the networks out of their 20 years of complacency. Such competition is healthy and in the public interest.

The opponents of STV have done their utmost to create confusion and to mislead the public and occasionally the legislators by advancing totally unfounded, spurious arguments against Pay-TV. The basic anti-STV claims are:

a. There is a shortage of spectrum space.

b. There will be a siphoning of programs and talent from conventional or advertiser-financed TV.

c. There will be pre-emption of free air time.

d. The underprivileged cannot afford Pay-TV.

Cold facts and hard figures belie each and every one of these claims.

There is no shortage of spectrum-space in the UHF part of the spectrum. Many of the UHF construction permits are still lying idle—and in some of the major markets. Even affluent grantees are trying to delay putting the stations on the air as long as possible. Harcourt, Brace & Co., the well known publishers, withdrew altogether from the privilege of losing millions in the UHF field. Quite a number of UHF operators are losing money, many are continuing operations in the hope of selling their respective stations to prosperous major companies, who are able to utilize the tax loss.

How about siphoning?

It is high time to explode the bogy of siphoning. Let's consider the economics. Let's assume the most optimistic Pay-TV penetration of approximately 20% of the present 55 million homes, or say 10 million homes. It will take a decade to reach a 20% penetration. Let's assume that one-half of Pay-TV homes or say 5 million homes will be paying on the average $2 a week for programs and equipment leasing charges, or $100 a year. I am using the Hartford figures. This will provide, within 10 years, an annual Pay-TV gross of $500 million. At say $2.50 a week, or $1.30 a year, the gross will amount to $650 million a year. But—ten years from now the gross of conventional advertiser-financed TV, would rise—according to a recent statement by Mr. Walter D. Scott, Chairman of NBC, to $6.5 billion, or exactly ten times the amount of the most optimistic forecast of pay-TV annual take. Is it not logical to assume that the purchasing power of $6½ billion for programs and for talent will dwarf that of $650 million? It may not be inappropriate to mention that the nation's telecasters grossed last year $2.2 billion with pre-tax profits of $492.9 millions. The profits accumulated by the telecasters during the last 20 years of their deadhead monopoly of the public airways provide an extraordinary cushion, which will more than enable them to outbid any offers from the fledgling Pay-TV industry for programs. In light of the above—any assertion that conventional TV needs protection is ludicrous!

The networks are now rapidly invading the field of movie production. Mr. Otto Preminger stated yesterday that he does not agree with the decision of the Motion Picture Producers Association to make representations to the Department of Justice, with a view to preventing the incursion of the networks into movie production. Mr. Preminger welcomed competition in this field as well, as a basic tenet of the American free enterprise system. A CBS–MGM production deal was reported last week, according to which a number of movies will be made for theatrical release and later for network showing. CBS will pay to MGM between $700,000 and $900,000 per picture. It is assumed in the case of Pay-TV that on the average one-third of every Pay-TV dollar will go towards the cost of production. With a $700,000 tab, the gross Pay-TV take will have to be $2,100,000. Taking the price charged in Hartford, in respect to the bulk of the STV programs, namely $1.50 for the entire family, it will require 1,400,000 Pay-TV homes to sustain a movie of that cost. But since on the average no more than one-half of the Pay-TV homes will tune into a given program, it will require 2,800,000 Pay-TV homes to gross $2,100,000. 2,800,000 represents approximately 5.80% penetration of the present TV homes. And I venture to say it will take probably 4–5 years for Pay-TV to reach such a penetration. At $100 per annum, the gross Pay-TV take from 2,800,000 subscribers will amount to $2,800,000, but by that time advertiser-financed TV will be grossing probably 3½–4 billion dollars, with a purchasing power exceeding 12–14 times that of Pay–TV.

CBS has also announced a far more ambitious $21,000,000 production deal with Jack Lemmon and the average cost per movie is expected to be $2.9 million, with Jack Lemmon getting $1 million guarantee per picture against 10% rentals. With the customary overhead added on, each picture has to bring a minimum of