

**Responses to Questions for the Record for
Arthur Minson, Executive Vice President and Chief Financial Officer, Time Warner Cable**

**“Examining the Comcast-Time Warner Cable Merger and Impact on Consumers”
Senate Judiciary Committee**

May 1, 2014

Senator Klobuchar

In a January earnings call, CEO Rob Marcus announced the launch of a new customer experience, called “TWC Maxx” and that will triple Internet speeds for customers with our most popular tiers of service, add more community WiFi, [and] dramatically improve the TV product.” In your testimony, you say that as a result of the merger, Time Warner Cable customers will benefit from higher speed data services and Comcast’s next generation X1 platform. Are these the things that Time Warner Cable was already planning to offer to consumers if the merger didn’t occur?

The TWC Maxx initiative promises to deliver Time Warner Cable subscribers faster Internet speeds, more community WiFi hotspots, improved video service with more content offerings, and a differentiated, exceptional customer service experience. As part of the initiative, Time Warner Cable (also referred to herein as “TWC”) plans to convert 75 percent of its cable systems to all-digital over the next three years, starting with our customers in New York City and Los Angeles.

Our merger with Comcast will accelerate the deployment of advanced technologies and innovative products and services to Time Warner Cable customers and will enable the deployment of new products and services to which TWC subscribers would not currently have access. For example, Comcast has committed to adding substantial incremental investments to those TWC has planned for broadband upgrades and enhancements over the next three years, including a commitment to convert all of TWC’s cable systems to all-digital. Such investments, together with the significant experience Comcast brings to bear from converting its own network, will confer additional benefits on TWC’s customers. In addition, the merger will allow Comcast to extend its innovative X1 video technology to TWC customers. Thus, the merger provides a unique opportunity to shorten the innovation timeline and allow TWC customers to benefit not only from the substantial investments that TWC has made and continues to make in its network, but also from the billions of dollars Comcast has invested in improving its network. Together, Comcast and TWC can provide consumers with better services while generating cost savings and other efficiencies, all of which will ultimately benefit the combined company’s subscribers.

Senator Franken

- 1. Please identify Time Warner Cable's (TWC) most popular bundled service offering, its most popular cable television offering, and its most popular standalone broadband offering, and, for each of these offerings, please provide the inflation-adjusted consumer price for each year from 1995 to the present. If it is not possible to provide these data on a national basis, please provide them for any Minnesota markets in which TWC operates and for TWC's top four national markets. Please also provide TWC's net income and profit margins for those years.**

For purposes of this response, Time Warner Cable has identified its current most popular service offerings. They are as follows:

- **Bundle:** TWC's Triple Play is its most popular bundled service offering. Currently, approximately 30% of TWC's customer base subscribe to the Triple Play.
- **Cable Television:** TWC's most popular cable television offering is the Digital Basic tier, known as the "Preferred" tier. Currently, approximately 47% of video subscribers subscribe to Preferred video service. Another 30% of TWC video subscribers purchase Preferred video service with premium channels, meaning that a total of 77% of TWC video subscribers purchase Preferred video service.
- **Broadband:** TWC's most popular standalone broadband offering is the "Standard" tier, to which approximately 50% of Internet-only customers subscribe.

Exhibit A, attached hereto, provides pricing information for each of the service offerings identified above dating back to 2011. Time Warner Cable does not retain such specific pricing data beyond three years in the normal course of business, but instead relies on other business metrics, such as average revenue per unit ("ARPU"), which is determined in part by price. We also note that the pricing information in Exhibit A is based on the actual prices paid by TWC customers, as TWC does not adjust its pricing data for inflation.

Finally, information regarding TWC's net income and profit margins are reported in the company's SEC filings, which are available (from 2006 through 2013) on Time Warner Cable's website at <http://ir.timewarnercable.com/investor-relations/financial-reports-and-filings/sec-filings/default.aspx>.

2. Page 2 of the Public Interest Statement that Comcast and TWC submitted to the Federal Communications Commission (FCC) says that TWC “has plans to improve speeds and further digitize its network.” Page 28 similarly provides that “TWC announced earlier this year a multi-year plan to upgrade its network and enhance its services.”

a. Please explain those plans, including any goals and timetables that TWC has set for network upgrades.

In January 2014, TWC announced its “TWC Maxx” initiative, which includes plans to triple Internet speeds for customers purchasing TWC’s most popular tiers of broadband Internet service, add more community WiFi hotspots, improve TWC’s TV product offerings, and offer a differentiated, exceptional customer service experience.

The first phase of the TWC Maxx initiative will take place in Los Angeles and New York City, where TWC is in the process of upgrading network connection sites (or “hubs”). The first four hubs to receive upgrades will be those that service customers in West Hollywood and Costa Mesa in California, and portions of Woodside (in Queens) and Staten Island in New York. As each hub site upgrade is completed, all TWC Internet customers served by that hub will see substantial increases in upload and download speeds. In addition, TWC will offer state-of-the-art modems and wireless gateways to replace existing subscriber equipment.

In conjunction with these network upgrades, TWC will continue its expansion of its WiFi hotspots in Los Angeles and New York City. Additionally, TWC will complete the conversion of its video network in Los Angeles to digital technology. TWC completed the conversion to digital in New York City in 2013.

TWC plans to complete the system and service upgrades in Los Angeles and New York City by year-end, after which TWC has planned to roll out the TWC Maxx initiative market-by-market across 75 percent of its footprint by the end of 2016.

TWC also is focused on delivering more responsive customer service and providing faster resolution of service issues. In particular, TWC is rolling out a number of initiatives to improve the customer service it offers to subscribers, including, among others:

- TechTracker, which provides a service technician’s picture and telephone number via text message to a subscriber with a scheduled home visit to facilitate and improve customer communications on the day of a home visit;
- the option to speak with the same customer service agent in a follow-up communication; and
- fixed appointment times rather than appointment windows for 20 percent or more of customer contacts.

b. Was Comcast’s development of new broadband capabilities, including DOCSIS 3.1, a motivating factor in TWC’s decision to develop and implement its upgrade plans?

No. Time Warner Cable and Comcast have taken different approaches to freeing up bandwidth on their networks to enable faster broadband speeds and expand video content offerings. For example, TWC made an early commitment to adopting switched digital video technology to reclaim bandwidth devoted to the analog delivery of video programming, while Comcast focused instead on converting its network to an all-digital platform, an effort it completed in 2012. TWC is now engaged in a similar digital migration process through its TWC Maxx initiative, as described above.

c. Has TWC changed its plans, including the timetable for such plans, in light of Comcast’s proposed acquisition of TWC?

No.

3. If Comcast’s acquisition of TWC is approved, certain TWC executives will receive substantial severance compensation packages, which are often called golden parachutes.

a. Please identify the recipient of any golden parachute that is worth at least \$1 million, and please specify the value of such golden parachute.

For purposes of this response, TWC interprets the term “golden parachute” compensation to refer to such compensation as defined and described in the regulations of the U.S. Securities and Exchange Commission, in particular Regulation S-K. “Golden parachute” compensation under these rules includes (1) the aggregate dollar value of any cash severance payments, including base salary, bonus, and pro-rated non-equity incentive compensation plan payments, and (2) the aggregate dollar value of (i) stock awards for which vesting would be accelerated, (ii) in-the-money stock option awards for which vesting would be accelerated, and (iii) certain other benefits, in each case to be provided to a “named executive officer” of TWC in the event that the officer’s employment is terminated after a change in control, such as the closing of the proposed merger. With the exception of former CEO Glenn Britt and former CFO Irene Esteves, each of TWC’s named executive officers would receive compensation in excess of \$1 million in the form of cash severance payments and accelerated vesting of then existing equity awards if his/her employment is terminated within 24 months after the closing of the merger with Comcast. Mr. Britt and Ms. Esteves will not receive any such “golden parachute” payments in connection with the transaction because they no longer hold their executive positions. In addition, no named executive officer will receive enhanced pension or deferred compensation benefits or tax reimbursements that are covered under the SEC’s “golden parachute” rules. Furthermore, the named executive officers who are eligible will not be entitled to any “golden parachute” compensation unless their employment is terminated within 24 months of the closing of the transaction.

As reported in TWC’s 2014 proxy statement, pursuant to Regulation S-K, TWC’s named executive officers are:

Name	Title
Robert D. Marcus	Chairman and Chief Executive Officer
Arthur T. Minson, Jr.	Executive Vice President and Chief Financial Officer
Michael LaJoie	Executive Vice President and Chief Technology and Network Operations Officer
Philip G. Meeks	Executive Vice President and Chief Operating Officer, Business Services
Glenn A. Britt	Retired Chairman and Chief Executive Officer
Irene M. Esteves	Former Executive Vice President and Chief Financial Officer

Information about these severance arrangements was included for these named executive officers in the Form S-4 filed by Comcast with the SEC on March 20, 2014. The relevant excerpt of that filing is attached as Exhibit B and includes estimates of the value of the severance arrangements these executives would receive based on various assumptions set forth in the excerpt.

b. Please explain the business justification for the golden parachutes identified in question 3(a)

Cash severance payments and accelerated vesting of equity awards following a “double trigger” event (*i.e.*, a change in control followed by termination of employment) are standard mechanisms used by public companies to help ensure that executives’ incentives are aligned with shareholders’ interests when evaluating potential transactions that are likely to increase shareholder value, boost consumer welfare, and deliver other benefits, especially when such transactions would result in executives losing their positions following the transaction. Such provisions also help retain key employees and maintain strong operational performance in the sometimes-lengthy period between the announcement of such a transaction and its closing. TWC’s “double trigger” severance arrangements are consistent with those adopted by peer companies, and their operation in this context is consistent with arrangements in other transactions of this nature and with corporate governance practices generally. TWC annually discloses to shareholders the terms of its executive officers’ compensation arrangements in its SEC filings, including potential payouts in the event of termination following a change in control. In addition, beginning in 2011, such arrangements have been the subject of an annual shareholder “say on pay” vote, which provides shareholders an opportunity to express their opinion on TWC’s compensation practices. At TWC’s 2013 annual shareholder meeting, 85 percent of votes cast indicated support of these practices. In 2012, the approval percentage was 95 percent.

- c. Please explain how the golden parachutes identified in question 3(a) serve the public interest.**

As the parties have explained in their public filings, the transaction will benefit competition and consumers, and thus will serve the public interest. Accordingly, compensation provisions that facilitate the completion of this transaction serve the public interest as well.

- d. Would the public interest be better served if funds in excess of \$1 million for the golden parachutes listed in question 3(a) were instead invested in broadband service for rural and low-income communities?**

Providing compensation to management and investing in broadband service are not mutually exclusive goals. To the contrary, by facilitating TWC's entry into a transaction that will result in increased broadband investment and improved service capabilities—including in rural areas and low-income communities—the golden parachute provisions are entirely consistent with those important public interest objectives.

- 4. A December 2013 FCC report indicates that about 30% of people live in areas with one or fewer providers of Internet service offering downstream speeds of at least 10 mbps and that about 67% of people live in areas with two or fewer such providers.**

- a. Please identify any local markets in which TWC is the only Internet service provider offering average downstream connection speeds of at least 10 mbps.**

TWC does not maintain information in the normal course of business that is responsive to this question. The National Broadband Map (available at <http://www.broadbandmap.gov/speed>) is searchable and can be used to identify Internet Service Providers that provide downstream broadband speeds of at least 10 Mbps.

- b. Please identify any local markets in which TWC is one of only two Internet service providers offering average downstream connection speeds of at least 10 mbps.**

As explained in response to question 4(a), TWC does not maintain information in the normal course of business that is responsive to this question.

- c. Please identify any local markets in which TWC has at least a 50% [share] of subscribers with average downstream connection speeds of at least 10 mbps.**

As explained in response to question 4(a), TWC does not maintain information in the normal course of business that is responsive to this question.

- d. How would your responses to Questions 4(a), (b), and (c) change if you were to exclude competitors that do not also offer multichannel video programming distribution MVPD services?**

As explained in response to question 4(a), TWC does not maintain information in the normal course of business that is responsive to this question.

- 5. Please identify any local markets in which TWC has at least a 50% share of the MVPD market.**

Relying on SNL Kagan data, Time Warner Cable has a 50 percent or greater share of MVPD subscribers in the following designated market areas (“DMAs”): Cincinnati, OH (52.3%); Beaumont-Port Arthur, TX (52.4%); Elmira (Corning), NY (55.3%); Lima, OH (55.8%); Zanesville, OH (56.3%); Palm Springs, CA (57.6%); Portland-Auburn, ME (57.9%); Watertown, NY (61.0%); Utica, NY (61.3%); Dayton, OH (62.8%); Binghamton, NY (63.5%); Laredo, TX (64.5%); Syracuse, NY (67.0%); Albany-Schenectady-Troy, NY (67.8%); Rochester, NY (75.7%); and Honolulu, HI (90.0%).

- 6. Does TWC currently negotiate with Comcast with respect to TWC carriage of Comcast-affiliated programming? If so, how often do those negotiations take place? What are TWC’s objectives during those negotiations?**

TWC negotiates with NBCUniversal with respect to TWC’s carriage of Comcast-affiliated programming on a recurring basis, depending on when the relevant agreements expire. For example, in the last five years, the parties have had at least three distinct negotiations concerning one or more Comcast-affiliated networks. In all instances, TWC’s goal is to obtain the right to launch and/or continue distributing programming that TWC’s customers value on reasonable terms and conditions.

- 7. On February 12, Bloomberg News reported that TWC was in negotiations with Apple about an April unveiling of Apple’s new set-top box. Were those reports accurate? If so, what is the current status of those negotiations? Have they been affected by Comcast’s proposed acquisition of TWC, which was announced the next day?**

Any negotiations between TWC and an equipment vendor regarding product development and potential business arrangements would be considered competitively sensitive and thus confidential. For that reason, such negotiations are routinely subject to nondisclosure agreements. Accordingly, TWC is unable to comment on the existence or status of any actual or potential negotiations with any equipment manufacturer.

8. Does TWC include an arbitration clause in its contracts with consumers? If so, in what ways is that arbitration clause different from that included in Comcast's contracts with consumers?

Yes. Sections 14 through 16 of TWC's residential subscriber agreement (available at http://help.twcable.com/RSSA_English.pdf) address the subject of arbitration, including the means by which customers can opt out of the arbitration provisions and the ability of customers to bring actions in small claims court in lieu of arbitration. TWC understands that Comcast's agreement likewise is publicly available, thus permitting any party to review and compare the two agreements in order to identify any terms that may be considered materially different.

9. During a Judiciary Committee hearing that I chaired in December about mandatory, pre-dispute arbitration, a professor from Cardozo Law School testified that TWC had begun charging consumers \$3.95 per month for a modem that previously had been included with customers' subscriptions. The witness said that TWC had not provided notice of the charge and had not provided a method for consumers to avoid the fee, even if the consumers had been on fixed price plans. The law professor testified that a lawsuit challenging the new charges had been forced into arbitration.

a. Did TWC recently begin charging consumers for modems that the consumers previously received without charge?

Yes, with the exception of customers who are enrolled in "price lock guarantee" packages and customers who elect to purchase their own modems.

b. Did TWC provide its consumers with notice specifically explaining that the new charge?

Yes. Customers also were advised that the new charge could be avoided by purchasing their own modem at retail.

c. Please provide an update on the status of the lawsuit challenging the new charge, noting whether it was brought as a class action and whether and how it was resolved.

Three lawsuits were filed as class actions — one that originally was filed in New York state court but that was voluntarily dismissed and refiled in the U.S. District Court for the Eastern District of New York, and two in South Carolina that, while not officially consolidated, were considered on a consolidated basis and handled by the same judge. In each of these cases, the judge granted TWC's motion to compel arbitration.

10. Please identify any areas in which TWC offers its customers a better value or experience than that which Comcast offers its own customers.

TWC believes that it consistently offers strong value and a high-quality customer experience across its service footprint. Any assessment of whether TWC does so in a manner that is “better” than the experience offered by Comcast is most appropriately left to third-party rating services and to consumers who have subscribed to both companies’ services, especially given that perceptions of relative value and experience may depend on a variety of subjective considerations (in addition to more objective measures).

11. Please identify each instance in which TWC has been involved in a dispute regarding access to or carriage of a Regional Sports Network in the past ten years. For each case cited, please identify the parties to the dispute and provide a brief description of the dispute and its ultimate resolution.

For purposes of this response, TWC construes a “dispute” to refer to any situation that resulted in (a) the filing of a complaint with the FCC or a court, or (b) the withdrawal of programming from one or more TWC cable systems. Subject to that understanding, TWC has been involved in three such disputes during the specified timeframe:

- (1) In January 2012, TWC was required to cease carrying the MSG Network and MSG Plus (both owned by the Madison Square Garden Company) when the parties were unable to agree on a renewed carriage contract, resulting in an outage lasting approximately 48 days until the parties could reach a business resolution.
- (2) In June 2007, TCR Sports Broadcasting Holding, L.L.P., d/b/a Mid-Atlantic Sports Network (“MASN”) filed an arbitration claim seeking carriage on the analog tier in TWC’s North Carolina cable systems. In December 2010, the FCC ruled in TWC’s favor, reversing an arbitrator’s initial decision. Further background on this dispute is available in the FCC’s order and in the decision of the U.S. Court of Appeals for the Fourth Circuit affirming that order. *See TCR Sports Broadcasting Holding, L.L.P. d/b/a Mid-Atlantic Sports Network v. Time Warner Cable Inc.*, Memorandum Opinion and Order, 25 FCC Rcd 18099 (2010), *aff’d*, *TCR Sports Broadcasting Holding, L.L.P. v. FCC*, 679 F.3d 269 (4th Cir. 2012).
- (3) In March 2005, TWC was required to cease carrying the MSG Network and Fox Sports Net (FSN) New York (now MSG Plus) when TWC was unable to negotiate a renewed carriage agreement with the networks’ then-owner, Cablevision Systems Corp., resulting in an outage lasting approximately 62 days until the parties could reach a business resolution.

12. Please describe TWC’s policies and practices with respect to the use of data caps for broadband subscribers.

Time Warner Cable offers consumers the option to choose unlimited or usage-based pricing plans for its broadband service. TWC does not utilize “data caps” in the sense that all

subscribers would be subject to an overall limit on data usage and lose access to service were they to exceed the limit. Rather, Time Warner Cable has implemented its Essentials Internet plans, which provide subscribers with the choice to opt-in to a discounted broadband tier of service that provides the same speeds and includes a data allotment. Consumers can exceed the allotment and continue to use their service at a rate of \$1 per gigabyte (GB) capped at \$25 per billing cycle. Additionally, TWC provides a tool to monitor usage and a two-month grace period once a subscriber has opted-in to the plan. Subscribers also are free to move to a different plan or service tier at any time. The Essentials options are available on TWC's Lite, Every Day Low Price, Basic, and Standard broadband service tiers. Subscribers may choose from one of two Essentials plans:

- **Essentials Plan 1** has a 5 gigabyte (GB) monthly data allotment and is priced \$8 below the regular service plan monthly price.
- **Essentials Plan 2** has a 30 GB monthly data allotment and is priced \$5 below the regular service plan monthly price.

Such usage-based plans give TWC's customers an opportunity to pay less for the same level of performance, as most subscribers are relatively light users of bandwidth. Other companies are testing different approaches, and such experimentation will continue as broadband providers compete to give their customers the best online experience.

Senator Grassley

- 1. Some have expressed concerns based on the fact that Comcast and Time Warner create some of their own content. Will the merger enhance the company's ability to restrict competing content providers from distributing their programs to a significant number of consumers through its distribution channels? In addition, what assurances can you provide the Committee that the newly combined company will not withhold its own programming content from competing TV and Internet providers?**

The merger will not restrict the ability of competing content providers to distribute programming to Comcast subscribers. Comcast and Time Warner Cable have powerful marketplace incentives to carry programming that their subscribers want. The merger will not alter that competitive imperative at all, as consumers will have as many choices of video providers after the transaction as they have today. In addition, the combined company will have equally strong incentives to distribute its own programming services via a wide variety of distribution platforms. And, even apart from the compelling business reasons for the combined company to carry independent programming and to distribute Comcast programming through other platforms, the FCC's program carriage and program access rules, together with related conditions adopted in connection with Comcast's acquisition of NBCUniversal, prohibit unreasonable discrimination against rival programmers and distributors.

- 2. Some have argued that free markets and a lack of government regulation have enabled technological innovation and allowed internet services to flourish. Do you believe that imposing new regulations could stifle innovation and inhibit the growth and deployment of broadband services? In your view, should there be more or less government involvement in this industry?**

TWC's view is that a light regulatory touch has been an important contributor to the flourishing Internet ecosystem and that heavy-handed government mandates would risk chilling continued investment and innovation. Time Warner Cable supports the transparency requirements that the FCC has imposed on broadband service providers, and we recognize that additional Open Internet rules would apply to the combined company as a result of the merger conditions adopted by the FCC in approving the Comcast-NBCUniversal transaction. As the FCC considers the regulatory framework that will apply to broadband services more broadly, we will encourage the agency to maintain the historical light-touch approach and to ensure that its new rules apply evenhandedly to different types of competitors to prevent marketplace distortions.

3. **How will the proposed merger impact cable advertising? Currently, I understand that cable networks allow cable companies to keep 2 minutes per hour of advertising, which permits small businesses to advertise in a cost-effective way on national programming. Comcast and Time Warner Cable already control a substantial part of this cable advertising market, and a combined Comcast-TWC would consolidate that control over this \$5.4 billion market. How can you Cable assure the Committee that this dominant control of the market won't result in limiting the access that small businesses have, and that it won't result in higher advertising costs, which are then passed on to consumers?**

The proposed merger is unlikely to have any substantial impact on cable advertising and will not give Comcast a dominant position in the cable advertising marketplace, and any modest effects that do occur will be procompetitive and beneficial for consumers.

In metropolitan areas where only one of the two companies is present, there will be no change from the standpoint of advertisers. And in almost every metropolitan area where both companies have some presence, we already sell advertising jointly through "interconnect" arrangements. In those markets in particular, the merger will have no impact on cable advertising, because of the existing joint interconnect arrangements. In fact, because those interconnects also include smaller cable operators, telco video providers, and the DBS providers (DirecTV and DISH Network), the transaction is unlikely to have any effect on those providers' advertising sales. Moreover, because the geographic footprints of Comcast and Time Warner Cable do not overlap, the merger will not reduce the number of advertising outlets available to advertisers in any local market. Thus, far from giving the combined company a dominant position, the transaction will not substantially affect the cable advertising business. Nor do Comcast and Time Warner Cable currently hold such a position. As Professor Yoo testified, SNL Kagan data show that cable companies currently hold only 7 percent of the local advertising market.

More broadly, the transaction is likely to help the combined company compete more effectively against broadcast stations, which remain the dominant force in television advertising, as well as against emerging online platforms. The procompetitive nature of the transaction means that it will not cause price increases or diminish availability for small businesses or other advertisers.

4. **If the proposed merger is approved and Comcast-TWC has a dominant position in the local spot advertising market, wouldn't that make it more difficult and expensive for local businesses to advertise in the spot market? Would there be an incentive to sell more spots at higher prices to national and regional advertisers, giving local small businesses fewer options and forcing them to pay higher prices? What are the implications for others in the cable television community – for example, independent cable systems, satellite carriers and other cable advertising companies – if they cannot get access to the spot advertising market other than through Comcast?**

As noted above, the transaction will not give the combined company a dominant position in any advertising market, and thus will not make it more difficult or more expensive for local businesses to advertise. Comcast-TWC will continue to sell advertising availability to local

companies, and such companies will not have diminished options as a result of the transaction because TWC's and Comcast's geographic footprints do not overlap. As mentioned, Comcast and TWC already sell ads jointly with other cable operators, telco video providers, and satellite carriers, and the transaction will not displace such interconnect arrangements.

5. **So called “cord cutting” is becoming more and more popular, especially as companies like Netflix and Hulu gain traction. Comcast controls the internet connections that many people use to access these sites. But because Comcast also provides cable television access, it could have an interest in preventing people from cutting the cord. What assurances can you give the Committee that it won't use its control of the internet infrastructure to stop consumers' ability to “cord cut?”**

Nothing about the transaction or the combined company's Internet infrastructure will restrict consumers' ability to “cut the cord” from subscription video services. Notably, the FCC required Comcast to offer Internet access service on a stand-alone basis in connection with the NBCUniversal transaction, and that regulatory obligation will extend to the TWC systems after the proposed merger closes.

Senator Graham

- 1. I have heard concerns that the proposed Comcast/Time Warner Cable merger will hinder the ability of independent television networks to get carried by cable providers. How would the Comcast/Time Warner Cable merger affect the ability of independent networks, like INSP (also known as Inspiration Network), to get carried by Comcast?**

Independent networks are a valued voice on television, providing unique content to often-underserved audiences. In most cases, we are able to reach agreement with programming providers, as we historically have done with the Inspiration Network. In fact, TWC and INSP recently entered into a new carriage agreement that broadens the channel's carriage to include TWC's New York City systems, where the network is now carried on the digital basic tier. While TWC cannot speak to Comcast's future plans regarding carriage of INSP, it is our understanding that Comcast already carries the network on a number of its systems.

In addition, Time Warner Cable, Comcast, and other video distributors face substantial competition for customers and therefore have every incentive to carry the programming customers want. Indeed, each company today carries a large number and wide variety of independent programming options. To the extent there are any concerns regarding Comcast's continued willingness to carry independent programming post-merger, they are addressed by the rigorous conditions imposed on Comcast by the FCC and Department of Justice conditions as a result of the NBCUniversal transaction. In particular, Comcast was required to launch 10 new independent networks, including at least eight owned or managed by minority groups, and Comcast is fulfilling that commitment. Comcast has stated that it will voluntarily extend the NBCUniversal commitments to TWC's cable systems, meaning that the merger should lessen, not increase, any concerns regarding the health of independent programmers.

- 2. Why do independent television networks, like INSP, that are fast growing and have consistently increasing ratings - higher than a large portion of the higher-profile networks carried - have to pay service providers, when those other networks actually get paid licensing fees?**

When negotiating with any programming provider, whether large or small, Time Warner Cable focuses on obtaining attractive content and delivering value to our subscribers. If we believe that a programmer's carriage demands and economic proposals create a bad value proposition for our customers, we resist such demands, but our carriage negotiations with independent programmers take place in a free market and we are able to reach agreement with most programming providers, as we have done with INSP. Moreover, carriage agreements involve a variety of exchanges of value (not just subscriber fees paid by the video distributor), all of which depend on the attractiveness of the content offered by a particular programming provider. It is not uncommon for carriage agreements to include provisions that require a cable network to pay a video distributor for certain services, including costs associated with the marketing and launch of the network.

Senator Lee

- 1. Much of the discussion surrounding this merger has centered on the market for content providers to sell content so that it may be accessed by consumers. Content providers and independent networks argue that without being carried by major providers they cannot survive in the current market.**
 - a. What is your experience with respect to independent programmers and other content providers and do you believe this merger could negatively affect their ability to thrive?**

Independent networks are a valued voice on television, providing unique content to often underserved audiences. When negotiating with any programming provider, whether large or small, Time Warner Cable focuses on obtaining attractive content and delivering value to our subscribers. In most cases, we are able to reach agreement with programming providers, and there is no reason to expect that to change following the merger. On the contrary, Time Warner Cable, Comcast, and other video distributors face substantial competition for customers and therefore have every incentive to carry the programming customers want. Indeed, each company today carries a large number and wide variety of independent programming options. Moreover, the FCC and Department of Justice imposed rigorous conditions on Comcast relating to the carriage of independent programming as part of the NBCUniversal transaction. For example, Comcast was required to launch 10 new independent networks, including at least eight owned or managed by minority groups, and Comcast is fulfilling that commitment. Comcast has stated that it will voluntarily extend the NBCUniversal commitments to TWC's cable systems, meaning that the merger should lessen, not increase, any concerns regarding the distribution opportunities available to independent programmers.