

# CABLE RAP

The following is a discussion on cable, representative of a number of points of view, which took place in the offices of Source Associates, N.Y.C., on Sept. 24. The participants were Jeff Casdin and Art Anderson of Source, a private investment and consulting firm specializing in the problems of interfacing people with technology, Theodora Sklover, consultant on urban communications to the Bedford Stuyvesant Restoration, Corp., the Sloane Commission, the Center for Policy Research, Forum Communications, Fordham University's Center for Communications, etc., Barry Steigers, Director of Program Origination for Columbia Cable Systems, a publicly owned company based in Westport, Conn., with systems in Florida, Texas, Washington, Oregon, Arizona, California, Colorado and New Jersey, Beryl Korot and Phyllis Gershuny, the editors of *Radical Software* and Steve Katz, who had been visiting Source Associates prior to the start of the meeting.

JEFF: Thea, maybe we should start by your outlining for us your involvement with cable.

THEA: Well, I've primarily been into developing different uses of media that have to do with urban needs for a variety of projects—some are in the cable area, some are in broadcasting. I've been working with the Bedford-Stuyvesant Restoration Corp., trying to help them to develop an application for cable franchise as well as ways of developing programming concepts in terms of community input . . . John Hay Whitney has made a donation to Restoration to help them get this franchise, and they in turn have hired an attorney and myself as a communications consultant. Prior to this I had worked in the Two Bridges community trying to help them organize around the concept of cable, trying to see if we could work something out with the existent system. There is already a company in Manhattan that is franchised in the area of the Two Bridges community, Manhattan Cable-Sterling. We tried to work something out whereby there could still be some sort of a community set-up, set-up within Two-Bridges which the community could get access to and control over.

JEFF: How many channels are available now in that area?

THEA: I think they only have what is presently available which is twelve, and only two others, 6 and 8. The New York City contracts that were signed stipulates that by July, 71, seventeen channels will be made available. Actually, my plan was a little premature and a lot of the concepts that we developed there I think have now fed into the contracts and could now be picked up by individual communities. One of the things that's stipulated in the city contract is that the two franchise operators, Manhattan Cable in the lower half of Manhattan, Teleprompter in the upper half, will have to within the next three years sub-divide their systems into ten sub-districts giving access to each one of those sub-communities, setting up some sort of origination facilities in each one. So the concept I was developing in Two Bridges is now inherently a part of the contract. However how that is going to be implemented is another question. Who's going to pay for the origination facilities? What kind of training will be made available? Will the sub-districts really have programming of their own? . . . Let me give some further background to the New York situation. There were hearings held on July 23. They were to determine whether the two companies I mentioned before, Teleprompter and Sterling, would indeed be awarded these two franchises and given the exclusive rights to operate cable in Manhattan. I think they were originally given three year franchises, which were extended, but this was to see whether new contracts would be awarded. These were 20 year contracts which was one of the very big issues.

JEFF: Do you know how much money Teleprompter had invested in New York up until that time?

THEA: No.

JEFF: Well, I don't have the exact figures, but I know it was millions of dollars. That's a lot of money to be sunk into Manhattan on the risk that they were not insured the franchise renewal. They must have felt fairly guaranteed they'd get it.

THEA: Yes, the argument that was given on behalf of the franchises being granted for 20 years is the fact that they have already expended this enormous amount of money, and who would really come along and buy them out? Also the rationale that they had acted in good faith.

JEFF: It's interesting that Howard Hughes owns half of Teleprompter—that's as much money as everyone has all together.

BARRY: There's no question that it's going to take a great deal of money not only to construct and operate the cable stations, and operate them properly, but to provide a service that must be provided. . . We all know that no matter what business you're in, if you don't provide the service you lose the faith, and once you do that then the whole premise for being in business becomes questionable, and this more so than any business I've ever seen. In broadcasting, sure you can get hurt, but there's a direct relationship here of providing a 24 hour continuous service that demands a great deal of expertise and money—particularly, money. It's not money that you can hope to get by having tremendous sales. You build this plant and you maintain it from day number one, regardless of how many people are connected with it. You definitely must have capital first, then the sales later to pay back that capital or that investment goes down the drain, which is a little different from some other businesses.

JEFF: But there is enough history in the cable industry to tell one that the risk of sales not following investment are low.

BARRY: Except in the major markets. . . , and even the medium markets are not the same as the small hometown markets and it's all based on formulas we, the industry, have been able to formulate over the years—a particular market gets no television, cable television brings it, the demand is great, everybody wants television. They want adequate service, at least, and this is why cable television was born.

ARTIE: How would you describe the service as you are delivering it today?

BARRY: Basically a reception service. It's becoming a program service—the new rules are going to turn the industry into a programming service, but it is basically a reception service, has been and will probably have to continue to be.

THEA: This really brings up a very important question which I guess is the thing that really splits the cable operators as well. The FCC ruling saying that all cable operators must start originating programming if they have over 3500 subscribers, (what was it, moved up now to April 1), is now a whole different ballgame. And then you get the theoretical question—should the industry evolve in such a way so that the cable operators become the leasers of channels and operate the hardware, allowing other people to assume the programming responsibility of utilizing the channels, and, thus, giving up control and liability for what is carried?

BARRY: I think the commission has this in mind. I think they feel that the cable tv operator is going to become the community channel. In your major markets you may get 3 or 4 or who knows how many community channels. The cable operator himself who up to now has been running a reception service is faced with the dilemma of now getting into the programming business. That's why I suppose I have my job. I was a programming person and now I'm a cable person with programming background. My job with the companies I've been with is to program the systems. The amount of money, the amount of talent, the amount of knowledge that it takes to program one of these things is extensive. It runs in all directions. Take a small, medium market. Start with a complete local concept. Everybody doesn't do this. We think this way. And I think eventually it evolves to this. Start with local news, some in-depth news, and weather and sports and things that we know are acceptable to the viewers in the community—things that they want to know.

PHYLLIS: How do you go about finding out what they want to know?

BARRY: I personally run a marketing survey. I happen to go to a segment of the community and point blank I ask them, and I ask them in 15 different ways which is the same thing I would do if I were marketing anything else. Because I know I can ask somebody and not get an answer, and I can ask them a point blank question and they'll tell me what they think they want me to hear.

JEFF: You have the national broadcast format to kind of clue you in to what they want to see. . .

BARRY: Well, that's true to a point, if that can then be brought down to the local level. I'll give you an example. Weather in Texas is so vital to everybody's daily life that they'll go out and watch the river run like I would go to the state fair. Now that sounds ridiculous but they want to know when the storms are coming. There are homeowners who know that when they get their two inches a year, it could all come at once and absolutely wash their land clean, and also down there storms are terribly, terribly destructive. Loving, Texas, as you know, was completely wiped off the map with a storm that all of a sudden came over the hill, so that weather plays a major role. All right, this is a role that cable in that particular part of the country can play. It's a dominant role and it must be. The obvious thing is to offer the facilities and to go to the weather bureau to get some kind of warning service. Granted, in Levittown, Pa. weather is no big deal, but there are things there that do interest the programming person and it's up to the programmer to find out.

JEFF: Can you describe the kind of programming you're doing now which we've talked about before. Granted it isn't revolutionary, but it is informative.

BARRY: There are three communities I've been actively involved with on a day to day operational basis. The first programming concept which we've tried to come up with is to provide, if only a half hour a day—I know that sounds ridiculous since on radio we did 18 hours a day, 7 days a week. Cablecasting, you can't really do that.

JEFF: Can you say why?

BARRY: We're not really equipped to do it. First off the equipment is not reliable enough to allow you to provide it. Somebody has to bear the cost of doing it. The cable operator can't really do that even if we have the permission, which the Federal Commission says we do, to go out and get commercial revenue to help support this kind of programming. It costs money to go out and do that. Up to this point we've been a reception service, a Monday through Friday over the counter business, with men who work 24 hours a day if need be if equipment breaks, or to keep it maintained, but not to take cameras and tape recorders and go out and do simple programming. The nature of the beast at this point is a limited service.

JEFF: Which is not to say that it might not work. It's just to say that that's the status quo.

BARRY: That's correct.

THEA: A rationale to everything. . .

BARRY: Well, to some extent, but if the cable station is bringing in 9 or 10 or 11 channels, that's an awful lot of programming you would either be duplicating or competing with which I'm not sure makes a lot of sense. Why have the same type of programming or the same national delivery type of programming that the other 11 stations have. If it isn't local why do it?

THEA: That's the point. In other words, you've been talking about importation, which means that you'd be bringing in more of the national type of programming. But why not do real local programming? It makes no sense to put on canned things, but it makes a tremendous lot of sense to really do a community program.

JEFF: How do you change the fact that the cable systems, by and large, are profitable? Once you put up your equity, borrow money—and a lot of times the equipment supplier will lend you the money—you build up subscribers fairly rapidly, you break even after 2-3 years, the cash starts to come in, you pay off your debt, you pay for the investment, and at the end of that period of time, 50%, roughly, of what you take in revenue goes to profit before taxes, and really the business becomes one of bill collecting. You don't promote any more subscribers, you just have a bookkeeper who writes out the bills once a month and makes sure they get paid, a maintenance crew that sees that everything operates properly. What is the motivation to spend any more money to do anything? The guy is happy. He's making 5 times as much money as he ever intended to make. He was like the average guy, not a large system type, a middle class guy who didn't have a hell of a lot of money, maybe ran the radio-TV repair store or was a local businessman or an accountant, maybe he had some political connections, got the franchise, got some money from the bank. He just has no motivation to do any more.

BARRY: I think in all fairness to what you're saying, let's back it up a little. That could have been true at some point. I don't think the business today is revolved around that fantastic money machine theory. Maybe it appears that way.

JEFF: Our influence and your influence, that is bigger money, bigger companies, the impact of capitalism on this thing, the impetus to make even more money. . .

BARRY: Well, anyone who is in business is in business to make money. How much money, I guess is how good a management you are with the investment you put in.

JEFF: If you're a public stockholder you want to make more and more. If you're a local one man owner you could be happy at some point.

BARRY: It's all well and good to yell and scream about profits but let's get back to the programming considerations and what the cable industry must do at the local level, and the programming from the cable operator's point of view must do one of two things. One, it must serve the viewer or he won't look at it, and the cancellations of what I considered in some cases to be great shows have gone down the drain because viewer responses through some measurement has not worked. The other 11 channels on there are what the majority of the people in the town are looking at. Now if the cable operator, with a programming staff and camera crew goes to a local programming concept of doing nothing but local programming you have to go into the community to find out what that local programming can be. Well, it's limited to the political type of area, a news-in-depth type of area, an educational area, your sports area, or an entertainment area. Out of those five areas every town has certain amounts of these things. How do you take these from the town and turn them into meaningful programming so that the viewer will watch this, and will watch it compared to the Beverly Hillbillies, Bonanza or NFL? You're up against a big thing here.

The second question is do you program to get the masses away from NFL or do you aim directly at the 10 or 12 people that really care about it?

JEFF: Well, let's say you have something on the sewer construction of Ridge Road, but there are going to be fifteen Ridge Roads so that you've touched quite a few people.

BARRY: Well, that's true, but, when you talk about the neighborhood programming concept, forgetting about the money, it takes people and time to put together meaningful programming in addition to running a normal business. We in cable television do this in addition to running a normal business. In some cases, it is very easy to do this. We can go to the Junior Chamber of Commerce, who are very active people. They're young, aggressive, they have divisions which make it their business to know what's going on in politics, new ballfields, what have you. And we must give both sides hearings, whether it's the JC's on one side or the League of Women Voters on the opposite side. This is one way to do it. We do involve these people.

THEA: There are a few points I'd like to make. Everything you are saying is traditionally the way most people have thought of television. You're talking about the "we", meaning "we" the cable owners, "we" the people who make the programs, rather than letting the people themselves state it from their point of view without the editorial "we". Now according to your line of thinking, I think you're right—if you're going to use this as your means or your staff. It's very difficult. You need a great deal of money. If you look at any local broadcaster, and you can see his revenue, and what he puts into programming, it's quite high. However, when you start thinking of the concept of cable, and opening up, and really providing accessibility, I think you can start thinking not so much in terms of "we" are doing the programming, but that we are going to, by lending some of our expertise to other people within the community—the technological expertise that they could utilize—allow them to make the decisions of how or what the information to be presented is.

BARRY: Let's bring it down to my day to day reality. Effective in the next few months the commission says we're in the business. And that becomes a now business program. We now must do this. We must create it. We must do something. I'm saying "we" again but I'm saying the cable operator has the responsibility to get it done. It isn't that easy. My finances show there is no way.

ARTIE: Let's say there is no financial return, can you satisfy the FCC local origination requirement by saying we're going to dedicate to the community a channel? We're going to have someone here who knows the equipment, who can get you technical advise, but here, it's yours, and let's use it.

BARRY: Yes, I think it's going to come to that, and yes, I agree that way. In fact, we are actively looking at the channel for education, give it to the schools, we'll give you the transportation of the system. You do everything.

JEFF: Giving it to the schools is different from giving it to the community.

BARRY: That's a very good point.

THEA: Getting back to a point Jeff was making before, you can supply information that would be available to other communities, since similar kinds of needs exist in many communities. One of the ways to look at the new system, the new use of this technology, is that it really can become an exchange of information between communities. What you can help people in one community do is provide the information in such a way, that that pieces of programming, if you want to call it programming, could then be utilized somewhere else.

BARRY: There's a New York firm experimenting with this. They're taking 10-20 communities, tackling a problem, whether it be fluoridation of the water or air pollution, they go to these communities that are in local origination and ask them to go out to their people and get back answers to certain questions. . . All the information is then funnelled here to New York, to a common source, put into a common programmer, and sent back out.

PHYLLIS: That's almost unfair. People don't know what they're being asked.

JEFF: Remember, Radical Software is putting a 100% hypothetical grid on top of reality. Right now as things exist, someone is going to hold the camera. Someone is going to keep the tapes in some central places.

THEA: I think what Phyllis means is that you're making arbitrary decisions of what the problems are, as opposed to saying to people this is your commun-

ity, etc. what are your problems, what are the issues that you consider to be important? I understand that the cable operator has the problem of worrying about whether a program will be usable in many markets, but there really is another way of going about this.

BARRY: What if profitability weren't even a question? I've known many broadcasters in small communities that have had a terrific stake in the community, not the broadcast property, or the cable TV property, but had a real burning desire to promote the community, to get business in the community, to make it a better place to live, to fight air pollution. I know many guys like this all throughout the United States. I've also known in these communities the League of Women Voters, who spend a great deal of time working on issues, and to counteract them you've got JC's who work very hard to do the same thing and when you've got a really hot issue you have groups banding together getting mad, holding meetings, and they're worth listening to.

THEA: But even in your choice of those people you have already made a statement of what is representative of community. There are a tremendous number of community groups that I think should be heard and listened to, and I don't just mean the Panthers and the Young Lords, either, though of course them, too, but young people, old people, people who you don't necessarily categorize,—where are they at, how do they feel about decisions that are being made, where is their input?

JEFF: I think to some extent that as technology develops and broadband opens up, some of these problems will resolve themselves. There are 54 channel systems that are now going in, 24 two-way and 6 left open. There's one going into Riverside, one to Worcester, Mass., my hometown, and there's no conceivable way that that guy can fill up half of those channels with anything. . . Within five years, with the microwave link-ups and satellite link-ups, there's a lot of hardware accessible that has no software to go into it. A lot of cable stations are going to say, "take it, here's a \$1500 portapak that you can rent for \$10 a day, come over, stand on line, and we'll put this over 10 channels." The conflict will no longer be profitability. The conflict will be who's going to control the information, and the power of the information is now going to be something to resist. The practical problems of today, which are high cost of equipment and scarcity of equipment, and problems of profitability to the local cable operator, and the physical, technical expertise of doing programming are going to disappear as technology advances.

THEA: One of the reasons that broadcast TV has taken the form it has is that it has a limited spectrum. It can only carry so many channels through the air. The beautiful thing about cable is that it is unlimited potential. You're talking about a system which can have 54 channels. Potentially it could even be more. But then there's the reality that there are those places where more channels are not going in, or where they're limited, New York City being one.

BARRY: Please remember that five years ago there were only five signals.

JEFF: Thea, space out 5 years.

THEA: Even, indeed, if there are 54 channels there are a lot of other things. A cable operator isn't installing that without some thoughts of profit making relations to those other channels, and we know that there are potentially many other uses—computer hook-up, facsimile, reproductions, etc. Theoretically, idealistically, I agree with you. It should mean this is now open. Anybody, everybody, come, say it, do it, it's yours. However, how will this be implemented? Will it be utilized for more computer usage, cassettes, or is it going to be utilized so that the average person, maybe with some qualification, maybe you have to come in and be representative of some group, have that kind of pure access to utilize that channel to put on there what he believes is his point of view, valid, produced, put together. Who's going to let that happen?

ARTIE: The FCC I think will. They've been quite explicit in that they want one or more channels dedicated to the public.

THEA: OK. This is the nitty gritty, not the technological aspects, but the legal implications of it. Let's take New York. The New York City contract stipulates, and I believe it is the only contract at this point in the country that has any stipulation of this sort, that it have two channels made available for public use, public channels, not common carriers which is really what we're talking about, but public channels, meaning the cable operator still has control of, and liability for, what goes over those channels. Therefore, if you are worried about obscenity, profanity, if you are worried about bringing in issues—Black Panthers, Jewish Defense League—the cable operator still is the guy who has to make this decision. He is legally responsible. This is the crux of the issue. How do you construct channels that actually allow people to come and utilize it for free flow of information if you have this problem of liability?

BARRY: The commission does go into this area. I think they are going to say that common carrier will become a part of the system. Maybe not in Bellow Falls, Vt., but I think the commission is trying to answer the questions you're raising here today. There is the problem of getting the voice of all concerned on the air. They've tried it with the Fairness Doctrine which is reasonably satisfied by bringing up the opposite points of view.

BERYL: But that goes back to forcing the public to think in polarized terms.

BARRY: Well, that's an issue I can't debate. I enjoy debating with the FCC. But if you bring it down to this individual level—this is what we're asking isn't it, this is what I feel when I've spoken in groups like this—that there must be an individual accessibility to this communications wire that goes to the group on the other end with a receptacle. Is that really what we're saying—that it has to be easy enough that an individual can get access?

THEA: The ultimate is that every individual can have access.

BARRY: Then you're very right. Then you get back to the other point—the minute you make an individual, a businessman, reliable for what the individual is going to say, there is the bottleneck, there is the problem that must be solved.

ARTIE: Is this really a problem? What if the FCC were to say that there are to be public channels and on a common carrier basis?

THEA: Then the liability falls to the individual and the individual can only be liable if he has final say in what is carried.