Mr. SAGALL. I follow you, Mr. Brown. However, there is a big problem in it. Fifteen years ago or so the Commission allocated many frequencies in the UHF part of the spectrum. Some people jumped into them hopefully and the overwhelming majority lost money and they had to go off the air.

Now there are today many markets where there are UHF operators, independents, who are losing money. If pay TV were to be limited to stations not yet on the air today would get an opportunity to have viable stations and those who pioneered and spent millions of dollars in UHF and are still losing money would be deprived of it, there is a danger they would get off the air.

Mr. BROWN. Would you prefer then to see the STV available to everyone in the market? Why the limitation? I am not sure I follow you.

Mr. SAGALL. Mr. Brown, I would say that no affluent operator, no one who is making any money, will want to go now into pay TV. It does require a lot of money to engage in the franchise operation—$2.5 million, maybe $3 million.

Mr. BROWN. I did not understand. No affluent operator will want to go into it.

Mr. SAGALL. Affluent will not, certainly not, not until the success of pay TV is proven over a period of 5 or 10 years, not until some of the pioneers break their bones in the process. I happen to be a pioneer somewhat. I don't happen to have the resources of some of my major competitors ,and it is a very hard task to be pioneering. Therefore, the same would apply to the UHF operators.

Let me give you an example that right now in New York there is one construction permit and they are trying to sit it out as long as possible on the construction permit.

All the people, even major companies who have the means, are trying to sit as long as possible on the construction permits.

New York has one construction permit and it may be a year or two before the station will be on the air. There are two others which are losing money, UHF. One is privately owned, the other one is the city of New York owned, station 31. Its cost of operation is $1.1 million a year.

The taxpayers of New York City are worried. Very few people are tuning in to that channel. It is quite possible if pay TV is authorized the New York municipal authorities may want to use it part time. Chicago has two stations which are losing a lot of money. There is also a construction permit and the grantees are trying to delay going on the air as long as possible. I have information on the situation in other major markets.

Mr. BROWN. I accept the principle that drowning men clutch at straws. So maybe a station that is losing money will look at STV and decide that that is the way out and invest in it. But it seems to me that the person who does the investing will invest on the basis of one reason or another of all the arguments that we have heard, that there is a great deal of demand or there is no demand.

You have modified the statement of the gentleman who preceded you, Mr. Lindow, to the extent that you think there will be some failures.