

nationwide scale. Among the first multiple system operators to throw their weight behind HBO, Teleprompter had been testing HBO since 1973, but didn't fully sign on until 1975. According to Teleprompter President William Bresnan, the company was satisfied with the programming, impressed by Time Inc. resources ("We're not dealing with some fly-by-night.") and encouraged by satellite transmission.

The last published Teleprompter pay-cable subscriber count shows about 150,000 homes, and the figure is understood to be substantially higher now. Over-all, Teleprompter, the largest MSO in the country, serves about 1.1-million basic cable subscribers, more than 950,000 of which are offered HBO. Thirty-eight earth stations are now in place at Teleprompter systems, with another six expected to be added by year's end.

In growth terms, HBO might be best to celebrate its anniversary not from 1972, but from Sept. 30, 1975, when satellite programming began.

At the time of the first feed—an Ali-Frazier fight brought on a 12,500 mile path from the Philippines—HBO could count about 200,000 subscribers. It ended that year with more than 250,000 which rose to nearly 600,000 by Dec. 31, 1976.

Currently, some 48% of HBO's subscribers are served by satellite, the remainder through microwave or multipoint distribution. The ratio seems certain to swing in favor of satellite. By the end of last year when the FCC brought down the decision permitting the cheaper, more portable 4.5-meter satellite receiving dishes, 77 earth stations were tuned to HBO. Today HBO claims 131.

And the figure looks as if it's going to double, if only from one new deal with Tele-Communications Inc., which has a commitment to install 60 earth stations in the near future and later go up to about 130. "We can go into systems we never thought we could," says Graham Moore, president of TCI Cable Theater, adding that a satellite can economically serve as few as 2,800 subscribers. With 600,000 TCI basic cable subscribers, HBO has much to gain.

■ If the small-dish earth station decision provided a boost to the technological side of pay cable, the U.S. Court of Appeals decision on the FCC's pay cable regulations (and this month's refusal to review it by the Supreme Court) did the same for pay-cable programming.

Congress could step in and pass laws limiting programming access, but in the meantime, HBO and the pay industry at large have defeated rules that, among other things, generally limited pay's chances at films between three and 10 years old; denied pay specific sporting events such as the Super Bowl and the World Series; prohibited commercials; barred systems from devoting more than 90% of their time to sports and films, and limited the carriage of regularly scheduled sports.

The HBO network is a formatted package of movies, entertainment specials and sports, without commercials. From an

original programming concept based on sports and movies, HBO now is moving toward a predominantly movie/entertainment special mix.

In fact when asked to provide ballpark estimates as to the 1978 schedule being drawn up, Austin Furst, HBO's vice president, programming, said he expects a breakdown of 75% films, 20% entertainment specials and only 5% sports. "Sports have been de-emphasized," he said, explaining that they generally have regional appeal, "don't repeat" and are abundant on commercial television. (It could be argued that the move toward national distribution through satellite precludes a heavy sports schedule. As Robert Stice, marketing director for the pay-cable competitor, Prism, put it: "Who wants to see the L.A. Kings play hockey, in Philadelphia?") HBO however will continue with some sports, namely top-ranked college basketball teams as well as tennis, boxing, track and gymnastics and its *Inside the NFL*.

The mainstay of the HBO network re-



Richard Munro:

“Are you going to be here next year?”

mains films, and Mr. Furst added that 60% of everything coming down from the network will be first-television-run movies. This year, he said, more than 100 will be shown. Of the remaining films next year, about 10% will be “segmented appeal” such as the French “Cousin, Cousine” and about 5% movies that have already shown up on the commercial networks.

If the pay-cable rules remain off the books, HBO could have an easier time acquiring product. But the next regulatory hurdle it is looking for would prohibit what pay cable alleges is “warehousing”—that broadcasters have contractual exclusivity arrangements with distributors that deny pay cable a wealth of films.

The FCC last month closed its inquiry into that charge without action. The National Cable Television Association has now turned to the U.S. Court of Appeals in Washington.

HBO already has taken steps to guarantee itself product. In May 1976, it announced a multimillion-dollar deal with

Columbia Pictures whereby HBO, in return for an investment, secures license for pay-cable showings of 20 releases through 1978. And although funding is “tricky,” Mr. Furst admitted that HBO currently is reading the script of what could become a made-for-pay-TV movie.

The area which Mr. Furst said “is going to go through the roof” is entertainment specials. HBO currently has its *On Location* and *Standing Room Only* series that spotlight big-name talent. Mr. Furst claims that “the average special outperforms the average movie,” a conclusion based on HBO's regular random mail samplings of more than 1,000 subscribers, as well as telephone surveys.

■ Even before the announcement of HBO going into the black, financial consultants were discussing an improved picture for pay cable. Loren Young, vice president of Heller-Oak Communications Finance Corp., said that the “lenders’ attitude toward pay has improved considerably over the past two years,” particularly because earth stations have allowed smaller systems to amortize the software from a broader base. He cited two basic advantages to taking on pay: “increased cash flow” and “stabilization of basic subscribers.”

Phillip Thoben, division manager and assistant vice president of Firstmark Financial Corp., claimed that while HBO “really hasn't been around long enough to put a lot of weight on it,” he is optimistic that it will become a lending factor “once the pay market firms up.” CATV consultant Elmer W. Metz of Metz & Jarvis said his clients last year gave “no credence” to projected pay cable revenues and now there's at least “discounted credence.”

More positive on the pay front is David O. Wicks, vice president of Warburg Paribus Becker, who said the lenders he deals with are “not ignoring pay TV revenues.” He said that for those systems that have had pay cable for a while, lenders “don't distinguish cash flow” as coming from either basic or pay revenues. Specifically addressing the HBO package, he said “lenders are seeing that there's stability.” Mr. Wicks, like others, is uncertain what competition will bring but he believes HBO will remain in the forefront because “they're so solidly entrenched with the knowledge of the consumer.”

The industry had expected Optical Systems Corp. to be the first challenger on a satellite but now the talk from Tom Zimmerman, Optical vice president, operations, is that “there are no satellite plans that relate to pay cable.” (Optical now has a new name, Home Premiere Cinema, and a new direction: over-the-air subscription TV). Optical's change-of-heart, however, left no vacuum. Cable operators now are waiting for Viacom's Showtime to make its move.

HBO claims no plans on the pay-viewing basis but the concept is being developed by Warner Cable, which expects to open its Qube two-way system in Columbus, Ohio, Dec. 1. And outside Philadelphia, one of the few areas where HBO faces direct competition within the