

# BUSINESS

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## FCC action set to raise cable-TV box rental fees

By Deborah Yao

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PHILADELPHIA — Some cable companies are planning to charge more for set-top boxes to help pay for new, more expensive versions mandated by the Federal Communications Commission.

They say the price increases are a result of the government's push to spur competition for the boxes, which are required to receive digital programming and

change channels. It's not yet clear how much the charges will rise.

Tucson-area providers Cox Communications and Comcast say they have no immediate plans to raise box rental costs. (See Page D2.)

The FCC has been trying for nearly a decade to open up the set-top market so subscribers can actually buy their own and then use a cable-company-provided

card to decode their programming. The retail market for the boxes, however, has largely failed to materialize, and millions of consumers still rent the boxes from their cable companies.

As of Sunday, cable companies were required by the FCC to start shipping the new set-top boxes with detachable cable cards.

The companies had lobbied against the rule, saying the new

boxes are more expensive. Consumer groups say it's yet another excuse for cable companies to raise rates.

And higher rates are definitely coming. Cable industry officials said even consumers using the older set-tops will likely be hit if the cable company decides to spread the cost to all box renters.

Cable operators won't yet say

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### CABLE TV

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exactly how much more consumers will pay to rent set-top boxes. It's also unclear whether the fee increases will apply to cable cards.

Both cable trade groups have said consumers would see \$2 to \$3 more in monthly rental rates for the new boxes, but that doesn't take into account spreading the cost out to all box renters.

Philadelphia-based Comcast Corp., the nation's largest cable operator with 24 million video subscribers, is planning to spread out the cost of the new boxes among all cable box renters.

The FCC cable card requirement "amounts to an FCC tax of hundreds of millions of dollars on consumers," Comcast said in a statement.

Time Warner Cable Inc. spokesman Alex Dudley said the company agrees with the cable industry's stance that the FCC cable card rule is a "tax" on consumers. New York-based Time Warner is the second-largest cable company, with 13 million video subscribers.

The FCC has said that it's time for cable operators to comply with the law, especially since the industry already had been granted extensions.

The American Cable Association, which represents 1,100 smaller cable operators, said its members will be charging more for set-top-box rentals.

"It's guaranteed," said Ross Lieberman, vice president of government affairs for the

### LOCAL RATES UNCHANGED FOR NOW

The Tucson area's cable TV providers, Cox Communications and Comcast, said they have no immediate plans to raise monthly fees for cable converter boxes.

Cox, which serves more than 350,000 subscribers in the city of Tucson and Green Valley, charges \$6 a month for converter box rental. Digital video recording capability costs an extra \$17 monthly, and high-definition service costs \$12.23 per month.

"At this time, Cox Communications will not raise prices on our receivers due to the FCC separable security mandate. However, increasing costs may be passed on in the future due to the cost of compliance," Cox said in a statement.

Comcast, which serves more than 80,000 customers in unincorporated Pima County, Marana and Oro Valley, includes the cost of box rental in some rate plans and charges \$6.95 for additional boxes. Digital video recording costs an extra \$11.95 monthly, and high-definition service costs \$5 extra.

Meanwhile, both local cable providers raised their service rates earlier this year. Cox is boosted its rate for its Expanded Basic lineup by \$3, or about 7.5 percent. Comcast raised its Preferred Basic package by about \$3, or about 6 percent, and bumped its bare-bones Limited Basic service by \$1.

trade group. "We can't absorb this cost. This rate will be passed along to consumers."

He said the increases would likely come when cable operators typically raise rates: in early January after an announcement in late December.

The cable industry is upset that the FCC on Friday denied its petition for a blanket exemption to the cable-card mandate and yet granted a temporary one to Verizon Communications Inc. New York-based Verizon is rolling out its fiber-optic television, phone and Internet service.

The FCC said Verizon provides needed competition against cable. The agency also gave waivers to several other video providers, including those that roll out all-digital systems by Feb. 17, 2009.

"There's nothing in these

decisions to stave off a \$600 million set-top-box tax likely to affect the great majority of cable customers while providing no benefit to consumers," said Rob Stoddard, a spokesman for the National Cable and Telecommunications Association in Washington.

But Chris Murray, senior counsel at Consumers Union in Washington, said it's convenient for cable companies to blame regulators when they've stalled about complying with the FCC rule for years. Cable operators also have had no problem raising rates regularly for various reasons.

"They raise rates three times faster than inflation every year, for more than a decade," he said. "Cable companies want to have absolute control. We don't think they should have it."