Cable-castings

Dutch uncle

Cable operators have dragged their feet in developing what could be the most profitable segment of their industry—institutional networks (I-Nets)—and consequently, face the threat of an end run in that field by telephone companies, said Irving Kahn, chairman and president of BroadBand Communications Inc., in keynoting a conference in Boston last week on "Implementing Institutional Cable Networks." Decision makers in the cable industry have avoided developing institutional networks, except for government channels mandated by franchise agreements, because they perceived "too many missing links in fiber optic technology for it to be usable" at the time they drafted their franchise bids, and because they feared being regulated as common carriers, said Kahn. While cable operators hesitated, "ever bold telcos . . . were marching forward with fiber optic installations across the map" and "developing an advanced in-the-field expertise that would serve them well when the relaxed regulatory climate was upon them."

As the potential for adding business communications links to the institutional network concept has emerged, telephone companies have sought joint ventures with cable operators, in an effort to "piggyback on the franchise holders' territory," said Kahn, who cautioned cable operators to "move slowly and think carefully before you configure yourselves right out of the business.

"Never before in the history of cable television has the industry turned outside of itself to willingly cut a new partner into the action," he said. "Why here, why now, why into this, the potentially largest revenue producing activity ever to hit the business?

". . . The new capabilities we are discussing today may, by their very definition, lead the cable industry right into the path of new regulation," said Kahn, "but that's not to say that cable can't swallow that fact and still survive, and thrive. Given the rapid acceleration of technology, it's practically impossible fully to define to any conclusive extent the exact nature of the many services that will ultimately be delivered by these networks," said Kahn. "What is not difficult to predict, however, is that the revenues that will be generated by these networks will make the revenues that derive from both basic and pay cable services pale by comparison."

Kahn also noted that, "right now, the cable industry sees the coming of the I-Net revenues as the light at the end of the tunnel, but remember, sometimes the light at the end of the tunnel is really the headlight of an oncoming train."

Add cable to the mix

Why should an advertiser contemplate using cable as a part of its overall media mix? A number of reasons were cited by Ted Block, senior vice president, Foote, Cone & Belding, at a session during last week's Cabletelevision Advertising Bureau conference (see story page 154).

First, he noted, was the fact that broadcast network television does not deliver as high a share as in noncable homes. It currently delivers about a 74 share in prime time and only a 58 share in prime time for pay cable homes. Cable audiences are more selective in their program viewing choices, he said, and tend to be younger and have higher incomes. Sponsorship opportunities are also available at much lower cost, and cable offers virtually unlimited flexibility in commercial length, said Block.

Sports saturation

Is there too much sports programing on cable television? Not according to a recent survey, sponsored by Miller Brewing Co., in which 97% of the respondents said they viewed sports on television, with only 16% saying there was too much sports on the tube (see story page 157). WTBS(TV) President Robert Wussler, however, said last week at a cable sports session during the CAB conference that with so many providers of sports programing on cable (including WTBS, ESPN, USA Network and HBO), "nobody is making money out there. We're thinking of getting out of it."

Wussler also said that if NCAA football powerhouses Oklahoma and Georgia prevail in their antitrust court challenges, "it will be the end of Saturday afternoon football. You'll see 10 games a week instead of three."

While it's anybody's guess how the sports programing pie will be divided among the various media in the decades to come, USA Network President Kay Koplovitz said that the three over-the-air networks "will still be the mass medium, even if it's only 50%." But the key factor, she said, will be the makeup of the 50% they are able to deliver. "Cable is suburban television," which translates into higher demographics. Network demographics, she said, "will be lower [in the future] than they are today."

Future promise

"Cable television will be the survivor" among new video technologies, proclaimed Bill Daniels, board chairman of Daniels & Associates, at a meeting of the southern California chapter of Women in Cable in Los Angeles. The Denver-based cable brokerage pioneer acknowledged that there will be "peaks and valleys" ahead, but claimed that cable will become increasingly profitable.

"The blue sky dreams that we've talked about for years" concerning interactive services "will be a reality within the next few years, and will be tremendous money makers," Daniels declared. In the near term, he said, the biggest profits will belong to system operators and those developing regional sports networks, which he said will become commonplace within the next 10 years. (Daniels is co-owner of the new L.A. Express of the United States Football League and co-founder of the Box Seat cable sports network.)

Pay-per-view, Daniels predicted, "will become a real bottom-line profit maker in the next five to seven years" and ultimately "revolutionize the movie business."

"Cable advertising will be far better than even the most optimistic predictions have been," he said, although the greatest increase in revenue will not be realized for at least three years, "until the major markets are built." Daniels downplayed the signifi-

Made-for-cable programing. Cable's two leading pay television networks—Home Box Office and Showtime—are investing heavily these days in original programing. The fact will be underscored this spring by the premiere of Showtime's *Paper Chase* and HBO's first made-for-cable movie, *The Terry Fox Story*. The first of seven new 60-minute episodes of *Paper Chase*, which had a brief run on CBS, is scheduled for this Friday (April 15). *Paper Chase*, set on the campus of a northeastern law school, stars James Stephens (left, standing) and John Houseman. The HBO movie tells the story of Terry Fox, a young Canadian, who after losing his right leg to cancer, sets out to run across Canada to raise funds for cancer research. Although Fox succumbed to the disease before completing the cross-country marathon, he raised $22 million and became a national folk hero. The movie, which stars Eric Fryer (right) and Robert Duvall, makes its debut May 22.