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 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 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 criteria 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 service 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 UW 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.
for those not now served, some means of in-
development of cable for community purposes
influencing communities considering franchises,
must include some means of access to cable
We felt that any comprehensive scheme for
only one of a number of areas that needed
sources, and an ascertainment of need survey.
ties survey, a survey of existing program
with an exclusive focus on ways local origina-
chian Community Television Project, began
The study, which we've dubbed the Appala-
study the feasibility of using cable televi-
system. Under a grant from the Appalachian Regional
are currently involved in "community pro-
local program origination. Practically none
from systems with less than 100
There are well over one hundred cable systems

IMMEDIATELY
We are now busily preparing our final report
for the Appalachian Regional Commission. It is
we must begin exploring cable's community applications
now, if for no better reason than the fact that
the twigs is still green and pliable. As the
Sloman Commission has stated, choice is still
possible in regards to cable television. Cit-
izens may still take a hand in shaping cable
television's growth and institutions in a fash-
ion that will bend it to society's will and soci-
best intentions.

Above the immediate, there stands the long
range implications of our actions. We must
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best intentions.

There is, in short, still time...
time to be

uses the paper to shape a technology that,
in time, will shape us.

Our comprehensive scheme for
development of cable for community purposes
must include some means of access to cable
for those not now served, means of in-
fluencing communities considering franchises,
some way of instituting a "community access"
channel, and some means of bringing broad-
band cable services to rural Appalachia.

THE COMPANY
Cable Funding Corp. (the "Company") intends to be principally engaged in the business of making loans to cable companies to finance the construction and installation of new cable television systems and the improvement of existing cable television systems, and the realization of equity interests in cable service companies.
The Company was formed in connection with a survey of CATV systems in Appalachia, which was conducted by Cable Funding Corporation, a private investment company. It is expected that the survey will be used to determine the feasibility of using cable television systems for community development purposes.

The Company's initial objective is to identify potential cable systems in Appalachia that are suitable for the development of local community access programs. The Company plans to make loans to cable companies to finance the construction and installation of new cable television systems, and to acquire equity interests in cable service companies.

The Company also plans to develop cable television systems in other areas of the United States, including areas in the South, Midwest, and Southwest. The Company's long-term goal is to develop cable television systems in all 50 states.

The Company's management team is comprised of experienced cable television professionals who have extensive experience in the design, construction, and operation of cable television systems. The management team includes

Harrison E. Salisbury, Director: He is Associate Editor of the New York Times.
Walter Cronkite, Director: He is a radio and television views correspondent for Columbia Broadcasting System, Inc.
Harold D. Ewen, President and Chief Executive Officer and Director: He has been Divisional President of Cox Communications, Inc., since 1960. He has also served as President and Chief Executive Officer of Cox Communications, Inc., and as a director of Cox Communications, Inc.
Stephen M. Gordon, Vice President and Secretary: His principal occupation is associate at Halle, Stieglitz and Company Research Associates Division since 1970. From 1969 to 1970 he was engaged in the private practice of law in New York.

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