

3. The billing function of the new decoder is to be greatly simplified, to reduce cost and to facilitate operations on the part of the subscriber. It will remain, however, a credit-type system.

In addition, a number of circuitry changes are being made in an effort to reduce cost and further improve reliability.

C. The Role of the Participating Broadcast Station Licensee.

RKO, as the licensee of WHCT, had sole responsibility for operating that station during the Hartford trial. It had ultimate control over the selection of all subscription programs broadcast during the trial, the selection of the time such programs were broadcast and the selection of the charges to be made for the programs. We believe that these functions will always be the primary responsibility of the operating television station not only as a matter of regulatory policy governing licensee responsibility for programs, but also because practical business considerations dictate that the broadcast station maintain such ultimate control.

Based upon Hartford experience, it is reasonable to assume that the participating broadcast station, either separately or jointly with the franchise holder, will make arrangements with various program distributors, such as motion picture companies, producers of Broadway plays, sporting events, etc., for the procurement of programs of box-office quality. The broadcast station will share in the ultimate program receipts with the program producer and the subscription franchise holder upon a basis to be reached by private negotiation. Such divisions of income may take various forms, such as a mutually agreed upon division of fixed percentages of gross among the franchise holder, the program distributor and the television station. In other cases, the franchise holder and the television station may join together in a cooperative effort to obtain subscription program product from program distributors, with the revenues over and above program costs to be divided between the franchise holder and the station on a mutually agreed basis. Finally, particularly at the outset of nationwide subscription operations where it may be necessary for a prospective franchise operator to induce parties to construct new television stations to broadcast subscription television programs, the franchise holder may agree to buy time from the television station at a so-called subscription card rate and the station will broadcast programs supplied by the franchise holder in a manner somewhat similar to the methods now followed by networks and their television station affiliates.