

Cable battle brewing

City, county allege TCI owes viewers \$4 million

Cable TV

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SANTA CRUZ — TCI Cable owes 50,000 local customers up to \$4 million in overcharges dating back to 1994, city and council officials allege.

The charges, which cable giant Tele-Communications Inc. disputes, stem from a \$7-a-month rate increase coupled with the recent elimination of some basic-cable channels.

"The problems (with TCI) have come to a head," said Pat Busch, Santa Cruz County assistant administrative officer. "This goes back over a period of years, from an acceleration of rate increases, to how they justify their charges, to the latest change in tier rates."

Currently, city and county residents pay \$25.10 a month for basic cable, a 38 percent increase since the December 1994 basic rate of \$18.14.

The city-county complaint will be filed with federal officials in the next few weeks, Busch said.

They will ask that TCI be forced to reduce basic-cable service rates and pay overcharges to subscribers in the city and unincorporated areas of the county.

The action was spurred by a March TCI decision to take away channels from its basic-cable package. The company then moved the channels to a new "digital tier" service — at an additional \$10 per month.

The system gives customers 14 more basic channels and expanded premium channels. TCI officials expect 7,000 to 8,000 people to subscribe to the new service this year, although all customers have had some basic-service channels taken away.

"TCI is taking basic services away and putting some of them on the digital tier, and if you want to maintain the service you had before, it will cost you an extra \$10," said Bill Marticorena, a consultant with Rutan and Tucker who has been working on cable issues for the city and county since 1993.

Bob Haehnel, general manager of TCI in Santa Cruz County, was out of town and could not be reached for comment.

TCI, according to city officials, maintains it is allowed to raise rates for inflation and for providing premium services under the new Federal Communications Act.

TCI surveys also reveal that customers are generally pleased with the service they receive, said Marticorena, although he said no independent surveys have been conducted.

"We argued that because we are cut off from over-air reception, we in turn should get lower than market-rate costs," said Santa Cruz City Manager Richard Wilson.

The city and county say recent service increases are unlawful, based on a 1988 contract with TCI. That agreement was necessary be-

TCI

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cause the Santa Cruz Mountains preclude the area from receiving over-the-air cable service. Because the area is a self-contained pocket, the cable operator has a monopoly.

The 1992 cable-system rebuild was part of that 1988 contract. In addition, the city and county charge TCI a 5 percent franchise fee, which earns them about \$500,000 annually, said Busch. Because about 66 percent of all cable customers live in the unincorporated portion of the county, the county keeps about \$330,000 of the fee. The city's portion of the franchise money goes into its \$35.7 mil-

lion general fund and pays for police, fire and other basic services.

"Not too long ago we were hoping to, and were close to, working these issues out, and since that time the digital channels did come out, and yes it did set everything back. Our main concern is the basic rates and keeping them fair, but also not taking channels away," Wilson said. "While we may be cheaper than other over-the-air systems, the amount of increase over the years is significant."

Two other matters regarding cable negotiations will be coming before the Santa Cruz City Council and county Board of Supervisors within

the next year, including AT&T's possible purchase of TCI, as well as a scheduled systems and services review.

The \$30 billion merger must receive approval from government agencies that have agreements with TCI — including the city and county.

"We have been working with TCI on many issues for many years, and we've had difficulty getting just basic information from them," Marticorena said. "When those reviews come up, we'll be looking at the contract again to make sure they're maintaining service and complying with the original franchise agreement."