

Mr. SAGALL. I refer in my statement to the effect that a great deal of confusion has been introduced into the subject of pay TV by the opponents and indeed many misleading statements. I think I would like to start with the projection given to us just before I came to this table.

On page 9 of the statement of the Association of Maximum Service Telecasters it is stated:

Even based upon the revenue figures derived from the Hartford failure, nationwide pay TV could easily have annual revenues of \$1 billion, and this with only 16-percent penetration of the United States television homes.

Now I engaged in some simple arithmetic. A 16-percent penetration would mean 8,800,000 homes and with each contributing a total of \$104 a year, \$65 in program charges and \$39 in equipment leasing and maintenance charges—as in Hartford—the gross would be \$915,200,000.

This would, however mean 100-percent rating. It would mean that every one of the homes, each of the 8,800,000 pay TV homes in the United States, would be willing to pay a total of \$104 a year. But this is perfectly ridiculous.

We would all be very happy—and I think the Hartford figures prove it—if on the average 50 percent of the pay TV homes will pay \$104 a year—50 percent. In this way you can immediately halve the figures introduced by AMST just before.

It would mean, not \$1 billion annual revenue from pay TV, but half a billion dollars. A little later the AMST statement says that one can project program revenues alone from a moderately successful nationwide pay TV system of at least \$1.1 billion by adding \$1.25 more a week. That means adding \$65 a year. That means doubling the figures received in Hartford from program fees.

Instead of the present Hartford figure of \$65 this statement visualizes \$130 in program charges. But I believe even more misleading it is when you come to read further that —

Of these \$1 billion, pay TV program revenues alone of at least \$550 to \$630 million would almost equal the total program expenditures for the three commercial networks in 1966.

The average dollar that will be brought in by any pay TV operator will allocate no more than one-third of the gross receipts for programs. Therefore, the actual figure should be no more than \$330 million out of a billion dollars, or, if based on a 50 percent rating, as in Hartford, no more than \$160 million out of half a billion dollars.

I need not go into any further examination of the AMST statement.

Now, Mr. Chairman, you just said there must be something wrong with free television if there is a movement toward pay TV.

I would like to quote one sentence from my statement to the House Commerce Committee made 10 years ago:

The whole conception of Pay-TV is a natural result of dissatisfaction on the part of the American public, with the substandard, low-level anemic programs that they have been offered for so many years.

Some of the purveyors of TV entertainment have been treating the American public as immature children, dumping on the airwaves third-rate material, being only concerned with filling air time.

It is interesting to quote almost 10 years later from an article in the