



PAY TV SERVICE

This article contains:

- Information about Pay TV Service
- Descriptions of Pay TV Service charges
- Things to consider when ordering Pay TV Service

Who is Providing Your “Pay” TV Service?

Traditionally, Pay TV Service could be purchased from either a cable TV or a satellite TV company. Recently, other companies (including phone companies) have been offering Pay TV Services. All of these companies can be referred to as “Pay TV Providers”.

Satellite TV companies provide Pay TV Service from a satellite to a dish or receiver that is mounted on the exterior of the home or business. The dish typically has to be mounted in a spot where it can be aimed at the satellite with nothing in the path that will interfere with the signal (trees, for example).

Cable TV companies use coaxial cable (similar to what you have in your home) to provide Pay TV Service to customers. Many of these companies use fiber optic cable in their networks to reach a neighborhood and then use coaxial cable for the shorter distances to the

home or business. Fiber optics can increase the quality of the video programming and provide greater reliability.

Some companies that previously offered phone and Internet service have recently begun to provide Pay TV Service. Some of these providers use fiber optic cable to reach a neighborhood and then use the same copper wire that provides phone and Internet for the remaining distance to the home or business. Others connect fiber optic cable directly to the home or business (“Fiber To The Premises” or FTTP).

Cost of Programming

The price of Pay TV Service has increased dramatically in the last few years. The primary reason is the increased cost that Pay TV Providers pay for programming.

Pay TV Providers pay a monthly fee for most channels that they provide to each customer. Have you noticed how many channels are available compared to a few years ago? New channels provide viewers with more options but also add to the Pay TV Provider’s cost.

The rate that Pay TV Providers pay for the right to carry a channel has been going up every year. These increases are expected to continue as programmers try to cover their increasing costs and boost their profits.

The overall cost of programming has been increasing by as much as 10% per year and providers are being forced to raise prices and/or reduce the number of channels in order to manage these increases.

Providers usually require that you subscribe to a channel package and then you can add these options to get additional channels (you cannot typically pick a sports package as your only programming, for example).

Channel Packages

Most Cable TV companies offer a basic package that includes:

- Major broadcast networks (ABC, NBC, CBS, FOX)
- Other local channels
- Educational and local government channels

The monthly charge for a basic package is relatively low due to the limited number of channels. Satellite TV Companies typically do not offer a package with this limited channel lineup.

All Pay TV Providers offer packages that group channels together for a single monthly charge. The lower cost packages usually have 100 to 150 channels and usually contain the most watched networks. Higher cost packages can have more than 300 channels including many channels with special-interest programming that have a smaller number of viewers.

Additional Programming Options

You may have additional programming options including:

- Sports packages
- Spanish language packages
- International Channels
- Movie channels

Charges for Equipment

You will usually need a set top box (sometimes called a receiver) for each TV. Some providers still offer a limited channel lineup without a set top box but this option is becoming less common. A set top box also provides additional services including an on-screen program guide with many options to enhance viewing. Typical kinds of set top boxes are:

Standard – For viewing standard definition programming

High Definition – High definition programming can be viewed in addition to standard definition

HD/Digital Video Recorder – A High Definition set top box with the ability to record programs

Most Pay TV Providers charge a monthly fee for each set top box that they provide without requiring you to purchase the equipment. Many Pay TV Providers will give you 1 standard box with no monthly charge. Boxes that are leased in this manner are usually the responsibility of the provider to repair and replace with exceptions for theft, fire, misuse, etc. These boxes must be returned to the provider after service is terminated or you will be liable for the replacement cost.

Monthly charges for standard boxes are usually between 3 and 7 dollars. High Definition boxes cost more and HD/Digital Video Recorder boxes usually have the highest monthly charge of the 3 types. A monthly charge for an HD/DVR box can be as high as \$20 per month.

Pricing for Pay TV Service *Things to consider:*

- Channel packages
- Additional programming options
- Charges for equipment
- High Definition programming
- Other Features
- Other Fees
- Taxes and Fees
- Installation or activation fees
- Contracts

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Some providers bill a charge for the DVR capability in addition to the monthly charge for the DVR box. This charge may be identified as “DVR Service”. This may be a single additional charge that covers all DVR boxes on the account or a charge for each DVR.

You may also be able to purchase your own set top box. Many Pay TV Providers support a CableCARD technology which means that they can provide you with an electronic card that is inserted into a compatible set top box or other device. There is usually a monthly charge for the CableCARD but using one allows you to purchase a compatible set top box from a retailer.

High Definition

In order to view High Definition programming, you must have an “HD-capable” or “HD-ready” TV set.

HD television sets receive and display digital images and have advanced features including:

- Extremely high resolution providing a high quality picture
- Wider screens that allow programs to be viewed in a format that fits the dimensions of the screen
- High quality digital sound

An HD or HD/DVR set top box is also required for high definition viewing.

Many Pay TV Providers include a standard definition channel and the corresponding high definition channel in a package at no extra charge. Some providers may add a High Definition charge to your bill in order to receive any HD channels. Some HD channels may be provided as a part of your package with the option to add more HD channels for an additional monthly charge.

Other Features

Pay Per View allows you to order a program that is scheduled at a specific time of day for an additional onetime charge. The most common Pay Per View events are sports programs such as boxing matches.

Video on Demand (VOD) allows you to watch programs at your convenience. You may be able to pause, rewind or fast forward while viewing. Most providers offer some VOD selections at no charge. Other selections including recent movies and adult content typically carry a charge of 3 to 15 dollars.

Many providers offer a feature that allows you to view recordings on a DVR from another set top box in your home. For example, you could record a program on your living room DVR and watch the program on the TV in the bedroom. The additional charge for this service may be a single one for all set top boxes on your account or it may be a charge for each DVR that has this capability.

Other Fees

A fee that has been appearing recently on some Pay TV Provider bills is identified as a fee for local channels. This fee may appear to be an additional item that the Pay TV Provider is required to charge or a special cost that they incur and need to pass on to you. The truth is that programming costs are programming costs whether for local channels or cable networks. If the monthly charge for your service is presented to you as \$50, for example, and there is a \$2.00 fee for local channels you are being charged \$52 for your service – plain and simple.

Another fee that is being added by some providers is for sports networks that are local or regional in nature. This fee may be identified as a “RSN Fee” or a “Regional

Sports Fee”. Again, the programming cost for a local or regional sports network is not unique. If the monthly charge for your service is presented to you as \$50, for example, and there is a \$2.00 fee for a regional sports network you are being charged \$52 for your service – plain and simple.

Taxes & Fees

Taxes and fees will increase the cost of your service and it is important to have an idea of the ones that will be added to your bill. Taxes and fees may include:

- **State Sales Tax** – A percentage of charges
- **City Sales Tax** – A percentage of charges
- **Franchise Fee** – Typically a percentage of charges
- **PEG Fee** – A flat fee or a percentage of charges
- **Regulatory Fee** – A flat fee charged to each customer
- **State Cost Recovery Fee** – A percentage of charges

Installation or Activation Fees

Many providers are currently waiving or reducing installation fees as an incentive to gain new customers. This is particularly true when a bundle of 2 or more services (video service bundled with Internet service, for example) is ordered. Some providers may still charge an “activation fee” even if you are being told that there is no installation charge. You should be able to get your service without any installation or activation fee for a bundled services package.

Contracts

Lower prices are sometimes available for the first few months of service if you are willing to accept a contract with a penalty for early cancellation. If you choose a contract option in order to get a lower price, it is important to know before you sign up what the standard price is for your services without any discounts. It is also important to note that some providers will void your contract if you make changes to your service during the contract period.

Also, your contracted rate may cover the charges for your package of channels but not some of the other items such as monthly charges for set top boxes. Your monthly bill could still increase during the contract period if certain charges are not covered by the contract.

Summary

As the cost of Pay TV Service increases, you need to be more aware of what the total amount of your monthly bill will be when you sign up for service. Look closely at the channels in each package to find the ones that you will be watching frequently. Make sure that you understand the equipment required and all of the corresponding charges. Ask for an estimate of the taxes and fees that will be added to your bill as well as an explanation of any that you do not understand. If you are considering a contract, make sure you have all of the information including penalties, what services are covered and any other terms.



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