

facilities, perhaps only in the UHF portion of the spectrum. It is clear that until resolution of the very important policy issues, Pay-TV operations based in substantial part on use of broadcast signals is inappropriate.

The Commission further stated at Paragraph 153 that Congressional consideration of Pay-TV in conjunction with CATV was "particularly called for." The Commission stated (2 F.C.C.2d at 787):

We believe that congressional consideration of Pay-TV aspects of CATV is particularly called for. For the reason stated in pars. 128-129, we shall urge that Congress prohibit the origination of program or other material by a CATV system, with such limitations or expectations as are deemed appropriate. A hybrid CATV-Pay-TV operation would be based, in an integral and substantial fashion, on use of broadcast signals, and such use of the broadcast industries signals would appear to be both inequitable and inconsistent with the public interest. It is inequitable because it is clearly unfair to use the broadcast industries product as a basis for wire Pay-TV operation which could adversely effect that industry or indeed supplant it. More important, were wire Pay-TV to supplant "free" television broadcast service, it would be inconsistent with the public interest, since it would mean that the public would receive, at least in part, the same service it now does, but for a fee. Finally, we are considering petition seeking the authorization of Pay-TV in the broadcast spectrum.

Despite the above statements reflecting the Commission's concern over joint CATV-Pay-TV operation, it may be that CATV systems will nonetheless enter into the Pay-TV field. For instance, if the Commission rigorously prohibits the importation of "distant" broadcast television signals by CATV systems into the larger markets, such systems may be required to look elsewhere for program sources in order to attract subscribers and compete with existing off-the-air television service. Much of the Commission's CATV regulation has been bottomed upon