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What Are All of Those Charges on My Cable Bill?

By Nick Marnell

Having endured a month of relentless political advertising on television, many Lamorindans now face another mind-numbing experience: deciphering the bill from the cable company that helped deliver those ads. The Lamorinda Weekly enlisted the aid of Lamorinda officials and industry experts to explain the fees and charges of a typical Comcast cable bill.

Franchise Fee

Comcast pays each Lamorinda municipality a franchise fee of 5 percent of its cable revenue for permission to dig up the public streets to lay and service the cable that provides the video connections. This fiscal year, Lafayette recognizes \$470,000 annual revenue through its cable franchise agreement, Orinda \$365,000 and Moraga \$300,000.

Because franchise fees tie directly to cable revenue, the municipalities have an interest in keeping cable customers happy. "I'd like it if there was more competition," said Tracy Robinson, Lafayette's administrative services director. "But if everyone 'cuts the cord,' we'd lose the franchise revenue."

Broadcast TV Fee

Comcast pays this retransmission consent fee to the local television stations for the right to rebroadcast their signals. Until recently, this fee had never appeared on customer bills. "Some customers were on promotions or fixed contracts, and did not see the fee on their bill as early as other customers did, but they should see it now," said Bryan Byrd, director of communications for Comcast California.

Retransmission fees are a major point of contention in the cable industry, as the typical charge to Comcast has jumped from pennies a decade ago to over \$1 per subscriber per month.

"Programming costs are one of the major drivers of price adjustments," said Byrd, who noted that the fee covers only a portion of those costs.

PEG Access Support

Moraga operates under a legacy cable franchise agreement until 2021, so Moraga cable subscribers pay this 71 cent monthly fee. Public, education and government (PEG) fees cover the capital expense of government transparency, including operation of the Contra Costa Television PEG access channel. The town generates \$34,000 in annual PEG revenue. Moraga allocated recent PEG funds to the installation of a high-tech audio visual system in its Community Meeting Room, which will provide broadcast quality viewing of town public meetings on CCTV, said town manager Jill Keimach.

The California Public Utilities Commission issued the new Lafayette and Orinda cable franchise agreements; those cities receive no PEG revenue, according to Robinson and Susan Mahoney, Orinda's finance director.

FCC User Fee

This 8 cent monthly charge pays for Federal Communications Commission regulatory fees. The FCC monitors the business practices of the cable industry - such as the pending merger of Comcast and Time Warner Cable - and it can regulate the price of basic cable service.

Carriage Fees

Though these charges are not listed per se on the cable bill, they are the largest component of it: Comcast pays carriage fees to the cable networks for the right to air their programs. Most of the networks charge Comcast pennies per month per subscriber, with fewer than 10 charging around \$1 per month.

Many viewers do not understand why they have to pay for 80, or more, channels when they watch only a few. A big reason is ESPN, which bills Comcast more than \$5 per month per subscriber. To reduce the impact of the high ESPN fee, and to avoid alienating its sports viewers - whom advertisers covet - Comcast packages its channels, spreading the fee across a large viewing universe. As a result, non-sports viewers subsidize sports fans.

The highest rated ad-supported cable networks in Contra Costa County are ESPN, TNT and FX,

according to Amy Nachman, senior media strategist for Men's Wearhouse.

A Coming Alternative

CBS recently launched a \$5.99 monthly digital streaming service that will let viewers watch much of the network's programming without a pay-TV subscription. This "over the top" content delivery model is a result of the outcry over rising cable fees.

"Imagine a time when you pay for only what you want to watch," said Stephen Soule, president of Multichannel Distribution Partners, a New York area pay-TV consulting company. "There are no franchise fees. There are no sports surcharges. There are no taxes. There are no more cable box fees, or cable boxes. A lot cheaper than what you're paying now, even after figuring \$50 a month for your broadband modem."

The success of Netflix, the launch of the CBS online service and the announcement that HBO will begin its own streaming service in 2015 indicate that these content providers are banking on the future: direct delivery of programming, with no intermediary.

Byrd said Comcast had no comment on the CBS and HBO announcements.

"Other than monitoring the situation, and making adjustments as necessary, there's not much we can do," said Keimach, who agreed that future cable franchise fees will be at risk under this new delivery model.

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