Some Potential Benefits and Costs of Cable TV

Proposition No. Six: raises the advisability of government ownership of a cable TV system or network.

A report prepared for the Dayton, Ohio area describes this issue in these words:

"Still another broad issue is the role of government in ownership of the system. To use two-way, high capacity systems effectively will require extensive experimentation with hardware (such as the home terminal) and with software (such as instructional programming to supplement formal education as well as to innovate in applications in such areas as health and welfare services). Thus the capital costs will exceed $21 million if the system is fully utilized. The difficulty of private entrepreneurship in raising capital on a long-term basis, 10 to 15 years, and high cost of capital for construction, suggest the potential desirability of joint ventures between the local governments and cable TV system operators. In these joint ventures, the local governments could provide funds through bond issues and the operators could provide technical and managerial expertise. This should result in a reduced cost of service to subscribers while providing equity ownership for the city comparable to that provided to other investors. This is one of many arrangements that deserves careful examination.

Other forms of ownership might be based upon the public utility model, or be vested in local or regional development authorities.

The issue of public ownership and/or regulation comes down to the question as to the best way to capture a portion of the "monopoly profits" represented by the development of a cable franchise. But as indicated in Proposition No. Five, there are other profits which will be accruing to other beneficiaries, especially producer and manufacturing interests. Public state policy should also seek to develop a public policy to help Wisconsin receive a portion of these benefits as well. This is the intent of Proposition No. Nine below.

Proposition No. Seven is that an attempt should be made to monitor the cash flow resulting from the expansion of cable within the community to some extent. It is difficult to establish however at this point in time which elements of the cash flow will really represent a "surplus." If, over time and with experimentation, it is possible to identify and capture some of the surplus from a cable system, then it becomes a question as to whether this surplus should be (1) used to expand service; (2) returned to the consumer in terms of lower service costs, or (3) used for other forms of public investment and improvement.

Proposition No. Eight returns to the conclusion that many of the economic benefits of an extended cable system are difficult to ascertain at this time. It is as if we, in the year 1902, attempted to predict the full array of costs and benefits associated with the development of the automobile and all attendant circumstances including freeways, parking lots, urban sprawl, adolescent behavior, etc. In 1972, with the full development of the automobile culture, we are only now drawing some appropriate conclusions. What then can we say about a cable TV culture in the year 2002 or 2042. The economic impact on business services, the very nature of the city itself, the effect on property values all are cost issues ultimately related to the expansion of cable TV. In fact the newer developments of "futures forecasting" would allow us to make some rough first estimates but these studies have yet to be done.

In my final Proposition No. Nine let me urge that a spirit of experimentation be the criterion for your explicit recommendations. Don't kill the Golden Goose before we see if in fact her eggs are golden. More explicitly do not sell away our future rights in this new public domain. Encourage a variety of ownership forms. Indeed establish at least a public ownership system. Perhaps the communities around the campuses of the universities would be a good place to institute a public ownership cable system for which experimentation could be developed.

Along with this should be an explicit policy to encourage manufacturers of both hardware and software items to locate their laboratory and manufacturing facilities in Wisconsin in return for some access to the experimental system. We might as well get some employment fallout from the expansion of cable while we are at it. Perhaps the engineering community on our universities and in Milwaukee should be given a five year grant to begin to develop cable laboratory facilities.

Likewise the University of Wisconsin/Milwaukee could be encouraged explicitly to develop a research and education competence in urban telecommunications as part of their "urban mission." Not only could UWM possibly develop a masters level degree program, but, in connection with Extension, a college without walls could be developed to which other communities could send their personnel for short courses in the development of all aspects of cable TV.

In sum what I am suggesting is that the development of urban telecommunications become an explicit part of the Wisconsin Idea—that unique association between government, the working community, business and engineering, and the university. As I suggested at the beginning great public wealth will be created from the advent of cable. It will be in the best traditions of Wisconsin if we show the way in which this great wealth can enhance the quality of life in our society.

Preliminary Prospectus Dated July 1, 1972

1,000,000 Shares

Common Stock

For Sale

Cable Funding Corp.

The shares of Common Stock are offered only to persons in the United States and, to the extent that the Arrangement Agreement has been executed, to persons in the United States in connection with the purchase of Common Stock in the public offering price of $15.00 per Share.

The shares of Common Stock are subject to certain restrictions on resale, as more fully described in the Preliminary Prospectus, of which this Preliminary Prospectus forms a part.

White, Weld & Co.

Incorporated

The date of this Prospectus is 1972.