taken, it would rest largely on the constitutional issues raised in the waiver request.

The denial of the waiver requests came as the commission is approaching final action in a proceeding aimed at revising the pay-cable rules.

The two- and 10-year rule will be scrapped, and in its place will be rules permitting pay-cable systems to bid on films up to three years old, more than 10 if they have not been shown in the market for the preceding three or four years (the figure has not yet been nailed down), and on films of any age if under contract to a station in the market.

The revised rules were purportedly designed to meet some of the complaints cable interests and the motion-picture industry have directed at the original rules. But those interests have indicated they are not satisfied with what the commission plans to do and may well challenge the new rules in court.

Cable, broadcasters dicker over looser distant-signal rules

The ongoing debate between broadcasters and cable operators over FCC signal carriage rules has now centered on whether cable systems should be allowed to import a distant signal when a network show is pre-empted by local affiliates.

The issue was addressed by Henderson All-Channel Cablevision Inc. in a petition for rulemaking that asked the FCC to amend its rules to allow CATV systems to carry the signal of a distant network affiliate when the local station preempts a program for broadcast at a much later date. FCC rules provide for an automatic waiver for importations when a local affiliate does not clear a program. However, the commission has interpreted the waiver provision to apply only in cases where a local network affiliate preempts a program and does not plan to broadcast it at a later date.

Henderson submitted that such a waiver should be granted in all cases where the local affiliate does not broadcast the pre-empted program within a period of not more than three days and in a comparable time slot.

The National Cable Television Association argued that broadcasters' decision to delay programs "for hours, days or weeks" should not deprive CATV subscribers from viewing the show off available signals carried by other affiliates.

The National Association of Broadcasters, however, objected to the rulemaking suggestion and said the FCC "should not adopt a rule which penalized a licensee for exercising its discretion and responsibility to program as to best serve the local community." NAB argued that if cable "pre-release" of a network program was permitted, it would reduce the potential audience for any delayed broadcast and might push affiliates into electing not to substitute public affairs and special interest shows in the face of losing a first-run option on network programing.

Equipment & Engineering

OTP proposes hybrid systems to take TV to rural areas

Microwaves, cables, translators could carry five-channel service to 22 million homes now getting less

Scattered throughout the country in lightly populated areas are a million households that receive virtually no television service. Six million receive service on fewer than three channels; 22 million, on fewer than five. But if existing cable television, microwave and translator technologies were integrated in the rural areas, these households could receive improved service, perhaps up to five channels, at an average cost comparable to that which city dwellers pay for cable television service. Or they could if the FCC made the necessary changes in its rules.

This was the burden of a report that the Office of Telecommunications Policy submitted to the FCC last week. The report was based on two studies done by the Denver Research Institute with OTP funding ("Closed Circuit," Jan. 13), and concludes with an appeal to the commission to consider rule changes that would "stimulate innovative planning and development of hybrid communication systems" geared to local needs and conditions.

OTP Acting Director John Eger, in a covering letter to FCC Chairman Richard E. Wiley, expressed the hope that the report would give the commission "a useful point of departure" for an examination of rules that might be inhibiting the development of hybrid systems that would upgrade television service in rural areas.

Another copy of the report went to Senator Howard Baker (R-Tenn.), formerly the ranking minority member of the Senate Communications Subcommittee but now on the Foreign Relations Committee, who, at the hearing last March on Mr. Eger's confirmation as deputy director of OTP, had expressed an interest in what OTP was doing to promote television service to rural areas. Mr. Eger noted in a letter to Senator Baker that OTP had brought DRI's findings to the FCC's attention, along with a suggestion that the commission "reconsider the impact of its regulations on expanded rural television distribution options."

The hybrid system DRI proposed in its study would use conventional cable technology for service to rural villages and television translators for service to outlying areas. (However, there would still be some 150,000 households in areas so remote as to be out of reach of the system.) It said that through shared signal reception, processing, and office facilities, as well as through common use of maintenance crews, costs could be held to a level comparable to charges levied by cable systems in metropolitan areas.

As for capital costs, DRI estimated that the investment in a system capable of providing three channels of service to everyone now lacking it would amount to between \$128 million and \$153 million; one capable of providing five channels, between \$272 million and \$336 million.

DRI examined the costs of upgrading service in two selected rural areas—in north central Tennessee and in northwest South Dakota—and found that investment costs per household were, respectively, between \$5 and \$7 and between \$128 and \$176. "These figures compare favorably with what some rural householders are investing in elaborate tower and antenna arrangements for only marginally satisfactory reception," OTP said.

But DRI also noted that the development of hybrid systems is barred by FCC regulations that prohibit (1) common ownership of translators and cable systems, and (2) the use of common carrier or frequency modulated private microwave systems for the relay of signals for rebroadcast by translators. OTP noted that commission rules now permit translators to use only AM microwaves or a series of direct UHF or VHF translator relays—"techniques that adversely affect signal quality and effectively limit the distance a signal may be relayed."

Commission regulations also complicate efforts to develop the necessary financing. DRI notes that translators are prohibited from carrying most local advertising and that, in over-the-air service,