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In the last several weeks I have attempted to review some of the material which relates to the economic aspects of cable television and the wired city. In this brief review I have concluded that the array of potential costs and benefits is complex, extensive and not easily predictable. I have thus concluded that a cautionary and experimental approach to aspects of cable development is the best way to safeguard the interest of the members of the general public.

Let me note some general propositions which lie behind my general conclusion.

Proposition No. One is the fact that the development of any concentration urban infrastructure leads to the formation of great wealth. The development of ports and railways in the 19th century are one example and the development of the interstate highway system in the 20th century is a more contemporary example. The development of a concentrated urban infrastructure always leads to increases in land values and, most typically, this great wealth has accrued to the private speculator or developer.

Proposition No. Two is that in the next decade or so great value will be created by the public development of both cable TV and New Towns. These are the two areas in which the emerging "social-industrial complex" representing business, government, technological interests and the knowledge producers such as universities and media interests will parlay government seed money into great wealth and potentially great fortunes. This is a favorite theme of Simon Ramo, the chairman of the executive committee of TRW, Inc., the California aerospace firm.

As one investment-oriented writer has written:

At no other time has there generally been an industry with virtually a guaranteed astronomical growth, high profits and little risk.

The figure often quoted is that by 1980 revenues from the operation of cable systems will rise to over \$3 billion from less than \$300 million today.

Proposition No. Three is that it is difficult to determine how much of this sales revenue will be more than an appropriate return to capital investment. There are high start-up costs involved in cable TV. This is no Mom and Pop shop operation. If however we assume that the public will respond to the diversified services offered by Cable TV, the riskness of the capital investment declines or disappears, thereby justifying a lower rate of return. It is also true that once a threshold of subscriber saturation is reached in a given area, all additional subscribers represent "pure" profit.

A Tentative Look At

Proposition No. Four is that incomes to cable operators from several sources are available. Not only is it likely that the average TV watcher will be willing to pay for improved reception especially for color programs, he is also likely to respond to specialized programming. The analogy is often made between diversified programming potentially available over multi-channel cable and the response in the last decade to specialized magazines (such as *American Sportsman*, *Ski*, *Playboy*, etc.) and specialized radio broadcasting. Paying the equivalent of a monthly telephone bill for access to this diversified potential will probably bring 50 to 80 percent area saturation.

The other potentially large source of revenues comes from the improved access to TV advertising of many small businesses. Although the large networks may, in the advent of cable, find it difficult to continue to charge \$80,000 a minute to national advertisers, many small and local companies will be able to purchase advertising on cable for as little as \$5.00 a minute (the amount paid by Montgomery Wards on a 7000 subscriber network in Illinois). One can suggest that a Mexican restaurant could beam advertising to Spanish speaking subscribers while travel agencies plug a charter flight to Poland to subscribers on Milwaukee's south side.

Other sources of revenue can also be suggested but the point is that there seems to be little doubt that cable will be used, subscribed to, and paid for, from several different sources.¹

Proposition No. Five however is that it is difficult to specify precisely the demand and supply schedules represented by a Cable TV system. Therefore it is difficult to ascertain exactly who will benefit and who may suffer losses from the development of a cable TV system over the next two decades. Each of the following represent possible recipients of benefits or costs.

1. Owners of the cable system.
2. Technical operators and servicers of the cable system.
3. Manufacturers of cable hardware and software equipment.
4. New and existing program producers including members of the education establishment.
5. Existing and new advertisers.
6. Existing broadcasters at both the network and local station level.
7. Producers of local public services including police, education, etc.
8. The consumer or subscriber to cable.

Each of these identify a possible set of beneficiaries or incursers of cost. Premature investors are a particular problem. Because of the early costs which they have incurred, they might resist converting their system into a higher service system. Also because it is likely that an expanded cable system will suffer bottlenecks in the supply of personnel, capital and management, high incomes are likely to be captured by those with early expertise in this area.

¹ Other services commonly cited include: meter readings, alarm services, education (Think of the implications for "open enrollment"!), merchandising, printouts, business communications.