COMPRESSION
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through a mountain of “personalized communications choices. This is just
the beginning of adapting entertainment and information services to the
needs of the individual consumer, rather than one-size-fits-all television
we have seen in the past.

“Television,” he said, “will never be

the same.

By mid-1993, TCI expects to begin
operating a new, $20 million access
control, encryption and uplink facility
to distribute dozens of new services,
initially to the home-satellite-dish mar-
ket. Patterned on the satellite-distribu-
tion center now operated by Gi, TCI’s
uplink facility is to be open to other
programmers at cost, said TCI.

But last week’s events went beyond
satellite and headed all the way to the
home. TCI agreed to buy up to 1
million Gi and AT&T set-top terminals,
which Malone said will be available in
basic and more sophisticated ver-
sions, receive both digital and analog
signals and pass high-definition tele-
vision signals through to an HD re-
ceiver.

In what TCI Executive Officer J.C.
Sparkman called “a very complex but
fair deal to everybody,” Gi and AT&T
will gain significant revenue for develop-
ment of the technology and be re-
quired to license it to Scientific-Atlan-
ta, North American Philips and other
manufacturers.

“This is an historic event,” AT&T
Vice President Robert Starzzone said
of the cooperative development and
licensing agreement. “To have TCI
deploy it on a high-volume basis I be-
lieve is a turning point.”

Convinced digital service and qual-
ity will grab consumers, Malone said,
“We will be manufacturing-limited, not
demand-limited.”

Sparkman estimates manufacturers
can produce about 100,000 boxes a
month by March 1994 and double that
amount by the end of the year. But
one source estimated it would take
nearly six months to reach 50,000
units per month and that TCI would, in
any case, outfit no more than 10% of
its subscribers over several years.

Nevertheless, said Mike Luftman,
Time Warner vice president of corpo-
rate communications, “the deal abso-
lutely accelerates compression into
the here and now. It means vendors
will be making the equipment.” Con-
curring, Wilt Hildenbrand, vice presi-
dent of technology for Cablevision
Systems, believes “it will focus the
vendors on solving real-world implica-
tions,” including critical compatibility
issues.

Some insiders are confident the
Motion Picture Experts Group will em-
brace both the Gi/AT&T and Scientif-
ic-Atlanta entertainment compression
applications in new worldwide MPEG
2 computer-industry standards to be
settled next March.

Malone believes Gi/AT&T adoption
“will very rapidly be a North American
cable industry decision. It allows for
improved algorithms, improved transi-
tion from hardware to software imple-
mentation.”

However, while TCI, HBO, PBS and
programmers in Canada, Mexico and
Hong Kong have adopted the Gi/
AT&T technology, the Viacom net-
works adopted Scientifc-Atlanta’s
compression system for their SMATV
and hotel services last month.

“I think MPEG 2 is almost an indus-
try mandate,” said Edward Horowitz,
chairman and chief executive, Viacom
Broadcasting. Also confident MPEG
will accept the S-A and Gi/AT&T algo-
rithms as they are, Horowitz indicated
that S-A, Gi and AT&T must make
them acceptable. “If it costs several
dollars more per box, the price penal-
ty is de minimis compared with the
benefits of interoperability with other
technologies.”

Conceded Malone, “We still have to
make sure this will be MPEG 2 com-
patible.”

For now, “the cost of digital and
analog headend equipment can soon
be approximately equal,” said HBO’s
Zitter. “That is what is enabling us to
get started now.” Current analog
IRD’s run $10,000 each. Gi is to make
digital headend receiving equipment
immediately available to HBO affilia-
tes seeking the digital HBO and Cin-
emax services. An upgrade from ini-
tial DigiCipher to the joint Gi/AT&T
compression system (to be completed
in 1993) will require circuit-board
swap-outs.

Maintaining its four analog feeds of
HBO and Cinemax (East and West),
HBO will begin with 4-to-1 satellite
compression of the additional signals
“to maintain state-of-the-art quality”
at the headend, said Zitter. Once ca-
ble subscriber terminals are in place,
HBO will also offer higher compres-
sion rates to systems wishing to pass
signals straight through—rates Ma-
lone places at 6- or 7-to-1. Eventual
use of 10-to-1 ratios would make 500-
channel systems a reality.

For More Late-Breaking
News, See “In Brief,”
Pages 68 and 69

NCTA ASKS FCC TO DENY DIALTONE TEST REQUEST

Citing potentials for discriminatory access, non-common-carrier prac-
tices and across-subsidy, the National Cable Television Association asked the FCC last Friday (Dec. 4) to “clarify or, in the alternative, to
deny” C&P Telephone’s application to conduct a video dialtone trial in
northern Virginia next summer, using a Bell Atlantic video compression
system. It is the first such application on file since the FCC’s dialtone
ruling last August.

NCTA argues the current C&P/Bell proposal leaves open possibilities
C&P/Bell will step over the common carrier line, selecting programmers,
dealing directly with customers (the test will use C&P and Bell employees)
and/or setting prices or terms of video service. NCTA also reminds the
FCC of the commission’s earlier promise to revisit cost allocation and
state versus federal jurisdiction over common voice/dialtone facilities.
NCTA also notes its continued appeal of the FCC’s ruling that video
dialtone requires no franchise authority.

Acknowledging C&P plans only an experiment, the cable association
says it fears a grant with “wide latitude...will be cited as precedent in the
future.” Executives for Bell Atlantic could not be reached.

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