

## HBO and Telemation talking merger

**Combination would put the two in custom and network pay services**

Ongoing discussions between Home Box Office Inc. and Telemation Program Services are expected to lead to an announcement, possibly in the next couple of weeks, of a closer relationship between the two pay-cable program suppliers. Speculation suggests a merger of the two, but neither will confirm or deny that possibility.

TPS has worked out arrangements with HBO to syndicate certain HBO programs, for example the *Folies Bergere*, to its own customers on a program-by-program basis.

HBO, which claims to have between 50% and 60% of the total pay-cable market, has generally followed the network practice of supplying a full program service to affiliates via terrestrial microwave or satellite. (HBO has permitted two cable systems to "cherry-pick" special programs from the total package on an experimental basis.)

In contrast, TPS is in the business of supplying stand-alone pay-cable systems with programming on an individual basis, acting as the mediator between the program distributors and the CATV operators. In that way a total pay-cable package is assembled by the CATV operator and customized to its service area.

A merger of HBO and TPS would give the combination a big portion in both markets, it is said.

## AT&C wants cable without off-air TV in Queens, N.Y.

**Special closed-circuit programming would put proposed franchise outside of much regulation**

American Television and Communications Corp. has filed a petition for a cable TV franchise in Queens, N.Y., that would provide closed-circuit type service without retransmission over-the-air broadcast signals.

The closed-circuit concept, which would presumably exempt the system from FCC and state cable rules, was initially advocated more than a year ago by Morris Tarshis, New York City's director of franchises. Charles Dolan, president of Community Development Corp., was expected to build and operate the system (BROADCASTING, March 24, 1975).

A non-FCC regulated cable system promised two advantages. Long delays associated with FCC and state regulation would be eliminated, allowing the system to begin operations at a relatively early time. And for the city, which is limited to a

franchise fee of 3% of gross subscriber revenues by FCC rules, it would be possible to seek a greater franchise fee—possibly up to the city's 25% maximum.

Community Development Corp. has chosen not to pursue its franchise application until the city decides on exactly what type of service should be offered. An earlier plan for a five channel system that would involve only the unused VHF channels in the New York area and no set-top converter in the subscriber's home, met opposition from the Eastern Queens Community Cable TV Association which wanted more public access and educational channels.

Action of the bid for a franchise to serve about 125,000 homes in neighborhoods in the Queens borough of New York City is not expected for at least several months.

## CPI wants in on over-air pay TV

**Cable firm applies for Houston U; sports and movies are staples**

Communications Properties Inc., Austin, Tex.-based multiple system CATV operator, has asked the FCC for authority to build and operate a subscription television station on channel 20 in Houston.

Plans call for an over-the-air scrambled signal that could be decoded in the home, with a monthly charge for a programming schedule consisting basically of movies and sporting events. CPI has not yet decided how it would be supplied with programming.

Pre-operation, construction and first-year costs have been put at \$6,684,000, with first year revenues predicted at \$2,085,500. A specific target date when operation would begin was not proposed.

CPI also is awaiting FCC approval for the sale of KFJZ(AM)-KWXI(FM) Fort Worth and the Texas State Network to Swanco Broadcasting for \$4,107,500 (BROADCASTING, June 23, 1975). It also has sold CPI Microwave and certain assets of CPI Satellite Television Communications to Western Union for some \$13 million in preferred stock and notes (BROADCASTING, May 3).

## Cable under tough Florida theft-of-service law

The state of Florida has enacted a law, effective Oct. 1, which is being hailed by cablecasters there as "the most potent poaching and tampering law in the nation." Theft of cable or utility services is now classified as a first-degree misdemeanor and carries a fine of up to \$1,000 and/or one year imprisonment. There will also be civil penalties—\$1,000 or three times the amount of loss or damage, whichever is higher, payable to the cable system.

## Optical previews its September service

**Pay-service tests from L.A. area employ Westar satellite**

As a prelude to its satellite pay cable network to begin this September, Optical Systems Corp. has begun signal tests using Western Union's Westar II satellite.

The test signals were originated from Western Union's television operating center outside of Los Angeles and beamed via satellite to several earth stations, including a mobile ground station set up at St. Petersburg Beach, Fla., site of Florida Cable Television Association's convention three weeks ago.

Optical plans to transmit via satellite a 15-hour daily programming service on two channels (BROADCASTING, April 12), beginning this September.

Special tests will use small aperture earth station designs with antenna sizes ranging from 4½ to 2½ meters. The FCC has not approved earth stations with less than 10 meter antennas for pay cable distribution, citing concern over interference problems and the relative orbital positioning of domestic satellites. "The success of these (small earth station) tests could open many new markets which simply could not afford the expense of a 10 meter dish," Optical President Alan Greenstadt said.

## HBO makes deals for movies, cable system

**Parent, Time Inc., gives \$5 million to Columbia Pictures for film rights; also adds Telemation Program Services to HBO network**

Home Box Office made news on two fronts last week:

■ Its parent company, Time Inc., agreed to pump \$5 million into Columbia Pictures over the next 12 to 18 months to help finance the production of new theatrical movies and simultaneously picked up 20 key features from Columbia for airing on HBO's pay-cable network for the rest of the decade.

■ It concluded an agreement in principle to buy Telemation Program Services to add TPS's "customized" pay-cable distribution setup to HBO's existing network service.

The deal with Columbia Pictures, although it's expected to bring Time Inc. a profit through substantial theatrical grosses, is, according to various sources familiar with the negotiations, mainly keyed to insuring a steady supply of high-budget features to HBO to counter the cynicism of critics like John J. O'Connor of the *New York Times*, who wrote last week that, in general, HBO's movies "are new but singularly unexciting."

In addition to recent releases such as "Taxi Driver" (starring Robert De Niro,