

Cable Modem Service: The Cablevision Experience

FCC *Ex Parte* Meeting

May 28, 2003

Optimum Online: Meeting the Goals of Broadband Deployment

- **Widely Available: Available to 3.9 Million Homes, Including Urban Areas such as the Bronx, Brooklyn, Newark and Bridgeport (April 2003)**
- **Highly Popular: Highest HSD Penetration in Industry**
 - Overall Penetration Rate of 22.3% of Homes Passed by Cable Plant (1Q03 Results)
- **Great Service: Only High-Speed Service in U.S. to Receive A+ Rating from PC Magazine's Best and Worst Survey (August 2002)**
- **Subject to Robust Competition: *E.g.*, Verizon Aggressively Rolling Out DSL Service in Same Service Areas as OOL**
 - Verizon/Microsoft DSL Service at \$34.95/Month or \$29.95 Voice/Data Bundle

Consumers are Well-Served by Today's Competitive Environment

- **OOL Customers Enjoy Unfettered ISP Access**
 - As of July 2002, Over 40% of OOL Customers also Subscribed Separately to Another ISP (33% to AOL)
- **OOL Engaged in a Marketing Test with AOL for a Limited Period of Time (2002)**
 - Offered a 1-Year Agreement with Combined OOL/AOL Service for \$54.95/Month; 30-Day Money Back Guarantee; Self-Installation or Professional Installation
- **No Government Intervention Needed**
 - Optimum Online Does Not Block Access to Any Content
 - ISPs Have Embraced “Bring Your Own Access” (BYOA) Models

Market Demands, Not Regulation, Control Business Decisions to Partner with ISPs

Local & State Authority: Unnecessary & Improper Regulation of a Competitive Business

- **Locally Imposed Franchise Requirements on Cable Modem Service Create Disincentives for Investment & Raise Costs**
 - Some Local Governments are Proposing Comprehensive Regulatory Schemes and Fees for Cable Modem Service
 - Unclear Whether Extent of Regulation Would Mirror Cable Service (e.g., Rights-of-Way, Sale of Cable System, Transfer, Technical Standards, etc.)
- **Examples of Municipal & State Proposals include 1) Construction Schedules, 2) Build-Out and Service Area Requirements, 3) Government-Mandated Bandwidth and Node Size and 4) Forced Access Requirements.**
 - Source: Comments of the District of Columbia, City of Sioux City, City of South Portland; Alliance of Local Organizations Against Preemption, People of the State of California, City of New Orleans, etc., in CS Docket No. 02-52

Local & State Authority: Unnecessary & Improper Regulation of a Competitive Business (cont.)

- **FCC Preemption of Local and State Authority is Necessary and Appropriate**
- **Detrimental Impact of Unnecessary Regulation**
 - **Consumers Disadvantaged:**
 - Increased Costs due to regulation will put upward pressure on cable modem price.
 - Impede Rapid and Efficient Deployment forcing resources into regulatory compliance and away from network investment
 - **Burdensome and Costly to Face Inconsistent Regulation in at Least 400 Municipalities**
 - **Discriminatory: Broadband Competitors Not Subject to Local Regulation**
- **Separate Franchise Fee Requirement for Cable Modem Service Neither Justified Nor Reasonable**
 - **Cablevision Pays Approximately \$75 Million/Year in Cable Franchise Fees**
 - **No Additional Burden on Existing Rights-of-Way**
 - **Discriminatory Broadband Tax**

Network Neutrality: Market Forces and Network Constraints Dictate the Appropriate Response

- **Competition Drives the Market's Response, and It Works**
 - *E.g.*, MSO response to customer demands for VPN
- **OOL Needs Flexibility to Protect Network from Misuse and Abuse**
- **Network Integrity and Service Quality are Primary Concerns for the Business**
 - OOL's Terms of Service and Acceptable Use Policy Prohibit Certain Usage by Residential Subscribers (*e.g.*, Running Servers, Registering a Domain to an OOL IP Address, Reselling the Service, Excessive Bandwidth Usage, etc.)
 - Terms Vary for Commercial Subscribers (*e.g.*, Server Policy)

Network Neutrality: Market Forces and Network Constraints Dictate the Appropriate Response (cont.)

- **Regulation is Unnecessary and Potentially Problematic**
 - OOL Subscribers Can Access Any Content
 - Current Usage Restrictions are Tailored Toward Effective Network Management for All OOL Subscribers
- **Broad Regulation Cannot Effectively Predict nor Address Specific Instances of Network Exploitation that Need Operator Attention**
 - *E.g., Spamming*
 - Poor Outcome: Blacklisting; Blocked Transactions
 - OOL-AOL Cooperative Effort to Cure
 - *E.g., Excessive Bandwidth Utilization*
 - Impairs Experience for Subscribers
 - Best Addressed Internally by OOL Security
 - Considering Tiers of Service