 30 percent of households in the franchise area subscribe to the operator's cable programming service (low penetration test); (2) the operator and at least one other MVPD, including direct broadcast satellite (DBS) operators, offer comparable service to at least 50 percent of franchise area households and at least 15 percent of such households subscribe to such service other than from the largest MVPD (50/15 test);   (3) a municipality offers MVPD service to at least 50 percent of franchise area households (municipal test); or (4) a local exchange carrier (LEC) or its affiliate, or an entity using the facilities of the LEC or its affiliate, offers MVPD service by means other than DBS service directly to subscribers in an area that an unaffiliated MVPD offering comparable services also serves (LEC test). *See* 47 U.S.C. § 543(l); and 47 C.F.R. § 76.905(b). The LFA may not regulate the operator's rate for basic cable service if the operator is deemed subject to effective competition, unless the LFA seeks and the Commission grants recertification. *See* 47 U.S.C. §§ 543(a)(2); and 47 C.F.R. § 76.916(a). A finding of effective competition based on more generally applicable competition analysis may not necessarily reach the same conclusion as a finding of effective competition based on this statutory standard. See, generally, the Department of Justice Horizontal Merger Guidelines, http://www.justice.gov/atr/public/guidelines/hmg-2010.html.

[5] *See* 47 U.S.C. § 543(k)(2).

[6] The information in this Report meets the Commission's information quality guidelines. *See Implementation of Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility and Integrity of Information Pursuant to Section 515 of Public Law No. 105-554,* Information Quality Guidelines, 17 FCC Rcd 19890 (2002).

taxes, fees and equipment charges) for all communities surveyed increased by 3.1 percent over the 12 months ending January 1, 2014, to $66.61, compared to an annual increase of 1.6 percent in the Consumer Price Index (CPI). The price of expanded basic service has increased at a compound average annual growth rate of 5.9 percent during the period 1995-2014. The CPI increased at a compound average annual growth rate of 2.4 percent over the same period. The price per channel (price divided by number of channels) for subscribers purchasing expanded basic service increased by 0.9 percent over the 12 months ending January 1, 2014, to 50 cents per channel. However, over the 19 years from 1995-2014, the price per channel is virtually unchanged on an average annual compound basis.[7]

4. *Average prices in communities with a finding of effective competition compared with prices in communities without a finding of effective competition.* Over the 12 months ending January 1, 2014, the average price of expanded basic service increased by 3.2 percent, to $65.32, for those operators serving communities for which no effective competition finding was made as of January 1, 2014. For the effective competition communities, the average price of expanded basic increased by 2.9 percent, to $68.16. Over this period, price per channel increased by 1.6 percent in communities without a finding of effective competition, to 53 cents per channel, and decreased by 0.1 percent in effective competition communities, to 45 cents per channel. The price per channel is 14.7 percent lower in effective competition communities than in communities without a finding of effective competition, which reflects that operators in effective competition communities carry, on average, more channels on expanded basic service than operators carry in communities without this finding.

5. As noted, the price of expanded basic service averaged across effective competition communities was higher than the price of expanded basic service averaged across communities without such a finding. The difference is statistically significant. The three previous surveys also found that the price of expanded basic service in effective competition communities was higher than the price of expanded basic in communities without such a finding. Prior to that, surveys found that effective competition communities in general had lower prices.[8] As discussed further in Section III, several factors contributed to this reversal of trend, including an increase in communities where there has been a finding of effective competition based on the DBS market share.

6. We next compare the price of expanded basic service in effective competition communities overall ($68.16) to the four subgroups (defined at paragraph 11, *infra*) of these effective competition communities, as of January 1, 2014. On average, prices were 3.8 percent lower ($65.58) for incumbent cable operators in communities with a rival operator and 3.7 percent lower ($65.65) for the rival

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[7] It was lower by 0.1 percent. To calculate 2013-2014 price changes, the survey sampled two years of data, rather than using the 2013 price from the prior (2013) survey, so as not to introduce random sampling variance. For further explanation, *See* Appendix, paragraph 9. Table 1 reports the 2014 price and annual change based on the 2014 survey. Table 3 reports the historical price series based on price data from that survey year.

[8] *See* Attachment 7 for citations to previous survey Reports. As noted, the effective competition average price for expanded basic service exceeded the noncompetitive average price for the first time in the 2009 survey.

operators. Prices were 1.6 percent higher ($69.22) for findings the Commission granted on the basis that the DBS market share met the 15 percent threshold established by the statute. Prices were 2.3 percent lower ($66.62) in the "Other" subgroup of cable operators, those competing with a wireless MVPD system or who met the low penetration test as a result of serving fewer than 30 percent of households.

II. OVERVIEW OF THE SURVEY

7.   The basis for the information and analysis provided in this Report is the Commission's 2014 survey of cable industry prices (survey). In May 2014, the Commission directed a randomly selected sample of cable operators to respond to a survey questionnaire that requested data primarily as of January 1, 2013 and January 1, 2014.[1] On this basis, increases/decreases in prices/channels from 2013 to 2014 reported herein reflect the data collected in the 2014 survey, not from comparing the data from the 2013 and 2014 surveys.[2] The survey requested data from a random sample of 800 cable operators serving two groups of communities: (1) communities where operators have not been formally found to meet one of the statutory tests for effective competition; and (2) communities where operators have been found to meet one of the statutory tests for effective competition (effective competition communities). In the latter group, the cable operator serving that community is not subject to price regulation of its basic service by the LFA.

8.   We surveyed operators serving 485 out of the 23,506 communities without a finding of effective competition and 315 out of the 10,129 communities granted an effective competition finding pursuant to the statute. In selecting cable operators for our sample from the effective competition communities, we relied on the Commission's formal findings of effective competition, based on the statutory definition of effective competition in the Cable Act.[3] The basis of most of the effective competition cases that come before the Commission is competition between a cable operator and a DBS provider. The basis of the remaining effective competition cases is either competition between a cable operator and a wireline or wireless competitor or low subscriber penetration. Our list of effective competition communities is limited to those that have received a formal FCC finding of effective competition under the statutory tests. The statute does not account for areas of the country where conditions may be present (*i.e.*, sufficient market-based competition) to warrant a finding of effective competition yet where no cable operator has petitioned for a finding or the Commission has not yet acted on a pending petition for such a finding as of January 1, 2014.[4] Many such areas may exist due to the emergence of competing wireline providers (Verizon, AT&T, and others) and DBS providers (available

[1] *See Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992, Statistical Report on Average Prices for Basic Service, Cable Programming Services, and Equipment*, MM Docket No. 92-266, Media Bureau, DA 14-672, (rel. May 16, 2014).

[2] The reported changes in cable prices/channels from 2013 to 2014 are not subject to random variance compared to estimates based on data from two separate survey samples.

[3] *See* 47 U.S.C. § 543(a)(2).

[4] See, 47 U.S.C. § 543(k). In these cases, the LFA may or may not choose to price regulate. *See* Note 2, *supra*.

nationwide and serving greater than 15 percent of households on average). These areas of the country may have a competing provider who exceeds the 15 percent threshold set forth in the 50/15 test for effective competition, but the incumbent cable operator has not petitioned the Commission for a finding of effective competition.

      9.   DIRECTV and DISH Network provide DBS programming services similar to cable systems, which suggests that a comparison of those companies' prices and channels to cable provider offerings could be informative as part of this Report.[5] Therefore, we compare herein the national average price, number of channels, and price per channel for cable's expanded basic service package to comparable packages offered by DIRECTV (Choice) and DISH Network (America's Top 120 Plus). As of January 1, 2014, the average expanded basic cable price ($66.61) was higher than both DIRECTV ($64.92[6]) and DISH Network ($59.99). DIRECTV offered the greatest number of channels (212 compared to cable's 167), and had a significantly lower price per channel than the cable average (31 cents compared to 50 cents). Compared to the average cable provider, DISH Network offered significantly fewer channels (160), and had a lower price per channel (38 cents). Attachment 9 provides details.

      10. *Brief Overview of Survey Methodology*. We selected the sample of cable operators granted a finding of effective competition from four subgroups.[7]   The first two subgroups are comprised of communities in which a second wireline operator's offerings provided the basis for the finding of effective competition. The first subgroup (Second Cable Operator: Incumbent) consists of the incumbent operator in the community and the second subgroup (Second Cable Operator: Rival) consists of the rival

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[5] While these companies' programming packages are similar, DBS systems, which are available on a nationwide basis, do not provide a local-facilities-based service and can therefore add subscribers anywhere with minimal incremental infrastructure cost. *Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming,* Fifteenth Report, 28 FCC Rcd 10496, 10546 ¶ 112 (2013).

[6] DIRECTV charged two different national prices in January 2014 ($64.99 and $61.99) depending on whether its service in the DMA included local broadcast television signals (DIRECTV provides local broadcast signals in 197 out of 210 DMAs). The average price reported herein reflects the mean price of 40 randomly selected communities from the survey.

[7] We designed these subgroups in order to achieve a high level of statistical precision in our sample. Consequently, the subgroups vary from the division of cable communities under the four statutory tests for effective competition under Section 623(l) of the Cable Act. For example, while the statute permits a municipality to petition for effective competition status if it offers MVPD service to at least 50 percent of its households, to date, no municipality has petitioned the Commission for effective competition status. However, incumbent petitioners sometimes cite municipals as rivals. These municipals are included in the rival subgroup and a number are included in our survey. The other municipal cable operators are in the groups of operators without an effective competition finding and some of these operators are also in our sample. *See* Attachment 1 and the Appendix, Section A, for a complete description of our sampling methodology.

operator in the community. We also report the weighted average of both the incumbent and rival operators (Both).   The incumbent is the operator who provided service prior to the rival operator's introduction to the market. The basis of findings of effective competition for this incumbent subgroup are either (a) the 50/15 test resulting from the presence of at least two MVPDs or (b) the local exchange carrier (LEC) test resulting from the presence of at least two MVPDs, one of which is a LEC or an entity affiliated with or using the LEC's facilities.[8]

11.   The basis of most effective competition cases that come before the Commission is competition between a cable operator and a DBS provider. The third subgroup contains operators in communities in which a sufficient percentage of households subscribed to DBS service to substantiate a finding of effective competition under the 50/15 test (DBS subgroup).[9] The basis of the remaining effective competition cases is either competition from a wireless competitor or a cable operator with low subscriber penetration in the community. The fourth subgroup consists of incumbent operators in communities that are either (a) also served by a wireless operator who offers MVPD programming comparable to the cable operator's offerings or (b) meet the low penetration test as a result of serving fewer than 30 percent of households in the service area (Other Operators). All effective competition findings involving a wireless MVPD to date have been made under the LEC test, although the Commission could also make a finding of effective competition based on the presence of a wireless MVPD under the 50/15 test, assuming the wireless MVPD's service met the requirements for that test.

12. For each community selected for the sample, we asked the operator serving that community to complete a questionnaire that included questions on the prices of basic cable service and other cable programming service offerings. We used the information collected to estimate and compare average prices across the sample groups and subgroups. Basic service consists of the local broadcast stations; public, educational, and governmental access channels[10]; and typically a few additional channels that may be of local, regional, national, or international origin. Subscribers purchase basic service as a prerequisite to subscribing to expanded basic.[11] The survey focused on expanded basic service, which consists of the basic service channels plus a large number of popular national cable networks. Expanded basic service is generally the most-subscribed-to level of service after basic service. We also collected information on the price of the "next most popular" (next most subscribed) service after expanded basic. This next most popular service package generally includes all the programming channels included in the expanded basic

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[8] We define these tests in note 4, *supra*. As noted, the survey does not collect AT&T U-verse prices. See note 2, *supra*. The Commission however considers U-verse a competing MVPD for assessing effective competition and the incumbent subgroup includes findings that cite U-verse competition. For the LEC test, there are many telephone companies in the rival subgroup, from large national systems such as Verizon FiOS, to small municipalities.

[9] The DBS subgroup does not include DBS prices; rather it consists of incumbent cable operators who cited DBS competition.

[10] *See, e.g.,* 47 U.S.C. § 543(b)(7).

[11] *See, e.g.,* 47 U.S.C. § 543(b)(7).

service package and at least seven additional cable network channels. As of January 1, 2014, 88 percent of subscribers took at least expanded basic service, and 12 percent took basic service only.[12] In addition, 51 percent of subscribers on average took the next most popular programming service. Survey respondents reported prices as of January 1, 2013 and January 1, 2014, permitting us to calculate the annual percentage changes for the year ending January 1, 2014. We calculated averages for each survey question by subgroup, by the larger sample groups, and for communities overall.

13. *Accuracy and Reliability Review*. We take a number of steps to ensure the accuracy and reliability of the data upon which we base this Report. Our survey is fully Internet-based, which means we provide the questionnaires to respondents to complete and submit on the Commission's Internet site. Many of the questions have built-in checks for reasonableness, which prompt the respondents to re-check their answers as they are completing the survey if those answers fall outside of a predetermined "range of reasonableness" based on our experience with prior price surveys. A second responsible party within each cable operator's company (other than the person who completed the survey) certifies the completeness and accuracy of that company's responses. After receiving the submitted surveys, we examine all responses using a computer program designed specifically to identify apparent inaccuracies. When we find a particular response to lie outside of its statistically expected reasonable range or is inconsistent with the answers to other questions in the questionnaire, the computer program flags that response and we contact the cable operator and ask that operator to re-check the flagged response and make corrections if needed.[13]

III.   SURVEY RESULTS

14. For the cable operators in communities where the Commission has found effective competition, DBS market share was the basis for most findings. Communities in the DBS subgroup equaled 7,271 for the 2014 survey and accounted for more than two-thirds (69 percent) of all cable subscribers in communities with an effective competition finding. There were 735 communities with an

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[12] This 88 percent includes subscribers whose operators do not offer a separate expanded basic service tier but instead offer a basic service tier that includes many of the popular national networks typically associated with expanded basic. All operators are required to offer a basic service tier that includes, at a minimum, those channels prescribed by statute, but the statute does not require operators to offer a separate tier of cable programming service, *i.e.*, an offering that includes both the basic service tier and other cable programming. See 47 U.S.C. § 543(k). When an operator offers both a basic service tier and a separate expanded basic service tier, we refer to the basic service, for purposes of this survey, as "limited basic." Survey results indicate that less than three percent of subscribers receive basic service from operators that do not also offer a separate expanded basic service, *i.e.*, from operators that do not offer a "limited basic" service.

[13] The percentage of survey responses that requires follow-up inquiries varies over time based on such factors as the familiarity of the respondents with the survey, the complexity of the questions, and introduction of new questions to the survey instrument. For the purposes of the 2014 survey, we contacted approximately 10 percent of the survey respondents with follow-up inquiries. Each operator replied with a data correction or reasonable explanation of why a particular response was plausible.

incumbent operator that was found to have effective competition due to the presence of a second cable operator. Incumbent operators and the rival operators in these communities account for 24 percent of all cable subscribers in the communities with an effective competition finding, down from 25 percent in the previous survey. The remaining seven percent of cable subscribers in the effective competition communities were in the "Other" subgroup, either because they were in the range of a wireless video operator or because they satisfied the market low penetration test.

A. Cable Programming Services

15. Table 1 reports the average price of basic, expanded basic, and the next most popular service (defined for purposes of the survey sample to include at least seven additional channels) on January 1, 2014.[1] It also shows the average price per channel for expanded basic service.[2] Table 1 reports the annual percentage change in price for the year ending January 1, 2014 overall and separately for operators in communities without a finding of effective competition (hereinafter referred to as the "noncompetitive group")[3] and the effective competition group and subgroups. Looking at the Overall Average column, the price was $22.78 for basic service (3.6 percent increase), $66.61 for expanded basic (3.1 percent increase) and $79.42 for the next most popular cable programming service (2.2 percent increase). The price per channel for expanded basic service averaged 50 cents (0.9 percent increase).[4]

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[1] Except for price per channel, as explained in note 23, *infra*, data in this table does not include prices for customer premises equipment (CPE) unless the cable operator bundles the programming service and equipment into a single price. Around 40 percent of operators bundle CPE into the programming price as reported in Attachment 3. The same attachment reports the price of programming, including CPE, for all operators. This includes those who do not bundle equipment if the operator requires CPE to view all channels the service offers. In these cases, each operator reported its most commonly leased equipment to be a set-top converter box and remote control. Section III.C, *infra*, reports the percent of equipment that included a specific feature such as high definition.

[2] In this table, price per channel adjusts the expanded basic programming price to reflect differences in the number of channels the subscriber receives. It equals the expanded basic programming price and the price of the most commonly leased equipment divided by the number of expanded basic channels including channels that may require a converter box or other digital gateway equipment for reception. Attachment 3 describes the price component of price per channel. It also reports price per channel for the other services.

[3] As discussed in paragraph 2, the "noncompetitive" group includes communities for which the Commission has not received a request to make a finding of effective competition or has received but not yet ruled on such a request as of January 1, 2014, but in which such competition may in fact exist.

[4] As stated in note 23, *supra,* price per channel is price divided by the number of channels. The price component for an operator typically includes both programming and customer premises equipment. For expanded basic service, Table 1 shows programming price increasing by 3.1 percent and Table 7 shows equipment price increasing 6.5 percent as of January 1, 2014. Over the same time, the number of expanded basic channels grew by 4.1 percent. (*See* Table 4). Thus, it appears equipment price was the

Table 1 Monthly Price and Price per Channel By Status of Effective Competition								
				Effective Competitive Subgroups				
Cable Programming Service	**Overall Average**	**Non-competitive**	**Effective Competition Group**	**Second Cable Operator Overbuild**			**DBS**	**Other**
				Incum-bent	**Rival**	**Both**		
Basic service	**$22.78**	**$23.01**	**$22.51**	**$20.07**	**$19.7**	**$20.0**	**$23.1**	**$24.5**
Annual change	3.6%*	4.0%	3.2%	1.8%	7.8%	2.6%	3.3%	2.9%
Expanded basic service	**$66.61**	**$65.32**	**$68.16**	**$65.58**	**$65.65**	**$65.59**	**$69.22**	**$66.62**
Annual change	3.1%*	3.2%*	2.9%*	2.1%	4.5%*	2.5%	2.9%*	4.2%
Next most popular	**$79.42**	**$79.07**	**$79.83**	**$76.05**	**$79.75**	**$76.57**	**$80.90**	**$80.65**
Annual change	2.2%*	2.5%*	1.9%*	-0.1%	5.0%*	0.6%	2.1%*	3.2%
Price per channel	**$0.50**	**$0.53**	**$0.45**	**$0.41**	**$0.51**	**$0.43**	**$0.46**	**$0.50**
Annual change	0.9%	1.6%	-0.1%	-3.1%	1.7%	-2.3%	0.7%	-0.6%

Sources are Attachments 2 and 4. * Change in price is statistically significant at the 95% confidence level.

16. Table 2 reports the price differential of each effective competition subgroup compared to the noncompetitive group. Overall, for expanded basic service, price in the effective competition group is higher by 4.3 percent compared to the noncompetitive group. (An asterisk * indicates a statistically significant differential.) One reason for this overall higher price is that the price for expanded basic charged by cable operators in the DBS subgroup is significantly higher, by 6.0 percent, than the noncompetitive average.[5] Further, in contrast to increases from 2012-2013, expanded basic prices are generally growing slower in the effective competition communities, at 2.9 percent over the 12 months ending January 1, 2014, compared to 3.2 percent annual growth in noncompetitive communities as shown in Table 1. The price per channel for expanded basic service is significantly lower (by 14.7 percent) in effective competition areas. The price differentials in effective competition areas for basic service (2.2 percent lower) and next most popular service (1.0 percent higher) are not significantly different from the average in the noncompetitive group. These differentials are at the overall group level. At the subgroup level, by service, the price of basic service is significantly lower in the second cable operator subgroups. For expanded basic service, the average price is significantly higher in the DBS subgroup (by 6.0 percent), but not significantly different in the second cable operator subgroup (0.4 percent higher). For

driving force in the 0.9 percent increase in price per channel.

[5] The DBS subgroup constitutes about two-thirds of all effective competition findings and thus has considerable weight. Note that the survey does not include DBS prices but rather the prices that cable operators charge in areas where the basis of an effective competition finding is DBS market share. See note 2**,** *supra.*

the next most popular service, the incumbent (3.8 percent lower), "both" (3.2 percent lower), and DBS (2.3 percent higher) subgroups for the effective competition areas were significantly different in price from the noncompetitive group. On a per-channel basis for expanded basic service, the price per channel is lower, compared to the noncompetitive group in most of the effective competition subgroups. These differentials in price per channel range from 4.0 percent lower on average for rivals, to 22.4 percent lower in the incumbent subgroup, reflecting carriage of more channels than in the noncompetitive group.

Table 2 Differential in Average Price Effective Competition Group and Subgroups						
Cable Programming Service	**Effective Competition Group**	**Effective Competition Subgroups**				
		Second Cable Operator Overbuild			**DBS**	**Other**
		Incumben	**Riva**	**Both**		
Basic service	-2.2%	-12.8%*	-14.1%*	-13.0%*	0.7%	6.7%
Expanded basic	4.3%*	0.4%	0.5%	0.4%	6.0%*	2.0%
Next most popular	1.0%	-3.8%*	0.9%	-3.2%*	2.3%*	2.0%
Expanded basic	-14.7%*	-22.4%*	-4.0%	-19.8%*	-13.7%*	-6.4%

Sources are Attachments 2 and 4. * Price difference is statistically significant at the 95% confidence level.

17. Table 3 shows that the average price of expanded basic service grew at a compound annual rate of 5.9 percent over the 19-year period from 1995-2014, higher than the annual 2014 increase of 3.1 percent shown in Table 1.[6] Over the 19 years, channels offered with expanded basic service grew annually at 5.8 percent, and price per channel declined by 0.1 percent on an annual basis.[7] For

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[6] The prices in Table 3 in each year are from the survey for that year. Because of the random variance of survey samples from year to year, the "starting rate" will not necessarily match the "ending rate" from the prior year's survey. For example, the 2013 prices were obtained from the sample communities in the 2013 survey and do not exactly match the 2013 prices from the 2014 survey shown in Attachment 2 since the randomly selected sample of communities in the 2014 survey was different than those in the 2013 survey due to standard sampling variance. For this same reason, the 2012 prices in Table 3 do not exactly match 2012 prices reflected in the 2012 survey, and so on for each year reported in Table 3.

[7] In Table 3, 2010 is the start of a new data series for channels and price per channel, reflecting the change to the survey questionnaire, and the difference between the 2009 and 2010 number of channels results in part from the difference in the set of channels surveyed. The channel and price per channel indices in Table 3 adjusts for this difference to accurately measure the percentage change in the number of channels between 2009 and 2010. *See* Attachment 7 and the Appendix, Section C, for a more complete explanation.

comparison, the CPI for All Items, published by the Bureau of Labor Statistics (BLS) as a measure of general price inflation, grew annually at 2.4 percent over the 19 years. BLS also publishes a CPI for Cable, Satellite, and Radio Services, which grew annually at 4.0 percent over the 19 years.[8]

Year	Basic Svc. Price	Expanded Basic Service					Next Most Popular Service and Equipment	CPI	
		Price	Channels		Price per			All Items	Cable
			No.	Index	Dollars	Index			
1995	---	$22.35	44.0	100.0	0.600	100.0	---	100.0	100.0
1996	---	$24.28	47.0	106.8	0.610	101.7	---	103.0	106.9
1997	---	$26.31	49.4	112.3	0.630	105.0	---	105.2	114.9
1998	$12.06	$27.88	50.1	113.9	0.650	108.3	$38.58	107.0	122.6
1999	$12.58	$28.94	51.1	116.1	0.650	108.3	$38.43	109.3	127.0
2000	$12.84	$31.22	54.8	124.5	0.660	110.0	$39.64	113.3	132.9
2001	$12.84	$33.75	59.4	135.0	0.600	100.0	$45.33	116.4	139.1
2002	$14.45	$36.47	62.7	142.5	0.660	110.0	$46.59	118.1	147.8
2003	$13.45	$38.95	67.5	153.4	0.650	108.3	$49.03	121.2	157.1
2004	$13.80	$41.04	70.3	159.8	0.660	110.0	$51.76	123.5	163.1
2005	$14.30	$43.04	70.5	160.2	0.620	103.3	$56.03	127.2	169.6
2006	$14.59	$45.26	71.0	161.4	0.650	108.3	$59.09	132.2	174.4
2007	$15.33	$47.27	72.6	165.0	0.670	111.7	$60.27	135.0	179.0
2008	$16.11	$49.65	72.8	165.5	0.680	113.3	$63.66	140.8	183.9
2009	$17.65	$52.37	78.2	177.7	0.710	118.3	$67.92	140.8	186.5
2010	$17.93	$54.44	117.	204.7	0.560	110.3	$71.39	144.5	191.9
2011	$19.33	$57.46	124.	217.3	0.569	112.0	$75.37	146.9	192.0
2012	$20.55	$61.63	149.	262.2	0.505	99.4	$78.91	151.2	199.8
2013	$22.63	$64.41	159.	279.2	0.484	95.3	$81.64	153.6	206.5
2014	$22.78	$66.61	167.	292.6	0.496	97.6	$79.42	156.0	212.0
1995-2014 Total and Compound Average Annual Rate of Change									
Total	---	198%	---	193%	---	-2%	---	56%	112%
Average	4.0%	5.9%	---	5.8%	---	-0.1%	4.6%	2.4%	4.0%

Table 3

Historical Averages

Source is Attachment 7.

18. The survey collects data on a "family-friendly" package of channels specifically marketed as a substitute for expanded basic. A number of operators offer such a programming service as an alternative targeted toward subscribers who may object to some of the programming on expanded basic. Survey responses show that the typical family package offers fewer channels than expanded basic and requires a converter or other digital gateway. Some operators bundle the digital equipment with the family-friendly

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[8] Because it covers a different mix of services and adjustments for change in the number of programming channels, the Cable, Satellite, and Radio CPI is not directly comparable with the change in cable prices in our survey.

package, while in other cases operators lease it separately. Typically, the family-friendly package includes basic service and some, but not all, of the channels included in expanded basic service. It also includes some channels included in the next most popular service or other programming service package. Operators offered an average of 78 channels in a family-friendly package, compared to 54 channels for basic service and 167 channels for expanded basic service. While 51 percent of subscribers had the option to elect a family-friendly package, less than one percent subscribed, the others electing basic or expanded basic service. While this low percentage likely reflects a number of factors, the data indicate that family-friendly packages generally lack sports programming (*e.g.* ESPN) and thus many families may not consider them a viable alternative to expanded basic service. On average, expanded basic services offered 2.8 channels devoted to regional sports networks,[9] compared to the family-friendly packages average of 0.1 regional sports networks. As of January 1, 2014, the price for a family-friendly package, including the additional price of equipment if not included with the package, averaged $40.50, which fell between the averages for basic service ($22.78) and expanded basic service ($66.61).

B. Cable Programming Channels

19. Table 4 shows the average number of video channels offered, the annual percentage change in the number of video channels offered over the previous 12 months, and whether the percent change is statistically significant (indicated with an asterisk *). Channels shown under expanded basic include all basic service channels. The next most popular service package generally includes expanded basic channels plus at least seven additional channels.[10] Overall, the number of channels averaged 54, 167, and 251 for basic service, expanded basic service, and the next most popular service, respectively. The number of video channels for all services averaged 440, consisting of the channels shown with basic, expanded basic, the next most popular service, other non-premium and premium packages, pay, and per-per-view programming. The number of channels in each category grew, but in most cases not by a statistically significant percentage. Looking at the effective competition subgroups, the number of channels in almost all subgroups and services are higher than in the noncompetitive group counterparts.

Table 4 Number of Video Channels January 1, 2014						
			Effective Competitio	**Effective Competition Subgroups**		
				Second Cable Operator Overbuild	**DBS**	

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[9] Paragraph 21 defines regional sports networks.

[10] The survey asks respondents to provide the maximum number of video channels carried, including those that require customer premises equipment to view. These channels consist of the primary video stream of local broadcasters (primary channels in all viewing formats) and multicast channels the cable system carries; public, educational, and governmental; commercial leased access; other non-premium cable networks; video on demand offering free content; and other channels if offered at no extra programming charge. The numbers do not include audio-only channels.

Cable	Overall	Non-	n Group	Incum-bent	Rival	Both		Othe
Basic service	**54.4**	**49.8**	**60.0**	**71.7**	**46.8**	**68.1**	**57.9**	**52.7**
Annual Change	3.3%	2.3%	4.4%	2.9%	2.3%	2.8%	4.9%	6.8%
Expanded basic	**167.3**	**156.9**	**179.7**	**187.5**	**170.**	**185.1**	**179.**	**163.5**
Annual Change	4.1%*	3.8%	4.6%*	5.4%	2.8%	5.0%	4.4%	5.1%
Next most popular service	**250.8**	**237.6**	**266.1**	**275.3**	**269.8**	**274.6**	**263.3**	**264.2**
Annual Change	3.0%	3.1%	3.0%	3.9%	1.4%	3.6%	2.7%	4.4%
All channels	**439.9**	**397.0**	**491.6**	**553.5**	**462.**	**540.2**	**477.**	**458.4**
Annual change	3.1%	2.1%	4.1%*	6.1%*	2.4%	5.6%	3.5%	5.0%

Source is Attachment 6. * The change is statistically significant at the 95% confidence level.

20. Table 5 displays basic service broken into its component channel categories, which vary by only a few channels between effective competition and noncompetitive communities. The categories are local broadcast; public, educational, and governmental (PEG) access; commercial leased access; non-premium regional sports networks; and other non-premium channels.

21. Table 6 reports the number of regional sports networks (RSNs) included in service offerings.

Overall, the average is 0.2 RSN channels on basic service, 2.8 channels on expanded basic service, and 2.7 on the next most popular service package. A regional sports network in this Report is a channel that carries a substantial number of live games from at least one nearby professional sports team that is a member of the National Football League, Major League Baseball, the National Basketball Association, or the National Hockey League. It does not include pay-per-view events.

Table 6								
Regional Sports Networks								
Cable Programming Service	**Overall Average**	**Non-competitive**	**Effective Competition Group**	**Effective Competition Subgroups**				
				Second Cable Operator Overbuild			**DBS**	**Other**
				Incum-bent	**Rival**	**Both**		
Basic service	0.2	0.2	0.1	0.1	0.4	0.1	0.1	0.1
Expanded basic	2.8	2.9	2.7	3.1	5.2	3.4	2.4	2.3
Next most popular	2.7	2.8	2.5	2.7	5.2	3.2	2.3	2.0

Source: 2014 survey.

C.   Customer Premises Equipment

22. The survey asked cable operators if subscribers would need equipment to view all or some channels when purchasing each programming service. The vast majority of cable operators reported that equipment is required for at least some channels. Such equipment can include, for example, a converter set-top box to enable consumers to view digital signals on analog TVs, or a high definition (HD) converter that allows consumers to view HD channels in HD format, and a remote control. If respondents answered in the affirmative, the operators reported the extra monthly fee required to lease the most commonly leased equipment, and to identify the equipment features, such as an interactive programming guide, a digital video recorder, etc. Table 7 shows that, as of January 1, 2014, the average equipment price was $8.80 with basic service, $8.72 with expanded basic service, and $8.94 with the next most popular service package.[11] Most equipment prices increased on an annual basis. Increases in the overall price for the most leased equipment ranged from 6.5 percent for both basic and expanded basic service to 6.3 percent for the next most popular service. These percentage increases were higher than the programming price increases for those services (3.6 percent, 3.1 percent, and 2.2 percent respectively). Finally, we note that equipment may change from year to year and thus the comparison of equipment prices to some extent may reflect quality or feature changes.

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[11] An equipment price is not included in the average price of equipment if the respondent stated that the price of programming already includes equipment or that equipment is unnecessary to view all or some of the channels.

Table 7 **Price for Most Commonly Leased**								
Cable Programming Service	**Overall Average**	**Non-competitive**	**Effective Competition Group**	**Effective Competition Subgroups**				
				Second Cable Operator Overbuild			**DBS**	**Other**
				Incum-bent	**Rival**	**Both**		
Basic service	**$8.80**	**$8.69**	**$8.90**	**$8.20**	**$8.7**	**$8.2**	**$9.3**	**$8.17**
Annual change	6.5%	7.0%	6.1%	3.6%	0.0%	3.1%	7.1%	9.7%
Expanded basic	**$8.72**	**$8.60**	**$8.85**	**$8.20**	**$8.6**	**$8.2**	**$9.2**	**$8.17**
Annual change	6.5%	6.7%	6.3%	3.6%	0.0%	3.1%	7.1%	11.0
Next most	**$8.94**	**$8.74**	**$9.16**	**$8.36**	**$8.8**	**$8.4**	**$9.5**	**$9.32**
Annual change	6.3%	6.7%	5.8%	3.5%	0.6%	3.1%	6.8%	7.5%

Source is Attachment 5.

23. Table 8 identifies equipment features and the percentage of cable systems in which the most commonly leased customer premises equipment includes one or more of the following features: a remote control unit (RCU), interactive programming guide (IPG), HD video capability, or a digital video recorder (DVR). With basic service, 98 percent of systems offer a RCU and 56 percent of systems include an IPG. For the other two services, over 90 percent of systems include an IPG. Percentages are similar across all three services for the other two features in the table. For basic service, for 48 percent of systems, the most commonly leased equipment includes HD video capability; and for 14 percent of systems, the most commonly leased equipment includes a DVR.

Table 8 **Features Offered With Most Commonly**									
Cable Programming Service	**Feature**	**Overall Average**	**Non-competitive**	**Effective Competition Group**	**Effective Competition Subgroups**				
					Second Cable Operator Overbuild			**DBS**	**Other**
					Incum-bent	**Rival**	**Both**		
Basic service	**DVR**	14%	13%	14%	46%	4%	40%	6%	0%
	HD	48%	44%	53%	74%	88%	76%	45%	48%
	IPG	56%	58%	54%	70%	98%	73%	48%	53%
	RCU	98%	97%	99%	98%	96%	98%	99%	100%
Expanded basic service	**DVR**	16%	16%	17%	47%	13%	43%	9%	2%
	HD	48%	44%	53%	76%	94%	78%	45%	48%
	IPG	94%	94%	94%	95%	98%	95%	94%	89%

	RCU	97%	97%	99%	100%	98%	100%	98%	98%
Next	**DVR**	18%	17%	19%	50%	11%	44%	12%	2%
	HD	51%	47%	56%	78%	89%	79%	48%	60%
most popular	**IPG**	97%	95%	99%	100%	96%	99%	99%	95%
	RCU	96%	94%	99%	100%	95%	99%	99	95%

Source: 2014 survey.

D. DTV Viewability

24. The survey asked respondents to identify the scenario that best describes how they process and send local broadcast signals received at the cable system headend to subscriber premises as of January 1, 2014. All cable operators in our survey responded that system headend equipment was in place to receive analog and digital broadcast signals. There are several scenarios that operators use to format and transmit the signals to customer premises for viewing in analog, digital standard definition (SD) or digital HD formats. The tables below report the percentage of subscribers on average whose cable system operates under each scenario. Table 9 provides this information by sample group and Table 10 by subscriber size of the cable system.

25. Figures shown in the Overall Average column for all sample groups in Table 9 show that 45 percent of households (or other subscriber premises) received analog, SD, and HD signals over three separate transmission paths for viewing by analog, SD, and HD customers, respectively. Fifty percent received signals over all-digital systems with either one or two transmission paths. Such digital systems are either SD digital only or have both SD and HD capability. In the latter case and if there is a single transmission path, a signal transmitted in HD format is converted to SD format, and then from SD to analog format, using customer premises equipment, for viewing by SD digital and analog television customers, respectively. In the SD digital-only scenario, customer premises equipment converts the SD signals to analog format for viewing by analog television customers. Three percent of subscribers received signals over two separate analog and digital transmission paths and two percent of subscribers received signals over an analog-only system.

Table 9 **Path of Local Broadcast Signal** Percent of Subscribers by Scenario							
Signal Path From **The Cable System Headend to Customer Premises**	**Overall Average**	**Non-competitive**	**Effective Competition Group**	**Effective Competition Subgroups**				
				Second Cable Operator Overbuild			**DBS**	**Other**
				Incum-bent	**Rival**	**Both**		
3 analog/SD/HD paths	45%	39%	54%	72%	34%	66%	49%	55%
2 analog/digital paths	3%	4%	0%	0%	12%	2%	0%	0%
Digital only path(s)	50%	54%	45%	28%	54%	32%	50	43%
Analog path and analog viewing only	2%	3%	1%	0%	0%	0%	1%	2%

Source: 2014 survey. Scenarios may not add to 100% due to rounding.

26. Table 10 displays the signal transmission path percentages arranged by cable system size. Looking at the scenario for digital only, the percent of subscribers whose system had this architecture ranged from 63 percent of very large systems to 15 percent of very small systems. Analog-only path architectures ranged from zero percent (very large and large systems) to 45 percent of very small systems.

Table 10 **Path of Local Broadcast Signal** Cable Systems by Subscriber Size					
Signal Path From Cable System Headend to Customer Premises	**Very Large** Over 75,000 Subscribers	**Large** 25,001 - 75,000	**Medium** 10,001 - 25,000	**Small** 1,001- 10,000	**Very** Up to 1,000 Subscribers
3 separate analog/SD/HD paths	34%	35%	58%	43%	33%
2 separate analog/digital paths	3%	4%	3%	11%	6%
Digital only path(s)	63%	61%	37%	33%	15%
Analog path & viewing only	0%	0%	3%	14%	45%

Source: 2014 survey. Scenarios may not add to 100% due to rounding.

27. Table 11 reports the average number of local broadcast channels by carriage election (either retransmission consent or must carry) and by channel viewing format (analog, SD, or HD). The channels

counted consist of main signals and simulcasts of the main signal on separate analog, SD, or HD channels. The counts do not include multicast signals. Table 11 shows the difference in the overall average of the number of channels carried via retransmission consent (10.4) compared to must carry (11.8). More analog and SD channels were must-carry channels (9.5) than retransmission consent (8.8), and the average number of HD channels carried via retransmission consent and must carry was almost the same (1.6 and 2.3, respectively).

Table 11 **Number of Local Broadcast Channels** by Carriage Election and Viewing Format								
Carriage Election and Viewing Format	**Overall Average**	**Non-competitive**	**Effective Competition Group**	**Effective Competition Subgroups**				
				Second Cable Operator Overbuild			**DBS**	**Other**
				Incum-bent	**Rival**	**Both**		
Retransmission Consent Analog or SD	8.8	7.2	10.7	10.8	9.7	10.6	10.7	11.3
HD digital channels	1.6	1.6	1.6	1.6	3.0	1.8	1.5	1.9
Total of channels	**10.4**	**8.8**	**12.4**	**12.4**	**12.6**	**12.4**	**12.3**	**13.1**
Must Carry Election	9.5	8.9	10.1	11.7	10.3	11.5	9.9	8.1
HD digital channels	2.3	2.2	2.4	2.1	2.4	2.1	2.5	1.7
Total of channels	**11.8**	**11.1**	**12.5**	**13.8**	**12.7**	**13.6**	**12.4**	**9.8**

Source: 2014 survey. Individual categories may not add up to totals due to rounding.

IV.   CONCLUSIONS

28. Basic cable service prices grew 3.6 percent during the 12 months ending January 1, 2014. Expanded basic cable prices increased by 3.1 percent for those 12 months, and at a compound average annual rate of 5.9 percent over the 19-year period from 1995-2014. Equipment prices for basic and expanded basic services increased by 6.5 for both services, for the 12 months ending January 1, 2014. These price increases compare to a 1.6 percent increase in general inflation as measured by the CPI (All Items) for the same one-year period. The CPI's compound average annual rate of growth over the 19-year period was 2.4 percent. The CPI for Cable, Satellite, and Radio Services grew by 2.7 percent in 2014 and by a compound average annual rate of growth of 4.0 percent over the 19-year period. Compared to the average basic price that cable system operators charged in noncompetitive communities, prices on January 1, 2014, were 14.1 percent lower for rival operators, and were 12.8 percent lower for the incumbent operators in communities with at least two cable operators. Compared to the average expanded basic price that cable system operators charged in noncompetitive communities, prices for rival and incumbent cable operators in the effective competition communities were approximately one-half percent higher. However, the rivals and incumbents had a lower price per channel for expanded basic service, by 4.0 percent and 22.4 percent, respectively. Expanded basic prices were 6.0 percent higher in the areas where effective competition findings were based on the DBS market share exceeding the 15 percent threshold as established by the statute. On a per channel basis, the average price per channel (programming price divided by number of channels) of expanded basic service is lower by 0.1 percent on a compound average annual basis over the last 19 years. The price per channel averages 14.7 percent lower in effective competition communities overall compared to price per channel in noncompetitive communities (*i.e.,* those without a finding of effective competition), reflecting that cable operators in the effective competition communities carry more channels, on average, on expanded basic than operators in noncompetitive communities.

2014 Change in Cable Prices

Legend:
- ■ Overall average (all communities)
- ╲ Noncompetitive communities
- ≡ Effective competition locales
- ┴ Incumbents with a wireline rival
- ✕ Wireline rivals of incumbents
- ╲ Findings made on basis of DBS

Basic Service
- **3.6%**
- 4.0%
- 3.2%
- 1.8%
- 7.8%
- **3.3%**

Expanded Basic
- **3.1%**
- 3.2%
- 2.9%
- 2.1%
- 4.5%
- **2.9%**

Price Per Channel
- **0.9%**
- **1.6%**
- -0.1%
- -3.1%
- **1.7%**
- 0.7%
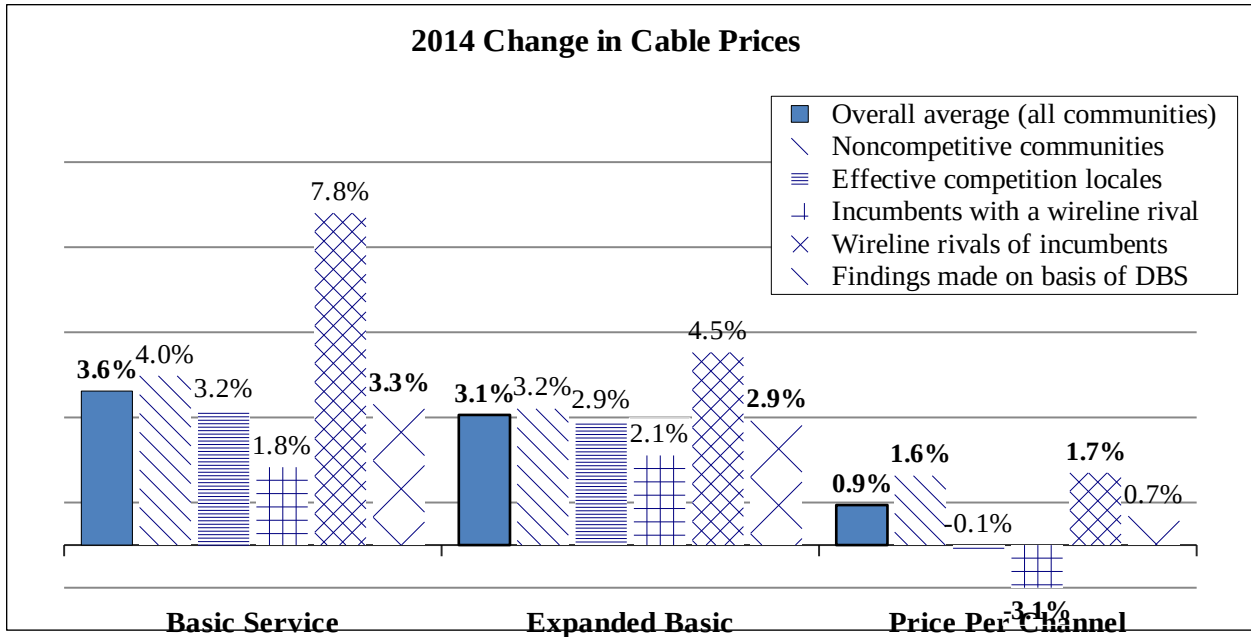
V.   ORDERING CLAUSE

29. IT IS ORDERED that this Report be issued pursuant to authority contained in Section 623(k) of the Communications Act of 1934, as amended, 47 U.S.C. § 543(k).

FEDERAL COMMUNICATIONS COMMISSION

William T. Lake

Chief, Media Bureau

Attachment 1 Cable Survey January 1, 2014				
Sample Groups and Subgroups *	**Cable Communities**	**Percent of National Subscribers**	**Survey Sample Size**	**Survey Responses**
Noncompetitive group	23,506	55.4%	485	463
Effective competition group	10,129	44.6%	315	315
Overall sample	33,635	100%	800	778
Noncompetitive Subgroups (by Cable System Subscriber Size)				
Very large : more than 75,000	6,651	24.9%	149	148
Large : 25,001 - 75,000	4,729	14.2%	118	115
Medium : 10,001 - 25,000	4,071	7.8%	80	75
Small : 1,001 - 10,000	5,584	7.5%	98	91
Very small : 1,000 or below	2,471	1.1%	40	34
Effective Competition Subgroups (by Type of Effective Competition Finding)				
Incumbent in *Second Cable Operator* subgroup	735	9.2%	56	56
Rival in the *Second Cable Operator* subgroup	544	1.6%	56	56
DBS (Cable operator with a finding made on basis of DBS market share under 50\15 test)	7,271	30.6%	163	163
Other findings (In range of wireless MVPD or on basis of market share in low penetration	1,579	3.2%	40	40

Sources are FCC Form 322, Cable Community Registration, required by 47 C.F.R § 76.1801; and FCC Form 325, Annual Cable Operator Report, required by 47 C.F.R § 76.403.

* The Commission assigns a "cable community unit identifier" (CUID) to each cable operator for each community that the operator serves. The noncompetitive group consists of communities for which the Commission had not made a finding of effective competition as of January 1, 2014. The effective competition communities are those for which the Commission had made such a finding. Note 4 and the Appendix further discuss the survey groups.

There are fewer rivals (544) than there are incumbents (735) in the second cable operator subgroup mainly because the 544 rivals do not include AT&T U-verse since these systems are not associated with a CUID. The Commission however considers AT&T U-verse to be a competing MVPD for findings of effective competition for incumbent cable operators. Similarly, the DBS subgroup consists of incumbent cable operators with a finding based on DBS market share, however, the DBS subgroup does not include the DBS operators.

The statute permits a municipality to petition for effective competition status if it offers MVPD service to at least 50 percent of its households. *See* note 4, *supra*. To date, no municipality has petitioned the Commission.

<table>
<tr><td colspan="9" align="center">**Attachment 2**
Cable Programming
Average Prices
January 1, 2014</td></tr>
<tr><td rowspan="4">**Cable Programming Service**</td><td rowspan="4">**Overall Average**</td><td rowspan="4">**Non-competitive**</td><td rowspan="4">**Effective Com-petition**</td><td colspan="5">**Effective Competition Subgroups**</td></tr>
<tr><td colspan="3">**Second Cable Operator Overbuild**</td><td rowspan="3">**DBS**</td><td rowspan="3">**Other**</td></tr>
<tr><td>**Incumbent**</td><td>**Rival**</td><td>**Both**</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>**Basic service**</td><td>**$22.78**</td><td>**$23.01**</td><td>**$22.51**</td><td>**$20.07**</td><td>**$19.76**</td><td>**$20.02**</td><td>**$23.17**</td><td>**$24.56**</td></tr>
<tr><td>Standard error</td><td>0.263</td><td>0.388</td><td>0.344</td><td>0.555</td><td>1.269</td><td>0.509</td><td>0.457</td><td>0.952</td></tr>
<tr><td>Observations</td><td>778</td><td>463</td><td>315</td><td>56</td><td>56</td><td>112</td><td>163</td><td>40</td></tr>
<tr><td>**Prior year**</td><td>**$21.99**</td><td>**$22.13**</td><td>**$21.81**</td><td>**$19.70**</td><td>**$18.33**</td><td>**$19.50**</td><td>**$22.43**</td><td>**$23.87**</td></tr>
<tr><td>Standard error</td><td>0.258</td><td>0.395</td><td>0.315</td><td>0.508</td><td>1.030</td><td>0.459</td><td>0.420</td><td>0.875</td></tr>
<tr><td>Observations</td><td>757</td><td>445</td><td>312</td><td>56</td><td>56</td><td>112</td><td>160</td><td>40</td></tr>
<tr><td>**Annual change**</td><td>**3.6%**</td><td>**4.0%**</td><td>**3.2%**</td><td>**1.8%**</td><td>**7.8%**</td><td>**2.6%**</td><td>**3.3%**</td><td>**2.9%**</td></tr>
<tr><td>**Expanded**</td><td>**$66.61**</td><td>**$65.32**</td><td>**$68.16**</td><td>**$65.58**</td><td>**$65.6**</td><td>**$65.5**</td><td>**$69.2**</td><td>**$66.6**</td></tr>
</table>

basic service					5	9	2	2
Standard error	0.283	0.405	0.388	0.908	0.949	0.788	0.463	1.616
Observations	777	462	315	56	56	112	163	40
Prior year	**$64.63**	**$63.29**	**$66.22**	**$64.23**	**$62.8 1**	**$64.0 2**	**$67.2 5**	**$63.9 3**
Standard error	0.283	0.393	0.406	0.916	0.876	0.793	0.495	1.554
Observations	756	444	312	56	56	112	160	40
Annual change	**3.1%**	**3.2%**	**2.9%**	**2.1%**	**4.5%**	**2.5%**	**2.9%**	**4.2%**
Next most popular service	**$79.42**	**$79.07**	**$79.83**	**$76.05**	**$79.7 5**	**$76.5 7**	**$80.9 0**	**$80.6 5**
Standard error	0.338	0.508	0.431	0.724	1.347	0.651	0.569	1.191
Observations	726	417	309	56	54	110	162	37
Prior year	**$77.70**	**$77.12**	**$78.37**	**$76.12**	**$75.9 3**	**$76.1 0**	**$79.2 1**	**$78.1 5**
Standard error	0.340	0.489	0.466	0.737	0.937	0.647	0.630	1.079
Observations	713	407	306	56	54	110	159	37
Annual change	**2.2%**	**2.5%**	**1.9%**	**-0.1%**	**5.0%**	**0.6%**	**2.1%**	**3.2%**

Source: 2014 survey. Averages are subscriber-weighted means of the survey responses. The averages in this table do not account for the price for customer premises equipment, unless the cable operator bundles the programming service and equipment into a single price. Attachment 3 reports the price of programming plus equipment for all operators, and the percentage of operators that bundle programming and equipment.

Attachment 3 **Programming and Equipment** **Average Prices** January 1, 2014						
	Overall	**Non-**		**Effective Competition Subgroups**		
				Second Cable Operator Overbuild	**DBS**	**Other**

Cable	Averag	Competitiv	Effective	Incum-bent	Rival	Both		
Basic service	**$27.51**	**$27.21**	**$27.87**	**$26.55**	**$26.6**	**$26.5**	**$28.1**	**$29.7**
Standard error	0.341	0.465	0.503	0.693	1.056	0.612	0.689	1.135
Observations	778	463	315	56	56	112	163	40
Prior year	**$26.41**	**$26.05**	**$26.83**	**$25.96**	**$25.1**	**$25.8**	**$27.0**	**$28.5**
Standard error	0.336	0.467	0.483	0.652	0.806	0.569	0.666	1.108
Observations	757	445	312	56	56	112	160	40
Annual change	**4.2%**	**4.4%**	**3.9%**	**2.3%**	**5.7%**	**2.7%**	**4.3%**	**4.0%**
Expanded basic	**$71.45**	**$69.71**	**$73.54**	**$72.06**	**$72.7**	**$72.1**	**$74.2**	**$71.7**
Standard error	0.373	0.517	0.536	0.870	1.213	0.764	0.702	2.029
Observations	777	462	315	56	56	112	163	40
Prior year	**$69.18**	**$67.42**	**$71.27**	**$70.48**	**$69.8**	**$70.3**	**$71.8**	**$68.7**
Standard error	0.364	0.500	0.529	0.898	1.215	0.788	0.694	1.850
Observations	756	444	312	56	56	112	160	40
Annual change	**3.3%**	**3.4%**	**3.2%**	**2.2%**	**4.1%**	**2.5%**	**3.3%**	**4.4%**
Next most popular service	**$84.65**	**$83.94**	**$85.48**	**$82.66**	**$87.03**	**$83.28**	**$86.13**	**$86.73**
Standard error	0.317	0.505	0.358	0.528	1.225	0.485	0.471	1.408
Observations	726	417	309	56	54	110	162	37
Prior year	**$82.47**	**$81.62**	**$83.44**	**$82.36**	**$83.1**	**$82.4**	**$83.8**	**$82.9**
Standard error	0.313	0.475	0.392	0.551	0.977	0.493	0.528	1.254
Observations	713	407	306	56	54	110	159	37
Annual change	**2.7%**	**2.8%**	**2.4%**	**0.4%**	**4.6%**	**1.0%**	**2.7%**	**4.5%**
Percent of All Cable Operators that bundle Programming and Equipment into a Single Price								
Basic service	**40.6%**	**42.8%**	**37.9%**	**20.9%**	**10.5**	**19.4**	**44.7**	**34.7**
Prior Year	40.3%	42.2%	37.9%	20.9%	3.5%	18.4%	45.5%	32.4%
Expanded basic	**39.8%**	**41.6%**	**37.7%**	**20.9%**	**7.0%**	**18.9**	**44.7**	**34.7**
Prior year	40.1%	41.7%	38.0%	20.9%	7.0%	18.9%	45.5%	32.4%
Next most popular service	**41.1%**	**43.5%**	**38.3%**	**20.9%**	**18.1%**	**20.5%**	**45.0%**	**34.8%**
Prior year	43.3%	44.8%	41.6%	22.7%	18.1%	22.1%	48.3%	44.4%

Source: 2014 survey. Averages are subscriber weighted means of survey responses. In deriving the averages in this table, if customer premises equipment is unnecessary to receive all the channels the service offers, the price is simply the price of programming. If the operator bundles programming and equipment, this is the operator's price. For the operator who does not bundle programming and equipment yet requires equipment to receive all the channels, price equals the price of programming and the price of the most commonly leased equipment.

Attachment 4 **Average Price per Channel** Price Divided by No. of Channels January 1, 2014								
				Effective Competition Subgroups				
Cable Programming Service	**Overall Average**	**Non-competitive**	**Effective Com-petition**	**Second Cable Operator Overbuild**			**DBS**	**Other**
				Incum-bent	**Rival**	**Both**		
Basic service	**$0.686**	**$0.764**	**$0.591**	**$0.466**	**$0.738**	**$0.505**	**$0.608**	**$0.717**
Standard error	0.017	0.023	0.023	0.032	0.054	0.029	0.032	0.065
Observations	778	463	315	56	56	112	163	40
Prior year	**$0.662**	**$0.732**	**$0.579**	**$0.462**	**$0.711**	**$0.498**	**$0.591**	**$0.744**
Standard error	0.016	0.023	0.021	0.028	0.053	0.025	0.028	0.068
Observations	757	445	312	56	56	112	160	40
Annual change	**3.5%**	**4.4%**	**2.0%**	**0.8%**	**3.8%**	**1.4%**	**2.9%**	**-3.7%**
Expanded basic service	**$0.496**	**$0.531**	**$0.453**	**$0.412**	**$0.510**	**$0.426**	**$0.458**	**$0.497**
Standard error	0.008	0.011	0.011	0.012	0.030	0.011	0.015	0.030
Observations	777	462	315	56	56	112	163	40
Prior year	**$0.491**	**$0.523**	**$0.454**	**$0.425**	**$0.501**	**$0.436**	**$0.455**	**$0.500**
Standard error	0.007	0.010	0.009	0.011	0.029	0.011	0.013	0.029
Observations	756	444	312	56	56	112	160	40
Annual change	**0.9%**	**1.6%**	**-0.1%**	**-3.1%**	**1.7%**	**-2.3%**	**0.7%**	**-0.6%**

Next most popular service	**$0.379**	**$0.402**	**$0.354**	**$0.329**	**$0.370**	**$0.334**	**$0.361**	**$0.351**
Standard error	0.005	0.007	0.008	0.013	0.012	0.011	0.011	0.015
Observations	725	416	309	56	54	110	162	37
Prior year	**$0.377**	**$0.401**	**$0.350**	**$0.336**	**$0.357**	**$0.339**	**$0.353**	**$0.352**
Standard error	0.005	0.007	0.007	0.012	0.010	0.010	0.009	0.016
Observations	713	407	306	56	54	110	159	37
Annual change	**0.6%**	**0.2%**	**1.1%**	**-2.2%**	**3.4%**	**-1.4%**	**2.0%**	**-0.3%**

Source: 2014 survey. Averages are subscriber weighted means of the survey responses. Price per channel adjusts the programming price to incorporate differences in the number of video channels the subscriber receives. It equals the price divided by the number of video channels the service offers. In most cases, price equals the prices of programming and the most commonly leased subscriber premises equipment. Attachment 3 describes how we derive the price component of price per channel.

Attachment 5
Customer Premises Equipment
Average Prices
January 1, 2014

Cable Programming Service	Overall Average	Non-competitive	Effective Com-petition	Effective Competition Subgroups				
				Second Cable Operator Overbuild			DBS	Other
				Incum-bent	**Rival**	**Both**		
Basic service	**$8.80**	**$8.69**	**$8.90**	**$8.20**	**$8.75**	**$8.28**	**$9.31**	**$8.17**
Standard error	0.142	0.218	0.183	0.152	0.341	0.140	0.282	0.548
Observations	419	219	200	43	45	88	87	25
Prior year	**$8.26**	**$8.13**	**$8.38**	**$7.91**	**$8.75**	**$8.03**	**$8.69**	**$7.44**
Standard error	0.146	0.227	0.184	0.127	0.341	0.121	0.292	0.497
Observations	408	211	197	43	45	88	84	25
Annual change	**6.5%**	**7.0%**	**6.1%**	**3.6%**	**0.0%**	**3.1%**	**7.1%**	**9.7%**

Expanded basic service	**$8.72**	**$8.60**	**$8.85**	**$8.20**	**$8.61**	**$8.26**	**$9.24**	**$8.17**
Standard error	0.144	0.219	0.187	0.152	0.343	0.140	0.288	0.548
Observations	435	232	203	43	47	90	88	25
Prior year	**$8.19**	**$8.06**	**$8.33**	**$7.91**	**$8.61**	**$8.01**	**$8.62**	**$7.36**
Standard error	0.146	0.224	0.186	0.127	0.342	0.121	0.296	0.491
Observations	426	225	201	43	47	90	85	26
Annual change	**6.5%**	**6.7%**	**6.3%**	**3.6%**	**0.0%**	**3.1%**	**7.1%**	**11.0**
Next most popular service	**$8.94**	**$8.74**	**$9.16**	**$8.36**	**$8.89**	**$8.44**	**$9.50**	**$9.32**
Standard error	0.128	0.206	0.148	0.154	0.363	0.142	0.224	0.331
Observations	442	242	200	43	44	87	89	24
Prior year	**$8.41**	**$8.19**	**$8.65**	**$8.07**	**$8.84**	**$8.19**	**$8.90**	**$8.67**
Standard error	0.135	0.213	0.160	0.132	0.363	0.126	0.249	0.339
Observations	423	233	190	42	44	86	83	21
Annual change	**6.3%**	**6.7%**	**5.8%**	**3.5%**	**0.6%**	**3.1%**	**6.8%**	**7.5%**

Source: 2014 survey. Averages are subscriber weighted means of the survey responses. Customer premises equipment (CPE) refers to a set top converter box or other digital gateway. The survey asks whether or not subscribers who purchase programming require CPE to view all or some channels and whether or not the service includes (bundles) such CPE at no additional charge. If not, the survey asks the respondent to report the unbundled price for the most commonly leased CPE. CPE features may differ yearly between services and thus comparisons of CPE prices to some extent reflect quality differences.

Attachment 6 Cable Programming Number of Video Channels January 1, 2014								
Cable Programming Service	**Overall Average**	**Non-competitive**	**Effective Competition**	**Effective Competition Subgroups**				
				Second Cable Operator Overbuild			**DBS**	**Other**
				Incumben	**Rival**	**Both**		
Basic service	**54.4**	**49.8**	**60.0**	**71.7**	**46.8**	**68.1**	**57.9**	**52.7**
Standard error	0.841	1.100	1.295	2.739	2.546	2.37	1.66	2.826
Observations	778	463	315	56	56	112	163	40
Prior year	**52.7**	**48.7**	**57.5**	**69.7**	**45.8**	**66.2**	**55.2**	**49.4**
Standard error	0.807	1.051	1.246	2.831	2.462	2.44	1.57	2.706
Observations	757	445	312	56	56	112	160	40
Annual change	3.3%	2.3%	4.4%	2.9%	2.3%	2.8%	4.9%	6.8%
Expanded basic	**167.3**	**156.9**	**179.7**	**187.5**	**170.6**	**185.**	**179.**	**163.5**
Standard error	1.789	2.367	2.718	5.284	6.789	4.62	3.53	7.019
Observations	777	462	315	56	56	112	163	40
Prior year	**160.7**	**151.3**	**171.9**	**178.0**	**166.1**	**176.**	**172.**	**155.6**
Standard error	1.703	2.262	2.567	5.259	6.731	4.60	3.30	6.758
Observations	756	444	312	56	56	112	160	40
Annual change	4.1%	3.7%	4.6%	5.4%	2.8%	5.0%	4.4%	5.1%
Next most popular	**250.8**	**237.6**	**266.1**	**275.3**	**269.8**	**274.6**	**263.3**	**264.2**
Standard error	2.557	3.245	4.012	7.525	7.158	6.54	5.27	8.766
Observations	725	416	309	56	54	110	162	37
Prior year	**243.5**	**230.5**	**258.3**	**264.9**	**266.1**	**265.**	**256.**	**252.9**
Standard error	2.463	3.203	3.772	7.010	7.117	6.10	4.97	8.552
Observations	713	407	306	56	54	110	159	37
Annual change	3.0%	3.1%	3.0%	3.9%	1.4%	3.6%	2.7%	4.4%
All channels	**439.9**	**397.0**	**491.6**	**553.5**	**462.2**	**540.**	**477.**	**458.4**
Standard error	4.309	5.234	7.065	9.902	19.04	8.90	9.48	23.831
Observations	777	462	315	56	56	112	163	40
Prior year	**426.8**	**388.7**	**472.1**	**521.8**	**451.2**	**511.5**	**461.**	**436.5**
Standard error	4.083	5.069	6.528	9.395	18.32	8.46	8.73	22.817
Observations	756	444	312	56	56	112	160	40
Annual change	3.1%	2.1%	4.1%	6.1%	2.4%	5.6%	3.5%	5.0%

Source: 2014 survey. Averages are subscriber weighted means of the survey responses. The number of channels is the maximum that are viewable with a service subscription including channels requiring customer premises equipment. Types of channels include local broadcast TV (main, simulcast and multicast), public, educational and governmental, commercial leased access and other non-premium channels. A video-on-demand channel counts as one channel if it offers free content. Except for the "All channels" row, the number does not include premium, pay and pay-per-view unless viewable with the service at no additional charge; None of the numbers count audio-only channels.

Attachment 7										
Historical Averages										

Year	Basic Service Price	Expanded Basic Service					Next Most Popular Service & Equipment	CPI	
		Price	Channels		Price / Channel			All Items	Cable
			No.	Index	$	Index			
Jul. 1995	---	$22.3	44.0	100.0	0.600	100.0	---	100.0	100.0
Jul. 1996	---	$24.2	47.0	106.8	0.610	101.7	---	103.0	106.9
Jul. 1997	---	$26.3	49.4	112.3	0.630	105.0	---	105.2	114.9
Jul. 1998	$12.06	$27.8	50.1	113.9	0.650	108.3	$38.58	107.0	122.6
Jul. 1999	$12.58	$28.9	51.1	116.1	0.650	108.3	$38.43	109.3	127.0
Jul. 2000	$12.84	$31.2	54.8	124.5	0.660	110.0	$39.64	113.3	132.9
Jul. 2001	$12.84	$33.7	59.4	135.0	0.600	100.0	$45.33	116.4	139.1
Jul. 2002	$14.45	$36.4	62.7	142.5	0.660	110.0	$46.59	118.1	147.8
Jan. 2003	$13.45	$38.9	67.5	153.4	0.650	108.3	$49.03	121.2	157.1
Jan. 2004	$13.80	$41.0	70.3	159.8	0.660	110.0	$51.76	123.5	163.1
Jan. 2005	$14.30	$43.0	70.5	160.2	0.620	103.3	$56.03	127.2	169.6
Jan. 2006	$14.59	$45.2	71.0	161.4	0.650	108.3	$59.09	132.2	174.4
Jan. 2007	$15.33	$47.2	72.6	165.0	0.670	111.7	$60.27	135.0	179.0
Jan. 2008	$16.11	$49.6	72.8	165.5	0.680	113.3	$63.66	140.8	183.9
Jan. 2009	$17.65	$52.3	78.2	177.7	0.710	118.3	$67.92	140.8	186.5
Jan. 2010	$17.93	$54.4	117.	204.7	0.560	110.3	$71.39	144.5	191.9
Jan. 2011	$19.33	$57.4	124.	217.3	0.569	112.0	$75.37	146.9	192.0
Jan. 2012	$20.55	$61.6	149.	262.2	0.505	99.4	$78.91	151.2	199.8
Jan. 2013	$22.63	$64.4	159.	279.2	0.484	95.3	$81.64	153.6	206.5
Jan. 2014	$22.78	$66.6	167.	292.6	0.496	97.6	$79.42	156.0	212.0
1995-2014 Total and Compound Average Annual Rate of Change										
Total	---	198%	---	193%	---	-2%	---	56%	112%
Average	4.0%	5.9%	---	5.8%	---	-	4.6%	2.4%	4.0%

Sources: *Implementation of Section 3 of the Cable Television Consumer Protection and Competition Act of 1992, Statistical Report on Average Rates for Basic Service, Cable Programming Service, and Equipment*, 612 FCC Rcd 3239 (1997) (1997 survey); 14 FCC Rcd 8331 (1999) (1998 survey); 15 FCC Rcd 10927 (2000) (1999

survey); 16 FCC Rcd 4346 (2001) (2000 survey); 17 FCC Rcd 6301 (2002) (2001 survey); 18 FCC Rcd 13284 (2003) (2002 survey); 20 FCC Rcd 2718 (2005) (2003-04 survey); 21 FCC Rcd 15087 (2006) (2005 survey); 24 FCC Rcd 259 (2009) (2006-08 survey); 25 FCC Rcd 13350 (2010) (2009 survey); 27 FCC Rcd 2427 (2012) (2011 survey); 28 FCC Rcd 9857 (2012 survey); 29 FCC Rcd XXXX (2013 survey); and 2014 survey. *Bureau of Labor Statistics, Department of Labor, Consumer Price Index, All Urban Consumers, U.S. City Average, Not Seasonally Adjusted,* Series CUUR0000SA0, All Items (1982-84=100); Series CUUR0000SERA02, Cable and Satellite Television and Radio Service (Dec. 1983=100). http://data.bls.gov/cgi-bin/srgate. Accessed Sept.11, 2014. Rebased to July.1995.

Notes: Table values are weighted averages of sample groups, except for 1995-2000 prices and 2000-01 channels, which are noncompetitive group averages. The 2013 averages are from the 2013 survey and may not match 2013 averages from the 2014 survey due to random sampling variance. Missing values indicate we did not survey the metric that year. The 1995 expanded basic price is programming and equipment less an estimate of the equipment portion. Before 2010, price of the next most popular service sums expanded basic, digital tier, and equipment. We began surveying a more expansive set of channels in 2010 and the indices combine the two series. The 2010 index change reflects 2009-2010 data from the 2010 survey for which the 2009 values are 101.6 channels and $0.601 per channel.   *See* the Appendix, Section C.

				Attachment 8				
				Historical Averages				
				by Sample Group				
Year	**Noncompetitive Group**				**Effective Competitive Group**			
	Basic Service Price	**Expanded Basic Service**			**Basic Service Price**	**Expanded Basic Service**		
		Price	**Channels**	**Channel Index**		**Price**	**Channels**	**Channel Index**
1995	---	$22.35	44.0	100.0	---	$21.64	38.0	100.0
1996	---	$24.28	47.0	106.8	---	$23.32	39.6	104.2
1997	---	$26.31	49.4	112.3	---	$25.29	46.5	122.4
1998	$12.06	$27.88	50.1	113.9	$11.12	$26.12	54.0	142.1
1999	$12.58	$28.94	51.1	116.1	$12.03	$27.30	52.3	137.6
2000	$12.84	$31.22	54.8	124.5	$12.03	$29.44	59.9	157.6
2001	$12.87	$33.89	59.3	134.8	$12.43	$31.66	60.9	160.3
2002	$14.47	$36.61	62.7	142.5	$14.09	$34.34	62.9	165.5
2003	$13.38	$39.11	67.3	153.0	$14.25	$36.86	69.7	183.4
2004	$13.73	$41.29	70.1	159.3	$14.58	$38.17	72.5	190.8
2005	$14.25	$43.33	70.3	159.8	$14.80	$40.15	72.0	189.5
2006	$14.52	$45.48	70.6	160.5	$15.09	$43.70	74.0	194.7

2007	$15.10	$47.49	72.5	164.8	$16.37	$46.28	73.0	192.1
2008	$15.83	$49.97	72.8	165.5	$17.37	$48.19	73.0	192.1
2009	$17.88	$52.10	77.7	176.6	$17.16	$52.96	79.3	208.7
2010	$17.97	$54.27	111.6	200.5	$17.84	$54.77	127.8	246.5
2011	$19.46	$56.82	120.4	216.4	$19.13	$58.47	130.2	251.0
2012	$20.83	$60.99	146.1	262.6	$20.19	$62.49	154.8	298.4
2013	$22.63	$63.03	151.4	272.0	$22.65	$66.14	169.9	327.7
2014	$23.01	$65.32	156.9	281.9	$22.51	$68.16	179.7	346.7
1995-2014 Total and Compound Average Annual Rate of Change								
Total	---	192%	---	182%	---	215%	---	247%
Annual	4.1%	5.8%	---	5.6%	4.5%	6.2%	---	6.8%

Sources and notes: *See* Attachment 7. We began surveying a more expansive set of channels beginning with the 2010 survey and the channel indices combine the two series. The 2010 index change reflects 2009-2010 data from the 2010 survey for which the 2009 values (not displayed in this table) are 98.3 and 108.2 channels respectively for the noncompetitive and effective competition groups.

Attachment 9			
2014 Programming Service Comparisons			
Price, Channels and **Price per Channel**	**Cable Average**	**DBS Provider Average**	
	Expanded Basic Service	**DIRECTV**	**DISH**
Programming price	$66.61	$64.92*	$59.99 *
Observations	777	40	40
Standard error	0.283	0.075	>0.001
t-value		3.028	13.561
p-value		0.004	>0.001
Number of channels	167.3	211.75 *	160.05 *
Observations	777	40	40
Standard error	1.789	1.292	1.144
t-value		-26.927	4.516
p-value		>0.001	>0.001
Price per channel	$0.496	$0.307 *	$0.376
Observations	777	40	40
Standard error	0.008	0.002	0.003
t-value		2.112	1.275
p-value		0.041	0.210

 * The difference is statistically significant at the 95 percent confidence level between cable and the DBS average.

 Sources: Cable prices and channel information, for expanded basic service as of January 1, 2014, are from the 2014 survey at Attachments 2, 4 and 6. The DBS data are as of January 2, 2014 (January 1, 2014 data were not available): DIRECTV prices are from www.directv.com /DTVAPP/ new_ customer/ base_ packages.jsp. Dish prices are from http://www.dish.com/entertainment/ packages/offers/ value. DIRECTV national channels from http://www.directv.com/DTVAPP/compare/ printable PackageChannels.jsp? packageId=960008 &skuId=sku930008. DISH national channels from http://www.dish.com/entertainment/ packages /offers/value /?WT.svl=sticky and http://www.dish.com/ entertainment_ /channels/?WT.svl =entertainmentsubnav #high-def inition; Local broadcast channels and Regional Sport Networks for DIRECTV from http://www.directv. com/ DTVAPP/compare/ PrintablePackageChannels.jsp? packageId=960008 & skuId=sku930008, and for DISH from http://www.dish.com /entertainment/channels/ local /?WT.svl=local-button.

Methodology: DIRECTV sells service packages nationally at different prices for each package based on whether local channels and RSNs are included in its service package. DISH sells service packages nationally at a uniform price for each package because it carries local channels in all Designated Market Areas (DMAs). We determined that DIRECTV Choice and DISH America's Top 120 Plus were the DBS packages most comparable to cable

expanded basic service. The number of DBS channels delivered varies by DMA depending on the number of local broadcast signals and regional sports networks (RSNs) provided. The DBS channels represent 40 communities chosen in a systematic random sample of the 800 cable communities in the survey. Using reports from DISH Network and DIRECTV, we determined each DMA's local broadcast channel count, including both standard and high definition channels. The RSN count is the average number of RSNs across the 40 communities, which is equal to 3.85 channels for DIRECTV and 1.95 channels for DISH. We added local broadcast channels and RSNs to each DBS national programming package to represent the total number of DBS channels offered in each community sampled. We did not include satellite radio networks in any of the channel tallies.

APPENDIX

Survey Methodology

A.   Sampling Procedure

1.   We conducted the 2014 survey pursuant to the requirements of the Cable Act.[0]   For the survey, we selected communities nationwide at random to be part of the survey sample, chosen from the Commission's list of cable operators and communities the operators serve.[0]   In choosing our sample, we divided the communities into two groups. The noncompetitive communities were those for which the Commission had not made a finding of effective competition as of January 1, 2014, and the effective competition communities were those for which the Commission had made such a finding by that date. We subdivided the two groups into strata, and selected a sample of communities from each stratum. For each community selected, we asked the operator in that community to complete a survey questionnaire that included questions on the prices charged for video programming service offerings as well as other questions related to the operator's system. We used the information collected to estimate and compare mean prices, and other statistics, across the different strata of operators and communities. Attachment 1 provides additional information on the sample.

2.   We divided the groups into strata to compare subgroups as well as to achieve desirable levels of statistical precision. Creating strata in which prices are less disparate than in the group overall tends to increase the efficiency of sampling by reducing sample price variance.[0]   Because there is a correlation between price and the operator's system size, we stratified noncompetitive communities into five strata by system size – very large, large, medium, small, and very small systems – depending on the number of subscribers the system serves. We stratified the effective competition cable operators and communities into four strata on the basis for which the Commission had made a finding of effective competition. The first stratum consisted of incumbent cable operators in communities with a second rival operator. The second stratum consisted of the rival operators. Cable operators in the incumbent stratum have sometimes cited municipals as rivals. Municipals cited as such are included in the rival subgroup and a number are included in our survey. The other municipal cable operators are included in the groups of operators without an effective competition finding and some of these operators are also included in our sample. The third stratum consisted of communities where the finding of effective competition was based on the level of DBS subscribers in that community. The fourth stratum consisted of communities within range of a wireless MVPD or who met the cable low penetration test as a result of serving fewer than 30

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[0] *See* note 1, Section I, *supra*.

[0] The Commission assigns a community unit identifier (CUID) code to each registered cable operator for each community that operator serves. *See* 47 C.F.R. § 76.1801. If two cable operators serve the same community, the Commission assigns two CUIDs. A current list is downloadable from the Commission's website. *See* FCC Media Bureau, *All Cable Communities registered with the FCC,* <www.fcc.gov/mb>.

[0] *See e.g.,* W. G. Cochran, *Sampling Techniques,* 2nd ed. (1977) at 87-107.

percent of households in that community.[0] The survey collected prices charged by wireline operators. The survey did not collect prices charged by AT&T U-verse, DBS, and wireless MVPD operators.[0]

3.   We determined that 800 observations of communities were required for statistical precision, divided between the two sampling groups. To determine the number to allocate in each group, we used a sampling size formula calibrated to yield sample price means within one percent of actual price means at a 95 percent confidence level.[0] We then allocated the number of selections in each group among the group's strata. Allocation methods generally emphasize two criteria; selections allocated to a stratum increase relative to other strata in proportion to population size and price variance. For each stratum, we multiplied its share of the group's cable subscribers by the standard deviation of price.[0] A higher measure relative to the other strata resulted in a relatively higher allocation. Further, we adjusted each allocation by a non-response factor.[0] After completing the allocations, 42 of the 800 overall selections remained. We assigned these 42 observations among the incumbent and rival subgroups since these strata were of particular interest to the survey, yet had relatively few selections. Attachment 1 reports sample sizes for all strata.

4.   After determining the number of sample selections using the process described above, we drew independent samples of communities from the strata,[0] using probability proportional to size (PPS) sampling without replacement.[0] A PPS design is efficient for our survey because of the correlation

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[0] Low market penetration may have resulted from the presence of a second operator in the community. However, we did not include the second operators in this low penetration stratum, because the finding of effective competition was not made on that basis.

[0] This is because these entities are not registered operators. The Commission however considers DBS and U-verse competitors for assessing effective competition.

[0] *See* B. J. Mandel, S*tatistics for Management* (1984) at 258. *See also, e.g.,* C. A. Boneau, *Effects of Violations of Assumptions Underlying the t test,* Psychological Bulletin, 57 (1960) at 49-54.

[0] *See* G. W. Snedecor and W. G. Cochran*, Statistical Methods,* 7th ed. (1980) at 458-59. The allocation formula equals $N_hS_h / \Sigma N_hS_h$, where in stratum *h,* N is the number of cable subscribers on January 1, 2010 and S is the finite population adjusted standard deviation of price in the 2009 survey. (Snedecor and Cochran).

[0] Because previous surveys suggest not all selections will respond to the survey questionnaire for various reasons -- *e.g.,* the system no longer operates -- the non-response factor adjusts selections by the expected number of non-responses. Our non-response factor equals $[1+ [NR_h / (NR_h + R_h)]]$, where in stratum *h*, NR equals the number of non-responses and R equals responses to our survey.

[0] To prevent sampling bias, we draw the samples independently including separate samples for incumbents and rivals in locations with a second cable operator; *i.e.,* selection of an incumbent did not necessarily require that the rival would be selected and *vice versa*.

[0] We generated the samples using the SurveySelect Procedure, PPS Method without Replacement, SAS software, Version SAS/STAT 9.4, SAS Institute Inc., Cary, NC (2014).

between the relative size of a community in terms of the number of subscribers and our primary survey study variable (price).[0] Using the PPS method of sampling, we assigned a selection probability to each community in direct proportion to the relative number of subscribers. In a group and stratum, the higher the level of subscribers relative to other communities in the strata, the higher the likelihood was of selection. PPS sampling requires sampling selection probability not to exceed one (or 100 percent). Therefore, we sub-stratified communities whose probability exceeded one into one-unit strata with probability equal to one.[0] The PPS sample design requires an estimate of the relative number of subscribers in each community. We estimated the relative sizes using the FCC's 1994 census of communities, the most recent census of subscribers at the community level. If the service areas of two communities merged subsequent to the census, we merged the subscriber counts accordingly. For the newly registered communities, not part of the census, we estimated the subscriber counts to be equal to the mean number of subscribers for the municipality types, *i.e.*, an incorporated city, private settlement, *etc*.

B.   Data Quality Control

5.   To improve the quality of the survey data and reduce the burden on operators, the survey questionnaire is web-based.[0] After the samples were drawn, we notified operators serving the selected communities and instructed them on how to complete the survey questionnaire on the Commission's website. We took steps to ensure the reliability and accuracy of the data collected. Computer checks notified respondents in real time of inconsistent answers. In addition, we asked a responsible party within each company (other than the person who completed the survey) to certify the completeness and accuracy of the company's responses. The survey response rate (ratio of completed to requested questionnaires) equaled 97 percent (or 778 of 800 communities in the sample). The 22 non-responses were comprised of cable operators who had either ceased operating in that community or had yet to begin operations at the time of the survey.

6.   We systematically examined all questionnaires submitted using a computer program designed to identify answers which appeared to be inaccurate. When a particular response fell outside of its

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[0] *See, for example*, F. Yates and P. M. Grundy, "Selection without Replacement from Within Strata with Probability Proportional to Size," *Journal of the Royal Statistical Society*, 15 (1953) at 253-261; and B. K. Som, Practical Sampling Techniques, 2nd ed. (1996).

[0] We applied the following algorithm to sub-stratify community units whose selection probability exceeded one in the stratum. Where Z = number of subscribers in the stratum, z_i = subscribers in community unit i, n = sample size, $\pi_i = n(z_i/Z)$ = selection probability of unit i, k = number of units for which P_i is greater than one: (a) Sub-stratify the unit with the highest $P_{h,i}$ which exceeds one; (b) reduce sample size to n_h minus one; (c) reduce, k_h by one; (d) recalculate $P_{h,i}$ for the remaining units; and (e) repeat steps a-d until $k_h = 0$. An alternative would be to set maximum $P_{h,i} = 1$ and not sub-stratify; however, to a degree, $P_{h,i}$ would no longer be proportionate to subscribers.

[0] Our web-based questionnaire includes features that ease the respondent's filing burden. For example, the questionnaire pre-fills some survey questions based on information already on file with the Commission, and asks the respondent to verify the information.

expected reasonable range or was inconsistent with the answers to other questions in the survey, the computer program automatically flagged that response and we contacted the operator and asked that operator to re-check and verify the flagged answer, or make a correction if needed. In all cases, the operators we contacted cooperated with these requests and, where necessary, submitted revised data. We asked about 10 percent the operators in the sample to review at least one answer. Each of these operators replied with either a data correction or reasonable explanation as to why a particular response was plausible. In the case of missing data, some operators provided these data and others explained that the operating company did not collect the particular information.

C. Estimation of Means

7. After we collected and checked the responses, we made estimates of the population means and variances from the samples based on the response to each survey question. We estimated the means and variances on a basic subscriber basis rather than a cable community basis. We choose this level of analysis because we are interested in understanding the price paid by the average subscriber rather than the price charged in the average community. These two methods of analysis yield different results when there is a correlation with the number of subscribers in a community and the response. To estimate the per-subscriber means and variances of those means, we use the Horvitz-Thompson ratio estimator.[0] This estimator is a well-known, unbiased method of estimation applicable to probability sampling designs. The Horvitz-Thompson estimator estimates the ratio of two totals.[0] By appropriately selecting those totals, we are able to weight the response from each cable community by the number of subscribers and estimate the per-subscriber mean of the responses. The numerator of our ratio estimator is the estimate of the industry total of the value of the response of the cable community multiplied by the number of basic subscribers in the community. The denominator is the estimate of the industry total of basic subscribers. For example, in estimating the mean basic price the numerator is the estimate of the industry total of the basic price in the community multiplied by the number of basic subscribers in the community. This resulting total is an estimate of total revenues from the purchase of basic service. The denominator is simply the estimate of the total basic subscribers. The resulting product is an estimate of basic service revenue per subscriber. Formally, the estimator of the per basic subscriber mean of variable X is

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[0] We began using the Horvitz-Thompson ratio estimator with the 2009 Report. Prior to the 2009 Report, we applied the unweighted mean in each stratum.

[0] *See* D. G. Horvitz and D. J. Thompson, "A Generalization of Sampling without Replacement from a Finite Universe," *Journal of the American Statistical Association,* 47 (1952) at 663-685; and W. S. Overton and S. V. Stehman, "The Horvitz-Thompson Theorem as a Unifying Perspective for Probability Sampling: With Examples from Natural Resource Sampling," *The American Statistician,* 49(3) (1995); and Cochran (1977) at 259.

$$\frac{\sum_{i=1}^{N} \frac{1}{\pi_i} X_i \cdot Sub_i}{\sum_{1=1}^{N} \frac{1}{\pi_i} Sub_i}$$

where X_i is the response from cable community i, Sub_i is the number of basic subscribers in community i, and π_i is the probability of community i being selected into the sample.[0]

8. For expanded basic service, we report the overall mean as reported in previous survey Reports, and we also report time-series indices of the cumulative percent change in price, number of channels, and price per channel. There are two data series each for channels and price per channel. The 2010 price survey collected data on a more expansive set of cable channels for 2009 and 2010. As shown in Attachments 4 and 5, both the 2009 and 2010 value for Series 2 are from the 2010 survey and the 2010 index value reflects the 2009 to 2010 change in Series 2. The data in series 1 is from prior surveys and forms the basis of the 1995-2009 index values. The index, in effect, links the percent changes of the two series by re-basing the newer series (Series 2) which began in 2010 to index base year 1995. For variable X, the index value (I) of mean ($\bar{x}$) in time series (s) in year (t) is

$$I_t = I_{t\text{-}1}(\bar{x}_{s,t} / \bar{x}_{s,t\text{-}1})$$

where $I_t = 100$ in base year 1995 and the time series (s) is 1 (s=1) if t<2010, and s=2 if t>=2010. The mean price per channel of expanded basic service in a community (i) is

$$X_t = ((P_{i,t} + E_{i,t}) / C_{i,t})$$

where $P_{i,t}$ is programming price, $E_{i,t}$ is equipment price, and $C_{i,t}$ is the number of channels. Equipment refers to the most commonly leased set-top converter or other digital gateway leased with expanded basic service. The equipment price is zero if equipment is pre-bundled into the programming price or if it is unnecessary to view any of the expanded basic channels.

D.   Survey Accuracy

9. Because the basis of our survey is a sample of communities rather than a 100 percent census, the price averages in this Report are subject to sampling variance. Expanding the survey to include all communities might increase accuracy, but would also increase the burden of collecting the information. Our sample results are likely to be different from results obtained if we were able to collect prices from

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[0] We conducted the data analysis using SAS Software, Version 9.3, SAS Institute Inc.; and SAS Macro SMSUB, Version 3.1. HTTP://support.sas.com/kb/25/addl/fusion_25033_1_. smsub.sas.txt (Accessed Oct. 31, 2012).

all communities nationwide. The attachments report estimates of sampling variance or statistical "standard error" for each price mean. Standard errors express the degree of confidence that the true mean falls within a range around a sample mean. In this Report, the range expresses assurance that in 95 out of 100 similar samples, the true mean will fall within the stated range (the "95 percent confidence interval").[0] Standard errors can also identify whether or not price differences are statistically significant at a 95-percent confidence level. The discussion above refers to within-sample variance. To prevent random variance that may occur across samples when measuring annual percentage change, the survey collected two years of data rather than comparing estimates over two different surveys. The exception is the historical time series table, which reports means from each survey year.

10. In addition to the sampling variance discussed above, changes in the composition of sample subgroups affect means.[0] The composition of communities making up the subgroups changes from year to year due to operators starting, ceasing, merging, or transferring operations. The composition further changes due to findings of effective competition and, therefore, migration of operators in the communities from the noncompetitive group to one of the effective competition subgroups.

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[0] This "95 percent confidence interval" is a range surrounding the sample average plus or minus 1.96 multiplied by the standard error.

[0] *See, e.g.,* D. Holt and C. J. Skinner, *Components of Change in Repeated Surveys,* International Statistical Review, 57 (1989) at 1-18.