penetration, it could gain sufficient revenue to start the "snowball" rolling. For example, a local free television station is tied to cost-per-thousand economics. Based upon information available to MST, the national average station rate for prime time is $3 per minute per 1000 homes. Therefore, an hour long program delivering 100,000 homes and containing 10 commercial minutes is, on the average, worth $3,000 to a commercial advertiser. On the other hand, any STV operation, even at its inception, enjoys "box office" economics, it "sells" programs to an audience and not time to an advertiser. Even if the STV station has only 5000 or 6000 subscribers tuning in a program that sells for $1, it could outbid free television for that program.

Once begun, the potential revenues of STV are almost unlimited. The STV Report has very conservatively estimated that STV penetration would be approximately 10 percent to 20 percent.[19] On the STV Report's figures, there is a potential for STV being authorized in markets constituting 80 percent of the nation's television homes or 45,100,000 television homes.[20] At the 20 percent penetration rate, this would give nationwide STV a conservative total potential of approximately 9,000,000 subscribers, or 16 percent of the total television homes. Assuming only this level of penetration and the Report's low projected revenue of $105 a year for each subscribing home, this would give STV at least potential annual revenues of $945,000,000[21] Of this, between $545 million and $630 million would be merely annual *program* revenue. ($65–$70 per year from each subscribing home.)

The STV proponents estimate that 35 percent of annual program revenue must go to pay program acquisition costs; no reason is given why this should not be 35 percent of all revenue. However, even using this conservative estimate, STV would have a potential of between $190,750,000 and $220,500,000 available each year with which to purchase programs. It must be pointed out that all of these figures are low. Once STV began to snowball, the penetration rate could rise to 50 percent or more. Moreover, the 35 percent estimate is largely meaningless. As the STV Report appreciates, if more than the 35 percent expenditure is required to purchase programming that would attract a large number of viewers as some parties believe, STV operators would pay more for the program and "could charge more for the better product."[22] In practice, once STV began to snowball, the amount available to STV operators for the acquisition of programming is limited only by what their subscribers would be willing to pay.

Throughout the STV Report, great reliance is placed on what is described as the "healthy competition" between STV and free television that would result to the benefit of all concerned. But, the benefits of this competition are illusory because free television would not be in a position to compete effectively with STV. In the first place the "box office" economics of STV, when matched with the cost-per-thousand economics of free television, would give STV enormous financial leverage with which to dominate program procurement both locally and nationally. In the second place, under the proposed rules, STV operations are not required to telecast the costly news, public affairs and other public service programs that are expected of free television and which free television provides in the public interest. Competition between free television and STV could have seriously deleterious effects if free television had to reduce its costly public service programming.

In its initial Comments, MST showed that the financial resources derived from STV operations would not be used to aid marginal, free broadcast stations, largely UHF, because STV would be competing with free television for station time (even on the same station), audience, programming and talent. Even if we were to accept the somewhat dubious proposition that the revenues derived from STV operations would be used to strengthen free operations on the station, there would be only one healthy UHF station in the market; the STV–UHF station. The stations that did not have the STV authorization would be severely injured by the one station with STV.

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[19] STV Report, ¶ 149, at 52.

[20] STV Report, n. 37, at 51. ARB estimates that there will be approximately 56,375,000 television homes by December 31, 1967. *Broadcasting*, August 7, 1967, p. 57.

[21] This is close to half of the $2.2 billion figure which represents the total 1966 broadcast revenues of all three national commercial television networks, *and* their 15 owned and operated stations *and* all 593 other commercial television stations in the United States. *See* FCC's TV Broadcast Financial Data—1966, August 25, 1967.

[22] STV Report, ¶ 73.