

Markham C. Erickson
202 429 8032
merickson@steptoe.com

Steptoe
STEPTOE & JOHNSON LLP

1330 Connecticut Avenue, NW
Washington, DC 20036-1795
202 429 3000 main
www.steptoe.com

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April 6, 2015

BY ECFS

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street S.W.
Washington, DC 20554

Re: Applications of Comcast Corp. and Time Warner Cable Inc. for Consent to Assign or Transfer Control of Licenses and Authorizations, MB Docket No. 14-57

Dear Ms. Dortch:

Pursuant to the *Second Amended Modified Joint Protective Order*,¹ Netflix submits the attached redacted version of its Highly Confidential and Video Programming Confidential narrative response to the Commission's Request for Information to Netflix, dated December 19, 2014. Netflix has denoted with “{ { } }” symbols information that it has deemed Highly Confidential Information and with “// //” symbols information that it has deemed Video Programming Confidential Information pursuant to the *Modified Joint Protective Order*. The Highly Confidential and Video Programming Confidential documents Netflix filed with the Commission in response to this request are redacted in their entirety.

¹ Applications of Comcast Corp. and Time Warner Cable Inc. for Consent to Assign or Transfer Control of Licenses and Authorizations, MB Docket No. 14-57, *Second Amended Modified Joint Protective Order*, DA 14-1639 (Nov. 12, 2014) (“*Modified Joint Protective Order*”).

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Please contact me with any questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M.C. Erickson', with a long horizontal stroke extending to the right.

Markham C. Erickson
Counsel for Netflix, Inc.

Enclosure

Netflix Responses to FCC Request for Information in Applications of Comcast Corp. and Time Warner Cable, Inc. for Consent to Assign or Transfer Control of Licenses and Authorizations, MB Docket No. 14-57

Specification 2(d)

The Company’s total cost of delivering traffic to the ISP(s), and a description of how this amount was calculated, including all data needed to calculate this amount.

For purposes of this response, Netflix uses the following ISPs, listed in alphabetical order:

1. AT&T
2. BrightHouse
3. CableVision
4. CenturyLink
5. Charter
6. Comcast
7. Cox
8. Frontier
9. Time Warner Cable (“TWC”)
10. Verizon

Netflix has the following cost estimates for delivering content to subscribers:

ISPs with embedded Netflix servers. More than {{ }} ISPs interconnect with Netflix using Open Connect appliances that are “embedded” within the ISP’s network. None of these ISPs charges a terminating access fee. Netflix’s costs of serving traffic to a large ISP using this approach are about {{ }} per Mbps. This represents the costs Netflix needs to incur in order to deliver traffic to an ISP within the ISP’s network using Open Connect appliances. The {{ }} per Mbps estimate consists of an estimated {{ }} per Mbps of hardware costs, {{ }} per Mbps of CDN headcount costs, and {{ }} per Mbps of estimated allocation of general and administrative expenses.

The hardware costs are estimated based on the costs of serving traffic to {{ }}, which uses embedded Open Connect appliances. Approximately {{ }} embedded cache servers costing approximately {{ }} each are used to serve Cablevision. An additional 4 PCs costing approximately {{ }} each are used for maintenance services in connection with the embedded cache servers. Allocating these expenses on a straight line basis assuming a 36 month useful life results in an estimated monthly expense of {{ }}. Dividing {{ }} by the estimated 95th percentile

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traffic served of about {{ }} (based on July 2014 traffic) results in the {{ }} per Mbps of hardware costs. The cost per Mbps of cache servers generally decreases as ISP size increases. Netflix's costs for larger ISPs would likely be at or below the cost for {{ }}; Netflix's costs for smaller ISPs would be significantly higher.

The {{ }} per Mbps of CDN headcount costs is based on Netflix's costs for its networking team, which were about {{ }} as of mid-2014. These costs include compensation (including stock compensation), benefits, and allocations for office space and facilities (but not allocations of overhead functions of the company, such as for headcount associated with management, finance or human resources). If we allocate these costs to U.S. operations based on the approximately {{ }} percent ratio of U.S. to global Netflix traffic (as of the end of August 2014), these costs are about {{ }} on a monthly basis. We obtain an estimate for Netflix U.S. 95th percentile traffic of about {{ }} by dividing the approximately {{ }} of Netflix U.S. peak traffic (in August 2014) by 1.2, a ratio that Netflix uses to estimate 95th percentile usage based on peak usage. Dividing the {{ }} monthly costs by the {{ }} estimate of 95th percentile traffic results in an estimate of about {{ }} per Mbps.

The {{ }} per Mbps of estimated allocation of general and administrative expenses is based on the estimated proportion of such expenses to other firms with CDN operations. A third-party CDN incurs expenses for general and administrative expenses in addition to its operating headcount costs. We have used the ratio of general and administrative expenses to operating headcount expenses for {{ }} (based on their 10-Ks reporting data for the year ending December 2013) to provide an estimate of the general and administrative expenses that might be allocated to Netflix's CDN costs. The ratio of general and administrative expenses to total operating headcount expenses (including R&D costs as well as personnel costs because the {{ }} in Netflix headcount costs noted above includes personnel engaged in R&D) was {{ }}. We take the average of the two ratios and multiply the average with the previously estimated {{ }} per Mbps in Netflix headcount costs, resulting in a rough estimate of {{ }} per Mbps for general and administrative costs.

Because Netflix does not provide CDN services to third parties, it does not incur certain other costs that some third-party CDNs would incur, such as sales and marketing expenses. Third-party CDNs would need to cover such costs in their fees and would need in the long run to cover the cost of capital invested. A full comparison between a self-supplied CDN and a third-party CDN would need to account for these types of differences.

ISPs that connect with Netflix at IXP. More than {{ }} ISPs interconnect with Netflix at an IXP or other public interconnection point. With the exception of the four largest ISPs, none of them charges a terminating access fee. Netflix's costs of serving traffic using this approach to an ISP that is not charging a terminating access fee are about

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{{ }} per Mbps. This represents the costs Netflix needs to incur in order to deliver traffic to an ISP at an IXP.

The {{ }} per Mbps estimate consists of {{ }} per Mbps of IXP costs, {{ }} per Mbps of CDN headcount costs, and {{ }} per Mbps of estimated allocation of general and administrative expenses.

The {{ }} per Mbps of IXP costs is based on Netflix's costs of operating at IXPs. These costs include the amortized costs of cache boxes ({{ }} per Mbps); amortized costs of routers ({{ }} per Mbps); other hardware that is expensed and calculated for these purposes on a 12 month rolling basis ({{ }} per Mbps); co-location expenses ({{ }} per Mbps); and payments to third-party vendors for services such as on-site assistance and troubleshooting ({{ }} per Mbps). These estimates are for August 2014 and are for all IXPs located in the United States. These IXPs also serve a small proportion of traffic to ISPs in Canada and Latin America (on the order of 10 percent). These estimates are based on all costs incurred at these IXPs and all traffic served by these IXPs.

The {{ }} per Mbps of CDN headcount costs and {{ }} per Mbps of estimated allocation of general and administrative expenses are calculated as described above for traffic served using embedded Open Connect appliances. As noted above, because Netflix does not provide CDN services to third parties, it does not incur certain costs that some third-party CDNs would incur, such as sales and marketing expenses. Third-party CDNs would need to cover such costs in their fees and would need in the long run to cover the cost of capital invested. A full comparison between a self-supplied CDN and a third-party CDN would need to account for these types of differences.

Netflix's costs of serving traffic to Comcast under the Comcast agreement.

Netflix's costs of serving traffic to Comcast using this approach is approximately {{ }} per Mbps. This consists of the same {{ }} per Mbps costs incurred by Netflix to exchange traffic at an IXP as with other ISPs but, in addition, Netflix must pay a {{ }} per Mbps terminating access fee imposed by Comcast.

The monthly payment made by Netflix to Comcast is based on Netflix's contract with Comcast and equals the annual payment of {{ }} divided by 12, or {{ }}. For a measure of traffic usage for Comcast, we used actual data on its peak usage in August 2014 of {{ }}, divided by 1.2, a ratio that Netflix uses to estimate 95th percentile usage based on peak usage, to obtain an estimate of 95th percentile usage of {{ }}. The {{ }} per Mbps access is calculated by dividing the dollar access fee by the traffic estimate.

ISPs that connect with Netflix using a transit provider. More than {{ }} ISPs interconnect with Netflix using a transit provider. Netflix connects to the transit provider at an IXP and the transit provider takes the traffic to another interconnection point closer to the ISP. The ISPs served using this approach are typically smaller ISPs that do not have a

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presence at an IXP. Netflix's costs of serving traffic to a small ISP using this approach are about {{ }} per Mbps. This consists of {{ }} per Mbps in costs incurred by Netflix to exchange traffic at an IXP with the transit provider plus an approximate {{ }} per Mbps in fees paid to the transit provider.

The {{ }} per Mbps in costs incurred by Netflix to exchange traffic at an IXP with a transit provider is calculated in the same way as for the costs incurred by Netflix to exchange traffic at an IXP with an ISP, described above.

The cost of paying a transit provider to take traffic from the IXP to another interconnection point closer to a small ISP can vary. The {{ }} per Mbps of such costs is a rough estimate of what such costs were around August 2014. It is not an exact calculation.

Specification 4:

a. For each Person contained on the list attached as Attachment A, state whether the Person could deliver, in whole or in part, the Company's OVD service to consumers in the United States during the Relevant Period. Briefly describe the characteristics of the service (e.g., CDN, transit), the benefits, restrictions, detriments and risks associated with each service, and any reasons that the service could not be obtained from each Person on commercially reasonable terms, including but not limited to price and limited capacity. Identify any other Person that the Company believes could deliver, in whole or in part, the Company's OVD service to consumers in the United States during the Relevant Period who is not listed on Attachment A.

b. Identify all firms that have bid, negotiated, or otherwise sought to provide service to the Company to deliver its OVD Service to consumers in the United States during the relevant period, including but not limited to transit or CDN services, and whether the option would be available to the Company on commercially reasonable terms. Describe the service and provider options and the benefits, restrictions, detriments and risks associated with each option, and any reasons that the service could not be obtained from each provider on commercially reasonable terms, and identify the option(s) and provider(s) selected and the reasons that the Company selected the option(s) it used to deliver its OVD service.

The entities listed on Attachment A fall into several categories: (1) transit providers that were able to deliver Netflix's service; (2) transit providers with insufficient capacity to deliver Netflix's OVD service; (3) U.S. terminating Internet Service Providers; (4) foreign terminating Internet Service Providers; (5) Content Delivery Networks; and (6) entities which do not generally offer the type of services described by this Specification. The extent to which Netflix used or did not use the services of the companies in each category is discussed below.

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While Comcast has focused on the potential availability of certain transit links, Netflix cannot force any entity to provide it with transit services. Consequently, Netflix puts out requests for proposals for companies to deliver its OVD service. Netflix must evaluate those bids in terms of their competitiveness not only on price, but on their ability to provide the required services—transit not only into Comcast’s network, but to many other networks as well. During the Relevant Period, Netflix used the only six providers capable of making sufficient capacity available to deliver even a portion of Netflix’s service without paying Comcast a significant and commercially unreasonable terminating access fee. But even the combined capacity of the six largest transit providers in the world proved insufficient to support Netflix’s service, due to Comcast’s unwillingness to open sufficient capacity to satisfy the needs of its own customers.

1) Transit Providers Able to Deliver Netflix’s Service

There are only six competitive options available to Netflix for transit services to high-bandwidth customers in the United States: Cogent, Level 3, Tata, TeliaSonera, XO, and NTT. Netflix used all six, either directly or indirectly via other carriers. {{ }} of these transit providers, {{ }} interconnected directly with Comcast on a settlement-free basis. {{ }} connected to Comcast through settlement-free routes with {{ }}. As a result, Netflix’s ability to use those routes to reach Comcast was limited by the capacity available through {{ }} links.

{{

}}

When Netflix approached Comcast regarding the lack of uncongested settlement-free routes available into its network, Comcast at various times suggested that Netflix (1) pay Comcast a terminating access fee to directly interconnect, (2) go back to using CDNs that were already paying Comcast a terminating access fee to directly interconnect, or (3) purchase transit services from {{ }}, which was itself demanding a terminating access fee from Netflix.

2) Transit Providers with Insufficient Capacity

These entities lack the capacity necessary to deliver Netflix’s OVD service: {{ }}. Netflix was told by these providers, or otherwise had reason to believe, that they did not have sufficient capacity to deliver Netflix data.

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Even if these smaller entities had sufficient capacity to meet Netflix’s needs, Netflix was told that accepting Netflix’s traffic would have caused these transit providers to become out of compliance with the peering ratio set unilaterally by Comcast. For example, {{
}}, would not sell Netflix capacity because it was concerned about damaging its relationship with Comcast. While Netflix approached other providers to find additional paths into the Comcast network, most declined to sell Netflix this capacity. Those providers that would offer routes into Comcast’s network offered too little capacity to be usable and asked for prices significantly higher than what was typically offered by large transit providers for services into networks managed by ISPs who did not artificially constrain settlement-free capacity into their networks.

3) U.S. Terminating Internet Service Providers

Attachment A includes six large terminating ISPs. Those ISPs all have demanded a terminating access fee from Netflix for the termination of traffic onto their own networks as part of any agreement regarding transit services. Verizon, TWC, and AT&T, Inc. were able to force Netflix to pay a terminating access fee. However, Netflix continues to use the six transit providers listed above to reach {{
}}.

4) Foreign Terminating Internet Service Providers

Many of the entities on Attachment A are foreign broadband providers (both cable and DSL).¹ These entities either did not have sufficient capacity to deliver Netflix’s OVD service in the United States, or do not offer a wholesale product to reach United States subscribers. Terminating ISPs and transit providers lacking a robust presence in the United States will generally reserve their settlement-free capacity for their own international traffic.

5) Content Delivery Networks

Netflix used {{
}} during the Relevant Period, but subsequently transitioned its services onto its own CDN, Open Connect. Netflix did not use {{
}}. During the Relevant Period, Netflix understands that both {{
}} were paying Comcast terminating access fees, making their use commercially unreasonable.

¹ {{

}}

6) Miscellaneous Entities

Other entities listed on Attachment A are not capable of providing Netflix’s OVD service.² These entities are generally small operators providing niche services, such as application-specific backhaul or enterprise services. Netflix neither approached these companies about providing OVD service nor received a bid from them to do so.

c) For any non-ministerial changes to the Company’s interconnection arrangements with any ISP since January 1, 2012, describe the change and the reasons for the change and identify the Person who initiated the change.

Netflix is not including capacity changes pursuant to existing agreements in its response. For example, if Netflix ordered additional capacity under an agreement which provided for Netflix to do so, this would not be a change that required an amendment to such an agreement.

{{

² {{

}}

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}}

Specification 5:

Separately for each ISP in the United States with whom the Company has a paid peering interconnection arrangement, for the Relevant Period state:

Netflix has interconnection agreements with four ISPs: Comcast, Verizon, AT&T and TWC.

a. the total interconnection capacity made available to the Company at the end of the month in Mbps;

The total contracted capacity is stated in each of the four contracts. These amounts represent the agreed-upon capacity between Netflix and the ISPs. They do not necessarily represent the actual capacity “made available” to Netflix.

{{

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}}

b. a description of the method used to determine monthly recurring charges, sufficient to allow calculation of monthly recurring charges for any level of usage;

{{

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}}

c. the Company's total interconnection payments to the ISP (excluding payments related to facilities and utilities in cases where the Company locates equipment within the ISP's facilities);

Netflix has not made any additional payments to the ISP other than those described in part (b) of this specification above. Netflix has not exceeded its capacity allowances during the Relevant Period.

d. the Company's interconnection payments to the ISP for port installation and other non-recurring charges (excluding payments related to facilities and utilities in cases where the Company locates equipment within the ISP's facilities);

The contract with {{ }}. The other three contracts are {{ }}. Netflix pays each ISP {{ }}. Netflix absorbs costs on its end for hardware including facilities and utilities, and the four ISPs appear to do the same for their hardware costs.

e. the Company's recurring interconnection payments to the ISP (excluding payments related to facilities and utilities in cases where the Company locates equipment within the ISP's facilities). If a recurring payment is determined on an annual basis, divide the annual recurring payment by twelve;

Netflix has not made any additional payments to the ISP other than those described in part (b) of this specification above. Netflix has not exceeded its capacity allowances during the Relevant Period.

f. the Company's payments related to facilities and utilities to the ISP in cases where the Company locates equipment within the ISP's abilities. (If the Company locates equipment within the ISP's facilities but is not charged for this, report a payment of 0. If the Company does not locate equipment within the ISP's facilities report "NA."); and

Netflix has a small amount of passive optical equipment co-located in {{ }} facilities, but Netflix does not make any payments relating to this equipment.

g. the basis for determining capacity that is required to be made available to the Company under the contract, if such a requirement exists.

{{

}}

Specification 7

Provide one copy of the Company’s most recent strategic plans, business plans and studies, forecasts, budgets or projections relating to the Company’s OVD service, including, but not limited to, discussion of competition, competitors, video programming acquisition, capacity constraints, customer trends, prices, plans to provide video programming in ultra-high definition format or linear channels, margins, profits, costs, peering, transit, or other industry trends affecting the Company’s services.

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Netflix is producing a copy of its {{
}}, which contains information responsive to
this request.

Specification 8

Provide documents that discuss the actual or potential effects on the Company’s OVD service from the introduction of data caps, usage based billing plans or other methods to control broadband usage by an ISP and applied to its subscribers, and the Company’s strategies and policies in response to such practices.

Netflix is producing documents in response to Specification 8 at NFX-FCC-00000068 - NFX-FCC-00000110, NFX-FCC-00000229 - NFX-FCC-00000321, NFX-FCC-00000348 - NFX-FCC-00000352, and NFX-FCC-00000389 - NFX-FCC-00000876. These documents relate to the effects of data caps, usage based billing plans, or other methods used by ISPs to control broadband usage on Netflix’s OVD service, and Netflix’s response thereto. They include documents showing Netflix’s experience in {{
}}³; Netflix’s
view on the relation between data caps and costs/pricing and its reaction to proposed legislation; and Netflix’s discussions with {{
}}.

Specification 10

Explain and provide documents that discuss the current and projected minimum and optimum broadband download speed needed by consumers to effectively view the Company’s Video Programming using the Company’s OVD Service at various resolutions (e.g., standard definition, high definition, and ultra-high definition), the download speeds that the Company recommends to its subscribers and plans to or is likely to recommend in the future, what features subscribers can access with certain download speeds that they cannot access with slower speeds or less bandwidth), and how demand for the Company’s OVD Service is affected by the broadband speeds that are available to a potential subscriber. Include in your explanation any factors or features other than download speed that could materially affect the subscriber’s viewing experience (e.g. latency, packet loss) and how you define “standard definition,” “high definition,” and “ultra-high definition.”

Speed requirements.

Netflix advises its potential customers that they need to have an Internet connection of at least 500 Kbps, and preferably a connection of 1500 Kbps per second or higher.

³ {{
}}

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However, Netflix recommends that consumers have an Internet connection with speeds well above the average speed to achieve the quality they desire. That means 3000 Kbps for standard definition quality, *i.e.*, a stream with 720p quality; 5000 Kbps for high definition quality, *i.e.*, a stream with 1080p quality; and 15 Mbps for ultra-high definition quality. These figures are for a single stream. Minimum sustained speed must be increased to accommodate multiple household members streaming, downloading, or playing web-based games simultaneously. {{
}}.

Factors other than download speed.

In addition to the speed of the broadband connection purchased by a consumer, one of the most important factors affecting quality is congestion at the interconnection point of a consumer’s broadband network, which can substantially alter bitrate of video requested by a consumer on that network. For example, if a consumer has a 25 Mbps connection to her home, but the video stream she requests is routed by her ISP through a congested interconnection port, the consumer’s effective broadband speed could be 2 Mbps or worse, depending on the severity of the congestion. As a result, the consumer would not be receiving the benefit of the 25 Mbps broadband connection that she paid her ISP to provide. Video quality also depends on factors such as the type of device being used to stream Netflix, a weak or unstable connection to the Internet, or the subscriber’s home network configuration. Latency, however, does not have a strong effect on the quality of video streamed on Netflix, due to the nature of streaming video and buffering technology.

Effect of Speed on Demand.

Because the effective broadband speed available to a subscriber has a direct effect on video quality, it also directly affects demand for Netflix’s OVD Service. In the past, {{

}}⁴

⁴ {{

}}

Specification 13:

Identify all video programming that the Company sought the right to distribute as part of the Company’s OVD service, but was ultimately unable to obtain rights to distribute on terms acceptable to the Company, which you have reason to believe was related to a provision in another video programming provider’s agreement with another MVPD or OVD. Include in your response the specific circumstances leading to your belief. Identify any contractual clauses, including but not limited to “Most Favored Nations” clauses, “alternative distribution methods” clauses, or other contractual limitations that were identified as a reason for prohibiting or limiting distribution of the video programming by the Company’s OVD service. Provide documents discussing the implications or strategic significance for the Company’s OVD service of clauses in contracts between the licensors of video programming and MVPDs that limit the Company’s ability to distribute the video programming.

Netflix licenses content from multiple suppliers, mirroring the fragmentation of the content industry. Netflix content licensing is generally time-based. For example, the company might pay for a multi-year exclusive subscription video-on-demand (SVOD) license for a given title. At the time of renewal, Netflix evaluates how many times the title is getting viewed as well as member rating feedback to determine how much it is willing to pay.

As OVDs have expanded, competition for exclusive content has increased. This includes competition with MVPD “TV Everywhere” type services. {{
}}

Exclusive content is an important factor in consumers’ consideration of what content to watch and through which service to watch it. Netflix faces significant competitive pressures in bidding for exclusive content. Typically Netflix {{

}}. Due to confidentiality clauses in contracts between programmers and MVPDs or other OVDs, Netflix cannot know with certainty why a particular programmer was unwilling or unable to offer the rights to certain video programming on terms acceptable to Netflix.

The right to in-season (or current season), exclusive television episodes has become a competitive issue between MVPDs and OVDs. The degree of exclusivity may range from allowing an MVPD to have rights to the “rolling five” (*i.e.*, the last five episodes aired on linear TV are exclusive to the MVPD’s on-demand service), to the right to “stack” the full current season of episodes (and perhaps prior seasons, as well) on the MVPD’s own on-demand or online service.

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Comcast's behavior has indicated it understands exclusivity is important to OVDs, and so it has deliberately sought to undermine OVDs' efforts to secure exclusivity. As a general matter, the proposed merger would enhance Comcast's incentive and ability to foreclose OVDs from accessing the programming on the terms they need to be competitive.

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//NETFLIX VPCI END//

Even now, before Comcast's market power is enhanced post-transaction, some programmers have relatively weak bargaining leverage against Comcast. //NETFLIX VPCI START//

//NETFLIX VPCI END//

Pre-merger, third-party programmers already struggle to retain the right to sell exclusivity to OVDs. A larger, combined Comcast-TWC would have the increased ability to demand stacking rights from programmers for little or no additional consideration. By doing so, Comcast would vitiate significant value //NETFLIX VPCI START//
//NETFLIX VPCI END// and
for consumers, who would experience reduced offerings from OVDs.

Comcast's efforts to thwart OVD exclusivity harm programmers as well. When Comcast refuses to allow programmers to sell exclusive content rights to OVDs, it essentially destroys the value of these rights. This is particularly harmful where Comcast appears to offer programmers little or no additional consideration above what they offer for the linear rights to the content. Destroying programming value benefits Comcast because it directly harms competitor OVDs, while Comcast also benefits from obtaining programming rights at artificially low prices. By undermining OVD competition, Comcast can preserve cable broadband control over the viewing experience—benefitting Comcast, but harming consumers, OVDs, and programmers alike.

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Netflix is also producing documents responsive to this request at NFX-FCC-00000111 - NFX-FCC-00000228, NFX-FCC-00000322 - NFX-FCC-00000347, and NFX-FCC-00000353 - NFX-FCC-00000388.

Specification 14:

For the years 2012 and 2013, and from January 1, 2014, through September 30, 2014, describe and state what percentage of the Company’s annual costs were associated with content acquisition, marketing to end users, paid peering, third-party transit, third-party CDN services, owned and operated CDN service costs excluding interconnection fees, and other costs. State the amount in dollars and what percent of content acquisition costs were attributable to purchase of (a) original content production or licensing, (b) NBCUniversal content, and (c) other content.

The following data come from the Company’s public SEC filings (10-Q for 2014 Q3 and 10-K for 2013).

Netflix Domestic Streaming Operating Expenses (\$000)

	2012	2013	2014 Q1-Q3
Content Library	\$1,152,446	\$1,420,076	\$1,229,477
Other Costs of Revenues	\$406,418	\$429,078	\$399,091
Marketing	\$256,995	\$279,454	\$206,030

The Company allocates operating costs to its segments for costs classified as Technology and Development or General and Administrative. All other operating costs for the domestic streaming segment are included in the above table. Costs associated with paid peering, third-party transit, third-party CDN services are all included as “Other Costs of Revenues,” are not reported separately. The content acquisition costs are not reported separately in these financial statements for original content, NBCUniversal content, or other content.

Netflix publicly has stated that its costs of original content are rising but remain under 10 percent of its global content acquisition costs through 2014.⁵

⁵ See Netflix, Inc., Netflix Long Term View, at 7 (Apr. 29, 2013), *available at* http://files.shareholder.com/downloads/NFLX/2399389974x0x656145/e4410bd8-e5d4-4d31-ad79-84c36c49f77c/IROverviewHomePageLetter_4.24.13_pdf.pdf; Netflix Inc., Annual Report (Form 10-K for period ending Dec. 31, 2013), at 26 (Feb. 3, 2014), *available at* <http://files.shareholder.com/downloads/NFLX/3860785256x0xS1065280-14-6/1065280/filing.pdf>.

Specification 15:

Submit all market studies, forecasts, surveys, reports and analyses discussing demographic and other characteristics of your viewers and your target audience (age, gender, geographic location, etc.).

Netflix is producing documents responsive to this request at NFX-FCC-00000858 - NFX-FCC-00000972.