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196. Issue (6). Zenith and Teco have depicted for us the modus operandi and methods used at Hartford which include three functional organizations--the local franchise organization, the TV station, and program sources. At Hartford, the first two were under common ownership. We are told that there appears to be no reason why this should not be, although it often may not be the case. Three possible methods for making arrangements among these elements for obtaining programs (para. 118) are mentioned. We are informed that at Hartford programs were obtained from more than 50 sources during the first two years of the trial. These parties indicate that Zenith does not intend to engage in program production or distribution, that for business and legal reasons they would be precluded from entering into arrangements with local franchise holders giving any program supplier exclusive use of Phonevision facilities, and that the same considerations would preclude local franchise holders from entering into arrangements with station licensees that would require the latter to use only programs supplied by the franchise holder.

197. Telemeter, with considerable experience in Canada, stresses the importance of permitting a single firm to engage in all phases of STV operations including production of entertainment, broadcasting it to the public, installing decoders, and all other aspects of the business. Without this, they insist, STV may not get off the ground. They are therefore of the opinion, at this stage, that it serves no useful purpose to try to predict and separate the elements of STV and regulate them. Moreover, they strongly favor permitting exclusive franchises, contrary to the position of Zenith-Teco.

198. Thus, the two entities that have the most actual experience in STV operations appear to have views that differ in some essential respects. This underscores the fact that we are in an uncharted area. There is no real evidence that restriction is necessary. In free TV some manufacturers and licensees have gone into programming to promote competitive free TV. Why should the same not be permitted in STV? We have only conjecture to argue against it.

199. We have, through limiting STV operations to five-station markets and to one station in those markets, and through limiting the kind of programming that STV stations may broadcast (see Issue(14)), taken sufficient steps at this time to protect the existing TV structure. We think it essential that some thought be given to what might be necessary to protect the growth of the new STV service. It appears that some sort of broader purchasing base for programs might be effective in making available to viewers programs of little mass appeal--operas, plays and the like--which may not be available on the basis of single-station purchasing. (It might also be helpful in obtaining more and better mass-appeal programs, thereby aiding STV to achieve greater market penetration--a matter about which doubts have been expressed.) As was mentioned in the comments, if a relatively small number of viewers in each of many communities were to view an opera, it might make producing and selling operas an attractive business venture. Lack of such programming on STV trials is one of the areas that STV opponents have chosen at which to aim their darts. It would appear unreasonable, then, to argue against interconnection of STV operations, or against procurement and supply of programs by