

**STATEMENT OF PETER STERN
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**BEFORE THE SENATE COMMITTEE ON
COMMERCE, SCIENCE AND TRANSPORTATION**

**BROADBAND PROVIDERS AND CONSUMER PRIVACY
September 25, 2008**

Good morning, Mr. Chairman, Members of the Committee, my name is Peter Stern. I am Executive Vice President and Chief Strategy Officer at Time Warner Cable, where I am responsible for strategy and planning, including for our Road Runner high-speed online service.

I am pleased to testify before you today and appreciate this Committee's diligent effort to grapple with the complex and still-evolving Internet advertising marketplace and to assess its impact on consumer privacy.

Presently, Time Warner Cable does not engage in targeted Internet advertising as an ISP or as a website operator.

Should Time Warner Cable decide to engage in such activities, our customers' privacy will be a fundamental consideration. The protection of subscriber privacy is not only important as a matter of public policy, but it is also central to the success of our business. The bedrock foundation of our business is our relationship with our subscribers. We operate in a highly competitive marketplace, and our ability to succeed depends on winning and retaining the trust of those customers. Accordingly, we support a framework that would provide consumers with the opportunity to affirmatively consent to receive online targeted advertising.

In the context of targeted online advertising, we believe that achieving and sustaining our subscribers' trust requires adherence to a privacy framework that addresses four principles: first, giving customers *control*; second, providing *transparency* and *disclosure*; third, *safeguarding personal information*; and fourth, providing customers with *value*.

Let me also add, however, that we strongly believe that any such framework can only truly protect the privacy interests of consumers if it is universally adopted by all providers of targeted online advertising, including ad networks, application providers and ISPs. Quite simply, it makes no difference to a consumer whether a targeted online ad is based on data collected by an ISP, an ad network or an applications provider. A framework that leaves any provider uncovered would leave all users unprotected. In addition, a common set of rules protecting consumer privacy is the only way to ensure that all businesses that provide online advertising can compete and innovate on a level playing field.

Before I go any further, allow me to clarify our definition of targeted online advertising for the purposes of applying the framework I described. At Time Warner Cable, we define it as displaying different online ads to a consumer based on that consumer's behavior on unrelated websites. So, if ads are delivered to a consumer based on that consumer's particular history of visits to multiple unrelated websites, that's targeted online advertising.

On the other hand, delivering relevant ads to a consumer based on their behavior on an *individual* website (or group of related websites) is not targeted online advertising. For example, if you go to Apple's website and search for an iPod, and Apple delivers ads

and promotions for iPods while you are still on the Apple website, that's not targeted online advertising. That's being responsive to what you asked for, when and where you wanted it. It becomes targeted online advertising, however, if this information is retained in order to deliver ads for iPods and other portable music players while you are visiting unrelated websites.

Let me elaborate briefly on the four principles I've mentioned.

First, *customer control* means consumers will be able to exercise *affirmative* consent to having their activities collected and used for targeted online advertising. Internet subscribers that decline to consent or fail to act should not have their online activities tracked or used for targeted online advertising. Control also means that the consent mechanisms should be easy to use, to ensure that customers are free to change their election at any time, and that their election will remain in effect unless they change it.

Second, *transparency and disclosure* means ensuring that a customer's consent to targeted online advertising is informed. This means giving Internet users clear and timely notice regarding what type of online usage information is tracked and collected, how that information is used to provide targeted online advertising, and what steps consumers can take should they decline to participate. And by this, we don't mean fine print. We mean prominent and plain English.

Third, *safeguarding personal information* means preventing unauthorized access to customers' personal information. It also should mean preventing disclosure or sale of such information to third parties absent consent of the customer. We also believe that policy makers and the public should continue to discuss whether there are categories of

particularly sensitive information, such as personal medical information, that should be entirely off limits to targeted online advertising or subject to special controls.

Last, *providing value* means offering targeted online advertising in a manner that enhances the Internet experience for consumers. Time Warner Cable firmly believes that targeted online advertising can benefit consumers. Instead of a barrage of irrelevant ads, subscribers can receive information about services and offerings tailored to reflect their interests. Targeted online advertising can also be used to protect consumers from seeing ads they don't want. Advertising can be a public good, when it educates consumers about relevant choices. Properly implemented, technology can help advertising achieve this potential, possibly even increasing the number of ads consumers want to see.

In addition, targeted online advertising provides important benefits for advertisers and providers of Internet applications and services. Revenues from such advertising can offset the costs of providing services to consumers, and can allow businesses to offer services at discounts or even without direct payment from end users. In this manner, targeted online advertising can deliver value to consumers while helping to preserve and promote access to and enjoyment of the rich diversity of the Internet.

Most companies that provide services on the Internet are presently under no obligation to disclose, or obtain consent for, the collection and use of consumers' online usage information. And in the case of some of the largest ad networks and applications providers, the amount of information such companies possess about consumers dwarfs that obtained by ISPs.

It is certainly true that many providers of targeted online advertising already voluntarily disclose the extent to which they collect and use data about consumers. And

some may also provide consumers the ability to “opt out” of participating in such an arrangement. But the extent of such disclosure varies greatly and is often opaque; and the process for opting out can be complicated, and in any case falls short of the principle of consumer control I have articulated.

Therefore, Time Warner Cable believes that the four principles I have outlined – customer control, transparency and disclosure, safeguarding personal information, and providing value – should serve as the cornerstone of a uniform policy framework that would apply to *all* companies involved in targeted online advertising. Time Warner Cable stands ready to work with this Committee and other stakeholders to help foster the development and implementation of such a framework.

I thank the Members of this Committee for the opportunity to appear before you today on this important issue, and I would be happy to answer any questions you might have.