

We have assumed that any subscription system operator will pay a franchise or royalty fee of five percent of gross revenue to those providing this system and the necessary technical and other services in connection therewith. This amount is currently being paid by RKO in connection with the Hartford operation.

The basis for estimating technical expenses, including maintenance and repairs and installation and detachment costs, is predicated upon the following factors: Service calls are estimated at .89 per subscriber per year; decoder repair material has been estimated at \$1.00 per year per subscriber; home service calls can be made at the rate of 10 per repairman per day; the service shop repair rate will average 12 decoders per man per day.²¹

Experience in Hartford, plus certain decoder improvements recently developed by Zenith which will greatly simplify future installation of decoders, indicate that decoders may be installed in subscribers' homes at the rate of 10 per man per day and may be detached at the rate of 16 per man per day.

As the number of subscribers increased in Hartford, a cost factor long experienced by telephone companies and similar businesses, which provide service and rent equipment on a mass basis to the public, became apparent; namely, that, in order to maintain any relatively static number of subscribers, allowance must be made for a detachment-attachment turnover. This turnover results from such factors as subscribers moving from the community (the average American family moves once every five years), discontinuing service during extended vacation periods, credit delinquencies and related economic reasons, such as loss of employment, insufficient use by customer to justify expense, etc. Based upon our experience in Hartford and anticipated changes in operating methods and practices we have allowed for an annual 20% attachment-detachment turnover in projecting our

²¹ In most instances during the Hartford trial, repair of the Phonevision equipment was not performed on the premises of the subscribers; rather, the defective unit was removed, replaced and repaired in the decoder service shop; and the cost projections herein assume a continuation of this practice. On all service calls where the trouble was in the television receiver itself, as contrasted to the decoder, the subscriber was requested to contact his own TV serviceman for receiver repairs or adjustments.

During the Hartford trial, a contractual relationship was entered into with approximately 120 TV dealers and servicemen in the greater Hartford area and they were paid a commission for each installation generated by them.