Can cable make it in New York?

Wired-city dream gets sternest test as high rollers bet heavy stakes in pursuit of long-range profits

Just over three years after the first CATV franchises were granted in New York City, what is potentially one of of the most dramatic—and perhaps prophetic—stories of the cable industry is taking shape.

The opening chapters have seen myriad problems confronted, both expected and unanticipated. Most of them have been solved, but equally perplexing conflicts and conundrums still remain And it is clear that as the story unfolds, New York's intricate tangle of CATV development could stand as an archetype of the industry's big-city evolution.

For each New York CATV issue that is reflective of universal industry problems—financing, red tape, governmental fights over regulation and origination —there have been even more difficulties that could happen only in the nation's largest and most complex city.

So far, Manhattan's CATV operators have coped with technical problems unlike those anywhere else in the country and have had unusual sales problems, such as the landlord who offered to pay monthly fees not to have CATV installed in his building.

Among many other peculiar situations, one of the city's two franchised operators, Teleprompter, currently is in league with a potential enemy, the unfranchised Comtel, in a legal fight to halt Teleprompter's franchise competitor, Manhattan Cable Television, from engaging in a limited telephone-company leaseback operation—similar to one conducted by Comtel.

If that sounds complicated, it's only symptomatic of CATV life in New York. Sighs Teleprompter president Irving Kahn: "We really don't want to fight Manhattan Cable, but it's a matter of establishing policy—another one of those classic industry fights."

Classic industry fights abound in New York, and like so many CATV questions, many remain unresolved.

One case is the prolonged battle over cable origination in the city. After many delays and heated public hearings that drew opposing politicians, citizens' groups fearing pay television, and motion-picture associations and trade unions, the New York City Board of Estimates finally granted permission for restricted CATV origination (BROADCASTING, Dec. 23, 1968). But the board left undefined exactly what the limits are on CATV origination of movies.

The one question that hasn't been settled so far is whether the multimillion-dollar headaches encountered in New York are worth it. The major operators issue an emphatic "yes," even though they remain years away from showing a profit, or even the end of their continuing investments. Speaking even louder than their statements, however, are their actions: Both Manhattan Cable and Teleprompter are expanding into other parts of the metropolitan area, and they may have company.

Morris Tarshis, director of franchises for the city, estimates there are "at least 18 to 24" applications on file in his office for the remaining four boroughs of New York. He estimates, however, that there is room for only 10 to 12 additional franchises. Among the franchise applicants are group-broadcasters RKO General and Bartell Broadcasters.

In addition, franchise applications are pending or have been granted in some 30 surrounding communities of the New York metropolitan area.

How have the three New York cable franchise holders done so far? Significant subscription activity has been under way only since last summer, when major construction was completed on all three systems.

Charles Dolan, president of Manhattan Cable, estimates that by the end of 1969, his company will have wired 80% of its territory, which is the prime portion of New York City. It covers everything south of East 86th Street and West 79th Street, which includes many expensive residential sections and all of the major business and financial districts.

There are 375,000 potential customers in Manhattan Cable's franchise area and Mr. Dolan estimates that, when completed, the system should be able to pick up a total of 100,000 subscribers "on the basis of signal improvement."

Manhattan Cable presently claims 10,000 subscribers. In January, it added 1,000 customers and completed wiring for between four and five times that number. "We're going full-speed now," Mr. Dolan says. He estimates that the full 100,000-subscriber goal will be reached in four years at a total expenditure to Manhattan Cable of $17 million.

The company's start on major construction was delayed about one year, while it sought, and obtained, a $10-million bank loan—the largest loan ever made to a single CATV company. To obtain the loan, ownership of Manhattan Cable was consolidated. It is now 55% owned by its parent, Sterling

NCTA wins partial concession on deadline

The FCC last week extended to April 3 the deadline for comments on the sections of its CATV rules dealing with program origination and diversification. Comments on other aspects of the proposed rules will be due on May 2. The previous deadline was today (March 3).

The extension followed a request by the National Cable Television Association, in which NCTA argued that the complexity of the issues, and their relation to copyright and communications matters being considered by the Congress, necessitated more time.

However, the commission declined to grant NCTA's request for an across-the-board 60-day extension. It said that the matters of origination and diversification "are of immediate concern and appear to require prompt rulemaking decisions."

The new deadlines for reply comments are May 2 for the origination and diversification questions and July 2 for other issues, extended from April 3.