



DEPARTMENT OF THE NAVY

TELEPHONE:

OFFICER IN CHARGE/RESIDENT OFFICER IN CHARGE
JACKSONVILLE NORTH CAROLINA AREA
NAVAL FACILITIES ENGINEERING COMMAND
CAMP LEJEUNE, NORTH CAROLINA 28542-5000

IN REPLY REFER TO:

N62470-78-C-3012
JAX/0257Z/mrt
25 February 1987

American Cablevision of Lejeune
P. O. Box 214
Tarawa Terrace, NC 28543

Re: Contract No. N62470-78-C-3012, Camp Lejeune Cable Television

Gentlemen:

Your letter of January 16, 1987 expressed your intent to increase the rate for basic service to customers served by your company. You indicated the Cable Communication Act of 1984 authorized the proposed increase.

On 5 February 1987, representatives from your company met with Camp Lejeune personnel to discuss the rate increase. At that time, we indicated our concerns about the proposed rate increase and discussed the need for supporting cost information related to the increase. On 20 February 1987 you provided general accounting data for your initial five months of operation at Camp Lejeune. Further, you annualized and projected these figures to provide comparative rates of return with and without the proposed rate increase. You requested that the rate increase become effective 1 March 1987.

Based on the information provided by you and our analysis of rates for other area cable TV services, it appears that the proposed rate increase is reasonable and justifiable. However, we feel the time required to provide public notification will not allow implementation of the increase on 1 March 1987. Accordingly, the implementation of the proposed rate increase should be effective 1 April 1987.

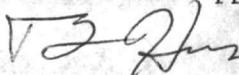
To ensure orderly implementation of the new rate, it is requested that your local representatives coordinate notification of subscribers with personnel from our Public Works Division. It is our desire to publicize the rate increase via the local news media prior to issuing revised payment booklets to individual subscribers. We feel that an appropriate public relations effort will minimize unnecessary misunderstanding and concern by subscribers.

WE ARE CURRENTLY
~~Our legal staff is presently reviewing~~ the Cable Communication Act of 1984 and its impact on the subject contract. We will provide in the near future our interpretation of the effect the Act has on various contract clauses, ~~and current procedures for any future rate modifications.~~

As previously discussed with you, the Base Commander has a responsibility and commitment to ensure fair and reasonable treatment for all personnel residing aboard Camp Lejeune. As such, services such as cable television are closely

monitored to ensure that the services provided are beneficial to the occupants of Camp Lejeune. We trust the above provisions are acceptable to your company. Accordingly, we request that you contact representatives of our Public Works Division to coordinate the actions noted above.

Your cooperation and assistance in this matter are appreciated.



T. L. HUGUELET
CDR, CEC, USN
Officer in Charge

BLIND COPY to:
A c/s Fnc ~~Base~~ (Col Dalton)
CEO (Lt Col Curran)
04
02
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The Johnsons
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monitored by you that the services provided are beneficial to the community.
of time and cost. We trust the above provisions are acceptable to you.
Accordingly, we request that you accept representation of our Public Works
Division to coordinate the actions noted above.

Your cooperation and assistance in this matter are appreciated.

W. J. HUNTER
TOP. OFF.
Office in Charge

(Faint handwritten notes and signatures)

Draft option

JAX/0399H/10/mrt
25 February 1987

Subj: CABLE TELEVISION (CATV) FRANCHISE

Background: The CATV contract was awarded in 1978 for a period of ten years with an option to extend the term for an additional ten years. The original contract scope was to provide CATV to housing areas and to institutional subscribers, i.e., Naval Hospital, Camp Lejeune Schools, etc. Numerous modifications to the original contract have expanded the scope to include CATV for various BOQs, BEQs, Special Services activities, day rooms, expanded institutional subscribers, and others. The first five year option was exercised in 1984.

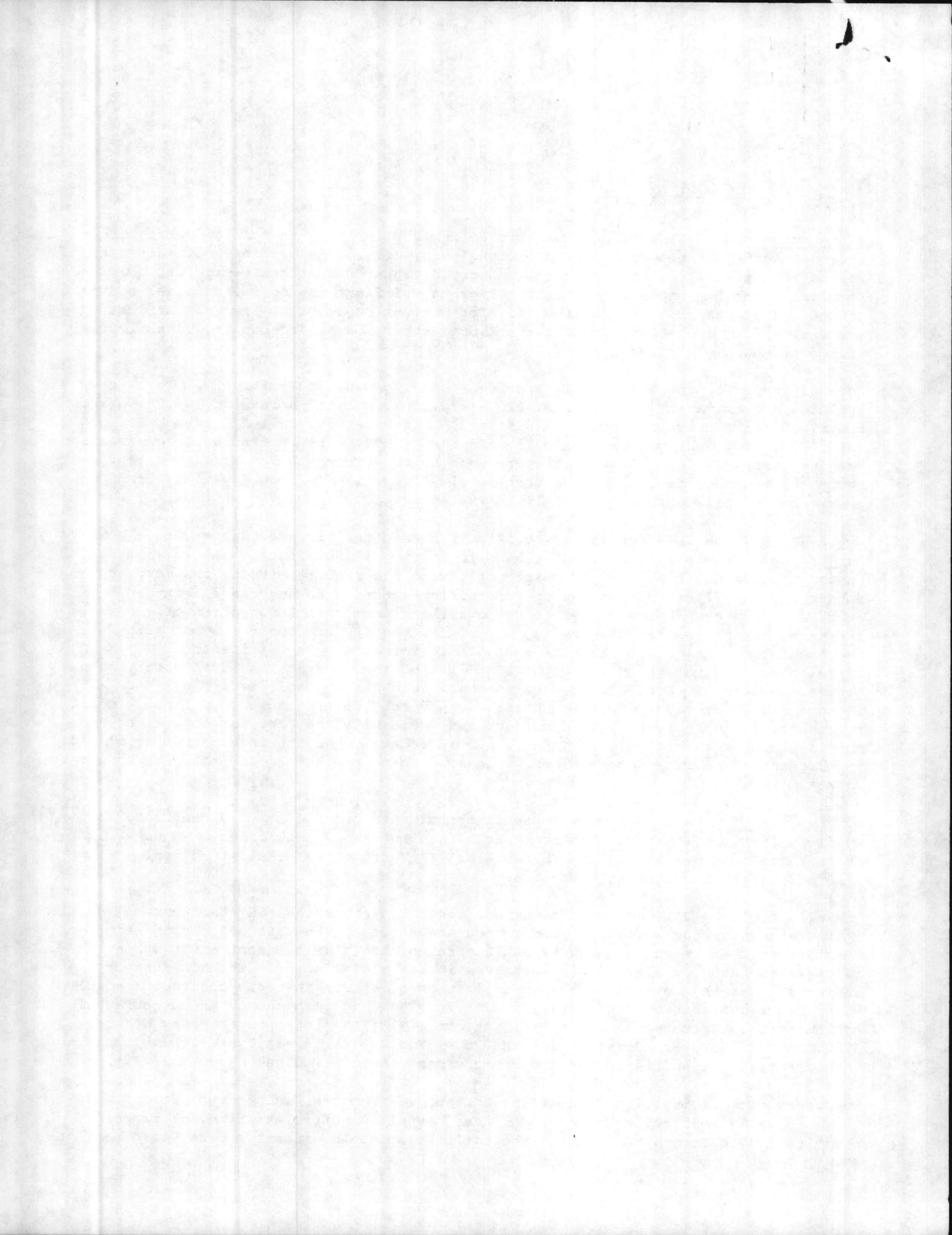
The original rate for basic cable service was \$4.25 plus \$6.75 for HBO. This rate included approximately 12 channels. In early 1981, a rate increase to \$6.25 for basic and \$7.00 for HBO was approved. Additionally a new service called Extended Basic; ESPN, CNN, etc., was offered at \$5.15. In early 1984, a revised schedule of fees and services was approved. In effect there were no rate increases, i.e., the rate for basic and extended basic remained unchanged. However, offering of various premium (pay) channels in packages called tiers was approved.

On 16 Jan 87, the CATV contractor notified the Base that in accordance with the CATV Act of 1984, he was raising the \$6.25 basic rate to \$7.50 effective 1 Feb. The contractor was notified that he must comply with the requirements of the contract concerning justification and backup information required to negotiate a rate increase. The contractor agreed to temporarily withhold implementation of the rate increase pending further discussion. On 5 Feb, the VP for Operations met with Base representatives to discuss the issue of a rate increase. He notified our representatives that the CATV Act of 1984 altered the contract and eliminated rate regulation after 29 Dec 86. He did, however, agree in the spirit of continued cooperation to provide supporting data. On 19 Feb the contractor again met with Base representatives, indicated his desire to cooperate with the Base "so long as he did not give up his rights under the Act", provided data to assist in substantiating his requirement for a rate increase, and requested that if possible the rate increase take effect 1 Mar.

Current Status: We have reviewed the financial data provided by the contractor. Overall, it supports his contention that a rate increase is in order. We have also compared the increased rate with other local CATV franchises (see Attachment A) and find that it still compares favorable.

The effect of the CATV Act on our current contract (franchise) is still unresolved. NAVFAC attorneys say we can no longer regulate rates. The Base SJA preliminary opinion was that we can no longer regulate rates, but that the contractor can only raise rates based on justifiable increases in his actual costs. The SJA further indicated that the Government had an obligation to ensure that the contractor complied with this requirement of the Act. However, the SJA has been requested to review his preliminary interpretation as it does not agree with the interpretation by others, i.e., NAVFAC, Navy Broadcasting and the FCC. The SJA is currently reviewing the Act in greater detail and is initiating discussions with the FCC and Navy Broadcasting.

The contractor is impatiently awaiting a response from the Contracting Officer. He has informally been advised that 1 Mar does not allow sufficient time for proper notification to occupants and that the earliest possible effective date would be 1 Apr 87.



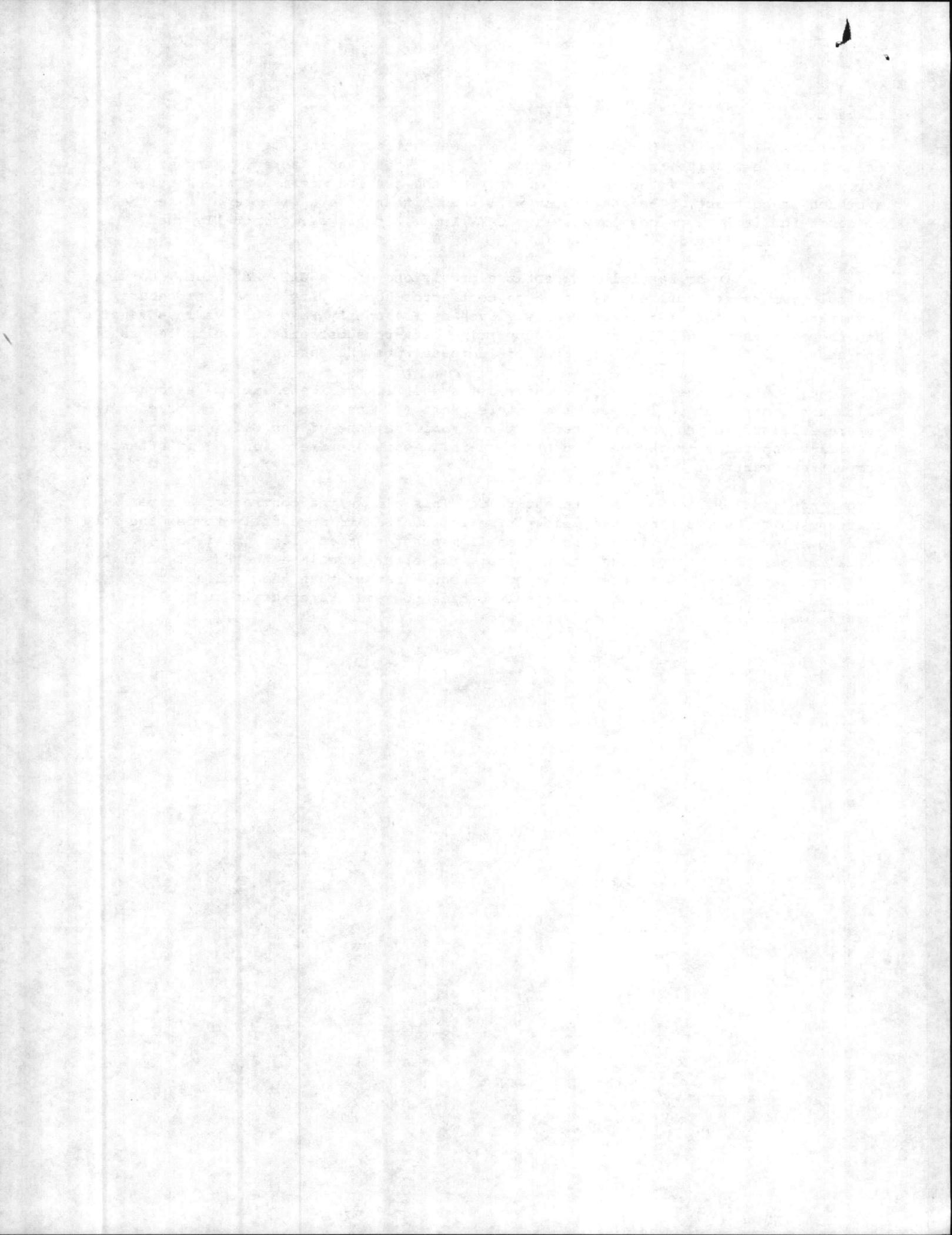
Alternatives: The following alternatives have been considered.

a. Ignore the CATV Act and advise the contractor that is is our interpretation that the terms of the contract have not been altered. Further, that any increase in rates without fully satisfying the contract terms may be considered as a breach of contract. The contractor will then either file a dispute or take the Base to court for failure to comply with the CATV Act. Either way, eventually the contractor will prevail.

b. Fully or partially accept the provisions of the CATV Act, i.e., no direct control over rates, but request that the contractor comply with certain procedural requirements for future rate increases. Such as (1) notify Base 90 days in advance of any proposed increases, (2) provide supporting data to substantiate equitableness of increase, and (3) discuss application of increase with the Base.

c. Since the currently requested increase is considered to be reasonable allow the contractor to increase the rate effective 1 Apr. Notify the contractor that we are still reviewing the applicability and ramifications of the CATV Act, and that he will be notified in the near future concerning our interpretation of its effects on our current contract.

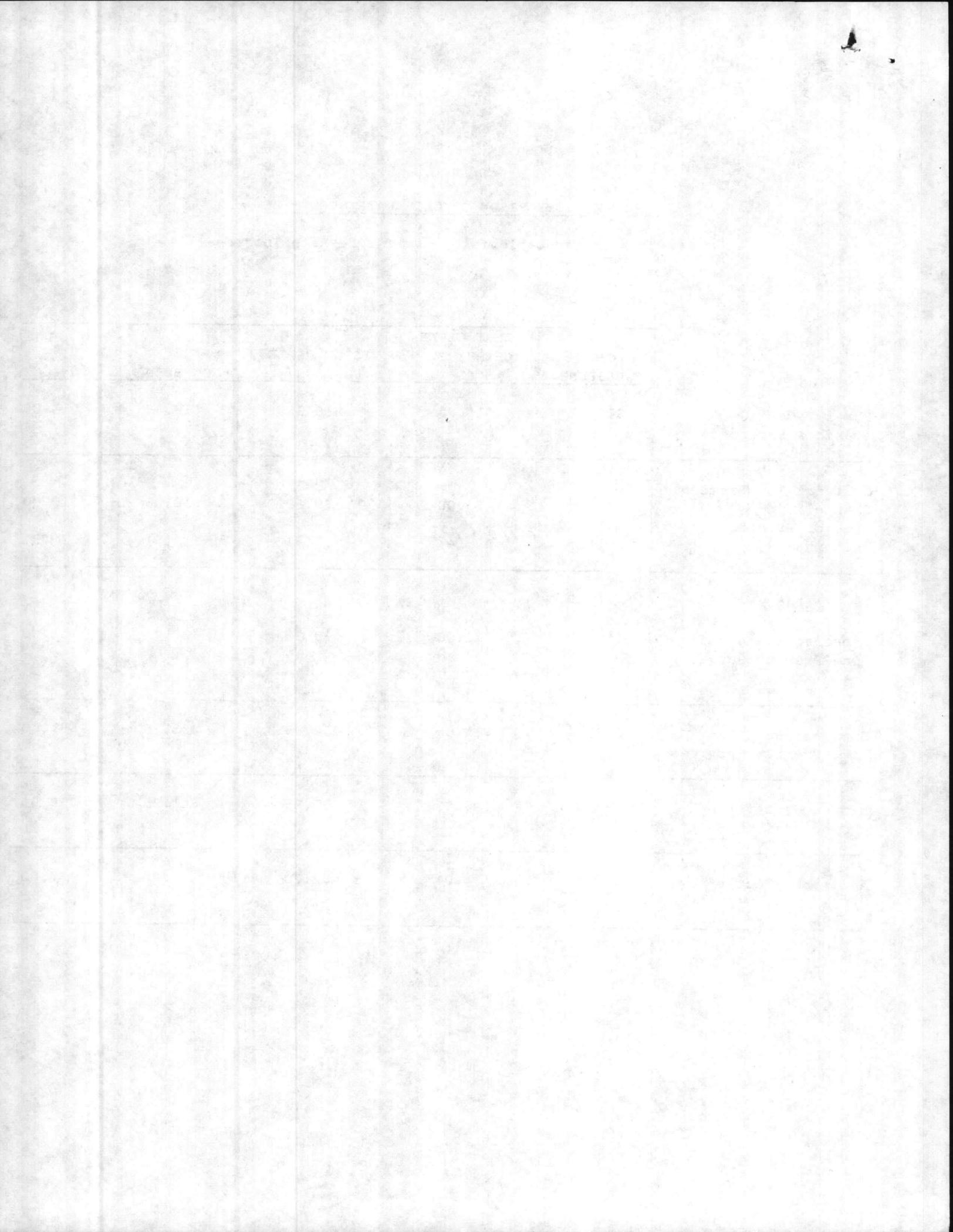
Recommendation: Proceed with Alternative C. This allows the contractor a rate increase which he deserves, and allows time for the SJA to more fully review the Act. It also allows time to obtain information from other sources, i.e., military installations, FCC, Navy Broadcasting, etc., to better formulate the Base's position. This approach allows us to operate on our schedule rather than the contractor's schedule. Should the contractor suddenly decide to raise rates again in the near future, we can still take a hardline approach.



LOCAL COMPARISON OF CATV RATE STRUCTURE

(*with American Cablevision of Lejeune Rate Increase)

	AM CATV OF LEJEUNE	ALERT CABLE CHERRY PT MCAS	VISION CABLE JAX NC	NEW BERN	KINSTON
Super Basic (Basic & Expanded)	\$12.65*	\$13.00	\$16.85	\$13.45	\$13.00
Cost for 1st Premium Channel (No. of Premium Channels)	\$8.00 (5)	\$9.00 (4)	\$9.60 (5)	\$10.00 (5)	\$10.00 (5)
<u>Packages</u>					
Expanded Basic and One Premium Services	\$19.40	\$22.00	\$23.85	\$23.45	\$23.00
Expanded Basic and Two Premium Services	\$27.40	\$31.00	\$32.85	\$33.25	\$31.00
Expanded Basic and Three Premium Services	\$35.40	\$40.00	\$37.85	\$41.25	\$39.00
Additional Outlet	\$1.00*	\$4.00	\$2.20	\$4.00	\$4.00





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