licenses would also be required.) And while spokesmen for both Cox and LVO last week said that they anticipate no problem with government intervention, neither firm was sure what steps it would take if the department decides to contest the move. One executive connected with the deal stated: "As to what happens if Justice burps, I couldn't say," adding, "Who the hell wants to contest Justice over a long period of time? They always win."

It was noted that Justice took no formal opposition to a merger several months ago of two major multiple-system-operators—Cypress Communications and Warner Communications.

The Cox-LVO transaction is the second major MSO combination to be announced within the past month. In late August, Communications Properties Inc. and Viacom International Inc. signed a $62-million agreement to merge (BROADCASTING, Aug. 27).

John Gwin, vice president of Cox Cable and a former chairman of the National Cable Television Association, thinks the Cox-LVO deal will be completed without interference. "We're small companies trying to get a good base in the industry," Mr. Gwin said. "In order for the larger markets to be developed, we must obtain a broad financial base. It just makes sense for us to combine our resources."

The proposed merger would make Cox Cable, the surviving firm, the nation's sixth largest MSO, behind Teleprompter, Viacom, Warner Communications, Tele-Communications Inc. and American Television & Communications. (It would be fifth if a 20% interest in a 24,000-subscriber system in Toledo, Ohio, is included.) The company would have some 362,000 subscribers on 50 cable systems. Cox now serves some 241,000 subscribers with 30 systems (discounting Toledo); LVO serves 115,000 on 20. Cox now ranks seventh among the MSO's; LVO is 12th.

Under the merger proposal, Cox's present top-two chief executives would retain that status. Chairman and Chief Executive Officer J. Leonard Reinsch would remain in that position, as would President and Chief Operating Officer Henry Harris. LVO President Gene W. Schneider would become executive vice president of Cox as well as a member of the firm's board of directors. LVO Chairman Wayne Swearingen would join the Cox board.

Commenting on the proposed transaction last week, Messrs. Harris and Schneider stated that the action "should facilitate a more rapid growth and foster realization of the potential of cable television, and place the combined company in a strategic position to take advantage of the opportunities it has for expansion in the cable-television business."

Time Inc. absorbing Sterling

Stockholders of Sterling Communications have approved the sale of its assets to Time Inc. Cash will be distributed to shareholders, at $2.625 per share. Time already owns about 79% of Sterling. Spokesmen put net cost to Time at about $6.2 million, of which $3.1 million will be used by Sterling to redeem publicly held debentures due 1980.

Principal assets obtained by Time Inc. are Sterling Manhattan Cable Television Inc. in New York; Home Box Office Inc.'s pay-cable programing service, and CATV franchises on Long Island. Companies will be operated as subsidiaries of Time Inc.

More blasts on pay-cable trumpets

NCTA statement joins the issue with NAB; theaters get into act with new approach in New York

The National Cable Television Association's emerging countercampaign against the National Association of Broadcasters' anti-pay-cable campaign continued to pick up steam last week. In the midst of the foray, another voice—that of the National Association of Theater Owners—emerged to challenge pay cable on the state-government level.

Last Wednesday (Sept. 12), NCTA issued its first formal statement in response to the NAB campaign—a resolution enacted three weeks ago by NCTA's executive committee. It said that NCTA "condemns and is firmly opposed to attempts of the [NAB], the commercial networks and others to mislead the public about and stifle the development of subscription cablecasting." The statement was obviously in response to NAB's purchase of newspaper space to criticize pay TV and the alleged effect it would have upon free television programing. NCTA called upon "all groups, organizations and individuals committed to freedom of consumer choice and a wider variety of television programing to oppose these efforts to retard development of subscription cablecasting." The continued—and unharassed—development of pay cable, NCTA said, "will result in the availability to the American public of a wider choice of alternative entertainment, cultural, sports and educational programing."

Beyond that rhetoric, NCTA is proceeding on several fronts to counter NAB's activities. The first retaliatory move is expected to come this week, with issuance to association members of an advisory on the current pay-cable confrontation. Attached will be a "how to" guide on procedures in filing fairness-doctrine complaints with the FCC. That strategy will be recommended to NCTA members should broadcast stations take the NAB campaign to the airwaves. Further strategy is expected to be mapped out at a Sept. 25 meeting of the association's committee on pay cablecasting, headed by Bruce Lovett of American Television and Communications.

Theater owners, meanwhile, found a new string for their anti-pay bow. NATO, which has been campaigning against pay cable at the federal level for some time, petitioned the New York State Commission on Cable Television last week to rule that co-located conventional cable systems and pay-cable operations cannot come under common ownership in the state. The association said it would soon employ the same legal tack with pleadings before cable commissions in New Jersey, Connecticut, Massachusetts and Minnesota—the only other state jurisdictions in which cable commissions have been formed. A copy of the New York filing also was sent to the Massachusetts cable commission for informational purposes.

There is strong indication, NATO said, that pay cable "will soon overshadow all other services provided by cable systems." It noted recent reports that there are presently 20 pay-cable systems in the country serving 37,000 homes, and said this growth is only the beginning of a major cable-industry push toward pay transmissions.

One justification for state commission action, NATO contended, is the argument that pay cable "seriously threatens the development of free cable program origination." Pay cable, it claimed, "presents the cable franchisee with the temptation to shift the best programing provided as a part of its regular monthly subscription service to a pay-TV channel, where the very same programs will generate substantial amounts of additional revenue." This temptation, NATO said, "may prove to be irresistible, especially in the cable