The FCC Frenzy Over Controlling Your Cable Box

By Jonathan Krim

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Whether you cringe at the sight of your monthly cable bill or think you get your money's worth, chances are you long ago stopped noticing the $3 or so a month you pay for the control box that allows you to get premium and digital programs.

It's one of those innocuous little charges, like the environmental disposal fee at the oil-change joint, that nicks you on so many bills through the year that if you stopped to count them all they would probably add up to a mortgage payment.

But the nondescript cable box is the object of a lot of frenzied lobbying over at the Federal Communication Commission these days, with consequences for your pocketbook and how you watch television.

As with their service, cable companies have a monopoly on these "set-top" boxes, which haven't changed much over the past 15 years. If you want digital service or premium channels such as HBO, you need the box, and you use the one provided by your cable company.

About 10 years ago, people on Capitol Hill and elsewhere began to wonder if that was such a good idea. In addition to concerns that the cable people had another cozy source of protected revenue, they didn't like that you couldn't take the box with you if you moved.

So Congress, and then the FCC, embarked on plans to create competition for set-top boxes that deliver digital programs. (Digital programming offers more channels and better picture and audio quality.)

That led to several years of wrangling over everything from technical standards to make sure other boxes would work to standards to make sure copyrighted programs couldn't be illegally copied using other devices and then shipped all over the Internet.

Finally, there was progress. The cable guys and the other-device guys agreed on a special card, known as a CableCARD, that would need to be inserted into an approved alternate box for it to work.

As this was going on, technology companies got busy thinking up all kinds of new gear that could also serve as your cable box: Digital television sets with the capability built right in. Media-center computers that could control cable tuning, stereo systems and electronic games. Newfangled hand-held devices.

Some of these devices began to get built and tested with the CableCARDs. Some are even in general circulation.

So what's the problem?

To make sure that everyone was on the same footing, the regulators decided that the cable company's device also had to use the cards, too.
The logic was that if everyone had to use the same underlying technology -- the card -- the cable guys couldn't give their boxes some capability that gives them an unfair advantage.

Additionally, the theory goes, only by requiring the cable guys to use cards will there be enough demand for the cards to drive down their manufacturing costs. And only then will there be incentive to build a lot of devices consumers could choose from.

The cable guys never liked this part of the plan. They successfully lobbied to delay the deadline once, from the beginning of 2005 to mid-2006. Now, they are pushing hard to either extend the deadline another 18 months or do away with the requirement.

They say they have every reason to want devices using cards to succeed because that would create more opportunities to sell cable service.

If Comcast could cut a deal with, say, Sony to market a "digital-cable" TV that you can get at a discount at Circuit City if you sign up for digital cable service, that gets the cable guys a new customer.

On the other hand, they say, forcing them to offer new equipment with cards to people who don't want anything except the basic box will increase consumers' costs.

No one seems to know exactly how much these cards will cost to make, but the price could drive up the cost of box rentals because the cable guys have no interest in losing money on this deal.

So what's been the response to changing the rules from electronics companies and other technology firms eager to jump into this market?

No, no and no. And oh, by the way, no.

The costs of the cards will dive if every cable provider in the country must use them, they say.

Since customers will have to go to the cable guys to get service and get the cards, letting the cable guys offer a cut-rate, card-free option will serve to freeze out the competition. Alternatively, getting everyone to use a unified standard means innovation can flourish in various devices.

And they say the cable guys just can't be trusted and want to maintain control over their boxes and what their users do with them.

What will happen?

The folks at the FCC declined to talk about the issue; perhaps they were busy huddling with the lobbyists who said they had been in meetings at the agency this week. So far, the FCC's media bureau has made no formal move to urge the FCC commissioners to make a decision either way, but that is expected soon.

Speculation is that if the cable guys lose this round, it will be a key part of their agenda when Congress moves to revise the 1996 Telecommunications Act governing cable and telephone service, which is where a lot of this got started.

But as we get deeper into the digital age, these kinds of industry battles are only going to grow more numerous.

Trying to spur innovation and ensure competition when those who control the plumbing have so much
power is no easy matter.

The lawyers and lobbyists, it seems, are the only sure winners.

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