THE NEW ERA

by Stuart N. Brotman

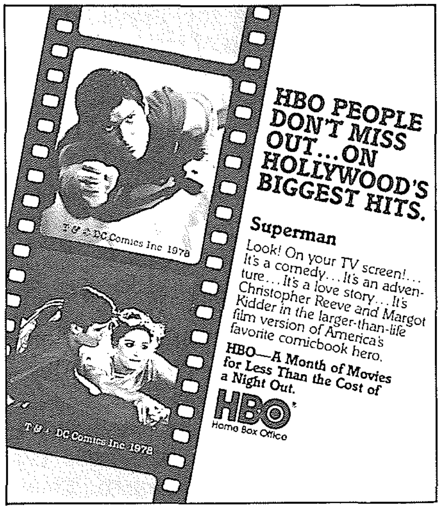
One of the more memorable images from the movies of the 1970s was that of anchorman Howard Beale in "Network" urging his TV audience to open up their windows and shout: "I'm mad as hell, and I'm not going to take it anymore."

Unlike Beale's frustrated viewers, Americans during the 1980s will acquire a powerful tool with which to register their dissatisfaction with traditional TV programming—one that will allow them, in effect, to vote with their pocketbooks. The tool is new video technology. If one believes the enthusiasts, it holds out the promise of irrigating a wasteland, bringing a vast array of quality television programming into the living room at a moderate price. For their part, skeptics point to the history of conventional TV broadcasting, itself once hailed as the hope of the future: The claims made for any budding technology, they contend, are always too good to be true.

Many of the new TV technologies (e.g., cable television, subscription TV, and videocassettes and discs) have in fact been "promising" for years. Until the late 1970s, however, the performance of innovative TV technology companies was generally unremarkable, their growth stymied by federal regulation, scarce venture capital, and, to some extent, a public willing to settle for the menu that ABC, CBS, and NBC provided.

All that has changed. Studies in 1979 by the *Washington Post* and Peter D. Hart Research Associates, for example, document a certain impatience with network TV programming —and point to an expanding pool of viewers willing to *pay* for some alternative. Investment in the new TV technologies, both by businessmen and consumers, is up sharply; entrepreneurs are now backed by the financial resources of such firms as IBM, the New York Times Company, Time Inc., Warner Communications, and Getty Oil. And the Federal Communications Commission (FCC), following the lead of federal courts, has substantially freed the cable TV industry from 20 years of sometimes capricious federal regulation.

The television landscape, in sum, is rapidly changing. While the familiar broadcast channels divided among independent



Newspaper advertisement for Home Box Office, 1980. Owing largely to the advent of cable television systems, half of all U.S. households now can receive nine or more TV channels.

© 1980 Home Box Office.

stations and the local affiliates of ABC, CBS, and NBC are not about to fall into disuse, they now have competition. ABC, for example, won the rights to the 1984 Los Angeles Olympics with a $225 million bid, but the runner-up, offering $190 million, was neither CBS nor NBC but T.A.T. Communications, a diversified company with cable interests, owned in part by Norman Lear. A subscription TV company called ON-TV, also owned in part by Lear, successfully outbid ABC for rights to the June 1980 Roberto Duran–Sugar Ray Leonard boxing match. The prospects are so promising financially that cable companies are scrambling to win franchises from local governments in communities that lack cable service—including Cincinnati, Chicago, and four boroughs of New York. It has been called "the last great gold rush."

For the most part, the new video technologies are now on the market, or soon will be. Whether their "product" will simply amount to more of the same situation comedies, sports, soap operas, and movies, however, is a subject of much speculation.

Let us begin with a brief primer on a few of the new electronic media.

Cable television transmits video signals through a coaxial cable, usually placed under streets or on telephone poles; no broadcast spectrum is used. As of last autumn, there were about 4,300 cable systems in the United States and most *urban* systems now operating have at least 20 channels, although not all of them are in use. (Two-thirds of all cable systems currently carry 12 channels or less, but channel capacity will increase dramatically during the 1980s.) About one-fifth of all U.S. households—15 million of them—are "wired" for cable, and the number of wired households has been growing by 20 percent annually. For a $5 to $10 monthly fee, each cable subscriber receives a basic service ("basic cable") consisting of all broadcast signals from local TV stations plus a variety of satellite-fed special services, such as a children's channel, an all-news channel, an all-sports channel, and an all-religion channel.

Movies and Sports, Sports and Movies

Most cable systems also offer piggyback packages for a separate monthly fee ("pay cable"), such as Home Box Office (HBO), a subsidiary of Time Inc., and Showtime, a joint venture between Teleprompter (the largest cable company) and Viacom International. These packages typically offer 12 to 16 recent Hollywood films per month. They also provide sporting events that are not televised by commercial stations and, on occasion, original entertainment specials. The cost of one of these packages to the consumer is between $7 and $10 per month above the basic rate. Pay cable is growing fast. It was in 4.4 million homes in October 1979, 5.7 million in April 1980. Total cable industry revenues (pay and basic) in 1979 approached $2 billion.

Subscription television (STV) involves a conventional broadcast station, usually in the UHF frequency band (i.e., channels 14 through 83), that transmits scrambled signals to subscribing viewers with leased decoders. The scrambled signals are beamed for a portion of the day, typically 8 to 12 P.M. weeknights, with some expanded daytime programming during the weekend. (Under FCC rules, these STV stations are required to broadcast at least 28 hours of unscrambled, nonpay programming per week). Pay offerings on STV resemble those of pay cable—primarily feature films and sports. The average monthly fee for this service is $20. There are now about 20 STV systems with some 450,000 subscribers. Several dozen STV applications are awaiting FCC approval.

Stuart N. Brotman, 28, is special assistant to the Assistant Secretary of Commerce for Communications and Information, National Telecommunications and Information Administration (NTIA). Born in Passaic, N.J., he received a B.S. from Northwestern University (1974), an M.A. in communications from the University of Wisconsin, Madison (1975), and a J.D. from the University of California, Berkeley (1978). He has written widely on communications law and policy. The views expressed in this essay are those of the author and do not necessarily reflect those of the NTIA.

Communications satellites have revolutionized the transmission of distant broadcast signals to cable systems by dramatically lowering the cost of terrestrial transmission (usually accomplished by sending video signals through long-distance telephone lines leased from AT&T). The leader in the domestic satellite field has been RCA, with its Satcom I and Satcom II. Western Union also has a video transmission satellite, known as Westar. Each satellite has a number of channels, called transponders, that can be leased for transmission. Transponder leasing gave an important boost to the pay cable industry because it allowed cable programming to be efficiently networked across the country.* HBO led the way in 1975, and today virtually all pay cable services transmit to "receive-only" antennas owned by subscribing basic cable companies.

Aiming for the Bottom

The importance of all of these new video systems lies less in the technology *per se* than in the chance—albeit a slim one—to break the grip of the networks on TV programming.

Network programming is largely a function of economics, not of taste, producing limited but fierce competition in a TV marketplace dominated by only three corporations. ABC, CBS, and NBC compete for TV advertising dollars (network ad revenues alone totaled $4.3 billion in 1979) by selling millions of viewers to sponsors. Like their forerunners in network radio, TV network executives care primarily about the gross numbers. With few exceptions (e.g., soap operas), they are not trying to "target" a particular audience the way local radio stations and specialized magazines do. They want everybody. As a result, prime-time network programming aims for the lowest common denominator, and there is no incentive to tamper with threadbare formulas that happen to work. Paul Klein, a former NBC executive, once described the operative strategy as "Least Objectionable Programming." Every network tries to put something on the air that, at minimum, will not disturb or bore the viewer enough to prompt him to switch to another channel.

This is the bottom line of commercial television, both nationally and among the 612 local network affiliates and 113 independent stations. As long as Americans can choose only a handful of advertiser-supported channels, the TV industry, so it

*It also made possible the creation of "superstations," like R. E. ("Ted") Turner's WTCG-TV (now WTBS) in Atlanta, whose signal, via satellite and cable, now reaches some 5 million U.S. homes. Turner's Cable News Network, which began operation in June 1980, likewise relies on satellite transmission.

WHAT CABLE SUBSCRIBERS GET IN ARLINGTON, VA.

2	WMAR-2, Baltimore
3	Public access channel: public interest programming provided by subscribers or by nonprofit organizations (e.g., Red Cross, local hospital)
4	WRC-4, Washington, D.C.
5	WTTG-5, Washington independent station
6	Teletext: UPI news, stocks, business news, top 40 countdown
7	WJLA-7, Washington
8	Teletext: weather, news, sports, *Radio Arlington* audio background
9	WDVM-9, Washington
10	Weather: 24-hour radarscope picture.
11	WBAL-11, Baltimore
12	Turner Broadcasting's 24-hour Cable News Network
13	WJZ-13, Baltimore
14	Entertainment and Sports Programming Network: 24-hour sports channel
15	Teletext: Metrocable program guide
16	Home Box Office: current movies, nightclub acts, concerts, sports specials
17	WTBS, Atlanta superstation: old movies, reruns, Atlanta Braves baseball
18	CINEMAX: foreign films, classic movies, other feature films
19	WOR, New York superstation: old movies, reruns, New York Mets baseball, other regional sports

is said, cannot help but churn out bland programming.

Why are there so few TV channels—and networks? When the FCC was allocating broadcast frequencies during the late 1940s and early '50s, the commissioners decided to intermix VHF (very high frequency) and UHF (ultra high frequency) channels in the same market, even though they knew that UHF broadcasters, of whom there were, at the time, only a handful, would never be able to compete effectively against the 108 already established VHF stations. Not the least of UHF's disad-

20	WDCA-20, Washington independent station
21	Teletext: community bulletin board, classified ads
22 PBS	WAPB-22, Annapolis
23	Cable Satellite Public Affairs (live coverage of U.S. House of Representatives); Black Entertainment Network; Calliope (children's films); USA Network (professional and college sports); "The English Channel" (British programming)
24 PBS	WNVT-53, Goldvein, Va.
25	Teletext: grocery shopping guide
26 PBS	WETA-26, Washington
27	CBN and WTKK, religious channel: Christian Broadcasting Network and Manassas, Va., station. Features Rex Humbard, Oral Roberts, Dr. Jerry Falwell, *PTL Club, The 700 Club*
28	WBFF-45, Baltimore independent station
29-36	School and county government stations

Source: Metrocable, Arlington, Va.

The menu of a typical urban cable television system—Arlington (Va.) Metrocable—suggests that cable has not so much changed TV fare as tripled the size of the portions. Of the 35 available channels depicted above, 6 pick up signals from network stations, 4 from nearby public TV stations, 2 from local independent stations. Two more—WOR and WTBS—are "superstations" featuring a mix of movies, sports, and reruns. The 3 pay cable channels offer movies and sports. The 8 channels set aside by the cable operator for the use of county government and local schools are rarely in use. Arlington Metrocable has 18,000 subscribers, representing one-third of all homes in the area that can be wired for cable.

vantages was that few TV sets could receive UHF signals. (Not until 1964 were manufacturers required to equip all TV sets for UHF.) Yet, the VHF band could accommodate only 12 channels (2 through 13) without encountering signal interference, while UHF could accommodate 70.

The FCC also decided to allocate television frequencies so that stations would serve as local outlets. Typically, no more than three VHF stations were allotted to any one market, a decision based partly on city size but also on the need to avoid interference with neighboring cities' channels. The predictable result of this system, however, was that the three local stations became affiliated with ABC, CBS, or NBC. Independent or educational programming was generally relegated to the few UHF stations that managed to survive.

The emerging alternative to this conventional, advertiser-supported television system is one where the viewer votes his or her programming preference directly, much as consumers of books, magazines, movies, and newspapers make economic decisions on what, if anything, they are willing to spend for specific items. This is the prospect opened up by the new electronic media.

A Choice, or an Echo?

In theory, at least, a pay system of TV distribution creates enormous incentives to produce new types of programming, quite apart from its enormous number of available channels. Where a network needs an audience of at least 30 million for a "successful" program in terms of ratings, pay TV can turn a profit with an audience of 1 or 2 million. This is because the networks are essentially feeding sparrows by feeding horses; programs are paid for by advertising, with ad revenues depending on the size of the audience. By contrast, cable viewers pay for programming directly. A cable company can also charge interested customers a premium for certain "specials." Ballet, plays, symphonies, exotic sports, quality children's programming, soap operas for old people, in-depth news coverage—each of these theoretically makes economic sense when aimed at a specific audience willing to pay for it.* "We are going to isolate pockets of fanatics," one cable executive told the *Washington Journalism Review*, "and build a business on them."

Cable operators concede that, so far, pay cable programming has consisted almost entirely of movies and sports. That is what viewers have been most willing to pay for. Cable owners have been experimenting with other types of programming, including original productions shown exclusively to subscribers. Ted Turner's 24-hour Cable News Network, which feeds to 309 cable systems nationwide, is one example. Home Box Office produced the widely acclaimed series *Time Was*, a look at past decades hosted by Dick Cavett. Showtime has aired numerous vari-

*Whether there is a large enough audience to support "quality" cable programming will soon be known with the debut of two new pay cable networks—Bravo (a joint venture of several cable companies), in December 1980, and CBS Cable (a subsidiary of CBS Inc.), due later this year. Both promise cultural programming exclusively (e.g., dance, theater, music).

ety specials and a sitcom called *Bizarre.* Being able to bring 80 channels into, say, Pittsburgh, will be a Pyrrhic victory for viewers if only a handful of channels actually carry marginally different programs, or if what the active channels show amounts to a pale imitation of network output. Cable TV's record to date is discouraging.

Network executives work that point into every discussion of alternative TV technology. "I truly wish that there was an infinite quantity of good programming available but there isn't," observes Gene Jankowski, president of CBS/Broadcast Group. "Adding signals to the marketplace will not be adding choice."

The initial response of the broadcast industry to the new video technologies, throughout the 1960s and most of the '70s, was to lobby (successfully) for federal protection in the form of restrictive FCC rules, such as a limit on how many distant signals a cable system could carry. (Pay cable owners were also prohibited from airing feature films more than 3 but less than 10 years old, and from televising certain sporting events, such as the Super Bowl.) Traditional broadcasters argued that the networks were running, in effect, a kind of charity enterprise, bringing the great wide world—documentaries, space shots, inaugurations, the World Series—free of charge into the homes of all Americans, regardless of income; cable operators, they contended, would siphon off all of the good programming into the homes of the affluent.

Hedging Bets

The broadcast industry's preferential treatment began to crumble in 1977, when the U.S. Court of Appeals in Washington, D.C., in the case of *Home Box Office, Inc.* v. *FCC* overturned most of the FCC's restrictions on what *pay* cable entrepreneurs could offer their customers. The court cited a breach of the First Amendment rights of producers, cablecasters, and viewers. Then, last July, prodded by chairman Charles D. Ferris, an aggressive proponent of deregulation, the FCC voted 4 to 3 to scrap all but two of the restrictions on *basic* cable programming.*

*Cable owners, like broadcasters, do not dislike *all* forms of regulation. Cable has its own government-granted benefits. For example, under the Copyright Act of 1976, cable systems are allowed to pick up non-network distant broadcast signals—of *The Dick Van Dyke Show,* say, or classic films like *The African Queen*—and retransmit them to their own viewers at a low, government-established rate. These royalties are collected by the federal Copyright Royalty Tribunal, which then distributes the sum among the companies originally responsible for the programs—movie studios, TV syndicators, sports clubs, local broadcasters, and public television. "The vast majority of cable operators," complains Jack Valenti, president of the Motion Picture Association of America, "pay more for postage stamps than for their programs."

Now that their oligopoly has been weakened, the three TV networks are beginning to adopt a less alarmist tone, making adjustments and exuding optimism. The Corporate Planning Department of NBC, for example, now projects that the new technologies will simply increase the total number of hours each American household spends watching television, and that commercial broadcasting's share of that audience will not decline. Herbert Schlosser, formerly president of NBC and now in charge of developing and marketing videodiscs for RCA, NBC's parent company, generally agrees with these projections: "The reservoir of hours of TV watching is so huge—over 2,300 hours per home per year—that even with some audience loss commercial broadcasting will remain a strong and vital business and will continue to be a necessity to advertisers."

Yet the broadcasters are hedging their bets. In recent years, particularly at the local level, they have been heavily involved in purchasing cable systems. (More than 30 percent of all cable systems are now owned by companies with broadcast interests.) During the past year, all three networks set up "video enterprise" divisions to produce and distribute programming for pay cable, subscription television, and videodiscs.*

A Long Way from Camelot

For their part, advertisers are taking a wait-and-see attitude toward the new technologies, with an eye on the short-term data (which reveal that, on occasion, pay programming can get Nielsen ratings comparable to those of top network shows) and the long-term projections (which show cable in 40 to 50 percent of U.S. homes by the end of the decade). If such trends continue, advertisers may begin diverting some of the their broadcast television expenditures to cable.

Some conventional broadcasters are worried, although few will express their concern publicly. Others profess nonchalance. The competition, after all, owes much to its ability to offer a service that, as currently set up, is uncensored and largely free of commercials. More important, they say, only the networks can offer advertisers tens of millions of viewers at a time. Even if Americans in large numbers began switching to the alterna-

*Videodiscs and videocassettes are wild cards: No one knows how successful they will be, or how they will change the TV industry. Discs are the video equivalents of phonograph records; when placed on a video disc player, they produce sound and pictures on the home TV screen. Cassettes perform the same function using videotape; they may be purchased blank (for home recording of TV shows) or prerecorded. Currently, the largest segment of the prerecorded cassette market is for pornography.

tives, they would be dispersed among scores of different channels. And, broadcasters maintain, the networks would still deliver the biggest single audience blocs.

The advertisers' reluctance to move quickly into the new TV systems is understandable. The television industry is currently in a state of flux. No one can predict what its nature and dimensions will be 20 years from now. The possibilities seem endless.

Perhaps the status quo will *remain* the status quo, with the airwaves still dominated by ABC, CBS, and NBC, and cable and pay television cast in the role of lucrative ventures on the fringe. It may turn out that the new technologies are not competing against the networks so much as against the film and record industries. Broadcasters may successfully pre-empt competition by continuing to buy into cable companies and to invest heavily in programming for cable and home video, in effect playing both ends against the middle. Or the new cable networks may become so successful that they begin to attract national advertising—and gradually turn into replicas of the kinds of TV they once sought to replace.

It is difficult not to invent dispiriting scenarios, given commercial television's own history—and the overall performance to date of the alternatives. The new electronic media will probably make money. They may, in the end, add a bit to the general quality of American TV; they may give us, here and there, a few more real choices than we had before. And videodiscs and videocassettes will almost certainly allow most Americans to schedule their TV viewing around their leisure time, rather than vice versa.

But it is hard to believe that the new video technologies will bring us much closer to the lofty ideal expressed by E. B. White. "I think television should be the visual counterpart of the literary essay," he wrote in 1966. It "should arouse our dreams, satisfy our hunger for beauty, take us on journeys, enable us to participate in events, present great drama and music, explore the sea and the sky and the woods and the hills. It should be our Lyceum, our Chautauqua, our Minsky's, and our Camelot."