

ing from large capital demands and enabling management to develop the outstanding potential of Home Box Office Inc., which operates the nation's first cable-television subscription network."

Steven J. Ross, chairman of Warner Communications, said that "we fully realize that the Sterling New York systems have not been operating at a profit" but that "the long-term growth and increased profitability of the cable industry is closely related to the development of cable systems," in which "we believe that our company must be a leader."

The Sterling-Warner transaction is subject to negotiating a definitive agreement and then its approval by the WCI and Sterling boards, the Sterling shareholders and appropriate government agencies. Minority shareholders in Sterling, with a total of 30%, are said to include a number of individuals, among them former President Charles Dolan, and mutual funds.

Time officials emphasized they were not losing interest in cable but indicated they wanted to put primary emphasis on its programming rather than systems operation. Time Inc. President James R. Shepley said the company "will continue to be active in the area of video service. In addition to our interest in Home Box Office, which expects to announce more outlets soon in New York and New England, our affiliate, Computer Television Inc., recently made an agreement with Hilton hotels to install the CTI closed-circuit hotel pay-television system in 40,000 Hilton rooms." Time Inc. is also active, he noted, in video-cassette programming.

The Sterling announcement said the \$20 million that would be realized from the proposed deal would be used to redeem Sterling's \$3-million outstanding 6% convertible special debentures due in 1980 and retire its outstanding debt of almost \$14 million. Disposition of the remaining \$3 million has not been decided, according to a spokesman, although, he said, "at the moment we are not planning a cash distribution to stockholders."

Mr. Zorthian said a previously announced plan for Time Inc. to make a \$1.5-million direct equity investment in Home Box Office has been terminated. He also said that, contingent on the closing of the Warner transaction, Time Inc. would convert to equity its convertible Sterling notes. Home Box Office will be 100% owned by Sterling. With conversion of its Sterling notes to equity, Time Inc.'s holdings in Sterling would increase from 70% to "just under 80%," a spokesman reported.

HBO, whose formation was announced earlier this year, is a pay-cable programming service currently affiliated with nine CATV systems in Pennsylvania, four of which were added last week. Together the nine were said to have more than 100,000 subscribers. As of last week HBO had signed about 12,000 of these for its pay-TV service and officials said they expected the total to pass 13,000 within a few days. HBO offers sports programs

and feature movies primarily, plus occasional special events such as a 2½-hour country-and-western music show from Nashville that is scheduled Wednesday night (May 16).

The operating systems in which Time Inc. has interests are Rancho Bernardo Antenna System Inc. and Southwestern Cable Co., both San Diego; Valley Cable TV Co., East Pittsburgh, Pa.; Cable Television of Rochester, N.Y.; Wolverine Cablevision Inc., Battle Creek, Mich.; Marion (Ind.) Cable Television Inc.; Indiana Cable Television Inc., Terre Haute, and Philadelphia Community TV Co. Inc., which operates two systems.

Time-Life President Zorthian was asked what his own plans were if Time-Life's cable interest were reduced basically to programming and ownership of stock in one or more MSO's. He indicated he hadn't decided.

FCC declines to waive access-channel rule

It sticks by its condition tied to distant importations

A Pennsylvania cable operator's claim of inability to introduce public-access channels have cost it permission to add two distant UHF signals to eight of its CATV systems.

Cable TV Co. of York, Pa., had asked the FCC to waive a rule requiring systems in markets 51-100 wishing to add two distant independent signals to also provide access channels for public and educational use. The firm had applied for compliance certificates covering its proposed addition of independent WPHL-TV and WKBS-TV, both Philadelphia. It argued that its eight systems, which are located in the Harrisburg-Lancaster-Lebanon-York, Pa., market (ranked 57th) are all served by a single headend and the adjustments necessary to start public-access service were too expensive.

The commission, while acknowledging that Cable TV Co. would experience technical problems with some of its systems, found that a blanket waiver would not be justified. It noted that the firm already carries one distant independent—WBFF-TV Baltimore—which it is not required to provide and stated that if an additional signal from Philadelphia is desired, the systems will have to add at least one public-access channel.

Systems involved in the case serve Springettsburg township, Dallastown, Spring Garden township, West York borough, North York borough, West Manchester township, Manchester township and York township.

Simulcasts for blacks

Teleprompter Corp., New York, and block-oriented WL1B(AM) New York have jointly launched a weekly, one-hour community-affairs series to be broadcast by WL1B and carried on Teleprompter's public-access Channel D in New York at 5-6 p.m. The Sunday program will be

taped at Teleprompter's public-access studio in Harlem the preceding Thursday. WL1B will carry the aural portion. The program emphasizes community participation, with local and national figures invited to answer questions from people in the neighborhood. Officials said it was hoped that "street people" will have the opportunity to give their opinions on issues that affect them.

Theater group studies pressure sales tactics

NATO's Newman alludes to cable being used as club

The National Association of Theatre Owners currently is conducting "an extensive investigation" to find out if Warner Communications Inc.—which through Warner Cable Corp. is the nation's second largest cable TV operator—is engaging in anticompetitive practices in its relationships with certain motion-picture theater exhibitors. Martin H. Newman, chairman of the pay-TV committee of NATO, last month indicated to exhibitors attending a regional convention in Detroit that Columbia Pictures Industries as well as Warner Communications, in markets where pay-cable tests are being held, have told exhibitors "that if they do not take their pictures immediately they will be sold to cable." (Columbia Pictures has categorically denied the allegation.)

Focusing more on Warner Communications, Mr. Newman in his speech pointed out that exhibitors in Olean, N.Y.; Pottsville, Pa.; Clearfield, Pa. and Reston, Va.—places where pay-cable programs are being offered—"have a big problem right in their own back yard." The reason, according to Mr. Newman: Warner Communications, which he described as a major producer and distributor of feature films, is releasing current motion pictures to the cable systems in these localities.

Pay TV, via cable, is a recognized threat to the theater owners of America, Mr. Newman contended. And it's not only cable that is a threat, but all movies shown on over-the-air television, he pointed out, citing "Honor Thy Father," the movie-made-for-TV from the best-selling book by Gay Talese as an example of a property that should have gone directly to theaters instead of being "thrown away" on television.

Mr. Newman indicated that the cable-TV industry is preparing the public to pay extra charges for what it now receives as part of a monthly subscription fee. The cable industry, too, he suggested, is in the process of negotiating for advertising support of pay-cable programs.

Mr. Newman said NATO's aim is not to stop or stand in the way of progress for pay cable, "but merely to preserve motion picture films for viewing in our theaters first." He said the industry organization needs money, letters of support from community leaders and more personal contacts with Congress to more effectively carry on its campaign.