

There is little point, consequently, in analyzing the projections in detail. They have no greater validity than similar calculations offered to the Commission in 1954. They cannot be tested or measured any more now than they were then.

One point is of academic interest -- the assertion (p. 27) that program producers and distributors will be paid 35% of the total subscriber program expenditure; that this is based on the Hartford experience; and that "It also conforms to the percentage which motion picture producers and distributors, with a few exceptions, have traditionally charged motion picture theaters." If this is the purchase price, it will guarantee little more than the programming that failed in Hartford and a consequent 0.6% rather than 10%-50% penetration.

Exhibitors compete with each other for the purchase of film. Quality product will bring as high as 90% for first-run exhibition in New York or Los Angeles. "Front" money or a guarantee to the producer is also a frequent prerequisite to securing top product. First quality films frequently pay 50% or more even for subsequent neighborhood runs ("Who's Afraid of Virginia Woolf?"). Theater television can anticipate paying 50%-60% of the gross.

The economics of theater distribution result in product being sold where it will produce the highest return. Pay-TV is competing for product not only with exhibitors but with free television. The proponents notwithstanding, free television has demonstrated that it is capable of paying two million dollars for the right to telecast "Bridge on the River Kwai" twice -- one million dollars per showing. The recent film acquisitions which were adverted to earlier demonstrate that this was not an isolated instance. The cost-per-listener economics of free television are not nearly as limited as the Pay-TV proponents have asserted.