



Nonprofit Publisher
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The Honorable Daniel K. Inouye
Chairman
Senate Committee on Commerce, Science and Transportation
722 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Kay Bailey Hutchison
Ranking Member
Senate Committee on Commerce, Science and Transportation
284 Russell Senate Office Building
Washington, D.C. 20510

Dear Chairman Inouye and Ranking Member Hutchison:

On behalf of Consumers Union, we write to you today to express our concern over a troubling trend developing within the cable industry.

Today, despite our nation's economic crisis, Comcast Corporation reported a 38 percent growth in its third quarter earnings. The cable company saw a 10% increase in revenue to \$8.5 billion. This growth is attributed in the report to, "solid operating results at Comcast Cable." Indeed, they report that revenue from their cable segment increased 7% to \$8.1 billion, due to a growth in digital customers.¹

We fear large cable companies, like Comcast, have been adding to their bottom-line by inappropriately reaching into the pockets of their subscribers.

Consumers Union has fielded a number of complaints from subscribers of Comcast and other large cable networks across America who have been subjected to increased monthly costs for cable television service. Many cable operators have begun moving cable programming to a digital-only tier and charging consumers an extra fee each month for additional digital cable boxes in order to receive this programming. Consumers are left paying the same monthly rate for significantly less service, or must rent more expensive set-top boxes for each television set they own.

With the DTV transition quickly approaching, consumer confusion in the television programming marketplace is at its peak. Cable operators appear to be leveraging content to strong-arm confused consumers into paying much more every month for cable programming they have previously received at no extra fee. We believe the timing of this rate hike is deceptive.

¹ Comcast Corporation Press Release. *Comcast Reports Third Quarter 2008 Results*.
<http://www.cmcsk.com/phoenix.zhtml?c=118591&p=irol-newsArticle&ID=1218842&highlight=>

On October 15, the Enforcement Bureau at FCC fined Time Warner Cable in Hawaii and Cox Communications in Virginia for moving certain channels to an all digital tier and preventing consumers with unidirectional digital cable products (UDCPs), like CableCARDS, from accessing those channels. By blocking consumers' freedom to choose their own navigational devices, the Bureau found that both Time Warner and Cox violated § 629 of the Communications Act.

We believe the FCC appropriately interpreted the Act, however the scope of this order fails to address many consumers' issues. It does not help subscribers losing channels who have no navigational devices at all. This order is a small step in the right direction, but it only addresses the tip of the ice-berg of these unfair consumer practices.

In fact, in an October 2008 *Consumer Reports* Survey, we found that over two-thirds (68%) of cable only consumers have televisions in their home without set-top boxes. Nearly one-fifth (19%) of these consumers have noticed a reduction in the number of channels they are able to receive. The majority (60%) have taken no action and are paying the same monthly bill for less service; 28 percent have called their cable company to complain, and 21 percent have swallowed the extra equipment charge. This represents a significant number of cable customers who are either paying for less service, or being forced to pay more for the same service.

With so much at stake in the upcoming DTV transition, it is imperative that television viewers not be misled. Consumers Union is doing our part, and in the November 2008 issue of *Consumer Reports* magazine, we alerted cable subscribers to the cable industry's deceptive practice. We are hopeful that Congress and the Commission will take the appropriate action and investigate these complaints further. Cable companies that have misled customers should be held accountable for their inappropriate business practices.

Regards,



Joel Kelsey
Policy Analyst



Christopher Murray
Senior Counsel

Enclosed: Article, "Confused About Cable?" *Consumer Reports* magazine, November 2008.