

SPECIAL MEETING OF THE CITY COUNCIL
OF THE CITY OF SAN ANTONIO HELD IN
THE COUNCIL CHAMBER, CITY HALL, ON
WEDNESDAY, SEPTEMBER 5, 1973.

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The meeting was called to order at 9:00 A. M., by the presiding officer, Mayor Charles L. Becker, with the following members present: SAN MARTIN, BECKER, BLACK, MORTON, BECKMANN, PADILLA, MENDOZA, LACY; Absent: COCKRELL.

73-47 The following conversation took place:

MAYOR CHARLES L. BECKER: I have some announcements, if I may, for those that might be interested. The Transit meeting that was scheduled Friday, September 7th, with the Transit System has been postponed to Friday, September 14th at 9:00 A. M. here just like it was originally. Replacing that meeting will be an informal session to be held with Mr. Mills Cox, who is the appointed head of the La Vaca Gathering System. He will be in town Friday, which is September 7th, and we will meet with that gentleman in Room 25 at the Convention Center at 10:00 A. M., Friday, September 7th. He is going to have a question and answer as well as a paper to present regarding the availability of gas, what it takes to get it and a few little incidental things like that. It is something that should be important and interesting to the citizenry. If we run out of space in that room, we can move into larger quarters over there.

Now, as far as this Cable TV meeting is concerned, this is a resumption of the hearing that was recessed on June 21, 1973, according to the information that I am given here, which is quite a recess. You would think everyone would be fully rested by then, but I don't think we are. Anyway, the hearing will begin with a preliminary discussion by General Electric Cablevision, Mr. Reid Shaw, President. And then be followed by Mr. Lucius Moore, of Austin, if Mr. Moore is in the audience. I don't know whether he is or not. This gentleman has asked to be heard. Then the citizens' Ad-Hoc Committee will then present their report, which will be followed by Mr. Tom Edwards, Supervisor of Public Utilities for the City. Then the citizens who have signed up to be heard will be given an opportunity to voice their views on all this, so without any further ado, we will start with the General Electric people, and Paul, would either you or Mr. Shaw.

Again, let me apologize for not getting us started on time. We have illness among some of the Council members' families and various emergencies have arisen. Yes sir, how are you this morning?

MR. REID SHAW: Fine, thank you sir. Mr. Mayor and members of the Council, my name is Reid Shaw, and I am President of the General Electric Broadcasting Company. It is my intention to be very brief this morning because there is little if anything that I could add to the several presentations that my associates have made to you over the past months concerning our plans for the nation's largest Cable Television system to be built here in San Antonio, Texas. The points that we have made are simple and straightforward. General Electric Cablevision stands ready to build and operate a showcase Cable Television system utilizing the very latest state of the art and technology here in San Antonio. Our over 50 years of experience in the broadcasting industry added to our years of experience in the Cable Television business provide us, we believe, with the know-how and the resources to do the kind of

September 5, 1973

-1-

e1

programming job, that we feel that you want done in the interest of the people of this city. Third, the General Electric Company has the resources to provide the \$24 million or so that will be required to construct this system. Fourth, General Electric Company, because it is General Electric Company simply cannot afford to do anything but a first class job here or to provide the people of the city of San Antonio with anything less than the very best in the way of Cable services. Fifth, General Electric Cablevision Corporation does and can offer the City a greater revenue potential than any other company could through our committed 7.5% fee versus the 5% maximum that the City could get from any other cable company. This would be a difference, as we pointed out to you all before, of around \$220,000 per year in revenue to the City in a mature system. Sixth, we have made a sizeable investment in time and money here in San Antonio, in planning, designing, strand mapping, make-ready engineering, program planning, and the like. We have a considerable headstart in that regard.

Now, let me enlarge briefly on a couple of these points if I may. First, with respect to General Electric's experience and qualifications to operate a cable system here. The San Antonio system will be our twelfth cable television system. We currently serve over 70,000 subscribers, more than twice as many as we did just 18 months ago. We are currently constructing systems number ten and eleven in Wyoming, Michigan and Peoria, Illinois. We do in our systems far more local originated programming than is required or may be required by law. In our Decatur system, for example, we are doing about 120 hours per week, and we believe in local programming as a very keen integral part of a cable service. We will be serving somewhere over three hundred thousand subscribers in a very few years. One third of them will be right here in San Antonio.

We do not plan to spread ourselves too thin. We wrote to you recently, Mr. Mayor, concerning the fact that we had withdrawn the franchise applications in several communities. We plan to build the system here in San Antonio, to build one more in Grand Rapids, Michigan and that's it. We will concentrate our efforts here, and with one third of our total subscribers here I think it is clear just how important San Antonio will be to our total effort.

We have, as I mentioned earlier, considerable experience in the programming business. We own and operate television stations in Albany, New York, Nashville, Tennessee, Denver, Colorado. We own and operate seven radio stations in those cities plus Boston, Massachusetts, the acquisition of an eighth station in San Francisco, California now pends before the commission. In addition, we own and manage Tomorrow Entertainment, Inc., which is a subsidiary on which I serve on the Board of Directors, which is in the business of producing feature films for theatrical release, feature films for television, and which owns and manages the (inaudible) organization, which I am sure many of you are familiar with as the largest entrepreneurial booking agency for the (inaudible) and a number of artists of that caliber. I mention this only to point out that all of these resources will be available to the management of our San Antonio System.

Over a year ago, we opened our offices here, appointed a project manager, Paul Dodge, for the San Antonio Cable Project. I instructed Mr. Dodge to provide the City Council and your very capable City staff with the very fullest information as to our plans for the system here. I am informed that Mr. Dodge has done so. I have seen, of course, copies of the written material that he has submitted to you all. He has provided investment projections, system design program

September 5, 1973

-2-

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services plan, and, I believe, attempted to give you full information with respect to any question that you all have raised. In addition, Mr. Dodge and his associate, Mr. Anderson, have addressed some sixty community groups in an effort to better understand the needs, the interests, and the concerns of the people of San Antonio, and to tell these people of the plans that we have for the cable system here. I might add that we look forward to doing more of this in the future and, I believe, certainly would welcome the suggestions of any individual or group in the community as to how we might best serve the City.

I can't claim to be a Texan and I'm not even an honorary one, but my company, General Electric, is certainly no stranger to Texas. We have over 5,000 employees in the state. We have been doing business in our offices here in San Antonio since before the turn of the century, and, of course, we were one of the major industrial exhibitors at your HemisFair back in 1968. I may be a foreigner, but my company certainly is not. We look forward to another long, mutually profitable association here in San Antonio, a beneficial relationship with your City and with the people and we want nothing more than to get started with it as soon as we can. We are ready when you are. We hope to see the green light soon, and if the stakes are high for you, certainly the stakes are high for us. For the City, the Cable system at maturity over the period of the franchise will provide some \$17 million in revenue. For us, it means an investment of \$24 million, which is a lot of money. We have the interest. We have support of our company for this project. We're happy and I'm happy to have had the opportunity to appear here today. I think all of the information we can give you, we have given you and everything is out on the table just the way it should be, and I congratulate you for the fairness for which you and your City staff have approached this matter. And for the openness with which you have approached it. This is the way it should be done. We await your decision.

MAYOR BECKER: Thank you sir. Anyone have any questions for Mr. Shaw?

DR. JOSE SAN MARTIN: Yes, Mr. Mayor. I would like to ask some questions to Mr. Shaw and I'm not specifically concentrating on GE. I think Communications Properties and (inaudible), I will ask them to address themselves to this point that I'm going to make. I've been waiting for three months now to hear what a cable franchise would do in the local area. I believe that San Antonio is just slightly different from some other areas, say, such as Dallas and Houston. I specifically refer to the 50% Spanish-speaking population which, for many years, have been served very, very adequately and with a tremendous amount of initiative and capital risking by our local television station--Channel 41. They struggled through many years of money losing operation because in those days television sets did not have a UHF channel built in...you had to buy a converter. Yet the pioneers of that enterprise, they just hung on and hung on until they finally made one the finest area Spanish-speaking television set-ups that you can find in the United States. Now, for three months of sitting through these hearings and having input from everybody, I still haven't seen anybody address himself to what effect it would have in our local area here. I say this for the simple reason that I would like to know from all of the proponents of this franchise what they intend to do as far as the Spanish-speaking program is concerned. Now, you know that, and correct me if I'm wrong, that you can pick up signals out of, say, for instance, out of Mexico City stations. As long as you pick them up on this side of the border you don't have to worry about anything, in fact, you don't even have to pay anybody anything for picking up those signals. Along the border,

September 5, 1973
el

-3-

say, Del Rio, Laredo, the Valley, those signals are picked up, then they're channeled through their cable channel in direct competition with an already established Spanish-speaking station like Channel 41 here in San Antonio, which has to pay for every bit of its programming in direct competition with cable TV which does not have to pay. Now, some people have referred to this as piracy of the air waves because they can pick up these signals and then just put them in direct competition with an organization that, I feel, has served 50% of our people very, very adequately. I'm just worried that no one yet, whether it is GE or any of the others, have even mentioned what effect it would have on the sound, local operation which has adequately met the needs of 50% which have picked up a tremendous following. It has a high rating as far as prime time is concerned and no one has said anything about it. So I'm going to ask you and CPI and Expo-Cable to give us what you think can be done. Now I realize that under FCC regulations, there is some things that locally the City government cannot do anything about it. But I think in the interest of fair play, we should hear what proponents have to say on this point.

MR. SHAW: Right. We're very familiar with the operation of the UHF station here, which is, I think, a rather recent Bookings Institute study that mentioned that the station in San Diego is one of the most popular UHF independent stations in the country. We believe that the cable system will help rather than hinder this. We have proposed to import no signal from, I'm sorry, from Mexico. We have proposed to import two stations from Fort Worth-Dallas and one station from Houston. We have proposed, as you know, one local origination channel that would be Spanish-speaking and that I think again would add to the service to the Spanish-speaking people of the community rather than detract from the success of the UHF station. As a matter of fact, I think, having the UHF station signal on the cable will make the signal more broadly available at a higher quality than it is available now. I do not honestly believe that the existence of the cable system here is going to have an adverse impact upon that UHF independent.

DR. SAN MARTIN: It won't have an adverse impact if you work with them but if you start picking up signals out of Mexico City channels, especially, Channel 2 and 4, it will have because those signals would come into your system and into the San Antonio cable system at absolutely no cost to anybody whereas Channel 41 has to pay a tremendous sum of money every day for the programming that it gives the citizens of San Antonio. Now, I don't see...I realize that perhaps under the present FCC regulations, we cannot in any way, shape, or form require you to put anything in writing to that effect. But I would like to know if you have contacted the management of these various independent stations and what assurances, if any, have been given that the purpose of GE cable TV is not to see them go down the drain but rather to enhance, and as far as I know, no effort has been made and no one, Paul Dodge, has not said this. You never mentioned anything about distant signals from Mexico City, Paul, let me finish please. I realize that on the regulations of FCC you don't have to give us anything in the way of assurances in writing. But I certainly feel that the City Council has a moral obligation to protect the interests of a local enterprise which for many years has struggled through money-losing years until it finally has become perhaps the outstanding, if not the best. I know there's one in Los Angeles, there's one in New York, but certainly one of the finest independent stations which has served the area absolutely magnificently and I'm not saying...I don't have any stock in that company and I'm just saying from the citizens of San Antonio how well they have served their 50% of our community which is strictly Spanish-speaking.

September 5, 1973

-4-

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MR. SHAW: I appreciate your concern, sir, and all I can say again is that we have not proposed and do not propose to import signals from Mexico.

DR. SAN MARTIN: We cannot require that in writing, can we...under FCC regulations.

MR. SHAW: I think not but I certainly would check with Coll on that.

MR. ROBERT COLL: My name is Robert Coll. (Mr. Coll spoke from the rear of the room and was inaudible).

MR. PAUL DODGE: Dr. San Martin, I would like to record about a luncheon meeting that I had last winter with Mr. Nicholas on this very subject. We shared the common concern, the dilemma of not wanting to damage his organization from a business point of view and simultaneously trying to bring more Spanish language programming to the citizens of San Antonio. We didn't arrive at any answer to that but I did want you to know that although I had not reported it to the City Council, we had had such a discussion and we decided that, as you know, that at least at this time we have no plans for importing any other Spanish language signals although we do have plans as you know for a local origination channels in Spanish because we feel that if the citizens of San Antonio need more Spanish language programming than they are receiving now. Even though Channel 41 will get, as Mr. Shaw pointed out, considerably more and better coverage once it's on cable.

DR. SAN MARTIN: I realize that. I mean, I just was concerned with the fact that here before this Council is that it had never been brought out.

MAYOR BECKER: Any further questions for Mr. Shaw? Mr. Shaw, I'd like to ask you one other thing. There has been much said about the 7½% franchise fee and the fact that this Federal Communications Commission doesn't permit that high a fee any longer and if they act upon the contract that San Antonio might possibly have with General Electric that they could cause that franchise fee to change from 7½% to some lower figures to diminish it to some considerable extent. That has been batted around back and forth up here till the world's level...Mr. Coll has attempted to answer on any number of occasions and it is not that he hasn't done an excellent job of serving as representative of General Electric Company, it is merely that there has been conflicting reports that he has had to deal with. Now, are you in a position to say that were San Antonio to engage or enter into this contract with General Electric, that this 7½% franchise figure would remain inviolate. That it would be a constant something that would not be changed, even by the Federal Communications Commission or the government or whatever regulatory power?

MR. SHAW: I believe the facts are Mr. Mayor, that we could make that statement in all probability until 1977. At that point in time we believe the commission considered this a Grandfather's contract and subject to the limitation...that in 1977 they would reconsider this. I cannot predict what the Federal Communications will do. I have an unblemished record in that regard, but I do assure you that we would go with you to the commission and ask for a continuation of that arrangement. I consider it likely or possible that they would permit that, but I certainly couldn't give you any iron-clad guarantee as to what the commission would do (inaudible).

MR. COLL: (Inaudible).

MAYOR BECKER: Mr. Coll, I have been advised that the microphones won't pick you up when you are back in that part of the Council chamber. I don't think it is necessary to repeat it, but any further comments, you might come to the podium.

MR. COLL: Yes sir.

MAYOR BECKER: In connection with the 7½% fee, and I hate to be repetitious and repetitive about these things, but I think in this particular hearing we have to be since this is very likely to be, perhaps, the last go around on this thing, I said likely to be. It has been suggested that some arrangement could be made whereby if this fee were diminished from its 7½% present status to some lower figure that we could pick up the revenue that would be due the City in some other form. Now, I appreciate all the implications involved in that. The possibility that you have given the City of San Antonio something that maybe you haven't given other cities, and so forth. Mr. Coll has voiced his opinion on that from time to time also. You can understand though why the Council is still probing. We are looking for that possibility, that likelihood of at least retaining the annual remuneration, contribution you might say, that General Electric would make and if it didn't come in the form of the 7½% fee, it might fall in some other area. We just don't want to take a cut in return. Would you care to make a comment on that?

MR. SHAW: I would comment on that gingerly, Mr. Mayor. I am not an attorney and I am not familiar with how legal or illegal it would be for us to switch the payments into some other form. I will say that the financial forecasts that we have prepared to present to our own board to justify this investment had assumed the payment of 7½% in revenue to the City throughout the period of the franchise. If there is another way to get that done that is legal, moral, and ethical, and proper, we would certainly have no objection to it.

MAYOR BECKER: Mr. Dodge, did you have something that you wanted to remark?

MR. DODGE: I just wanted to recall for the Council, the letter that we wrote to them on this subject where we stated in writing our attempt to try to continue in the event that we did have to reduce the 7½% franchise fee in March of '77. We would try any other legal way of providing additional services or goods in lieu of that equivalent transfer of value to the City and even possible discussion of possible services that might be provided to fill this role, only, of course, if it is legal.

MAYOR BECKER: You know, with all due respect to the situation, and I am not denying the fact that you gentlemen are speaking very honestly and sincerely and very candidly this morning, this City would appreciate having a commitment, something concrete, something that would be binding. It isn't that we don't trust anyone, but it's merely the fact that we feel more secure knowing going in that we are going to get this 7½% either based on the present formula that it is now, or in some substitute type of compensation. I think that is understandable also. Now another thing that has been mentioned here before and has been gone into at great length is the preoccupation that some people have with twenty channels, thirty channels, forty channels, whatever they might be, and what's going to be put on all of those channels? I think it is a very valid point. It doesn't do any good to have twenty, thirty, or forty channels going, if it is all Donald Duck and Porky Pig and reruns on reruns on reruns. What the people really want out of this and this... and this is one reason why we....

I think the primary reason why we formed the committee that was formed was to get the problem down to the people that are really concerned with this. They want educational programming. They want something that has value. Something that is beneficial, either ethically or just generally as far as the humanities are concerned. I wonder really sometimes we have a rather difficult time filling all the time on the channels that we have both national network and the others involved and how on earth we will accommodate the programming on twenty, thirty or forty channels, is almost beyond my powers of scope of imagination. What is the position of General Electric on that and, I say I don't like to be repetitive, but I think this is the time to bring out the policy that the company intends to engage in.

MR. SHAW: Well, we have proposed, Mr. Mayor, a thirty channel system. There are people around proposing sixty channels systems and eighty channel systems which I think is an exercise in absurdity. It is enough of a problem to try and fill up thirty. We have proposed in addition to the broadcast channels we propose six channels for educational use as I recall and Mr. Dodge can correct me if I misspeak, which I may. We think we will have our hands full programming one channel live daily for English language programming, one channel live daily for Spanish programming. We will have automatic channels as well that don't require the effort that show newscasts shown like a teletype machine for constant news service one English, one in Spanish but at this moment we can see our ability to program two local channels. We will make the channels available for groups, individuals who wish to program but I wouldn't stand up here and tell you that we ourselves have got the program material, the creativity to program ten channels all alone. We just don't and neither does anybody else, no matter what they might say. We would welcome any suggestions, as I pointed out in my brief opening remarks, as to the kind of programming that is needed, we would welcome any participation from individuals or groups in the community in presenting that type of programming. As soon as we fill up those thirty channels, if there is a requirement for more service, we will hang up another cable and supply thirty more. The problem, as you very wisely identified, is not whether you have thirty, sixty, or eighty channels, but what on earth you put on them. We think we can do a very good job with two local, live origination channels, and four automatic channels and provide channels and expertise and help to other people. We wish to have the opportunity to use the communication media. I think it would be to a great advantage of this community for us to supply the opportunity for public access that the limited opportunity in commercial broadcasters, of which I'm very familiar, cannot provide. There just isn't time.

MAYOR BECKER: You know it seems to me that if it doesn't provide a real service to the community, regardless of what revenues might be derived from the franchise of whoever cable company, you know, it really is without value. It's valueless. It's just more television on top of more television, it really doesn't present much does it? And if we can expect educational advantages and things like that in the ethnic expressions and so forth, then it has value. But just to bring another amount of number of channels into the City and dump an already crowded programming situation onto the public of little or no import, and I again refer to the cartoon of things like that, actually is a waste of everybody's time, isn't it? It is obviously.

MR. SHAW: Well, sir, with my broadcasting hat on, I can't totally agree with that, but I think you are quite right. Unless the cable system can provide, at which might call narrow casting, programs that are of a special interest to individual groups, smaller groups than

can be served by commercial broadcasters, I would tend to agree this useless. I think in that case it will fall of its own weight. The system can only succeed if people will subscribe to it.

MAYOR BECKER: That's correct.

MR. SHAW: And if it is not providing a useful and valuable service that people perceive they pay for, we are going to have \$24 million of metal laundry line right here in the City.

MAYOR BECKER: May I ask you again? How long did you contemplate what period of time was involved in investing the \$24 million? That was in a time frame of a total of four or five years?

MR. SHAW: Five years.

MAYOR BECKER: Five years. I thought I remembered that correct.

REV. CLAUDE BLACK: Mr. Mayor, I would like to raise some questions. It might be that the questions I raise have already been answered, but I have not shared all of the hearings that have taken place in resolving some of these, and there are some points that I don't understand and would like to be cleared on. Now, in some of the materials that I have read, it appears that we talk about local signals that will be a part of cable tv. we talk about distance signals. What I am really trying to find out is how do you count the 20 or 30 channels? Are you counting-- are these 30 channels that you are talking about involving the community in, are they in addition to the local and distance signals like, for an example, I understand the given in this case is about 13 signals, with about six in San Antonio, about seven in Austin-Fort Worth-Dallas area, and Dallas and this makes about 13 different channels. Now when you talk about 30 channels, are you talking about, in addition to these 13 channels, or are you talking about including these channels? What are we talking about?

MR. SHAW: No, sir, we would be talking about, when we talk about 30 channels, Number one, we would be talking about capacity, channel capacity of the system and it's capable of delivering 30 channels. When we talk about how many of those channels will be used for what, the broadcast signals that are here on the air which we must carry by FCC regulations, the three signals, two from Dallas and one from Houston, that we would import, would be included in the total number of channels that we would present, so that if there are four broadcast signals available here, plus the three that we would import, we would be talking seven here. We are not talking about importing the network stations from Houston or Dallas which would just duplicate what's already coming over the air here from Channel 4 and Channel 5.

REV. BLACK: I notice Austin involves some of the network stations that you are talking about. It has been listed in the material that I have received. Now in addition to this, may I ask...

MR. SHAW: Excuse me Reverend Black. As far as I know, and my associates instruct me, we do not propose to import anything from Austin.

REV. BLACK: All right. Fine. Now, let me ask you this then, In addition to this, how soon do you plan to have those channels available that are not necessarily imported nor a part of the local system? In other words, do I understand that you simply begin with a capacity, but this does not indicate that you have activated all of these at any one time, do you, or how do you develop this system, that's really what I'm asking.

MR. SHAW: The system will be built, I'll start and then my associates who know what we are talking about more than I do, will pick it up. The system will be built in phases. When we turn on phase one...

REV. BLACK: Phase one, let's say it includes the local channels.

MR. SHAW: Well, we would expect to start providing the two local channels, the four automatic channels, we would expect to start providing everything with the opportunity for everything that we are going to provide, when we turn on that first phase...

REV. BLACK: What I'm really after and maybe you can answer this quickly without going through that. What I am really after is, how soon can we expect channels that are available to public use that are not necessarily reproduction of what we already get on commercial channels, that's what I'm really after.

MR. SHAW: The day we turn on the system.

REV. BLACK: The day we turn on the system, the first phase of the system we can expect some educational channels, materials, open to us and this kind of thing.

MR. SHAW: Yes sir.

REV. BLACK: Now, may I raise the question? I have noticed that some of the larger systems are not more than 50,000 subscribers, some of the larger systems. Which means that you could very well have a restricted area in San Antonio and maybe arrive at 50,000 subscribers. So this makes me very concerned about the availability of these services to all areas of the community, because I would not like to see a development take place that would tend to restrict certain areas of the community, and I say this out of a historic sensitivity. Particularly when dealing with any kind of public utility. Now with that in mind, how do you propose to develop this kind of service? What can we expect of it? I know that you have economic interests in this. It's a profit-making business. A tendency to go to the areas where the profit is more available is always there, the temptation is there. But the service is also needed in areas that probably are not quite so affluent. How do you propose to develop the system?

MR. SHAW: Number one, we propose to cover the city, we don't propose to cover half the city and I, for one, would be stunned #1 and fired #2 if we got 60,000 subscribers and let it go at that. We do intend to cover the whole City, as I have indicated, we've got to build 2,100 miles of plans here. That is going to take some time, but we don't intend to leave out any section of the City at all. There is no such intention. Now, if you want details as to which area starts first, I can't give them to you, but perhaps...

REV. BLACK: Has this kind of material been presented to this Council in terms of providing it in writing in terms of process that would take place in the development and time schedule involved in it in terms of phases? Because I have not seen this. It seems to me that once you say that you are technically competent and we expect you to be technically competent, that's a given and once you say that you are going to put on it, as the Mayor said, you know and how are you going to develop it, because this can make a great deal of difference in terms of something as I listen to Dr. San Martin. I think we are talking about some real basic changes in the entertainment field or in the media field in this City, not only affecting the Spanish-speaking stations,

but we are going to affect tremendous changes if this goes over, as I see it, in many other areas of entertainment. Therefore, it is extremely important that we not only know that you know how to put it together, in terms of the wires and all this and pay for it, but that you also know that we have some idea of what you are going to do, what is coming over those wires, once we get it really moving.

MR. SHAW: That is absolutely correct, Reverend Black, because as we all know there is going to be a lot more than just plain entertainment on the system if it comes anywhere near its full potential. If we had our druthers, we would build the whole system instantly and provide the total package of programming instantly. That makes the best sense all the way. Now, the total package of programming can be put together right away. We build our local origination studios so that we can start generating the local origination signals right from day one, the first operational day of the system. It is a physical impossibility to actually string the 2,000 miles of cable instantly, and we fully anticipate that the pacing factor will be the rate at which the make-ready work is done by the utilities. Generally speaking, they have to move some wires around a little bit to make room for ours to hang on the pole. So, it is our intention to develop the plan as fast as the utilities will make ready for us. It is our estimate that this will be all done, we hope, sooner than the five-year period, but let's say overall, we know it is going to be done within the five-year period. Now, we have to make choices as to which parts of the City we are going to build first, which second, which third, simply because we can't build it all at once, and we are well aware of the concern about being sure not to neglect any socio-economic aspects of the community. And, as a matter of fact, our planning, as we have described several times in particularly with the Citizens Advisory Committee, is to build the central region first. One of the biggest reasons we have selected that is that by 1970 census data all central region includes 47.7 percent of all the families that have incomes at or below the poverty level for the City, so we say verbally and there will be no problem about putting it in writing, that we will certainly build this system in an equitable manner as far as social-economic areas of the City are concerned. We will be in front of more than the average percent of low-income comes almost all the way through the entire construction period.

DR. SAN MARTIN: I have some more questions, Mr. Mayor.

MAYOR BECKER: Yes.

DR. SAN MARTIN: Paul, have you reviewed the recommendations of the Ad-Hoc committee already?

MR. DODGE: I have seen the report, Dr. San Martin, yes.

DR. SAN MARTIN: All right, what is your comment on the creation of an advisory commission, and do you have any other instances in your other ten or eleven systems where these commissions have been set up, and what is the experience that you have as to the value of such a commission?

MR. DODGE: Every system needs to have an effective way of getting feedback from the community of ascertainment, it's called in the broadcast side of the business, to try to find out what the preferences of citizens are what they which was or was not on there from the programming point of view. Just about as soon as we hit town last fall, we started contacting individual groups to try to get this kind of informative feedback. I think we welcomed the idea of, if this function can be

performed by a Citizens Advisory Committee which could input advise and counsel to the company or to the City Council, and their opinions on what type of programming, for example, should be carried on the system, we would welcome continuing working with them as we have worked with other groups ever since we got here.

DR. SAN MARTIN: You didn't answer my question as to what experience you have had in other areas.

MR. SHAW: In other systems where we are now operating, there has, to date, been no interest on the part of the community in having a community advisory group. On the broadcast side, if I can speak, because that is an area where we really have had experience with community advisory groups we have them in Schenectady, in Denver and in Nashville, who represent the various ethnic groups in the community and advise us on our programming. To be, I'll be very frank with you, these started with great bursts of enthusiasm and rapidly tail off to nothing, because people just stop coming, and then there was a general loss of interest. We would welcome, as I have indicated, an advisory group particularly with respect to programming, as I have said, we have no monopoly on creativity or on programming ideas. So, we would welcome that kind of help from an organized group if there is the interest in the community in doing it. I think there is more problem in sustaining the community interest in doing it, than there is in our willingness to do it.

DR. SAN MARTIN: Do you have any instances where such a commission is actually funded out of the revenues that the City derives from the franchise. Are any of those commissions actually funded to any extent?

MR. DODGE: I personally know of no such examples, that does not mean that there are not any, and it would be inappropriate for me to comment as to whether or not the City....

DR. SAN MARTIN: I just wanted information if you are aware those things.

MR. DODGE: No, I am not aware of any.

DR. SAN MARTIN: Okay. Another question. Mr. Shaw, is the entire amount of your income derived from subscriber rates only?

MR. SHAW: Yes, as far as I know there may be some way down the line advertising, but it is minimal. But there are many ways you can play this game, sir, you can play it for subscriber revenue or you can try and develop revenues other ways, we have pursued and intend to pursue the strategy of developing our revenues from subscribers.

DR. SAN MARTIN: Well, the reason I ask is that it is a well-known fact in television that you can have a 15-minute movie interrupted 18 or 19 times in 15 minutes for the following message, and they don't say messages they say the following message, and I hate to see Cable TV interrupted 18 times in 15 minutes for such messages. Now, if there is some type of advertising down the line that would be part of your overall gross receipts, is that correct? That would be separate from the subscriber rates?

MR. DODGE: Well, it would be separate from the subscriber rates, but I think you are talking so far down the line that.....

DR. SAN MARTIN: We're talking about a franchise that the City is going to give you only if we don't do it today when this franchise is written, it is not going to help us ten years from now whatever goes

into that franchise is what we are going to have to live with for ten or 15 years, and I am just talking about everything that should be put into there. Now is there income from advertising included in the gross receipt where the City gets 7½ percent?

MR. A. C. BELANGER: My name is A. C. Belanger, and I am Vice-President of Operations for the Corporation. Our franchise, as I recall, does provide the 7½ percent of the total revenue and not restricted to subscriber revenue. Up to now, our advertising revenue from any of our systems where we are doing any local origination has been very, very minimal. It is an area that hasn't developed in capability as yet, for the entire industry, not say that it is going to stay this way, let's say for the length of the franchise. Hopefully, between the year five and the year ten, maybe this will provide another source of revenue for both the operator and the community.

DR. SAN MARTIN: Mr. Reeder, does that have to become a part of the franchise at this point that all sources of income to the franchise holder will be put together for the purpose of determining.....

CITY ATTORNEY CRAWFORD REEDER: It should be in there.

DR. SAN MARTIN: Thank you.

MR. BELANGER: I apologize for my ignorance, and I am glad to have this fellow here.....

DR. SAN MARTIN: Paul, I just have one comment, and I don't mean to be controversial in any way, but I have checked with the people at Channel 41 and they say that you met with them some time ago but that no actual discussion of the things that I mentioned to you were actually put on the table. You just met with the management and that nothing of this kind was discussed.

MR. DODGE: The luncheon, as I recall it, was with Mr. Nicholas at the University Club and my memory tells me that we did discuss the dilemma of not wanting to cause a negative business situation for him and simultaneously better serve the Spanish-speaking citizens of San Antonio. As a matter of fact, I suggested to him, if he wanted to provide even more of this Spanish language programming himself, we would be very happy to lease him a second channel and he could have the control of two stations instead of one. There were no conclusions reached at that time.

DR. SAN MARTIN: I don't want to belabor the point, but I want to drop it now. How about your educational channel? Have you talked to the people of channel 9 as to how you could reinforce their programs or supplement their programs or work with them in any way?

MR. DODGE: We have met several times with Channel 9 and with many other educators in the community, because in the case of these access channels, particularly the educational access channels, the ball is really passed to them. It is up to the educators of the community to determine how effective these six educational channels are going to be used. In fact, we just make sure that the channels are available for their use. Yes, we have had many discussions with educators. My associate, Jim Anderson, has had more of these contacts than I have if you would like to know more detail.

DR. SAN MARTIN: I would like to ask just a question, and I don't mean in any way to be facetious or controversial either. After three

months of hearings, we have not had a representative of your commercial TV stations here in San Antonio come before this Council or given us the benefit of their thinking in writing. I have not heard from either 4, 5, or 12 in any way, shape or form. What is your thinking as to how you work with commercial TV? Are you a life and death competitors with them? To me, it is a mystery that commercial television stations have not to date expressed any feelings on the matter, either for or against on the question of cable TV.

MR. SHAW: Well, I am very schizoid on this because I have a broadcasting company and a cable company. I would say there is generally no love lost between the broadcasters and the cable operators. It seems to me that we heard very vocally from the commercial stations here in 1967 and 68. All of them opposed the granting of a cable franchise here. I personally believe, as a broadcaster, that the cable television systems can do things and meet needs that commercial broadcasters cannot do and cannot meet. That, in fact, the existence of a cable system can take some of the heat off of commercial broadcasters for things like community access to programming and what not. I regret that broadcasters and cable operators aren't closer together. I think they will be one day, when they discover that they can live together. As you go back to history at the advent of television, the radio stations were not the best friends of television stations. A lot of people were predicting that radio would be wiped out. That never happened. Radio is bigger and stronger than ever and will be more so because it simply does things that television cannot do and never will be able to do. So it is with cable, I believe, I think it is fair to say that as much as one might regret it, the relationships are not always cordial and friendly going in at least.

REV. BLACK: May I ask two questions? Since you have indicated that you do not have the background cable commissions, that sort of think, can you give us any indication of any experience with community participation. I am particularly interested because I think cable TV is almost a new ball game in terms of the impact that it can make and, therefore, I am particularly interested in the influence of the local community on what is really going to go into the various homes of the persons here. I am not trying to censor that material, I am simply saying that I am interested in the community's participation in it. What experience do you have with community participation in any other place that you have operated.

MR. SHAW: We actually and I'll ask Mr. Belanger to follow me up here wherever he is. I think we have had more experience on the broadcasting side than on the cablevision side. To date there has been, to the best of my knowledge, and Mr. Belanger can comment, relatively little interest in the community in which we are operating cable systems in suggesting programming or doing programming for the system. This is not something about which we are happy. We run programs in several of our cable systems that we call today Today in Decatur, Today in Anderson, Indiana, Today in Watertown, New York, where we take our cameras out into shopping centers and places like this and run interview shows very much along the lines of the NBC Today Show. To that extent, we do get community participation. For special things from the field---Little League Baseball, this kind of thing we do get community participation. We would like to get more. On the broadcast side, I think it can be very effective. We have had in Nashville, Tennessee television station for a number of years a program called, "Soul of the City", which is a program which is produced entirely by Blacks, one of whom is on our staff, and another of whom is in the community. They work together and get the talent together and produce this broadcast. It has been very highly successful,

and it was saluted by a resolution of the Tennessee State Legislature for its contribution there. So much can be done, Reverend Black, and it takes two to tango. You have in us a very willing partner if there are some equally willing partners in the community who will really make the effort and stick with it and work with us in this regard.

MR. BELANGER: In Peoria, Illinois, where we are building a system and have activated over the last four months or so, there is a committee that has been established by the community of Peoria, with representatives from the educational community, medical community, the religious community, etc. We have not, at this point in time, however, been in operation long enough or have done the kind of local origination or saturated enough of the City to really have had an opportunity to work with them. However, we have had meetings with them and it looks as though they are going to be able to assist us in programming the access channels.

REV. BLACK: Now, the second question is, and I would like to ask, are you in a position to give us, give me, give the Council some outline of where construction will begin, and where it will end? We have talked about the fact that you have already acknowledged that you cannot start it all over. Is there a possibility that you could get that so that we would have some idea of where you are going to begin and where you are going to end. I am aware that you can't start every place. But, I certainly would like some kind of commitment on this in terms of a proposal, where you are proposing to do it, how are you proposing to do it, are you in a position to do that?

MR. DODGE: Well, the first third of the construction is well-defined now, Reverend Black. As you probably recall, we had divided the City into seven regions....

REV. BLACK: Well, now if you have it in your material, you wouldn't necessarily just have to go through it now for me. I would just like to have it.

MR. DODGE: Well, all I wanted to say was that the first two of these seven regions we plan to build in, let's say, the first wave of construction and then the five remaining regions will be built sequentially right after that. We have selected which are the first two. We have not yet said in what order will we do the remaining five, except to be very willing to give assurance that we will be aware of the equitable socio-economic serving factor. It depends a little bit on if one region has a lot more make-ready to be done than another region....

REV. BLACK: Can I get that material?

MR. DODGE: Certainly, we will give you the construction plans as far as we now have them.

MR. ALFRED BECKMANN: Mr. Mayor, I have a question. I don't want to misunderstand what Dr. San Martin said concerning advertising revenue. Are you implying that we should restrict this to nothing but revenue from the participants rather than the ability to....we may need the leverage of using advertising.

DR. SAN MARTIN: Mr. Beckmann, I am just saying that if there is advertising, it should become part of the gross receipts. And another thing, it should be limited to so much advertising per 15 minutes of telecast. In other words, if they are going to load up 18 commercials in 15 minutes, then I think we are not serving the community.

MR. BECKMANN: Is this practical?

MR. SHAW: Well, I don't know if it is practical or not, but let me defend the broadcasting industry. I don't know of any example of where there are 18 commercials in 15 minutes.

DR. SAN MARTIN: I counted them the other night Mr. Shaw. I counted every one of them and I can tell you the name of the movie, the station where it was, and even the people that advertised on it. There were 18 messages in 15 minutes, and the movie was "War and Peace" and it just kind of broke up the whole sequence of events. It is done all the time.

MR. SHAW: As far as I know the broadcasting industry regulates itself through NAB code as to the number and type of commercial--number of minutes of commercials and the type of commercial messages that will be carried. That is not regulated to the best of my knowledge by the Federal Communications Commission. We would think, certainly, we plan to observe the provisions similar to the NAB Code. With respect to cable, I think it would be an inconceivable problem that we would have that many people trying to advertise on the cable channels, but a.....

MR. BECKMANN: Can it be regulated in the contract? Is this what you are getting at, Dr. San Martin?

DR. SAN MARTIN: That is right.

(From the floor--inaudible)

MR. BECKMANN: On cable systems, they do not regulate it on the other types.

(From the floor--inaudible)

MAYOR BECKER: What is a natural intermission?

MR. SHAW: That is what the judges say it is.

MAYOR BECKER: Well, it would seem to me that it would certainly be an infringement and an intrusion on an individual's rights, particularly if they are subscribing to this and paying out money to be entertained. Now, the reason that other channels can get away with it, I guess, is because it is so-called free. You don't have to watch it, you know, you can always turn it off. But, when you are paying for it as a subscriber, it would seem to me that that subscriber would have certain rights as it were, to insist on quality and at least minimization of commercials, because we are all commercial creatures, let's face it. That is the way we make our way through life, but I have had the pleasure of watching a certain amount of TV in Europe and certain programs even from time to time in this country are broadcast,...Hallmark Cards, I think, is one that does it rather frequently, if not always. The commercials are practically omitted in order that the person might enjoy the program. I have a very fond recollection of that company because of the fact that they appeal to my sensitivity about being absolutely saturated with, as the Doctor was saying, 18 commercials in 15 minutes. Really, you might as well go and stand in the shower, you know, if you are trying to pick up a thread of anything in a situation like that. I believe this Council would be interested, would we not, in determining exactly how that commercial time could be utilized.

MR. BECKMANN: I don't want to prevent or deny the flexibility if the system is suffering because of economic ills it may be necessary

to call on the advertising community to help out. For that reason, I think it's important.

MR. SHAW: I think it is, as has been pointed out, covered in the F. C. C. regulations. I would add that broadcasters, I don't mean to be defending the broadcasters by the way, although I am one, but I do think that even we, when our strategy goes in that direction, for instance, we have FM radio stations where we limit to six minutes of commercial material per hour, where 18 would be allowable. We know very well that the appeal of that FM radio station is because it is so largely uninterrupted by commercial messages and if we turn it into an 18 minute per hour situation, we lose the audience that we had and lose more than we've got, so we don't tend to be stupid about it.

DR. SAN MARTIN: This is one of the areas where I feel an advisory commission could be of great service by keeping tract of some of these things.

MAYOR BECKER: Well, are there any other questions of Mr. Shaw?

MR. CLIFFORD MORTON: Yes, if I may, I think we covered this in our first meeting, but just to refresh everyone on it, what is the maximum gross revenues that you can anticipate during the five years of the construction phase?

MR. DODGE: Gross revenues during...

MR. MORTON: Really, the question that I want is gross revenues that you can anticipate from the earliest possible date that you would start construction until March 31, 1977?

MR. DODGE: And then perhaps to calculate what the franchise fee would be after that. Okay, the gross revenues cumulative through March 31, 1977 on this latest projection that I did....got to add them up.

MAYOR BECKER: Do you have any.....

MR. DODGE: It's about \$7 3/4 million. Approximately \$7.8 million.

MR. MORTON: Okay, 7.7, 5 and so. When we look at a rated 7½ which the option currently calls for versus the.....

MR. DODGE: The cumulative franchise fee through that point.....

MR. MORTON: Okay.

MR. DODGE: At the 7½ percent rate not counting what we have already paid to the City, would be \$600,000.

MR. MORTON: \$600 000 and if for some reason, before we ever received our first dollar you were required to go by the current rate what we're talking about.

MR. DODGE: Two thirds of that, if we had to only pay it at 5 percent. It would be more than two thirds of that because some of that is the \$50 thousand annual minimum. It would be approximately two thirds of the \$600,000 which would be \$400,000.

MR. MORTON: So, really, as we look at rate comparisons, if we were comparing you with someone else who might not come under the grandfather clause, we are talking about \$200,000 possible and I believe we, the

word probable was used between now and 1977 as a differential. Now, from there forward, it's anybody's ball game and I think that's what you're saying.

MR. DODGE: In my humble opinion, Mr. Morton, the difference will be more than that because we can start tomorrow and if you were to go through the process of awarding a new franchise to someone else there would be a significant amount of additional time delay which comes right off the fat end. So the difference would be certainly more than that.

MR. MORTON: We talked about the minimum live channels, automatic channels; two live channels, you are saying one English and one Spanish-speaking. What do you project as far as hours of operation during a typical week?

MR. SHAW: The question, as I recall, is how many hours during a typical week of local origination on the English channel and Spanish channel?

MR. DODGE: In Anderson, Indiana and Peoria, Illinois, which two of our largest systems and also systems where we do a great deal of local origination, it runs between 100 and 120 hours a week and it should run at least that here in San Antonio.

MR. MORTON: But so far, there's really no commitment on this question, is that right?

MR. DODGE: No, there isn't....,sir?

MR. BELANGER: FCC rules do provide for a significant amount....

MR. MORTON: A significant amount for it to be legal.

MR. DODGE: But in order to make the system saleable, a good deal of origination is necessary and so the 120 so hours a week is a necessity in order to make it economically viable.

MR. MORTON: The four automatic channels, you are saying approximately the same amount of time for them.

MR. DODGE: The automatic channels time, weather, and this type of thing go 24 hours a day.

MR. MORTON: Go 24 hours a day. You have a system that has four automatic channels in operation at the time?

MR. DODGE: We have three. The one that we don't have at the moment that we propose here is the stock report. We have in operation other systems, time, weather and news.

MR. MORTON: Okay, but we are talking about time, weather, news, stock reports, and.....

MR. SHAW: We're talking about two news; one Spanish and one English.

MR. MORTON: Okay and local message.

MAYOR BECKER: Any further questions of Mr. Shaw?

MR. MORTON: Yes, at the last presentation, I felt that Mr. Wallace

made a pretty good point of trying to insure the quality of programming that is locally initiated. He used a program that he got from the Sunday paper, I believe, a station or system that you all operated in Kentucky or Tennessee. Do you all have any response to that because essentially what he brought out I just reviewed your typical day's program and you were about 90 percent reruns and as the Mayor said....

MR. SHAW: I don't recall.

MR. DODGE: As I recall, Mr. Wallace said he went and bought a Sunday newspaper from Dallas and from Houston and went through the programs, the daily programs for the independent stations that we plan to import from Dallas and from Houston and what, of course, the only thing we do there is carry what those stations have.

MR. MORTON: Yes.

MR. DODGE: We plan to carry them as imports. It's a completely separate subject from what kind of programming we choose, for example, to originate ourselves on our own local origination channels.

MAYOR BECKER: Any other questions? Well, thank you very much, sir. We appreciate you taking your time to be here this morning. We'll now hear from Mr. Stanley Rosenberg, representing Communications Properties, Inc. I'm noticing you picking your way through all that maze of things there reminded me of a maribu stork walking through a perilous part of a swamp or something, Stanley.

MR. STANLEY ROSENBERG: Well, I haven't been known for my expertise in the electronics field. I'm lucky I made it through the swamp.

MAYOR BECKER: It's like a mine field.

MR. ROSENBERG: It really is. Mr. Mayor and members of the Council, I'm going to be extremely brief because I'm going to let the experts in this field give you the information that is required and I know that each one of you want to have about the proposal of the locally sponsored group that have asked for and made application for a franchise here today. First of all, we would like to thank the Council for allowing us this time in which to make our proposal. We want to assure each of you that we have spent many, many hours with local groups. Each of the people involved have taken of their personal time. The representatives of CPI have done a fantastic job to get this application in the length of time--by the way, which was originally required which was and we understand the delay, which was last week. So we did have this done by last week and we want again to thank you for your consideration in allowing us to do this and we want you to know that each of us have worked very hard in a good faith effort to present to you an application which we know each of you will really consider and appreciate the opportunity to come before you today. I'd like to, at this time, ask Mr. Roger Zeller, who is the President of our Corporation, to say a few words to the Council. Mr. Zeller...

MR. ROGER ZELLER: Mr. Mayor and Council members, on behalf of the group in San Antonio, I want to reiterate what Mr. Rosenberg has said. To thank you and to express our appreciation for the chance to come before you and present our application to the City of San Antonio for the San Antonio Cable Communication Incorporated. At this time, I would like to introduce a few of the members of this group. I would like to count for we started out without a quorum. I think we have one here now. First of all, our Vice-President, Mr. Tom Beatty. We have another

Vice-President, Dr. Ximenez, our Secretary, Mr. C. C. Gunn, better known as Pop Gunn. Another officer is Mr. Bob Roth, who is treasurer of our organization. Other shareholders in our organization are Mr. Glenn Biggs, Mr. Alfred Rodriguez, and Dick Gil and Peter Gil. We have a few other members, in fact, we have 13 members, which I don't want you to draw any conclusions from the fact that we have 13 members of our organization.

MAYOR BECKER: You can always get rid of Bob Roth. He is in a rather sensitive position anyway, if I am a judge of it.

MR. ZELLER: Well, we had long and serious thoughts before we elected him treasurer, I assure you. I want to assure you again, as Mr. Rosenberg did, that we have given long and serious thought to this enterprise, and also have given very serious thought to what we try to accomplish in this enterprise. We have given serious thought to what we hope to meet the needs of the people of San Antonio, and I think that this group that I represent and proud to be a part of, represents every segment of the City of San Antonio. We think that we are capable and uniquely qualified to fulfill that need of the City of San Antonio. We looked long and hard and we are also are very proud of the fact that we went out and selected and associated ourselves with one of the premium companies in the United States in cable television.

At this time I would like to introduce a few of the principles of Communications Properties, Inc. of Austin. First is President-Chairman of the board, Mr. Jack Crosby, and Executive Vice-President, Mr. Robert Hughes. These people have been in the cable television business for some years and they are the experts in it. They have some hundred and ninety thousand subscribers, and are operating in quite a few states. I'll leave this up to them, in their presentation. But, I think in this presentation that you are about to see this morning will impress on you, as it did on us, their capabilities and their qualification in operating the franchise here in San Antonio. So, at this time I would like to present the Vice-President of Communications Properties who will monitor this presentation this morning, Mr. Floyd Shelton. Mr. Shelton.....

MR. FLOYD SHELTON: Thank you Mr. Zeller. Mayor, members of the Council may I add my comment that it is a pleasure to be here before you today. We will attempt to keep our presentation as brief as possible. We had originally planned to not to exceed one hour. We will attempt to cut that down as I know you are pressed for time this morning. We are talking about a communications industry-a video communications industry for San Antonio, and to point up some of the aspects of our application, we feel there is no better method than video, so if you will bear with us for a few minutes we have a special video taped presentation that we would like to present for the Council and the audience at this time. (At this point a video tape was shown introducing the officers of San Antonio Cable Communications, Inc. and Communications Properties, Inc. It outlined the organizations and goals of each company and described the qualifications and experience which would be available for such a project in San Antonio. The presentation was approximately 15 minutes in length.)

MR. FLOYD SHELTON: I would like to touch very briefly the highlights of the application of San Antonio Cable Communications, Inc. For the record, I'm Floyd Shelton, Vice President, Communications Properties, Texas Headquartered Communications Company. Our Corporate offices are in Austin. We operate some fifty cable television stations in ten states. Fourteen of those systems are in Texas, in this immediate area, Del Rio, Uvalde, Kerrville, and other points in the state. We have three additional Texas systems that are in the final stages of construction, ready to turn on as soon as The Common Carrier Microwave Company delivers signals. We are in the broadcasting business in Texas, as we touched on earlier, operating two radio stations in Fort Worth and the Texas State Network. We are in the Common Carrier Microwave business. We deliver the signals of all five San Antonio stations to cable television systems to the west and southwest of San Antonio-Uvalde, Del Rio, Eagle Pass and soon we will be taking the signals of Channel 41 to such points as San Angelo, Big Spring, Midland, etc.

The cable system designed for the City of San Antonio employs the multi-hub concept, a main hub studio at a near downtown location with ten to twelve secondary, or sub-hubs, fed with L.D.S. broadband microwave, and trunk cable, also an F.M. microwave return from the sub-hubs to the main hub for two way transmission. This makes available sectionalized programming on a discreet basis. In other words, what I'm saying here, and please understand that I am not an engineer. I can field a few of your technical questions, but I am not a qualified engineer. The hub concept makes available neighborhood programming. In other words, at one of the ten or twelve neighborhood origination points, a program can be originated and fed into that area only. Or, if it is of sufficient interest, it can be transported back to the main head end and fed city-wide or system-wide, if you prefer. Our design is dual trunk, single feeder, set top, push button converter, fully active two way from day one. Delivering thirty to thirty-seven channels--minimum thirty, maximum thirty-seven, to the individual customer. The second B trunk is a special services cable. In addition to its other functions providing point to point service to serve educational and government access functions, as well as providing additional pick up points for program origination and commercial application. It provides up to twenty-three equivalent television channels forward, thirteen equivalent television channels reverse. For the local programming, as I said, a main color studio located in the down town area, a minimum of eighty secondary neighborhood studios and a minimum of two mobile origination vans and, in all probability, that would have to be expanded--the mobile origination vans. We would commit the two and tell you that we would hope that the demand would indicate we needed more.

I would like to touch on one thing that has come up here this morning--the seven and one half percent franchise fee. It was pointed out that this certainly can be expected to be valid only until March 31, 1977. Under the projected construction schedules, we have heard this morning, my figures would indicate off the top of my head, that the city could expect actually a minimum amount of revenue during that period because we are late in 1973 and certainly we are not looking at more than 36 to 39 months. There would be some doubt, in my mind at least, and again I must tell you I am not an attorney, but there would be some doubt that the F.C.C. might approve even the seven and one half percent at this time, because we are talking about a revision of a franchise that was granted many years ago and I'm not sure the F.C.C. will not ask the question; "If other things were revised in the franchise, why was not the entire franchise brought in line with the F.C.C. rules?" Please let me emphasize again that that is off the top of my head, a personal observation. I'm not an attorney. Your legal staff could check into that.

In the area of local programming, we, of course, will supply the government access channel, the educational access channel, the public access channel, under the F.C.C. rules. We reserve an additional educational access channel for the educational community, and we would hope that they would utilize it immediately. It is there for them. Additionally, we have an agreement with KLRN, Channel 9, serving San

Antonio and Austin, whereby San Antonio Cable Communications, Inc. will make available channel space, and we have talked three to five channels. Additionally we will budget up to \$200,000 for the purchase of video equipment to be used in instructional programming desired by the San Antonio Public Schools. Again, these programs can be fed into the entire school system or on a discreet basis as desired. KLRN has available a wealth of taped instructional materials that they can't utilize. This way it can be utilized for the benefit of the students and of the entire City of San Antonio. Likewise, KLRN has agreed to assume the role of coordinating public access facilities. This would provide additional facilities and personnel to assist in proper utilization of this important public facility. This ample separate production facility will be available through KLRN.

We've also had several discussions with Channel 41, with their management people. I would call your attention to chapter 5, page 10 A, of our written proposal handed you this morning, and after the lunch break I would like our President, Mr. Jack Crosby, to comment very briefly upon that particular section.

Quickly, on our employment pledges, we, of course, are an Equal Opportunity Employer. We pledge at least 50% of our installer technicians to be recruited from the untrained labor pool in San Antonio. We will train them at our expense. The Texas Cable Association has a very good technical course up at Texas A.&M. in their Extension Department. We'd send those employees to that school, pay their tuition, pay their room and board, while they are learning, and give them a raise when they have satisfactorily completed the course. We propose a citizens' advisory committee to do the very things that we have heard about here this morning in the local programming field.

On the construction schedule, with our hub design, subject to, again, pole clearances, we would start in three areas simultaneously. The central or main hub area, the eastern side of San Antonio, and the western side of San Antonio. Thus we would be under construction immediately or as soon as pole clearance is obtained in three areas.

Quickly, on local origination programs, local origination channels, we propose initially two: one to be devoted to the Spanish language programming, one would be blocked off in sections, or in segments, if it might be a better word. We would propose to devote a large amount of time to the Black community assuming that we could come up with the right group or right committee to head that particular section of our programming. F.C.C. rules protect your local network stations and your independents. The non-duplication provisions of the rule, as well as the exclusivity requirements, pretty well have removed the danger of harm to your local stations, the normal local stations. As far as Channel 41 is concerned, as I say, we have had several discussions with their management people, and after the noon lunch break, Mr. Crosby will comment on that particular phase. Sir, it is approaching 12:15, would you like a...what is your pleasure, sir?

DR. SAN MARTIN: Mr. Mayor, may I please take two minutes before the lunch break? And then I promise there won't be more. I'm directing my remarks specifically to the General Electric people, but I would like you for you to take cognizance of this observation, and Expo Cable Company, and after the lunch break I would like for them to comment on this. I don't want you to comment at this point. A statement was made by one of the G.E. representatives, that there was nothing that could be put in writing as to the protection of local stations. I specifically mentioned Channel 41, and here I find in the regulations of the Federal Communications Commission on page 326 the following, which I would like to enter into the record...and it relates to foreign language stations "Where there is a local station broadcasting predominately in a foreign language the added diversity provided by the carriage of distant foreign language stations broadcasting in the same language will be permitted, unless the local station demonstrates that such importation would adversely affect its ability to serve the public." So there is something in writing, and I would like to just read it into the record, and have all three proponents comment on this after the lunch break. I specifically direct my remarks to the statements made by the General Electric people and I move that we recess for lunch.

MAYOR BECKER: Thank you. Ok, we will be adjourned until one o'clock. Be back at one o'clock. (The meeting recessed for lunch at 11:45 a.m. and reconvened at 1:15 P.M.)

MAYOR BECKER: I have a note here from Mr. Dodge. This concerns the Council members or anyone else. Mr. Shaw has a four o'clock plane so if anyone would like to ask him any questions, any further questions today, if we can arrange somehow to do it before he has to leave he would appreciate it. All right, Mr. Shelton, thank you for permitting us to lunch and reconvene.

MR. SHELTON: Thank you sir, it was an enjoyable break.

MAYOR BECKER: Hope your lunch was enjoyable.

MR. SHELTON: Thanks to Mr. Zeller, it was fine. We did manage to stick him with the ticket.

MAYOR BECKER: That made the day worth something anyway. Didn't it? Wasn't a total loss, was it?

MR. SHELTON: No sir, not at all.

MAYOR BECKER: Did Bob Roth offer to pick up any of the checks?

MR. SHELTON: You know, I don't recall him saying a word.

MR. ROTH: I wasn't there, and I didn't get any.

MAYOR BECKER: Weren't you invited?

MR. ROTH: No. They are going to drop me like you said.

MAYOR BECKER: Well, that would be the smartest thing they have done, I can tell you that.

MR. SHELTON: I think we have touched, very briefly, on the highlights of our proposal for the most modern cable communications system for the City of San Antonio. The one thing we did not address was the customer rate provision that we have proposed in this proposal. We propose a basic rate for one outlet-monthly rate of \$5.25. We would make you this pledge in writing or in any way you want it for a minimum period of three years. We would not be back before the City Council asking for a rate increase regardless of the inflationary spiral that might occur. The full rate proposal is to be found in chapter seven of our application.

I believe that, as I say, we have touched on the highlights. I am sure you will have some questions. We have a couple of gentlemen, who need to catch an airplane also later this afternoon. I would like to call on them at this time very briefly. First, the President of Communications Properties, Mr. Jack R. Crosby.....

MR. JACK R. CROSBY: Mayor Becker, members of the Council, it is a real privilege for CPI to be here today to be allied with a group of San Antonio citizens that are part and parcel of our application. We are convinced that the local citizens who are involved in our application will settle for no less than the very finest CATV System that can be built. Part of my credentials...I lived in a suburb of San Antonio for thirty some odd years in Del Rio, Texas on the western fringes of San Antonio, and I think I know fairly well the type of CATV System that is necessary for this particular area of the country. Our company, CPI, Communications Properties, is totally committed to the growth of CATV. Those other two had been in this business since the mid 50's, in fact, I built my first CATV system in Del Rio, Texas in 1955...are happy to say that we are committed to this growing industry, and we have spent an awful lot of time on the Washington scene in the past 15 years or so trying to help style a regulation which would permit CATV systems, no matter who built them, in communities such as San Antonio, Texas. So today I am pleased to be here to talk about CATV. I would be a lot more pleased if we are, in fact, part and parcel of an application that is successful in building a system here. I do think it is a very positive step forward that you, the Council of San Antonio, are prepared to go ahead and get a system built here because we are totally convinced that the merits of a CATV system in a City like San Antonio are many.

I would like to touch just briefly on a couple of points that I think need to be said. Back in the early 50's when we first started to try to build CATV systems, we thought that at that time we should probably try to work very closely with broadcasters in trying to prove what we then felt was a compatible situation between cable TV and over the air broadcasting. I think some tangible proof of that, we were not completely unsuccessful in that regard, is that Mr. Bob Roth and I are still speaking. He had a long history in the broadcasting business, and as you can see we still speak to each other and I think there is compatibility between the broadcasting business and cable television. In line with that theory, some years ago, when we first started building cable systems out on the border, on the Rio Grande River, in such cities as Del Rio, Eagle Pass, Uvalde, a little further inland, we knew that one of the very essential things that had to be put on the cable systems out there was Spanish language programming, so we came at that time to Mr. Emilio Nicolas, Mr. Rene Anselmo, who is the President of Spanish International Network, one of the loners of KWEX here and told them that we thought that we could solve some of the problems that they might be having at that time in trying to expand UHF television into not only San Antonio but other areas. By means of a microwave system that we built at that time to bring television signals into CATV systems we were able to expand the coverage for that particular station and to give them a little bit more of an economic base on which to continue that operation which, of course, has been an up hill struggle. We also, to go a little further along that line, have and when we first started to analyze the possibility of attempting to build a cable system here in San Antonio, we went to them and we had negotiated a plan to go ahead and to work very definitely with Channel 41 here in expanding the programming that they presently had. We have agreed not to bring in a competing Spanish language television station in the area, because we don't think that is the name of the game. We think that there is additional programming furnished by the Telesistema Mexicano system, which is in Mexico City, which furnished the programming for Channel 41 here. By the way, we were called on two years ago to go to Mexico City, our company was Communications Properties, and to render technical assistance to the Telesistema Mexicana people who were then interested in building a cable system in Mexico City, and who had since that time expanded into that area and are presently operating

a system that we helped them construct at the outset. But, anyway we have agreed to work with Channel 41 in expanding over the cable these facilities and to use additional programming that they might have in the library or might be able to get from the Mexico City library on the times that they are not **actually** on the air, but our whole program has been to work with them and not without that situation. Now that expands beyond the Spanish language programming area, because we do feel that we do have a complimentary situation with the other broadcasting as well. I think that by virtue of that you have been told that we are bringing and have been licensed by the FCC and have been given a contract by all three networks, by CBS, NBC, and ABC to deliver their network programming to their affiliates and those three affiliates here in San Antonio. We will deliver over our microwave system those channels. So I think you can begin to see the compatibility between the broadcasters. The CATV cannot exist without a healthy over-the-air broadcasting system in this City or any other this size. We likewise have a very fine relationship with Bob Sinkin who is the general manager of KLRN and have been successful in taking their programs by virtue of our microwave system out into other areas of Texas and expanding their scope as well.

So we are most anxious to go ahead and to build a CATV system here in San Antonio. We would welcome very definitely, and we find that CATV systems are a very local thing. There will eventually be a network probably, of CATV systems on a national basis, but before that time there has to be regional networks for CATV systems and that is one of the concepts that we devised when we started to build our original microwave system. We have a programming facility in Dallas, Texas and by virtue of putting it into the network, we are building a CATV system by microwave we can begin to take programming that is peculiar to this particular area. I think most of you have read that the cable system in Manhattan, for instance, the biggest selling cable system, is what they call the Madison Square Garden Sports package. If you want to watch the New York Nickerbockers or the New York Ranger Hockey team or fights from the forum they are on the cable. We don't think, for instance, that a resident of San Antonio, Texas would be that interested in watching the New York Nickerbockers, but it is very possible that he or she might be interested in watching regional sports programming the nature that we are in the process of trying to put together in a regional programming package.

Now, I am going to ask you to spend a minute or two listening to Bob Hughes, who is our Executive Vice President of CPI. The questions that you gentlemen have asked, I think, are very pertinent. We will stand by to answer questions I hope that you'll have time to look over the briefing we have given you here and, as I say, we will be glad to answer any questions that you might have. Of prime concern to you certainly, is how do we intend to build this CATV system, if in fact we are granted the right to do so, and so I want to call on Bob Hughes to bring you up to date a little bit on CPI, its activities during the last six months, especially, in the financial area. Bob Hughes....

MR. BOB HUGHES: Thank you Jack. Mayor, Councilmen, let me say as a word of further introduction, that in my role as Executive Vice-President of Communications Properties, I'm concerned primarily with going out and working with investment bankers, bankers, and life insurance companies in obtaining the funding that we need to build our cable TV systems. We have talked about some big plans here this morning. As has been pointed out, the San Antonio project is approximately a \$25 million project, so the natural question is, What is the financial capability of the company to undertake a project like this? I would like to take just a few moments and outline for you the financial steps and moves we have taken within the last six months in getting prepared for projects, just of the type we are talking about here. In March of this year, we completed with the aid of Shearson, Hammill and Company out of New York City, a combination equity and subordinated debt financing package of approximately \$6.2 million. This was completed during the first week of May of this year. Following on the heels of that, in July of this year, we concluded a \$15 million 750 thousand long-term financing package with a group of three insurance companies. Those three insurance companies were the John Hancock Mutual of Boston, Massachusetts, Connecticut Mutual Life Insurance of Hartford, Connecticut, and the Aetna Life and Casualty Company of Hartford, Connecticut. This financing is 15 years, long-term financing. It is four years interest only. It is the type of funding that we have available to us and the kind of funding that is needed to carry out the projects that we are talking about here. As a third step in the financing program, that I am referring to, last week we concluded a new \$16 million revolving credit line with our group of banks. Our group of banks are headed up by the Pittsburgh National Bank, Pittsburgh, Pennsylvania, First National Bank in Dallas, The Bank of New York, and the Union Commerce Bank in Cleveland. We have worked with this group of banks for the past three years now and you will find in your brochure a letter from the Pittsburgh National Bank relating to our activities and our history with that bank and the other participating banks over the past several years. In conclusion and consummation of these remarks, I think it is obvious from what I have described that this company is in sound financial condition and able to undertake a project of this type. I pledge to you, as the chief financial officer of Communications Properties, that if we are successful in getting this franchise that we will fully perform all the obligations and provide all of the funding necessary to carry out this project. I would like to turn the program now back to Floyd Shelton.

MR. SHELTON: In conclusion, I would like to say once again that we are a Texas Company, headquartered in Austin, a long history of operations in Southwest Texas, experienced in the cable business, the broadcast business, the microwave business. We're a communications company, proud to be associated with a group of San Antonio businessmen that certainly have needed no introduction to you gentlemen. For the conclusion of our presentation, Stanley Rosenberg.

MR. ROSENBERG: Thank you, Mr. Shelton. Briefly, there isn't much I can add after what you said before me. I would like to point out to the Council that CPI has guaranteed all obligations of the San Antonio based corporation completely so that you have the total guarantee of the entire company and not the guarantee of a subsidiary or anything of that nature. Number two, we are prepared to proceed immediately. We are prepared to meet with the legal representative of the City of San Antonio to draft a proper ordinance and would proceed to completion and start of construction within 90 days after the federal authorities have cleared us for this here in San Antonio. One more point might occur is why did we suddenly decide to come forth with our application? It is a simple and

it's a complex answer, but it is a very frank one. We, a local group of people, have seen this application which we really didn't know too much about, linger on for four and five years with the General Electric Company, and we have seen it drag on and on and we suddenly had become aware that there are certain amendments and requested for changes in it. And for once, we felt like we wanted to try to help San Antonio move ahead and we just got together on that basis and selected what we thought would be the best sponsor, people with the most expertise behind them, and we wanted to make sure that in this instance, San Antonio had a choice, and we wanted to proceed quickly and do the best we could with our group and for the City to see that it moved to conclusion. That is exactly how this has occurred. When the City Council was gracious enough to allow us to be considered, we went full steam and did everything possible to come up with an acceptable application you gentlemen have. Thank you very much.

MR. PADILLA: Mr. Mayor, may I ask a couple of questions? Mr. Rosenberg, first of all, someone with my permission, borrowed my copy of the proposal and I will either ask you for another copy or I'll ask someone to return it. It is not here. Can I ask you a couple of questions, Stanley?

MR. ROSENBERG: Yes, of course, you can and if I don't know the answer, I may have to call on somebody else.

MR. PADILLA: You realize, of course, that we haven't had a chance to review this, so the answer to my question may very well be in here. Is your group willing to sign a contract with the City of San Antonio, that is compatible and competitive, with the present GE contract?

MR. SHELTON: In most major categories, the answer would be yes, sir. The problem that has been referred to here in these chambers, I am sure many times during the last few weeks and months, and certainly does exist, that the contract between the City and the grantee is, of course, subject to the rules of Federal Communications Commission, and I think any contract whether it be one with San Antonio Cable Communications Inc. or the General Electric Company, or whoever it might be, at this point in time, will be subject to the rules of the FCC. Again, that is my personal opinion, that when you reopen an old contract what was granted prior to the rulings of March 31, 1972 that that contract is no longer grandfathered. So, I think that any contract that is executed and finalized, at this point in time, must conform to the rules of the Federal Communications Commission.

MR. PADILLA: All right, the chief bone of contention, to refer to it as that, it really isn't, GE is asking for what I consider to be more generous conditions from San Antonio, in terms of recapture. Is your group willing to sign a contract with essentially the present recapture provisions of the GE contract?

MR. SHELTON: I am not completely familiar with the present recapture provisions, sir. I am sorry. As I recall, it was a ten-year trigger, if you will permit me to use that word.

MR. PADILLA: A 15-year term.

MR. SHELTON: A 15-year-term originally? In all honesty, I would have to read the provisions before I could answer that, sir.

MR. PADILLA: All right. Do you know if that's answered in here?

MR. SHELTON: I do not believe it is, no sir.

MR. PADILLA: Okay. Now, another thing you made a strong point in saying that this is a local group. You don't have to answer if you consider that you can't for any reason. But what is your corporate structure in terms of this local group? Where does CPI fit in as opposed to the local people? What is the equity?

MR. SHELTON: I would like for Stanley Rosenberg to answer that. He's our local attorney and he can give you the answer to that.

MR. ROSENBERG: All right. Briefly, the equity ownership is 20% of the local group and 80% of CPI with a net worth of five hundred thousand dollars, meaning that the local group a hundred thousand dollars, CPI puts up four hundred thousand dollars, and CPI, the parent company guarantees unequivocally all obligations of this corporation. Now, there is one more thing that we did, because I am somewhat sensitive about minority ownership, and I wanted to make sure that our local group got to be heard. Our twenty percent votes fifty percent, so they are not going to do anything without our agreement. I want to make it perfectly clear our 20% votes 50%.

MR. PADILLA: And what is the break up among the local group, Stanley? You introduced quite a few of them, I was just wondering if all of them had a meaningful situation in the group.

MR. ROSENBERG: The minimum ownership, there is thirteen people involved and the minimum ownership is \$2,500, and the maximum is \$12,500 and there is only one of each. I would say the majority is about \$7,500 each. That would be the average.

MR. PADILLA: All right, is that covered in here in detail?

MR. ROSENBERG: The five hundred thousand and the hundred thousand is and the guarantee is, but the exact ownership of each individual I don't believe is.

MR. PADILLA: You see, I am as interested as you are in having a meaningful local situation and I am wondering....

MR. ROSENBERG: We can furnish, we would be happy to furnish a break down of each person and what they....

MR. PADILLA: Would you please.

MR. ROSENBERG: Sure. Be glad to.

MR. PADILLA: Thank you. That's all I have Mr. Mayor.

MR. BECKMAN: One question, Stanley. I think I asked this question last time. How much float of CPI is loose in the public? Maybe somebody..

MR. HUGHES: About 950,000 shares.

MR. BECKMAN: Out of how many?

MR. HUGHES: Out of four million shares.

MR. BECKMAN: Pretty small.

MAYOR BECKER: Stanley, there are two things that interest me, one is a technical situation that was mentioned in the presentation of the film and that was the involvement with the satellite. Exactly what involvement is there with the satellite?

MR. ROSENBERG: I'm going to ask one of the Technical men, Your Honor.

MR. HUGHES: Let me touch on it just briefly without getting too technical. The first domestic satellite that is going to be launched in this country will be launched in approximately October of next year.

In conjunction with that there is going to be an earth station built near Dallas, Texas. We have been approached and have now consummated an agreement with the American Satellite Corporation out of Washington, D.C., who are the people who are going to launch the Satellite, whereby we are going to build a microwave link from their earth station near Dallas, Texas. This in turn, would be linked with Austin, San Antonio, and going clear on down to the valley with our microwave system that is now under construction. So we would have a direct link up from San Antonio through our facility in Dallas to their earth station which gives us a nationwide communication capability out of there. And this satellite will be capable of covering the entire United States.

MAYOR BECKER: This is a private corporation, this American Satellite Corporation?

MR. HUGHES: Yes, well, American Satellite is owned 80% by Fairchild and 20% by Western Union International.

MAYOR BECKER: Now, may I ask this question, I am just curious as much as anything, Who launches that satellite? The United States Government?

MR. HUGHES: No, the American Satellite people are launching the satellite. They have full responsibility for launching the satellite.

MAYOR BECKER: Launching is what I said.

MR. HUGHES: Actually, not to get overly technical, but they are launching two satellites, one of them is the one that will be fully operational at all times, the other one will be in orbit right along side the other one as a back up satellite. To make sure that they have a 100% reliability.

MAYOR BECKER: Well, that is an interesting concept. Now with respect to this capital investment that has been mentioned, 24, 25 million. You touched on it briefly yourself....And I don't mean to be demeaning when I ask this question... General Electric, as we know, is one of the largest corporations in the world. Standard of Jersey, General Electric, and U.S. Steel, they are the big ones. \$24 or \$25 million is not exactly a small sum of money to any corporation regardless of its size. Now, if that be the capital requirement that is necessary to finish and complete this project here in San Antonio, you have every assurance in your own mind that your company has the capability of raising that type of capital?

MR. HUGHES: Yes sir, I have no doubt what so ever, that with our financial resources, our financial contacts with the people who I mentioned that we have done other pieces of financing with that we do have the financing to do this project.

MAYOR BECKER: May I ask you this? What is your total amount now approximately of invested capital in all of the other installations that you have? How much would it accrue to? Just as an approximation?

MR. HUGHES: As an approximation, that number would be in the neighborhood of 30 to 35 million dollars.

MAYOR BECKER: Thirty to thirty-five....

MR. HUGHES: Yes sir.

MAYOR BECKER: So if you took on this project, you would have eighty percent, say 75% to 80% as much invested in San Antonio as you have in all the rest of the facilities put together?

MR. HUGHES: Yes sir.

MAYOR BECKER: Is that correct?

MR. HUGHES: Yes sir.

MAYOR BECKER: Does that seem to be rather heavily weighted in one city? Do you think your lending institution would smile favorably on that type of a situation where you're that dependent upon the success of this one area?

MR. HUGHES: We know they would, because before we got the letter that you see in your proposal, which you will note was dated August 27th, we sat down with our participating banks, and with the insurance companies and they have reviewed our projections for the San Antonio project. You will notice in their letter they make reference of their review of the operating projections we furnished. So they are fully aware of what we are undertaking here, and these people have a great deal of confidence in us, and we feel the San Antonio project is going to be a good project, and they've indicated that they will back us up a 100%.

MAYOR BECKER: With respect to the amount of money involved, what period of time did you anticipate having as your period of commencement to completion time, five years, would it run concurrent say with that of General Electric?

MR. SHELTON: If I may sir, the worst case would be the five years that the F.C.C. says it must be done. We in the application, I don't recall what chapter it is in, we make the statement that we do not wait for the certificate of compliance grant to begin construction, rather we ask that 5% of the poles be made available, be made ready, for the start of construction, then we go whether we have the certificate of compliance or not. Again in the worst case we would begin no later than sixty days after the receipt of the certificate of compliance. We estimate from start of construction to completion, 42 months, for the city some 21 hundred miles, but, again, going back and using the old F.C.C. crutch if you will, at the worst case five years.

MAYOR BECKER: All right, as a continuance of this, I am thinking about a back door, the 'What if's'....your the financial officer of the company, you know all about the 'What if's' you know. #1. What if the money market gets like it was when was it 1967-68 sometime along there when everybody was walking around with their hat in their hand, and even the big ones couldn't raise a nickel, it just wasn't available? There was a complete derth of money. Remember?

MR. HUGHES: Yes sir.

MAYOR BECKER: What if we run into that type of situation, then what happens to your lines of credit? How would that affect the completion?

MR. HUGHES: The kind of situation you're making reference to, would, to really have any impact on the financial plans we have would have to be a situation that continued, I'd say, for at least a two year period. This 16 million dollar revolving credit line that we just concluded last week is fully available right now for new construction and this is money that we can draw on for the type of projects that we are talking about right here.

MAYOR BECKER: There aren't any strings on that 16 million?

MR. HUGHES: No strings on it at all, we don't have to--we draw it down at our discretion, we don't have to justify it on a project by project basis.

MAYOR BECKER: Then it's on a stand by basis for you. You have that guarantee.

MR. HUGHES: Yes, Sir.

MAYOR BECKER: The next 'What if'. What if this thing didn't go as rapidly as we would all hope that it would, and you wouldn't get the subscriber interest, etc., and it started to pinch? What would happen in that case? How would you work your way out of that eventuality?

MR. HUGHES: Obviously, if you have a situation that doesn't hit projections you always have a certain degree of explaining to do to stockholders and other people. Everybody has that problem. We looked at this project very carefully when these people came to us. We built other systems. We built other systems right here in Texas with almost identical patterns through the reception problems you have here where we propose to bring in almost identical programming to what we are talking about here. We think we know, with a high degree of reliability, exactly what performance characteristics this system is going to have and I quite frankly think we've been way on the conservative side in the way we've laid this out, both internally and to our financial people.

MR PADILLA: One more 'What if' question. What if this council leaves the General Electric contract as is? , but is receptive since we cannot grant any exclusive franchise, and we are receptive to continue our conversations with you, what will be your position then with respect to San Antonio? Would you be willing to take on a contract in which another contractor had the right to perform?

MR. SHELTON: If I understand your question correctly, Sir. You are talking about duplicate franchises, identical franchises, one to one Company A, and one to Company B.

MR. PADILLA: If I may do this much to try to be helpful. General Electric as you know, has a contract at the present time. I believe these discussions started because General Electric would like to amend that contract in some respect. They would like to extend the present ten-year-term that is left to 15 years, and they would like--these are the major points--they would like what I consider to be from their standpoint, a better recapture clause or provision. Now if we don't do anything then General Electric does have a contract with ten more years to run, under the present terms and conditions. Under those conditions, would you still want us to consider your proposal?

MR. SHELTON: I think my answer to that would be in all probability would have to be no, sir. The reason being, you go back even in the telephone industry to the days when you had two competing or three competing telephone companies in town and it just didn't work. We are talking about a cable communications system for a major City in the South west, and actually, two cable systems on the same poles fighting for the same customers, or competing for the same customers, if I may use that word, would not be an ideal situation. I am not saying we would rule it out, but I would think make the statement that it would not be in the best interest of the City of San Antonio.

MR. PADILLA: Did you know that San Antonio cannot give you an exclusive franchise?

MR. SHELTON: Yes, sir, I am aware of that.

MR. MORTON: To continue Mr. Padilla's line of questioning, he asked the question one way, I'll ask it another. Assuming that General Electric declines to exercise their option and the contract is left exactly as it is, would your company be interested in accepting a contract that is exactly like the one that we currently have?

MR. SHELTON: The one that was written in 1968 or whenever it was? I would have to defer the answer to that question and pend study of the contract. I have not read it and I must admit that our Legal Department has not read it either, because we assumed from what we knew about the situation that that contract was not being considered as written today.

MR. MORTON: Well, you know there are several facets here that I think we are looking at and what we need to do is get the basics down to make the comparisons then come up with a total. But you are saying that no one within your group has even studied the GE contract to be able....

MR. SHELTON: Not the fine details of it. No sir, we have not. We have read it very hurriedly, sort of a scan procedure, if you would, we are familiar with the ordinance, but the enabling legislation, but the ramifications and complications that might exist within that ordinance, I would not be qualified to comment on. Perhaps Mr. Crosby might like to do that, but, as I say, our legal department has not examined it in detail.

MR. MORTON: Do you have someone who would like to comment on that?

MR. ROSENBERG: I would comment that Mr. (inaudible) had gone over it, but not in great detail, and we had wanted to make an independent proposal because we (inaudible) amend it. We have gone over it not to the nth degree, but we have gone over it.

MR. PADILLA: Stanley, the fact is if this Council takes no action whatsoever, there is an existing contract with some ten more years to

run, and it seems to me that this would at least have been a factor that your group had to consider before preparing a proposal. Now how do you fit in there. Suppose we do not do anything with the GE contract that has ten years to run. GE does have the right to set about putting up a cable TV system for ten more years, as long as they meet the terms and conditions of the contract which will have ten years to run. In the face of that, your group submits a proposal, and what would be your position? You see, we can do nothing except decide to agree, amend or leave it as is, but the contract still exists, it's there.

MR. ROSENBERG: Councilman Padilla, I think that is an excellent question. I can give you an answer by repeating something that was told me, and if this is incorrect, I don't mean to be misquoting, I mean maybe someone later could correct me. But, I was told that GE would not operate under that original contract. Now, I believe, and I haven't gone all through the file, because I am really not privy to it and I don't know, but I thought someone said there was a letter to that effect, or something of that nature. So, that was one of the three bits of information that was given to us, and I hope that does answer your question that GE was not prepared to proceed under their original contract. That if the amendments were not agreed upon, that they would not proceed under the original contract. I do not mean to be repeating something, hearsay from them, but that was what I was told.

MR. CROSBY: If I might address myself to that just a moment, I think the answer to that basically, is that, and this is all subject, we have a Board of Directors in the corporation and anything we say today is subject to that Board's rule, but granted, a franchise on the basis of which we have presented our application, our intent would be to build a CATV system in San Antonio, and that would be our intent purpose. We would be prepared to do that and start immediately to file with the FCC and to move forward with that application.

MR. MORTON: What Councilman Padilla and I are attempting to do, over the past few months, we have had the opportunity to study information that has been submitted to us by General Electric. We've had a hearing or two or three, and this is the fourth one. Now, we have your book here today and very quickly what we are saying is we're basically familiar with the terms of that contract and we're saying now at what points are you at variance with it? Are you saying that you are buying everything that is in that contract, plus something?

MR. CROSBY: Once again, I am not trying, I'm pleading ignorance, because I am ignorant of the total franchise that GE now has pending, but, for instance, one particular point, we are definitely restricted by the FCC as to what certain points....

MR. MORTON: We assume that the FCC can change the sun to where it sets in the east and rises in the west, so everybody is bound by that that is in the broadcast system. Even in Texas, is that right?

MR. CROSBY: That is right and we fully realize that there is no such thing as an exclusive franchise in Texas. We have been operating that way since back in the '50's and so we are aware of that type of situation. The point that Mr. Shelton made a moment ago, I think, is a valid one. We think that preferably, certainly, that a City of this size should have one CATV operator. We have talked, frankly, in the past with some of the other suburbs, some of the other incorporated cities around, and have thought very seriously about the possibility of building a system in some of the suburbs. That presents some complications. For instance, we don't think that any section of the City ought to have less television

than the neighbors on the other side of town. So we think that the head in programming should be available to everybody. Now, one particular section of town may want more programming of a particular nature, so we give the different subs, sub areas the right to go ahead and do some programming, but we think the programming has to be coordinated from one central area. We think that is a much more practical solution. Not to confuse the issue, but I will propose this to you, we are building a system in a section of Philadelphia, Pennsylvania. Some years ago, the Council there in Philadelphia saw fit to issue six different geographical franchises, and we are building the first system to be built there between Broad Street and the River some hundred and thirty thousand homes, and it is the first franchise to be built, and we are not building the total City as other people hold some of the other franchises. We are in the process, frankly, of getting some of the other areas that have not been built. We truly are interested in building the City as far as that is concerned, but we are in that particular case, building approximately 1/6th of the geographical area of the City.

MAYOR BECKER: Of course, that is quite an area you are speaking of.

MR. CROSBY: It is, no question about it, but interestingly enough, the number of households, you know, San Antonio has got a lot of homes as well.

MR. PADILLA: I was just wondering, now I am a bit surprised that as important a factor as that would be to me if I were in your shoes, that no one from your group has studied the GE contract. Now, as I see it, the real bone of contention here is GE's position that they do not feel they have sufficient incentive under the present contract with San Antonio to proceed. This is why I asked you if you would be willing to operate with a contract very closely incorporating the features of the contract that we have with GE because I consider that to be a good contract for San Antonio.

MR. CROSBY: Just off the top of my head, the franchise fee situation which we all acknowledge is a problem in adhering to that type of thing. Beyond that point, I think that I could say in a broad basis, yes, that most of the ramifications of that contract, we can accept, but as to the exact detail of it, I do apologize for not having that done ahead of time. I've got part of my homework but as far as the Board of Directors of the company are concerned, we have not actually taken it piece by piece and said that we would. We have taken the position perhaps wrongly that we are prepared to do these things that we have outlined and hopefully that they are a reasonable approach to a franchise here which both could operate.

MR. PADILLA: Are you saying then that as you understand the GE contract, which admittedly you have not studied in detail, that if you had that contract tomorrow morning, your group would build a cable TV system in San Antonio?

MR. CROSBY: You made reference a moment ago to the recapture situation and I am not completely clear on that particular point, but under most of the ramifications, yes. We are interested in trying to build a system here, and getting started with it in that regard.

MR. PADILLA: I know but when we forget about the recapture thing, we don't have much at variance with GE. Can anyone from GE shed some light if they care to? Mr. Reeder, can you tell us essentially, what the recapture thing is now and what GE wants?

CITY ATTORNEY REEDER: Last time I looked at it, as it stands right now, right after they get through building it, we can take it away from.

MR. PADILLA: Under what terms, sir?

CITY ATTORNEY REEDER: Well, I think we would have to pay them something, that's unfortunate. Excuse me, Mr. Padilla, Tom down there worked on this thing and he is the supervisor....

MR. PADILLA: I am sorry, I didn't see you Tom, can you tell me what the present recapture provision is and in what they would like it amended to?

MR. TOM EDWARDS: Well, it says that at the present time that the City can take over the system at any time, for no cause, at reconstruction costs, maybe less accumulated appreciation.

MR. PADILLA: All right, that is in the contract now. What is it that they would like to amend it to?

MR. EDWARDS: Well, they would like to amend it to include an additional \$200 per subscriber over the first ten years.

MR. PADILLA: Okay, thank you. General Electric will go with the \$200 per subscriber, but that is not in the contract now. No, it isn't. That is the major point that they would like amended.

MR. BECKMANN: Maybe we ought to get one thing straight. Is it true that GE does not want and will not accept the terms of the contract as it exists today?

MR. SHAW: It is true, well I have to, same as Mr. Crosby, my Board of Directors would make that decision. It is true that the contract, as it is today, with the current recapture clause, and with only at this point ten years to run, I would not recommend that we go forward with construction. Because as we made our analysis, the ten years would expire at just about the same time we got our money back and at any point in the interim, we could be put out of business for no cause at all.

MR. PADILLA: Would you go with a contract if it had 15 years to run from today?

MR. SHAW: Not with the current recapture clause.

MR. PADILLA: Thank you.

MR. MORTON: Repeat again what the recapture clause is that you want? What I am trying to do here is to get down to where we have got rate and I got GE in one column and I got CPI in the other term, recapture, number of channels, service, to where we can get a real good summary of what we are looking at here. I think that was the reason you asked the question quickly about the contract. If you accept the contract well then....

MR. PADILLA: One more thing, Cliff, I think we are kind of tracking the same way but, I would like to know what it is that CPI has to offer to San Antonio in terms of incentive. In other words, if you are offering us the same thing that GE is offering us, we have that. They are offering us a situation as amended, not what they have today. Now if

that is exactly what you are offering us in terms of recapture and in terms of term, where is the incentive for San Antonio? Now if you wanted a 15-year term, I could understand that if you would be willing to go with essentially the present recapture provisions that GE has in their contract. But if you want exactly what they are asking for now, then where is the incentive for San Antonio?

MR. CROSBY: I think that, basically, I think one problem we get into when we start comparing exact numbers, one versus another, I think the basic thing that we think we are offering the City at the present time, is a will to go ahead and to build a system starting immediately upon receipt from the FCC--the ability to do so and the desire to do it on a local basis with the full needs of the community at hand to build that system. Now, as far as the economics of the thing, as to the recapture, I am just not prepared today without sitting down with our group and analyzing the recapture situation to zero in on that particular point and to make a commitment to you, very frankly, which would be premature.

MR. PADILLA: I realize you can't answer today, but I, for one, would like an answer to that question before I would make a decision.

MR. CROSBY: I appreciate that fact and we certainly would zero in and you are entitled to that answer. In defense of the General Electric Corporation, I would say that the financing of the system, no matter how large the corporation each project is looked at on its own basis as we all know, naturally, they would be concerned as we would be concerned with the over-all approach to this thing and, frankly, we have taken franchises in cities--we don't think first of all the City should operate a CATV system, I will go on public record in that regard. We think it is a very unique business in that regard, and we don't...at the end of ten years, we don't think you would want to operate it.

MAYOR BECKER: How about a transit system, do you think...?

MR. PADILLA: You are getting ready to be in the middle of something. Be careful.

MR. CROSBY: Well, I might as well be very candid with you in that regard, we think it is a peculiar animal in its own right and we don't think it a type of thing that lends itself to municipal ownership. I will go on record in that regard. I have enough faith in this area of the country the way the decisions come about, I don't think at the end of ten years you would want to operate the system. That would enter into our decision-making process.

MR. PADILLA: The point is this, and one of the reasons I consider the present recapture provisions in the GE contract very important to San Antonio because if we have a recapture--I don't think we want to buy it. I can't see San Antonio in that position, but I think San Antonio has to be in a position to buy it from a practical standpoint because if we do not, we are not in a position then we are relatively helpless in terms of just exactly we expect from our cable TV franchise.

MR. CROSBY: In most franchises, there is a clause in there and I am sure there would be in this one that says that in the event the cable operator is not performing on a proper basis and there is cause, well this thing is a....

MR. PADILLA: If you can come up with the money, but you see we have got a public service company in San Antonio, and sometimes we get the

feeling that they are not very receptive and all we have to do is come up with \$150 million and we can tell them what to do. Well, they know better than that, they know we can't come up with it.

MR. CROSBY: Well, I think the cause section is a....I think it is a total hammer in that regard from the City's standpoint, and, frankly, we operate these things in enough different areas of the country that we can't afford not to operate properly, because if we do it in any particular area, we have problems from then on wherever we operate. Our main stock and trade having been in business as long as we have, is to point to the various different places where we have built over three hundred different systems and we would ask that in making this decision or wherever we have apply for a franchise that those areas where we have operated in the past be investigated and we stand on the record in that regard.

MAYOR BECKER: Mr. Shaw, did you care to say something sir?

MR. SHAW: If I may, I just want to make sure that no misunderstanding that what we have asked for in the way of a change in the recapture provision would in no way limit the City's ability to recapture the franchise in the event of non-performance of its terms, as I understand it. If we were in non-compliance with the terms of the franchise, then the City could recapture the franchise from us at the depreciated book value of the system. What we are interested in changing is the provision that currently makes it possible for the City at any time for no cause, and not at the end of ten years, at any time, for no cause whatsoever to recapture the system from us at its depreciated book value, and that is the change that we have asked to be made. The City would still have the right, in the event of non-performance to buy out. We don't propose to change that to recapture the system and penalize us for that non-performance.

MR. PADILLA: The only point I would like to make is that non-performance, in some respects, is very hard to prove. It is very, very difficult to prove. Communitive receptiveness is one of the things that is hard to prove, you know, in terms of how many miles of cable and so forth that can be established of course, but the real nitty gritty of these situations is a very hard thing to prove. That is why an attractive recapture provision is something that I would like to see San Antonio keep.

MR. SHAW: I can understand that. We want a fair recapture provision which is what we think we have asked you for.

MR. MORTON: Again, would you repeat what you are asking for on a recapture, straight line depreciation or...

MR. SHAW: My associates can straighten me out, what we have asked for is that in the event that the City determines to recapture the franchise without cause, that we have suggested that that recapture be on the basis of the depreciated book value of the system, plus a value of \$200 per subscriber, or the fair market value whichever is less. If the City, as I understand it, moves to recapture the franchise because of non-performance by us of the franchise terms, then, as I understand it, the City would recapture it at its depreciated book value without the \$200 per subscriber or market, whichever is less provision. All we are trying to do is to establish, if you will, a protection that our Board has asked for of its \$24 million investment that it cannot, unilaterally without cause be taken by the City at any time the City wants to take it.

MR. PADILLA: Now, if I understand correctly, the difference between the present recapture provision in the contract and the amendment that you would like in terms of recapture, the only difference is, the net difference is, that \$200 per subscriber?

MR. MORTON: Or market value?

MR. PADILLA: The depreciated book value is the basis thing in the... both in the amendment and in the present contract.

MR. SHAW: That is correct and the other significant difference is that the way the contract currently reads, that anytime during the life of the franchise two years, three years, five years, anytime the City wishes to exercise its right to recapture, it may do so by paying us only the depreciated book value of the system.

MR. PADILLA: Have you considered, what do you project to be a break-even point? Ten years, is that correct?

MR. SHAW: It will be nearly ten to, it will be approximately ten years before the cumulative cash flow turns positive.

MR. PADILLA: I can appreciate your concern, particularly in the early stages. Have you considered the possibility of the present terms as you suggest them, the amended terms, for the first ten years and then reverting back after that point in time to what we have now, in terms of recapture?

MR. SHAW: I can't honestly say that I have, because I really wouldn't see the point in doing that.

MR. PADILLA: The point is that during the first ten years you would have the protection of an arbitrary take-over happening to you. Beyond that point, since your lines have crossed and you are now--you have recouped, so to speak, your initial investment--now San Antonio has the protection of being able to, in a practical sense, exercise a take-over and you have the first ten years of protection in terms of an arbitrary take-over affecting you, so you have the best of two worlds there for both parties.

MR. SHAW: I think that what we have proposed is for the franchise term. If we haven't fouled it up badly enough during the first ten years, where you would want to recapture, I can't imagine what we would do in the next five that would make you want to...

MR. PADILLA: Well, you see, I think that this Council is very sensitive to present utilities that are much more than ten years old and our relationship with them at this point in time. I think we would be interested in what our relationship would be with you ten or 15 years down the road. I don't think anybody wants to take you over when all of your money is on the line and you haven't had a chance to get any of it back, or much of it back. We are not anti-business but we want to be sure that we have a good situation.

MR. SHAW: We are not anti-City but we want to make sure it's the same thing.

REV. BLACK: If a franchise was offered to another group, how would this effect your willingness to maintain your relationship with us?

September 5, 1973

-37-

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578

MR. SHAW: If the two groups were offered identical franchises on both? You have a simple choice, you can go three ways. You can back out. You can have a mad race to see who gets there first. Or you can split up the pie. I don't think we would indulge in a mad race to see who gets there first. I agree with the gentlemen from CPI that the two systems racing each other down the block make no sense at all. Splitting up the City doesn't make a heck of a lot of sense to me either. I think our tendency would be if both of us were going to go straight ahead, we would either have to see if we could make some agreement or back out. We wouldn't indulge in a foot race.

DR. SAN MARTIN: Is there any instance where you live, co-exist with anybody else in any other area, in your present operation that you have going on at this time?

MR. SHAW: No. I don't think that we have any exclusive franchises but we don't have any competition.

DR. SAN MARTIN: I realize that you don't have any exclusive franchises because they are usually prohibited, but there is no area that you know of either in your own operations or in any other operations in the United States where there is such an arrangement of co-existence?

MR. SHAW: I think there have been some that have had a foot race, and Jack would know better than I. I think there was one in Pennsylvania someplace where everybody was bringing cables down the same street.

DR. SAN MARTIN: Is that right?

MR. CROSBY: Yes. There's an area where two systems, actually in Bryan, Texas, at the present time. In almost every instance where there are two systems (inaudible) these systems become one. Usually it doesn't work for the benefit of the citizens because of slippage in dollars spent with two systems going simultaneously and during (inaudible) they generally wind up costing more.

MR. SHAW: May I respond to Dr. San Martin's question before lunch with respect to the FCC regulations on the Spanish language UHF problem. I would like Mr. Coll to comment on that first.

MR. BOB COLL: Dr. San Martin, this morning, if I understood you correctly and perhaps I assumed too much, you were raising a very specific question about the possible impact on Channel 41 here of the importation of Mexican stations. Now, you understand that General Electric has made decisions that it will not seek authority to carry any Mexican stations when it files for authority for a certificate of compliance at the commission. This is the point I want to emphasize. That's a decision that GE has reached unilaterally. It has not reached an agreement with Channel 41 to that effect. I would be very concerned if it did because I think any such agreement has serious anti-competitive implications. But what GE has determined, is that it will not seek authority to bring in any Mexican stations. When we file at the commission, we are not going to ask for that authority. I think your next question was; will in the future, can you commit yourself never to seek such authority? In getting back to that question, I think it would be inappropriate for us to reach such an agreement with Channel 41 to that effect. I think it would be inappropriate for us to necessarily commit to this Council to that effect because I think to maintain the competition that exists between cable and television stations in which the commission is bound to foster, says it will foster, insists it will foster, we have to have that option, but no one can bring in a Mexican station to this community

unless they go to the FCC first and get authority to bring it in. At that point, Channel 41 can object. It can make a showing to which you referred in the rule that the importation would affect its ability to operate. This Council could object. The Spanish-speaking people could object, and the commission would make the decision whether or not to allow the signals to be imported or under what conditions. My only point is that we haven't agreed. I don't think such an agreement is appropriate. I would be seriously concerned if we had reached this decision in consultation with Channel 41.

DR. SAN MARTIN: Let me. I don't want to rephrase the question. I just want to bring out a point that I made this morning and that was that one of your representatives, I believe he is sitting over there, made the statement to me this morning that there was no such thing in writing that could in any way keep them or prevent them from doing so. I say that it is in writing on page 3266, that it says that "unless the local stations demonstrate that such importation will adversely affect its ability to serve the public". I was given to understand by his statement that there was no protection whatsoever in writing either by FCC or by any other body to prevent this thing. That was one of my objections.

MR. COLL: My understanding of your question was whether there was an agreement in writing between Channel 41 and GE and I said no. I misunderstood your question. Certainly the FCC is concerned with the kind of importation that you are describing.

DR. SAN MARTIN: The reason I asked that question is very simple. You know very well that this happens every day along the borders. I don't know about the Canadian border, where they speak French, and where the Mexican border here. But it happens every day all the way from El Paso all the way to Brownsville and all over the place that the cable stations pick up the signals on this side of the border and use the Mexico City stations, especially Channels 2 and 4. The same thing is likely to happen here if the competition so warrants. My question was, is there anything in writing that can prevent that and the answer says, No. And I say that is wrong because it says right here that if the local independent stations can prove that it has been hurt in some way it can appeal and this is....

MR. COLL: That's absolutely right.

DR. SAN MARTIN: My understanding was that you couldn't do that from his statement and that's the reason I brought up this question.

MR. COLL: I think there was a misunderstanding. I think the point we were trying to make was...

DR. SAN MARTIN: I think his name is Sam, I don't know his last name.

MR. COLL: I think what we were saying is that it would be inappropriate for us to reach an agreement with Channel 41 that we would never...

DR. SAN MARTIN: I wasn't asking for an agreement between you and Channel 41, I was merely stating the fact that is it possible, it is being done every day and it could happen right here in San Antonio. I'm not a lawyer but it seems to me that you cannot appeal very strongly to the FCC until you can sustain some kind of damage to ask relief. In other words, they would have to wait, say a year to show that their profits are down in order to ask relief. You are going to have to wait until you get clubbed before you say, "don't club me".

MR. COLL: Not necessarily. The commission has a way of thinking that they can predict the future. It would probably hold a hearing on the question of economic impact and try to make its best guess as to what that future impact would be and if it were adverse, not authorize the signal or limit some of the programs being carried from Mexico.

DR. SAN MARTIN: The other question was on the question of advertising. There is a specific ruling here that you cannot interrupt.

MR. COLL: That's right.

DR. SAN MARTIN: And yet I asked this question this morning and I was not given the answer that I find in the regulations here.

MR. COLL: Natural intermissions only.

DR. SAN MARTIN: Yes. I was given to understand that we could not have any assurances that a certain number of breaks for commercial purposes could not be limited and according to this, it can be limited.

MR. COLL: Yes. It is limited.

DR. SAN MARTIN: We were told this morning that it was not.

MR. ROSENBERG: If you have no other further questions, if any occur they can be directed to our office and we'll get the answers. We again want to point out that we haven't specifically studied the recapture provisions in the original contract but (inaudible) by General Electric would be acceptable to us. Yes, we have met with the owners of the Mexican-American station here and we have worked out an agreement that they wouldn't have to fight it in Washington, go through all that. We're available for any other questions. We just want to wind it up in case you had any questions.

MR. PADILLA: Stanley, will you address yourself to the recapture provisions and a study of the GE contract and etc. and answer that along with the other questions I posed to you earlier?

MR. ROSENBERG: Yes. I'm going to get you the list of investors, of the amounts, how each is going to vote, you asked me that, as well as we'll address the recapture provisions specifically in the original contract and the proposed amendment or just the original?

MR. PADILLA: I would like to know what your position is in terms of any contract you might be interested in, particularly in terms of the recapture.

MR. ROSENBERG: I'll be glad to do it.

CITY ATTORNEY REEDER: Can I ask a question, Mr. Padilla? Would you address yourself also to see if you can pay a 7½ percent of the gross, like they agreed to do? GE....

MR. PADILLA: Until 1973? 1977?

CITY ATTORNEY REEDER: We need that money bad. If you can pay that will help....

MR. PADILLA: We need the money worse than we need cable television.

MAYOR BECKER: It stands to reason we can't take a lesser position.

We just want 20 percent of the stock and have 50 percent of the voting power. Next on the agenda is Mr. Lucius Moore, Expo Cable Company. You don't care to speak at this time? All right, sir. Now, Mr. Don Freidkin, Citizens Ad-Hoc Cable Committee.

MR. DON FREIDKIN: Mr. Mayor and members of the Council. First of all, I would like to say on behalf of everybody on the committee that we very much appreciate the opportunity to study this thing, and put our recommendations to you. The membership of the Cable Committee has been deliberately kept open by us. As a result, the membership varied from a maximum of 35 to 40 people there at the beginning to possibly a minimum of ten to 12. We've had some regulars that have stuck with us all the way through this thing. We studied partially through the resources of existing groups in town who are interested in cable television, Tri-Ethnic Cable Coalition, BBC. We've studied other franchises. We've studied what's going on in other municipalities around the country. I think possibly our basic concern, what we have been interested in primarily from the word go is that cable television be kept open. I'm not speaking at this point in terms of open franchising or anything else. That the concept of cable television be kept open. This is still, especially in terms of major municipal installations, still a very young industry. We are at the position, I guess now, that highway builders were in 1904-1905. Very few automobiles on the road. There is no telling where cable television is going to go. I don't think anybody in this room would try to make a firm prediction of where cable television is going to be in 30 years. In the recommendations that we have put down, we have not tried to limit things severely and say this and this and this. Our primary interest is, as I said, to keep this thing open because cable television is going to evolve possibly into something unrecognizable at this point, possibly, it may evolve right down the line to broadcast television. In any event, before we go too much further, I would at least like to introduce to Council the members of the committee who are here today; Robert Itiano, Rachel Vidalas, Pat Thompson, Gloria Herr, Brian Wallace, Pleas McNeil, Victor Soto.

MAYOR BECKER: Would you all care to rise please? if you'd like. They have spent quite a lot of time meeting...

MR. FREIDKIN: These are a few of the stalwarts that have put in a good deal of their time after work and on week-ends studying on this thing. Now, at this point, I can either--you do have the recommendations--San Antonio Ad-Hoc Cable Committee, August 28, 1973. Rather than reading this thing verbatim, if I may, I will just go ahead and cover the high points on it. It runs to some 14 points and we would recommend that, specifically, points 3 through 14 be included in any franchise, in any contract and in any enabling legislation. We feel that these points are important enough that they be written in all the paper work that is involved in enabling the cable system.

Number One: We recommend that before a franchise with General Electric or anybody else, for that matter, be finalized and before San Antonio gets a cable television system, that the City employ a communications attorney on a consulting basis. I'm sure that you've gotten the impression from the cable people who are here today, from any broadcasting interests that you've talked to, the Federal Communications Commission is a fairly convoluted organization. Their regulations are very complex and there are already as young as cable is, a number of legal specialists who plead before the commission. We feel it would be valuable to the City and to the citizens of San Antonio if the City were to obtain expert legal consultation in the area of communications

law, before we proceed too much further into this thing. In the event that the City does employ a consultant, we would like to have the opportunity to meet with that person. But we do feel that the consultant ought to be independent of either City or of any of the franchise applicants. We are simply suggesting that the City obtain independent communications consultation at this point.

Number Two: We would like to suggest that the City Council make a study of the Boulder, Colorado cable proceedings. We have studied a number of cable proceedings going on around the country. There are many cities who are facing this whole question of cable at this particular time. Some of them have gone to the extent as the City of San Antonio has done. That is, appointing a citizens' committee of some kind to make a study. Some have even hired consultants. Possibly in the opinion of our committee, the most forward thinking result that has come out of any of these things is the Boulder cable communications experience. I have a copy of it here, it is available, our funds are severely limited but it's available for \$5.00 from the Bureau of Government Research and Services, University of Colorado, Boulder. We have some of the high points in an attachment at the end of our recommendations. We have some 30 high points. It's a valuable document. It is the finest arrangement that we have seen to this point that has been developed between a City and its citizens and the cable franchise. So we certainly suggest it.

Number Three: Citizens Cable Television Commission. We recommend that a citizens television commission, cable television commission be established immediately to safeguard the public interest in cable television system established through this or any other franchise. Our prime operative concern here, as I've said before, was that cable television be kept open. But we do feel that a citizens commission appointed in any form can perform an enormous service both to the City of San Antonio as a corporate entity and to the citizens of San Antonio. In addition, we feel will function to increase cable television sales, odd as it may seem, simply because we feel this organization will operate as an input from citizens. Let me divert from this thing for just a second. There has been a good deal more citizen interest in cable television here in San Antonio surveyed and all over the country where these questions have come up. There has been a good deal more interest in cable television than there ever was in broadcast television. For one thing, people have become accustomed to television. It's in everybody's living room. They want a little bit more say than they have with their local broadcasters with the television networks and so on. Additionally, cable television is considerably cheaper in terms of television production. The equivalent to produce a cable television show costs about a tenth of what the equivalent to produce a broadcast television show does. As a result television production, the people that got something to say now see that the hardware do the job is more within their reach so they are interested in cable television from a number of standpoints. That, plus the fact that there's this talk about 30 channels or 60 channels of entertainment and all of a sudden they say, hey, here's the chance to see the programs that maybe don't interest 200 million people around the country but they may interest enough people so it's practical to put it on television. In any event, there is considerable citizen interest and the Citizens Cable Commission can act as a frontal for that interest going both to the City of San Antonio and to cable franchise. The duties as outlined, are number one: to insure fair and non-discriminatory availability of the public access channel or channels. This is possibly a safeguard although the Federal Communications Commission is far away in Washington, D. C. The City Council has got a great number of things to occupy itself with and we feel the Citizens Cable Commission can take that

load off of everybody. In cases of a conflict where one group or another perhaps feel that they have been unfairly scheduled, this provides a complaint procedure to go through. It provides tracks for people to follow where they might feel, perhaps, that they were lost if there wasn't this sort of organization. We feel the commission should be empowered to investigate and to resolve complaints about censorship or scheduling conflicts on these channels. We discussed at some length the question of censorship. Now the question of whether the City should censor, whether the cable operators should censor if censor is the word you want to use we might as well. Obviously, the cable operator is responsible for the material that goes on his system. Nevertheless, it always boils down sooner or later to the question of judgement and we feel that in every case the judgement will be more fair if it were put to a committee of citizens.

The second duty is to encourage wide-spread use of cable television by non-profit groups in the community. There are already, I know, a number of groups, educational institutions, public service organizations who are interested in cable television for some of the reasons that I outlined before. First of all, it's a quick, cheap access to the public. What many of those groups don't realize and those of us who have been in the media for any amount of time do realize this. There is a considerable amount of effort that goes into the production of any television program. We would expect the commission to help make these people aware of the kind of effort they're going to have to put forth and to help them put that effort forward. We feel the commission should help develop the experimental community programming. Television, as it stands now, is pretty much locked into given formats, news, weather and sports. There's entertainment, there's football games, there are movies, what have you. It is not our intent to quarrel with that. Commercial television in the United States is pretty much shaken itself down because that's what most of the people want, most of the time. If it weren't that way, it wouldn't be profitable so we wouldn't have broadcast television at least in that form. Nevertheless, there are alternative forms of programming and there are different kinds of programs that we certainly expect to see developed and we would like to make it known to the public at large that if they got something they want to try on cable television or try on television in general, that here is an outlet, here is a way to do it. The commission could be empowered to produce demonstration programs and workshops to draw attention to possible use of cable television although we do not feel it should be within the realm of the commission to produce programming on a regular basis. The commission in this area, we feel, should operate more as an implementation group rather than another production agency. In other words, we don't want to end up with another television network at this point. The commission, we feel, should have the power to employ a staff if necessary, to purchase equipment, to sponsor educational services to the public and to seek grants from public and private sources in order to carry out this function. The commission should be empowered to make production grants of up to \$500 from non-profit groups desiring to use the public access to these channels. That amount was deliberately kept low as here again anybody in broadcasting will tell you, you can't really produce much of a broadcast television show for \$500. Nevertheless, we feel that in terms of encouragement to non-profit groups is as important as they...to put it mildly...be forced to scramble, because scrambling is part of the production. Also cable television, as I said earlier, is cheaper to produce, therefore, \$500 will buy you ten times as much on cable as it will on commercial television. The commission shall ascertain the availability of additional programming production resources, and to coordinate those resources in an attempt to bring about more local television production, for example, there is a full board professional production unit out at Trinity University. Brooke Army Medical Center has got one of the finest professional

production units in the State of Texas. There are a number of excellent closed circuit television systems already in operation in San Antonio. It would be our hope the Citizens Commission would be able to coordinate these things. There are a number of institutions that have programs that would like to produce, for example, that don't have the facility and it would be initially at least wasteful to expect them to go out and buy the equipment when they might be able to obtain it either for a nominal fee or on a borrowed basis from one of these existing institutions that has the hardware.

Number Three: to ascertain from a perspective of citizens and subscribers whether the cable operator is in compliance with terms of the franchise and to make recommendations to the City Council regarding appropriation of the system by the City for material and substantial non-compliance provisions of the franchise or regarding amendments that need to be made. The operative phrase at this point is to ascertain from the perspective of the citizens, the people who pay for the cable system. There are obviously going to be a great number of complaints from citizens ranging all the way from the fact, hey, my television set rolls when I turn the channel 6 or whatever it happens to be, all the way up to complaints about the programming material. We feel that the commission can correlate this information, boil it down and present it in briefer more accurate, concise form to both Council and the cable operator. We feel that perhaps citizens will be more willing to speak to the members of this commission than they might perhaps be to General Electric or to the Council simply because, as I get to here a few moments, the way I suggested the commission be made up is from people within local areas of the City. So people would be more willing to complain or, for that matter, pass on compliments to somebody from their own neighborhood, somebody they already know and trust. In order to carry out this function, commission may hold public hearings prior to technical reviews of the system or any other time it deems advisable. We would hope the public hearings would be well attended. We would hope that we would have the facilities made available to the commission so that these public hearings could be broadcast on cable. The point is that we are concerned about generating interest in this thing.

Cable television, oddly enough, I don't want to go into the ramifications at this point, but cable television in many parts of the country is evolving into what perhaps legitimately should have happened to broadcast television. People are looking on cable television as a public resource in spite of the fact active cable television uses private wires, I admit it uses public right of way but cable television is being developed in the United States by private enterprise. Everyone thinks of this as a public resource and have come to think of broadcast television as private enterprise, even though broadcast television uses the air waves which are admitted by everyone belonging to the people. The reason behind it is fairly simple. There is a lot more cable television to be had. San Antonio is limited to what, five stations that we have on the air now and possibly two more for technical reasons because of broadcast television. In the meantime, on cable television, we could have 30 channels, 60 channels, 90, 120, as many wires as you want to string that's as many channels as we've got. That means that there is television room enough for everybody assuming we have enough money to do this thing. In any event, we would now anticipate considerable amount of public reaction, public feedback to cable television. We would hope that it would be encouraged actively all the time these are the duties we feel the commission should be charged with. The commission would work with the cable operators to encourage utilization of the total system to meet the needs and interest of the City as a whole and of the subscriber; to arbitrate dispute which may arise between the

cable operator or government officials or members of the public. It's hard at this point, I think, to pin down any specific disputes that may arise, but again, we're looking to the future trying to keep this thing as open as possible and disputes always...you brought up the other public utilities a few minutes ago, we would hope that perhaps the Citizens Cable Commission would be able to settle this kind of thing when it is pertinent to cable television.

To control 25 percent of the upstream capability, not less than six continuous megahertz to be used for live television programming. There is specific reasoning behind this provision and it stems from the situation that broadcast television is in today. First of all, let me explain that upstream, this may not be necessary, but let me just say briefly that downstream is television programming that originates from the cable head in and goes into everybody's house. Upstream programming is the television programming or any other information for that matter that is sent back up the same wire at the same time back to the cable origination point. This is technically feasible. General Electric has written it into their franchise. I'm sure any other franchise will do the same thing. The reason that we suggest commission control 25 percent of the upstream capability is because live origination, the ability to originate live television is valuable from the financial standpoint. We feel that is important that at least part of the ability to originate live television be reserved from non-profit educational or public interest use. In other words, the networks, NBC, ABC, and CBS pay an enormous amount of money to American Telephone and Telegraph every year simply to distribute their television programs around the country. This has nothing to do with production of their television program and has nothing to do with the broadcast of the program. This is just what it costs to put it on the wire from New York, San Antonio, Los Angeles or Seattle or wherever. It is not inconceivable that this same sort of situation will develop in (inaudible) here in San Antonio where upstream capability can be a major income generating service. Now, although public broadcasting system, to go back to broadcast for a minute, although PBS gets a cut rate from the phone company, it's still enormously, almost prohibitively, expensive for PBS to distribute live across the United States. We do not want to see that happen in San Antonio. We want to reserve 25 percent of the upstream capability for schools, for public service institutions, for minority groups, or what have you. So when they want to originate a live program at least the cost of getting it from the origination point to the cable head in...won't put them completely out of the business. We also recognize that especially at first there's not going to be that much live television and so we feel that franchise should then have control of that time. The time not used should go back to the franchisee. We don't want to see any channel sitting idle. On the other hand, if there is a need for that, we do feel those groups should have the right to that time.

We feel that the Citizens Cable Commission can be of valuable source of citizen input in terms of rates, that is, rates charged by the cable company to consumer and fees for all areas. To my knowledge, most of the rates that have been discussed to this point have strictly been subscriber rates. Now cable television although it is lucrative in that area also can be enormously profitable in a number of other areas. Television program productions, sponsorship of television programs, media distribution, data distribution, computers running down the cable, fire alarm service, I'm sure all of this has been covered by General Electric, but the point is that we do feel that there should be control on other rates, on rates other than subscriber rates and we

September 5, 1973

-45-

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586

feel that there ought to be citizen input where it is pertinent. We feel that this citizens commission would be a good source to feed this information to the Council.

PART B: Membership of Commission--We feel the commission should consist of nine residents of the City of San Antonio chosen so as to be widely representative of the ethnic ratio of the economic composition of the City to include both men and women. We feel it is the preferred method of choosing commission members whether by appointment or election or what have you and the length of their terms be decided by the present City Council but should be specified in the franchise. We suggest, as an example, one method for selecting board members is that the City choose from among applications submitted. One board member from each of the seven cable districts. These seven cable districts that we're referring to are the districts of General Electric divided the City into for purposes of construction. Now, there is a central City district and then there are the six micro-wave points around the periphery. That seems like a handy division to us, it ties in well with further capabilities on the part of cable television for example. It will be possible for one of those districts to program material at that micro-wave point strictly for that district rather than all the way through the cable system. So, there are a number of good reasons for choosing the seven districts or, in the case of the new application that has been submitted, to ten to 12 districts. The number of districts doesn't matter but the point is any cable systems built in San Antonio is going to divide this City up into districts strictly because of the technical way that the system has to be constructed. We feel those are good guidelines along which to form the Citizens Commission. The members chosen from these districts will in turn elect the other two members. We felt that there ought to certainly be an odd number of members as opposed to an even number to avoid ties. We feel that two members at large is a valuable thing to have simply because it helps broaden the reach of the committee. The initial term of office we suggest as being one year. The commission may establish its own by-laws and operating rules so long as it performs the functions specified here. Again, we don't want to tie the commission down too much. We feel it is important for the Council to tell them, alright, these are your jobs...you do this and this and this. How you go about it, we don't care as long as we get results.

Funds for the Commission. We suggest that two fifths of the franchise fee paid to the City by the cable operator, a sum amounting to 2 percent of the cable operators' gross receipts shall be designated for the use of commission in carrying out its duties. The commission may seek additional funds from other public or private sources. We're getting now to the point where we're talking about the 7½ percent franchise fee which I know has been a considerable discussion. It is the feeling of communications attorneys with whom we have consulted that first of all whatever happens in 1977, the franchise fee is going to be cut to 3 percent, 5 percent maximum and that the additional 2% only in the event that the City can show that it's going to use that specifically for cable television operation. It is also our feeling, although we have not had an opportunity to consult with the accountants, that the franchise fee if the City can get 7½% until 1977, the franchise fee is not going to exceed the \$50,000 a year minimum that the City is already getting. In any event, there is the possibility that the Federal Communications Commission will look upon the amendments to the franchise as a new franchise and will not grandfather it.

This is especially true if somebody files a petition to deny the certificate of compliance. So, for that reason, we are operating under the base assumption that 7½ percent is not going to come into the City. The City is going to be limited to three percent that although the other two percent is available, it has to be justified in some way for the advancement of the cable. We feel that those funds ought to be given. I say given, those funds ought to be assigned to the Citizens Cable Commission to do all the things that we specified here. Are there any questions to this point or do you want me to continue with the whole thing?

MAYOR BECKER: Well, it's interesting. You have undoubtedly given a great deal of thought to this. Have you been in contact with the gentleman, what's his name, Gibson?

MR. FREIDKIN: Yes. Joe Gibson. Yes, we have.

MAYOR BECKER: He seems to be very capable, sharp, young fellow. I only like to suggest this that we not go into such great detail with the remaining points that certain things are obvious, you know.

MR. FREIDKIN: In terms of contract, we feel it should be limited to ten years. This was up for considerable discussion but let me go into a little bit of background. One of the cable companies that we talked to--I guess it's been five or six months ago--was honest enough to admit to us that once the City has learned the cable company franchise that City is stuck with that company. They could not think of any circumstances where a City has thrown out a company that is operating in the City that has a fully installed cable system. Realistically, once you have granted the franchise, it is for all intents and purposes an eternal franchise. The wires are up, the system is in, the people are there, they're operating and doing procedures are set up bang... you've got them. So perhaps the contract time is most but we never once felt that ten years was sufficient time. General Electric's break-even point, by the way, is not necessarily in agreement with other companies breaking even point. There is one cable operator who quoted 4.7 years. We did not go into that to any great length and not being accountants, we did not want to go into it. But I will say that they are the biggest cable operators in the United States.

MR. FREIDKIN: In any event, we do feel that, acceptance of a franchise for ten years shows good faith on the part of the cable company.

MAYOR BECKER: May I interrupt you there for just a second please? Would not population density factors such as setting up shop in New York City, for example, greatly affect the amount of time necessary for pay back?

MR. FREIDKIN: Yes, It does. It not only affects the amount of time, but it affects the profit margin, simply because heavy population density means houses are closer together, you get more people per mile of cable. This was, however, an average.

MAYOR BECKER: Down here, we are just spread out more and we have to stretch those wires further.

MR. FREIDKIN: In fact, you have to go to microwave subsidiary pick up points. No, I admit that there are a lot of factors that affect that kind of thing. I don't want to give the impression that ten years in the rule of thumb break even point.

MR. PADILLA: Did I understand you to say that the company accorded you 4.7 years as a break even, as the biggest cable operator in the country?

MR. FREIDKIN: Yes, Sir, Teleprompter. We suggest that the grantor review the technical performance of the system every two years to insure that it keeps up with the state of the art. Cable is moving very fast. When General Electric initially submitted their franchise, it was a twenty channel system, which was, in all honesty, the finest that was available on a single wire at that time. Now they have up-graded it to a thirty channel system, so that in five short years you can get 50% more channels on one piece of cable. We feel that technical review is necessary frequently, and in this case we've asked for two years. We do suggest adaptation of the recapture provision. We feel that it is important the grantor reserve the option to purchase the system at the expiration of the franchise at the compliance recapture rate. This has already been discussed some. As we read the franchise and the proposal, there was nothing in there to make any provision as to what happens when the contract runs out. As I said just a few minutes ago, for all intents and purposes, once you've got a company, you've got a company. Never the less, we do feel the city should reserve that option specifically.

MR. PADILLA: Can you clarify that a little bit, elaborate a little bit? To be sure I understand you? Our present recapture provision, what is your recommendation in terms of recapture?

MR. FREIDKIN: We recommend that the present recapture provision, as amended by staff, be accepted. We feel that it's fair. We feel it's fair to the franchisee, we feel it's fair to the city. And we feel that it leaves the city's options flexible enough so that....

MR. PADILLA: What do you mean 'as amended by staff'?

MR. FREIDKIN: The recommendations staff has turned in.

MR. PADILLA: That's basically what General Electric is asking for. You were saying that you recommend that we accept the recapture provision that General Electric wants?

MR. FREIDKIN: That's the recommendation the staff made to us, and yes we do. I can justify, if you want it.

MR. PADILLA: I simply wanted to understand what your recommendation is.

MR. FREIDKIN: We recommend that the grantor shall reserve the right to reopen negotiations for amending the franchise at any time during

the life of the contract. It is our understanding that this is specified by city charter but we still feel that it ought to be written into the franchise contract.

System Capacity--We would like to see a two cable system with a capacity of sixty channels. Frankly and honestly, we have some doubts as to whether there will be utilization of all sixty channels within the foreseeable future. Never the less, as long as the system is being strung, it is cheaper to string it with two cables now than it will be to restring it later. A two cable system is common with Teleprompter. It is apparently the procedural way of stringing with CPI. It is not an unreasonable request. It will give the city, first of all, a sixty channel capacity. It will give the city thirty channels going one way, and thirty channels going the other way immediately. Two cable system is simply more flexible all the way around. We feel it is more beneficial to the city and the citizens.

We feel that a two camera minimal black and white live or video tape origination facility be installed at each microwave point for public access programming. Obviously, the cable system is required by federal law to have some sort of public access studio facility and they are required to make it available to people. We feel that it is important in a city as spread out as San Antonio is that these points be more diversified than one single downtown cable television studio, and for that reason, we are requesting one at each microwave point. It is a relatively inexpensive installation. This kind of installation can be put in for \$2500 to \$3000 and we don't feel it is unreasonable to ask the cable system make that kind of installation. We propose that upstream cable rates be administered as are subscriber rates. That is that the city council have control of upstream cable television rates. Once again let me say that upstream is a return signal for live origination programming.

Construction Schedules--We suggest the city council pass a resolution urging City Public Service Board to proceed with pole make ready with all possible haste. We have been told by many people in the business that that is generally the big delay, in any cable installation, is how long it takes the people who own the poles that are already up there to get the things ready. We would hope that San Antonio would be in an especially advantageous situation here since it is a publicly owned utility and that the resolutions of city council would have some effect and help speed this thing up.

We suggest the grantees be required to file for certification of the system by the Federal Communications Commission within thirty days after the franchise has been granted to avoid another five year delay for some reason or another. If that had been in the franchise originally, San Antonio would have cable television right now.

We recommend that the entire system be constructed in a maximum of four years. This is one year less than the Federal Communications Commission requires, however, we have been assured that it is not an impractical time schedule to ask someone to follow. The CPI presentation today suggested forty-two months. So, assuming that pole make-ready can be done quickly enough, forty-eight months is in no way unreasonable. And that all areas, including low income areas, be wired on an equitable basis, that is, that the cable company does not go out and wire the north side first, or for that matter, the south side first. Some cable companies would much prefer to wire low income housing areas first, simply because the saturation is higher there, in other words, more people in a low income group in a low income area will subscribe to cable. Secondly, because, as I said earlier, the number of households per mile is more, the profitability is higher in a low income group. So, in this case, for the protection of everybody in the city, the city be wired equitably.

We suggest the grantor reduce the C.P.S.B. pole fee to zero. That these savings be passed on, penny for penny, to the subscribers in the form of reduced monthly rates. And that the grantee pay to the

September 5, 1973

-49-

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590

grantor a maximum franchise fee of 5% of its gross revenues to bring it within the F.C.C. regulations as of 1977.

In terms of rate, we suggest that whatever rates are established in the franchise, the grantor shall reserve the right to reduce those rates and fees or to approve on any increase. We do not limit that recommendation to subscriber rates or upstream rates. We are talking about any rates that General Electric as a franchisee may charge for any reason that city council reserve the right to control those rates.

PART B The Citizens Cable Committee shall make periodic evaluations with the aid of consultants on the grantee's profits and costs and make appropriate recommendations to the city. In other words, we certainly wouldn't expect to run into this thing blind and say, "Hey, the rates are too high, chop them down." We would expect that this commission would be fair both to the subscriber and to the cable system.

MR. PADILLA: Can we go back to #6 for a moment under PART A, two way capability under PART A? Did you say each installation of that would require about \$2500?

MR. FREIDKIN: Yes

MR. PADILLA: Is that all?

MR. FREIDKIN: Yes

MR. PADILLA: What does that require, two cameras there?

MR. FREIDKIN: A couple of cameras, video tape machine, and a switch to choose between the two cameras.

MR. PADILLA: You can get two television cameras that will do this for \$2500?

MR. FREIDKIN: Oh, yes, you can get two television cameras for under a thousand dollars. In all fairness, broadcast television cameras cost about \$95,000 each, but we are talking about a big full board studio color television camera. What we are talking about, here, is a minimum capability television camera. In other words, nobody is going to watch public access television unless they can see what's going on. On the other hand, there is not really a crying need to see somebody say what it is that he has to say, live and in beautiful color, and all the rest. They want to see the guy's face, granted. But we do feel at this point it would be unfair to ask the franchisee to put in a full board studio at all seven locations. But now it is at that price certainly reasonable and perhaps a little bit high.

In its employment practices, we suggest the franchisee shall not discriminate against any person on the basis of race, color, religion, sex, or national origin. Within a period of three years after the franchise goes into effect and thereafter, the personnel employed by the franchisee in San Antonio, shall at all levels of employment show adequate representation based on census data of racial and ethnic groups and of men and women in the City of San Antonio.

We do suggest setting a specific time limit on this equal employment policy. To achieve this goal the franchisess shall implement immediately, and by immediately we mean upon granting of the franchise, a training program for local people to prepare them for positions of all levels of employment. There has been some discussion by all of the applicants for franchises in San Antonio, that they will train installers. This is good, installer is a good job, it keeps some people employed, but we are also concerned that people will be trained in techniques of television production, in television engineering, in television management, and that these minority groups finally get their hand into television, into the media. We feel that it is the cable operator's responsibility to train people for those positions.

Public Access--We feel that the equipment provided on the public access channel to users will be equivalent to that used by the grantee in production of its own programming and that interface equipment be provided for the acceptance of non-standard production formats where feasible. Let me go into that interface just briefly.

There are about ten different non inter changeable video tape types currently on the market. Any cable operator is going to adapt one possibly two of them for his production and program dissemination. We do feel that it's important that he also provide some way of taking the formats that we consider non-standard and putting them on cable, simply because if the experience of New York has been any indication, a lively, active, public access on your cable system will cause a number of video production groups to spring up all around the metropolitan area. They will not be able to afford the kind of equipment that the cable system has, they will not be able to afford to rent the equipment from the cable system and they will be using non-standard smaller cheaper equipment. There is equipment on the market to interface all of these formats. In other words, to get them all to work together so that even the cheapest, crummiest video tape that comes out of anybody can be put on to the cable system and broadcast to the public, we do suggest that be required of the cable operator. We would suggest that public access users be given fifteen minutes of free cable time before a nominal charge can be made by the cable operator as opposed to five minutes. Simply because it is obvious right now there are a lot of things that cannot be said in five minutes, that can be said in fifteen. We don't think it should be any longer than that simply because we don't feel that people should be allowed to monopolize the system to any great extent.

MR. PADILLA: Political broadcast.

MR. FREIDKIN: Pardon?

MR. PADILLA: Political broadcast?

MR. FREIDKIN: Well, yes, paid political announcements are one thing.

MAYOR BECKER: That may be kept off of it.

MR. FREIDKIN: We feel that the grantee should provide at least one channel for access by non-profit organizations on the following basis: lease time \$1.00 an hour, as opposed to providing it free simply because \$1.00 an hour releases, as I understand it, the cable company from a certain number of responsibilities that they would have if they would offer that time free. It is a nominal charge but we do feel a charge should be made. Two, the cable company offer free use of studio tape and equipment of a quality not less than that used by the operator for its own channels, and production assistance at cost to include training into the organizations and the various types of production equipment techniques. Here again, this is primarily to encourage the public participation in cable television. We feel that public access in noncommercial lease channels should be between channels two and thirteen. These are the VHF channels. They will not require the converter, the set talk converter, that is to say, anybody who has a cable whether they pay \$1.00 a month extra or however much it is for the set top converter, anybody will still have access...to public access and non-profit television production programming.

That the grantee conduct classes open to all interested citizens in the community in the various types of cable television production equipment techniques again to the end of encouraging more participation. That the grantee shall originate broadcasting on not fewer than two television channels, local origination channels, one in English, one in Spanish in accordance with the following requirements. The grantee shall conform to the laws and rules and regulations procedures applicable to federally licensed broadcasters as to programming and tri-annual surveys of the community to ascertain its problems, needs, and interests. In other words, we are asking the

cable system to do the same thing that every television and radio broadcaster has to do at license renewal time. That is, to find out what the community wants and whether they are serving the public interest sufficiently to get their license back again. That the grantee shall conform to the advertising code of the National Association of Broadcasters as to advertising. That the grantee shall provide programming fare daily for not fewer than twelve hours or such greater period of time as may be required by the Federal Communications Commission. We are asking that for twelve hours of local television by the cable system that is not being broadcast that is not being picked up from some other television station. That the grantee shall produce not fewer than 20% of its programming fare in the City of San Antonio as opposed to a central studio in New York or Dallas or Houston or wherever it happens to be. At least 20% of it should be local television production. That the grantee shall provide not fewer than three channels of special information including television schedule, weather, time, and wire news in English and Spanish.

Regarding government channels, that the City study the feasibility of operating a government channel in cooperation with other governmental bodies, county government, possibly the state government. We simply want to leave the possibility open that there may be, for example, a state ultimately there may be some sort of state governmental information, dissemination network, possibly a federal one, although I, frankly, don't see that in the near future. and that the three channels be reserved for governmental use at no charge. That not less than ten educational channels be allocated at no charge and that a board composed of educators and citizens be appointed by the City to advise in the administration of those channels. It has been our observation if I can depart for just a minute, that the although there is always a great deal of interest on the part of the educational community in any sort of media that they never really know quite where to go to get things started. Somebody has got to drop the initial suggestion, say, why don't we do it .. bang .. this way so we suggest that there be a board appointed to implement educational use of those channels. That at least two educational channels be located within the VHF band, that is channels 2 through 13. At least one education channel be allocated for adult, specifically, for adult education including literacy and language education and cultural awareness programing. That the grantee shall make available at cost an in school distribution system for each parochial and public elementary and secondary school building within the franchise area. We are aware that under the current franchise the company will make available one drop at no charge -- at no monthly charge to each school. That doesn't really do a great deal. That puts one television set into each school building in the City. We do feel that it's unfair to ask the cable company to wire each school at no charge to the school simply because that gets to be a very expensive proposition and on the other hand we do feel that we're justified in suggesting that the City ask the cable company to wire those schools at cost. That is an in school distribution system that will put two, three, ten -- one set in every classroom and one set in every other classroom whatever the school system or the individual school decides they're going to need. Additional public access, community leased, government, educational channels be allocated or constructed by the franchisee whenever one of those respective channels is in use 80% of the week days Monday through Friday for 80% of the time for any consecutive three hour period for six weeks running. That is the Federal Communications 80% rule, the FCC 80% rule for expansion of facilities when public access becomes overloaded. We feel it ought to be written into the franchise simply because the FCC is a fickle organization and may change their minds from time in the next few years. We, nevertheless, feel is the reasonable requirement to ask, and therefore, suggest that it be written in. Free services: that the grantee will provide sufficient equipment at a nominal charge to meet public use demand to determined by the

September 5, 1973
skw

Citizen's Cable Commission at all neighborhood origination centers. This goes back in a broader sense to the initial black and white installation. Also, we would like to include places like the Model Cities Evaluation Center where we hold our meetings. If there's something going on there, we feel the grantee should provide that equipment at nominal charge. We feel that the cable commission would be a valuable organization in terms of scheduling that kind of operation. We recommend free pick up points and drops as specified in the existing ordinance and as specified in the ordinance an additional points listed in the proposed ordinance we suggest that those be included in the contract with the cable company. That basically is our list of recommendations. I would ask that you please go over the....at least the high points that we have here, and that you do obtain this because it is a very valuable publication.

Without going into it taking a great deal of time, let me just say that Boulder, Colorado, once again, has worked up a responsive system possibly one that can be considered a model system although there are some things that are at odds with both Texas law and the City Charter here. It is a good set of guidelines for cable television in the interest of the City and its citizens. So, please take a look at it.

MAYOR BECKER: Well, does anyone have any questions for Mr. Friedkin? I want to thank you very much, you and your committee, for all the time and effort, as I said, that has gone into this report. It is very evident that you've done a lot of studying and research and given it a lot of thought. That's really why we've asked you to meet as a committee, it certainly serves as a valuable guideline too for helping this Council in its determination with respect to this contract. Really, the cable television is for the people, that's really what it's for. Television was supposed to be for the people too, but sometimes I wonder if it really is particularly when we have 'Ed, the Taling Horse' and certainly that sort of thing on at an adult time, but maybe that appeals to a great segment of the population of this country. Even in the adult prime time, it must have appealed to some. Any questions?

REVEREND BLACK: Mr. Mayor, I simply would like to compliment the report in terms of the way in which it defines public participation. You know, it's so easy to set up a committee and think that we have public participation at maybe an administrative level, but it seems to me that this brings public participation and the level of the use of equipment itself, the availability of the services and it seems to me unless public participation is defined at that level we will have missed the mark in terms of any real public participation.

MR. FREIDKIN: Yes, that's what we had in mind.

MR. MORTON: I would like to join you, Mr. Mayor, and Councilman Black in commending this committee. I think you are very fortunate or lucky to have found a committee that responds as responsibly and as comprehensively as they did to a charge that I don't believe you ever got credit in the press for ever having given them. There was just a committee form. I find it very interesting that the committee that supposedly had no direction, nor no charge at all would come back with a set of recommendations like this. I'm sure none of us here would completely agree with everything that you said, but I think it's very obvious that a lot of thought and a lot of ability has gone into your recommendations. I'd like to thank you.

MR. PADILLA: Let me ask you one question before you leave. Has this report been turned into the staff previous to today?

MR. FREIDKIN: Yes.

MR. PADILLA: When was that?

September 5, 1973

-53-

skw

MR. FREIDKIN: Staff received the report August 28, more than a week ago...

MR. PADILLA: August 28. Okay, thank you.

MAYOR BECKER: All right, thank you very much...thank you again. Some of you gentlemen sitting out there representing cable television might be interested in obtaining a copy of this report. It may have some beneficial value. Cable television or any type of a thing like this is perhaps more than a balance sheet operation. We lose sight sometimes in the Country today as to what really we are doing from time to time. I think all of our businesses do. Now, then next on the agenda is a staff report by Tom Edwards. Tom -- Tom was given the enviable task of summing all this up in putting it all together.

MR. TOM EDWARDS: It's been a long day, and my remarks are going to be very brief. I think we've covered a lot of the points in previous public hearings. I just wanted to say that city staff had sought a (inaudible) negotiation with General Electric Cablevision because of the fact the City has an existing franchise with that company. The company has sought to keep that franchise in effect, by paying the \$50,000 a year franchise fee and they have paid to date \$350,000. The company has the financial strength to undertake such a venture since it has over seven billion dollars in assets. The company has demonstrated the technical expertise to fulfill such tasks as they are proposing. The Company has experience in the operation of cable television systems. The company has been willing to negotiate in good faith and has a reputation in many areas of electronics. I think it has considerable feeling that because it puts its name on its system it does want to insure that everything it does reflects, well, upon the operation of the system. The City will gain by increased revenue by going ahead at this time. In March, I figured out what the gain to the City would be. It would be about one million dollars over the next ten years even if the system gave comparable service to General Electric. I feel that the company must provide something that is not being provided now by the mass broadcasters if they are going to be successful. You can get free TV without a cable, so I think GE is going to have to provide something for the people in addition to what is presently being provided. So I think that they are going to have to meet the needs of the people. The FCC in its report and order of March, 1972, has recommended a process of negotiations rather than a bidding process in order not to jeopardize the financial integrity of the cable television system. The particular recapture provision which we are talking about actually is one that was worked out with City staff and the company. They came to us actually without any particular franchise provision in mind and requested that we work out something. That's how that particular recapture provision came about. It was sought to keep something that was favorable to the City as possible yet to be equitable to General Electric in case the city took it over.

MR. PADILLA: Are you speaking of the original recapture provision, Tom, or the proposed amended recapture?

MR. EDWARDS: No, I'm talking about the amended recapture, the original was put in there in 1968; I was not here at the time. What went on actually at that time, I'm not so sure. I hear a lot of hearsay, but exactly how that one came about, I could not address. Now, in going back and looking at the situation, at the time, I personally feel, I don't know exactly whether General Electric had built the system or not, but I certainly feel it was not nearly as big a risk as it is now simply because of the fact that increasing investment by 2.4 times and you're sticking to the same prices which you're charging back at that time with very little increase in the subscriber number. So that's greatly increasing the risk to the company, and I did some financial projections and studied in that line. As far as the franchise fee goes 7½%, I talked

to people at the FCC about this they indicated that they were not trying to be too hard on systems. They would be willing to grant all of that until 1977. Of course, the FCC retains the right to change its mind very frequently. I thought I'd read a portion from the rules and regulations here since we have been dealing with excess, but it kind of applies to the rules and regulations. It says the questions of what regulations we should impose at this time is most difficult. A judgement from how these excess services will evolve are at best intuitive. We believe that the best course is to proceed with only minimal regulation in order to attain experience. We emphasize, therefore, that the regulatory pattern is interim in nature may alter the program as we gain the necessary insight. Any time we talk to them we realize they retain the right to change their mind. However, that has been the indication and they have grandfathered other franchise fees. At the present time, this thing that they are going to require us to change it in 1977 so we would have to renegotiate at that time because they don't know exactly what the effect of copyright legislation will be on the cable operators. It's going to be something come out and state that the cable operators will have to pay copyright fees. They don't know exactly what impact it's going to have on the system. Now they hesitate to change that particular provision.

The City of New York in talking with their Director of Franchises, Mr. Morris Torsch, indicated however, New York City would go to court before they would (inaudible). I would like to point out if it's all right with the Council, to hold public hearing anytime regarding the cable television system in the future in relations with services provided. The City Charter states that the Council shall have the power to call a public hearing giving reasonable notice to the holder of a franchise to determine whether or not an application to increase rates shall be granted, or to determine whether or not the rates currently charged by any holder of a franchise by the service rendered are excessive. In that connection, the Council shall have the full power to examine the books, papers, records of franchise holders, compel the attendance of all witnesses that are deemed necessary to certain facts. So, actually, if the company is not providing service in accordance with what the charge is being made, actually the Council could call him at anytime before a public hearing and apply pressure to get them to change their services. The recommendations on the regulation of systems, advisory committees and funding, etc., was in a report which we sent to you. It is our recommendation that regulation was the staff function or professional function not the function -- well, it was not function of anyone else but the City Council. I think the charter prohibits establishment of a commission for the purpose of a municipal function. The advisory function I think could be set up. That would be an Advisory function actually to the company though, in reality, so that wouldn't be necessarily a municipal function but it could be set up. On the funding of programming, I think the Council -- it's within their power -- if it is within the public interest to set aside such funds, however, that should be demonstrated to be in the public interest. We recommend that there be a demonstration of the public interest first. That's actually all the comments that I have to make. Are there any questions that you have?

MR. PADILLA: Tom, back to this recapture thing. I asked the question earlier, but I'd like to ask it of you. GE's concern, which I can understand, is to protect their investment from any arbitrary takeover the City may choose to exercise at any time, but they are particularly concerned about before their break even point comes and I can understand this. Now, rather than, and I understand that the recapture provisions if we can prove noncompliance or nonperformance or something else, it occurs to me that that would be a very difficult thing to prove. Now, was there any sort of a formula considered to give them what they ask for, say, during the first ten years or until they break even., to incorporate the \$200 per subscriber etc., and then after that time that the contract revert back to essentially with the terms for recapture are now.

September 5, 1973
skw

-55-

MR. EDWARDS: Well, the recapture provisions states it can be reviewed after a ten year period of time. Actually, the recapture provisions as is now is for a period of ten years. I think it was to be looked at after ten years on a point of reasonableness -- whether or not it's a reasonable thing or not...

MR. PADILLA: That is not the same thing to say that we will review it in ten years is not the same thing as to say that in ten years the original recapture provisions will again be in affect. This would answer GE's prime concern and that is that their investment be protected during the time it would take them to get their initial investment back. Now, that would serve that purpose because they would be protected from so called arbitrary takeover. Well, after they reach their break even point, let's say that ten years down the road, if the City could have what is not the recapture provision then the City of San Antonio would be back in a good position as regard to recapture.

MR. EDWARDS: Well, if it was my decision, then our recommendation would be that if you want that particular provisions, it would be at the end of the franchise period.

MR. PADILLA: What is your recommendation now at this time?

MR. EDWARDS: Well, I mean if you awarded the franchise amendment and you wanted it to go back to the book value type of thing and it would that at the end of the franchise period -- at the end of the fifteen year period.

MR. PADILLA: GE projects that they can have this system operational in five years, is that correct?

MR. EDWARDS: The cable completely throughout the City, right.

MR. PADILLA: All right, what do they project the revenues to be at that time?

MR. EDWARDS: I believe with a mature system it is about \$7 million a year.

MR. PADILLA: Seven million. So at the present time, five years from now it would be 1978 which would exceed the date the FCC has designated as cutoff for 7½%. But, let us say that the effect is that right now, we have 7½% of nothing and we're not ever going to 7½% even for a year of what their projected gross revenue would be because they will have any projected gross revenue for the complete system one year after we cross this date of 1977.

MR. EDWARDS: Well, let me interrupt just a minute. In the initial projection which was done last March, it was projected that they would reach in 1975, it would exceed the \$50,000 minimum payment in '75 and before March 31, 1977, there would be about \$270,000 in excess of the 3% franchise fee.

MR. PADILLA: But, compare that to the 7½% of \$7 million from this point on. In other words, we could have an operational system now if GE had gone ahead and built it in 1968 or started it.

MR. EDWARDS: Well, maybe you could, and maybe you couldn't have. The FCC was stopping the building of some systems where (inaudible).

MR. PADILLA: What I'm wondering whether since we're playing with the contract in terms of amending it, why cannot San Antonio through a higher franchise fee for the remaining time between now and 1977 recoup some of that money that it would have received on the basis of 7½%. The system would be complete today, you see...

MR. EDWARDS: You make a lump sum payment of some type?

MR. PADILLA: Well, either lump sum or perhaps on an annual basis.

MR. EDWARDS: Well, anything we do at this point in time would fall under the FCC guideline and if you make a lump sum payment at this time then that's going to be part of the franchise fee from here on out.

MR. PADILLA: Well, I'm speaking of the base fee, not the 7½%...

MR. EDWARDS: By the time 1977 gets here, there may be ways worked out to get around to this particular clause, I don't know, setting up a trust fund of some kind or maybe the copyright legislation coming out does make a big impact that could change it. Really, if you want to bring in the guidelines right now...

MR. PADILLA: Well, see I'm talking about...

MR. EDWARDS: ...it's fine we can renegotiate that amount of money in the increased services.

MR. PADILLA: I'm wondering how we could get some of that money that we should have received had they proceeded with the installation of the system in 1968. Now, the reason that I ask this, is because I want to know if anything was considered or if anything can be done in that area. But the point has been made many times that the most attractive part of the GE franchise is the 7½% and actually it is 7½% of nothing because before we get to the point where 7½% applies, we're going to come to the cutoff date for the 7½% that reverts back to 3 and possibly 5. So, we have what is called a very attractive part of the GE contract is actually nothing...7½% of nothing. There is nothing right now in terms of a cable TV system.

MR. EDWARDS: Well, I say that depends on what happens in 1977. If we have to revert back, that will be the case, but I think that we would have some compensation at that time. I don't think the FCC could unilaterally -- I hope they couldn't unilaterally bring us back without letting us be provided with some service as a compensation.

MR. PADILLA: The most important point as I consider it right now, to come to it briefly, is I think we -- I know I personally would be receptive to some sort of arrangement that would guarantee GE with some sort of protection against an arbitrary take over because I can understand that they want to protect their initial investment. But beyond that point, beyond the ten year break even point, I think it would be in the interest of San Antonio to have a very attractive, a very practical and very easy to execute recapture if we find out down the road that we have to have it.

MR. EDWARDS: I'm sure it would be.

MR. PADILLA: When was it? During the negotiations was this kind of a thing proposed to them? This would have the effect of protecting their initial investment against arbitrary recapture and still putting San Antonio back in the driver's seat after they've gotten their initial investment back...

MR. EDWARDS: We discussed that, and, of course, the company said well that means you're going to take it over when you reach that point which will probably occur.

MR. PADILLA: Well, not necessarily, but we would have the right to and we would have the means to at that point.

MR. EDWARDS: I think that would be a very good possibility it would occur because it would be such an attractive...

MR. PADILLA: Ten years from now, if we're paying them what's in the contract now plus \$200 per subscriber, we'll have to prove non-performance to recapture the system.

MR. EDWARDS: Yes....

MR. PADILLA: And that's very difficult. It would probably take us ten years just in court.

MR. EDWARDS: Well, you wouldn't care to take over any other utility...

MR. PADILLA: We might... we might take them all over right now, if we can afford it.

DR. SAN MARTIN: Mr. Mayor, I would like to make some comments here. First of all, I feel that in line with what's been said, that recapture formula, \$200 per subscriber, if you have it full capacity of 100,000 subscribers or more, it's going to run you into a pretty good chunk of money, \$20 million. I'd like to check some things with staff and this, of course, involves the City Attorney. I'd like for the staff, Tom, and Mr. Reeder and Mr. Granata to check out the legality of...I know we can set up the advisory commission, but can we legally appropriate funds that are public monies since they're coming from a franchise into the general fund? Can we delegate to them arbitration powers as they have suggested?

MR. REEDER: Well, Dr. San Martin, in anticipation of your question, knowing that you have an astute mind like mine, I have checked the City Charter, and I'll read it to you then you can see what you think of it. "Boards, commissions, committees and authorities shall not be established to administer municipal funds into the City." And then there's some exceptions like the planning commission and so on but that's all. I don't think you can set up a committee to do the things that the Ad Hoc committee wanted to do. You can probably give them the power to advise, you know, the advisory powers, because the Charter says you can do that.

DR. SAN MARTIN: Then I have the following observations. These are personal observations..I don't mean to try to jell the thinking of the Council in any way, but I think that fifteen years, of course, is in line 7½% General Electric franchise is in line. I would like to know why the Advisory Commission has recommended that the pole fee of \$5.00 per poll be completely eliminated and rates reduced which means that nonsubscribers would be in a way subsidizing the subscriber. I'd like to ask in line with that whether the \$5.00 per pole fee could be stipulated in the contract, Mr. Reeder, so that the City Public Service Board would rechannel that \$5.00 per pole annually back to the City of San Antonio and the City earmark that for subsidization of a regional transit authority expenses -- subsidizing the transit...

MR. BECKMAN: With the City running it?

DR. SAN MARTIN: Whether the City runs it or not...

MAYOR BECKER: This city is getting just like a conglomerate.

DR. SAN MARTIN: No, no, no, I'm trying to think in my own mind what I would accept as a reasonable franchise for General Electric...I'm just trying to ascertain in my own mind what can be done. We're talking about several hundred thousand poles at \$5.00 per pole....it runs into a pretty good size money there.

MR. REEDER: Yes, it does. There's no question it does. I'll have to check it, Dr. San Martin, Frankly, I hadn't thought of that...I means I'll have to read the trust indenture and the constitution and the charter and law books and that kind of stuff, but I imagine that's

there anything, but I'll check.

DR. SAN MARTIN: All right, I'm going to ask Mr. Granata, I don't know, I'm not expressing anything other than personal opinion to prepare an ordinance to ask for consideration of this Council giving General Electric a franchise for fifteen years retaining the 7½% franchise fee with all the necessary requirements, as suggested by Mr. Tom Edwards and the staff with a definite date of thirty days to start after a compliance certificate is given that the recapture formula be revised again because I think it's a little too high and that with all the proper safeguards of an Advisory Commission and that proposed ordinance be prepared for council action later on.

MR. REEDER: We have an ordinance that we've already prepared along those lines in anticipation that you might want to do that, however, we are going to have to do some changing, I need to know...let me get this straight, what all we want to change. We had to -- you might say what is in that ordinance, Tom, so that we'll all know what we changed.

CITY MANAGER GRANATA: Spell it out point by point.

MR. EDWARDS: The present ammendment?

CITY MANAGER GRANATA: Yes, as he addressed the points.

MR. EDWARDS: Which ordinance do you refer to?

CITY MANAGER GRANATA: The one that's proposed to be passed. But it's under the third reading.

MR. EDWARDS: Okay, the one that's had two readings on it is related to the term of the franchise being fifteen years. The total rental fees of five dollars a year would be paid to the City Public Service Board.

DR. SAN MARTIN: With the addition that I asked Mr. Reeder to check out.

CITY ATTORNEY REEDER: Yes sir, I'd like to point out about the pole fee, General Electric, I don't imagine they care because they pay the five dollars to Public Service Board and I don't imagine they care what Public Service Board does with it. What you want the Public Service Board to do is give it to the City.

DR. SAN MARTIN: Right, and earmark it.

MR. REEDER: We don't need to change the ordinance in that respect.

DR. SAN MARTIN: All right.

MR. EDWARDS: The next section is the recapture provision which I think has been told exactly what it is, but if you want me to retell you the terms, well, I'll go over them again.

DR. SAN MARTIN: No, you don't have to go over it again. I think it's too high. I think it should be reviewed again, in consultation with General Electric.

MR. PADILLA: Dr. San Martin, would mind in this review they consider what I suggested. And that it some sort of recapture provision that will insure that G.E. is not subject to arbitrary take over before they reach their breakeven point, and then that they restore, after that breakeven point is reached, what we now have as a recapture provision. This, it seems to me, would answer the biggest objection that General Electric

has. And that is that the recapture provision does not permit the investment to be made. If we give them relief during the time it takes to break even it seems to me that that would answer that concern. Then after that time, San Antonio's present recapture situation would be restored.

DR. SAN MARTIN: I like that better that way or an escalating recapture provisions so that at the lower level where they haven't broken even and we need less it will be more as we go along. Certainly, the maximum of \$200 per subscriber, is in my opinion a little bit too high.

MR. EDWARDS: I would recommend, actually, if you want to let it go to the end of the period. I would recommend that if you want it to revert to the present clause that it revert to that at the end of the period, the fifteen year period.

MR. PADILLA: At the end of ten years, we would say is their break even. I think that the G.E. people have said that they have a break even point of ten years.

MR. EDWARDS: They are going to look at it, they'll know that it is a ten year franchise.

MR. PADILLA: Is that right, Mr. Dodge, will you concur?

MR. DODGE: Yes.

MR. PADILLA: Did I understand you to say that ten years is your projected break even point?

MR. REID SHAW: I responded that at the end of the ten years, we were in a positive cumulative cash flow basis. Break even is a confusing term. We, at that point, would have generated cash back from the operation equal to the amount of cash we initially put into it.

MR. PADILLA: So, ten years from now, we are somewhat beyond the point where you have a very serious concern for your investment.

MR. DODGE: No, we'll always have concern for our investment. I think you create a situation where it appears to us that we have a franchise for fifteen years, but that really is only for ten. Because at that point in time, after having invested the \$24 million and about to get started making some profit again, it can be taken away from us without cause. That's what we find objectionable.

MR. PADILLA: Then we get back to the basics, you see, I can appreciate your concern for your initial investment very much, but, again, the bone of contention is that you want to insure somehow, as I understand you, that your facility here in San Antonio cannot be taken away from you. By the same token, the City of San Antonio, I think, or I do, I want to be sure that our hands are free to exercise take over if necessary, if need be, and I don't anticipate that that will happen, but we want to be free to do so without having to prove non-performance, which is very difficult to do, I think. Yet, I wanted to put something in there that would give you some assurance that your initial investment and that you have say, ten years to recoup at least your initial investment. This would at least guarantee you that much. Which I think your concern for is entirely legitimate.

MR. EDWARDS: I don't think, really, that that would be a fifteen year franchise or the company would look at it as a fifteen year franchise in that case. I would state that probably a company with such a provision in there, even say it was at the end of the fifteen year period getting close to the fifteen year period would probably begin where it is not making any further investments in the system in anticipation to see what was going to occur because it would be very favorable for the city to take it over so they are going to stop making

investments somewhere along the line in anticipation of the city taking it over.

CITY MANAGER GRANATA: Tom, would they consider maybe, follow-up, with Councilman Padilla, to just take our the words "Without cause" in the present repurchase in the last five years, and that there would have to be cause and revert back to the present repurchase clause, but leave out the words "Without Cause". The City would have to have cause.

MR. PADILLA: That wouldn't accomplish anything, Sam, because with cause, we have the right to do it anyway.

CITY MANAGER GRANATA: Yes, but we are modifying it we are coming off of that completely. For ten years, are we not?

MR. PADILLA: For ten years, we are leaving the "with cause"... with cause we can take it over under the established formula. That won't be amended.

CITY MANAGER GRANATA: Under the present franchise, we can take it over.

MR. PADILLA: "Without cause", their concern is that their front end money is still out on the table and that we not be in a position to take it without cause. So, for the first ten years, I think I would be amenable to a situation where they would have the formula that they asked for in the proposed amendment. In other words, the base depreciated cost, plus two hundred dollars per subscriber. Now, this would give them the protection of a higher recapture cost to the City of San Antonio during the first ten years. After the first ten years presumable, they will pass what I call their break even point and then San Antonio would have the right that it presently has under the existing contract, and that is if they can capture it without cause or depreciated value or with cause if there is non-performance.

MR. EDWARDS: Mr. Padilla, I think you have to look at the fact that the company is looking for an equitable situation. You are going to get a value for value, if you make a price which at the end of ten years which is going to be so attractive to the City to take it over then, the company is going to begin to cut back...

MR. PADILLA: Tom, I can understand the company's concern and they're well represented. But, I think we are sitting on the other side of the table.

MR. EDWARDS: I think you can define an equitable situation, particularly after ten years' time. I'm not looking out for the company, I'm looking out for the City of San Antonio, too. When I go into negotiating with the telephone company, I don't try to cut them completely back without something; I think that they can provide the services the City of San Antonio wants. So, I look for a position of equiability not trying to take the company for all I can get from them because they are going to turn around and kick me back sometime.

MR. PADILLA: That's not the idea at all, I think it's important that we keep a workable, in the practical sense, recapture provision. If we do it after ten years, this gives General Electric a chance to get their front money back, or most of it. I can appreciate their concerns for that money they are going to lay on the table that first ten years. After ten years, San Antonio is in at least an equal position in terms of recapture. If we go indefinitely to what they ask for, which includes a two hundred per connection fee or per connection a fee of two hundred dollars, then while we have the right to recapture for non-performance, it is very difficult to establish that or to prove that. Then, beyond that, without cause, we can't afford to take over. So we really have nothing.

MR. EDWARDS: It seemed to me that if you wanted that provision to be equitable, the way to do it would be at the end of the franchise period. Again, as I tell you, if you are going to make it that way, then the company is going to begin to cut back somewhere close to the end of the period. They are going to quit making investments because they are going to expect a take over. Until they see that under...

MR. PADILLA: If they fear the City of San Antonio taking the thing over, very much, would they not, regardless of what provisions we write in, would they not decrease their investment the last few years in anticipation of a take over?

MR. EDWARDS: If the price that you were going to pay them at the end of fifteen years was a reasonable return on their investment, they could continue to invest. If you weren't to give them a reasonable return on their investment, then they would stop investment.

MAYOR BECKER: If I had \$24 million and was trying to go into business, I wouldn't go into this business. Not with all these strings and all these snappers that are attached to this situation. Too many stickers for me, I know that.

MR. LEO MENDOZA: Mr. Mayor, it seems to me that we are addressing ourselves right now to maybe what I would identify as negotiations. We accepted a proposal or an application here, and we were also given a set of recommendations by our committee. The set of recommendations which I just saw for the first time, of course, I'm still trying to digest not only the recommendations but the proposal itself, that we were given today. Are we going to have time to more or less go over some of this information that we were given today before we reach..well, it seems like it would be fair at least to treat the situation in the right direction, to maybe adjourn the meeting and go back and do a little homework. I don't think we will be able to arrive at any decision today, so it seems to me like we are heading in that direction.

MAYOR BECKER: There has been a great deal of time spent on this situation, probably more time on this thing and all we are dealing in is pie in the sky. The seven and one half percent reminds me of the ninety five percent of the business the other day, and we are not getting any wealthier. We are really chasing rainbows here in a sense of the word. I'd personally rather see, and I'm just speaking for myself, I'd rather see something that has value to it as far as the people are concerned. Something that you can turn on and enjoy, something that you can turn on and derive some benefit from having turned it on. It's not like a money machine, or a slot machine. If it isn't any good it doesn't make any difference how much money the City gets out of it, it's still a negative factor in the community. That's just my own personal feelings about this. Again, I realize the importance of trying to make a good contract that represents the City fairly. I would only like to say this. That there's seven people signed up to be heard here today. They've been here all day, for the better part of the day at least, most of them have been here all day. I think they are entitled to be heard before we adjourn the meeting and if we are ready to proceed with hearing them then I realize that Mr. Shaw has a plane to make and leave the City, and I do appreciate your coming down Mr. Shaw, your people and all of the people from the..Mr. Crosby that were here. It's very kind of you and I hope it hasn't been to naught. Maybe some information...let's start with Mr. Victor Soto, and I'd like to limit this to some reasonable time if we may because it's five minutes after four. (Mr. Soto passed on comments). Patricia Konstam.

MRS. PATRICIA KONSTAM: I was a member of the Citizens Ad Hoc Committee on Cable Television and I'm also on the Cable Television Committee in San Antonio National Organization for Women. There are three things I would like to say. First of all, I would like to thank you for setting up the citizens committee and I hope that you will consider the recommendations that the committee has made. We've put a great deal of time into this and we would like to see at least some of these recommendations that you Council people approve of to be included in whatever franchise you eventually give to whatever company. That is my second point. These things that you've expressed concern about you can guarantee by getting them in the franchise. You've mentioned the construction schedule as something you are concerned about, the equitable distribution of the system over all parts of San Antonio. These are two examples that have been mentioned as the type of things that the citizens committee has expressed concern about. These can be guaranteed if they are put in the contract. So, while you are in the process of amending the existing franchise, or whether you decide to give another franchise, I hope that you will see that these things you are concerned about get in the contract and not just on some piece of paper saying this would be nice to have, or the franchisee's statement that we will give you, we are promising to give you these things, but unless it's in writing in a contract we can't guarantee that the citizens of San Antonio will get these things.

The third thing, I hope that you will consider seriously the recommendation of the citizens committee to have an independent legal consultant who is a specialist in Federal Communications Commission regulations and cable franchises to go over what ever final amended franchise is decided upon. For example, one of the things that has been talked about here, is getting the franchise fee on the gross receipts, which include advertising fees, cable leasing fees, etc., in addition to subscriber revenue. Some of the publications, in fact, a letter the FCC sends around if you request information from them, from the chairman of the cable television section, the Cable Television Bureau of the FCC, this is a letter from Sol Shulhouse to Western Communications, dated August 22, 1972. Western Communications had asked the question whether a franchising authority could impose a franchise fee based upon revenues derived from these additional services, like advertising leased channel, paid cable revenues, etc., and his answer was "No". "Subscriber revenues are considered to be those revenues derived from regular subscriber services. That is the carry of broadcast signals and required non-

broadcast services." So, in other words, this is the kind of thing that if you had an independent legal consultant who is familiar with this kind of thing that person could tell you whether or not you can reasonably expect to get, first of all, seven and one half percent, and second of all, what kinds of revenue. Thank you.

MAYOR BECKER: Bill Wallace.

MR. BILL WALLACE: I would like to also compliment the Citizens Committee for bringing a very fine report. As I participated in a little part of that, about the final go 'round I think they did a beautiful job. I also think that this Council should try in every way that it can to enforce most of the recommendations that they made. Naturally, there are some that probably cannot be made but unless it's forbidden by law I think that it is a good idea to do this. You've heard two different presentations about two different companies for two different types of cable television set up etc. There's still one more and today I intend..I guarantee I won't be very long because I am going to just hit on it very briefly and probably the best of all is the one I am about to tell you. We've heard one system where a company from out of state comes in and builds a system and make all these millions of dollars. Back to New York, we have another system that I would think is better than that system and that's where the company from within the state but out of the City comes in cooperation with businessmen if the City give them 50% of the vote and 20% of the money, but 80% leaves San Antonio. That's a far better system than the 100% of nothing. But there is one more system that's better than both of them together ten times, hundred times, thousand times. And that is let the citizens of San Antonio own the entire system, build it, run it, realize this money. We heard talk about a hundred million and all this type million dollars. You have two hundred thousand subscribers in excess of these possible subscribers in the City. Two hundred thousand. If you had to pay two hundred dollars per subscriber and if they were at full steam, you would pay in excess forty million dollars from that portion along with whatever the depreciated value system is. So this is a little tough. If there's ten people it is not too bad. There are several ways of doing this. I asked this Council to send somebody to Washington. Tomorrow I'm going to get you all of this information. Every bit of it for free.

There is another thing that you should know. I've heard constantly an investment of 24 to 25 million dollars. I've talked to every kind of cable company, every kind of expert, I'm still trying to find out what they are going to do with the excess ten to fourteen million dollars. It is going to cost about fifty-five hundred dollars per mile to build this system here. And you don't have to do any digging and stuff even when you've got to go under ground it's already there, put there by the telephone company, utilities company. It is a matter of just running it. So that extra fifteen thousand dollars a mile will never come into the contract here. What are we going to get for the additional fourteen million? Now everybody says fifty-five hundred dollars per mile. That's somewhere around ten million dollars, a little over, if you want to go above it, let's say twelve million dollars. That's still eleven to twelve million dollars more than what they are already claiming this is going to cost. What is it going to go into? We've made lot of changes and your question about substantial compliance is correct because this is one question asked. Even though you are changing the ordinance you still have the old contract that has never been amended which states twenty channels. Now, if they got mad at the City and decide to do just twenty channels, would they be in violation of the contract since they wouldn't be in the franchise? No, because they are doing what they are contracted to do. Now, you don't need a communication lawyer for that point. If you contracted to do twenty that is all you have to do. San Antonio is an extremely large city. GE says they don't expect more than 108,000 people or something like this. What about the other 108,000 homes you know. Why not cut it into three districts. There's a big need for minority ownership and community ownership. The East side, cut the middle out, there is the West side and then another part. You can let as many as three different franchises at one

time, each operating in that segment of those districts and as long as those systems will provide 50,000 people it's going to make money. Fifty thousand connections. Now you've got 200,000, above 200,000 possibility, so you see you are not really cutting it real thin. With the people owning the system what are they going to lose? They are going to subscribe to it. You own your store. You don't go to HEB to buy some meat, you know. I mean this is the same thing, you know. If I own the system I'm going to deal with the system.

MAYOR BECKER: The only thing, Bill, if I may interrupt for a second, is you're dealing with borrowed capital....

MR. WALLACE: I told you I'm going to get it all for you, didn't I tell you that, didn't I tell you that? It's a false report that I've got to have twenty five million dollars tomorrow if you will award me a franchise. That isn't so, and I'm going to tell you some places where it's being done. On October 5th through 7th, I'm sorry I didn't bring the invitation in, I've been invited to go to Gary, Indiana to the "Turn On" the community owned system, they're turning on, they will start operating 5th through 7th. It's owned by a black group. Atlanta, Georgia. Now the citizens ended up with it quite by accident, but they still ended up with it and they still had to build the system. They in partnerships with Warner Cable which was a merger with Warner and Cox and they found out that Warner owned a newspaper and the TV or something, so they couldn't you know, they're forbidden by FCC to participate in that, so they had to withdraw and left these citizens cause they already had the franchise. Now what did they do? They didn't have a whole bunch of money. They set up a line of creditors. There are organizations that's helping these people build this thing, teaching them how to do it, where to get it, and helping them get it and they're willing to help San Antonio get it. They couldn't help GE or any big profit making thing. But look at the other advantage. There's a big cry right now about revenue sharing, big cry, not much of that money is going to social program, but we're talking about \$13.6 million a year..not seven. Why can't that money, some of that, be turned back to the community for social problems. This is acceptable by the FCC. One thing that I would like to know if you have any questions that you want cleared up, you ask it and this little black box is going to pick and I'm going to give them that question and pick up the answers on the same little black box and bring it back down here and let you hear it because we've been hearing too much "they say". They're saying a lot, they're saying this. I get one thing from the FCC, Mr. Edwards gets one thing, GE gets one thing, Communications gets one thing, you call and you get one so let me get something where we can, you know, put them on there and let them know right from the start I'm going to take this back to San Antonio and let the Council know what you say because everybody that I've talked to says that since GE did not participate and you're going to make some changes you will not ever, not in '73, '74, '75, or '76 get 7½%. So I think we need to quit looking at 7½% and look at what's practical. One other thing the City is worried about is some money. Why don't you give 90% ownership to the citizens and municipal own 10% and don't be no franchise fee. That's still more than 7½%. That's \$1,360,000 if you want to...what would come to you a year. You've already lost \$1,250,000 in the last six years of doing what? Nothing. Don't rush into it. We've lost that money. It's gone. Take your time, make a good decision. Let me go to Washington and send you back the report. I'll transcribe it for you, tape it or anything you want to and let you see the real feasibility of the citizens themselves owning it and this would include the business media cause we're going to need everybody to build the system. Now I'm saying consider the other possibility, the greatest of all, one that's owned, the people that's going to watch it, and if you own it you're not going to put a bunch of garbage on there. And this is what I have to say to you today. And thank you very much for listening. If you have any questions, I would like to know cause I want to get you some straight out answers.

MAYOR BECKER: Thank you very much, Bill.

MR. WALLACE: Thank you very much.

MAYOR BECKER: We'll see you tomorrow. Joe Rainey Manion.

MR. JOE RAINEY MANION: Mr. Mayor and Councilmen, my name is Joe Manion. The last time I was scheduled to speak Mr. Wallace also preceded me and talked for three hours. The next time I was scheduled to speak I didn't even get to come in..about an hour and a half that time. If I run over five minutes I hope you'll indulge me another thirty seconds or two because I think what I have to say is just as important as what he had to say and I've been waiting a long time to say it. You have a copy of the report of the San Antonio Cable Television Ad Hoc Committee which is stylized as a minority report. The gentlemen that gave the report said that there were about 35 people that started going to the meetings and it dwindled to about 7 or 8. I believe this report speaks for the twenty five other people who went to most of the meetings. I went to everyone except the last three. We had college presidents, educators, priests, sisters, businessmen, president of one of our television stations..all went to most of these meetings. The number of things that came out in that report were suggested by these people. The number of those things I suggested. We have no quarrel with the report as an advisory thing, but the point we made in this so called minority report was simply in rebuttal to some of the things that we knew were going to come in the report. Aside from the fact that the committee as a whole voted that we would not hold a press conference and yet a press conference was held and at least for a time held out to be a report for the cable committee with some of these things that were not voted by the committee. The matter of the term is very important, and we see now that they have modified their stand so that the term should be fifteen years. This is fair and reasonable. The other point of contention that we thought of prime importance was the request for sixty channels. As you see, the CPI there isn't anyone that we consider under these terms putting in two cables and that's what it takes. There is just no way to change that mathematics, so a fair franchise would have to be fifteen years for thirty channels. We also indicate to continue the 7½% franchise fee as long as we can get it because the City sorely needs the money. We think the utility pole usage fee has to remain because this would otherwise subsidize the cable subscribers and the idea of using it to either carry on or subsidize the transit system seems to me like a capital idea or for whatever general use it could be bad. Number three on our point is we had already checked and reading and rereading the charter indicated to us that it's impossible to turn over the function of the City Council to a group and also in about four places completely wrong to allocate funds directly to this group. This is simply, as the City Attorney has now borne out, against the charter. We simply pointed this out, early in the game so that it could be seen.

I thought I had a lot more to say, I guess I don't, it's pragmatic, and it's to the point. I wish to say just one thing, here, though. The General Electric Company doesn't have to go out and borrow money at ten percent. They are ready. They are willing. They are able to continue with this thing. The money that can be borrowed from here on is going to be borrowed at nine and one half to ten percent if it can be borrowed and as some of the astute businessmen on the Council pointed out it may be that it can't even be borrowed. That wouldn't help the citizens of San Antonio. We have a contract with General Electric that the City staff says can be amended properly so that it's not a total change. I spoke first as a member of the Downtown Development Committee of the Chamber of Commerce when this first came up and I was instructed to come up here and say that if General Electric wasn't here trying to spend all this money and create all these jobs that we ought to send a task force up to Schenectady and ask them to please come down here and do it. The last time I was scheduled to speak, what I wanted to say was repeat..the same thing except to add one thing. That General Electric is ready, willing, and able to do this now, without polluting a drop of our water or a cubic foot of our air and if they weren't here, the Chamber of Commerce ought to go up to Schenectady and try to get them to come down and do it. Thank you very much.

MAYOR BECKER: Thank you, Joe. Next a person named Don Freidkin.

MR. DON FREIDKIN: Mayor, I would like first of all, just very briefly and I hadn't planned to do this but I do want to clarify one comment that Mr. Manion made. There has been no attempt to close our meetings down, Those meetings have been open to anybody, to everybody who wanted to come. The reports that we turned in represents the majority feeling of that committee. We have a list of the people who attended the committee. We did not actually start taking it until eight or ten meetings ago, but we do have those lists. I have a vote on every motion that was taken, which I will make available to the City Council if anyone wants it. You have the majority report of the Ad-Hoc Committee.

Speaking strictly as myself, for a change, I would like to suggest that San Antonio is a rich cable television market and Mayor Becker, respectfully, if I had \$24 million to invest, I would sure as the dickens invest it in cable television in San Antonio. I would suggest to the Council that they request or at least invite other cable companies to make some sort of a presentation to this Council. San Antonio will be one of the biggest, if not the biggest single cable system in the United States. Cable television is and is going to be an enormously lucrative business even if this City were to adopt all the strings and things that we have suggested and that other citizens groups have suggested. Cable television is going to be a money maker. That's all there is to it. There are cable television companies that are aware of that. Cox Teleprompter, Sterling, and I only suggest that the Council get in touch with these people. Also, that the Council seriously consider the possibility of a citizen owned cable system. I don't know what kind of things Mr. Wallace is going to come up with in terms of finances, that would kind of worry me but if he comes up with a viable financial program, it's something that ought to be considered. There are a lot of options open to San Antonio beyond General Electric and CPI and I think it would be a very wise thing for the Council to explore all of those options before it proceeds too much further. That's all I have to say. Thank you.

MAYOR BECKER: Well, that concludes the list of citizens to be heard. Unless anyone else if a Councilman has anything else to say at this time.

MR. BECKMANN: I have one question Mr. Mayor and I'm trying to put this in perspective. It's my understanding that we're considering the GE proposition. Now, all of a sudden I think it's up to us to decide whether we're going to consider the proposition with GE or open the field up for a new group of cable television companies. I think we ought to do one or the other. We've got a new entrant in this race and if we allow one new entrant, should we allow others? I don't want to prolong this thing forever but I think we need to get some sort of a basis of operation here to sort of clarify what our position is, where are we right now? I understood we were ready for a third reading on an ordinance to adopt a cable television system with General Electric then all of a sudden we get a new company in. Should we open the field up again or should we proceed, I'm asking as a matter of information.

DR. SAN MARTIN: I think Mr. Reeder will explain that we're merely on the third and final reading of the changes, amended changes, to the already existing contract. Is that correct, Mr. Reeder?

MR. REEDER: Well, that was my understanding of it, Dr. San Martin. I thought that's where we were. I got the same impression Mr. Beckmann did, though that maybe we were not going to take any action, we're going to do some more study and I'm as much out in left field as is anybody in that respect. That was the purpose, I thought, of the meeting that this was to be the third reading of the ordinance about which you've already had two pursuant to the Charter.

MAYOR BECKER: I'll say this in all candor. Anything that has dragged on as long as this thing has and I'm not going to say it's been the fault of General Electric any more than it's been the fault of anything else.

It's just a fact of life that it has gone on almost interminably in duration without any conclusive action. When was the contract made originally? 1968? Now, it was made at that time. It was made in a field I should say I think that was probably certainly an embryonic in it's status in the world, I don't know anything about cable television, but you don't see it taking over the whole universe even now as far as that's concerned. There's certain few companies in it, you look at the list of the installations here that General Electric has or even this group has and you see here where they have places where they've got 800 subscribers on a place up in Ohio, someplace and what not. So, I think as far as I'm concerned, I can only feel this way about it that I appreciate the fact and I've said it when I was on the Council the last time and I'll have to say it again, that fair is fair and, although the City did engage in the consummation of a contract in 1968 with General Electric and it's a contract that I understand that they were not able to fulfill as far as the acquisition or the use of distant signals or whatever all those features of the thing are, they deemed it inadvisable anyway to fulfill it or proceed with it. I would seem to me to be fair that if even though they had a standby fee of \$50,000 a year, if you want to call it a standby fee, that's kind of the way I view the thing, if we were not going to permit them to utilize the contract that they think they have with the City and we're going to reopen for bids to all these various companies whoever they are, then I think the only fair thing to do is for the City of San Antonio to reimburse the General Electric Company the \$300,000 or whatever it is that they've been out and start all over again. Now, that's the way I felt about it when I was on the last Council, I haven't changed my opinion of it one iota. But to take their money and then void their contract and readvertise for bids and all that sort of thing and bring everybody else in the United States into it, I think would be unfair. I have always felt that way and I still do.

DR. SAN MARTIN: Mr. Mayor, I think we ought to clarify one point that the only issue before this Council is whether we amend that contract that already exists. We have a contract with General Electric. We're merely trying to determine if that contract is going to be amended. Now, if it is not amended by a majority vote, then we still have a contract with General Electric on the basis of the January 1968 franchise, is that correct Mr. Reeder?

MR. REEDER: I think you've fairly stated it, Dr. San Martin.

CITY MANAGER GRANATA: Then it's a question of whether General Electric will default or will honor their obligation.

DR. SAN MARTIN: That is correct. Now, we don't have to worry about putting it up for bids at this time until we know whether we amend the contract and if we don't amend it, whether General Electric wants to proceed along the lines of the January 1968 franchise and continue on or whether it wants to default. I mean it's just as simple as that and then at that point, we may want to do whatever we want, open it up for bids or do something else. But I don't think we have to be involved in anything else.

REVEREND BLACK: Mr. Mayor, while I agree that substance of our discussion, involved contract that we had with GE, I don't agree that this is all that is before us because I think we introduced another element in this whole matter when we accepted the request of this citizens group to come before us with a proposal. Now, once that proposal gets before us, then we have a responsibility of weighing both the proposal and the substantive issues confronting us with reference to the contract. Now it seems to me that as a result of this debate, there have been brought up some issues that we need to resolve even we deal with the contract, even as we deal with amending the contract, there has been several significant issues. Number one, I've been greatly concerned over the limitations of an advisory committee. This produces a problem for me in dealing

with GE in terms of their operation. I'm concerned that there would be a monitoring group within the framework of our City. It could be held accountable because I think all we've got is program, that's all we've got. We're not simply in the technical field of electronics. We're talking about program, that's where the citizens are affected. Now, if it is impossible for us to deal with a citizens committee with reference to accountability, then it makes for me more attractive this group of local businessmen in their relationship with a TV concern because I do feel that we have a sense of local accountability and this is what I've been concerned about. How do you create local accountability? In addition to this, I'm greatly concerned that if we're going to look at a revision of the franchise in terms of those issued that have been raised, how then do we deal with it in terms of the 14 points that have been brought by the Ad-Hoc community group committee? How does that go into the franchise? Is there any way in which we can guarantee that whatever body handles the cable TV that we have some substantive guarantees that these proposals will be carried out. Must they be entered into the franchise or is there another way of creating a guarantee on them? So, once you open up the contract, once you ask for a revision, once you allow a community group to be brought in, I think you've got almost a new ball game by that very action. Now, you have got to make your decision against that background. Now I realize that because you've got to make your decision against that background.

MR. REEDER: Rev. Black, excuse me, maybe I'm out of order but I'd like to call your attention to a provision in the City Charter that the Council may not be aware of under franchises and I'll just read it verbatim if I may. "The City shall have the right and power acting through the Council to determine, fix and regulate the charges, fares or rates of any person, firm or corporation enjoying or that may be enjoy a franchise or exercise any other public privilege in the City and to prescribe the kind of service to be furnished by such person, firm or corporation in the manner in which it should be rendered and from time to time to alter a change such rules, regulations and compensation. The City shall have the power and authority to require extensions, betterments and improvements of the service that may be rendered by the holder of the franchise and shall likewise have the power to prevent the making of unnecessary or unprofitable extensions." Now, the other thing, once you enter into a contract, I mean a franchise agreement with somebody this provision of the charters incorporated automatically by operation of law into that franchise agreement. So you still got some power, I mean, it isn't spelled out you see in the franchise agreement but you can do these things. Unfortunately, when this Charter was written we didn't have cable tv and I'm sure that the authors of the Charter, you know, they didn't foresee this type of situation so we have to interpret the charter like the Supreme Court does the U. S. Constitution. We have to decide what they would have meant if they had foreseen this and I'm kind of inclined to think that we retain fairly broad powers over the franchise holder with the respect to the kind of service he gives, how many connections he has, how many channels he opens up. We have a pretty good area of control and that's built into the franchise agreement because it's in the charter. At least that's my opinion. I think you ought to be aware of that anyhow.

MR. PADILLA: Mr. Mayor, I'd like to ask the Clerk first of all to make a comment. Did we meet here today, is it on the agenda that we met here to consider the third reading? It's a special meeting to consider the third reading of the Ordinance? Mr. Mayor, several points have been made what we're dealing with here primarily what is before us, is the consideration of the third reading of this proposed ordinance. Now it has passed on the first two readings. If we consider this today and it does not pass, then all we're doing in my opinion is reverting back to the original position and that is what we'll be doing in effect is rejecting the staff recommendations, that the contract be amended. It seems to me if we do not pass the third reading that we've restored the original situation and we have in effect rejected the staff's recommendation and at that point we're in a position to reconsider the whole thing including the consideration of the Citizens Ad-Hoc Committee report, consideration

of other people who may be interested in a cable tv franchise.

MR. BECKMANN: Only one thing, I think you will find that if we do not accept the amendments to the contract, then it's up to GE to either reject the contract or perform according to the terms of the original contract. They have the right to....

MR. PADILLA: Or come back to the table with something that might incorporate some of these suggestions that we've....

MR. BECKMANN: Yes, but they have the right to reject or accept the old contract before the next step can be taken. I think I'm right, Mr. Reeder.

MR. REEDER: I think that's correct, yes.

MR. PADILLA: To be sure I understand you, if we reject the staff's report at the third reading, whether it be today or tomorrow, I think the original contract with GE is back in effect, it's never gone out of effect. Their choice then would be to proceed or not to proceed. If they do proceed then other people interested in a franchise would have to take that factor into consideration. If they do not, then it might open the thing up to this group or any other group that might be interested in at least in talking to us about it. I think that the proper mechanism to use would be to go ahead and consider the third reading and if it passes, so be it. If it doesn't then we're back to where we were before, the ball is indeed into the court in terms of whether they decide to perform or not, and if they do not then others can consider what they want to do and at that point in time we can incorporate whatever suggestions from the citizens committee and any other group would like to make to us. As far as I'm concerned, I'm ready to consider the third reading.

DR. SAN MARTIN: Mr. Mayor, I'd just like to make a point that some of the recommendations of the Citizens Advisory Committee are already specified inside the City Charter. Now, whether the original contract contains a clause for an Advisory Commission I don't know. But if it doesn't, I'm sure that it could be part of these amendments, is that correct?

MR. REEDER: Well, I don't think you'd even have to put it in a franchise agreement, Dr. San Martin. I think you could have the Advisory Committee to tell you what this committee has told you and other things like that, under that section that I read to you, then you could negotiate with these fellows after you give them the franchise, if you do give them the franchise.

DR. SAN MARTIN: All right. Then the Council can create an Advisory Commission anytime it feels like it provided it does not violate the delegation of powers or use of public monies as specified in the City Charter. That's just as simple as that, is that correct? We can create the commission?

MR. REEDER: You can create the commission, yes sir.

DR. SAN MARTIN: Okay. So really....

MR. REEDER: Riverwalk Commission or any other commission that you can create.

DR. SAN MARTIN: All right. Yes, Sam?

CITY MANAGER GRANATA: I was going to say that what Councilman, you can act like Councilman Padilla has suggested on the third reading or you can instruct the staff once more to go back and come back in two weeks we'll go back to GE and GE alone to see if they'll incorporate some of these suggestions made today. And then if they don't but then in two weeks you must act on that third reading or you can act on the third reading today or tomorrow.

MR. ROILO: Dr. San Martin, in answer to that, Mr. Shaw before he left, instructed me to pass on that General Electric is willing to incorporate some of the recommendations that were made by the staff in their review of the Citizens Committee recommendation. Up to now, it's been inappropriate for GE to negotiate with the Citizens Committee because our contract is with the City of San Antonio. We don't know whether the Council is going to adopt or want all of those Citizens Committee recommendations in the franchise. So until the Council, in effect, tells GE we want to pick some of these recommendations out and incorporate them as provisions of the franchise, we have nothing to respond to. We have certainly gone over them very carefully. We know precisely which ones we're willing to go along with and we have communicated this to the staff already. But we did not know whether the Council would reject the Citizens Committee report, adopt a part of it or what the Council's feelings were. Mr. Shaw did want me to communicate that we are willing to discuss those. I already have told Mr. Edwards and Mr. Fischer of the City Manager's staff certain ones that we're agreeable to.

MAYOR BECKER: Well, we have three of our Council members not present. That's one thing. Secondarily, I don't mind again voicing my view on the thing. I think there ought to be some way that deals with future situations, Mr. Reeder, that would deem it inadvisable for the City to enter into long, prolonged situations like this without really knowing what they're getting into. Because the whole picture's changed from the date that this contract was first devised until the present time. There is even a change in social awareness, involvement and participation on the part of the various ethnic groups in the City and the whole situation's changed. I think we're really dealing with a corpse, it seems to me I realize that it's breathing and it's alive and it's there and it hasn't been buried but that's about the only thing that hasn't happened to it. We just haven't had a funeral for it. As far as any actual connection between it and when it was drawn and today's circumstances, they're almost non-existent in my own opinion.

MR. REEDER: I don't know what the answer to that is though, Mr. Mayor.

MAYOR BECKER: I don't either, really, I don't either except that I'll just say as far as future actions are concerned, I would think it would be inappropriate for the City as far as this tenure of this Council's term of office to engage in any contracts that seem, you know, way down the road somewhere before they become operable. You know what I mean?

MR. REEDER: I agree with that.....

MAYOR BECKER: This horsing around here has really gotten burdensome, you know.

MR. REEDER: The difficulty here is that this is a franchise to use public property and you have some very explicit provisions in your City Charter. That's part of the difficulty. The rest of the difficulty was that when this franchise was originally granted, it was made a condition precedent to GE's obligation that they get this FCC clearance and they never did get it.

MAYOR BECKER: Well, what we're really trying to do is take a suit of clothes that was fashioned in 1900 and maybe if we go back to the books maybe they're in Vogue now, I don't know. But we're trying to take a suit of clothes and then recut it and resew and tailor it to today's style. It's really what we're attempting to do here and that to me is a patch-work job. It's a piece meal situation.

MR. REEDER: If I could make up some law that you all would like to hear and it would bind anyone, I would say forget the whole thing and let's get back down to running the City, you know, but I mean in other areas. But you all probably wouldn't want to hear that in the first place and in the second place the court wouldn't pay any attention to me.

September 5, 1973
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-71-

MAYOR BECKER: I don't know, we might.

MR. PADILLA: Crawford, let me ask you one question. To the staff recommended report, the point about GE proceeding within so much time after receipt of a certificate, it is my understanding that they've never applied for the certificate. Now, under the new staff report, the staff report that we're considering, now for the third reading or will tomorrow, is there anything that will assure that GE proceeds immediately when applying for a certificate? I know that we've got something in there that says after the certificate is granted, they've got so much time to get started. But what are we going to do to force them to apply for the certificate?

CITY ATTORNEY REEDER: I'd like to let Tom answer that. I didn't know they hadn't applied for a certificate.

MR. EDWARDS: Well, the present franchise calls for them to file immediately, a certificate of compliance. Of course, that leaves open the interpretation to what does immediate mean. A letter was made a part of one of the reports submitted to the Council that Mr. Reid Shaw had said in 24 hours after approval of these amendments, the company would file with the FCC for a certificate.

MR. PADILLA: This is under the staff's report, immediately.

MR. EDWARDS: That's the part of the present franchise that they would file immediately but I say that.....

MR. PADILLA: When we were at the negotiating table why didn't we say 30 days or 60 days or 90 days instead of immediately?

MR. EDWARDS: Well, we can put that in, I mean, the original thought was that we wanted to just make amendments, not go with the whole franchise in the portions which.....

MR. PADILLA: Well, couldn't that particular phrase be one of the amendments?

MR. EDWARDS: Yes sir, that could be clarified. We could make, in fact, this is what we were discussing. This clarification on things that are in the present franchise as to what they actually mean and one of those was the period within which General Electric would file for a certificate of compliance.

MR. PADILLA: If that word had been incorporated in the original contract, we probably would have seen some performance before GE comes back, would have come back at this time asking for amendments.

MR. EDWARDS: Well, General Electric did apply for a certificate of compliance, however, it was in July of 1968. That was not acted upon because the local VHF stations objected to it and the FCC had not formulated its rules and regulations, therefore, they were not going to act upon such a thing at that time.

MAYOR BECKER: Stanley, would you like to say something?

MR. ROSENBERG: Yes sir, I know that the hour is long, but I just want to make just a couple of points. You know, we might have been confused as a new group but if we had been told that there was not going to be any application looked upon that this was just going to be a renegotiation with General Electric, really, we wouldn't have gone to

all this trouble to prepare this application, Maybe that ignorance is no defense but we wouldn't have done that. If we were told that the day we walked in with the application the staff was going to recommend granting an amended contract with GE when the staff hasn't even seen our application, we wouldn't have spent all this time.....

MR. PADILLA: Stanley, the staff did that several months ago.

MR. ROSENBERG: Well, they did, well I didn't know that.....

MR. PADILLA: This Council has passed two readings, there are three readings required.....

MR. ROSENBERG: But this is the same recommendation.

MR. BECKMANN: This is the reason I was so surprised that you were coming in on the thing.

MR. PADILLA: This is the third reading.

MR. ROSENBERG: Let me just make one further point, of course, again, as I say, coming here this late we could be at least if we're getting nothing else at least I think we've got everybody moving.

MAYOR BECKER: Well, you got in some practice anyway.

MR. ROSENBERG: But you know, it seems like to me and you all can explain it to me - it doesn't seem exactly equitable or fair to me and I'm not casting any reflection on GE, they're a marvelous company with a great reputation. But five years ago, you buy a sack of groceries for four dollars. You come in five years later and say well I don't want to pay four dollars for groceries, I want to pay \$3.00. Because times have changed, we're in more trouble and you say well that's okay, we can't live, we can't buy the groceries anywhere else because we contracted with you five years ago. Or maybe there's a good explanation of that, I mean, gosh, I've seen so many real estate deals that I've signed contracts five years ago that I'd like to come in and say boy, I didn't know about that easement right through the middle of it and can't we just sort of get together and I won't pay as much and although I agreed to go ahead and pay you for your improvements at the depreciated value instead of that give me the improvements. There's nothing wrong in them doing it but it seems like everyone else should have an equal chance at that time. In other words, if this Council would say, GE you signed your written word five years ago, maybe it was premature, you're a big company, you've got seven billion dollars in assets. If you don't know what you're doing, nobody does. Now, you're going to either stick by that contract or you are going to change it and we'll let some other people have a shot at it but I'm making this up, I don't understand how you.....

MR. BECKMANN: That's exactly where we are, Stanley, right now. The only way you can get in or anybody else can get in in my interpretation of this contract is if and when GE turns down our - if we should refuse any amendments to the contract and they in turn, turn it down.....

MR. PADILLA: That's not correct. GE does not have an exclusive franchise, anybody else can get in anytime. If we grant them a franchise.

MR. BECKMANN: Under the terms of this one single discussion that

that we're talking about.

MAYOR BECKER: Well, I was just telling Reverend Black and when you start talking about a sack of groceries, it reminds me when I was in kindergarten and I stayed there for quite a while, if I remember correctly, because it is very vivid my imagination. They used to teach us how to count by coloring so many apples and oranges and all that kind of stuff. I learned that portion of my schooling very well because I have an affinity for food, even in those days. It seems to me that if a City is going to do this thing correctly and I've got to say what's on my mind because it's just a failing I have. I really believe that we should start all over. Now that's my own belief. I don't like to try to update something that was first developed in 1968. I just don't think that in this day and age as fast as things change and as fast as things are moving that you can go back and hang your hat on something that took place in 1968 and by that, I can use a similar example of analogy, and that is, in my opinion, I can only voice my own opinion, people who buy computers instead of leasing them, are buying trouble because the things change too rapidly. Contracts change rapidly, situations change rapidly. Circumstances, and what I think the City should do and maybe it's not the right way to do it, it probably isn't if I thought of it, is to go back and tailor-make exactly what we want and lay the provisions and the conditions down exactly abc, 123. We want the following things. Just like if you put a car out for bids. We want the tinted glass, we want the power steering, we want the power brakes, well, we want all these things embodied in this contract and whatever corporations there are in the United States, providing they pass muster in our shade tree corporations and straw corporations and all the rest of that stuff, they are invited to bid on this thing. The guy that gives you the most for your money is the one that gets the contract. That's the way it looks to me. I could have missed the whole picture in all this time that I've spent on this thing.

DR. SAN MARTIN: Mr. Mayor, that's very easy to accomplish. All we have to do is reject the amendments tomorrow morning and let General Electric to proceed along the line to the 68 contract unless they want to abrogate it. If they want to abrogate it, whatever legal requirements by the City, then we can start a ball game. So that's all there is to it. And I think tomorrow we'll vote on that, and that's that.

MAYOR BECKER: Well, it seems to me it's the only way the City is ever going to get the most for its money and get the type of a deal that it's looking for, is to tailor-make it in terms of today's conditions. How can you go back and patch up this and patch up that, you know. It is like a guy that's been hit by a truck on the highway, he's in the hospital forever while they're trying to remake him so to speak, and that's what we're trying to do here. We're trying to remake something that really was borne of another day.

CITY ATTORNEY REEDER: I agree with you from a common sense standpoint, Mr. Mayor, and I think Dr. San Martin has kind of stated the answer there, or at least a good bit of it.

MAYOR BECKER: I would like to again say that we would at least during this Council's term of office, not engage in any more of these kind of deals because this one has been handed down, this old dress is worn out, you know, from people just looking at it. It's shop-worn and

shot as hell.

DR. SAN MARTIN: Mr. Mayor, in deference to the other three members of the Council, I would suggest that we defer voting on this today, but that it be on the agenda for tomorrow for a vote either to change the franchise or leave it as it is, and that's it.

REVEREND BLACK: May I just ask this question. Is it mandatory for us to simply act against any changes, in order to receive and consider the changes that we would like to see made or would like to see added. In other words, what I'm trying to say is do I have to take negative action in order to get some positive consideration? Can't we just simply begin with preparing the kiddof instrument that we want and simply related to that or do we have to act on this?

MR. REEDER: Well, I think you have to act on this, Reverend Black, because as it stands right now, as Dr. San Martin pointed out, GE has got a franchise with us right this minute. What we're having now is the third reading on action to amend that existing franchise. If that fails, well, they're back to where they had the franchise granted in 1968. We can't be, I mean we can't over look the fact they've got a franchise right now, and we can't wipe it out by changing it unless they agree.

CITY MANAGER GRANATA: Let me add, if they want to get out of it, then you start anew. You incorporate everything you say, and then you're going to have you ask for a proposal, and you're going to have two readings, a hearing, and a third reading on that or whatever. You've got to go through that procedure.

DR. SAN MARTIN: Okay. I move that we recess this hearing.

MAYOR BECKER: Can we recess?

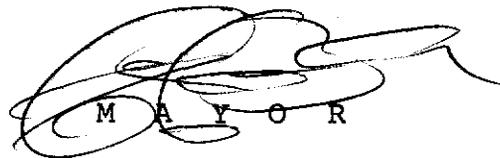
MR. REEDER: Yes, sir.

MAYOR BECKER: Thank you very much.

* * * *

There being no further business the meeting was adjourned at 5:00 P. M.

A P P R O V E D



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September 5, 1973
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-75-

