



Report from the trenches on pay cable. Three of the leading practitioners of the pay cable art were represented on this NCTA panel. L to r: Alan Greenstadt, president of Optical Systems, who announced the second pay cable satellite network, to begin in September; Nate Levine, of Sammons Communications, who described the security problems attendant to pay cable operation, as well as the options one has in entering the market (by satellite, by microwave, or standing alone); Robert Weisberg, Telemation Program Services, who emphasized the problem of tailoring pay cable programming to individual markets; moderator Bill Bresnan, of Teleprompter; Jerry Levin, of Home Box Office, who described for NCTA delegates how far his system has gone in its first satellite year, and Allen Adler of Columbia Pictures, who described the impact he anticipated pay cable would have on the revenues of motion picture companies.

Optical Systems makes it two in pay cable by satellite

Systems owner announces at NCTA that it will join HBO as programmer; no clients yet other than itself for two-channel service

One year to the convention after Home Box Office revolutionized the pay cable business with its announcement of a satellite network, the first competitor has gotten into the act. It's Optical Systems, a pioneer pay cable company, which announced last week that it will begin a 15-hours-daily service, on two channels, via Western Union's Westar II this September.

HBO's cable network, now reaching 28 earth stations and with orders placed for another 47, is oriented to the RCA satellite. Optical's decision to go with Westar was said to have been heavily influenced by the public broadcasting system's plans to erect a nationwide service using 165 earth stations and the Western Union system.

Optical President Alan Greenstadt's announcement was not met with the enthusiasm that greeted HBO's news in New Orleans last year, although cable industry spokesmen were quick to applaud

the vote of confidence it gave to pay cable and the advent of new competition into the market. But many were skeptical. Optical's announcement was not accompanied by news of clients, as was HBO's last year (UA-Columbia Cablevision and American Television & Communications announced their initial earth station orders simultaneously). Moreover, many felt the multiple-channel concept was premature and the introduction of a new satellite carrier confusing. HBO's deal with RCA is for six years at a minimum of \$9 million. Optical isn't saying what it has agreed to pay Western Union, and referred questions to a tariff filing to be made at the FCC sometime before the September start-up.

Mr. Greenstadt noted that Optical may be its own first client. It has 28 pay cable systems in operation now, with a number interconnected by microwave. Optical's specialty is the leased-channel concept, wherein it pays the cable operator a fee for use of the hall, and conducts all marketing functions on its own. HBO, by contrast, provides the service but leaves marketing up to the cable operator, sharing revenues roughly 50-50.

Mr. Greenstadt said the new Optical network would also be aggressive in marketing single episode sports packages and distant signal carriage. He referred specifically to the one-time-only sports events transmitted by the Robert Wold organization, and said arrangements were being made to secure many of these for the Optical system. In addition, the company said it will, in selective situations, purchase

earth stations for lease to a group of CATV systems in a given area.

Mr. Greenstadt stressed multiple-purpose earth stations, and said he would urge the FCC to grant approval for such operations. He said the cable operator could serve as the "gateway" to all communications into the community, and said Optical would offer affiliated marketing services in that time-sharing activity.

The key to Optical's hopes seemed to rest with public broadcasting time sharing. Others considered it a can of worms, trying to interface public moneys and ambitions with a private pay cable business.

HBO one year later

Time Inc.'s pay-cable network reports at NCTA that it's up to 386,000 subscribers, but more systems sign on in Dallas

The company that started it all (in satellite pay cable networking) in New Orleans last year was still making news in Dallas last week. Home Box Office, the Time Inc. subsidiary, reported that on the pre-convention Friday, April 2, HBO's pay cable programming reached 386,000 subscribers and passed 3,101,000 homes. The airborne portion reached 75,000 of those subscribers, and passed 943,000 homes. The original terrestrial network had 306,000 subscribers and passed 2,158,000 homes. (The other 5,000 of HBO's pay subscribers are MDS-served apartments.)

The transitory nature of such figures was emphasized at mid-week, when HBO reported it had concluded arrangements at the convention for these additional markets: Communications Services Inc. for Manhattan, Junction City, Fort Riley and Salinas, all Kansas; RVS Cablevision Corp. for Wauwatosa and Waukesha, both Wisconsin; Cheyenne Cable Colorvision (Wyoming Cable TV); First TV Corp. (General TV Inc.) for Fridley and St. Cloud, Minn.; South Florida Cable TV Corp. for Bonita Springs and Fort Myers Beach, both Florida; Storer Cable TV of Florida for Sarasota, Venice and Englewood, all Florida; American Video Corp. for Pompano Beach, Fla.; Vikoa Inc. for Rochester, New Castle and Uniontown, all Pennsylvania, and for Zanesville, Ohio; Coaxial Communications for Columbus, Ohio, and Comcast Corp. for New Kensington, Pa. Especially significant, said HBO President Gerald Levin, was that many of these affiliations "are a gateway to others in the same geographical area or mark the beginning of new MSO relationships." All together, they add 200,000 cable homes to HBO's potential. The company says its penetration experience is about 26%.

And last Friday (April 9) HBO could announce the beginning of still two more cable operations, as earth stations were activated in Winston-Salem, N.C. (Summit Communications) and Florence, Ala. (Teleprompter). North Carolina became the 26th state with an HBO affiliate.