for the motion picture theater. They contend that STV will not siphon programs or talent from free TV and that the two services will not bid for the same product. In any event, they aver, the economic resources of STV are dwarfed by those of the networks, so that STV could not outbid them. In support of these views they state the following:

"The fear that subscription television could outbid conventional television for programming also reflects a basic misconception concerning the fundamental economics of subscription television. Expensive box-office programs--such as ten-million dollar current feature-length motion pictures--can admittedly be shown on subscription television long before conventional television. But the reason is not that subscription will necessarily have more money available for program procurement than conventional television. The reason lies primarily in the distribution structure which results from the efforts of product owners to maximize their profits from each production.

"Thus, conventional television programming usually has only one source of economic support--the advertising sponsor. The extent of the sponsor's support is controlled by the cost-per-thousand economics of advertising. On the other hand, box-office attractions have several sources of economic support, which include revenue derived from theater release, both domestic and worldwide, in addition to revenue derived from later use on conventional television. Subscription exhibition can be combined with simultaneous theater release and add to the box-office revenue of program producers and distributors without reducing the further revenue ultimately obtainable from conventional television. The combined amount of these box-office revenues will ordinarily exceed what sponsors can pay for a single conventional television release. Yet the combined box-office releases exhaust the residual value of the film to a lesser extent than a single showing on conventional television. In short, subscription television and theater box-office release can profitably be permitted simultaneously, whereas release to conventional television must be deferred in the interest of maximizing profits over the life of the production.

"Aside from the erroneous presumption that subscription television and conventional television would often be simultaneously seeking the same product, it is a matter of simple business arithmetic that subscription television will not be in a position to outbid conventional television for program product. Thus, in Hartford the average subscriber has been willing to spend approximately \$65 a year for subscription programming; and, on the basis of numerous market studies made by Zenith, Teco and others, this appears to be the approximate portion of the public's recreational budget that it is willing to spend on subscription programs. Of this \$65 annual program income, approximately 35% (or \$22.75) is available for program procurement, with the remaining 65% required to support the television station and the subscription system.

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