

-24-

72. As to the argument that the high turnover rate shows public dissatisfaction with STV and that the public will not support it, we conclude that not enough is now known about the causes of turnover to permit drawing valid conclusions. We agree that, based on the experience of telephone companies, Zenith and Teco assume too low a turnover rate. However, we have no reason at this time to believe that with STV authorized on a nation-wide basis this factor would be of such magnitude as to result in insufficient support of STV. In any event, the rule we adopt today provides for lease rather than purchase of decoders by subscribers, and thus provides protection to subscribers who may wish to withdraw.

73. As to the estimate that program costs would run about 35% of program revenues, it is said that unless STV spends more than that for quality product it will not achieve a better penetration than it did in Hartford and it will fail; and that quality product sometimes costs more. Yet we are not told how much quality product there is that costs more, or how much more it costs other than that "it will bring as high as 90% for first-run exhibition in New York or Los Angeles," or that it often obtains as much as 50% or more for first subsequent run and that closed circuit television in theaters can expect to pay 50%-60% of the gross. We believe that the question of what programs STV can obtain and how attractive they will be to how many people cannot be answered with any great degree of certainty. It is conceivable, for example, that a nation-wide STV system, even if only moderately successful, could provide an audience sufficiently large to make payments of 35% of program revenues very attractive to suppliers of quality product. In fact, with larger audiences, suppliers might be willing to charge lower percentages. Moreover, there is the possibility that if more than 35% had to be paid to obtain quality programs, STV operators could charge more for the better product. In any event, the question of STV penetration and what it might take to obtain great penetration is one about which there can only be speculation at this stage. At worst, using a 1% penetration, and accepting the other assumptions of the projections, presumably STV could be viable in the top four markets (New York, Los Angeles, Chicago, Philadelphia). At best, it would be successful in many more. Having decided that STV can provide a beneficial supplement to present TV programming, we are content to let this aspect work itself out in actual operations under our new rules and under a requirement (as a matter of policy) that applicants for STV authorizations make a showing that they have the financial capacity to operate for at least a year.

74. Although not previously mentioned, we here note with regard to the matter of potential penetration of STV that it has been argued that STV would be something which only the very wealthy could afford. Zenith and Teco provide the following table, based on the Hartford trial, controverting this: