

THE FEASIBILITY OF CABLE TELEVISION
IN GRAND RAPIDS MICHIGAN
Thesis for the degree M. A.
MICHIGAN STATE UNIVERSITY
THOMAS M. GIROCCO
1972



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A B S T R A C T

THE FEASIBILITY OF CABLE TELEVISION IN GRAND RAPIDS, MICHIGAN

By

Thomas M. Girocco

The Federal Communications Commission in recent months has elected to alter existing rules so as to permit cable television to expand into the top 100 (by population) television markets. By instituting this rule change the Federal Communications Commission will open the door to a largely unexplored market. With the exception of a few isolated instances, there is no cable television in the communities inhabited by the vast majority of the American people. This condition exists due to former F.C.C. rules that limit the development of cable television to those markets with a definite reception problem, one either of quality or selection. As cable television showed that it could provide diverse and specific programming not universally available, the Federal Communications Commission began to change its point of view and instead of protecting over-the-air television stations,

decided to partially open the top 100 television markets to additional cable development. Although far from wide open, the new rules appear to make cable television viable in these top 100 television markets.

This study was designed to determine the feasibility of a cable television system in one of these new markets, specifically, Grand Rapids, Michigan, the American Research Bureau rated 37th television market. The study includes research on the people, the businesses, the government and generally all that makes up the market. This information is coupled with data gathered in a two-phase interview process, then tempered with rules and regulations, both local and federal, to culminate in a conclusion and plan of action.

Data gathered leads the author to the conclusion that a cable television system in Grand Rapids is indeed a sound business proposition. Surveys conducted indicate a high rate of acceptance for a hypothetical system built along guidelines prescribed by the Federal Communications Commission in the new rules. This acceptance is brightened by the general dissatisfaction measured when interviewees were questioned about programming currently available. These and other positive factors and data

on construction and growth of cable systems supplied by Time-Life Cable Television, Inc., indicate that a Grand Rapids system would be feasible and could become profitable in the third year of operation. This goal could only be reached, however, under a system of carefully planned development, with a high degree of coordination between construction and marketing.

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Thomas M. Girocco

A T H E S I S

Submitted To

Michigan State University

In partial fulfillment of the requirements
for the degree of

MASTER OF ARTS
Department of Television and Radio

674767

Accepted by the faculty of the Department of Television
and Radio, College of Communication Arts, Michigan State
University, in partial fulfillment of the requirements for the
Master of Arts degree.

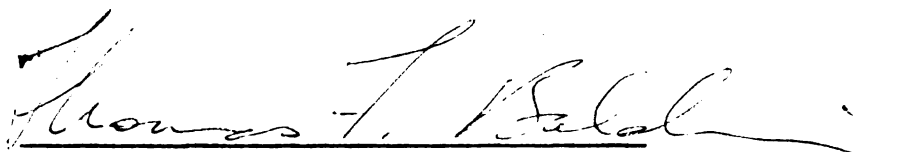

Thomas T. Balal
Director of Thesis

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I N T R O D U C T I O N

Cable television, since it was conceived early in the 1940's, has been an industry devoted to the "have not" television markets. Where there was a geographical reception problem, crude community antenna systems sprung up to provide residents with a semblance of good reception and selection. The next area of development was in those communities adjacent to the top 100 television markets, where residents were not within the coverage area of one or more of the national networks. This need was further refined in the mid-60's to include those areas that desired the services of distant independent and educational television stations. As the industry grew, the systems provided more services until the limits of possible growth were restricted by a 1968 Federal Communications Commission decision to prohibit a cable television system in the top 100 television markets from carrying any TV signal that was not already available in the market. This restriction was conceived with the idea of protecting free "over the air" television. In the early 70's the Federal Communications Commission began to reconsider this move, and in the summer of 1971 proposed a rule change. This study was taken on in

anticipation of these proposed "new rules" which if passed would allow cable television to become viable in the top 100 television markets. At this writing, these new rules are expected to become effective early in 1972.

In order to determine the feasibility of cable television in Grand Rapids and area, an in-depth study was performed to test the variables that would contribute to the ultimate success of such a system. The techniques involved were "hard" research on the market, interviews with the populace and community leaders, and investigation of local and federal rules and regulations that would act upon such a system. The study concludes with an economic projection and a systematic plan of action.

Special Note

Due to unavoidable delays in completion of this work, there is repeated reference to "proposed" F.C.C. Rules. As of the completion of the paper, the Rules have been made essentially effective as of March 31, 1972. There was, however, a 30-day period for filing of comments, and as of thesis completion the F.C.C. is considering these filings and some modifications may be made. The status of copyright is still uncertain as final legislation has not yet been enacted.

CHAPTER 1

This section of the study is one of fact finding for purposes of acquainting the researcher and subsequent readers with background on the area. In an effort to present the material in a clear and concise manner, a modified outline style was used. This will provide the reader with precise access to the data initially and ready reference later on in the conclusion forming sections.

Sources of information for this chapter were:

West Michigan Tourist Council

Grand Rapids Area Chamber of Commerce

Cities of Grand Rapids, East Grand Rapids,
Wyoming and Kentwood

Bureau of Census 1970

Grand Rapids Area Council of Churches

Grand Rapids Area Directory of Manufacturers,
1970 - 1971

HISTORY

The Hopewell Indians are the oldest known Indian tribe to live in this area. They were found to inhabit Kent County from 300 B.C. to 300 A.D. They are famous for their mounds, which were used for places of burial and religious and ceremonial purposes. Artifacts uncovered during excavation gave evidence that the Hopewells engaged in heavy trade with the neighboring tribes. Items were found which were made by other Indians near the Gulf of Mexico, and gave an indication of the vast trading relationship between tribes.

The Hopewells were forced to leave when the Ottawa Indians moved into this area. They got along well with the early French missionaries and trappers; this helped pave the way for a good relationship with the early settlers.

Rix Robinson was the first permanent settler in the area. He arrived in 1821 and proceeded to establish trading posts along the Grand River. One was located two miles west of Lowell and the other one at Ada. The area was to continue to be a trading center as furniture manufacturing became an important industry in the later 1800's. Because of the early manufacturing development it naturally followed that the "support" businesses would also thrive. The development of banking, legal counseling, machinery manufacturing

and marketing and advertising was therefore quite natural and continues to this day.

The recreational, social and cultural needs of this "service center" type of city were well met and kept pace with economic growth, making Grand Rapids a well balanced community in terms of satisfying internal needs as well as providing services.

GEOGRAPHY

Grand Rapids is located in the southwestern portion of the state on the Grand River. It is 147 miles west-northwest of Detroit, 172 miles northeast of Chicago, and 30 miles from the eastern shore of Lake Michigan. It is well situated to serve as a sales and distribution center, and provides goods and services to the tourist industry of Michigan. The city developed on the banks of the Grand River, with business and industry occupying the waterfront area, and residential development spreading up the hillsides of the valley. The hills, streams, woods, and nearby wildlife make the area a pleasant residential community, a factor that enhanced the potential for economic growth in the area.

POPULATION

History notes that Grand Rapids has experienced a rather substantial but erratic rate of growth. The only exception to this

occurred during the decade of the thirties, when, reflecting the national trend of a sharply curtailed birth rate, only a token increase took place.

In 1950, the cities and villages of Kent County contained approximately 68 per cent of the total population, while in 1960 this percentage had risen to almost 80 per cent. During this decade, however, there still was a movement of residents to the suburban, less developed regions near the more densely populated areas. The apparent increase in urbanization is due primarily to the incorporation of two townships into cities, as well as annexations by the City of Grand Rapids. Those townships near and adjacent to Grand Rapids experienced higher percentage population increases than those located further from the city. This growth has occurred in all directions, but generally the greatest proportion has concentrated south and west of the developed area. Industrial expansion, good roads, and increased auto ownership have contributed to this movement.

The county's non-white population numbered 15,336 in 1960 representing an increase of 8,110 or 112.2 per cent over the 1950 non-white population of 7,226.

As of 1970 the non-white population had increased to just

over 35,000, with the majority of this segment concentrated in the city of Grand Rapids.

POPULATION (Continued)Numbers

<u>City</u>	<u>Total</u>	<u>Non-White</u>	<u>Homes</u>	<u>Homes/ Street Mi.</u>
Grand Rapids	198,000	15 %	68,000	112
East Grand Rapids	12,565	.1 %	3,700	79
Wyoming	56,560	2 %	30,794	158
Kentwood	20,310	2 %	5,200	62

Age Profile

Under 5 years	11 %
5 - 14	21 %
15 - 24	19 %
25 - 39	16 %
40 - 54	16 %
55 - 64	8 %
65 - 74	6 %
75 +	3 %

Racial Profile of Non-Whites

Negro	97.3%
Indian	1.4%
Chinese	.3%
Japanese	.4%
Filipino	.2%
Other	.3%

POPULATION (Continued)Religious ProfileChurches in Greater Grand Rapids Area

<u>Denomination</u>	<u>Number</u>
Assembly of God	7
Baptist	67
Catholic	42
Christian (Disciples of Christ)	2
Christian Reformed	96
Church of the Brethren	1
Church of Christ (Christian)	4
Churches of Christ (Non-Instrumental)	3
Church of Christ, Scientist	2
Church of God (Abrahamic Faith)	3
Church of God (Anderson, Ind.)	3
Church of God (Cleveland, Tenn.)	2
Church of God in Christ (Memphis, Tenn.)	10
Church of the Nazarene	6
Congregational Christian	2
Episcopal	9
Evangelical Free	2
Independent Fundamental	17
Jehovah's Witnesses	5
Jewish Congregational	2
Lutheran (Latvian)	1
Lutheran (Lutheran Church in America)	9
Lutheran (Missouri Synod)	17
Methodist	
A.M.E.	1
A.M.E. Zion	4
Free	4
United	38
Orthodox	4
Penetecostal	5
Presbyterian	10
Reformed Church in America	51
Reformed (Netherlands)	2
Reformed (American)	1

POPULATION (Continued)

Religious Profile

<u>Denomination</u>	<u>Number</u>
Reformed (Protestant)	5
Reorganized Church of Jesus Christ (Latter Day Saints)	3
Seventh Day Adventist	5
United Brethren	8
United Church of Christ	20
United Holiness	2
Wesleyan Church	8
Miscellaneous	<u>42</u>
Total	523

(Includes some churches not in Kent County)

Gross numbers of people affiliated with churches are impossible to determine due to varying definitions of affiliation.

Educational Profile

The latest census figures indicate the area to be high in educational attainment with 63.6% of the male residents having some high school, and 40.2% having a high school education or more.

POPULATION (Continued)

Occupational Profile

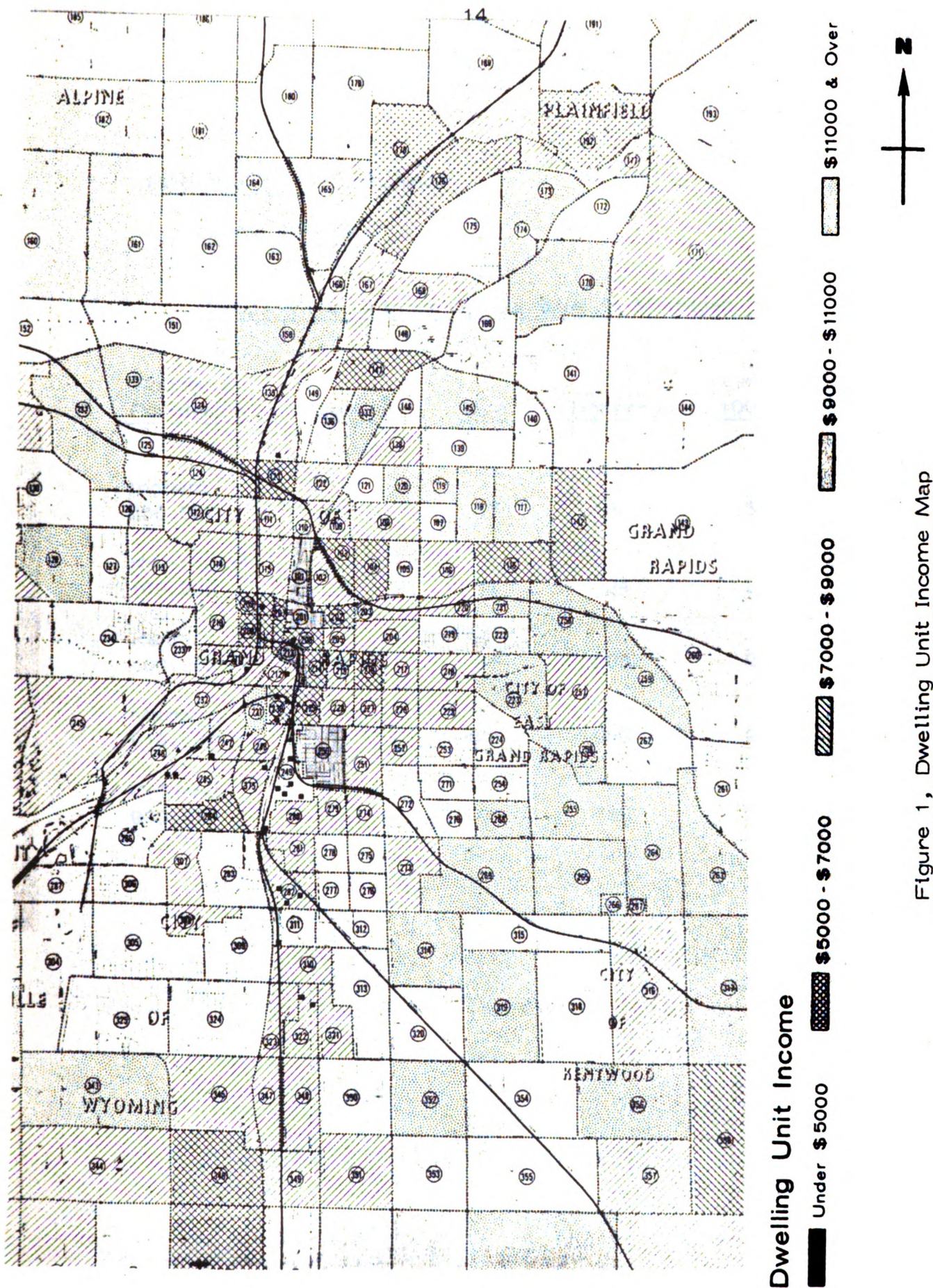
The 1970-71 Manufacturers Directory of Metropolitan Grand Rapids lists 950 manufacturing firms doing business in the area. Industry in the area is quite diversified, ranging from heavy metal manufacturing, through light and technical metal work to high grade wood craftsmanship; also food and paper. Approximately 36 per cent of the total work force is employed in manufacturing, leaving the remaining 64% in the professions, and in support businesses such as wholesaling and retailing.

Income Profile

The Grand Rapids area presents a large middle income group. With median annual income at \$10,524, 64.3% of the households earn between \$5,000 and \$15,000 each year. The following pages indicate exact percentage categories and geographical distribution.

Table 1, Income By Households

	Cash Income Breakdown by Households as % of Total						
	\$1,000- 2,999	\$3,000- 4,999	\$5,000- 7,999	\$8,000- 9,000	\$10,000- 15,000	\$15,000- 25,000	Over \$25,000
Grand Rapids (Kent & Ottawa)	13.9	9.8	23.5	18.5	22.3	8.9	3.1
Kent	14.3	9.7	23.0	18.0	22.4	9.3	3.3
Ottawa	12.6	9.1	25.5	20.9	22.0	7.5	2.4



POPULATION (Continued)Crime ProfileComparative Crimes By Counties in Michigan '69

<u>County & Population</u>	<u>Murder</u>	<u>Rape</u>	<u>Robbery</u>	<u>Crimes Per 1000 Persons</u>
Ingham 256,567	7	57	188	34.6
Kalamazoo 199,288	6	41	94	20.9
Kent 408,232	31	86	286	22.5
Macomb 619,164	16	123	358	23.2
Oakland 900,671	32	169	782	27.1

POPULATION (Continued)

Cultural Facilities

Kent County Library
Administration, Bookmobile and School Service

Grand Rapids Library - Ryerson Library
Administration, Bookmobile and School Service

Calvin College Fine Arts Center - 1000 seat auditorium
designed specifically for music and drama.

Circle Theatre - organized in 1952 to present arena-type
productions.

Grand Rapids Community Concert Assn. - Non-profit
organization formed to offer best in orchestra,
ballet and music.

Grand Rapids Public Museum - Exhibits art works and
maintains permanent exhibits of period furniture,
costumes, etc. Includes planetarium.

Grand Rapids Symphony Orchestra - Membership well
over 2600. Orchestra composed of 80 men and
women, 140 in Symphonic Choir and 112 in Youth
Symphony.

Grand Rapids Art Museum - Fine permanent collects,
plus temporary showings of art works and craftsmanship
and strong program for children.

Grand Rapids Civic Auditorium - Accommodations for
audience of 5000 in main auditorium, plus auxiliary audi-
toriums and meeting rooms of various sizes.

Grand Rapids Civic Theatre - in continuous operation since
1925.

St. Cecelia Society - Formed in 1854 to promote cultural
values through music.

POPULATION (Continued)

Recreational Facilities

An array of public and commercially operated recreation centers are available to Grand Rapids residents. Because of its location in West Central Michigan, Grand Rapids has easy automobile access to numerous state parks and the beaches of Lake Michigan. Local parks provide facilities for picnics, camping, swimming, fishing, golfing, tennis and baseball. In autumn, hunting season opens on small game, pheasant, duck and deer. Winter sports include ice fishing, ice skating, skiing and snowmobiling. Commercially operated recreation centers compliment the public facilities and private clubs and organizations provide all types of year-round recreational activity. The accent is on participation types of activities.

Parks

Parks throughout the Grand Rapids area have been selected and developed to be preserved and maintained for the enjoyment of the people. The Grand Rapids Metropolitan Area has long enjoyed one of the finest regional park systems to be found in any area.

A detailed inventory of the existing facilities indicates that:

There are 37 county parks in the Metropolitan Area with a total area of 3,037 acres.

The local municipalities within the Metropolitan Area provide 86 parks, consisting of 1,735 acres.

The adjoining counties, collectively, maintain 44 areas totaling 1,011 acres.

The state maintains, within the regional area, three game areas totaling 7,443 acres and nine public access sites for boating and fishing.

POPULATION (Continued)

Playgrounds and Recreation Centers

The Grand Rapids Recreation Board operates 36 playground sites, staffed by 55 seasonally employed "Play Leaders". The nine week organized program includes sports, games, arts, crafts, storytelling, special events and free play.

In addition, the Parks Department and the Board of Education in a joint effort have been developing parks at schools. The goal of a park or playground within a half mile of each child is being approached.

Golf Courses

With over 32 golf courses and only 8 of these being closed, private country clubs, the Grand Rapids area offers a fine choice of golfing facilities. Driving ranges and miniature golf courses are also numerous in the area.

Zoo

Grand Rapids has Michigan's second largest zoo in John Ball Park and also a Zoological Gardens. Some 600 animals, birds, reptiles and fish are on exhibit in surroundings resembling their natural habitat.

GOVERNMENTAL ORGANIZATIONS

East Grand Rapids

Commission/Manager - Established in 1925

Grand Rapids

Council/Manager - Established in 1916

Kentwood

Mayor/Council - Established in February 1967

Wyoming - Commission/Manager - Established January 1959

GOVERNMENTAL ORGANIZATIONS (Continued)

Fire Protection

East Grand Rapids

16 full time, 14 volunteers, 6 vehicles

Grand Rapids

299 full time, 15 vehicles

Kentwood

1 full time, 26 volunteers, 9 vehicles

Wyoming

15 full time, 75 volunteers, 14 vehicles

Police Protection

East Grand Rapids

20 full time, 5 vehicles

Grand Rapids

383 personnel, 99 vehicles

Kentwood

10 full time, 7 reserve, 6 vehicles

Wyoming

65 full time, 26 vehicles

EDUCATIONAL FACILITIES

Colleges & University Extension Centers

Aquinas College	A Catholic institution open to those of all faiths. Average enrollment: 1,400
Baptist Bible College & Seminary	A college affiliated with the General Assn. of Regular Baptists. Average enrollment: 630
Calvin College	A Christian Reformed Church institution. Average enrollment: 3,572
Central Michigan University	Extension Course: Supervision of Student Teachers
Davenport College	Junior College of Business. Average enrollment: Day - 665; Evening - 340
Grace Bible College	A non-denominational college. Average enrollment: 116
Grand Rapids Junior College	Grand Rapids Board of Education institution. Average enrollment: 5,283
Grand Rapids School of Bible & Music	A three year college affiliated with the Independent Fundamental Churches of America. Average enrollment: 578
Grand Valley State College	Four year liberal arts college. Average enrollment: 2,460
Kendall School of Design	Three year advertising and design school. Average enrollment: 525
Reformed Bible Institute	A Christian Reformed Church Institution offering a Bachelor of Religious Education degree. Average enrollment: 75
Michigan State University	Extension program. Graduate degree programs and continuing education primarily.

EDUCATIONAL FACILITIES

Colleges & University Extension Centers

University of Michigan Extension program. Graduate degree programs and continuing education primarily.

Western Michigan University Extension program. Graduate degree programs and continuing education primarily.

Public School Districts

East Grand Rapids Public Schools

2006 Wealthy St. SE, Grand Rapids 49506

Enrollment: 3,820

High School: 1; Jr. High School: 1; Elementary Schools: 5

Forest Hills Public Schools

5900 Ada Drive S.E., Grand Rapids 49506

Enrollment: 3,897

High School: 1; Jr. High School: 1; Elementary Schools: 6

Godfrey-Lee Public Schools

1335 Lee Street S.W., Wyoming 49509

Enrollment: 1,415

High School: 1; Elementary Schools: 2

Non-Public Schools: 1 Catholic Elementary

Godwin Heights Public Schools

15 - 36th Street, SW, Wyoming 49508

Enrollment: 3,560

High School: 1; Jr. High School: 1; Elementary Schools: 3

Grand Rapids Public Schools

143 Bostwick N.E., Grand Rapids 49502

Enrollment: 34,632

High Schools: 5; Jr. High Schools: 7;

Middle School: 1; Elementary Schools: 61

Non-Public Schools:

5 Catholic High - 19 Elementary

2 Christian High - 11 Elementary

3 Lutheran Elementary

1 Seventh Day Adventist Elementary

EDUCATIONAL FACILITIES (Contd)

Kentwood Public Schools

4479 Kalamazoo Ave. S.E., Kentwood 49508

Enrollment: 5,600

High School: 1 Middle School: 1 Elementary, 7

Northview Public Schools

3801 E. Beltline N.E., Grand Rapids 49505

Enrollment: 3,443

High School: 1 Middle Schools: 2, Elementary: 5

Wyoming Public Schools

3575 Gladiola S.W., Wyoming 49509

Enrollment: 7,800

High Schools: 2 Jr. High Schools: 3, Elementary: 10

Non-Public Schools: 1 Christian Elementary, 1 Lutheran

HEALTH AND MEDICAL FACILITIES

Grand Rapids has four general hospitals with a total of 1,465 care beds. Of these beds 1,029 are medical-surgical, 250 are pediatric, and 186 are obstetric, making the Grand Rapids community self-sufficient in the medical arts. The hospitals are served by a wide range of specialists, aided by sophisticated plant and equipment and specialized educational and research facilities.

General Hospitals

Blodgett Memorial Hospital - 426 beds

Butterworth Hospital - 467 beds

Grand Rapids Osteopathic Hospital - 183 beds

St. Mary's Hospital - 389 beds

Kent Community Hospital - 550 beds - operated by
Kent County

HEALTH AND MEDICAL FACILITIES (Contd)

Other Hospitals

Ferguson-Droste-Ferguson Hospital - 110 beds
Specializes in diseases of the colon and rectum.

Kent Oaks Hospital - 50 beds - care of persons
suffering from mental illness.

Mary Free Bed Hospital & Rehabilitation Complex -
82 beds. Provides for crippled and afflicted children
and adults.

Michigan Veterans Facility Hospital - 260 beds.

Pine Rest Christian Hospital - 542 beds.
Provides for emotionally ill and mentally retarded
of all ages.

COMMUNICATIONS MEDIA

NEWS MEDIA

<u>Newspapers</u>	<u>Daily or Weekly</u>	<u>Circulation</u>
Grand Rapids Press	Daily	132,000
Grand Rapids News	Weekly	12,600
South Kent News	Weekly	5,850
Wyoming Advocate	Weekly	7,000
Grand Rapids Legal News	Weekly	2,500
The Almanac	Weekly	17,000
The Interpreter	Weekly	20,000
Grand Rapids Times	Weekly	10,000

COMMUNICATIONS MEDIA (Contd)

<u>Station Call Letters</u>	<u>Dial</u>	<u>Wattage</u>
WERX-AM	1530	500
WFUR-AM	1570	1,000
WFUR-FM	102.9	40,000
WGRD-AM	1410	1,000
WION-FM	1430	5,000
WJEF-AM	1230	1,000
WJFM-FM	93.7	500,000
WJPM- AM	810	500
WLAV-AM	1340	1,000
WLAV-FM	96.9	28,000
WMAX-AM	1480	5,000
WOOD-AM	1300	5,000
WOOD-FM	105.7	265,000
WYON-FM	101.3	50,000
WZZM-FM	95.7	50,000
WKZO-TV	Channel 3 (CBS)	
WOOD-TV	Channel 8 (NBC)	
WZZM-TV	Channel 13 (ABC)	
WUHQ-TV	Channel 41 (ABC)	

CHAPTER 2

This section of the study is one of surveying, for purposes of determining consumer attitudes, programming preferences and community needs. The material is presented in the same order as collected, with tabulation sections following survey results, on an item by item basis.

Sources of information for this chapter were:

Broadcast Research Primer NAB 1969

Kent County Bureau of Social Services

City of Grand Rapids

City of Wyoming

Pierson, Ball & Dowd, Attorneys, Washington, D.C.

Michigan Bell Telephone Inc.

Consumers Power Inc.

RANDOM SURVEY

To determine the probable penetration of a cable television system, it was necessary to conduct a survey of the people ultimately to be served. Such items as cable television awareness and programming preferences were tested. The prime question being: How does one reach, influence, sell and maintain a potential subscriber? To ascertain this information, a 200-unit random survey was conducted. The sample was selected from the Grand Rapids area telephone directory, using a skip interval of 260 names with a starting point selected from a table of random numbers. This sample of 260 names was then worked repeatedly with a minimum of two phone calls being made at the non-response residences. This list with no variations was made to yield the final sample of 200 completed questionnaires. Standard deviation of this size sample with 50% reliability is +, -, 7.1% with a safety factor of 20 to 1 according to tables in NAB Research Primer 1969.

Interviewers were trained as to purpose direction and techniques. They were equipped with master information sheets and questionnaires as exhibited in Appendix A. The five questions asked are as follows:

1. Do you know what cable television is?
2. What do you like best about TV?
3. What do you like least about TV?
4. What does TV need?
5. Would you like to see cable television
in Grand Rapids?

Those interviewees who did not know what cable television is were informed by reading of the master sheet in Appendix B before continuing. The answers were recorded verbatim in an effort to let the potential customers' true wants and needs come out. Question No. 5 seems weak, but such is not the case, as trial surveys conducted by the author in question formulation showed that questions were rejected by the interviewee when worded stronger. The first form of Question No. 5 was: Would you subscribe to cable television if it was available? The second form was: Do you think five dollars per month is too much for a service such as cable television? Both questions met with much resistance and hesitation. The final form indicates acceptance without definite commitment, and was answered readily.

Results of the survey follow.

Do you know what cable television is?	No	120
	Yes	<u>80</u>
	Total	200

What do you like best about TV?

Sports	30
Movies	29
"Everything"	24
News	23
Drama	13
Specials	10
Variety Programs	9
Comedies	9
Educational Programs	7
"Nothing"	6
Documentaries	5
Family Programs	5
Talk	3
Daytime Serials	3
Religion	2
CBS	2
Color	1
Westerns	1
Quiz Programs	1
Cartoons	1
No Comment	<u>16</u>
Total	200

What do you like least about TV?

Commercials	34
Violence	25
Daytime Serials	22
"Nothing"	20
Situation Comedies	15
Sports	9
Variety Programs	9
General low level of pgms	7
Reruns	6
"Everything"	6
News	4
Westerns	3
Profanity	2
Quiz Shows	2
"Programs scheduled at wrong time"	2
Cartoons	2
Cultural Programs	1
Game Shows	1
Long Hair	1
Movies	1
Science Fiction	1
Talk Programs	1
Poor selection	1
Programs not realistic	1
No comment	<u>24</u>
Total	200

What Does TV Need?

"Nothing"	28
More educational programs	24
More children's pgms	18
Less violence	16
More variety of pgms	10
More movies	10
General elevation of programming	10
More drama	9
More documentaries	8
More music programs	7
More sports	5
Less commercials	5
More travelogues	3
More family programs	2
More variety programs	2
More comedies	1
More westerns	1
Less sports	1
Less variety programs	1
More local programs	1
More religious programs	1
More game programs	1
More "realism"	1
Less profanity	1
No comment	<u>34</u>
Total	200

Would you like to see cable television in Grand Rapids?

Yes	127
No	50
Undecided	13
No comment	<u>10</u>
	200

Special Observations:

70% of those surveyed either were favorable toward cable or undecided. If the interviewee did not know what cable was, it was explained to him.

60% of those surveyed did not know what cable is!

58% of those that did not know what cable was, wanted it after explanation!

7% were undecided about wanting cable!

5% did not want cable due to "too much money"!

Observed Tendencies

(This category is to be considered as an indication only, as pertinent sample size is so small that reliability is low).

The areas of the city rank in descending order as to cable awareness and potential cable acceptance, Northeast, Southeast, Southwest, Northwest.

COMMUNITY LEADER SURVEY

To determine community needs and interests, a list of 51 local opinion leaders was prepared, selecting men most active in their professions and local affairs. This list was composed of the following demographics:

- 13 Business and Industry Leaders
- 9 Political Leaders
- 6 Religious Leaders
- 6 Minority, Ethnic and Social Leaders
- 5 Cultural and Recreational Leaders
- 4 Volunteer Type Leaders
- 3 Legal Profession Leaders
- 2 Educators
- 2 Labor Leaders
- 1 Medical Leader
- 51 Interviews

Categorization of community needs and interests was accomplished by instituting a two-faceted classification process as follows:

Each interviewee was afforded two equally weighted "ballots", one in each pertinent area. Where the interviewee

expressed a range of concern, touching upon non-related subjects, a "ranking" process was used and the interviewee's comments were rated by the scale A, B, C, etc. as to second most important, third, and so on. Such a process not only allows generalizations to be drawn, but gives this Exhibit a stratified appearance, providing insight into the relationships between general categories and indications of the ebb and flow of opinion trends.

Leaders in the community are extremely hard to identify and impossible to classify. The 51 men selected for this portion of the survey were chosen by principles of WOOD Broadcasting, Inc. on the basis of their professional and personal activity in the doings of the community. The selection panel consisted of the following men:

Willard Schroeder	Vice-President & General Manager, Time-Life Broadcast Major Stockholder, W.B.I.
Michael O. Lareau	Vice-President & General Manager WOOD Broadcasting, Inc. Stockholder, W.B.I.
Jay VanDenBerg	Local Furniture Industry Executive Stockholder, W.B.I.
Clifford Christenson	Attorney Stockholder, W.B.I.
Thos. M. Girocco	Time-Life Broadcast, Inc. General Sales Manager, W.B.I.

Personal interviews were conducted at the convenience of the interviewee by those gentlemen listed above. The main questions follow:

What is the most crucial community need from your professional point of view?

What is the most crucial community need in general?

A sample questionnaire is presented in Appendix C.

The interviewees were not coached, but asked and expected to expound at length. The results were classified and assigned weights as previously described and tabulated in the following pages. A list of interviewees and positions held follows.

Business & Industry

Werner Veit, Editor, Grand Rapids Press.

Alfred L. Scott, President, Scott Realty

David Valenti, Chairman of the Board, Herpolsheimer's

J. Herman Fles, Chairman of the Board, Associated Truck Lines

Robert Pew, President, Steelcase, Inc.

Britton Gordon, President, Blackmer Pump, Div. of Dover Corp.

William Beaman, Jr., President, F. Raniville Co.

Eugene Silveri, Executive Director, G. R. Chamber of Commerce

Herbert Daverman, Daverman Associates

Joseph Shaw, President, Michigan National Bank

Clarence Damon, Manager, Wurzburg's Dept. Store

Albert Davis, General Manager, Diesel Equipment Div. of Gen. Motors

James Hager, President, T. W. Hager Lumber Co.

Political

Joseph Grassie, City Manager, City of Grand Rapids

Patrick Barr, City Commissioner, City of Grand Rapids

Robert Veit, Fire Chief, City of Grand Rapids

Robert Anderson, Chief of Police, City of Grand Rapids

Chris Sonneveldt, Ex-Mayor, City of Grand Rapids

Political (Continued)

William Farr, Chairman, 5th District, Republican Committee

Jon DeWitt, Kent County Board of Supervisors

John Collins, Mayor, City of East Grand Rapids

Thomas Eardley, Mayor, City of Wyoming

Religious

Rev. Roy Ostenson, Minister, Grace Episcopal Church

Dr. Russell McConnell, Exec. Director, G. R. Area Council
of Churches

Rev. H. M. Beahan, Bishop's Secy. Communications, Diocese of G.R.

Rabbi Frederick Eisenberg, Temple Emanuel

Rev. Peter Paulsen, Media Coordinator, Reformed Church of America

Harry Vanderlaan, President, Christian Labor Association

Minority (Ethnic, Social)

O. O. Horn, Jr., Director, Freedom Homes, Inc.

Paul Phillips, Director, Grand Rapids Urban League

John Arsulowicz, Jr., President, Polish Heritage Club

James Haveman, Administrative Director, Project Rehab

Roy Roberts, President, NAACP

Miguel Navarra, Latin American Community Leader

Cultural and Recreational

Herbert Boshoven, Past President, Civic Theatre

Frederick Meyers, Director, Grand Rapids Art Museum

Wendell Frankforter, Director, Grand Rapids Public Museum

Wesley Tebeau, President, West Mich. Tourist Council

Edward C. McCobb, Exec. Director, Grand Rapids Foundation, Inc.

Volunteer Type

John P. Otte, United Community Services, Red Cross

Arthur Miller, Exec. Director, Red Cross

Brigadier William Roberts, Administrative Head, Salvation Army

Raymond Tardy, Director, Community Action Program

Legal Profession

Robert C.C. Heaney, Partner, McCobb, Heaney & Van't Hof

Hon. Stuart Hoffius, Presiding Judge, Kent County Circuit Court

Hon. John T. Letts, Judge, Kent County Circuit Court

Educators

Dr. Norbert Hruby, President, Aquinas College

Dr. Robert Sneden, President, Davenport College

Labor

Arthur Heimer, International Representative, UAW-CIO

James Kelly, Secretary-Treasurer, Teamsters, Local 406

Medical - Dr. Leonard Rosenzweig, M.D. (Psychiatrist)

TABULATION

	<u>Organizational</u>	<u>General</u>
1. Reorganization of city govt.	3 AAAB	19 AB
2. Racial/Ethnic Problems	14	9 AAAB
3. Economic Distress	16 A	1
4. Communication of needs	11 A	8
5. Deterioration of city	2 AAAB	8 AAB
6. Schools		2 AAAA
7. General Apathy	A	2 A
8. Transportation Systems	1 AAA	
9. Ecology	2	A
10. Vietnam War		1
11. Continuing 131 North	AA	1
12. Physiological/Psychological Problems	2 AAAA	

(1) Re-organization of Local Government:

The total of 28 ballots for re-organization of local government and services does not tell the entire story, for five of the elements in the "Economic Distress" category are situations that could exist because of duplication of services, and inefficiencies in various local governments. This category is expanded even further by impact from the category, "Deterioration of City", due to erosion of the tax base. The number of second and third priority (7) weights assigned to this category also indicates an undercurrent of concern. When the interviewee felt other matters, closer to his sphere of influence, were of prime importance, he still felt the need to touch upon this category. It is interesting to note that of the 28 elements solidly in this category, 27 were for unification and consolidation of functions and services, leaving only one against such a concept.

(2) Racial and Ethnic Problems

The total of 26 elements in this category are made up of three pertaining to housing and the remainder generally to polarization of groups and maintenance of longstanding ethnic barriers. The second and third place weights in this category (4) and positive comments made by some interviewees would seem to indicate

a contradiction of opinion. Some leaders feel the "Polarization Gap" is widening, others feel progress is being made.

(3) Economic Distress:

Of 23 elements in this category, one was in the area of national regulation, the others were pertaining to lack of operational funds and are in the category of organization points of view, related to the interviewee's professional function. Second place weights are inconsequential here.

(4) Communication of Needs:

Of 23 elements here, the interviewees are strong in the opinion that the communicators need to communicate more and better. This tabulation was gleaned from what initially appeared to be other categories but upon development, emerged as problems that are the result of an acute dearth of accurate knowledge surrounding agency functions and minority folkways. This general lack of understanding between organizations and the populace, and between various groups, was thought a surmountable obstacle by the majority of those interviewed. Of course, the communicator's ability to fulfill his function is directly related to the public's willingness to be informed. Second weights (1) here are inconsequential.

(5) Deterioration of City:

The 10 elements here are interesting in distribution because only 2 are organizational points of view, while 8 are general opinions. The strong undercurrent of second and third weights (7), and comments made by interviewees seems to indicate a trend toward more concern for this category.

(6) Schools:

The relatively low frequency of mention in this category (4) stems partially from the fact that much of the weight of the category was absorbed more correctly in the "Racial/Ethnic" area. The strong undercurrent (6 second weights) seems to indicate ebbing concern.

(7) General Apathy:

This category does not indicate strong interviewee concern. The two elements and two second weights tabulated are thought to be partially due to the depth of the interviews conducted. Generalizations that could have been superficially indicative of apathy were developed into more meaningful classification.

(8) Transportation Systems:

This relatively light category, one element, was made up

of complaints that appear to be the result of personal inconveniences suffered by interviewees as regards business oriented air travel. Second and third weights (4) are of the same disposition.

(9) Ecology:

A relatively light category, three elements, indicating interviewees are not particularly concerned with this area. Second weights (1) are inconsequential.

(10) Vietnam War:

Light response to this category, one element, seems to be the result of "local" orientation of survey conducted. Although interviewees were not instructed to keep remarks "local", they seemed to react to needs and interests to whose ends they might serve personally. No second weights in this category.

(11) Continuing U. S. 131 North:

Light response, one element, two second weights, is thought to reflect preoccupation with items of greater import.

(12) Physiological/Psychological Problems:

Relatively light response, two elements, both directly related to professional occupation (1 VD, 1 mental illness). Of more impact seems to be the second weights, unanimously concerned with growing awareness of drug problem.

FRANCHISE REQUIREMENTS

In planning a cable television system for a metropolitan area divided into separate municipalities, it is most realistic that the potential franchisee prepare himself to live universally with the most stringent single franchise he is confronted with. The separate municipalities awarding franchises all have certain common denominators such as a demonstration of financial capacity, professional expertise, fair employment practices and performance schedules. Items like franchise payments, services development and channel capacity, are subject to variation between governmental units. These variations tend to disappear once services are provided, and all municipalities want equal treatment. Corporate experience has demonstrated that soon the lowest common denominator becomes the most stringent franchise. For this reason we will examine the Code of the City of Grand Rapids, Michigan, Title VII, Chapter 110, as regards cable television. The ordinance covers the following topics:

A description of which revenues are to be used to determine franchise fees. These "gross" figures are largely regular monthly charges, but are subject to revision. They are: 0 - \$500,000 at 4%, \$500,000 to \$1,000,000 at 5% and \$1,000,000 up at 6%.

A statement that all local, state and national laws will be abided by.

The right to use all city streets, alleys, public ways and places to carry out the business of cable television.

The length of the franchise is 20 years and shall be carried forth from that point on mutual consent of both parties.

A statement of policy regarding customer refunds.

A statement indemnifying the city from all damages and penalties, and stipulating performance bonds and insurance requirements.

The rate schedule is spelled out in exact form by the ordinance, and allows \$15.00 for installation and \$5.00 for monthly service charges for the first outlet. Additional outlets are installed for \$5.00 and maintained for \$1.50 additional monthly service charges. A complete rate schedule is provided in Appendix D.

A Statement on Channel Usage

Use of Channels

Grantee may sell or use for program origination all channels except those which he must carry under FCC regulations. The fees charged for use of such channels are to be set by the Grantee for all but the public broadcast channels herein-after described.

Advertising and Pay TV are allowed on these channels; provided, however, that Grantee shall not permit advertising for any candidate for any local political office or for any party sponsoring such candidates to be carried on its channels unless any other candidate for said office or any bona fide party, as determined by the Commission, interpreting all relevant FCC rules and guidelines, or a party itself in case other parties so advertise, be provided with comparable advertising time. The Commission may, by regulation, specify the offices and parties covered hereunder and may specify what shall constitute the provision of comparable time.

Four channels are reserved for use at the City's discretion for public broadcasting, pursuant to provisions of Section (3).

Grantee is prohibited from censoring any program which is cablecast; Grantee is expressly granted immunity from any liability which might otherwise arise out of its failure to censor any program pursuant to this subsection.

Charges to the user are to be based upon value of the service to the user and costs to the franchisee and no other criteria. Grantee is prohibited from discriminating on any other grounds among users or in favor of himself.

Public Service and Public Broadcasting

The Grantee agrees to provide four channels for public service use as the need for same shall be determined by the City Commission. The Commission shall, upon 60 days' written notice to Grantee, have the power to require said public channels to be set aside at specific times or at all times twenty-four (24) hours a day. In

providing for the usage of such public service channels, the Commission may consider any unmet need of low-income or economically disadvantaged persons for access to, and use of, such communication media.

The Commission may grant licenses to persons or organizations for use of a public service channel for periods up to, but not exceeding, one year for a specific schedule or for the entire channel for all of such period of time; provided, however, that such period may be for five (5) years if such licensee is a governmental body or board of education.

Applicants to the Commission for public broadcasting licenses must fulfill the minimum criteria established by the FCC for ETV. The Commission may require that a licensee provide a reasonable amount of audience participation time and may establish such other requirements not inconsistent herewith as it deems appropriate.

A statement specifying public service installation which shall be free of charge, schools, fire stations and police stations.

A statement prohibiting sale, lease, and repair of receivers.

A statement on construction standards and requirements, stipulating good engineering practices, with minimum disruption of existing services, and public convenience.

A statement prohibiting transfer of franchise and change of corporate control without prior city approval.

A statement covering terms of forfeiture, which amounts to substantial violation of the franchise.

A statement regarding performance guarantees of construction to begin within 60 days of distant signal authorization from the FCC, and service to subscribers within 90 days after construction begins. Extension to all areas and residents must be as soon as possible.

In addition to the above categories, the City of Grand Rapids has added miscellaneous provisions that allow for an emergency "override" of all audio outputs for purposes of Civil Defense and other matters of public safety. Exclusive telecasting to specific

neighborhoods and districts, from multiple origination points is mandatory in the interest of providing specific group or neighborhood information from within that group or neighborhood. Further additions call for development of two-way, non-voice communications, without defining wants or needs. These miscellaneous provisions were presented as items to be used in evaluating specific proposals, and as such were loosely defined, leaving description up to the individual applicant.

The only other ordinance or franchise that exists at this writing is that of the City of Wyoming. The Wyoming franchise is generally similar to that of Grand Rapids, but somewhat less exacting in its requirements. The cities of East Grand Rapids and Kentwood are expected to "borrow" from the City of Grand Rapids.

F.C.C. RULES

August 5, 1971, by a 6-1 vote, the FCC adopted a letter addressed to the Chairman of the Senate and House Communications Subcommittees, in which the Commission set forth a summary of the rules governing CATV operations which it intends to promulgate. The Commission stated that it hopes to issue a formal Memorandum Opinion and Order with accompanying rules detailing the specifics of its new regulations by the "latter part of the year". It "now projects" an "effective date of March 1, 1972."

Since the text of the letter runs 55 pages, a summary is presented. The basics of the regulations are unchanged from those that the Commission relayed earlier to Senator Pastore's subcommittee as slightly refined in its presentation to Congressman MacDonald's subcommittee:

CARRIAGE OF BROADCAST SIGNALS

Mandatory (Required) Carriage

All television stations licensed to communities within 35 miles of the CATV community.

Upon request, all television stations with predicted Grade B contours over the community of the system.

If the community of the CATV system is at least partially within 35 miles of a Top 100 market, then it may carry Grade B signals only if these

signals are "significantly viewed" -- the criteria for "significant viewing" are:

Network stations -- 25 percent new weekly circulation and 3 percent audience share.

Independent stations -- 5 percent net weekly circulation and 1 percent audience share.

Minimum (Permissible) Carriage

<u>Market Size</u>	<u>Networks</u>	<u>Independents</u>	<u>Educational</u>	<u>Foreign Language</u>
1 - 50	3	3	1 plus	No limit
51 - 1000	3	2	1 plus	No limit
Below 100	3	1	1 plus	No limit

The geographical extent of each market is determined by a 35-mile zone from a reference point, usually the central post office -- all CATV systems located wholly outside of any 35-mile zone may carry any signals in addition to those it is required to carry and do not have to abide by the leap-frogging restrictions.

The ranking of markets is to be determined by ARB's 1970 prime-time households listing, not the previously used net weekly circulation.

Stations with CP's would be counted only if their CP was outstanding for less than 18 months.

Additional (Bonus) Signals

Top 100 Markets

Two bonus signals -- two additional signals (either independent or network) are permitted in any event, even if the number of signals required to be carried is equal to or greater than the formula for permissible service in the particular market.

Below the Top 100 Markets

No bonus signals.

LEAPFROGGING RESTRICTIONS

Distant Independent Stations

Top 100 Markets (Only one importation permitted)

No restrictions.

Top 100 Markets (Two or more importations permitted)

First independent imported / any UHF within 200 miles; or, if none, either any VHF within 200 miles or any UHF station wherever located.

Second independent imported, no restrictions.

Third independent imported, either any inter-state or any station within 200 miles: or, if none, no restrictions.

Below Top 100

No restrictions.

Distant Network and Educational Stations

All Markets

Each additional network or educational station must be the closest, in-state station: if none, then the closest station.

CABLE ORIGINATIONS

The Commission stated that "We envision a future for cable in which the principal services, channel uses, and potential sources of income will be other than over-the-air signals . . . We put them (cable operators) on notice that it is our intention to insist on the expansion of cable systems to accommodate all reasonable demand."

Minimum Channel Capacity

Top 100 - 20 channels (actual or potential).

Below Top 100 - No minimum requirement, at least "immediately".

Non-Broadcast Channels

1-1 parity will exist between the number of channels used for broadcast signals and the number used for non-broadcast matter. After all operational channels are used during 4 of the 5 weekdays for 4/5 of any 3-hour period for 6 consecutive weeks, the system must add a new channel within 6 months (the so-called N + 1 availability). "One free, dedicated, non-commercial, public access channel will be available at all times on a non-discriminatory basis", plus one channel for educational use on a developmental basis with free service for at least the first five years.

One channel will be provided for state and local government use on a developmental basis with free service for at least the first five years. The CATV operator may charge production costs in connection with use of any of the "free channels" except for live studio presentations less than five minutes.

Leased Channels

Unused portions of the free dedicated channel and all other non-broadcast capacity may be leased. Leasing

is to be on a non-discriminatory, first-come-first-serve basis with "appropriate", "specified" rate schedules. Commercials are permitted at any time on leased channels (they may appear only at "natural breaks" on channels originated by the system. The system operator must not "censor or exercise program content control of any kind" over the leased channels. The strictures against transmission of lottery or obscene material apply.

PROCEDURE

Certificates of Compliance

Each system must secure a certificate of compliance from the FCC before beginning operations. In order to secure a certificate of compliance, the system must:

- File its franchise, a list of signals to be carried,
- an affidavit showing 1105 notices have been served
- and an annual report (Form 325) to the FCC. The
- FCC will issue a public notice and there will be a
- 30-day period for protests by "interested persons".
- The FCC will dispose of the protests before issuing
- the certificate.

Federal-State/Local Relations

The FCC's approach is to establish some general guidelines with the specific criteria and enforcement left up to the local bodies. It takes no position on the desirable regulatory division of responsibility between state and municipal authorities.

Before commencing operations, a CATV system must file a copy of its franchise and submit a certificate "showing that the franchise authority in a public proceeding has considered the system operator's legal and financial qualifications, and the adequacy and feasibility of his construction arrangements."

The FCC strongly suggests that the public proceeding include a public invitation to all potential applicants, reasonable public notice, a public file containing the applications or bids, a public hearing and a public report on the results, but the selection of comparative criteria to ascertain the winner is left to the franchising authority.

The franchising authority "must make provision that the franchisee extend service equitably to all parts of the franchise area".

The franchising authority must require the head-end to be in operation within one year after the FCC's certificate of compliance is issued and must establish a construction schedule for the remainder of the system. The FCC "suggests" that a reasonable construction schedule would be 20 percent per year so that the plant is completed within 5 years.

The franchising authority must set a reasonable limit on the franchise term -- 15 years is established as "generally speaking" a reasonable period. (The example given of "particular circumstances" which might justify a longer period is of "an applicant proposing to wire inner-city areas free or at reduced rates".)

The franchising authority must have the power to specify or approve subscriber rates (no level of rate or rate return on investment is suggested). Fees paid to the franchising authority must be "reasonable" and ones that do "not interfere with the effectuation of federal goals".

UTILITY POLE USAGE

The potential franchisee for the Grand Rapids area will find an excellent pole system permitting ready access to all sections of the metropolitan area. Unusually large numbers of poles in excellent condition will provide trunk routes on any main artery. Distribution routes are equally available, virtually eliminating the need for the cable operator to install his own poles. Preliminary contact with "right of way" supervisors for both Michigan Bell Telephone and Consumers Power indicate common carrier tariffs of \$4.00 per pole per year, with a \$1.00 per pole application fee, payable at the outset. "Make ready" charges for rearranging existing services to allow for CATV cable placement are estimated to be 15% or less, due to the nature of the pole plant.

Upon obtaining a franchise, the potential operator will be required to provide each utility company with a map of the proposed system indicating which poles will be used. Upon approval of the new "cable plant", the franchisee must then provide standard surety bonds of \$5,000.00 and insurance indemnifying the utilities from "cable" caused liabilities that may occur in construction or during maintenance. Both utility companies are most anxious to pursue the matter and have demonstrated extreme willingness to cooperate.

SUMMARY

Franchise requirements for the area indicate that franchise fees at saturation will total \$53,000.00 per \$1,000,000 gross annual income in Grand Rapids and \$53,000.00 per \$1,000,000 gross annual income in Wyoming. These figures are based on incomes at the saturation figure of 55% penetration, with respect to the payment schedules set forth in the franchises. The stipulation of four channels being provided for municipal use will be expensive, particularly in light of the duplication factor that exists when service is extended into other municipalities. These requirements, however, should help secure the desired penetration figures by virtue of their attractiveness to the consumer.

The populace has overwhelmingly indicated a favorable attitude toward cable television as evidenced by the preceding survey. With 63% positive attitude, and a clearly demonstrated dissatisfaction with current program fare, the people of the Grand Rapids area appear to be ready for more selection in television viewing.

The proposed FCC rules will permit a total of three distant independent stations, four local stations and a minimum of one educational station. Additional services at the outset should be largely limited to automated services such as weather dial, news teletype and a local sports special events and public access channel.

A radio FM "pass band" (reception and amplification of the entire FM range of frequencies) will provide distant and specialized radio reception while adhering to FCC radio requirements. The "one-to-one" parity between off-air and local services, the "N + 1" concept, and "public access" all required by the FCC are also required by local franchise and must be met. System design will permit "one-to-one" and "N + 1" nicely. Public access should be a part of the system's local origination channel.

Initial negotiations with Fetzer Microwave, Inc. indicate reasonable rates and ready access to distant channels, once carriage is authorized by the FCC. The only potential drawback seems to be the "program exclusivity" clause as discussed in the recent NAB/NCTA Copyright Compromise that could impair the value of distant independent programming. It is impossible at this point, however, to predict the outcome of the clause (that would protect a syndicated feature for sale in a local market from previous exposure in that market via a distant importation) while "Cable" copyright legislation is still far from settled.

CHAPTER 3

This section of the study is one of conclusion. The information gathered in the two preceeding chapters has provided data on the market, and set the bounds of operation of a Grand Rapids cable television system. Conclusions drawn in this chapter predict the viability of such a system. The final sub-section of this chapter presents a plan of action.

Sources of information for this chapter were:

Time-Life Broadcast, Inc., New York, N. Y.

Wolverine Cablevision, Battle Creek, Mich.

Grand Rapids Area Chamber of Commerce

COSTS

In order to project the economic feasibility of such a system, the costs of construction, development and operation of the first 500 miles of cable plant were projected on the basis of nationwide Time-Life figures as regards construction and maintenance costs. Figures secured from the Time-Life system in Battle Creek and the consumer acceptance figures surveyed in Grand Rapids were used to project penetration. The following projection indicates the proposed system will become profitable during the third year of operation.

PROJECTED 500 MILE SYSTEM

Years	1	2	3	4	5
Total Cable Miles	200	500	500	500	500
Homes Passed	28,000	68,000	68,000	68,000	68,000
Subscribers Added	5,500	14,900	6,800	6,800	3,400
Total Primary Subscribers	5,500	20,400	27,200	34,000	37,400
Penetration	20%	30%	40%	50%	55%

Income Statement (\$000's omitted)

Revenues					
Installation	55,0	74,5	36,0	34,0	14,0
Basic Service	176,0	797,8	1,440,0	1,836,0	2,130,0
Time Sales	<u>6.0</u>	<u>144,0</u>	<u>180,0</u>	<u>210,0</u>	<u>240,0</u>
Total Revenues	347,0	1,016,3	1,656,0	2,080,0	2,384,0
Expenses					
Operating	297,6	665,5	744,9	863,9	906,4
Depreciation	<u>116,8</u>	<u>436,0</u>	<u>679,4</u>	<u>729,1</u>	<u>680,9</u>
Total Expenses	414,4	1,101,5	1,424,3	1,593,0	1,587,3
Operating Income (Loss)	(177,4)	(85,2)	231,7	487,0	796,7
Interest Expenses	<u>147,0</u>	<u>350,0</u>	<u>329,0</u>	<u>280,0</u>	<u>203,0</u>
Net Income (Loss) Before Taxes	<u>(324,4)</u>	<u>(436,2)</u>	<u>(97,3)</u>	<u>207,0</u>	<u>593,7</u>

Table 3, Capital Costs

	<u>CAPITAL COSTS (\$000's omitted)</u>				
Years	1	2	3	4	5
Mileage Added Per Year	200	300			
5 Year (Depreciation)					
Plant (8,000/mi)	1800.0	24.00			
Drops & Taps					
Primary (\$28)	154.0	417.2	190.4	190.4	95.2
Secondary (\$12)	13.2	35.8	16.3	16.3	8.2
Headend	60.0				
Furniture	10.0				
Organization	10.0				
Total	1847.2	2853.0	206.7	206.7	103.4
5 Year (Depreciation)					
Programming	-	25.0	25.0	5.0	5.0
Lost Equipment	10.0				
3 Year (Depreciation)					
Radios and Trucks	20.4	27.1	23.8	30.6	30.5
	<u>1877.6</u>	<u>2905.1</u>	<u>255.5</u>	<u>242.3</u>	<u>138.9</u>
Cumulative		4782.7	5038.2	5280.5	5419.4

Table 4, Salaries

EMPLOYEES & EMPLOYEE SALARIES (\$000's omitted)

	1	2	3	4	5
<u>Technical Employees</u>					
Chief	1	1	1	1	1
Technicians	3	8	11	16	20
Total	4	9	12	17	21
<u>Technical Salaries</u>					
Chief	9.0	10.0	11.0	12.0	13.0
Technicians	18.0	52.0	75.0	112.0	145.0
Total	27.0	62.0	86.0	124.0	158.0
<u>G & A Employees</u>					
Manager	1	1	1	1	1
Bookkeeper	1	1	1	1	1
Secretaries	2	7	12	14	14
Total	4	9	14	16	16
<u>G & A Salaries</u>					
Manager	12.0	14.0	16.8	18.0	20.0
Bookkeeper	7.5	7.9	8.3	8.7	9.1
Secretaries	10.0	36.8	66.0	80.5	84.9
Total	29.5	58.7	91.1	107.2	114.0
Total Employees	8	18	26	33	37
Total Salaries	56.5	120.9	177.1	231.2	272.0

Table 5. Fixed Costs

FIXED OPERATING COSTS (\$000's omitted)

	1	2	3	4	5
<u>Technical</u>					
Salaries	27,0	62,9	86,0	124,0	158,0
Maintenance - Truck	3,0	9,6	12,0	13,8	14,4
Parts & Supplies	10,0	10,0	10,0	10,0	10,0
Pole Rental	16,0	76,0	80,0	80,0	80,0
Utilities	6,0	13,5	15,0	15,0	15,0
Head-end Maintenance	1,0	1,0	1,0	1,0	1,0
Microwave Contingency	12,0	12,0	12,0	12,0	12,0
Miscellaneous					
Total Technical	<u>75,0</u>	<u>184,1</u>	<u>216,0</u>	<u>255,8</u>	<u>290,4</u>
<u>General and Administrative</u>					
Salaries	29,5	58,7	91,1	107,2	114,0
Travel & Entertainment	2,0	2,0	3,0	3,0	3,0
Payroll Taxes	4,8	10,8	15,6	19,8	22,2
Postage	4	5	6	6	6
Office Supplies	2,0	3,0	4,4	6,4	6,4
Local Taxes	55,6	71,0	93,0	102,0	102,0
Legal & Audit	5,0	5,0	5,0	5,0	5,0
Franchise Fees	25,0	34,9	71,4	95,2	112,8
Insurance	1,5	2,0	2,0	2,0	2,0
Contributions	6	6	6	6	6
Employee Plans & Benefits	1,2	2,8	3,9	4,9	5,6
Computer Charges	10,0	37,1	49,5	61,9	68,1
Memberships	3,0	5,0	8,0	11,0	13,0
Management Fee - National	8,0	40,0	40,0	40,0	40,0
Management Fee - Local	3,0	15,0	15,0	15,0	15,0
Bad Debts	2,0	8,5	13,8	18,5	21,7
Miscellaneous					
Total G & A	<u>153,6</u>	<u>296,9</u>	<u>416,9</u>	<u>493,1</u>	<u>532,0</u>

Table 5, (Contd.)

FIXED OPERATING COSTS (\$000's omitted)

	1	2	3	4	5
<u>Occupancy & Communications</u>					
Rent	7,2	14,0	15,0	15,0	15,0
Telephone	3,5	3,5	3,5	3,5	3,5
Utilities & Maintenance	<u>2,7</u>	<u>3,6</u>	<u>7,5</u>	<u>7,5</u>	<u>7,5</u>
Total O & C	13,4	21,1	26,0	26,0	26,0
<u>Sales & Promotion</u>					
Commissions	6	14,4	18,0	21,0	24,0
Advertising	<u>55,0</u>	<u>149,0</u>	<u>68,0</u>	<u>68,0</u>	<u>34,0</u>
Total Sales	<u>55,6</u>	<u>163,4</u>	<u>86,0</u>	<u>89,0</u>	<u>58,0</u>
Total Fixed Operating Costs	297,6	665,5	744,9	863,9	906,4

PLAN OF ACTION

The city will be essentially divided into four main areas of distribution with subsectors that will permit discreet programming within the whole. These main areas are geographically the Northeast, Southeast, Southwest and Northwest portions of the metropolitan area. The reader is cautioned that reliability on surveying described below is low, as a large percentage of those surveyed did not know what cable television is. The following is a guideline only.

Interviewing in the previous chapter has shown that the greatest acceptance was in the Northeast section of the city, indicating that this area would be the most likely area of good penetration. Construction should begin in a Northeasterly direction, then swing toward the Southeast, continue to the Southwest and finish up with the Northwest, taking advantage of general trends in acceptance shown by surveying. The City of East Grand Rapids will be included in the sweep from Northeast to Southeast and Wyoming will be included in the sweep from Southeast to Southwest. Kentwood will follow Northwest Grand Rapids, due to the sparsity of population noted earlier.

Surveying in Chapter 1, as regards income, has also shown that the Northeast and Southeast portions of the city have the largest middle and upper income groups, also indicating good potential penetration. Educational and occupational data show the area to be above national average in educational attainment and generally involved in service businesses and high paying industry. This also is an excellent indication of potential success, as Time Inc. experience indicates middle and upper middle income groups like cable.

By building the system in the fashion outlined above, utmost advantage will be gained from the fact that the area indicating the least cable awareness and the lowest acceptance will be the last area to be completed, taking fullest advantage of all advertising, word of mouth, and publicity associated with the activity in the preceding three sections. The same principle will apply, to a lesser degree, with the Southwest section.

The potential "homes per mile" is indicative of good penetration, with a minimum of 62 and a maximum of 158, and areas of most dense population scheduled before those less dense. A map of the areas and sub-categories of developmental details follow.

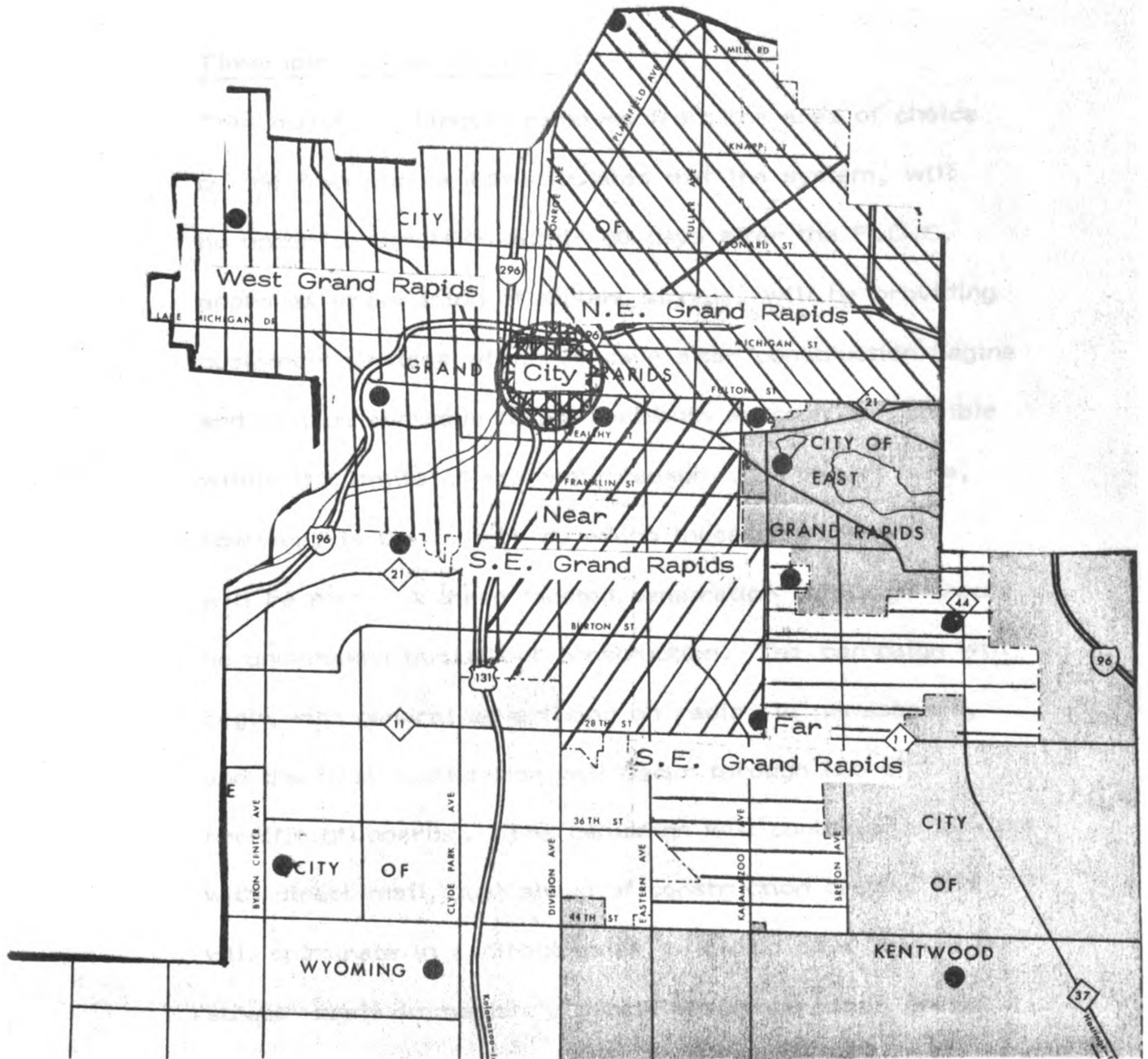


Figure 2, Distribution System Map

Timetable of Construction

This matter is largely removed from the area of choice by the franchise which stipulates that the system, will be under construction within 60 days after the F.C.C. approves importation of distant signals, will be providing customer services within 90 days after construction begins and will be available to all residents as soon as possible within the limits of economic reason. Of import here, however, is the method by which these requirements will be met. A three faceted penetration campaign should be undertaken throughout construction. The campaign will begin with general advertising on radio, in newspapers, and the first localization will occur through use of specific billboards. The campaign will continue to localize with direct mail, just ahead of construction crews, and will culminate in a direct sales follow up on a "street by street" basis immediately behind the construction crews.

Initial Services

The system should be constructed as a dual cable plant, and where necessary to transport a video signal in the reverse direction for intra-community programming, a third cable will be used. The main hub or distribution center should be at or near the downtown area with signals emanating to major community sectors via discreet cable routes permitting sector program distribution. (See map, Figure 2, Distribution System). The proposed main TV station receiving site should be 10 miles south of the city limits, connected with the main hub by coaxial cable or microwave. This final TV receiving site will also serve as a microwave or satellite receiving station location. Local origination facilities should incorporate color in a downtown studio with two live color cameras, two video tape machines, film and slide equipment and all attendant hardware.

The system should provide 24 channel capacity by means of an A/B switch allowing two uses of the standard 2 through 13 dial. Initially, the switch is a selector with 12 channels on each cable.

Initial Services (Contd)

The second cable will be energized when enough additional services are added to warrant the additional channel space. At such time as the system is able to provide services in excess of the initial 24 channel capacity, converter mechanisms should be offered to subscribers to allow up to 60 channels, providing tremendous potential for diversified services of all descriptions to local government, educational institutions, community groups, and commercial interests. Being located between Detroit and Chicago, distant independent stations are readily available to the Grand Rapids market, through Fetzer Microwave Inc. The initial line-up of off-the-air stations would be as follows:

WOOD-TV, Grand Rapids, Channel 8, NBC

WKZO-TV, Kalamazoo, Channel 3, CBS

WZZM-TV, Grand Rapids, Channel 13, ABC

WUHQ-TV, Battle Creek, Channel 41, ABC
(Significant Viewing Test)

WKBD-TV, Detroit, Channel 50, Independent

WGN-TV, Chicago, Channel 9, Independent

WFLD-TV, Chicago, Channel 32, Independent

WMSB-TV, East Lansing, Channel 10, Educational
To be replaced by:

Channel 35, Grand Valley State College, Educational

Initial Service (Contd)

If F.C.C. Regulations should permit, additional stations could be as follows:

WILX-TV, Jackson, Channel 10, NBC

WWTU-TV, Cadillac, Channel 9, CBS

WGTU-TV, Traverse City, Channel 29, ABC

WJIM-TV, Lansing, Channel 6, CBS

WPBN-TV, Traverse City, Channel 7

WTTW-TV, Chicago, Channel 11, Educational

WTVS-TV, Detroit, Channel 56, Educational

WNDU-TV, South Bend, Channel 16 Notre Dame
Educational

CKLW-TV, Detroit, Channel 9, Canadian

The program preference interviews conducted in Chapter 2, (as regards desired programming) add credence to the preceding selections as follows:

- (1) Sports and movies were the most popular program types, and all three independents selected are heavy in both categories.
- (2) "More" was the general theme of the "What does TV need?" category. The number one specific was more educational programs, followed by more children's

Initial Service (Contd)

programs. This category clearly testifies to the desire for greater selection as 17 of 25 specific needs began with the word "more".

- (3) The greatest dislike was documented as commercials, general comments were "too many" and "their nature".

Second largest dislike was "too much violence".

In addition to "off-the-air" television stations, a full range of distant radio stations should be carried as an additional attraction. This may be accomplished by providing a "pass band" service that essentially replaces the consumer's radio antenna with the head end tower and provides greatly improved radio reception. This meets potential F.C.C. restrictions on radio "leapfrogging" by providing the entire band, permitting the customer his preference of local or distant radio signals. The fact that news rated high in program preference indicates that automated services for a weather advisory and a news/stock teletype should be a part of the system's services.

Secondary Services

These services are other than as provided for primary consumer impact. Although these secondary services undoubtedly will provide attraction to some potential subscribers, they are those that are originated by the system in the public interest.

As soon as good business judgment dictates, probably within a year after system construction commences, the system should begin a regular schedule of community programming to all subscribers. In general categories, it will consist of local news and public affairs programs, such as cooking, exercise, sewing, home repair, community "specials", fund-raising drives, and high school and local college sports, in response to preference study. Because of financial limitations imposed by mandatory services and the small economic base for standard types of advertising sales, cable origination stations cannot compete head-to-head with commercial and educational broadcasting stations. What they should hope to do is enable many segments of the community to use television as a tool of communication.

Secondary Services (contd)

As to the content of newscasts and public affairs programs, a number of efforts were made to determine the informational needs of the community. In a survey of 51 community leaders in Chapter 2, an evident undercurrent of concern was the lack of unity of purpose within the community. By providing this new communication medium and using an "inter" and "intra" city distribution plan, a cable system can begin to serve the specific needs of the community. Originations must be kept simple in concept as a multiple origination plant will obviously be expensive. Current technology is equal to this task, however, with cameras costing only a few hundred dollars. The cable system can indeed contribute to unity of purpose within the community, by providing the means.

The City of Grand Rapids specifically requests that "intra" city programming on an exclusive basis be a part of the plan of those applying for the franchise. This study and common sense would indicate that this concept in its "exclusivity" requirement could do much to retard the

Secondary Services (Contd)

community cohesiveness city government wants. Although this system discussed in these pages makes provision for such "exclusivity", the applicant is reminded that with virtually unlimited channel space, "universality" would seem to better serve the intended purpose. By programming from any of a multiplicity of points to the entire system, for example, the 15% "Black" population, in and around the core city, could provide the entire populace with its ethnic point of view. This same "universality" concept would seem to lend itself to increasing the understanding between various religious groups. The predominant religion as indicated in Chapter 1, Religious Profile, is Christian Reformed, with the remainder quite evenly divided. A system of live telecasts of services on a rotating basis from various churches and the availability of these services to the populace could increase understanding between religious groups.

While in no way attempting to supervise or direct the use of the four, or more, public service channels allocated under the ordinance, an effective cable system will be

Secondary Services

able to support the efforts of potential users:

Government

It is probable that various agencies of the Grand Rapids city government as well as county, state and federal agencies, will desire to communicate with the general public over cable TV channels. Many areas suggest themselves; films that have been produced for general distribution on safety, fire protection, public health, police functions, and "live" or video taped presentations on local problems featuring appropriate agency representatives. In addition, it is technically possible to set up "discreet" point-to-point networks within the cable system's perimeter, offering a method of transmitting video and audio information only to those authorized to receive it. This is done by the addition of special converters at receiving points and the use of a special "mid-band" channel that cannot be picked up on the ordinary receiver. It could be used for police communications, hospital originations and other material not intended for the general public.

Secondary Services (Contd)

Education (Formal & Adult Types)

The potential of cable television for education is enormous. It is suggested that the Grand Rapids cable system take advantage of the fine facilities in the area and inter-connect all schools with the ultimate goal of forming a Mutual Educational Network. The Grand Rapids Board of Education was approached with this idea and received it most enthusiastically.

Initially, such an operation could share space and facilities with the cable system, with cable providing the hardware, and education providing the space.

With the number of channels available in a dual cable system, there would be ample room for both cable system production and educational production to eventually split and go separate developmental routes.

The overall idea was carried as far as the colleges in the area, and reaction was generally favorable.

With 33% of the area population under fourteen years of age, and the average age continually getting younger, the need in this area is dramatically evident.

Experimental and Developmental Services

These services are largely supposition at this juncture, but the future of cable television must be concerned with their development as it is through development of additional services that cable television will assume the role of sophisticated communication.

Health and Medical Information

The area already has a most comprehensive system of color television coverage of surgical procedures at major hospitals. By utilizing existing facilities and transmitting via cable television, any point on the system could receive a coded transmission of the operation.

Cultural and Recreational Programs

With unlimited channel space, cultural programs could find an outlet without having to compete directly for a mass audience. Such offerings could be transmitted live, or taped as in the case of concerts or plays so as not to damage attendance at the event. With the emphasis on participation sports a series of "How To" programs could be run at convenient

Experimental and Developmental Services (Contd)

times to offer those interested a lesson series on the recreation of their choice. Again, the key is the benefit of not having to compete with the mass audience programs.

Information Retrieval

With a bank of computers accessible to the cable system head end, the subscriber could ask for the answer to his questions and have that answer appear on his screen or on a hard-copy printout. This service could also increase the capacity of the libraries in the area and serve business and industry.

Audience Research

Media program decisions could be made on the basis of much larger samples than are currently used. It is possible that all residents on the system could register their viewing and listening habits nearly simultaneously. This could be a great service to the media competing strenuously for the market.

Shopping

The housewife could tune in on a store's fashion show

Experimental and Developmental Services (Contd)

or a supermarket's array of specials, order what she wanted and have it billed, automatically.

Banking

Subscribers could call up their statements on their private home screen, and communicate with the bank about transactions by a series of coded responses.

Movies

Experiments are already underway which permit subscribers to choose from a printed list of several dozen motion pictures, and to order his choice run on his screen at a time of his choosing.

Surveillance

Via the CATV network, closed-circuit TV cameras can be installed at trouble spots and at burglar-prone locations so that police can monitor them on a 24-hour basis. This would be particularly beneficial in areas such as downtown where crime rate is highest.

Fire and Burglar Alarms

Circuits can be added to cable TV home installations which, if broken by entry or by heat, will activate

Experimental and Developmental Services (contd)

alarms in local police and fire stations. This would be particularly useful in areas where the police forces are undermanned and fire departments are largely volunteers, i.e., Kentwood, Wyoming, East Grand Rapids.

The future consists of a long list of possibilities, limited only by the scientists' imaginations. The cable television system serving the area can bring customers any and all of these two-way services when they have been proven to be technically efficient and become at least a fair business risk, as their expense will have to be borne in some manner. It is too early even to speculate, but an educated guess would seem to indicate some form of pay television is inevitable if this degree of sophistication is to be attained.

Rate Adjustments

The Grand Rapids franchise, stringent in many respects is quite liberal in others. One of these areas is that the franchise does not prohibit Pay TV. The ordinance that spells out the franchise seems also to recognize the fact

that a high degree of sophistication seems almost certain to carry with it the possibility of some sort of unit payment. The only stipulation is that any "Pay TV" forms be approved by the City Commission prior to their finalization. This then would be the area that would have to do with rate adjustments in the future. The manipulation of costs would depend upon the nature of the services added.

SUMMARY

This study was performed for purposes of evaluating the potential of a cable television system in the Grand Rapids area. The data gathered and conclusions formed indicate that such a system would be viable, and would be accepted by the community as a whole. As discussed, the system could become economically sound during the third year of operation. This situation could be altered as the variables that contributed to this projection could change and lengthen the time required to make the venture profitable. The facts gathered on the market, the surveys conducted, and the legal bounds that would be imposed, combine to form a positive overview.

LIST OF REFERENCES

LIST OF REFERENCES

West Michigan Tourists Council

Grand Rapids Area Chamber of Commerce

Cities of Grand Rapids, East Grand Rapids,
Kentwood, Wyoming

Bureau of Census 1970

Grand Rapids Area Council of Churches

Grand Rapids Area Director of Manufacturers

Broadcast Research Primer NAB 1969

Kent County Bureau of Social Services

Pierson, Ball & Dowd, Attorneys, Washington, D.C.

Michigan Bell Telephone Inc.

Consumers Power Inc.

Time-Life Broadcast, Inc., New York, N.Y.

Wolverine Cablevision, Battle Creek, Mich.

APPENDICES

APPENDIX A

CABLE TELEVISION QUESTIONNAIRE

1. Do you know what cable television is? _____

2. What? _____

Explain concepts and costs if necessary.

3. What do you like best about TV? _____

4. What do you like least about TV? _____

5. What would you like to see on TV? _____

6. What do you think TV needs? _____

7. Would you like to see cable television in Grand Rapids? _____

Address of number called

APPENDIX B

CABLE TELEVISION FACT SHEET

Cable television is a means of getting television signals through a wire much like your telephone line. You don't need an antenna and you can get more stations and special services. A cable television company in Grand Rapids would probably offer some Detroit and Chicago stations, better reception of distant channels, and services such as full time weather, news and stock reports. Also, local high school sports, educational programs, city news and special events, would be possible. For these services you would probably pay an installation charge of about \$10.00 and then about \$5.00 per month.

Special Notes

- (1) Make certain you identify yourself properly.
- (2) Make certain the interviewee does not think this is a sales pitch.
- (3) Tell the apprehensive interviewee that no record will be kept of his name or number.
- (4) Tell the apprehensive interviewee that the Police Dept., Better Business Bureau and Chamber of Commerce are aware of this survey. Give them phone numbers to check out if necessary.

Police Dept. - 456-3400

Better Business Bureau - 451-2681

Chamber of Commerce - 459-7221

APPENDIX C

COMMUNITY LEADERSHIP SURVEY QUESTIONNAIRE

1. Name of Individual being interviewed _____
2. Organization or Agency with which he is affiliated _____

3. Position with Organization or Agency _____
4. Is area of concern of Agency/Organization restricted to:

	Yes	No
Grand Rapids	_____	_____
Kent County	_____	_____
5. Comments concerning community needs and interests from standpoint of interviewee's Organization or Agency:

6. Comments regarding community needs and interests in general:

7. Other Remarks: _____

8. Name of Interviewer: _____
9. Date: _____

APPENDIX D

RATE SCHEDULE

(A) Standard Rates & Charges:

(1) Installation Charges:

- (a) Initial tap-in and connection charges (TV and/or radio, residential or commercial) \$15.00
- (b) Additional installation up to a total of four at same location, each 5.00
- (c) Additional installation, five or more at same location: cost plus 10%
- (d) Disconnecting service No Charge
- (e) Each repositioning at same location ('relocation'): actual cost, plus 10%

(2) Monthly Rates:

- (a) First TV and TV and radio outlet, residential or commercial 5.00
- (b) Additional TV and TV and radio outlets, each 1.50
- (c) Additional radio outlets, each 1.50

(B) Hotels, Motels, Rest Homes and Hospitals containing not less than ten (10) rental units to which service is provided:

- (1) Cost of installation plus 10%. No charge for disconnecting service.
- (2) Monthly Rates: \$1.50 per TV and TV and radio outlet.

(C) Multiple dwelling units (contained within one structure or a group of structures located in one complex) where all service billed to one customer:

- (1) Cost of installation plus 10%.
- (2) Monthly Rates:
(See next page)

APPENDIX D

Number of Dwelling Units Served

Monthly Charge Per TV and TV and Radio Outlet

Up to 5

Each dwelling unit shall
have same monthly rates as
provided in
7.502(6) (A) (2)

6 through 49

\$ 3.50

50 through 99

3.00

100 and over

2.50