

its local systems. "We should be good citizens of our communities—stable, thoughtful and determined to put back into our communities as much as we take out." Don't think of those connections as "subscribers, but customers," Ritchie advised.

Remarking that those who forget history are doomed to repeat it, Ritchie said cable should remember "the mistakes that the broadcasters made in dealing with cable, so that when we face some of the other possible pioneers of tomorrow—the low-power stations, the DBS channels and

all the others—we will not discover, too late, that we've merely repeated with slight variations those same mistakes committed by those broadcasters."

Ritchie identified four principal problems the cable industry now faces. "We can't be seen as a local utility," Ritchie said, or "politicians will attempt to regulate us." And he emphasized the need for better marketing, saying the industry needed better sales training, better billing procedures and better pay scales to keep employees happy. As the industry shifts from hardware-based to service-based, at-

tention must be paid to customer service, he said.

Moreover, Ritchie said the industry needs to clean up the negative image surrounding tainted franchise awards. "Politics and promises have drained the good-will" of the local communities that cable has set out to serve, he said. Finally, Ritchie said the industry needs quality programming to survive. He drew an analogy to the American auto industry and the lesson it learned when better made and cheaper products were introduced from overseas.

## AFTER THE REALIZATION, THE ALARM

# Cable industry mounting counterattack on CRT

### There's major speculation over possible cutbacks in carriage of superstations as result of last month's rise in compulsory license fee

National Cable Television Association President Tom Wheeler led the charge last week at the Western Cable Show against the Copyright Royalty Tribunal's decision to increase rates (representing a 375% increase to the cable industry) by announcing the NCTA was appealing the decision and asking for a stay on fee implementation until a final judgment in the case. The stay, Wheeler said, was needed to give operators time "to rebalance the mix of distant signals" they will use.

Wheeler asked cable operators to sign affidavits detailing the harm the rate increase will mean to operators and the general public. And he used the opportunity to ask the National Association of Broadcasters to join in filing an appeal to the CRT decision. To Wheeler, independent television stations have much to lose, since the new rates may mean many "local" distant signals may be dropped, causing independents to lose audience. To that end, Wheeler, citing the new spirit of cooperation between the newly elected NAB President Edward Fritts and the NCTA in reaching a copyright compromise, invited the NAB "on behalf of the independent TV stations to join with us to challenge the CRT decision."

However the NAB is "basically pleased," with the decision, said Erwin Krasnow, senior vice president and general counsel. Krasnow noted that if the groups unite, it should be to continue their joint efforts in working for passage of the cable copyright bill, H.R. 5949, in the Senate. That measure he said, would provide the procedures by which the CRT can make copyright rulings in the future.

Krasnow said the association would look into the impact of the rate hike on UHF stations, but the NAB views the tribunal's decision as an important victory.

Fritz Attaway, vice president and counsel for the Motion Picture Association of America (the MPAA joined NAB in asking for an increase), said the odds

were against MPAA making an appeal, but that no final decision had been made.

The MPAA and NAB were joined by copyright holders and sports organizations in asking the CRT last June for a rate hike due to elimination of the FCC's distant-signal rules and syndicated exclusivity rules.

The new rate was set at 3.7%, about eight to 16 times higher than the current rate, which is less than 1% for each distant signal equivalent, and ranges down to two-tenths of 1%. The value of a distant signal equivalent varies according to whether the station is a network affiliate, independent or noncommercial. The rate goes into effect Jan. 1, 1983.

Cable operators are not alone in their dislike for the increased rates. Turner Broadcasting has pledged to participate in the appeal.

Bob Ross, vice president and general counsel for Turner, said the CRT ignored substantial evidence that copyright owners are already being compensated through free-market bargaining.

Ross pointed out that superstations like WTBS(TV) Atlanta and WOR-TV New York, may not be the only stations dropped by

cable systems, which don't want to pay increased rates for distant signals. He predicted that UHF stations categorized as new distant signals, and thus subject to the new rates, might be dropped.

Although the increase could cost large MSO's millions of dollars a year, it may be the superstations that suffer most as the operators drop their signals in various systems to limit their copyright liability.

But the superstations' loss could be the other advertiser-supported cable services' gain as operators look for replacements for their deleted signals.

The fees were raised last month by the Copyright Royalty Tribunal in an effort to offset for program suppliers the effects of the FCC's dropping in 1980 of rules that limited the number of distant signals a cable system could carry and that required operators to black out programs on distant signals for which a local broadcaster had exclusive rights (BROADCASTING, Oct. 25).

At a Monday morning session, two cable marketers agreed the CRT's action would have a severe impact on the industry. Gary S. Bryson, vice president, marketing, American Television & Communications, called it "a million-dollar hit" that could cost ATC more than a dollar a subscriber if it takes no counteraction. And Larry Miles, senior vice president marketing and programming, Times Mirror Cable Television, said that it "could bankrupt some of the major market builds" that are committed to carry numerous distant signals.

Bryson and Miles said they would begin to evaluate the impact of the decision and possible responses to it on a system-by-system basis. And although they said they would consider raising rates in some markets to offset the increased license fees, both admitted that some signals, including superstations, would probably have to go in some systems. Neither was confident he would invariably make the right decision, noting there was little time to do proper analysis. The new rates become effective Jan. 1.

Despite the gloom of the marketers, Roy Bliss, head of United Video, which distributes superstation WGN-TV Chicago,



Wheeler