

4:30 a.m. Saturday and Sunday.

The staggered hours serve several purposes. The first is to permit comparable time delivery of product in the various time zones. A second is to avoid showing adult-oriented programs in early day periods out west. And a third is to arrange varied distribution patterns depending upon the rights HBO may be able to contract from either motion picture companies, sports franchisers or other program producers.

Mr. Levin pointed out last week that although the schedules are staggered, they overlap for five hours daily during the week and for nine hours daily on weekends. In addition to the 64 hours of programming provided on these schedules, HBO also will offer six hours a week of matinee programs, including special children's offerings.

Mr. Rosencrans, who said his company was a conservative systems operator—a description he still finds apt—said his appetite for pay cable had been whetted by HBO service on its system in Wayne, N.J., which went from zero to 40% penetration in a little over a year, and in Suffolk county (Brookhaven), N.Y., where it expects to level off at 10,000 pay cable subscribers out of 24,000 basic service homes.

Moreover, his analyses indicated it would cost as much to equip each system with its own origination equipment as it would to purchase a \$75,000 satellite earth station—a "trade off" cited frequently last week in justifying what to many seemed a big bite to take.

(Mr. Rosencrans also noted that two of the systems at which he will position earth stations—Yuma and El Centro—are only 60 miles apart. It's cheaper to go for individual stations than to construct a microwave link from one to the other, he said.)

Mr. Levin said that product for the satellite network will be acquired just as it is for the existing microwave network: market by market and title by title. That's the way it's always been done in the motion picture business, and he doesn't expect it to change.

The standard HBO practice with its "affiliated" cable systems has been to receive \$3.50 of the first \$6 the system collects from pay cable subscribers, and to split 50-50 anything above \$6. (The "normal" monthly charge is \$8.) Its own payments to copyright holders vary from title to title, depending, of course, on the strength of a particular attraction. A customary split there, too, is 50-50.

HBO programs eight new movies each month, with a number of "encore" attractions. Its current (April) schedule includes "The Taking of Pelham One Two Three," "American Graffiti" and "Buster & Billie" among the eight new movies, and "Blazing Saddles," "The Day of the Jackal," "The Great Gatsby" and "The Sting" among 28 encores. In addition, it carries sports events including basketball, hockey, tennis and major league baseball, and devotes 15-20% of its program schedule to "special" programs, including children's shows.

Not all is said and done, of course, to

Bulls in a bear market. The price of Time Inc. stock climbed almost \$8 a share, or 22%, on the New York Stock Exchange last week following announcement of plans for a national pay-TV network via satellite by Home Box Office Inc., a Time subsidiary, with UA-Columbia Cablevision Inc. as its first customer (*Broadcasting*, April 14). UA-Columbia stock, traded over the counter, climbed \$2.25 a share or 28%, and that of American Television & Communications, whose decision to join the satellite system was disclosed over the weekend, rose \$1.50 or 16%.

Time's stock went from 36½ at the close of business April 9 to 44 on Monday (April 14), then slipped to 42½ on Tuesday and closed there the next day, up 18% from a week earlier. UA-Columbia Cablevision went from 8 to 10¼ and then eased to 9¾ on Wednesday for a 22% gain for the week. ATC shares, traded over the counter, went from 9½ to 10¾ on Monday and to 11 on Tuesday before closing at 10 Wednesday for a 5% rise.

Scientific Atlanta, a leader in the earth-station field, went from 11½ to 12, where it closed Wednesday. UA-Columbia plans eight earth stations and ATC at least one.

Wall Street analysts tended to treat the market's response to the network plans as relatively routine rather than as the start of a trend or as indicative of special investor affection for pay TV. Some felt, however, that with interest rates coming down "and things like this calling attention to cable," as one analyst put it, "activity in cable stocks could pick up."

enable meeting the Oct. 1 date. First, the carrier (RCA) must file a tariff for FCC approval. UA-Columbia also must apply to the FCC for a construction permit for the receive-only earth station. Technically, no order may be placed for the earth station until the CP has been secured, and suppliers are quoting 90 to 120 day delivery after that.

Jerry Levin's first priority now is to "make the timetable happen." His second—and one that may occupy him for some time thereafter—will be to follow up on all those cable operator business cards thrust into his hands in New Orleans last week.

**Will pay TV tail wag cable dog?
To judge by comments of enthusiasts
to NCTA convention in New Orleans,
it's showing that potential now;
both flat fee and per-program
methods touted by entrepreneurs**

"A year ago this month pay cable was still an experiment" for Theta Cable of Los Angeles, said John Atwood, president of that company. "It's not an experiment any more," he continued. Instead, it's credited for a 260% increase in revenues over two years.

Echoed Alan Greenstadt of Optical Systems, "Channel 100 [that company's name for its pay cable program service] has moved from a question to an answer in the last year."

Added Gerald Levin, president of Home Box Office, New York, "For the last two years [at cable conventions] I've told you we were alive and well. Now we really mean it."

Such testimonials to a turnaround in pay cable—backed up by dollar statistics that began to point toward the kind of bonanzas that medium's prophets have always hoped for, and coupled with HBO's convention-eve announcement that it was beginning a national pay cable network by satellite—infused last week's New Orleans convention of the National Cable Television Association with its most tangible evidence that cable's 1975 might indeed be "upbeat" (the convention's theme).

Mr. Atwood's testimony was heightened

in impact when considered in the context of its broadcast competition. The Los Angeles market has 19 on-air channels allocated to it, 17 of them operational, 13 of those commercial channels. Fifteen channels broadcast from a single location atop Mount Wilson. There is little justification for a cable system on the basis of its broadcast signal carriage. "We had to go into pay to survive," said Mr. Atwood. The result was "a significant increase in revenues and a necessary increase in penetration." Two years ago Theta grossed \$2.7 million. Today it's grossing \$9.7 million, and by the end of the year is expected to exceed \$10 million. Of that increase, \$2 million is attributed directly to pay revenues. An even greater amount—\$3 million—came in increased subscriber revenues for regular service, and half of that is attributed to pay TV's attractions. (The final \$2 million of Theta Cable's revenue rise came from rate increases.) The system's penetration had been only 18% two years ago. Now it's up to 25%, and is soon expected to top 30%.

Mr. Atwood's system charges \$6.95 for its movies-only subscription (as opposed to per-program) service, with \$6 specifically dedicated to the program charge and 95 cents to the connection. He noted that many homes have up to eight and 10 connections, each producing 95 cents under the Theta system).

HBO's Mr. Levin recounted that when he addressed the 1973 NCTA convention, the company served only 12,000 subscribers. By last year the total had grown only to 17,000. By the end of this week it expects to pass the 100,000 mark.

Mr. Levin noted that HBO's fastest growth was in metropolitan areas where "off-air signals are both good and bountiful." It has 55 affiliated systems (prior to the satellite development), and has found that much new construction on those systems is being fueled by the availability of pay cable. In one area—Oyster Bay, N.Y.—Mr. Levin said there is a 2,300-subscriber system with a pay cable saturation of 98%.

Both he and other panelists at a Monday morning NCTA session noted the reverse impact of the recession on pay