

(The following material was submitted for the record:)

STATEMENT OF KAISER BROADCASTING CORP.

Kaiser Broadcasting Corporation has a vital stake in the future of advertiser-supported television broadcasting. It now operates or is constructing four UHF television stations: **KHJK-TV**, San Francisco (request for call letter change to **KBHK-TV** pending); **KMTW-TV**, Corona (serving Los Angeles); **WKBD-TV**, Detroit; and **WKBS-TV**, Burlington (serving Philadelphia). In addition, it holds 50% interests in UHF Stations **WAFT-TV**, Cleveland (request for call letter change to **WKBF-TV** pending) and **WKBG-TV**, Cambridge (serving Boston). Moreover, Kaiser is considering the establishment of an advertiser-supported network, utilizing these stations as a nucleus.

If we believed that subscription television would destroy the advertiser-supported system, we would have every reason to oppose it. However, we have considerable confidence in the vigor and health of the advertiser-supported system. Our decision to invest large sums in television broadcasting rests essentially on that confidence. Moreover, we believe that carefully designed subscription television operations, of the kind represented by the **TECO** system, can offer new sources of programming and revenues to the television industry, and new program services to the public, without impairing in any way the vitality of advertiser-supported television. Accordingly, Kaiser Broadcasting Corporation has obtained an option to acquire a franchise for the use of the **TECO** system in the Los Angeles area.

More generally, Kaiser firmly believes that the public will be best served if new ideas are given a reasonable chance to prove their worth. The concept of subscription television has been subjected to exhaustive scrutiny by the Congress, the Federal Communications Commission, and the governments and courts of several states over a period of years. No one now proposes that responsible government authorities should close their eyes and permit subscription television operations to proceed on any uncontrolled, unscrutinized basis. The only issue is whether an idea which is still alive after so much study should be given an opportunity—free from artificial and unnecessary restrictions—to show in practice whether it can produce the public benefits that are claimed for it. We think subscription television has earned a right to that chance.

STATEMENT OF LAWRENCE H. ROGERS II, PRESIDENT, TAFT BROADCASTING CO.

Gentlemen, I appreciate the opportunity the Subcommittee has given me to share with you my thoughts on the serious problem of Pay TV. You have heard a great deal of testimony about numerous facets of that problem. I would like to focus on one facet which, in my judgment, is of controlling significance.

Pay TV forces vigorously contend that Congress and the Commission should let the people decide whether or not Pay TV is in the public interest by letting Pay TV freely compete with free TV. This invocation of the tenets free competition is chimerical and deceptive.

"Market determination," "consumer dollar voting" and "competition rather than regulation" are not barren shibboleths. They describe free enterprise—the American way. I believe in them, Taft believes in them and, I have no doubt, the members of this Subcommittee believe in them. Regulation is no substitute for competition. Regulation is appropriate only where competition cannot function.

That is the case here. Contrary to what Pay TV advocates would have us believe, the relevant arena of competition is *not* the competition between Pay TV and free television for audiences. Rather, it is the competition in the television program product market between free television and Pay TV for advertisers' dollars, on the one hand, and the public's dollars on the other.

To illustrate the importance of this fact, assume that a nationwide system of Pay TV is permitted to come into existence and achieve the modest penetration of 15%. A first run film comes onto the market for television exhibition. Pay TV can show it in 7.5 million homes if it charges \$1.00, yielding a gross revenue of \$7.5 million. It therefore bids \$5 million, knowing that, at that price, it can make a 50% profit.

No advertiser or group of advertisers, however, are willing to pay that much. For, based on their realistic estimates of the markets for the products which