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 Act of 1992	)	MM Docket No. 92-266
	)	
Statistical Report on Average Rates for Basic Service, Cable Programming Service, and Equipment	)	

REPORT ON CABLE INDUSTRY PRICES

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By the Chief, Media Bureau:

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I. INTRODUCTION AND EXECUTIVE SUMMARY

1. 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.[3] The Cable Act also requires the Commission to compare the rates of cable operators subject to effective competition, as identified through specific adjudications, with those of cable operators without an adjudicated finding of effective competition.[4] This Report fulfills those statutory directives and presents key findings for the 12 months ending January 1, 2011.[5]

[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 wireline cable systems, municipalities, and telephone companies, including Verizon FiOS. It does not include MVPD operators of wireless systems, direct broadcast satellite (DBS), or AT&T U-verse, because these operators are not associated with any FCC Community Unit Identifiers (CUID). The Commission assigns a CUID code to each registered operator for each community that operator serves. *See* 47 C.F.R. § 76.1801.

[3] The Cable Act requires operators to offer an entry-level basic service, which must include, at a minimum, all commercial and noncommercial local broadcast stations entitled to carriage under the must-carry provisions of the Communications Act of 1934, 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 local franchise authority (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).

[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 tests: (1) fewer than 30 percent of households subscribe to the operator's cable programming service (low penetration test); (2) the operator and at least one other MVPD offer comparable service to at least 50 percent of households and at least 15 percent of 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 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 in an area that an unaffiliated MVPD also serves (LEC test). *See* 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). As required by statute, the Commission does not take into consideration those communities that have not been formally adjudged as being subject to effective competition. *See* 47 U.S.C. § 543(k)(1). Some communities, however, may in fact face market competition sufficient to warrant a finding of effective competition but the incumbent cable operator, 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 cut-off date for our survey. For reasons discussed in note 10, *infra,* there may be a significant number of these communities included in our noncompetitive sample, which could affect the results of our report. However, because we do not know which of the noncompetitive communities in our sample actually face effective competition, we are unable to estimate any potential impact on our findings.

[5] 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).

2. *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 taxes, fees and equipment charges) for all communities surveyed increased by 5.4 percent over the 12 months ending January 1, 2011, to $57.46, compared to an increase of 1.6 percent in the Consumer Price Index (CPI). The price of expanded basic service increased at a compound average annual growth rate of 6.1 percent during the period 1995-2011. The CPI increased at a compound average annual growth rate of 2.4 percent over the same period. However, the price per channel (price divided by number of channels) for subscribers purchasing expanded basic service decreased by 2.1 percent over the 12 months ending January 1, 2011, to 57 cents per channel. Over the 16 years from 1995-2011, the increase in price per channel was less than 1 percent per year (0.9 percent) on an annual basis.[6]

3. *Average prices in communities with a finding of effective competition compared with prices in noncompetitive communities.* Over the 12 months ending January 1, 2011, the average price of expanded basic service increased by 5.2 percent, to $56.82, for those operators serving communities for which no effective competition finding was made as of January 1, 2011 (noncompetitive communities). For the effective competition communities, the average price of expanded basic increased by 5.7 percent, to $58.47. Over this period, price per channel declined by 0.4 percent in noncompetitive communities, to 58 cents per channel, and by 4.9 percent in effective competition communities, to 55 cents per channel. The price per channel is 6.2 percent lower in effective competition communities than in noncompetitive communities, which reflects that operators in effective competition communities carry more channels on expanded basic service than in noncompetitive communities.

4. As noted, the price of expanded basic service averaged across all effective competition communities was higher than the price of expanded basic service averaged across noncompetitive communities. The difference is statistically significant. The two previous surveys also found that the price of expanded basic service in effective competition communities was higher than the price of expanded basic in noncompetitive communities. Prior to that, surveys found that effective competition communities in general had lower prices.[7] As discussed further in Section III, several factors contributed to this change of trend, including an increase in the number of communities where there has been a finding of effective competition based on the DBS market share test.

5. We next compare the expanded basic price in effective competition communities overall ($58.47) to subgroups of communities, as of January 1, 2011. Prices on average were 6.2 percent lower than that average ($54.82) for incumbent cable operators in communities with a rival operator; less than one percent higher ($58.86) for the rival operators; 2.1 percent higher ($59.67) when a finding was granted based on the DBS market share meeting the 15 percent threshold established by the statute; and one percent higher ($59.06) in the "other" subgroup of cable operators 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

6. The information and analysis provided in this Report are based on the Commission's 2011 survey of cable industry prices (survey).[8] The survey requested data from a random sample of 800

[6] To calculate 2010-2011 price changes, the survey sampled two years of data, rather than using the 2010 price from the prior (2010) survey, so as not to introduce random sampling variance. For further explanation, *See* Appendix, paragraph 9. Table 1 reports the 2011 price and annual change based on the 2011 survey. Table 3 reports the historical price series based on price data from that survey year.

[7] *See* Attachment 4 for citation to previous survey reports. As noted, the effective competition average price exceeded the noncompetitive average price for the first time in the 2009 survey.

[8] The Commission directed a randomly selected sample of cable operators to respond to a survey questionnaire that requested data primarily as of January 1, 2010 and January 1, 2011. *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*, 26 FCC Rcd 10958 (2011).

cable operators serving two groups of communities: (1) communities where operators have not been found to meet one of the statutory tests for effective competition (noncompetitive communities); and (2) communities where operators have been found to meet one of the statutory tests for effective competition and, as a result, the cable operator serving that community is not subject to price regulation of its basic service by the local franchise authority (effective competition communities).

7. We surveyed operators serving 485 out of the 25,508 noncompetitive communities and 315 out of the 8,508 communities granted an effective competition finding pursuant to the statute. In selecting cable operators for our sample from the group of effective competition communities, we relied on the Commission's formal findings of effective competition, which are based on the statutory definition of effective competition in the Cable Act.[9] Most of the effective competition cases that come before the Commission are based on competition between a cable operator and a DBS provider. The remaining effective competition cases are based on competition between a cable operator and a wireline or wireless competitor, or are based on low subscriber penetration. Our list of effective competition communities was limited to adjudicated findings of effective competition because the statute fails to take into account those areas of the country where the conditions for a finding may be present (*i.e.*, where sufficient market-based competition may be present to warrant such a finding), but either no cable operator has petitioned the Commission to make a finding of effective competition, or a petition has been filed with the Commission but not granted as of the date our sample was drawn.[10]

8. *Brief Overview of Survey Methodology*. The sample of cable operators granted a finding of effective competition was selected from four subgroups according to the primary basis for the finding.[11] 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 operator in the community. The incumbent is the operator who provided service prior to the rival operator's introduction to the market. Findings of effective competition for this incumbent subgroup are on the basis of 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. 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). The fourth subgroup consists of operators in communities that either (a) are in range of a wireless operator who offers MVPD programming comparable to the cable operator's offerings or (b) met 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 associated with 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.

9. For each community selected for the sample, the operator serving that community was asked to complete a questionnaire that included questions on the prices of basic cable service and other

[9] *See* 47 U.S.C. § 543(a)(2).

[10] We note that, due to the emergence of competing providers like Verizon, AT&T, WOW, and other wireline competing providers, as well as DBS service, which is available nationwide and has a national penetration rate greater than 15 percent, there may be many areas of the country where a competing provider 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. See, 47 U.S.C. § 543(k).

[11] These subgroups are designed to achieve desirable levels of statistical precision, and, thus, are not grouped according to the four statutory tests for effective competition under Section 623(l) of the Cable Act. See Attachment 1 and the Appendix, Section A, for a more complete description of our sampling methodology.

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[12]; 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.[13] 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 service package and at least seven additional cable network channels. As of January 1, 2011, 85 percent of subscribers took at least expanded basic service, and 15 percent took basic service only.[14] In addition, 47 percent of subscribers on average took the next most popular programming service. Survey respondents reported prices as of January 1, 2010 and January 1, 2011, permitting us to calculate the annual percentage changes for the year ending January 1, 2011. We calculated averages for each survey question by subgroup, by the larger sample groups, and for communities overall.

10. *Accuracy and Reliability Review*. We have taken a number of steps to ensure the accuracy and reliability of the raw data upon which this report is based. Several of these steps were introduced beginning with the 2009 survey and go beyond the practices implemented in prior years. Our survey is fully Internet-based, which means we provide it to respondents on the Commission's Internet site and the questionnaires are completed and submitted to us on that 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) is asked to certify 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 observations with apparent inaccuracies. When a particular response is found 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.[15]

III. SURVEY RESULTS

11. In recent surveys, the number of cable operators and communities where effective competition was found has substantially increased, influencing the comparisons contained in this Report.

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

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

[14] This 85 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.

[15] 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 2011 survey, we contacted approximately 15 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.

Most of these new findings occurred on the basis of DBS market share. Communities in the DBS subgroup equaled 5,987 for the 2011 survey and accounted for 65 percent of cable subscribers in communities with an effective competition finding. Communities where the incumbent operator was found to face effective competition as a result of the presence of a second operator reached 756 in 2011, and now account for 24 percent of subscribers in communities with an effective competition finding.

A. Cable Programming Services

12. Table 1 reports the average price of basic, expanded basic, and the next most popular service (which we defined for purposes of the survey to include at least seven additional channels) as of January 1, 2011.[16] It also shows the average price per channel for expanded basic service.[17] Further, Table 1 reports the annual percentage change in price, for the year ending January 1, 2011, for the sample overall, for the noncompetitive group and the effective competition group and subgroups. Looking at the averages in the Overall column, the price was $19.33 for basic service (7.1 percent increase), $57.46 for expanded basic service (5.4 percent increase) and $70.79 for the next most popular service (4.7 percent increase). The price per channel was 57 cents (2.1 percent decrease) for expanded basic service.

Table 1
Monthly Price and Price Per Channel
January 1, 2011

Cable Programming Service	Overall	Non competitive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumbent	Rival	Both		
Basic service	$19.33	$19.46	$19.13	$18.17	$16.58	$17.94	$19.33	$21.57
Annual change	7.1%*	6.1%*	8.7%*	9.9%*	3.2%*	9.0%*	8.6%*	8.3%*
Expanded basic	$57.46	$56.82	$58.47	$54.82	$58.86	$55.42	$59.67	$59.06
Annual change	5.4%*	5.2%*	5.7%*	4.5%*	20.9%*	6.8%*	5.4%*	5.1%*
Next most popular	$70.79	$70.70	$70.93	$67.75	$71.51	$68.30	$71.91	$71.86
Annual change	4.7%*	4.7%*	4.7%*	3.5%*	17.2%*	5.4%*	4.4%*	4.4%*
Expanded basic price per channel	$0.57	$0.58	$0.55	$0.52	$0.57	$0.53*	$0.56	$0.54
Annual change	-2.1%	-0.4%	-4.9%	-6.6%*	21.4%*	-3.0%	-6.0%*	-1.5%

Source: Attachment 2. * Indicates a statistically significant annual change in price.

13. Table 2 reports the price differentials between the effective competition group overall and subgroups compared to the noncompetitive group. Overall, for expanded basic service, the effective competition price is higher by 2.9 percent compared to the noncompetitive group average. (An asterisk * indicates a statistically significant differential.) One reason for this overall higher price is that price for

[16] Except for price per channel, as explained in note 17, *infra*, data in this table does not include prices for customer premises equipment unless the operator bundles the programming service and equipment in a single price. Attachment 2 reports the price of programming, including equipment, for all operators.

[17] Price per channel adjusts the expanded basic programming price to incorporate differences in terms of the number of channels the subscriber receives. It equals the expanded basic programming price plus the price of the most commonly leased equipment divided by the number of expanded basic channels including channels which may require a converter box or other digital gateway equipment to be received.

expanded basic service in the DBS subgroup is significantly higher, by 5.0 percent, compared to the noncompetitive average.[18] Further, in contrast to price increases prior to 2009, expanded basic prices are growing fastest in the effective competition communities, at 5.7 percent over the 12 months ending January 1, 2011, compared to 5.2 percent annual growth in noncompetitive communities (shown in Table 1). Price per channel however is significantly lower, by 6.2 percent, in the effective competition communities. For the other two services in Table 2, the average price differentials for basic service (1.7 percent lower) and the next most popular service (0.3 percent higher) are not significantly different from the average price in the noncompetitive group. At the subgroup level, some price differentials for cable services are significantly different. In the Second Cable Operator subgroup, the price incumbents offer on average is significantly lower for both basic (6.6 percent lower) and the next most popular service (4.2 percent lower). Rivals offer a significantly lower basic service price (14.8 percent lower) though the expanded basic and next most popular service prices are only insignificantly different from operators in noncompetitive communities. In the Other subgroup, the price of both basic service and expanded basic are significantly higher, by 10.9 percent and 3.9 percent respectively, than for the operators in noncompetitive communities. Finally, on a per channel basis for expanded basic service, the price per channel is significantly lower for incumbents in the second cable operator subgroup reflecting the carriage of more channels than operators in the noncompetitive group.

Table 2
Price Differentials of Effective Competition Subgroups in Comparison to Noncompetitive Price Averages
January 1, 2011

Cable Programming Service	Effective Competition Group	Second Cable Operator Subgroup			DBS Subgroup	Other Subgroup
		Incumbent	Rival	Both		
Basic service	-1.7%	-6.6%*	-14.8%*	-7.8%*	-0.6%	10.9%*
Expanded basic	2.9%*	-3.5%	3.6%	-2.5%	5.0%*	3.9%*
Next most popular	0.3%	-4.2%*	1.1%	-3.4%*	1.7%	1.6%
Price per channel	-6.2%*	-10.9%*	-2.1%	-9.6%*	-4.7%	-7.5%

Source: Attachment 2. * Indicates a statistically significant difference from the noncompetitive price.

14. Table 3 shows that the average price of expanded basic service grew at a compound annual rate of 6.1 percent over the 16-year period from 1995-2011, higher than the annual 2011 increase of 5.4 percent shown in Table 1.[19] Over the 16-year period, the number of channels offered with expanded basic service grew annually at 5.0 percent, and price per channel grew by less than one percent (0.9 percent) on an annual basis.[20] For comparison, the CPI for All Items published by the Bureau of

[18] 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 an effective competition finding was made on the basis of DBS market share. See note 2**,** *supra.*

[19] The prices in Table 3 in each year are taken 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 2010 prices in Table 3 were obtained from the sample communities included in the 2010 survey and do not exactly match the 2010 prices reflected in the 2011 survey shown in Attachment 2 because the sample communities included in the 2011 survey may be different than those in the 2010 survey and may have had different 2010 rates. For this same reason, the 2009 prices in Table 3 do not exactly match 2009 prices reflected in the 2010 survey, and so on for each year reported in Table 3.

[20] 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. The difference between the 2009 and 2010 number of channels results in part from the (Continued….)

Labor Statistics (BLS) as a measure of general price inflation grew annually at 2.4 percent over the 16 years. BLS also publishes a CPI for Cable, Satellite, and Radio Services, which grew annually at 4.1 percent over the 16 years.[21]

Table 3
Historical Averages
1995-2011

Year	Basic Service Price	Expanded Basic Service					Next Most Popular Service*	CPI	
		Price	Number of Channels		Price Per Channel			All Items	Cable
			Nbr.	Index	($)	Index			
1995	---	$22.35	44	100.0	$0.60	100.0	---	100.0	100.0
1996	---	$24.28	47	106.8	$0.61	101.7	---	103.0	106.9
1997	---	$26.31	49	112.3	$0.63	105.0	---	105.2	114.9
1998	$12.06	$27.88	50	113.9	$0.65	108.3	$38.58	107.0	122.6
1999	$12.58	$28.94	51	116.1	$0.65	108.3	$38.43	109.3	127.0
2000	$12.84	$31.22	55	124.5	$0.66	110.0	$39.64	113.3	132.9
2001	$12.84	$33.75	59	135.0	$0.60	100.0	$45.33	116.4	139.1
2002	$14.45	$36.47	63	142.5	$0.66	110.0	$46.59	118.1	147.8
2003	$13.45	$38.95	68	153.4	$0.65	108.3	$49.03	120.9	154.7
2004	$13.80	$41.04	70	159.8	$0.66	110.0	$51.76	123.2	160.7
2005	$14.30	$43.04	71	160.2	$0.62	103.3	$56.03	126.9	167.0
2006	$14.59	$45.26	71	161.4	$0.65	108.3	$59.09	131.9	171.8
2007	$15.33	$47.27	73	165.0	$0.67	111.7	$60.27	134.7	176.4
2008	$16.11	$49.65	73	165.5	$0.68	113.3	$63.66	140.4	181.1
2009	$17.65	$52.37	78	177.7	$0.71	118.3	$67.92	140.5	183.7
2010	$17.93	$54.44	117	204.6	$0.56	109.7	$71.39	144.2	189.1
2011	$19.33	$57.46	124	217.2	$0.57	115.9	$75.37	146.5	189.1
1995-2011 change	---	157%	---	117%	---	16%	---	47%	89%
Average annual **	3.7%	6.1%	---	5.0%	---	0.9%	5.3%	2.4%	4.1%

Source: Attachment 4. * Price includes equipment. ** 1995-2011 compound average annual growth rate.

15. The survey also 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 package, while in other cases it is leased 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

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difference in the set of channels surveyed. The price per channel index in Table 3 adjusts for this difference in order to accurately measure the percent change in the number of channels between 2009 and 2010. See the Appendix, Section C, for a more complete explanation.

[21] Because it covers a different mix of services and is adjusted for change in the number of programming channels, the Cable, Satellite, and Radio CPI cannot be compared directly with the change in cable prices in our survey.

package. Operators offered an average of 65 channels with a family-friendly package, compared to 44 channels for basic service and 124 channels for expanded basic service. While 44 percent of subscribers had the option to elect a family-friendly package, as of January 1, 2011, less than one percent subscribed, the others electing to take basic service 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 it to be a viable alternative to expanded basic service. On average, expanded basic service packages offered 2.1 channels devoted to regional sports networks,[22] and family-friendly packages included 0.3 channels devoted to regional sports networks. As of January 1, 2011, the average price for a family-friendly package, including the additional price of equipment if not included with the package, was $36.41, which fell between the average for basic service ($19.33) and expanded basic service ($57.46).

B. Cable Programming Channels

16. 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 includes expanded basic channels plus at least seven additional channels.[23] Overall, the number of channels average 44, 124, and 201, respectively, for basic service, expanded basic service, and the next most popular service. The average number of video channels for all services is 366, which consists of the channels shown with basic, expanded basic, the next most popular package, other non-premium and premium packages, and pay and per-per-view programming services. The number of channels offered with each level of service grew year-over-year at least 7 percent. Looking at effective competition subgroups, the number of channels in almost all subgroups and services are significantly higher than in the noncompetitive group counterparts.

Table 4
Video Programming Channels
January 1, 2011

Cable Programming Service	Overall	Non competitive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumbent	Rival	Both		
Basic service	44	41	49	56	41	54	48	43
Annual change	9.1%*	7.1%*	12.1%*	15.8%*	8.0%*	14.8%*	11.2%*	8.8%*
Expanded basic	124	120	130	130	133	131	130	130
Annual change	9.0%*	7.8%*	10.8%*	10.5%*	-18.8%*	4.8%	13.7%*	9.9%*
Next most popular	201	192	214	208	215	209	217	207
Annual change	7.1%*	6.1%*	8.6%*	6.5%*	1.6%*	5.8%*	9.9%*	7.9%*
All services	366	335	416	437	414	434	412	390
Annual change	8.5%*	7.9%*	9.6%*	6.6%*	-2.6%	5.2%*	11.7%*	8.9%*

Source: Attachment 3. * Indicates a statistically significant annual change.

[22] Regional sports networks are defined in paragraph 18, below.

[23] The survey asks respondents to provide the maximum number of video channels, including those which require customer premises equipment to view. These video channels include local broadcast (including all viewing formats and both main channel and multicast channels); public, educational, and governmental; commercial leased access; other non-premium; video on demand offering free content; and other channels if offered at no extra programming charge. The numbers do not include audio only channels.

17. Table 5 displays basic service broken into its component channel categories, which vary only by 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.

Table 5
Basic Service Channels
January 1, 2011

Channel Category	Overall	Non compet-itive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumbent	Rival	Both		
Analog & SD digital	13.0	12.4	14.0	13.8	13.7	13.8	14.0	14.9
HD digital versions	3.6	3.5	3.9	4.1	5.4	4.3	3.8	3.6
Multicast channels	8.2	7.3	9.6	12.8	9.5	12.3	8.4	10.2
All local broadcast	24.8	23.1	27.6	30.6	28.6	30.3	26.3	28.8
PEG	3.2	3.0	3.5	4.3	4.6	4.3	3.2	3.3
Leased access	0.9	0.7	1.2	1.5	0.5	1.3	1.1	1.2
Regional sports	0.3	0.2	0.4	0.6	0.1	0.5	0.3	0.0
Other	14.8	13.9	16.3	18.7	7.7	17.1	16.8	10.0
Total	43.9	40.8	48.9	55.7	41.5	53.6	47.7	43.3

Source: Survey.

18. Table 6 reports the number of regional sports networks (RSNs) included in service offerings. Overall, the average is 0.3 RSN channels on basic service, 2.1 channels on expanded basic service, and 2.3 on the next most popular service package. A regional sports network in this report is defined as 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
January 1, 2011

Cable Programming Service	Overall	Non compet-itive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumbent	Rival	Both		
Basic	0.3	0.2	0.4	0.6	0.1	0.5	0.3	0.0
Expanded basic	2.1	1.9	2.3	2.8	4.6	3.1	2.0	2.9
Next most popular	2.3	2.2	2.4	2.9	5.1	3.2	2.1	2.9

Source: Survey.

C. Customer Premises Equipment

19. The survey asked cable operators if subscribers would need equipment to view all or some channels when purchasing each programming service. 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. If respondents answered in the affirmative, the survey asked operators to report the extra monthly fee required to lease the most commonly-leased equipment for this purpose. Operators were also asked to identify the equipment features, such as an interactive programming guide. Table 7 shows that, as of January 1, 2011, the average equipment price was $4.98 with basic service, $7.12 with expanded basic service, and $7.46 with the next most popular service package.[24] Most equipment prices increased on an annual basis. The overall price increase for the most commonly leased equipment with expanded basic service was 4.6 percent. This is lower than the expanded basic programming price increase of 5.4 percent (shown in Table 1). The overall equipment price increases for basic service (0.7 percent) and the next most popular services (1.9 percent) were lower than the programming price increases for those services (7.1 percent and 4.7 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 change.

Table 7
Customer Premises Equipment Prices
Most Commonly Leased Equipment*
January 1, 2011

Cable Programming Service	Overall	Non compet-itive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumbent	Rival	Both		
Basic service	$4.98	$4.76	$5.29	$6.16	$6.59	$6.21	$5.05	$4.06
Annual change	0.7%	1.8%	-0.4%	-0.6%	-0.7%	-0.6%	-0.1%	-2.0%
Expanded basic	$7.12	$7.05	$7.22	$7.06	$9.41	$7.42	$7.29	$5.70
Annual change	4.6%	5.4%	3.7%	4.4%	-0.1%	3.7%	3.8%	3.3%
Next most popular	$7.46	$7.21	$7.78	$7.42	$9.36	$7.69	$7.82	$7.82
Annual change	1.9%	2.8%	0.9%	-0.1%	0.3%	-0.1%	1.2%	3.1%

Source: Attachment 6. * Set-top converter box or other digital service gateway.

20. Table 8 identifies equipment features and the percent 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), an interactive programming guide (IPG), HD video capability, or a digital video recorder (DVR). For customers purchasing basic service only, 91 percent of systems offer a RCU. The most commonly leased equipment for 87 percent of systems include an interactive programming guide; for 35 percent of systems, the most commonly leased equipment includes HD video capability; and for 19 percent of systems, the most commonly leased equipment includes a DVR. Percentages are similar across all three services.

[24] 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 8
Equipment Features Offered by Cable Systems
Most Commonly Leased Customer Premises Equipment
January 1, 2011

Cable Programming Service	Feature	Overall	Non compet-itive	Effective Competition Subgroups					
				Group	Second Cable Operator			DBS	Other
					Incumbent	Rival	Both		
Basic service	DVR	19%	15%	26%	55%	0%	47%	19%	15%
	HD	35%	29%	45%	72%	30%	66%	38%	25%
	IPG	87%	86%	89%	96%	96%	96%	88%	78%
	RCU	91%	90%	92%	95%	85%	93%	92%	92%
Expanded basic service	DVR	20%	16%	26%	53%	2%	45%	20%	16%
	HD	40%	35%	47%	71%	84%	73%	40%	25%
	IPG	88%	87%	88%	94%	98%	95%	87%	78%
	RCU	93%	90%	97%	98%	90%	97%	97%	95%
Next most popular service	DVR	24%	19%	30%	55%	4%	48%	25%	18%
	HD	43%	37%	53%	74%	78%	75%	45%	42%
	IPG	95%	93%	99%	100%	98%	100%	99%	96%
	RCU	93%	89%	98%	100%	89%	98%	98%	98%

Source: Survey.

D. DTV Viewability

21. The survey asked respondents to identify the scenario which best describes how signals sent from local broadcast stations are processed at the cable system headend and transmitted from there to subscriber premises as of January 1, 2011.[25] All operators in our survey responded that cable system headend equipment was in place to receive analog and digital broadcast signals. There are several scenarios that operators use to format those signals and transmit the signals to customer premises for viewing in analog, standard definition (SD) or HD digital 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.

22. Figures shown in the Overall column for all sample groups in Table 9 show that 83 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. Seven percent received signals over all-digital systems with HD and SD capability where the HD and SD signals are

[25] Under the Communications Act, cable operators are required to ensure that subscribers with analog television sets can continue to view all must-carry stations after the end of the digital television transition. *See* 47 U.S.C. § 534(b)(7) (must-carry signals "shall be viewable via cable on all television receivers of a subscriber which are connected to a cable system by a cable operator or for which a cable operator provides a connection"). The survey included questions which addressed viewing capability. We note that under our recently adopted viewability order, cable operators of a hybrid system (*i.e.,* a system that offers both analog and digital cable service to its subscribers) may comply with the statutory viewability requirement either by choosing to down-convert digital must-carry stations to analog format in addition to carrying those stations in digital format. Alternatively, after December 12, 2012, a hybrid cable operator may make must-carry signals available to analog subscribers by offering the necessary equipment for sale or lease, either for free or at an affordable cost that does not substantially deter the use of the equipment. *See* Digital Television Broadcast Signals: Amendment to Part 76 of the Commission's Rules, *Fifth Report and Order,* CS Docket 98-120, FCC 12-59 (rel. June 12, 2012).

either sent separately or on the same transmission path. 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. Four percent of subscribers received signals over separate analog and digital transmission paths. Four percent of subscribers received signals over an analog-only system. Two percent received signals over SD digital-only systems. In the SD digital-only scenario, customer premises equipment converts the SD signals to analog format for viewing by analog television customers.

Table 9
Path of Local Broadcast Signals
Percent of Subscribers by Scenario
January 1, 2011

Path of Signal Cable System Headend to Residential Premises and Customer Premises Equipment	**Overall**	**Non compet-itive**	**Effective Competition Subgroups**					
			Group	**Second Cable Operator**			**DBS**	**Other**
				Incumbent	**Rival**	**Both**		
Separate **analog/SD/HD** paths	83%	78%	92%	92%	34%	83%	96%	93%
HD/SD path(s). CPE converts from HD to SD / SD to analog	7%	8%	4%	8%	50%	14%	0%	0%
Separate **analog/digital** paths CPE converts from HD to SD	4%	6%	1%	0%	16%	2%	0%	2%
Analog path and viewing only	4%	5%	2%	0%	0%	0%	3%	4%
SD path. CPE converts from SD to analog for analog TV	2%	3%	1%	0%	0%	0%	1%	0%

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

23. Table 10 displays the signal transmission path percentages arranged by cable system size. Looking at the scenario for three separate analog/SD/HD paths, the percent of subscribers whose system had this architecture ranged from 83 percent of large systems to 21 percent of very small systems. A range from three percent to nine percent of the total number of systems surveyed were HD/SD digital systems with no analog path. Systems transmitting over separate analog and digital paths ranged from 21 percent of very small systems to three percent of large and very large systems. Analog-only architectures ranged from one percent of large systems to 55 percent of very small systems. SD digital only systems ranged from zero to four percent by system size.

Table 10
Path of Local Broadcast Signals
Percent of Subscribers by Cable System Size
January 1, 2011

Path of Signal Cable System Headend to Residential Premises	**Subscriber Size of Cable System**				
	Very Large	**Large**	**Medium**	**Small**	**Very**
	Over 75,000	25,001-50,000	10,001-25,000	1,001-10,000	Up to 1,000
Analog/SD/HD paths	83%	84%	75%	57%	21%
HD/SD digital path(s)	9%	8%	8%	9%	3%
Analog/digital paths	3%	3%	9%	13%	21%
Analog only path	2%	1%	6%	18%	55%
SD digital only path	2%	4%	3%	3%	0%

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

24. Table 11 reports the average number of local broadcast channels by carriage election (either retransmission consent or must carry) and by channel viewing format (either 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 (7.0) compared to must carry (9.7). More analog and SD channels were must-carry channels (7.9) than retransmission consent (5.2), and the average number of HD channels carried via retransmission consent and must carry was the same (1.8).

Table 11
Average Number of Local Broadcast Channels
By Carriage Election and Channel Format
January 1, 2011

Cable Programming Service	Viewing Format	Overall	Non compet-itive	Effective Competition Subgroups					
				Group	Second Cable Operator			DBS	Other
					Incumbent	Rival	Both		
Retransmission consent	Analog/SD	5.2	5.1	5.3	4.6	5.1	4.7	5.5	6.0
	HD digital	1.8	1.7	2.0	1.7	3.2	1.9	2.0	2.0
	Total	7.0	6.8	7.3	6.3	8.3	6.6	7.5	8.0
Must carry	Analog/SD	7.9	7.3	8.7	9.2	8.6	9.1	8.6	9.0
	HD digital	1.8	1.8	1.9	2.4	2.2	2.3	1.8	1.6
	Total	9.7	9.1	10.7	11.5	10.8	11.4	10.4	10.6

Source: Survey.

IV. CONCLUSION

25. Expanded basic cable prices increased by 5.4 percent for the 12 months ending January 1, 2011, and at a compound average annual rate of 6.1 percent over the 16-year period from 1995-2011. This compares to a 1.6 percent increase in general inflation as measured by the CPI (All Items) for the same one-year period, and a 2.4 percent compound average for the CPI over the 16-year period. Compared to the average price cable operators charged in noncompetitive communities, prices on January 1, 2011 were four percent higher for rival operators and three percent lower for the incumbents in communities with at least two cable operators. Prices of cable operators were five percent higher in the areas where effective competition determinations were granted based on the existence of a DBS market share exceeding the 15 percent threshold established by the statutes. On a per channel basis, the average price per channel (programming price divided by number of channels) of expanded basic service has grown by 0.9 percent on an annual basis over the last 16 years. The price per channel averages six percent lower in effective competition communities overall compared to prices in noncompetitive communities, and two percent lower in the subgroup of rival operators where there are at least two cable operators, reflecting that cable operators in effective competition communities carry more channels on expanded basic than operators in noncompetitive communities.

V. ORDERING CLAUSE

26. 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
2011 Survey

Sample Groups and Subgroups *	Cable Communities	Percent of National Subscribers	Sample Size	Sample Responses
Noncompetitive Group	25,508	61.49%	485	475
Effective Competition Group	8,508	38.51%	315	315
Overall	34,016	100%	800	790
Noncompetitive Subgroups Stratified by cable system size				
1. Very large (subscribers >75,000)	6,771	26.89%	149	149
2. Large (25,001 - 75,000)	4,982	16.23%	118	117
3. Medium (10,001 - 25,000)	4,482	8.70%	80	79
4. Small (1,001 - 10,000)	6,019	8.30%	98	92
5. Very small (1,000 or fewer)	3,254	1.37%	40	38
Effective Competitive Subgroups Stratified on the basis of the finding of effective competition for the cable operator and community				
Presence of second cable operator ** - Incumbent operator in the locale	756	9.10%	56	56
- Rival operator in the same locale	478	1.41%	56	56
DBS market share at or above 15% threshold	5,987	25.02%	163	163
In range of wireless MVPD or cable operator's market share below 30% (low-penetration test)	1,287	2.98%	40	40

Sources: FCC Form 322, *Cable Community Registration,* 47 C.F.R § 76.1801; FCC Form 325, *Annual Cable Operator Report,* 47 C.F.R § 76.403; and Commission findings pursuant to 47 U.S.C. §543(a)(2).

* The Commission assigns a community unit identifier (CUID) to each cable operator for each community the operator serves. Noncompetitive communities are those for which the Commission had not made a finding of effective competition as of January 1, 2011 and effective competition communities are those for which the Commission had made such a finding. The Appendix further discusses the survey groups and subgroups.

** There are fewer rivals (478) than incumbents (756) in the second cable operator subgroup mainly because the rival group does 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 rival cable operator for purposes of findings of effective competition for incumbent operators. Similarly, the DBS market share subgroup consists of cable operators with a finding made on the basis of DBS market share, however, this subgroup does not include the DBS operators.

Attachment 2
Price Averages
January 1, 2011

Cable Programming Service	Overall Average	Non competitive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumbent	Rival	Both		
Programming Price								
Basic service price	$19.33	$19.46	$19.13	$18.17	$16.58	$17.94	$19.33	$21.57
Standard error	0.23	0.33	0.28	0.41	0.78	0.37	0.40	0.56
Prior year	$18.05	$18.34	$17.60	$16.53	$16.06	$16.46	$17.80	$19.92
Standard error	0.23	0.33	0.28	0.39	0.72	0.35	0.40	0.55
Expanded basic	$57.46	$56.82	$58.47	$54.82	$58.86	$55.42	$59.67	$59.06
Standard error	0.27	0.36	0.39	1.06	1.16	0.92	0.44	0.87
Prior year	$54.51	$54.01	$55.30	$52.47	$48.68	$51.91	$56.62	$56.21
Standard error	0.26	0.36	0.37	0.95	0.79	0.82	0.45	0.75
Next most popular	$70.79	$70.70	$70.93	$67.75	$71.51	$68.30	$71.91	$71.86
Standard error	0.33	0.43	0.52	0.97	1.08	0.84	0.70	1.00
Prior year	$67.63	$67.54	$67.76	$65.43	$61.00	$64.78	$68.89	$68.82
Standard Error	0.32	0.43	0.48	0.92	1.03	0.80	0.65	0.88
Programming and Equipment *								
Basic service	$23.23	$22.99	$23.62	$23.52	$21.63	$23.24	$23.59	$25.18
Annual change	5.8%	5.4%	6.6%	7.3%	2.3%	6.6%	6.5%	6.7%
Expanded basic	$61.47	$60.47	$63.08	$60.26	$66.39	$61.17	$63.97	$62.37
Annual change	5.2%	5.2%	5.2%	3.9%	17.7%	5.9%	5.0%	5.0%
Next most popular	$75.37	$74.89	$76.10	$74.08	$79.08	$74.82	$76.72	$75.39
Annual change	4.5%	4.6%	4.4%	3.2%	15.1%	4.9%	4.2%	4.4%
Price per Channel								
Expanded basic	$0.569	$0.583	$0.547	$0.520	$0.571	$0.528	$0.556	$0.540
Standard error	0.009	0.011	0.014	0.023	0.026	0.020	0.019	0.037
Prior year	$0.581	$0.586	$0.575	$0.557	$0.470	$0.544	$0.591	$0.548
Standard error	0.008	0.011	0.013	0.023	0.032	0.020	0.018	0.032

Source: Survey. Averages are subscriber weighted means.
* Along with the programming price, if the survey respondent's programming price did not include customer premises equipment, this measure adds the price of the most commonly leased equipment.

Attachment 3
Channel Averages
January 1, 2011

Cable Programming Service	Overall Average	Non competitive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumbent	Rival	Both		
Basic service	43.9	40.8	48.9	55.7	41.5	53.6	47.7	43.3
Standard error	0.7	0.9	1.1	2.0	2.6	1.7	1.6	1.7
Prior year	40.3	38.1	43.7	48.1	38.4	46.7	42.9	39.8
Standard error	0.6	0.8	1.0	1.4	2.3	1.3	1.5	1.6
Expanded basic	124.2	120.4	130.2	130.3	133.1	130.7	129.9	130.1
Standard error	1.5	2.0	2.3	4.8	6.4	4.2	3.0	4.7
Prior year	114.0	111.7	117.4	117.9	163.8	124.7	114.3	118.4
Standard error	1.4	1.8	2.0	4.4	10.7	4.1	2.5	3.6
Next most popular	200.6	191.8	213.9	208.2	214.9	209.2	216.8	206.6
Standard error	2.3	3.1	3.5	5.7	8.0	5.0	4.8	7.7
Prior year	187.3	180.7	197.0	195.4	211.6	197.8	197.3	191.5
Standard error	2.1	2.7	3.2	5.3	8.5	4.7	4.4	6.0
All services	366.1	334.9	415.9	437.0	413.6	433.5	411.7	390.2
Standard error	3.7	4.7	5.8	10.7	20.0	9.5	7.8	14.3
Prior year	337.4	310.5	379.6	409.8	424.6	412.0	368.5	358.5
Standard error	3.6	4.7	5.5	10.2	22.4	9.3	7.4	12.1

Source: Survey. Averages are subscriber weighted means.

Attachment 4
Historical Averages
1995-2011

Date	Basic Price	Expanded Basic Service								Next Most Popular Service & Equipment	CPI	
		Price		Channels			Price Per Channel				All Items	Cable
		Price	Index	Series*		Index	Series*		Index			
				1	2		1	2				
1995	---	22.35	100.0	44.0		100.0	0.60		100.0	---	100.0	100.0
1996	---	24.28	108.6	47.0		106.8	0.61		101.7	---	103.0	106.9
1997	---	26.31	117.7	49.4		112.3	0.63		105.0	---	105.2	114.9
1998	12.06	27.88	124.7	50.1		113.9	0.65		108.3	$38.58	107.0	122.6
1999	12.58	28.94	129.5	51.1		116.1	0.65		108.3	$38.43	109.3	127.0
2000	12.84	31.22	139.7	54.8		124.5	0.66		110.0	$39.64	113.3	132.9
2001	12.84	33.75	151.0	59.4		135.0	0.60		100.0	$45.33	116.4	139.1
2002	14.45	36.47	163.2	62.7		142.5	0.66		110.0	$46.59	118.1	147.8
2003	13.45	38.95	174.3	67.5		153.4	0.65		108.3	$49.03	120.9	154.7
2004	13.80	41.04	183.6	70.3		159.8	0.66		110.0	$51.76	123.2	160.7
2005	14.30	43.04	192.6	70.5		160.2	0.62		103.3	$56.03	126.9	167.0
2006	14.59	45.26	202.5	71.0		161.4	0.65		108.3	$59.09	131.9	171.8
2007	15.33	47.27	211.5	72.6		165.0	0.67		111.7	$60.27	134.7	176.4
2008	16.11	49.65	222.1	72.8		165.5	0.68		113.3	$63.66	140.4	181.1
2009	17.65	52.37	234.3	78.2	101.6	177.7	0.71	0.601	118.3	$67.92	140.5	183.7
2010	17.93	54.44	243.6		117.0	204.6		0.560	109.7	$71.39	144.2	189.1
2011	$19.33	$57.46	257.1		124.2	217.2		0.569	115.9	$75.37	146.5	189.1
Total Change	---	---	157%	---	---	117%	---	---	16%	---	47%	89%
Annual Change	3.7%	---	6.1%	---	---	5.0%	---	---	0.9%	5.3%	2.4%	4.1%

Sources: *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 x**xxxx** (2012) (2010 survey); and survey. Consumer price index (CPI): Extracted from *Bureau of Labor Statistics, Dept. 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. Mar. 16, 2011. Rebased to Jul. 1995=100 for the purpose of this report.

Note: Data are Jul. 1995-2002 and Jan. 2003-2011 subscriber-weighted averages of the noncompetitive and effective competition sample groups, except 1995-2000 prices and 2000-01 channels, which are the noncompetitive averages (composites were unreported). The 2010 values are from the 2010 survey and may not match 2010 values from the 2011 survey in other tables of this report due to random sampling variance. A missing value indicates we did not survey the metric that year. The 1995 expanded basic price is programming and equipment minus the estimated equipment portion. Before 2010, the "next most popular" price is expanded basic plus the digital tier and equipment.

* Series 1 is from the 1995-2009 surveys and Series 2 reflects a more expansive set of channels starting with 2009-10 data collected in the 2010 survey. The indices combine series 1 and 2 and measure the percentage change in Series 1 from 1995 through 2009 and in Series 2 afterwards. *See* Appendix, Section C.

Attachment 5
Historical Averages
By Sample Group

Year	Noncompetitive Group					Competitive Group				
	Basic Service Price	Expanded Basic Service				Basic Service Price	Expanded Basic Service			
		Price	Number of Channels				Price	Number of Channels		
			Series 1	Series 2	Index			Series 1	Series 2	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	98.3	176.6	$17.16	$52.96	79.3	108.2	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
Total and Average Annual Change										
Total	---	154%	---	---	116%	---	170%	---	---	151%
Annual	3.7%	6.0%	---	---	4.9%	4.3%	6.4%	---	---	5.9%

Sources and notes: *See* Attachment 4.

Attachment 6
Customer Premises Equipment
Most Commonly Leased
January 1, 2011

Cable Programming Service	Overall Average	Non compet-itive	Effective Competition Subgroups					
			Group	Second Cable Operator			DBS	Other
				Incumb-ent	Rival	Both		
Unbundled Price								
Basic service	$4.98	$4.76	$5.29	$6.16	$6.59	$6.21	$5.05	$4.06
Standard error	0.14	0.19	0.21	0.30	0.20	0.26	0.30	0.44
Prior year	$4.94	$4.67	$5.31	$6.19	$6.63	$6.25	$5.05	$4.15
Standard error	0.13	0.18	0.20	0.29	0.21	0.25	0.29	0.41
Expanded basic	$7.12	$7.05	$7.22	$7.06	$9.41	$7.42	$7.29	$5.70
Standard error	0.14	0.20	0.18	0.23	0.21	0.20	0.27	0.61
Prior year	$6.81	$6.69	$6.96	$6.76	$9.42	$7.16	$7.02	$5.52
Standard error	0.13	0.19	0.18	0.25	0.21	0.22	0.26	0.57
Next most popular	$7.46	$7.21	$7.78	$7.42	$9.36	$7.69	$7.82	$7.82
Standard error	0.11	0.16	0.14	0.17	0.29	0.15	0.21	0.52
Prior year	$7.32	$7.02	$7.71	$7.42	$9.33	$7.70	$7.73	$7.58
Standard Error	0.11	0.17	0.14	0.19	0.29	0.17	0.20	0.49
Percent of Systems that Require CPE to Receive Complete Channel Lineup								
Basic service	83%	82%	86%	88%	82%	87%	85%	89%
Expanded basic	88%	87%	90%	88%	87%	88%	89%	98%
Next most popular	99%	99%	99%	100%	97%	99%	99%	100%
Percent of Systems that Bundle CPE with the Price of Programming								
Basic service	5%	7%	1%	2%	5%	2%	1%	0%
Expanded basic	32%	35%	26%	11%	7%	11%	31%	40%
Next most popular	37%	41%	32%	15%	16%	15%	37%	55%

Source: Survey. Averages are subscriber weighted means. Customer premises equipment (CPE) refers to a set top converter box or other digital service gateway. The survey asked if subscribers need equipment to view all or some channels when purchasing the programming service and whether or not such equipment is included (bundled) with the programming at not additional charge. If not, the survey asks the operator to report the unbundled price for the most commonly leased equipment. CPE features may change from year to year and differ on average between services and sample groups, and thus comparisons of these CPE prices to some extent reflect quality change.

APPENDIX

Survey Methodology

A. Sampling Procedure

1. The 2011 survey was conducted pursuant to the requirements of the Cable Act.[26] Communities were selected nationwide at random to be part of the sample and were chosen from the Commission's list of MVPD operators and communities the operators serve.[27] For the purpose of choosing our sample, we divided the communities into two groups. Noncompetitive communities were those where the Commission had not made a finding of effective competition as of January 1, 2011. Effective competition communities were those where the Commission had made such a finding. Further, 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.[28] 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. 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 percent of households in that community.[29] The survey collected prices charged by wireline operators. The survey did not collect prices charged by DBS and wireless MVPD operators.[30]

3. We determined the number of observations to select for statistical precision to be 800 communities. These 800 selections were 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.[31] We then allocated the number

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

[27] The Commission assigns a community unit identifier (CUID) code to each registered operator for each community that operator serves. *See* 47 C.F.R. § 76.1801. If two 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>.

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

[29] 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.

[30] This is because there are no CUID codes associated with DBS or wireless operators. For the same reason, AT&T U-verse service was not surveyed.

[31] *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.

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. Thus, for each stratum, we multiplied its share of the group's cable subscribers by the standard deviation of price.[32] A higher measure relative to the other strata resulted in a relatively higher allocation. Further, we adjusted each allocation by a non-response factor.[33] After completing this process, 42 of the 800 overall selections remained to be allocated. We assigned these 42 observations among the incumbent and rival subgroups since these strata were of particular interest to survey, yet had been allocated relatively few selections. Attachment 1 reports the 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,[34] using probability proportional to size (PPS) sampling without replacement.[35] A PPS design is efficient for our survey because the relative size of a community in terms of the number of subscribers is correlated with our primary survey study variable (price).[36] 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.[37] 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 newly registered communities, not part of the census, we set the subscriber counts 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

[32] *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).

[33] 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 2009 survey.

[34] To prevent sampling bias, the samples are drawn independently, including 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*.

[35] This sample was generated using the SurveySelect Procedure, PPS Method without Replacement, SAS software, Version SAS/STAT 9.2, SAS Institute Inc., Cary, NC (2010). (SAS Institute Inc.).

[36] *See, e.g.,* 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).

[37] We applied the following algorithm to identify, remove, and sub-stratify community units whose selection probability exceeded one in a 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.

questionnaire is web-based.[38] After the samples were drawn, operators serving the communities selected were notified and instructed on how to complete the survey questionnaire on the Commission's website. Steps were taken to ensure the reliability and accuracy of the data collection. Computer programming 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 (the ratio of completed to requested questionnaires) equaled 99 percent (790 of 800). Of the 10 non-responses, 6 operators no longer provided cable service to the community and 4 operators had yet to commence service.

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 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. About 15 percent the operators in the sample were asked 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 the responses were collected and checked, estimates of the population means and variances were calculated 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 the number of subscribers in a community is correlated with the response. To estimate the per-subscriber means and variances of those means, we use the Horvitz-Thompson ratio estimator.[39] 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.[40] 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

[38] Our web-based questionnaire includes several features which 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.

[39] We began using the Horvitz-Thompson ratio estimator with the 2009 report. Prior to the 2009 report, we calculated the arithmetic mean in each stratum.

[40] *See, e.g.,* 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; 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.[41]

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

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

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

$$\bar{X}_{,t} = ((P_{i,t} + E_{i,t}) / C_{i,t})$$

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 our survey is based on 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 that would be obtained if we were able to collect prices from all communities nationwide. The attachments report estimates of sampling variance or statistical "standard error" for each price mean. Standard errors can be used to express the degree of confidence that the true mean falls within a range around a sample mean. This is usually expressed as assurance that in 95 out of 100 similar samples, the true mean will fall within the stated range (the "95 percent confidence interval").[42] 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 which 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

[41] We generated tests of differences in the mean values of the sample groups and subgroups by using the SMSUB macro algorithm and the Ratio and Contrast parameters, SAS Institute Inc. (2010).

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

sample subgroups affect means.[43] The composition of communities making up the subgroups changes from year to year as a result of operators starting, ceasing, merging, or transferring operations. Further, the composition changes as a result of findings of effective competition and, therefore, migration of operators in the communities from the noncompetitive group to one of the effective competition subgroups.

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