

Solid piece of work
 with one fallacy. I think
 you can't always argue from
 a best case to a general case
 especially on cards. Of course
 you can ~~show~~ find some
 things out - e.g. type, income
 of viewer - s.f. commercial TV
 would be more to be
 feared on a large scale?
 Would they block pay TV's access
 to programs? s.f. movies?
 Would there be competition for
 good movies wh. would
 force viewer rep. therefore
 pay TV viewer change

IN SUPPORT OF
SUBSCRIPTION TELEVISION

B+A

You don't make a
 sharp point on
 mankind's brightest
 hope

Tryg Sletteland
 Com. Media II
 April 26, 1965

Newton Minow once said:

"Pay television may be mankind's brightest hope for improved television or the most destructive force ever unleashed against mass-media entertainment." It will be this paper's purpose to discuss this statement in the light of what has been learned from Zenith and RKO Phonevision's three year test of subscription television in Hartford, Connecticut.

*Put source (1)
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RKO should
stand
alone*

In Equal Time Laurence Laurent said that "there has been no successful test of pay television." This paper is based on the premise that there has been a successful test in Hartford, and, in proving that, we will prove that subscription television is "mankind's brightest hope for improved television."

*You
don't
really
believe
this*

Before getting into the evidence which the Hartford test has provided, it would perhaps be best to take a general look at the state of subscription television and the role played by the Federal Communications Commission in regulating it.

The general theory behind all pay television ideas is that if the viewer paid for programs he sees on television, he would get better programs. These programs would fall into four categories: motion picture films (newer than are now being seen), Broadway plays, sport events, and cultural and educational programs.

The basic difference between commercial and subscription television is that subscription television is a new distributing system for box-office entertainment, whereas the existing system is a give-away advertising medium. Subscription television

can afford to bring these expensive box-office programs to minority groups, while advertising supported commercial television cannot. Subscription television is able to do this through the price mechanism, while commercial television must depend on the cost-per-thousand economics of advertising to determine its programming.

The Federal Communications Commission has the authority under the Communications Act of 1934, as amended, to authorize subscription television as a broadcast service. At this point a distinction should be made between the broadcast and wire methods of subscription television. Whereas the broadcast method, as evidenced in Hartford, is regulated by the FCC, the wire method, such as existed in California, is under the jurisdiction of state and municipal governments. Economically, the broadcast method is more sound, since the basic cost of cable per mile requires the wire method to reach 50% of this country's television homes to show a profit, as compared with the 10% penetration figure for the broadcast method.

In 1957 the FCC announced that it would permit three limited tests of broadcast subscription television, but was forced to withdraw this statement after a storm of protest (stirred up by influential broadcasters) broke in Congress. In 1959 they re-authorized one test which was to take place in Hartford.

On March 10, 1965 Zenith and RKO Phonevision filed for nation-wide authorization of subscription television. It is their belief, and mine, that after more than twelve years of

FCC proceedings, field tests and trials of subscription television, the time has come to give subscription television the opportunity to go into the market place on a nation-wide basis.

The Hartford test, which began in 1962 and is to end this year, was the first large-scale test of subscription television to take place in this country, and is the only one, wired or broadcast, which is going on at the present moment. Subscription programs are telecast over WHCT-TV which operates as a standard outlet during the day. The installation cost is \$10 and the rent on the decoder which unscrambles the picture and sound is \$.75 per week. The decoder records the cost of the program viewed, and the subscriber pays his bill at the end of the month.

The balance of this paper will consider the solutions and answers which the Hartford test has provided for the problems and criticisms of subscription television. The test has reached the point where meaningful data are available for analysis, and answers are available for criticisms.

A major criticism of subscription television is that its programs will not differ from those presented on commercial television. The Hartford test has proven that subscription television can provide a beneficial supplement to the program choices now available to the public on commercial television. Motion picture films comprised 55% of the programs seen in Hartford. The great majority of the movies were between 6 months and a year old, and a substantial number of them were shown at the same time as they were running in neighborhood theaters. Sport events made up 4.5% of the programs,

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The Hartford test was a very successful one. It proved that subscription television can provide a beneficial supplement to the program choices now available to the public on commercial television.

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What's to say that extension of the Hartford test will produce the same results?

and included Heavyweight Championship Boxing, college football games which NCAA rules would not permit to be shown on commercial television, and professional basketball, football, and hockey. Special entertainment programs made up 5.5% of the programming, and included Broadway, British, and off-Broadway plays, concerts, opera, ballet, and night-club and caberet shows. Educational and instructional features made up the balance of the programming-3.2%. Not one of the 699 features offered during the first two years of the Hartford test was seen on commercial television.

② Another criticism of pay television is that its program charges will be exorbitant. In Hartford, feature films cost the viewer between \$.50 and \$1.50, sport events between \$1 and \$3, concerts between \$1 and \$1.50, and drama between \$.50 and \$2. The over-all charge per hour of subscription television in Hartford was \$.59.

It is the box-office program, which the public would otherwise pay to see, which will induce the public to pay a subscription fee, sometimes at a substantially reduced price.

③ To the criticism that subscription television will be little more than a plaything for the very wealthy, Hartford answers that subscription television patronage is not limited to high income subscribers, but primarily attracts middle-income subscribers.

Those who spent the most each week on subscription television were between four and seven thousand dollars a year. Subscription television, then, appeals to families at all economic levels except those who are by governmental definition poverty-stricken.

④ Some people believe that subscription television will hurt the industry as a whole. The Hartford test has shown that subscription

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 7. 9. 1955
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television would result in an increase in economic and program resources which would facilitate significant increases in the number of television services available to the public under the present system. In 1963, which is the most recent data available, 17% of the VHF and 42% of the UHF stations reported losses. A primary cause of these losses was a lack of newer and more interesting programming, something that subscription television can provide through showing box-office entertainment for the first time on television. If subscription television reached a 10% penetration of television homes, which is a conservative estimate, it would be an economically viable business in the top hundred television markets in this country, and as such would provide a much needed shot in the arm for the television industry.

Need to plan this further

You can only claim this offer as a qualification of costs

5) And in providing this economic booster, subscription television would not impair the capacity of the present system to provide advertising-financed programming. The criticism that subscription television would destroy so-called "free" television (which, incidentally, costs the average consumer \$186 a year) is answered by the facts that audience siphoning would be minimal, and no significant amount of time now used by advertising sponsors would be pre-empted. Audience siphoning would be minimal for two reasons, the limited number of available box-office programs, and the budget limitations on the amount of time and money that the public would spend on a recreational spectator activity such as subscription television. The average subscriber in Hartford watched one out of nearly six programs available per week. The average viewing time was two hours per week, as against 38 on commercial television. A 10% penetration of television homes would result in a maximum siphoning

show this to the public

of 1/2 of 1% of the audience now watching commercial television. Subscription television would not pre-empt any significant amount of time now utilized by advertising sponsors on commercial television for the same two reasons that audience siphoning would be minimal. In Hartford the average number of program hours per week was 30, as against 570 for commercial television.

not that happens then many pay TV stations

Another argument advanced against subscription television is that people will end up paying for programs which were once free. The type of box-office programming shown during the Hartford trial shows that subscription television will not siphon talent and existing programs from conventional television. Of the 599 programs shown in Hartford, none were available on free television. The current motion picture films shown were not available anywhere in the United States, Heavyweight Boxing Championship fights have not been viewed on commercial television in ten years, the college football games shown are subject to the restrictive ruling of the NCAA in respect to commercial television, current Broadway plays are seldom seen on free television, and two-hour concerts are not available because of the cost-per-thousand economics of advertising supported television. On top of all this, the public is selective even when the program fare is limited to box-office entertainment. Instead of destroying free television and siphoning off its programs, subscription television would provide a new source of revenue which would supplement the advertising revenue now received by the broadcasting industry, and would provide a wider choice of programming by providing box-office entertainment for television viewing.

In conclusion, it should be realized that the knowledge gained during the Hartford trial serves to refute many of the wild speculations advanced by uninformed and biased opponents of subscription television; that it is technically impossible, that the public will have no interest in it, that program charges will be exorbitant, that subscription programming will not differ from conventional programming, that it will siphon away present programs which are now free, that it will destroy free television, and that it will be, at best, little more than a plaything for the very wealthy.

You could argue this from Hartford the 60s

Thus, the only remaining problems involving subscription television are primarily business and marketing problems, as contrasted to regulatory public interest problems. In the last analysis, the public should simply be allowed to evaluate subscription television for itself in the market place.

FOOTNOTES

1. Equal Time, Minow and Laurent, p. 227
2. Joint Comments of Zenith Radio Corporation and Teco, Inc. in Support of Petition for Nation-Wide Authorization of Subscription Television (Before the FCC) March 10, 1965

All other facts and figures used in this paper have been taken from this petition.

3. See page 5

GENERAL BACKGROUND

1. General theory- if the viewer paid for programs he sees on tv, he would get better programs.
2. 4 kinds of material that would form programming-
 motion picture films (newer than are now seen)
~~Broadway plays~~ *special entertainment programs*
 sports events
~~cultural~~ and educational programs
3. ^{advertiser} can afford to bring expensive programs to minority groups-
 ad supported commercial tv can't
 does this ~~through~~ the price mechanism
4. basic difference- is a new distributing system for box office
 entertainment, whereas existing system is give-away ad medium
- *5. conditions for success
 national dissatisfaction with existing tv
 must be in position to deliver superior programming

NO NEWS

THE ROLE OF THE FCC

1. FCC has authority under Comm. Act of 1934, as amended, to authorize
 subscription tv as a broadcast service-
 distinction between wire and broadcast-
 wire regulated by state and municipal govts. (California)
 economic- wire can't work- Weaver would have failed anyway-
 wire basic cost- no. of subscribers doesn't matter-
 + RENT FOR PHONES - DIFF. IN N.Y.
 50% of homes to break even-(20,000 for Hartford)
top 100 markets
2. 1953- FCC would permit tests-
 storm of protest from Congress- FCC withdrew
 1959- re-authorized tests with further restrictions- 1 test
3. 1965- Zenith and RKO Phonevision filed for nation- wide authorization
 In 3rd year- has reached stage where meaningful data are
 available for analysis

(12)

4. After more than 15 years of FCC proceedings, field tests and trials of sub. tv, the time has come to give sub. tv the oppor. to go into the market place on a nation-wide basis. (cut Cal. referendum)

REASONS- WHAT HAS BEEN PROVEN IN HARTFORD

1. Hartford is the most successful test to date-first large-scale test only 1 going on in the U.S. right now - 5,000 subscribers
Toronto only other in the world- wire unsuccessful- extension
moving to Montreal - DECREASE IN SUBSCRIBERS

2. Details- telecast over WHCT-TV in Hartford-operates as standard outlet during the day
cost- \$10 installation- \$.75 rent on decoder
technical basis- scrambles both sound and picture
decoder records cost of programs viewed- return tape and payment at the end of the month

3. Complaints-(and Hartford's answer)

a. Programs will not differ-

Will provide a beneficial supplement to the program choices now available to the public on commercial tv-

1) Motion picture films - 86% of programming-despite theater owner's opposition, has been able to obtain first-run movies show after big city release- same as ones running in neighbor ex.- Days of Wine and Roses, Gipsy, Irma La Douce, Music Man, Bye Bye Bidie, The Prize (Ernst Flicks)

2) Sports Events-Championship Boxing-6 heavyweight champ. fights (Patterson, Liston, Johansson)
4.5% College sports-NCAA opposition on free tv
Pro basketball, hockey, and football

3) Special entertainment programs- 5.5%-concerts, opera and ballet (Kinston, Baez, Lime.)
Drama-Broadway, British and off-Broadway plays) Variety
Night-club and caberet

4) Educational and instructional

b. Program charges will be exorbitant- ANSWER

5) Program charges-feature films-.50-1.50

sports-1-3

(HIGH-LOW)

concerts-1-1.50

drama-.50-2

over-all charge per hour- .59

It is the box-office program, which the public would otherwise have to ~~pay~~ see, which will induce the public to pay a subscription fee.

conventional tv program has 1 source of economic support- the ad sponsor- controlled by cost-per-1000 econ. of ad. box-office programs have several supporters-

b. Will be little more than a ^{play} ~~pay~~thing for the wealthy ANSWER

Subscription tv patronage is not limited to high-income subscribers, but primarily attracts middle-income subscribers-

(chart on board)

Subscription tv appeals to families at all economic levels

except the 20% that are by govt. definition poverty-stricken

Subscription tv would result in an increase in economic and program resources which would facilitate significant increases in the no. of tv services available to the public under present system.

1963- most recent data available-

17% VHF and 42% UHF stations reported losses

Business projections (in Report) prove that

conservative estimate- 10% penetration of tv homes-

would make pay tv economically viable in top 100 tv markets-

Top 10- N.Y., L.A., Chicago, Phil., Boston, Detroit, S.F., Cleve., Pitts., Wash

Will see pay tv-

4
e. Would destroy free tv ANSWER

Subscription tv would not impair the capacity of the present system to continue to provide ad-financed programming-

1) Audience-siphoning would be minimal-2 reasons

a) limited no. of available box-office programs

b) budget limitations on the amount of time and money the public would spend on a recreational spectator activity such as sub

average subscriber watched 1 out of 5.7 programs available per week
average viewing time 2, as against 38, a week on free tv
\$1.20 ave expenditure per week

10% penetration would result in max. siphoning of 1/2 of 1% of audience
actually, sub. tv would bring back viewers that don't watch free

Average per-program-showing audience was 5.5% of subscribers

2) Subscription tv wouldn't pre-empt any significant amt. of time now utilized by ad sponsors-

average no. of program hours per week- 30, as against 570.

typical average due to a) and b) above.

Will siphon away programs that are now free ANSWER

The type of box-office programming shown during Hartford trial shows that subscription tv will not siphon talent and existing programs from conventional tv

99 programs shown in Hartford, none were available on free tv
Recent motion pictures weren't available anywhere in U.S.

Heavyweight champ. boxing hasn't been available for 10 years

College football- restrictive policies of NCAA

Current Broadway plays are seldom seen on free tv

2-hour concerts aren't available because of cost-per-1000 econ.

Public is selective even where the program fare is limited to box-o

Subscription tv will provide a new source of revenue which will supplement

ad.
the revenue now received by broadcast industry.

5

g. pay tv is technically impossible, and would not be a financial success because people aren't interested ANSWER

Subscription tv will receive sufficient patronage from the public to make it an economically viable business

self-imposed test limitation of 5,000 subscribers-

10% penetration is a conservative estimate-is econ. sound

if that is reached in top 100 markets

ratings(on board) show interest

Were 7,000 subscr in LA. - orders for 13,000 more

reflects a total of close to 5 million separate home exposures of almost 2,000 separate program showings

SUMMARY

Knowledge gained during Hartford trial serves to refute many of the wild speculations advanced by uninformed and biased opponents of subscription television-

- ✓ that it is technically impossible,
- that the public will have no interest in it,
- that program charges will be exorbitant,
- that the sub. programming will not differ from conventional program.,
- that it will siphon away present programs which are now free,
- that it will destroy free tv,
- and that it will be, at best, little more than a plaything for the very wealthy.

The only remaining problems involving sub. tv are primarily fairness and marketing problems, as contrasted to regulatory and public interest problems. In the last analysis, the public should simply be allowed to evaluate subscription tv itself in the market place.