scribers. A year from now, he forecasts, a feature film will gross up to $20,000 a week; not long ago, he said, a bill of two "ordinary" movies grossed $7,000. Optical's system provides various payment methods, from a $1.50-per-program charge to season tickets. Most customers lean toward the season-ticket buy, but, Mr. Nathanson said, this might be due to the novelty factor of pay TV.

Mr. Nathanson inveighed strongly against present and proposed antisiphoning rules, calling them "unnecessarily restrictive." "It's time," he said, "to stand up and fight back at the entrenched interests," referring obviously to broadcasters and theater owners.

Optical's pay system is due to expand soon to Santa Barbara and Bakersfield, Calif.; Toledo, Ohio; Harrisburg, Easton, and Wayne, Pa., and Yuma, Ariz.

Gerald Levin of Time Inc.'s Home Box Office, whose system is premised on a flat monthly charge that CATV customers pay in addition to their customary cable charge, said that HBO now has 12,000 subscribers on several eastern Pennsylvania cable systems. They represent a 25% penetration of those cable markets.

Another statement from Mr. Levin drew careful attention from the cable operators: Systems using pay TV attract new customers. In one 15,000-customer system, he said, 290 new customers signed up for the cable due to the pay-TV feature. In another 10,700-subscriber system, 150 new customers were attributed to the attraction of pay TV.

Home Box Office works in conjunction with the cable-system operator, as contrasted to other systems that lease channels from CATV systems. Its programing staples, Mr. Levin said, are movies and sports. (As if to emphasize the latter, Home Box Office brought the Jimmy Ellis-Earnie Shavers fight from Madison Square Garden in New York to the Anaheim convention Monday night.)

The progress of hotel pay TV was cited by William Butters of Trans-World (Columbia Pictures), who reported that his company is now serving 40,000 hotel rooms. And, he added, the latest surveys showed that one out of three hotel guests buy the in-room movie service.

Cable operators were especially excited by one convention participant: Nick Mileti of the Cleveland Indians. Mr. Mileti reported that the home games of his American League baseball club are on a CATV system in Akron, Ohio. The away games are carried on a TV station in Cleveland. It's all a matter of negotiating, he said.

Theater-owner opposition to pay movies on cable was expounded by Marty Newman of the National Association of Theater Owners. He said that theater attendance drops drastically when movies are offered to CATV subscribers. In Warren, Pa., he said, the local movie house suffered a cut of 50% in attendance when a first-run feature was being cablecast. He also warned that in time there would be advertising on the pay cable channel—a prediction immediately rebutted by both Mr. Nathanson and Dore Schary of Theatrevision.

# But big cities don't always mean big money for cable

**NCTA forum agrees there is financing to be had, albeit at a dear price, but concludes that front money for urban systems will be hard to come by as bankers and investors go for small—and safe—systems**

"I don't mean to be bearish," said Benjamin Lenhardt Jr. of the First National Bank of Chicago. He had just told a morning eye-opener session at the NCTA convention that his bank would raise its prime rate from 7½% to 7¾% the following day (Tuesday, June 19), and that "we think it will go to 8 by year-end and perhaps to 8½ in 1974." Remarkably, neither groans nor gnashing of teeth greeted his news. By now, cable *expects* to have a hard time raising money. But, somehow, it also expects to get it.

If there was a consensus between the bulls and the bears in Anaheim last Monday, it was that money is there to be had, assuming (1) the borrower's willingness to pay the going price and (2) his having a viable proposition in the first place. Whether there is enough available to finance all the industry's projected needs remained a matter of debate at day's end. These factors, however, seemed clear:

- Institutional lenders are few and far between, and the majors (the Metropolitans, the Equitables, etc.) are remaining aloof from the field. As interest rates go higher, however, the institutionals grow more interested.
- Banks are serving cable as "bridge" financing: between the short-term and the long-term. But as cable's needs for large sums become more pressing—because of the high cost of urban system building—banks are less and less able to handle the load.
- The equity market is a "forget it." All of Wall Street must come back before cable will again have a chance in that arena.
- There's a "damned if you do, damned if you don't" factor at work. If you want to build a small system in a suburban or rural area, you have a good chance for financing because that's a conventional type of cable operation and therefore "safe." But, because your money needs are relatively small, many lenders may not find the deal sufficiently attractive. On the other hand, if you want to borrow multiple millions for constructing systems in a major metropolitan market, you become an attractive investment target. But, because that's a new kind of cable, you're a high risk.
- The big question is the cities. Everyone knows they will cost fortunes to wire. (One delegate said: "A year ago, if you had gotten a franchise for Chicago, your stock would have gone up 10 points. Today it might go down 20.") No one knows whether they will make fortunes in return. Everyone thinks that the answer is pay cable.

Bob Hughes, Communications Properties Inc., noted that cable "can chew up capital at a fantastic pace," but reported his company's arranging of $45 million in the last year alone. The answer: ingenuity in going after various sources of money. Among those he used: tax shelters, equity financing, insurance companies, bank lines of credit and convertible subordinated depentures. The Hughes credo on borrowing: Where there's a will there's a way.

One of the techniques CPI has used is to find investors who will finance [and own] the original system, with CPI managing it for 5% of gross revenues and with a built-in option to buy back the system at a fixed price or $275 per subscriber, whichever is higher. Mr. Hughes admitted "it costs us more when we buy it back" and that such deals take a lot of time to put together, but noted that all the liability is on the investor. Speaking of equity financing, Mr. Hughes said it is both hard to get (others would say impossible) and expensive. He put the cost for CPI's last offering at around 14%.

Bill Becker of Commercial Credit (a subsidiary of Control Data Corp.) was one lender willing to be specific about his firm's cable goals. That company has loaned $17 million to cable so far this

**Sobersides.** Their expressions matching the gravity of their subject, these cable, financial and legal experts addressed one of two NCTA sessions devoted to "Financial aspects of CATV." Speaking: William E. Becker of Commercial Credit, Baltimore. Listening (l to r): Gary Weinberg, Cable Information Center, Washington; Robert W. Hughes, Communications Properties Inc., Austin, Tex.; Paul Kagan, Paul Kagan & Associates, New York; Jerry Greene, Warner Cable Corp., New York (the moderator); Benjamin Lenhardt Jr., First National Bank of Chicago; Wynn Hinsworth, Salomon Brothers, New York, and E. Stratford Smith, Smith & Pepper, Washington.