

TRANSFERS OF CATV SYSTEMS AND
FRANCHISES IN MICHIGAN: AN
INVESTIGATIVE STUDY

Thesis for the Degree of M. A.
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Director of Thesis

ABSTRACT

TRANSFERS OF CATV SYSTEMS AND FRANCHISES IN MICHIGAN: AN INVESTIGATIVE STUDY

By

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There has been growing concern over the transfer of CATV systems and franchises in the United States. Unfortunately, there has been no empirical evidence upon which regulatory decisions may be based. This study was undertaken in order to provide some of this evidence for the state of Michigan.

The data for the study was collected by two methods. First, questionnaires were sent to all CATV operators in the state. The return rate for this questionnaire was 52.9 percent. Additional data, plus data for those operators not responding to the questionnaire was abstracted from the Television Digest Factbook from the years 1952 to 1973.

The results of the study indicated a strong relation between the type of ownership of CATV systems and their transfer. Systems acquired by non-Michigan multiple system operators were involved in 79.6 percent of all transfers and these owners acquired 74.4 percent of their

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systems through transfers. In contrast, only 28.6 percent of those systems held by local owners and 15.7 percent of those owned by Michigan based multiple system operators were acquired through transfers. A majority of all CATV subscribers in Michigan were affected by all transfers. Finally, it was discovered that the majority of the state's largest systems are owned by out of state firms.

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By

Christopher M. K. West

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INTRODUCTION

In the last ten years, the field of Community Antenna Television (CATV) has experienced extremely rapid growth within the state of Michigan.¹ Not only were systems previously in operation growing rapidly, but also new systems appeared in increasing numbers, especially in the more densely populated areas of the lower peninsula. As reported by the Television Digest Factbook, the number of CATV systems in the state has grown from ten systems in 1960 to fifty-six systems in 1974 with the most rapid growth occurring during the years 1966-1968.² The drop-off in new systems after 1968 may be attributed to the uncertainty placed upon the CATV industry by the Federal Communications Commission (FCC). In 1966 the FCC asserted the Commission's jurisdiction over all CATV systems in its Second Report and Order.³ This jurisdiction was affirmed by the Supreme Court in 1968 by its decision in the "Southwestern Case."⁴ The FCC then responded by asserting more rigorous control over CATV in the nation's top 100 markets, which effectively closed those markets to CATV.⁵

Coincident with the rapid expansion of CATV systems during the mid-sixties was an increase in the number of

transfers of CATV systems, both by purchase and by merger.⁶
 This increase has been linked to the tightening FCC regulations:

The enforcement of major market cable regulations imposed definite patterns upon CATV expansion during the period from March 1966 through December 1968. The effect was twofold: it diverted investment into medium and smaller markets until cable saturation in these areas often reached 50-60 percent, and it encouraged mergers and consolidation in major market areas . . . a substantial amount of . . . capital within the industry began to seep into smaller markets, seeking out almost any cable system in operation. . .⁷

This tendency toward consolidation has been alarming to many state and national legislators, citizens and students of communications regulations:

If, as the FCC has often maintained, local owners are generally far more sensitive to the needs of their audiences than conglomerate managers, this period of restraint, by encouraging the assimilation of locally owned cable systems, diminished the responsiveness. . .⁶

This author feels that this laissez-faire attitude toward CATV system transfers has resulted in an even greater abuse: the creation of a market in CATV systems and franchises.

The trafficking of CATV systems and franchises creates a regulatory problem of considerable magnitude, if it is indeed occurring. Unfortunately there exists very little empirical evidence upon which decisions regarding regulation may be based. Experience in public

utility regulation has been applied to CATV regulation in some cases, but generally this approach has seemed to this author to be ineffective and inappropriate.

This study attempts to provide some of the lacking evidence. This evidence consists of a detailed and factual analysis of all CATV system and franchise transfers which have occurred in Michigan between 1952 and 1974. Factors in this analysis are system ownership, system size and elapsed time and growth between system transfers.

THE GROWTH OF CATV IN MICHIGAN

The growth of CATV in Michigan, as might be expected, followed the national CATV growth pattern.⁹ The first areas to benefit from CATV were those population centers in which television reception and/or availability was either poor or nonexistent. Of the twenty-five systems in operation by the end of 1965, twenty (80%) were located in the upper peninsula and four (16%) were in the northern third of the lower peninsula.

Beginning in 1966 the CATV industry experienced rapid growth, doubling in size over the next three years.¹⁰ In contrast to the earlier pattern, the growth concentrated in the lower two-thirds of the lower peninsula where, of the thirty-seven new systems, twenty-six (70.3%) were located. This growth trend peaked in 1968, and was followed by a gradual reduction in the number of new systems established. A small surge of growth occurred in 1970-1971, but it did not reflect any tendency toward a new period of industry expansion. This trailing off of CATV expansion may be attributed to several factors, including uncertainty concerning government regulations, reduction of available venture capital, a tightening money market and a general downturn of the national economy.¹¹

METHODOLOGY

A questionnaire and cover letter were sent to every CATV system operator in the state.¹² Follow-up letters were sent to those who did not respond to the initial mailing. Included in the mailings was a stamped and addressed return envelope.

The information for systems not responding to the follow-up letters was abstracted from the Television Digest Factbook. By this method a complete body of data was assembled. However, it must be noted that this data is limited in its accuracy by two factors: incomplete or misleading reporting by the CATV companies and the time lag involved in gathering and publishing the data.¹³ For this last reason, all data will be considered as being accurate to January 1, 1974 only. Any transfers of ownership occurring after that date, unless reported by those operators returning questionnaires, will not be reflected in the data or the analysis.

Questionnaires were sent to 51 operators of 72 CATV systems. Of the 51, 28 operators returned questionnaires covering 36 systems. The return rate was therefore 54.9 percent for the operators and 50.0 percent for

the systems. A complete list of owners and operators may be found in Appendix E.

GENERAL FINDINGS OF STUDY

Until 1962 there had been no reported transfers of CATV systems within the state.¹⁴ Since that date there have been thirty-nine system transfers, with the highest number of transfers occurring in 1968 and 1971. The number of transfers seems to have followed an approximately cyclical pattern.¹⁵

Of the ninety systems currently either franchised or in operation, 28 (31%) have been transferred at least one time. The majority of transfers (52.3%) have occurred between non-Michigan based multiple system operators (MSO's). The next most common type of transfer was from local ownership to a non-local MSO (18.2%). The total number of transfers in which a non-local MSO gained or retained control of a system was thirty-five (79.6%). In contrast, the number of transfers in which a local single system operator gained or retained control of a system was two (4.5%). The remainder of the transfers (15.9%) resulted in control by a Michigan based MSO. For a graphic comparison of this data, see Appendix B, Figure 1.

The average elapsed time between system transfers was 3.99 years for all transfers, and 3.67 years for

transfers between non-local MSO's. The average time that a local single system operator owned a system before transferring to a non-local MSO was 6.3 years. The average system age at the time of the first transfer was 5.6 years. For second transfers this system age was 7.66 years and for third transfers, 9.66 years. The average time elapsed between first and second transfers was 2.0 years, and 2.2 years between second and third transfers.

As measures of system growth, three factors were measured before and after transfers. These factors were market penetration, cable mileage and number of subscribers. Market penetration is the proportion of subscribers to potential subscribers, expressed as a percentage. This figure is an indicator of system maturity, since a more established or mature system would be expected to have a higher market penetration than a newer system. Cable mileage, if it increases, indicates a growth in capital investment in the system by the operating company. When compared to the total planned mileage, if given, it also can be used to further determine the maturity of the system. The number of subscribers is also obviously an indicator of system growth in addition to its use in calculating market penetration.

The average market penetration of transferred systems, in respect to total potential market, was 51.5% at the time of transfer. The average gain in total market

penetration per transfer was 12.45 percent. The average system size at the time of transfer, in terms of number of subscribers, was 1,649. The average number of subscribers added was 879.¹⁶

For all transferred systems, the average total plant mileage at the time of transfer was 74.8 miles. The average mileage added after transfer was 11.42 miles. At the time of transfer the average percentage of system completion, measured in relation to the current total system mileage, was 71.6 percent. An average of 10.9 percent of completed plant mileage was added after each transfer.

A majority (76.5%) of the transferred systems added subscribers after transfer. Among those systems the average number of subscribers added was 1,174 and the average number of subscribers at the time of transfer was 3,091.

A majority (55.9%) of the systems had additional plant mileage constructed after being transferred. The average additional mileage measured 16.2 miles. For these systems the average completion before transfer was 76.2 percent and the average increase was 15.5 percent.

Half (50.0%) of the systems transferred added both subscribers and plant mileage after they were transferred. For those systems, the average increase in market penetration was 16.8 percent and the average number of

subscribers at the time of transfer was 3,607. The average completion of these systems at the time of transfer was 75.6 percent and an average of another 16.1 percent of the total plant was added after the transfer. The average mileage at transfer was 77.4 miles, and an average of 17.4 miles were added subsequent to the transfer.

In contrast, only 7.4 percent of all system transfers resulted in no additional subscribers and no additional plant construction.¹⁷ These two systems were transferred only once and both transfers occurred in 1973. One system is located on an Air Force base and is assumed to have been a fully completed system.

When only first transfers are considered, 65 percent of the transfers resulted in additional subscribers and 75 percent resulted in additional plant mileage. Only 10 percent of these transfers resulted in both no additional subscribers and no additional plant mileage.

For second transfers, 88.9 percent recorded additional subscribers and 77.8 percent added plant mileage. No second transfers lacked both. All third transfers resulted in additional subscribers and plant mileage.

The final average market penetration of all transferred systems was 64.5 percent, compared to 62.4 percent for non-transferred systems. The average completion of the transferred systems was 73.5 percent and the average for non-transferred systems was 76.1 percent.

In terms of subscribers, a total of 166,990 (54.5%) subscribe to systems which have been transferred while 139,292 (45.5%) subscribe to systems having their original owner. Of the subscribers of transferred systems, 133,890 (80.2%) subscribe to systems controlled by non-Michigan MSO's. In comparison, this class of operator accounts for 87,462 (62.8%) subscribers of non-transferred systems.

Of the 306,282 total subscribers in the state, 72.3 percent subscribe to systems controlled by non-Michigan MSO's. The majority (60.5%) of these subscribers have been obtained through transfer of systems. In contrast, Michigan based companies have obtained only 39.0 percent of their subscribers in this manner.

Franchise transfers were much less common than system transfers. Only five franchise transfers occurred during the period of time covered by this study and all of these franchises were transferred only one time. These franchises comprise 16.6 percent of all outstanding (non-operating) franchises and 5.5 percent of all systems and franchises combined. When broken down by class of operator 40 percent of these transfers were to non-Michigan MSO's and the remaining 60 percent were to Michigan MSO's. No franchise had been transferred more than once. Considering the original franchisees of these systems, 60 percent were non-Michigan MSO's and the other 40 percent were local single system operators.

ANALYSIS

There have not been a great number of transfers of CATV systems and franchises within the state of Michigan. Less than one-third of all systems currently franchised or in operation have been transferred, and over two-thirds of those systems have experienced only single ownership changes. These figures seem to indicate that the transfer or sale of CATV systems and franchises is not widespread in this state.

In regard to CATV system transfers, there are four areas which bear closer scrutiny. The first of these areas is the type or class of system operator. The class of operator with the highest incidence of system transfers is the non-Michigan based Multiple System Operator. Of all systems owned by this type of operator, 81 percent have been transferred. These systems account for 66.6 percent of the total number of systems transferred during the period under investigation. Of the remaining systems, 20.5 percent were operated by local single system operators and 12.8 percent by Michigan based MSO's. More importantly, all of the second and third transfers that occurred were between these same

non-Michigan MSO's. (See Appendix B, Figures 2 and 3 for graphic representation of this analysis.)

Additionally, those systems which were eventually transferred to non-Michigan MSO's have the potential of more than 134,000 subscribers, while those transferred to other types of operators have a potential of only approximately 34,000 subscribers. A closer inspection of the data shows that of the states twenty potentially largest CATV systems, fifteen are owned by non-Michigan MSO's, as are eight of the ten largest in terms of subscribers. Of the fifteen, six originally had been owned by Michigan based firms.

The next area concerns the time elapsed between transfers. There is no significant difference between the average elapsed time for all transfers and the average elapsed time for transfers between non-Michigan MSO's, 3.99 and 3.67 years, respectively. The average times elapsed between first and second, and second and third transfers, 2.0 and 2.2 years, do seem significant. It would seem that a larger sample of cases would be needed before any firm conclusions could be reached in this particular area.

An additional area which may be analyzed is system growth as defined in the preceding section. The figures for transferred systems do not vary appreciably from those figures for systems which were not transferred.

The average total market penetration is the ratio of subscribers to total potential subscribers. This ratio, expressed as a percentage, is 51.5 percent for transferred systems at the time of transfer, but the individual figures range from 5 percent to 94 percent. The current average total market penetration differs very little between transferred and non-transferred systems, being 64.5 percent and 62.4 percent, respectively.

Regarding average percentage of total construction completed, systems which were transferred were 71.6 percent complete at the time of transfer. Again, however, the individual figures ranged from 24.5 percent to 100 percent. The current average completion figure is 76.1 percent for transferred systems and 73.5 percent for non-transferred systems. Again, there appears to be no significant difference between these figures.

Considering those systems currently in operation, a majority of the transfers resulted in an increase in the number of subscribers and a greater majority resulted in additional plant mileage construction. Only 35 percent of all first transfers resulted in no increase in subscribers and only one quarter of those first transfers resulted in no additional plant mileage construction. The figures for these statistics for second transfers are even lower and for third transfers both figures are zero. Transfers without additional capital investment in plant

construction are clearly in the minority. Trafficking in CATV, if it is occurring, is not taking place, in most cases, without capital investment by the companies involved. It would seem that this would not be the case if system trafficking were widespread.

The final area of analysis is CATV industry growth as defined by the number of new CATV systems added. Transfers have occurred most often during periods of CATV industry expansion within the state.¹⁸ It may be possible to predict growth periods, and thereby the greater possibility of transfers by noting the number of new franchises granted within the state and the number of Certificates of Compliance issued by the Federal Communications Commission.

The correspondence between industry growth and the number of transfers cannot be ignored. During periods of rapid growth, in any industry, entrance by purchase or merger becomes more attractive and therefore more common. This pattern certainly has been true concerning the CATV industry in Michigan. Another evident trend in this pattern is the reversal of the relation between new systems and transfers after 1969.¹⁹ Prior to that date the number of new systems consistently exceeded the number of transfers. After 1969 the reverse relation occurs. This reversal may be due to an increasing saturation of profitable CATV markets within the state, especially in those areas outside of metropolitan Detroit.

There is only one measure available in the data which may aid in analyzing franchise transfers. This measure is the number and proportion of transfers for each type of franchisee. The highest proportion of transfers occurred when the franchisee was a non-Michigan MSO. Of the franchises held by such companies, 43 percent have been transferred and these companies accounted for 60 percent of all transferred franchises.

The next highest incidence occurred when the franchisee was a local single system operator. Of all franchises held by firms of this type, 25 percent have been transferred, comprising 40 percent of all franchise transfers. The Michigan based MSO accounted for no franchise transfers during the period under investigation.

CONCLUSION

The evidence presented by the data suggests that there has not been widespread trafficking of CATV systems and franchises within the state of Michigan. Less than one-third of all systems and one-sixth of all franchises have been transferred at all, and the majority (65.2% and 100%, respectively) of those only once. These figures refute any claims of wholesale buying and selling of systems and franchises. It is not suggested, however, that complacency is the correct response to this evidence.

There are three major patterns which have been revealed in the analysis of the available data. The first of these patterns is the heavy involvement of non-Michigan based Multiple System operators in system transfers. This acquisition pattern is highly significant because such a pattern could be expected to occur if trafficking in CATV systems was occurring. This type of system operator is also exclusively involved in all second and third transfers of systems. It would seem that once a system is acquired by one of these firms, which is highly probable, it simple becomes a commodity, to be bought and sold at will.

Related to this trade in systems is the second major pattern. An increasing number of subscribers are affected by these transfers. Over 60 percent of the subscribers to non-Michigan MSO controlled systems are connected to transferred systems, and these operators serve over 72 percent of all Michigan CATV subscribers. Since most Multiple System Operators employ "local" operating companies to conduct the day to day business of CATV system management, most subscribers are probably unaware of their system's ultimate ownership. These "local" companies are firms which have been established by the owner of the system to oversee the operation of the CATV system. The "local" company's name may differ from that of the owner and it usually conducts its business from a local office. The subscribers also probably are unaware of any transfers which might take place, since the local operating company's name usually remains unchanged, especially when the transfer involves only partial changes in ownership. Unless they are informed by the company, most of these subscribers therefore do not know that the CATV system to which they subscribe is controlled by an out of state firm whose main interest in them lies in the value which they add to the system on the CATV system market and nothing more.

Finally, closely related to the two preceeding patterns is the fact that the majority of the largest

systems in the state are owned by out of state firms. This fact means that the number of subscribers subject to these firms, already the majority of subscribers, is disproportionate to the number of systems which these firms own. The 36.8 percent of the systems controlled by non-Michigan MSO's account for 72.3 percent of all subscribers. The most logical explanation for this phenomenon is the belief that the larger systems require the capital and expertise of these firms. Possibly more emphasis should be placed upon local or in state ownership during the franchising process.

These three patterns were the only areas in which transferred systems differed appreciably from non-transferred systems. System growth and market penetration figures for both types of systems were very close, showing little difference.

The ultimate solution to patterns of behavior of the types described in the Michigan CATV industry must be comprehensive regulation at the local, state and national levels. Local ordinances and franchise agreements should contain sections dealing with system transfers, both at the local operating company level and at the ultimate ownership level. The franchisee selection process should favor truly local or in state companies, rather than local operating companies established by national firms solely to compete for the franchise.

State CATV regulations should be established in order to protect subscribers from actual or potential abuses. Rules concerning franchise and system transfers should be established and enforced, especially in the absence of such regulation at the local level. Rules concerning full public disclosure of the ownership of operating companies are also necessary.

Finally, national regulation of large multi-state Multiple System Operators is also needed. Limits similar to those affecting broadcasters need to be placed on these operators. Oligopolistic control of CATV would be just as, in not more, injurious as such control of broadcasting. Obviously, vigorous regulation at the national level is the only method by which the American public may be assured protection from abuses by nationally diversified CATV operators.

The future of CATV within Michigan seems assured to be prosperous. It is incumbent upon local, state and federal authorities to insure that this prosperity does not lead to the abuse of the power such prosperity brings.

There is a compelling need for more research in the area of CATV regulation. Studies such as this may best serve to point out areas of future investigation. Among those areas are the times elapsed between system construction and transfer, and between subsequent transfers. The relationship between industry growth and level

of transfer activity also bears further study. Finally, national patterns of CATV growth and transfers should be investigated.

The potential for the CATV industry to affect the daily lives of the nation's population is greater than almost any medium of communication, and is the greatest advance in mass communication since television, whose potential has been poorly utilized. It is hoped that the potential of CATV is not similarly wasted.

FOOTNOTES

FOOTNOTES

¹All historical information, unless otherwise noted, has been abstracted from the Television Digest Factbook, TV Digest Inc., Washington, D.C., 1952-1973.

²Ibid.

³Federal Communications Commission, Second Report and Order on Dockets 14895, 15223 and 15971, 2 FCC 2d 417 (1966).

⁴U.S. v. Southwestern Cable, 88 S Ct 1994, 392 US 157, 20 L Ed 2d 1001 (1968).

⁵Federal Communications Commission, Notice of Inquiry and Notice of Proposed Rulemaking in Docket 18397, 15 FCC 2d 417 (1969).

⁶Television Digest Factbook, TV Digest Inc., Washington, D.C., 1964-1973.

⁷Don R. LeDuc, Cable Television and the FCC, Temple University Press, Philadelphia, 1973, pp. 158-159.

⁸Ibid., pp. 159-160.

⁹For a more detailed analysis of the CATV industry in Michigan, I would refer the reader to Lawrence Thompson, "A Preliminary Analysis of Cable Television: Its Impact on Michigan with Alternatives for Legislation" (unpublished M.A. Thesis, Dept. of Television and Radio, Michigan State University, 1974.)

¹⁰Television Digest Factbook, TV Digest Inc., Washington, D.C., 1966-1969.

¹¹Examination of business publications such as the Wall Street Journal, Barron's, Fortune, Business Week, Broadcasting, Forbes, Time, Newsweek and U.S. News and World Report during this period will provide a more complete picture of the economic factors operative at this time. Specific issues of these publications which may prove to be informative are: Fortune 1/72; Newsweek 4/1/68,

7/29/68, 10/28/68, 12/23/68, 12/29/69, 1/12/70, 6/29/70; Time 6/28/68, 8/16/71, 2/14/72; Business Week 3/9/68, 12/7/68, 5/23/70, 11/6/71, 2/12/72; U.S. News and World Report 6/24/68, 10/21/68, 12/23/68, 11/3/69, 10/19/70, 11/12/73, 12/17/73; and Forbes 1/1/70, 3/1/72 and 12/1/73.

As far as government regulations are concerned, specific reference should be made to U.S. v. Southwestern Cable, 88 S Ct 1994, 392 US 157, 20 L Ed 2d 1001 (1968); Federal Communications Commission, First Report and Order, 20 Fcc 2d 201 (1965) and Federal Communications Commission, Second Report and Order 19 RR 2d 1775 (1966).

¹²Sample questionnaire, Appendix D.

¹³It is assumed that the information gathered by the publisher of the Television Digest Factbook is as complete and accurate as possible. The information is obtained from the CATV operators and/or the local franchising authority. Information supplied by either of these sources may be misleading in certain areas, such as plant mileage and subscribers, either through deliberate misrepresentation or deletion. The information supplied, however, is the most accurate information obtainable through any method other than personal contact. The data collected by the questionnaire was used to validate the data obtained from the Television Digest Factbook.

¹⁴All figures in this section, unless otherwise noted, were obtained from the Television Digest Factbook and/or from the data collected by the questionnaire.

¹⁵Appendix B, Figure 7.

¹⁶Appendix A, Table 3.

¹⁷These systems are located in Bay City and K.I. Sawyer Air Force Base near Marquette.

¹⁸Appendix B, Figure 6 and Figure 7.

¹⁹Appendix B, Figure 6 and Figure 7.

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APPENDICES

APPENDIX A

TABLES OF DATA AND RESULTS

AUTHOR'S NOTE ON TABLES

The totals for some tables may not be 100 percent due to rounding. All rounding was done to the nearest tenth of one percent using accepted methods. This rounding was done in order to simplify the results while retaining the significant portion of the data. The relatively small size of the sample would preclude the retention of any data past the point of rounding.

Due to incomplete data for a number of systems, the base totals for different tables may differ. It would therefore be inappropriate to compare these totals between tables.

TABLE 1.--CATV System Transfers by Year.

Year	Number of Transfers	Total Number of Systems	% of Total Systems	% of Total Transfers
1973	2	61	3.3	5.1
1972	3	60	5.0	7.7
1971	8	59	13.5	20.5
1970	6	54	11.1	15.4
1969	1	53	1.9	2.6
1968	8	52	15.4	20.5
1967	3	42	7.1	7.7
1966	4	35	11.4	10.2
1965	-	25	-	-
1964	1	20	5.0	2.6
1963	-	19	-	-
1962	1	17	5.9	2.6

TABLE 2.--Transfer Analysis by Type of Ownership.

	# Systems	%	# Franchises	%	Total	%
Local to Mich. MSO	1	2.6	1	20.0	2	4.5
Local to MSO	7	17.9	1	20.0	8	18.2
Mich. MSO to MSO	4	10.2	-	-	4	9.1
Mich. MSO to Mich. MSO	1	2.6	-	-	1	2.3
MSO to MSO	22	56.4	1	20.0	23	52.3
MSO to Mich. MSO	2	5.1	2	40.0	4	9.1
MSO to Local	2	5.1	-	-	2	4.5

Key: Local - Local single system owner.
 Mich. MSO - Michigan based MSO.
 MSO - Non-Michigan MSO.

TABLE 3.--System Transfers by Subscribers and Plant Mileage.

Before Transfer			After Transfer		
Average Number of Subscri- bers	% of Poten- tial Subscri- bers	Plant Mile- age	Average Number of Subscri- bers	% of Poten- tial Subscri- bers	Plant Mile- age
2966	51.5	74.8	3921	63.95	86.2

TABLE 4.--Transferred System Completion.

Before Transfer	After Transfer
71.6%	86.2%

TABLE 5.--Transferred System Growth.

	% Adding		% Not Adding		Both
	Subscri- bers	Plant Mileage	Subscri- bers	Plant Mileage	
All Transfers	76.5	70.4	23.5	29.6	7.4
First Transfers	65	75	35	25	10
Second Transfers	88.9	77.8	11.1	22.2	-
Third Transfers	100	100	-	-	-

TABLE 6.--Transferred and Non-Transferred Systems by Type of Ownership.

	Systems	Fran- chises	Total	Systems	Fran- chises	Total
Local	19	6	25	8	2	10
Local MSO	12	15	27	5	-	5
MSO	6	4	10	26	3	29

TABLE 7.--Subscribers by System Owner and Transfer.

	Transferred	Non-Transferred
MSO	133,890	87,462
Non-MSO	33,100	51,830
Total	166,990	139,292

APPENDIX B

FIGURES AND GRAPHS

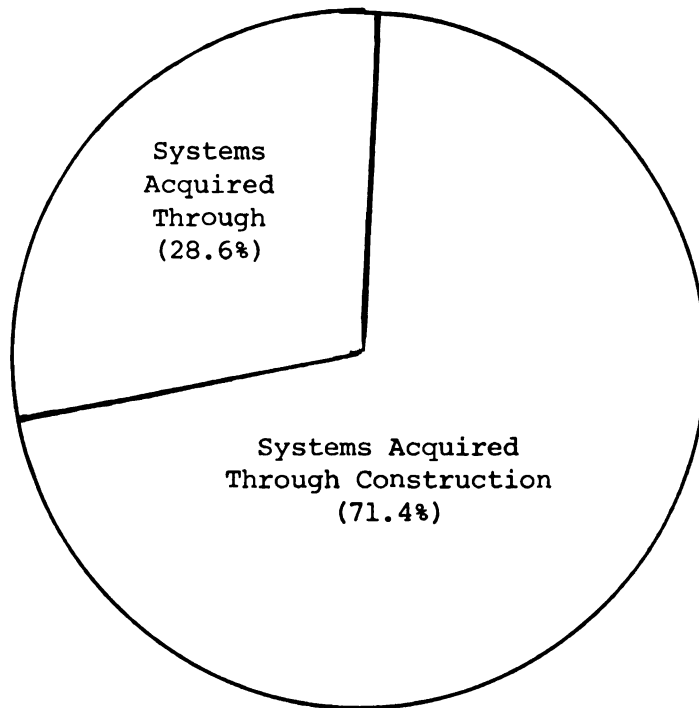


Figure 1.--System Acquisition Pattern, Local Operators.

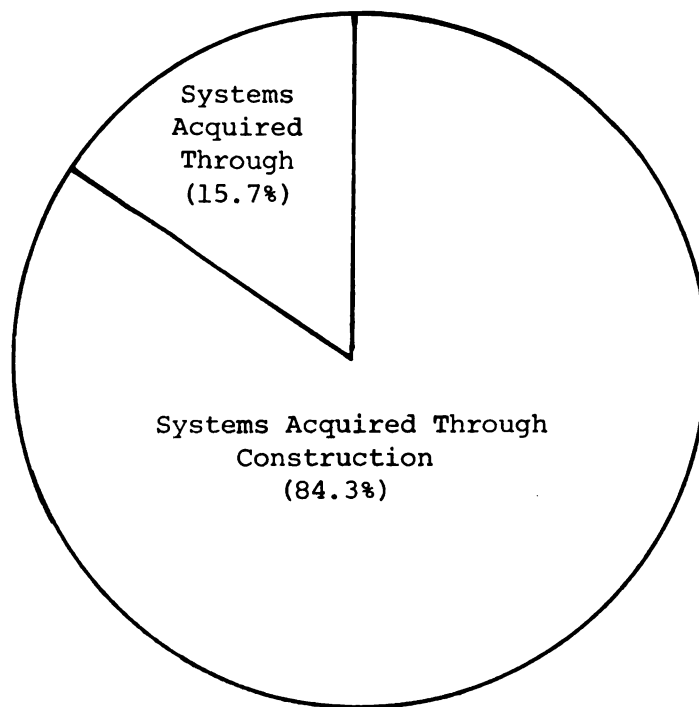


Figure 2.--System Acquisition Pattern, Michigan Based MSOs.

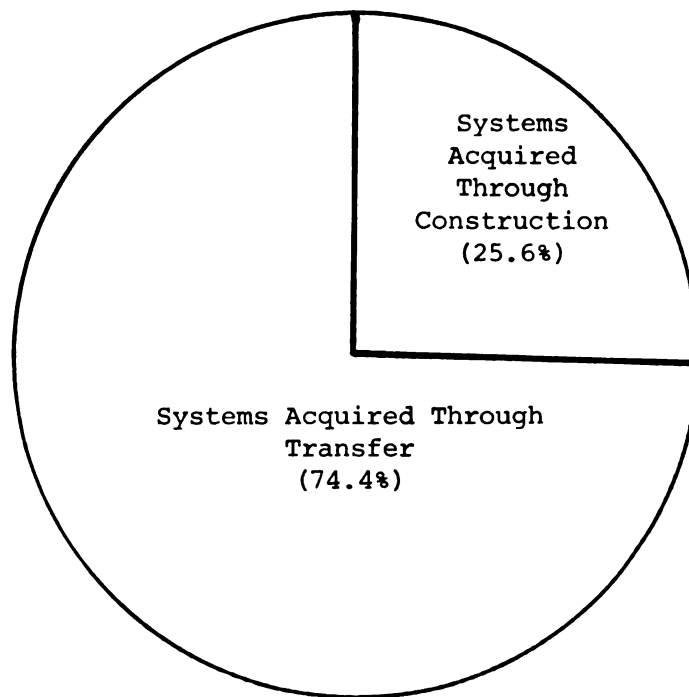


Figure 3.--System Acquisition Pattern, Non-Michigan MSOs.

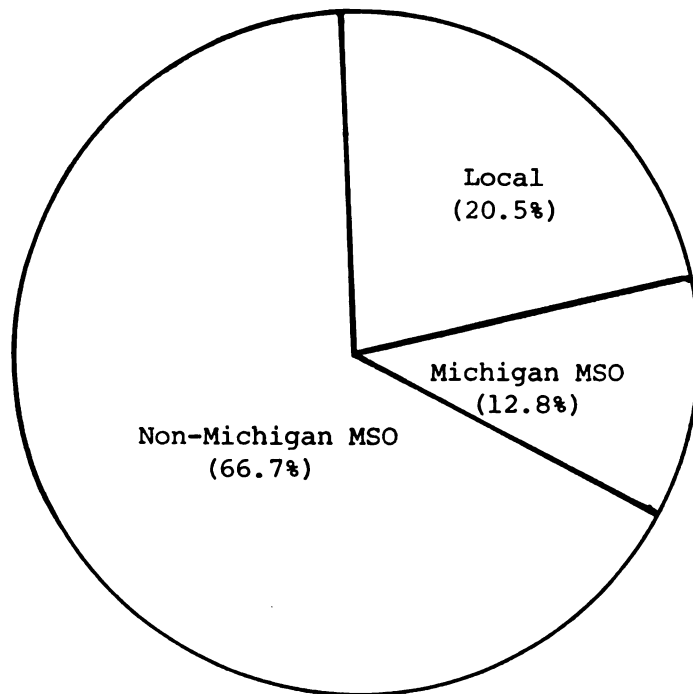


Figure 4.--Pre-Transfer System Ownership Breakdown (Transferred Systems Only).

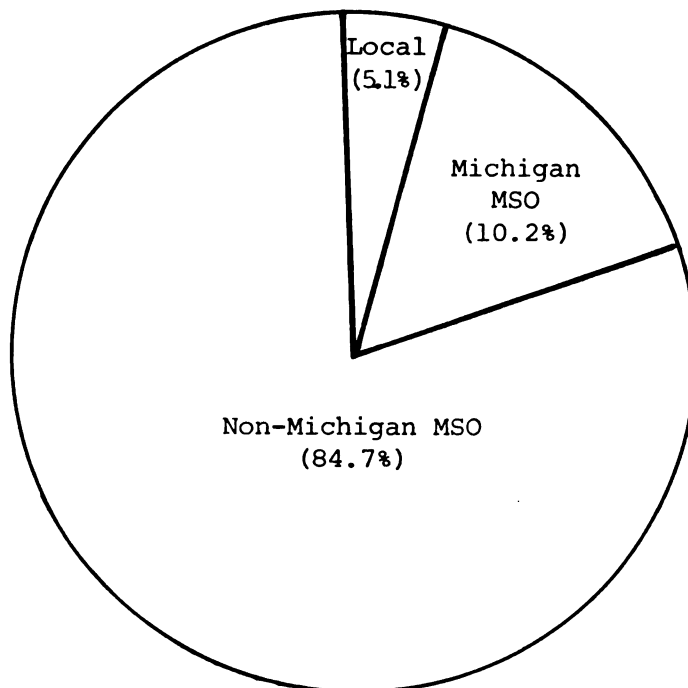


Figure 5.--Post-Transfer System Ownership Breakdown (Transferred Systems Only).

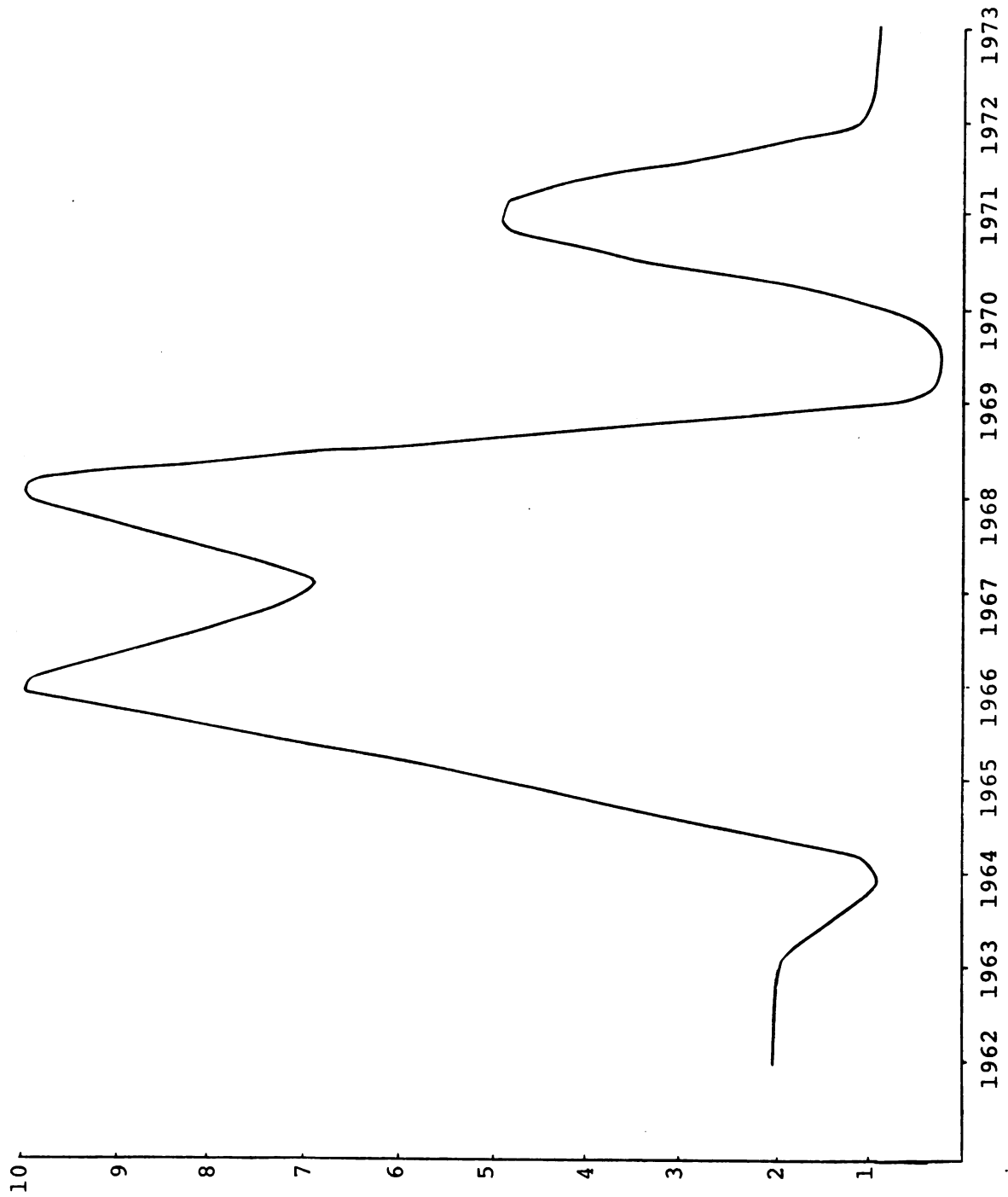


Figure 6.--New CATV Systems by Year.

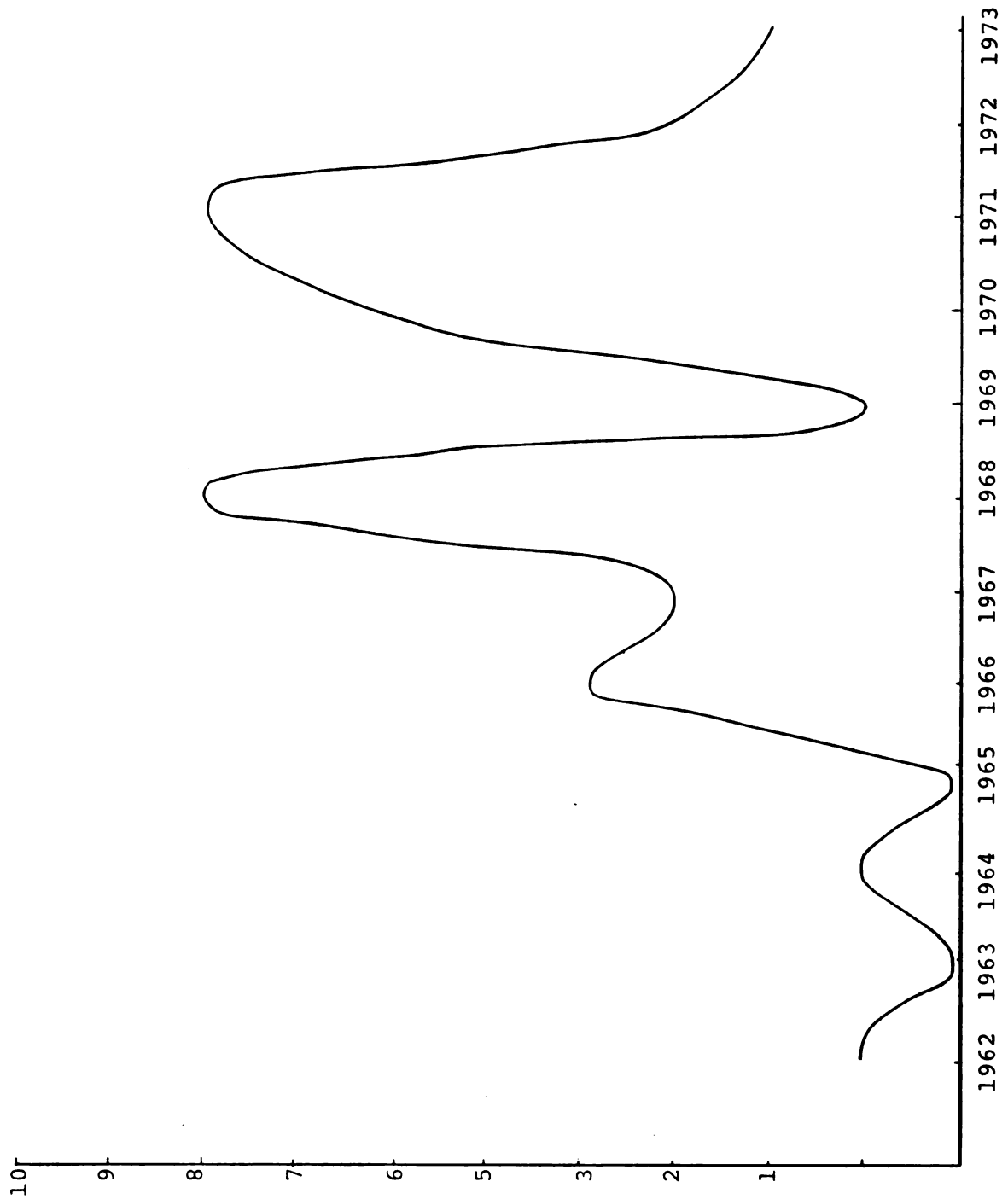


Figure 7.--Number of CATV System Transfers by Year.

APPENDIX C

GLOSSARY OF TERMS

Glossary of Terms

CATV (Community Antenna Television) - A method of television signal distribution using a master antenna to receive such signals off the air and a coaxial cable to relay the signals to individual receivers. Synonym: Cable TV.

Certificate of Compliance - A document issued by the Federal Communications Commission denoting that the terms of a CATV franchise meet with its approval. The certificate is required before system operation may legally begin.

Franchise - CATV system not yet in operation.

Franchise Agreement - A contract between a CATV system operator and the local governing body stating terms, conditions, rights and responsibilities of both parties in relation to the operation of the CATV system.

Local - The type of CATV operator which is based in Michigan and operates only one system.

Local MSO - The type of CATV operator which is based in Michigan and operates two or more systems, all within the state.

Market Penetration - The proportion of CATV system subscribers to total potential subscribers, expressed as a percentage.

MSO (Multiple System Operator) - The type of CATV operator which is not based in Michigan and operates systems in other states.

Plant - The physical assets of a CATV system, consisting mostly of cable laid under or strung along city streets.

Subscriber - Any residence, dwelling unit or building which receives television signals from the CATV system.

System - The CATV facilities serving a locality or group of adjacent localities, having a single terminus and currently in operation.

Trafficking - The transfer of CATV systems or franchises from owner to owner with little or no investment in services or facilities by the owners.

Transfer - Any change of ownership, in part or whole, by means of purchase, merger or any other method.

APPENDIX D

SAMPLE QUESTIONNAIRE

CATV QUESTIONNAIRE

SYSTEM:

- 1) DATE OF FRANCHISE, ORDINANCE OR AGREEMENT AUTHORIZING
OPERATION OR CONSTRUCTION _____
- 2) DATE THAT CONSTRUCTION STARTED OR WILL
START _____
- 3) DATE THAT CONSTRUCTION WAS OR WILL BE
COMPLETED _____
- 4) DATE THAT OPERATION STARTED OR IS SCHEDULED TO
START _____
- 5) DATE SYSTEM OR FRANCHISE WAS ACQUIRED BY PRESENT
OPERATION _____
- 6) METHOD OF ACQUISITION: (PURCHASE, MERGER, ETC.)
- 7) PREVIOUS OWNER(S) OR FRANCHISEE(S) AND DATE(S) OF
TRANSFERS:

PLEASE RETURN TO: CHRISTOPHER M. K. WEST
2605 E. KALAMAZOO ST.
LANSING, MICHIGAN 48912

(517) 487-5055

APPENDIX E

CATV SYSTEM OWNERS AND OPERATORS

Michigan CATV System Owners and Operators

(Ownership, if different, appears in parentheses)

Alden CATV Inc. Southfield (Alden Care Enterprises)	Crystal Falls CATV Crystal Falls (City Owned)
Alpena Cablevision Alpena (Cable Information Systems)	Fetzer Cablevision Kalamazoo (Fetzer Broadcasting)
American Cablevision Inc. Ironwood Iron Mountain Sault Ste. Marie Escanaba Calumet (Teleprompter Inc.)	Flint CATV Inc. Flint (Lamb Communications)
Booth American Co. Detroit	General Television of Mi. Oscoda (American Television and Communications)
Cablevision In. Ludington	Gerity Cablevision Essexville (Gerity Broadcasting)
Capital Cablevision Lansing (Gross Telecasting)	Glen Lake Cable Co. Traverse City (R.D. Rodenbaugh)
Caspian Community TV Corp. Caspian (Subscriber Owned)	Great Lakes Cable Televi- sion Petoskey (G.R. Clark)
Cass Community Antenna TV Inc. Whitehall	Huron CATV Inc. Harbor Beach
Coldwater Cablevision Inc. Coldwater	Iron Range Cable TV Marquette (Cox Cable Communications)
Continental Cablevision of Michigan Jackson (Continental Cablevision)	Iron River Community TV Antenna Corp. Iron River (Subscriber Owned)
Covenant Cable TV Inc. Port Huron (Covenant Cable)	Lake Charlevoix Cable TV Inc. Charlevoix

Liberty Cable TV Inc.
Adrian
(Liberty Communications)

Manistee TV Cable Inc.
Milford
(George Mott)

Manistique TV Cable Co.
Manistique

Michigan CATV Co.
Sturgis
(80% WSTR AM-FM)

Michigan Communications Group
Ann Arbor

Midwestern Cablevision Corp.
Traverse City
(Midwestern Broadcasting Co.)

Monroe Cablevision
Monroe

Muskegon Cable TV Co.
Muskegon
(Michigan Communications
Group, Plains TV, J. Lahey)

National Cable Co.
East Lansing
(LVO Communications)

Northern Video Inc.
Ontonagon

Northern Cable Co., Inc.
Rogers City
(Cable Services Co.)

City of Norway Community TV
Norway
(City Owned)

Rapid Cablevision
Big Rapids
(J.A. White II)

Saginaw Cable Television
Co.
Saginaw
(Cox Communications)

Satellite Systems Corp.
Marquette

Stanbaugh Cable Co.
Caspian
(A.Melchiori & L.B.Ghiggia)

Tequamenon Cablevision Inc.
Escanaba

Thumb TV Cable Co.
Port Huron
(J. Wismer)

Thumb Video
Mount Pleasant

Triad Cablevision Inc.
Marshall
(Triad Systems Inc.)

Tri-City Cable TV
Allegan

Twin Valley CATV Inc.
Hillsdale
(Lamb Communications)

Warner Cable Corp.
Menominee
(Warner Cable Corp.)

WGN Electronic System Co.
Houghton
(Tribune Co.)

Wolverine Cablevision
Battle Creek
(Fetzer Broadcasting &
Time-Life Inc.)

Michigan CATV System Franchisees
(Not listed under ownership)

M.J. Alan Inc.
St. Clair Shores

Barry Cable Corp.
Hastings

Cable TV Inc.
Benton Harbor

Canton Communications Systems Inc.
Canton

Century Cable Communications
Owosso
(Century Cable)

Clearview TV Inc.
Charlotte

G.E. Cablevision
Wyoming
Grand Rapids
(General Electric)

J.A. McCoy
Caro

National Cablecasting Service
Grayling

Northside TV Corp.
Iron Mountain
(Private System Located in Trailer Park)

Port Huron TV Cable Co.
Port Huron

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