

Two American Experiences

A) Telemation Program Services

by Robert Wiesberg

Robert Wiesberg is President of Telemation Program Services Inc. in New York.

Telemation Program Services (TPS) acts as a purchasing agent or a film buyer for more than 70 CATV and pay TV systems throughout the U.S., servicing systems that encompass over 235,000 pay TV subscribers in New York City and Los Angeles. TPS acts on behalf of the local cable operator, purchasing the feature films and other programming that he uses on his pay TV system. Our service handles what we call a stand-alone concept, in which the local cable operator utilizes 3/4-inch cassettes, to play his choice of programming as a pay TV service. The number of subscribers now plugged in to such systems totals over 270,000.

There are many markets, large and small, that are served by this stand-alone system, for three prime reasons. One, it allows the system operator to customize the programming for his market. Two, it allows for flexibility in scheduling the number of programs to be shown per month, the number of showings, the style of showing for his particular market. It also allows the systems operator to maximize profits.

First, let me give you some specifics. Our company represents two systems in Georgia. One is Macon and the other is Rome. They are perhaps 80 miles away from each other. The one system has many black people who subscribe to the service and the other system has hardly any. So the first system plays two black-oriented films per month and the other service has no black films on any basis during its program schedule.

In the Bible Belt in the southern part of the US we are very careful about language and programming. I should say that in terms of customer tastes, it's not the visual, it's the language problem. Profanity is a much greater problem for us than any video problem. So, in the Bible Belt, the films are screened carefully before they go on the air. In a college town such as Santa Bar-

bara, where Mr. Greenstadt's Optical Systems has a pay TV system, they will tend to use art films, and cultural types of programs. These are typical examples of what you can do to customize programs in terms of the stand-alone concept.

Number two, flexibility of programming. Let me outline four schedules which you might see in the US today. One more typical system plays six to eight feature films per month plus other programming meaning cultural programs, children's programs, art films, sport programming. Each film plays twice a day and new films come in each month with some repeats three months after the first showing of the film. We have recently developed two other types of program schedules which I think you will find interesting. Two, in San Jose, California, the operator of a system which has 55,000 subscribers decided to institute a "must-buy" pay TV service in anticipation of a second service which will come about in 1977. The system operator charged \$2 per month to each subscriber and he offered each subscriber two movies a month. In essence, it amounted to a rate increase of about \$2 per month. And so everyone in the community receives two movies per month for the \$2. Three, in Lansing, Michigan (a small market), a system which was just opening up decided to go with four movies per month at \$3. This has been extraordinarily successful, as over 83% of new subscribers are buying the service for the basic rate of \$6.95 plus \$3.00 for a total of \$9.95.

A new system will be working soon with an operator who has 40,000 subscribers in a three-channel service. The first channel will be the standard service with eight movies per month, consisting of G (general family audience) plus PG (parental guidance requested) and R (restricted) movies. The second channel will be a family channel with four movies per month in the G and PG categories. The third channel will have restricted movies only, for adults. The first channel will be charged at \$9.95, and each of the second and third channels will cost \$5.95 per month.

TPS also serves Columbus, Ohio, with a pay-per-view system which audits the people who view each movie. As the person turns on the TV set, the computer at the head end of the two-way system records it and, if he views it for longer than 10 minutes, he is charged at the end of each month. I would say that subscription television

will allow your audience to see a wider variety of programming than the pay-per-view. The reason is simply that if people have the choice they will tend towards the big action-packed type of film which you normally see on the screen and the numbers will run in accordance with the theatrical grosses. A film such as *Swept Away* will not be viewed on the pay-per-view system, but on the subscription service the person gets it, in a sense, "free". So that, if the intent is to see all kinds of films, I would urge a subscription service.

Let me just run through some of the concerns about stand-alone. Cassettes have improved dramatically over the past six months.

Exploration and marketing and promotion can be handled locally by the system, and program schedules are easy to put together. Other programming such as children's programming, tennis, golf, operas, music, can be provided as a local service. So, the so-called stand-alone service encompasses a philosophy which says no to a bushel-basket approach to programming. We like to focus in on the needs and desires of the local community. We customize programming for the market. We include local sports where available as opposed to national sports. And we believe that this method will bring more profit to the local operator as well as more service for your subscribers.

B) TelePrompter Corporation

by Russel Karp

Russell Karp is president of TelePrompter Corporation in New York

At TelePrompter we first introduced pay cable, with the help of Telemation Services, through our Theta system in Los Angeles in April 1974. By the end of 1975, we saw three major results: Forty-six percent of Theta's basic subscribers had also subscribed to pay cable. The number of basic subscribers in our Los Angeles system had climbed from 57,000 (representing 27% of all homes behind cable) to 78,000 (representing 31% of homes behind cable). Finally, Theta's 1974 operating deficit (that's before depreciation and amortization, interest and equipment lease expense) had improved in one year by almost \$3,000,000.

In the two years following our introduction of pay cable, we have extended it to systems from coast to coast and from Canada to Mexico. These systems today serve approximately 600,000 basic subscribers, of whom to date roughly 20% have signed up for pay cable. Except in Los Angeles,

all our pay cable programming is supplied by Time Inc.'s Home Box Office. At TelePrompter, we chose HBO because it was the best available for our needs. Its entertainment 'mix' was found to be ideally suited to our potential subscribers, whose preferences range from North American League soccer to Wimbledon tennis, from "Pinocchio" to "Les Folies Bergère", from *Rollerball* to *Gone With the Wind* and Louis Malle's *Thief of Paris*. Another big plus from our point of view was the availability of satellite transmission.

The agreement we signed with HBO last year will enable us to provide pay-cable programming in virtually all of our systems, partly by microwave relay, but mostly by satellite. We now have 20 satellite receiving stations built and operating; in a short time we plan to erect eight more.

Clearly, the time for pay cable has come. The American public wants and needs it. The reasons should be obvious: Broadcast television is dependent on advertiser revenues and accordingly must cater to the mass audience geared to advertisers' needs. Technical limitations on the number of available broadcast frequencies compound their problem. The viewer consequently finds the same tiresome fare on all commercial channels, no matter how energetically he turns the dial. If the broadcasters and the regulators give it a chance, pay cable will be able to offer new kinds of programming. Indeed, I have already urged a number of my friends in the business to develop three new categories of programming, each requiring a channel of its own: (1) A family channel, offering films of the Walt Disney type, along with educational programs free of commercials. (2) A drama channel - drawing on Broadway and also on regional theatres all over North America, taking the best of each; ballet, operas and concerts as well as drama. (In Canada this and other pay cable channels could be bilingual or there could be separate channels in English and French.) (3) A news and public affairs channel programmed by leading publications - perhaps *The New York Times* and *The Wall Street Journal*. General and financial news would be reported in depth - a welcome change from the superficial reporting encountered on commercial television.

The primary function of pay cable is to offer a greater variety of programming. This the broadcasters have failed to do, whenever the programming seemed incompatible with their mass orientation. Pay cable can fill in the niches and the gaps; it can program for age and ethnic groups now overlooked because they do not correspond to the demographics desired by the broadcasters and their advertiser-supporters. It will not compete head on with commercial television. Nor will pay cable dry up or restrict the supply of programming available to commercial broadcasters. Rather, it will select the best among the many excellent programs rejected by the broadcasters. If it is allowed to develop, it will create a source of fresh new programming that will be available to all media.

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