

Why is your Cable-TV bill rising? 'Free' TV Stations now sock subscribers with billions in fees

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Even as consumers complain about soaring cable bills, one of the fastest-growing parts of those bills is entertainment and news that's free for Americans: the broadcast-TV networks ABC, CBS, Fox, and NBC.

Comcast Corp., Verizon Communications Inc., and other pay-TV distributors will collect about \$7.7 billion in fees this year for the rights to distribute over-the-air TV stations. The payments add to consumers' bills while fattening the profits of TV networks and local TV stations, which have shrinking audiences and flat advertising.

So-called retransmission fees rose about 30 times over the last decade while the network prime-time audiences fell by almost half, according to the ratings tracker Nielsen and the research firm SNL Kagan.

Comcast, in the latest example of this cost spiral, will raise fees for over-the-air TV networks on millions of Xfinity TV customers to [\\$7 a month from \\$5 in early January](#), the Philadelphia company told subscribers this month. These would be fees for Philadelphia's CBS3, NBC10, and 6ABC and are separate from regional sports fees.

Charging More for Fewer Viewers

Broadcast-television viewership for the four major networks has **dropped by 52 percent** since 2006 ... but the **retransmission fees** charged by pay-TV providers to their subscribers for the rights to distribute broadcast-TV content have increased tremendously.

IN 10 YEARS RETRANSMISSION FEES CHARGED BY “LOCAL” TV STATIONS HAVE GONE UP NATIONWIDE FROM \$215 MILLION PER YEAR IN 2006 TO \$7.7 BILLION IN 2016. CONSUMERS PAY THE BILL.

“The broadcasters always slap themselves on the back, telling Washington they are your free and local TV stations,” said Matthew Polka, the president of the American Cable Association of small cable operators. “There is nothing further from the truth.”

And ultimately, it's Washington that "has allowed [TV] broadcasters to maximize their monopolies," Polka said. He and other critics say that the fees exist because of a patchwork of telecom laws and federal regulations that created local TV monopolies [at the expense of the consumers].

Chris Fenger, chief operating officer for the Princeton-based cable operator RCN, said the hikes in fees for free broadcast TV channels are "out of control" and are pricing the pay-TV product “out of the market” across the industry.

Fenger cited the bargaining power of major content conglomerates that now own both the TV networks and cable channels. These include Comcast, the Walt Disney Co., and 20th Century Fox.

As a cable operator, Fenger noted, if "people are not watching the content, we don't want them to have to pay for it, but we are forced to carry and charge for it by the market power of those networks."

The fees also can confuse consumers who aren't aware of them and cannot make an informed decision. "How do you competitively price when these fees just pop up out of nowhere?" asked Steve Traylor, the executive director of the National Association of Telecommunications Officers and Advisors.

Plaintiffs lawyers filed federal class-action lawsuits against Comcast, Time Warner Cable, and Charter Communications in October and November, claiming the retransmission and regional sports fees violate consumer-protection laws.

Comcast conceals the fees in its advertising and disguises them in bills, the suit contends. When consumers call to complain, Comcast call-center employees say the retransmission and regional sports charges are "government-related fees or taxes over which Comcast has no control," the suit says.

Comcast spokeswoman Jenni Moyer said that the company itemizes the broadcast-TV fees to be "more transparent about the factors driving price changes" and they are listed in the “Other Charges & Credits” section of the bill. She said the fees were "a portion of our costs to carry and distribute these channels."

The TV networks ABC, CBS, and NBC say it is time they were paid for popular shows such as *The Big Bang Theory* and NFL games on Sunday. The broadcast-TV shows remain the most-watched programs on television and the fees charged for their programs are much lower than the charges for cable networks, broadcast-TV officials say.

[The TV stations justify their huge, rising profits.] “Pay-TV companies [satellite dish companies and cable tv companies] built billion-dollar businesses on the backs of broadcast TV programming. So it’s only reasonable for local TV stations to be compensated fairly when our most popular programming is resold to pay-TV customers," said Dennis Wharton, the spokesman for the National Association of Broadcasters – TV stations. Wharton continued: "Broadcast fees are small compared to fees for cable programmers, set-top boxes, regional sports networks, and the like," he said. "Regulators have repeatedly found that no new rules are needed that would give an unfair advantage to pay-TV titans at the expense of local television stations, and we agree.”

Comcast, Disney, 20th Century Fox, and CBS Corp., which own national TV networks, benefit in two ways from retransmission fees.

- 1- These companies own TV stations in large metropolitan areas and directly collect the retransmission fees. But in midsized and small cities, Comcast, Disney, 20th Century Fox, and CBS Corp. don't own TV stations and don't get the fees.
- 2- Instead they insist that local TV stations remit part of the fees to them as reverse compensation – thus, if a TV affiliate in Cleveland or Nashville wants access to network shows, that TV station has to pay the reverse compensation to the network owner.

A leader among the TV networks in fee deals has been CBS, which is aiming to collect \$2 billion in retransmission fees, including reverse compensation, by 2020. "These are dollars that fall right to the bottom line," cheered CBS Corp. chief executive Leslie Moonves, speaking to Wall Street analysts in August 2015.

Comcast participates on both sides of the retransmission-fee ecosystem – as the nation's largest cable operator and as the owner of the NBC network. Comcast charges its TV subscribers for the retransmission fees, including those at NBC, which benefits from the fees. Comcast officials say that retransmission fees will amount to about \$800 million a year.

"They are playing both sides as a cable operator and a network operator," said Justin Nielson, senior research analyst at SNL Kagan, part of S&P Global Market Intelligence.

Spokesman John Demming said that Comcast and NBC negotiate the retransmission fees on an "arm's length" basis just as Comcast negotiates the fees with ABC, CBS, or Fox.

In July, the chairman of the Federal Communications Commission, Tom Wheeler, decided not to seek reforms in retransmission, [saying in a blog](#) that "what we need is not more rules, but for both sides in retransmission consent negotiations to take seriously their responsibility to consumers, who expect to watch their preferred broadcast programming without interruption."

For consumers, the most obvious solution is to cancel cable and grab free network channels with an antenna and order Netflix on-demand streaming services or other content streamers. These "cord cutters" are growing as cable bills keep climbing.

Most Americans still have no idea they're paying for free TV because for many years cable distributors and broadcast-TV stations worked cooperatively. This began changing with the 1992 Cable Act. Under that law, local TV stations could opt for carriage on cable systems under one of two designations: "must carry" for free, or "retransmission" with some form of compensation.

[TV stations started out doing tradeouts with cable company, but eventually demanded cash. How it all unfolded through the years.] Under retransmission, TV stations could be paid with cash or something of value. For years, this compensation came in the form of advertising that the cable firm purchased on the TV station or new cable channels. Around 2007, the big entertainment companies and groups that owned local TV stations began seeking cash for the rights to transmit the local stations.

SNL Kagan, the research firm, projects that retransmission fees could jump 50 percent to \$11.6 billion by 2022....

Congress and the FCC have created "the laws and regulations that are forcing consumers to pay more every month for what they consider free TV," Polka said. "It's making your cable or satellite bill go higher and higher."