

59. Business Projections Based on Hartford Trial Information.

Although the Hartford trial lost over three and a half million dollars in the first three years of operation, Zenith and Teco remind us that RKO mentioned at the hearing prior to the grant of the trial authorization that even under the best of conditions it expected to lose more than a million dollars. They aver that the objectives of the trial were to obtain operating experience and that in this respect it was a success. Thanks to the trial, they say, for the first time reliable data are at hand from which reasonable business projections may be made about the potential of STV to provide an increase in financial and program resources which would facilitate significant increases in the numbers of services available to the public.

60. The Zenith-Teco business projections were summarized in paragraphs 10 and 11 of Appendix A of the Further Notice. That appendix is attached hereto as Appendix B. The assumptions used in preparation of the projections are stated briefly in paragraph 11 and will not be repeated here.

61. Opponents variously criticize those assumptions. Thus, for example, it is said that the projections assume payments of \$65 per year per subscriber for program charges, but that at Hartford the average for the first year was \$67.47 and it fell to \$56.84 the second year, so that the figure of \$65 is not based on the trial data.

62. It is also argued that if STV pays only 35% of total subscriber program expenditures for payment to program suppliers (this is the figure assumed in the projections; the percentage was slightly higher at Hartford) it will obtain little more than the programming that was obtained for Hartford which produced less than 1% penetration rather than 10% or more. Quality films, we are informed, can command as much as 90% for a first-run showing in New York or Los Angeles, and often obtain as much as 50% or more for first subsequent run. Closed circuit television in theaters can expect to pay 50%-60% of the gross, it is said.

63. Other arguments are that in calculating the projections, the turnover rate (the number of subscriber homes disconnected as a percent of the average number of subscriber homes) is taken to be 20%, but it was higher at Hartford; and that the assumption of payments of \$300,000-\$400,000 per year for station time is too low.

64. Penetration. As to penetration of STV, opponents urge that the so-called conservative assumption of 10% has no basis in fact. At Hartford the penetration was less than 0.75% of the TV homes in the market. If the trial is to be used as the basis of projection then one should assume not more than roughly 1.0% penetration. Using that figure, STV would be viable in only the top 4 markets and not in 91. ^{24/}

^{24/} It is also urged that the high turnover rate at Hartford shows subscriber dissatisfaction and is significant in showing that STV lacks ability to attract sufficient subscribers.