



December 11, 2014

The Honorable Edward Markey
United States Senator
218 Russell Senate Office Building
Washington, DC 20510

The Honorable Richard Blumenthal
United States Senator
724 Hart Senate Office Building
Washington, DC 20510

Dear Senator Markey and Senator Blumenthal:

On behalf of Cablevision Systems Corporation (“Cablevision”), this is to respond to your inquiry regarding the state of competition in the video marketplace and questions posed regarding these important issues.

Cablevision’s tri-state service area – parts of New York, Connecticut and New Jersey – is the most competitive wired broadband, video and voice market in the country with over 50% of our customers having at least two fiber-based, multi-service providers in addition to extensive satellite, wireless, and smaller cable operators. Our customers demand the best service, and they get it. Cablevision’s broadband performance is ranked among the very best in the country by the FCC,¹ and over our upgraded network, we ensure that our customers can enjoy both Cablevision and “over-the-top” video content on a variety of their own devices. In this dynamic market, Cablevision is relentlessly focused on innovation and customer service. Examples include:

- Investing heavily to upgrade its fiber optic network to meet customer demand for bandwidth-intensive applications, offering 101 Mbps service to every household in its service area.
- Building one of the largest WiFi networks in North America to offer free, fast WiFi (15 Mbps) to its broadband customers (and those of many other cable operators) that is consistently faster than the best cellular service available and helps customers reduce their cellular data fees.
- Developing the first cloud-based DVR service that offers customers industry-leading storage and simultaneous recording ability throughout the home.
- Partnering with online video providers like Netflix to ensure a high quality user experience for Cablevision customers.
- Launching the industry’s first video app for tablets, laptop and desktop computers and smartphones. The Optimum app makes it possible to watch a vast lineup of live TV in and out of the home on a wide variety of devices without the need for a set top box (it

¹ See <http://www.fcc.gov/reports/measuring-broadband-america-2014>.

supports Windows, iOS, Android, and Kindle operating systems); search the channel guide and browse TV listings; and schedule recordings and manage home DVR. More than 1/3 of our customers use the Optimum App to watch TV.

- Pioneering the use of downloadable conditional access system across its cable footprint, enabling the deployment of lower cost navigation devices for consumers.

The Company appreciates your interest in these important issues. Given the highly competitive marketplace for our services where we operate, we address specific questions to the extent possible using non-sensitive or publicly available information. Please feel free to contact me if you require any additional information.

Sincerely,

A handwritten signature in black ink that reads "Emmett O'Keefe". The signature is written in a cursive style with a prominent loop at the end of the last name.

Emmett O'Keefe
Vice President, Federal Affairs

(All data provided for FY 2013 and YE 2013, as appropriate)

- 1) How many of our customers lease set top boxes from your company?**
 - a. What percentage of your customers leases one or more set top boxes from your company?**
 - b. On average, how many set top boxes per household do customers lease from your company?**
 - c. In total how many set top boxes are leased from your company?**

Nearly all of our customers lease set top boxes.

Our penetration of set top boxes per home is consistent with publicly estimated industry averages at about 2.6 boxes per home.

We have approximately 7.4 million set top boxes deployed. Our customers are also increasingly accessing our video content using our “Optimum App” – a multi-platform video distribution service – on alternative viewing devices, such as iPads, computers, laptops, tablets, and other devices. The Optimum App allows channels to be viewed, searched, and scheduled for recording both in and out of the home on the device of the user’s choosing.

- 2) What is the monthly leasing cost of each set top box your company offers?**
 - a. How much does an average customer spend per month to lease set top boxes for their household from your company?**

Per the rate card established under FCC rules, the price for customers choosing to lease a set top box is \$6.95.

Note, however, that the actual average cost to customer households is lower than the published price because many customers enjoy promotions, free box offers, or other discounts that reduce the effective cost of set top boxes. Furthermore, the number of set tops per household is declining relative to the total number of household television viewing devices, as consumers now enjoy programming on an array of devices without set tops, including: CableCard equipped televisions and other devices, iOS devices, Android devices, computers and smart televisions. As a result, the *cost* of set top boxes per household relative to total viewing devices is declining rapidly as well.

- 3) What was the total revenue your company earned from leasing set top boxes to customers in fiscal year 2014?**

The information requested is not publicly available.

4) Is it possible for customers to purchase a set top box directly from your company?

a. If yes, what percentage of your customers buys rather than rents a set top box directly from your company? What is the cost of each type of set top box your company offers for purchase? Please list each type of box and its corresponding price separately?

b. If no, why not?

No.

Among other reasons, we perceive little consumer interest in purchasing set top boxes. The lease model protects consumers from costs associated with obsolescence, failure, repair and maintenance, and losses associated with changing service providers. By leasing boxes, consumers are assured current technology without any sunk costs or related risks.

5) If the consumer chooses to purchase their own set top box from a company different than yours, does your company require the consumer to pay any installation or support costs separate from those levied on customers who simply lease a set top box from your company?

No.