Cablecasting®

Time Inc. gets more deeply into cable

It gets ATC in merger deal, adds 650,000 subscribers in process

Time Inc., already the largest pay-cable programing supplier with its Home Box Office, is on its way to becoming one of the nation's largest multiple system operators.

Late last month Time Inc. announced an agreement in principle to merge Denver-based American Television & Communications Corp. into a Time subsidiary. The deal is valued at almost $140 million.

Terms of the proposal call for Time Inc. to exchange 1.55 shares of convertible preferred stock for each outstanding share of ATC common stock. Of the approximately four million ATC shares outstanding, Time Inc. already owns about one million.

According to Time Inc., its convertible preferred stock has a culmulative annual dividend rate of $1.575 per share, liquidation value of $30 a share and will be convertible into 0.72 shares of common stock. The preferred stock will not be redeemable before Dec. 1, 1984.

For its fiscal year ended last June, ATC showed a net income of $6.2 million ($1.58 a share) on revenues of $53.2 million. It currently serves more than 650,000 cable subscribers on 90 systems in 31 states.

Time Inc. President James R. Shepley, who also is an ATC director, called the move "a logical expansion of Time Inc.'s video business." Within its Video Group, Time Inc. owns WOTV(TV) Grand Rapids, Mich.; Time-Life Films, HBO and Manhattan Cable, the New York City cable system that has some 94,000 subscribers.

The merger is said to await a definitive agreement as well as a nod from both corporate boards and ATC stockholders. ATC is sold over the counter. Time Inc. is listed on the New York Stock Exchange.

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Self-promotion. Home Box Office is advertising its pay cable service with 60-second spots on Madison Garden sports series that is distributed via satellite by UA-Columbia and with one-minute direct-response commercials on WTCG(TV) Atlanta, which is also carried nationally on satellite. Garden series reaches 900,000 homes, WTCG signal goes to about 850,000.

Million mark. Home Box Office should have reached one million pay-cable subscribers by year-end 1977, according to James R. Shepley, president and chief operating officer of parent Time Inc. Not inlcuded in this number are subscribers that accept customized service through HBO's Telemation Program Services.

En Espanol. Columbia Pictures Pay Television has announced availability of Spanish-language programing for cable, with initial group of more than 50 films through Columbia Pictures Industries' Spanish theatrical film division as well as TV programs through Columbia-owned Spanish-language station, WNJU-TV Newark (Linden), N.J.

Truth is told there is no Santa Claus

Truth Publishing Inc. found the FCC unresponsive, four days before Christmas, to a bid for a tax certificate in connection with its participation in the sale of a cable television system in South Bend, Ind.

Truth's two broadcast licensee partners in the system, Michiana Telecasting Corp. and Schurz Communications Inc., had received tax certificates when they sold their respective one-third interests. Their stations—WNDU-TV and WSBT-TV, respectively—were in the same market as the system and the sale to Indiana Cablevision in Jan. 1977 furthered the commission's policy of promoting diversity of media ownership in the same market.

For the same policy reasons, the commission had granted Truth a tax certificate in 1975, when it sold WSJV(TV) in nearby Elkhart.

In seeking a tax certificate in connection with the sale of the cable system, Truth contended that the sale would not have occurred without its participation. For making it possible for Michiana and Schurz to sever their crossownership interests, Truth said it was entitled to the certificate.

Cable Television Bureau Chief James Hobson recommended a grant of the certificate. He said the commission should use its authority to grant certificates in a way that encourages voluntary divestiture of crossownerships. And Commissioner Joseph Fogarty agreed. "I think we have to grant the tax certificate," he said.

But Chairman Charles D. Ferris, who has taken a tough stand on previous requests—he calls certificates "an appropriation of public funds for private benefit"—was not persuaded. Following the policy suggested by Mr. Hobson, he said, "would be an abuse of the responsibility we have—a use of the certificate policy beyond [Congress's] intention."

The final vote, to deny the request, was 5-to-1, with Commissioner Fogarty the lone dissenter and Commissioner Margita White absent.

Although the commissioners were all but unanimous on the item, the discussion raised some questions about the commission's policy regarding tax certificates. Mr. Hobson suggested a policy statement on the subject. Chairman Ferris agreed that would be helpful, and asked the general counsel's office to draft one.