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CATV PUBLIC HEARING

The City Council of the City of Charlotte, North Carolina, met on Wednesday, February 8, 1978, at 7:00 o'clock p. m. in the Council Chamber, City Hall, for the purpose of holding the scheduled public hearing on a proposed ordinance regulating the CATV system in the City of Charlotte. Mayor Kenneth R. Harris presided with the following Councilmembers present: Don Carroll, Betty Chafin, Tom Cox, Jr., Charlie Dannelly, Laura Frech, Harvey B. Gantt, Pat Locke, George K. Selden, Jr., H. Milton Short, Jr. and Minette Trosch.

ABSENT: Councilmember Ron Leeper.

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INTRODUCTION BY CITY MANAGER.

Mr. David Burkhalter, City Manager, stated the City has been operating under a franchise with Cablevision of Charlotte and that they have the opportunity to extend that franchise, if they agree, like it is. He stated that staff has been negotiating with them to do some things a little different than what they have been doing. Some of the things they have been talking about wanting them to do, we cannot require them to do. We cannot require them to do certain things.

He stated if Council wanted to they could re-advertise and go out and bring in anybody they wanted to to fill this franchise. The staff does not recommend that. But, if they did do that - it is being done across the country - these new people bidding on a franchise could bid over and beyond what the federal regulations require. These would be things that the City cannot make them do, but that they would hold out as a "carrot" for Council to get them to give them the franchise. He points that out because there are some things in this franchise that we cannot make them do but which they probably will agree to. But, there are some things that Council might want which they could do, but Council cannot make them do if they probably do not want to do them. He is pointing that out to them to indicate how difficult it was to negotiate with these people about some of these things. They were negotiating on a hairline situation - yes, we know we cannot make you pay 5 percent or 6 percent, but you could pay 5 percent if you were a different company and wanted this contract and would bid to do so.

He stated he is just saying this for background; that Attorney Fleming will explain that from their viewpoint later.

Responding to a question from Councilmember Short, Mr. Underhill, City Attorney, stated that initially City Council, in 1968, awarded two franchises to two separate companies; they were not exclusive franchises; there was no dividing of the City into sections or areas; each company could install cables in any area they chose. That for a variety of reasons, the present franchise holder acquired the interest of the two separately awarded franchises so that now, in essence, we have only one franchise and one company providing these services.

Councilmember Short asked if the present company was one of the two original franchisees and Mr. Underhill replied no, that he does not think they were even in existence then.

Mr. Carlton Fleming, Attorney for Cablevision of Charlotte, stated there were two original franchises granted in 1967 - one, the Cox-Cosmos, which was Cox Broadcasting (Channel 9) and Cosmos, out of Greenville, S. C. ; the other, Jefferson-Carolina (Channel 3), Jefferson Standard Broadcasting and Southern Bell and other shareholders initially.

He stated the Cox-Cosmos franchise has been through this transition: Cox-Cosmos sold their franchise to an operation which was headed by Mr. Sam Street; the next thing, chronologically, that happened was that Jefferson-Carolina sold their franchise to the present operator, Cablevision of Charlotte, which really is American Television and Communications Corporation (ATC). After Jefferson-Carolina was acquired by ATC, ATC then acquired what had originally been the Cox-Cosmos franchise. At that point they owned both franchises and owned, and still own, all of the cable television operation within the limits of the City of Charlotte.

Councilmember Short stated at that time, he believes, there was no statutory provision, but the City simply said if you want to run a line across our streets that is what you will have to do regardless of whether there is a statute or not. He asked if that is still the case, or is it now regulated by a federal or state statute?

Mr. Underhill replied it is very much regulated by the FCC. That the state law in North Carolina just by general authority proceeds to regulate CATV systems within its municipal limits. Other than that, there is no regulation at the state level - just the general authority to regulate what activity through a franchise that a municipality uses, in much the same way they do other types of franchises.

Mr. Fleming stated the Federal Communications Commission has very detailed and comprehensive regulations as to what a CATV operator can do, and for that matter, what a city can do. As a specific example, a city cannot charge more than 3 percent as a gross receipts tax, unless they can justify to the FCC how their expenses are so great that they should collect greater than the 3 percent franchise fee. There are many, many regulations of that sort which really are within the ambit of FCC regulation. That really is more significant than the state regulations, as Mr. Underhill pointed out. The state statute is very brief and simply says that cities have the power to regulate CATV within the city limits and to grant franchises, etc.

PRESENTATIONS BY REPRESENTATIVES OF CABLEVISION OF CHARLOTTE.

Mr. Fleming stated he would begin his presentation by pointing out that ATC which is the present franchise holder, and is the applicant before this Council under the new franchise ordinance, assuming they adopt this ordinance or some modification of it. It is a large national corporation, it is publicly held, operates in 31 states, has over 650,000 subscribers. It has more subscribers in the State of North Carolina than it does in any other state in the Union. Although it is headquartered in a suburb of Denver, Colorado, as of the end of the last calendar year, there were almost 85,000 subscribers in North Carolina. ATC operates in 14 North Carolina cities, including some of the largest cities - Charlotte, Durham, Raleigh, Greensboro and Fayetteville. It has almost 2,700 miles of CATV plant within the state and ATC itself has invested in the cable television operation in Charlotte as of last June 30th, \$5,180,550; and it is anticipated that as strong as ATC is financially (it is quite a substantial corporation) that its financial strength will be even greater in the next few weeks. There is now a proposal for merger with Time-Life, Inc. under which ATC will become a wholly owned subsidiary of Time-Life. This proposal was approved by the ATC Board of Directors last week and is now being submitted to their shareholders and it is anticipated that that merger will go through very shortly after the time Council would act on whether or not deems it advisable to grant a franchise to ATC.

He stated the franchise that Councilmember Short talks about, which was originally awarded the two franchisees in March of 1967, was a ten-year franchise and expired in March of 1977, almost a year ago. To get the history in perspective - ATC came into the Charlotte picture by acquisition of roughly half of the city's system in 1973 and the remainder of it in 1974. He asked Councilmembers to keep in mind that the franchise did not have a great period of time to run when ATC came in - 4 years for roughly half of the city and 3 years for roughly half of the city - before the franchise was up and there was a question as to whether or not it would be renewed.

The second "fact of life" he would like to point out is that from the date CATV was born in Charlotte, in this Council Chamber, when the Council adopted the first CATV ordinance and awarded two franchises, to this fine moment the service that has been provided to the public in Charlotte has been provided at a cost which has exceeded the revenues. That stated otherwise, in eleven years of operation, the public has been provided with a service at a loss to those people who provided the service.

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He stated he will comment just briefly on what faced ATC previously and what faces ATC now with respect to expansion of its system from where it currently is to, hopefully, where they would like to have it and where they think Council would like to have it also.

That Cox-Cosmos and Jefferson-Carolina had stopped their expansion when ATC came into the picture. The reason was it was not a money-maker; it was a money-loser. There was no point in investing additional millions of dollars where all you did if you expanded the system was increase your loss. Those two companies - and they are very substantial citizens of this community - had made the economic decision not to expand. ATC inherited that system and spent its money - a substantial undertaking in terms of money - not to expand the system but to upgrade the existing system. They felt it was technically inadequate, which it was. A good bit of it was antiquated; it was put in at a time when CATV was so new that the original franchisee made some mistakes. So, large sums were expended by ATC to upgrade the system and give the existing subscribers the kind of service they desired - to put it bluntly, the picture that they should have had on their sets. That is where the money has gone, as opposed to money that could have been expended on expansion of the system.

The other economic reason, obviously, that mitigates against expansion of the system, talking about 1975 and 1976, is that your franchise was about to run out in March of 1977. To build the City of Charlotte from where it presently stands to where they are committed to build, under the new ordinance, involves an expenditure of over \$2.0 million. He stated no business enterprise in its right mind is going to spend \$2.0 million when within a year or two you may have to just walk away and abandon that \$2.0 million investment. That was the picture all the way through the year 1977 when they were on 90-day renewals, or 60-day renewals, or whatever the Council saw fit to grant at particular times.

The picture, obviously, is drastically different in 1978 because the Council is now in a position to adopt a new ordinance and to grant a new franchise for ten years. Upon receipt of a ten-year franchise, ATC is willing to commit that sum - in excess of \$2.0 million - to expand the system in the City of Charlotte. In simple terms, to put CATV within a period of the next five years - do it in approximately equal segments of 20 percent a year - in all residential areas in the City of Charlotte that have enough density that it makes any sense at all to put it there. Their commitment under this ordinance is to provide CATV service in each instance when to expand the service from wherever the line ends to wherever somebody wants it to go they can pass 50 homes in a mile. They have agreed to this - this is one of the things Mr. Burkhalter mentioned as a matter of agreement between ATC and the City staff who worked very long and very hard on the ordinance. If they are awarded the franchise, they are willing to make that commitment.

Mr. Fleming used a map to further explain what their commitment would involve. He stated the green outline is the present city limit boundaries after the recent annexation; the grey areas are those zoned non-residential (industrial or business); the dark blue areas are those areas in which there is the required density under this ordinance. In effect, it blankets the City of Charlotte. The commitment of ATC, in effect, is to provide CATV where there is really any density at all. The commitment is during the period of five years, and in approximately equal installments of about 20 percent a year, to cover the residential areas. The ordinance requires the franchisee to present a construction plan within six months after the grant of the franchise which tells exactly the phases in which they plan to go.

He stated this was an expenditure that, frankly, was just not feasible in the late stages of the franchise that was about to expire; it was an expansion that the original franchisees who had the franchise from 1967 till 1973 and 1974 chose not to do, for economic reasons. But, it now becomes feasible, because the Council now has before it a proposal for a ten-year franchise and with ten years to recover an investment in excess of \$2.0 million, it is economically feasible to make that investment. That is the reason that

ATC is willing to make that commitment at this time whereas it, or he would daresay any CATV operator, would not have made that commitment at a previous date.

He stated the other matters that they think Council will be interested in Mr. Randy Frazier will address. That Mr. Frazier was originally the manager of the Cablevision of Charlotte operation. At the present time he is manager of the Southeast Carolina Region, which is one of the larger regions of ATC and encompasses a number of cities. He will speak primarily about the types of service that ATC is either committed to render under this ordinance, or is going to render whether committed to do so or not.

Mr. Fleming stated he would re-emphasize that the ordinance requires ATC to provide a construction schedule within six months after grant of the franchise; that is required to say how, in approximately equal installments of about 20 percent each, over a period of five years, the entire unbuilt portion of the city will be built. Half of the city is built now, as most of the Council will understand; that he has an overlay map which shows this.

Mr. Frazier stated he started as the system manager in 1974 and has been regional manager with responsibility for Charlotte and about seven or eight systems in North Carolina, for the last year. That he spent a few minutes today in his office going over the files of the things they have talked about in regard to Cablevision in Charlotte, and he tried to make up his mind what was the first thing that he could talk to Council about tonight; what was really the most important things that his company has going for it and made it possible to make the commitment and to carry through on it. That the thing that really sets their company above some of the others and is going to give them the ability to carry forward on these commitments - to expand the system across the community, to upgrade it, to increase channel capacity; and to do several of the other things that he will mention in regard to services - can be summed up in one word - that is, people. They have a dedicated staff here in the community of 21 people. He hopes Councilmembers have had the opportunity to go through the proposals that were previously submitted and see the breadth and depth of the experience of the people they have in their corporate office in the areas of planning and engineering. These people are all available to them as they operate this system here on a day-to-day basis. They make a significant contribution from the home office to the operations here in Charlotte.

He stated the real key of the 21 people that they have here in the system - one of the things they are proudest of is the fact that when they came here they had a nucleus of people that had been here for a while, but they added some people to them; they trained and improved the people who worked for them. They have several employees now in their technical ranks who hold the first class FCC license, which is kind of a badge of achievement in their industry. If you have that license it proves that you have gone through some rigorous studying, that you have applied yourself and have achieved something of significance. They have a regional engineer who is based in the Charlotte office who has a first class license; they have an assistant chief technician who works in the system on a daily basis who has a first class license; they have a technician who works in the field and repairs their equipment and amplifiers (they do the majority of their repairs in-house) who has a first class license. They have employess studying for their first class and second class licenses now and they encourage their people to enroll in these types of training programs and outside courses. They have a five-member office staff which is trained and dedicated to taking care of the customers when they have a billing problem, when they have a service problem. When they contact their office, they want the customers to have a friendly response from their people and provide good service to them. That the people are the real thing that have made their operation go forward since they have taken it over; they have made the contribution - a cable system is really a people business, and that is the thing he thinks they have going for them above all others

Mr. Frazier stated he wants to speak specifically also to some of the things that they have negotiated over the past year. As Mr. Burkhalter pointed out, some of them were things that the City cannot require them to do, but they are doing them because they think they will be good for the City of Charlotte. They think they will be good for their business and will make them a successful

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enterprise in the future years. That one of the most exciting things that is on the horizon is a premium service which will be delivered over the cable system. They are actively working now, and hope to have that service available in the community within the next year. He called Councilmembers' attention to a display which showed a first receive station which is similar to the one they are planning to put in the system in Charlotte. It will initially be receiving one channel of home box office programming; that the proposal manual shows the type and quality of programming that the home box office provides to cable systems.

He stated the future for that dish is even a little further than that. Currently in some of their systems they have live programming coming directly from Madison Square Garden in New York City. Other services that are going to be available on the satellite in the future range from religious programming to educational programming. In educational programming, there is another area they are moving into. Beginning Monday of next week, they will have programming three hours a day from CPCC available on the cable system. That is a giant step for CPCC and it is a giant step for them as the cable operator in the community. It is something that will have a direct benefit to citizens in the community, and it is going to expand and grow in the coming years. They began talking with CPCC back in 1975 and they would have put them on sooner but they did not have the programming produced. They have it now and they are going to put it on the cable system and it will grow from there. That is part of their public access package. It is going to be available also to the City. Governmental access is an area that they talked about and agreed with the City. Citizens in the City of Charlotte or even Mecklenburg County will be able to come to the cable system, check out equipment - cameras, recorders - go out into the community and produce programming. They will bring it back to Cablevision and they will play it on the cable system for them. That means that garden clubs, other groups in the community, neighborhood associations that have not had an opportunity via television to communicate with other members of the community are going to have that opportunity now. That is an area that his company, American Television & Communications Corporation, was kind of a pioneer in. Their system in Reading, Pennsylvania and in Orlando, Florida are two of the most active systems in that area in the country; they have been recognized nationally and also in the industry as leaders in that area. That is something that is going to have real significance and benefit to the citizens of the City of Charlotte. It is something that he is, personally, excited about being involved in and it is something that he thinks the community is going to become excited about.

He stated they are going to continue to provide their basic 11-channel service like they have now. This consists of all the major network stations; it consists of three independent television stations, two of them brought in from Washington, D. C. via microwave system; and it will also consist of stations from out-of-state communities - Columbia, Spartanburg, S. C.

By 1986 they are proposing and have agreed with the City staff that the cable system ought to have 20 channels; that gives them the capacity for providing additional programming if the FCC will allow it; or if there is an interest in the community to merit a fulltime public access channel - a local origination channel would be available to the community at no charge to the citizens that want to participate in it. They will be providing free connections to municipal institutions and buildings throughout the community that are within 500 feet of the cable system. That would consist of a free hook-up to the system; and free service to the institution.

To go back and point out some of the things they have done to improve the service. He call their attention to the picture of their tower on Sharon-Amity Road. He stated that the two paddle-shaped discs are the microwave reflectors for their intra-city microwave system that they turned on in November of 1976. That system then represented an investment of about \$143,000. They have the capacity through that system to go out via microwave to, what they call in the business - hub sites. These are receiving sites where you go out, put up a short antenna, you microwave your signals through it, pick up local signals and you can build your cable system from that. It is a cost effective way of doing it; microwave has outstanding reliability. There is only one intra-city microwave system in the State - here in Charlotte since 1976.

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Mr. Frazier stated the display board shows the kind of electronic equipment they are proposing to put in to upgrade the systems 20-channel capacity. They have been putting that type of gear in since they took the system over to replace some of the old antiquated gear in the system. By 1986 it will be completely that type of solid state gear and the system, as it is extended, will consist of that type of equipment.

DISCUSSION BY COUNCILMEMBERS.

Councilmember Carroll stated he is concerned that they have a number of residential areas, some that he knows are zoned residential, in the grey section. Do they propose to just not have service in those areas? That a large part of Elizabeth, North Charlotte, McCrorey Heights, all the downtown neighborhoods - Third Ward, Fourth Ward and First Ward - are in the grey area.

Mr. Frazier replied he will give them a little history of how they put that map together. Obviously, they are not from the City Planning Department. The maps that they used they got from the Planning Department; that he thinks the scale was one inch equals 800 feet zoning maps which show segments which are zoned industrial, business. They took those and went out and physically rode up and down the streets and counted the homes and got the mileage. It is impossible to do that on the 1100 some odd miles in the community. The map was put together from the information they garnered from the City. There may be some areas in there that did not meet the 50 homes criteria right now that four years from now may - those that are underdeveloped. The map boundaries may not be within a quarter of an inch of being exactly 100 percent correct. That when they go out and do the as-built prints and actually design the system, if there are any discrepancies in there they will be found and taken care of. He stated if there is a specific area that Mr. Carroll is concerned about he will be happy to go out and take a look at it. That the map they put together at the end of six months to show the phases will be much more accurate. Councilmember Carroll stated that from the map he takes it that basically they do not plan to serve any of the uptown areas that are residential?

Mr. Frazier replied there are not, to his knowledge, and his familiarity with the maps, any residential areas in the uptown area right now that meet the criteria of 50 homes per mile. If they are there, they will be interested in going to see them and finding them.

Mayor Harris stated he thinks they will have to define "uptown area;" that they are probably talking about two different things. That the point is if they have 50 potential subscribers per mile, then they would be required to furnish it.

Mr. Frazier stated the map is a representation; that what will happen when they go out to actually design the system, they will go out and do strand mapping. They would physically count the actual number of houses before they made an extension. Then they would know exactly.

Councilmember Carroll stated that what bothers him is that in looking at the map in a neighborhood that he is particularly familiar with, they go through kind of half of the neighborhood with service and half without. For instance, in McCrorey Heights, the map cuts through half of it and he thinks the residential composition is pretty well balanced. There are houses throughout the community and not more houses on one side of the community than on the other side. He is concerned that the people in those neighborhoods understand why they are in or why they are not in. He does not understand it.

Mr. Fleming stated that he thinks Councilmember Carroll is making the wrong assumption; that the maps may indicate that but that is not what the contract says - the contract says that if they have 50 potential subscribers per mile they would get service.

Councilmember Dannelly stated he is not sure whether McCrorey Heights has cablevision now or not, but there is very little possibility that any more growth will take place in McCrorey Heights.

Councilmember Carroll stated he thinks most of the neighborhoods that he mentioned do have 50 houses per mile; what he is wondering is is that distance limitation going to cover the whole residential area or just cover parts of it. In other words, you can draw that mile in different places.

Councilmember Cox stated that what Mr. Carroll is saying is that if the cablevision company decides that it is economically not feasible to put a strand of wire through an area because of its income, then they have discretion on how they draw the lines - they may draw it through a park, for example.

Councilmember Gantt stated that obviously from the questions coming from Council now, the map may be very deceiving. Why cannot they, prior to issuing the franchise to Mr. Frazier's organization, find out what areas are going to actually have service and what areas are not going to potentially have it because they do not meet the residential requirements? It seems to him that we do have information and data - their lines are already located now. That they should even have to have that information now to begin to enter into the kind of long-term contract they are entering into to allow the Council to be able to say to their various constituents whether they are going to have the service. That he suspects that even in the new areas there are going to be some areas that just will not be served and Councilmembers will not be able to intelligently answer that - it is like buying a pig in a poke - they have a standard but they do not have any specific information.

Mr. Frazier replied he will explain what will be involved in doing something like that - unless the City has some department that can furnish that information. The only way you could do that would be to go out and do what he mentioned a little earlier - strand mapping. That is, you have an engineering firm come in and they go out and plot how the lines would have to run - all of the addresses - and roughly, that would probably be in excess of \$100 a mile to do that. What they are trying to represent on the map is to the best of their ability, based on the information that they were able to obtain from the City, going down to maps that represented a scale of one inch to 800 feet, looking at zoning, counting all the lots on those zoning maps, of physically going out there and counting them and verifying that to the best of their ability, they could determine that those areas meet 50 homes per mile - that is what the map represents.

To do what Councilmember Gantt is proposing would involve an engineering project that could take six months or longer to do and would cost a lot of money to do it. They have a criteria that says 50 homes per mile; there are performance review sessions established by the franchise that would allow the city, at three year intervals or at any time the city chose, to bring that question up if they thought there was a discrepancy, or if they thought they were not meeting the commitment of the franchise. That as to buying a pig in a poke - they can give Council the best representation they can or they can go the other way to the full engineering study which would show exactly. That he is not aware of any franchising process that has done that.

Councilmember Gantt stated he did not quite understand - he thought they were going to run the cable in the street, anyway. They have been negotiating a little over a year now on this particular contract and he thought they had a very good idea for the reason of the 50, because there is some economic justification for it at that point. It would have allowed them to be more intelligent on when this service is going to be provided. That what he is trying to say is that they want a franchise and six months later they get all of this information. That he expects the reason for that is the Cablevision does not want to incur the engineering costs, obviously, before they have the franchise agreement. On the other hand, it occurs to him that in order for the company to be intelligent on their negotiations they have to have some idea of how many homes they would ultimately have to serve, and someone must have done some preliminary determination as to where those areas are going to be covered. Mr. Frazier replied that is what that map represents.

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Councilmember Chafin requested that they see the overlay so they can see what areas are currently served. That she shares the concerns that Mr. Gantt has expressed. It seems to her that they must have some idea now, if not in detail, those areas that are going to receive priority attention in their annual phasing process, during the five-year expansion period, so that Council can have some idea which areas are going to be served in the next year, the next two years, the next three years, and so on. That Council has some idea of where there is a high demand for service now; many of them have gotten a lot of calls. That Council is concerned that they may be approving a franchise without knowing what kind of service is going to be delivered to the citizens over a period of time.

She asked if Mr. Frazier is saying that it would take this six months that is mentioned in the ordinance to complete this engineering study, to give them that kind of data? Mr. Frazier replied it would take approximately that period of time to go out and actually chart how the cable was going to be run; the cable does not always follow a street, it follows the utility pole lines and their easements which sometimes are between houses, sometimes are on the front lots of streets. He stated the overlay represents about 493.9 miles of cable plant in the City of Charlotte now. What they are proposing, shown as the blue areas, represent in excess of 302 miles of additional expansion.

Mr. Fleming stated, to further answer Councilmember Gantt's question, the reason that the 50-homes-per-mile figure is in there is because Mr. Burkhalter is such a good negotiator. That economic feasibility dictates that you do not go as low as 50 homes per mile. That he will guarantee this, because he has been over the figures - if you only had 50 homes per strand mile on the entire City of Charlotte, you would lose money forever. That 50 homes a mile is a losing proposition and that was ATC's breaking point; they said they would go to 50 homes per mile, but if it was 49 then they did not want the franchise. He does not believe they will get any CATV operator to come into Charlotte with a requirement that he build on any basis, any standard, with a lower number of homes per mile than 50. Actually what it ought to be is in the 80 range to break even.

Councilmember Gantt asked if they are going to be losing in their first five years in terms of the capital investment? Mr. Fleming replied not necessarily because the first mile you go you may pass 90 homes a mile to get to the area where you only serve 50 homes per mile. But on any 50-home-per-mile area you are going to lose money.

CITIZEN REMARKS.

Mr. Harry Stewart, 3601 Mill Pond Road, stated he is not speaking for or against the proposed cable TV franchise. He has not studied it; his knowledge comes from the press, which is not always complete in its reporting. He is here simply as a cable TV consumer and wants to give his comments based on his experiences.

He stated he subscribed to cable TV several years ago, partly because he was in a poor reception area and partly because he wanted more selectivity. He is an avid sports watcher on TV. He is not much of a watcher of network shows - he starts to watch more than he finishes. He feels that as an optional service to the public, cable TV is a good thing; that this access channel for the public will be an improvement. His suggestion is that Council require a binding commitment, not simply a promise. That the plans to increase the number of cable TV channels is good, but here again he suggests they get a binding commitment.

He stated his reason for suggesting binding commitments is based on passed performances which have not always been as advertised. He stated his cable TV service is often disrupted or of poor quality. Except for weekends, he does not watch daytime TV so as far as he knows, all the disruptions come at night and all the poor quality comes at night. He used to try to call the cable TV company at night but usually could not get an answer, or if he did get an answer he got what he assumed was an answering service which said it would report the tt

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said it would report the trouble, presumably the next day. He stated he just does not bother to call them anymore, he just waits until something happens.

He stated if this situation has not been rectified with respect to getting a response from them at night, he suggested they require it to be in the new contract. He has gotten responses to daytime calls and servicemen have gone to his home. Usually they say to his wife, the trouble is in the set and leave it at that. The TV repairman says the trouble is with the cable and shows him good reception with the local antenna, and he cannot get the two of them there at the same time. His theory is that the problem is with the cable and since the quality of service varies across the board, the cable TV company's objective is to hold him at bay until the service gets satisfactory again. The quality of service of cable TV is certainly not consistent and he suggests that Council require consistently good service.

His next comment regards billing. Bills are presented in such a manner that you are led to feel that you owe two months in advance - that is the way the bills read. That is not the case according to the agreement he signed when he subscribed to cable TV. He is mostly in arrears according to his understanding. In addition to the bills being misleading, he thinks it is risky to allow the cable TV people to collect for future services, under any circumstances, unless the funds are going to be held in trust. This company talks frequently about financial problems; should it ever fold and take a lot of advance collections with it, he suspects this Council might have some irate citizens on its hands. He suggests they try to protect the public in a new contract.

His last point has to do with the 6 percent yearly increases that the cable TV company wants to be able to put into effect on its own authority. That is not in the public interest. He has no quarrel with just compensation for services provided; he does feel that the proper service should be provided before the compensation accrues. As for being allowed to raise charges 6 percent with no accountability, that seems reckless. Cable TV is a monopoly and must be regulated. We are presently seeing a lot of controversy with respect to Duke Power Company's authority to assess a fuel charge, and he suspects we will hear more of that controversy. On Duke's side, it does have to undergo a review of its fuel charges and is subject to being reversed. What he understands about this 6 percent increase in cable TV rates is that it is free and easy for the company. That is not a good thing.

CONTINUED COUNCIL DISCUSSION.

Councilmember Cox stated he would like to support what Mr. Fleming is saying - what they are really saying here is that the lower you make the dwelling units per mile, the higher the price is going to be. That is the trade-off. That is covered in the 6 percent. These folks have a business to run and they say they are losing money. Whenever you lower the units per mile - the minimum - it is like Newton's Third Law, the price has to go up.

He asked Mr. Frazier about his collection procedures - what is his collection policy and what happens when they find that someone has not paid their bill on time, what do they do?

Mr. Frazier stated this gives him an opportunity to respond to what Mr. Stewart said. Their billing system is more or less standard across the industry; there is in excess of three million cable television accounts from North Carolina to California that are billed on what they call a bi-monthly basis. The obvious reason for billing on a bi-monthly basis is that you only have to send a bill out, hopefully, once and it cuts down the postage cost, therefore it does not cost as much to bill and you can keep your costs down.

For example, he used January. They send out a postcard statement in January which bills for January and February. If they have not received a payment by approximately the 26th or 27th of January, a new bill is generated in a statement and it goes out the first of February. It asks for payment by the 10th of February. If they have not received payment by the 10th of February, they go through a cut-off cycle and they get a roster of all the people that have not paid for the January-February period. They then proceed to take

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tentative disconnect orders and all the girls in the office, the manager, and whoever else is available, sit on the telephone all day long, calling people asking them to please send their payment in - they say they are reconciling their records and they do not indicate they have received a payment. . .

Councilmember Cox asked if he or one of his people has ever called a member of this Council on Monday evening at 6 o'clock when he was eating supper, and stated to him that if he does not pay his bill by 9 o'clock the next morning then the crews are going to come out and disconnect his cablevision service and he would have to pay a reconnect charge?

Mr. Frazier replied he will not refute what Mr. Cox is saying because it is possible that something like that may have happened. That after the girls have been on the telephone since 9 o'clock in the morning, calling people and have had people tell them they are not going to send the bill in or give 9,000 excuses for not having sent it in, they may have been tired and may have said something like that.

Councilmember Cox stated they said that this was the policy; that all he is saying is that he is talking about being in the people business, he says "hogwash." That was not being in the people business at all! He appreciates getting that off his chest. Mr. Frazier asked if they disconnected his service? He hopes not. Mr. Cox replied no, they apparently believed him when he told them what he was going to do to them.

Councilmember Cox stated he does have a serious question. That right now these people say they are running at a loss, and they are in the area of Charlotte that has the best ability to pay - they have already "creamed" the area that has the best ability to pay. They are saying to these people that they are going to force them to expand throughout the rest of the city. They are already doing it at a loss, and we are going to cover it with a 6 percent price increase. He does not know how they can make money at that.

Mr. Fleming stated he does not want to mislead them. His statement was that from the time CATV started until the present date, the revenues had been less than the cost. It is not presently operating at a loss. Over the total period of eleven years, if you add all that together, it has operated at a loss; presently it is operating at a profit.

Councilmember Cox asked if they ever do audits of their service points to try to find out those people who are using the service but are not paying for it? Mr. Fleming replied there is a system on that but Mr. Frazier can speak to that better than he.

Mr. Frazier replied that is one of the things they did when they took over the system. They did an audit in 1974 that consisted of their going out and physically inspecting the connections - a little over 26,000 homes. From March 1975 through February 1976 they checked over 2,700 apartment units. As a matter of corporate policy, in all of their systems, they do a semi-annual sample audit every six months. They go out and audit a percentage of the homes in the high demographic areas, the medium income areas and low income areas, to get a feel for the number of connections that may have been made illegally to the system.

Councilmember Cox asked how much revenue they raised as a result of finding illegal connections? Mr. Frazier replied he does not have any records that would indicate that. That what they are doing right now is another audit that began in November - they have currently audited 5,000 homes. That after the meeting he can show them some of the locking devices that they put on their taps that are available to them now as an industry to stop people from climbing telephone poles and hooking up to them.

Mr. Cox stated he is not talking about those kinds of locking devices; he is talking about the kind that he has in his neighborhood that just screw up - it takes about a third grade education to learn how to hook up service to one of these units. That what he heard the last time they came and asked for a rate increase (he was not on Council) was that their costs had risen and they needed a rate increase. That he personally knows of a large number

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of dwelling units that are using the service without paying for it. That he would expect that when they come to ask the Council for a rate increase that they would at least do an audit of those people in violation of the law. The thing that worries him is that if they give them the 6 percent ceiling, it costs money to go out and audit these things - it is a whole lot easier to just let these people go on - it is a lot easier to raise the rates than it is to collect some valid revenues.

Mr. Frazier stated he would like to put in a little background. First of all, he should tell his friends they are coming. Second, if they will notice in the proposal in the ordinance, they have asked for a CATV theft of service provision in the ordinance, which would provide for a \$50 fine or thirty days in jail. They asked originally for \$500 and six months - North Carolina statutes will not allow that kind of penalty. A bill was introduced in the House by the North Carolina CATV Association, and they expect it to be passed this year that will allow the \$500 and six months. Right now, if he finds someone out there the fine is \$10 or 10 days. If he goes to the prosecutor, he probably will not spend his time with it. They do not have a penalty to back it up if they catch someone. He stated the letter he has given Councilmembers details the history and the amount of time they have put into audits. They disconnect customers up on the telephone pole at the tap. If you connect yourself at the side of your house, and they have done their disconnect procedures properly, nothing is going to happen. He is right, a person with a third grade education can do that. Someone could, conceivably, put a telephone pole up on the wire and climb up and connect themselves.

Councilmember Selden stated he has some basic questions to ask. As he understands it, they have a roughly \$2.0 million planned expansion in order to cover over a five-year period. Mr. Frazier stated it would be in excess of \$2.0 million. Mr. Selden asked what is the average cost per mile of serving facilities including the amplifying equipment and the like?

Mr. Frazier replied to build a mile of aerial plant would run roughly around \$6,000; to build a mile of underground plant it is roughly around \$10,000. It varies on the make-ready cost, etc.

Councilmember Selden asked if he understood right that they have 302 miles of plant contemplated, and this is basically where the \$2.0 million will be spent? Mr. Frazier replied yes, that would be in addition to the 493 miles that they have now. That he might clarify also that the upgrade to 20-channel capacity represents another \$2.0 million investment; and putting in the earth station and the equipment that will be necessary to provide a premium channel is another \$203,000.

Councilmember Selden stated in doing some arithmetic he came up with a 3.7 percent return in the last reflected year - return on net average plant in the Charlotte area; and a something over 10 percent return on net average plant for the total ATC system, indicating that the Charlotte area is not holding up its share by any manner of means in terms of supporting the bottom line in ATC. He is thinking about a \$2.0 million or more plant investment, maybe \$4.0 million, they are still going to have to earn a tremendous amount of return if they reflect the 50 subscribers per mile at the \$7.50 monthly charge, they would come out at \$4,500 a year in revenue, which is insufficient revenue.

Mr. Frazier stated they are talking about a potential of 50 subscribers per mile - if there are 50 homes out there, not all 50 of those people are going to hook up to the service to begin with. About 15 of them will hook up to the service if you use the system average for the number of people that are hooked up now in the higher income areas.

Councilmember Selden stated the thing that he is really concerned about is not so much the 6 percent ceiling on rate increase that the contract provides for. If this is not sufficient revenue and they come to Council for over and above 6 percent on the basis of need, he is wondering how they would reflect the support of that need, assuming that they proceeded down the road. In other words, would they bring in a detailed plan, such as the utility company would go before the Utilities Commission, for justification of an increase above 6 percent?

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Mr. Frazier replied it could become that detailed; again they would be providing the information that the Council was interested in receiving to make an intelligent, learned decision.

Mr. Fleming stated there has sort of been a transitional period in the way these things have been handled. In the old ordinance, if the CATV operator wanted a 1¢ increase they came to the City Council. Around the country, a lot of City Councils just said they did not want to hear about that; in fact, many of them have gone to non-regulation on rates, period; because it is not a monopoly. That in the City of Charlotte, in fact, this Council can grant six CATV franchises if they want to; they have an non-exclusive franchise. It is not like Southern Bell or Duke Power.

Secondly, unlike Southern Bell and Duke Power, it is not an essential service. It is not something everybody has to have; it is optional. Some people say they do not want to pay for it - they'll take the off-the-air signal. From that viewpoint, it does have some dissimilarity to the typical public utility situations. He has been involved with the rate increases that have occurred since the system went in, because he represented one or the other of these franchisees all the way along. He can speak from the way it has been. When they have come to Council in years past, they have been prepared to go into just the sort of thing that Mr. Selden is familiar with from his work with the telephone company - a regular public utility type of presentation as to why your rate of return was inadequate. In all instances, they never had to go to that because it was so obvious to city staff at the time that the rate increase that was requested was still way below what they would be entitled to if they went on a public utilities type formula that there was really no need to bring in all that back-up. He stated the reason the rate increases have not been greater is not because of rate of return - or what a reasonable rate of return is - because this is an optional service. When you are going to sell CATV or pay TV, you are competing with the basketball games that are not on television - and those that are because you can get that signal off the air - and other entertainment dollars that are going to be spent in the community. So, it is a marketplace type of regulation as opposed to the typical utilities type of regulation. But, if they were to come in in the future with a request for a rate increase that was in excess of what this ordinance would permit as an automatic increase, if the City Council said they wanted to see the same sort of back-up that you would go to the Utilities Commission with, yes, they would provide that. That is the basis on which they would approach Council - that the North Carolina law says they ought to be entitled to this rate of return on what they have invested.

Councilmember Selden stated he appreciates Mr. Fleming bringing these points out; that it really sort of boils down to his basic concern which is he sees a lot of capital expenditure coming up. He sees limited increased revenues by reason of the straight service; he sees pay TV being offered, supplementally, on which additional revenue would be derived - considerable additional revenues depending upon the ability to offer . . . this as a route that might provide substantial amounts of revenue. There is one thing that concerns him a great deal and that is, through all this procedure, what type of pay TV programs might be offered.

Mr. Frazier stated in the back of the proposal was a home box office bulletin which is representative of the kind of programs they put on. Home box office service is available in over a million homes across the country now. It is being expanded in their company and they expect in the next year to have it available to 100,000 homes across the country. The most recent turn-on of the service was in their Columbus, Ohio system which occurred the end of January. It is movies - not the same movies that are showing down at the local theatre, but within a year or so of release. It is sports events that are not generally available on television. There are shows from Las Vegas, comedians, singers and things of that type. It is a representative cross section of programming. It is a new service - when they launched this thing they had no idea in the world whether anyone would pay anything for it. It has been kind of an evolutionary process for them and it has proven successful and they are confident that the produce they will be able to provide here in Charlotte will satisfy the interest and desires of the community.

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Councilmember Selden stated one of the reasons he led up to this particular area of concern - he can appreciate the economic aspects of service or no service they have less than 50 subscribers potentially per mile, and so on. That he can consider that it is a matter of good or bad neighborly business in terms of how they handle their billing procedure, whether they create ill will or not, they are actually damaging themselves as much as anything because they have to have a good public image.

But, he is very much concerned lest they get into a trap where pay TV releases would become an area of criticism because of its content.

Mr. Frazier stated he thinks they can look to some examples. That home box office has been available in Winston-Salem since March of 1976; either has been or will be turned on shortly in Hickory; it has been turned on within the last six months in Wilmington. He is not aware of any hue and cry across the state where there has been a problem. That he thinks one of the things Mr. Selden is alluding to is suppose a parent does not want a child to see something like that. There are parental control devices that they can provide to a customer so that they could secure the equipment in their home so that a child cannot see it. If they are going out for the evening and have a babysitter in and they do not want that child to see a particular movie or something (the movies are not X-rated - they are not in that business). There are locking devices that can be provided so that if a customer chooses, it would not be available to their children or other members of the family.

Councilmember Selden stated suppose in all of this, Council reached the point where they got a lot of criticism, what would be his company's reaction to something like that - would they respond to Council's demands? Mr. Frazier replied yes, that one of the points that they made in their proposal, and the philosophy of their company has been, was to go very cautiously in the premium business. It is new and no one knew anything about it until a couple of years ago. They tried to tailor their prices for the product, and their product, as much as they could, to the individual market. They experimented with their own stand alone - a pay system - down in Orlando. They went out and purchased the movies themselves and put the whole package together and did it locally. They found that the most reception has been to the home box office package. He stated he is sure if Council was getting complaints, he is sure they would be getting them too. They probably would be disconnecting and they would be in a lot of trouble.

Councilmember Short stated the public access provisions seem to him to be generous and he thanks them. He asked if that is regulated in some way? What if someone showed up and said he was a community group and wants to use all of these facilities - the studios, etc. - and then he spends three hours crucifying Rockefeller. How is that sort of thing regulated?

Mr. Frazier replied the Federal Communications Commission - this is one of the areas Mr. Burkhalter alluded to a little earlier - governs public access, the rules and regulations, with one exception and that is governmental access. That Council, as the governing body of the community, have a right to establish the rules and regulations in regard to what would go on in the governmental access time. Short of putting on obscene matter, the FCC says if someone comes to you and says they want to be on the cable system, you would have to follow the rules that you had previously filed with the FCC. They would not be sitting in a position of censors; it is open to the community.

Councilmember Short stated this is an opportunity for groups that they do not have now in Charlotte? Mr. Frazier replied it would be an opportunity available to any citizen in the community.

Mayor Harris stated these are taped, he assumes? How do they regulate the time? Mr. Frazier replied they are taped. That it is first come, first served. What they would do - there is a provision in the ordinance for this - they promulgate rules and regulations for the channel. They would submit these to the city for review. If there were any points of contention they could be ironed out and then they would be submitted to the FCC, and then they would proceed from there. As to someone coming down and

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wanting to use up eight hours out of the day and keeping someone else from using it, they would discourage that kind of activity. That a television station does not produce eight hours of one program; that it would be physically impossible to produce that much programming.

Councilmember Short stated but here is a case where a citizen just simply has a right to come in and grab the airways for a long period of time, even though it would not be eight hours, and he could carry on any kind of political effort. Mr. Frazier stated that theoretically the point that Mr. Short is making may be correct; in practical action, he does not think it would be. In his contacts and discussion with people in Reading, Pennsylvania, and in the Orlando system, they have not had those types of problems. That those two systems are really the industry leaders in this type of service.

Councilmember Short stated it is an excellent opportunity and it certainly sounds democratic.

Mr. Frazier stated that interestingly enough, one of the things that is an issue with the broadcasters across the country is wanting to have access on broadcast stations - that something broadcasting in the community and the citizen cannot go down there and just pick a time and check out some equipment and put something on the broadcast station. With the cable system, they are going to be able to do that. That Central Piedmont Community College, in the access area that they are going into with them, they had a very real problem. They have something that can be of benefit to the community and the local educational station did not have the time to give those people to provide this service to the community. CATV is going to be able to do it.

Councilmember Short stated that the private stations - Jefferson and Cox, etc. - while they have a certain amount of public service time that is available, he is sure they regulate this carefully and they are just not forced to take anybody that wants to come along. But, CATV would be and they give one of the eleven channels for this - is that right? Mr. Frazier replied yes.

Mr. Fleming stated the difference is Channel 3 or Channel 9 can only handle one channel. That CATV can devote a channel to this and if someone does not want to watch it, they can flick that channel off and go on to one of ten more programs. Mr. Frazier stated there are rules that prohibit lotteries; solicitation of money. He stated he sees it as the kind of situation, if you look at it for the potential for good that it has and the potential for problems or bad, that the good tremendously outweighs any potential for bad.

Mr. Burkhalter stated whoever you get for this channel will have to meet the FCC requirements.

Councilmember Short stated that Mr. Frazier said that was required but he wanted to make sure he understood the full implications of it. He asked if on these free outlets, would this mean, for example, that CPCC would get a free outlet and Johnson Smith and Queens would not? Mr. Frazier replied he would not see any distinction between them; they are all schools. Mr. Short stated the ordinance calls for public schools (private vs. public). Mr. Frazier stated as far as he is concerned, if they were within 500 feet of the cable system they would hook them up. Mr. Short stated they should include something of that sort in the contract.

Councilmember Short stated another thing he would like to say is as sensitive as this is and as many phone calls as all of the Councilmembers have to take, he feels like any increase in the rates should be done with a public hearing. That the provision is that it can be up to 6 percent without a public hearing; that he will make a motion that they amend the contract to provide that all increases in rates require a public hearing by City Council.

Mr. Frazier stated, in response to that, that originally the FCC required that cities regulate rates for cable television. In July of 1976 they remanded and removed that requirement from their standards. Since then, as

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of November, there were 234 communities across the country that had gotten completely out of the rate regulations business. He stated their service is a market sensitive service. If they charge too much, people are going to disconnect and are going to spend that discretionary dollar on some other type of entertainment. If they charge too little, they are going to lose money. That quite honestly, if they look at the financial information from an economic standpoint alone, they could probably justify a higher rate than they have right now. But, they would have fewer customers and would be in the same situation or worse of losing money.

Councilmember Short stated if they want to make the point that it is a value - it is; it is a great value - for 27¢ a day you have a tremendous variety of culture and entertainment, athletic, news and information in general. It is a great thing and he is delighted that someone is willing to put a couple of million dollars into expanding this. He hates to think that there are citizens of Charlotte who do not have this opportunity. That it means a lot to his whole family. But, he is talking about, not the amount of the rate - it certainly seems fair to him - but it is a political matter and he thinks they just have to have a public hearing if they are going to increase the rates and Council has this authority.

Councilmember Frech stated she would like to clarify one or two things about the educational channel. There is one channel that the educational institutions, the government and the public are going to be sharing? Mr. Frazier replied yes, it is called a composite channel - that is what they are starting out with. Ms. Frech asked if one of those groups is using the channel the other cannot and Mr. Frazier replied yes. Ms. Frech stated that actually it is going to be right crowded some of the time.

Councilmember Gantt stated that when they start to get crowded, by the time they get to the 20 channels, there might be another. Mr. Frazier stated that provision is directly out of the FCC rules.

Ms. Frech asked about the provision of the security deposit (Page 18) which states "the grantee may collect security deposit from each subscriber at a rate which is uniform." Do they do that now? Mr. Frazier replied no, they do not now, but there is a potential for the need to do that in the future. When they go to a premium service, they will have to put a subscriber device in the home which is significantly more expensive to them than the little transformer they put in now. They would intend for that to apply to that expense, and it would apply probably only to the people who are subscribing to the premium service. If they do not have that security deposit they will have a tremendous amount of trouble getting into a home to recover that device.

Councilmember Trosch stated that not having the third grade expertise of Mr. Cox's neighbors as to how you hook these up, she has a question regarding the "all schools within 500 feet, public buildings, etc. - the cost of distribution throughout the school." Does that mean they will just run the line to the school - of course, there are many sets within the school - and the school will take care of the additional cost? Mr. Frazier replied they would run a service line to the school facility and they could tie into it and feed as many outlets off of it as they wanted - that would be their cost.

Councilmember Gantt stated he had wanted to ask about the construction lines but he understands the reason why they cannot find out specifically where the service is going to go. He asked if they have an overlay for the phasing and how they intend to fill in the rest of the map? Mr. Frazier replied they have not prepared a phasing map yet but that would be done within the six months period.

Mr. Gantt stated he is not familiar with how they work up their justification for costs. If they talk about that strand mile and the 50 units that connect onto it, and the \$2.0 million of capital cost and expansion, it leaves a question in his mind, particularly when Mr. Cox said that is what the 6 percent is for, as to whether they are trying to write off the five-year cost of expansion in five years or do they do it over a ten-year period?

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Mr. Frazier stated that brings up an interesting point. That their normal depreciation schedule is ten years; they have made a commitment to make an investment in a five-year period of time, which is a pretty short period of time. That means that when they finish the system and the expansion to 20 channels at the end of five years, they are only going to have five years left on the franchise. That there is a provision in the franchise that would allow them, at the end of the ten years, to come back and have a new franchise granted for an additional term of ten years. But, their normal depreciation schedule is ten years - that is pretty much a standard throughout the CATV industry.

Councilmember Gantt stated you build it in five, but write it off in ten?

Councilmember Selden stated they have a regular depreciation expense that is charge against the operation, and it relates to the amount of plant investment at the beginning part of the year, so it is automatic - it is not writing off like you would a capital investment; they are going to continue to add to this plant system on down the road for extensions to the city limits, etc.

Councilmember Cox stated he is going to be writing off in five years a given asset where normally he would write it off for ten. Councilmember Selden replied no he is not. Councilmember Cox replied that is what he hears him saying.

Mr. Frazier stated that normally CATV franchises are granted for fifteen years; that gives them a full ten years to depreciate the assets and the extra five years to get their return on investment, plus whatever investments in plant that they may have made the fifth year through the tenth year. It is a perpetual deal - you are always having to go out and replace bad cable, put in new amplifiers, or whatever it might be - replace equipment - trucks do not last ten years. It is a continual investment.

Councilmember Gantt stated what he is trying to find out is whether there is an expense that will accrue to a person who is already on the system. Is he paying for the expansion of the system? How much is he paying? He wonders whether or not it might be in the way they are accounting for the expenditures, that might be producing the kind of thing that Mr. Short was talking about - that is, if they are going to get an automatic 6 percent increase, does Council have some sort of monitoring procedure by which they look at how he treats his books on the expenditures.

Mr. Frazier replied yes, there are provisions in the contract for regularly scheduled review sessions at which time they are required to provide financial information. They are also required to provide full financial information and copies of their tax filing with the IRS on an annual basis. Furthermore, they are required to pay franchise fees to the City on a quarterly basis, whereas in the past they have been paying them on an annual basis. Council will have a constant stream of financial information coming to them for the full term of the franchise.

Councilmember Gantt asked what the fees are that they now pay to the City on gross revenue? Mr. Frazier replied it is 5 percent. Mr. Gantt asked if they are proposing to go down to 3 percent? Mr. Frazier replied they are proposing to move down to what the Federal Communication Commission says is a fair and reasonable franchise fee.

Councilmember Chafin asked what that represented last year and Mr. Frazier replied it was right at \$70,000. She asked what his projection for next year, under the provisions of the new franchise, would be and he replied he has not projected that.

Councilmember Gantt stated that, in other words, what he is saying is that they used to pay the City 5 percent of all revenue and now they are getting away with 3 percent because the Feds allowed them that 2 percent windfall.

Mr. Frazier replied he would put it this way - this is another interesting turn. The City of Charlotte has profitted from Cable TV over the years and that is a better position than the company has been in. If they had

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had a 5 percent return on investment they would be in good shape. Another thing they need to remember is with this expansion they will be adding new customers, they will be paying more taxes on the plant that they build, plus the 3 percent franchise fee on their premium service, which they have not been paying in the past. He would hazard to guess that the net revenue to the City is going to grow.

Councilmember Gantt asked when they make the choice of going aerial with overhead wires as opposed to underground; does it have something to do with the particular area they are running to? Mr. Frazier replied not really, the choice is made as to whether the utilities have telephone poles or power poles there. If so, they choose to go on the utility poles; if all the other utilities are underground, they have no choice but to go underground.

Councilmember Gantt asked about the cost for an individual to hook up to the cable, assuming that the line is somewhere near his house. The reply was a connection fee of \$15.00 for one primary outlet installed in the home (one television set could have cable reception); \$10.00 for an additional outlet for a second set; a total of \$25.00 to hook it up. The monthly fee would be \$7.50 plus \$2.00, or \$9.50. Mr. Gantt asked if there is a relationship between the connection fee and the cost of putting the line up?

Mr. Frazier replied no, the connection fee is basically to run the drop line into the home; the last time he figured up how much it cost them on an average, in North Carolina, to run a line into someone's home - from the distribution facilities on a telephone pole into the person's home, about 200 feet - it cost them about \$33.00 to do it. They do not intend to try to make a profit on the connection fee to the home; it is the monthly service fees that pay for the cable plant.

Councilmember Cox stated his concern is that by expanding, or forcing them to expand, Council or FCC or whoever it is, are really, in effect, forcing them to go up on their rates and pricing out of the market the very people who they are trying to give the service to. He stated he pays \$180.00 a year right now; in ten years that could very well be \$250.00. A lot of the people they are trying to get to, \$250.00 a year is a lot of money. What they are saying is they want to give the service to as many people as they can; they have given a criteria of 50 units per strand mile. He thinks that is going to put some cross pressures of CATV that are going to force them to raise the rates. He thinks out in his area this service would be priced in elasticity; in other areas with less ability to pay; it is going to be very price elastic; and they are going to scare off a lot of people because the price is going to go up. That is his concern; his question is, does Mr. Frazier see that happening? Which would he rather have, 80 per mile and no increase in prices or 50 per mile and 6 percent?

Councilmember Chafin stated he does not have that choice. Mr. Cox stated it is FCC and Ms. Chafin stated, and the Council.

Mr. Frazier replied he does not think that is quite correct. That Mr. Fleming alluded a little earlier to the situation they are in. They came into Charlotte with only a short period of time left on the franchise. They have spent a lot of money and time in this market trying to improve the service and improve the physical plant facilities. If they had adopted a "stand pat" situation they would have just come in and let everything ride the way it was and would not have spent that money to improve what they had. If they had a new franchise, which is what they are proposing, there would be construction in Charlotte - they would not sit here. Quite frankly, the 50 homes per mile is a very low number; they are taking a gamble. Someone made a comment a few minutes ago about a pig in a poke - well, there is a pig in a poke on both sides of the table. They are taking a gamble with that 50 homes per mile that they are going to be able to build a system and make it profitable. Their company is financially strong enough, has the expertise, and as their Vice President of Operations said when he was here a couple of months ago, chauvinistically they think they are the best one that can do the job. They are committed to Charlotte and they would not be here tonight if they did not feel like they could live under these provisions, and go at it and give it a good try.

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Mr. Frazier stated there may be rate increases. That since Cablevision has been in Charlotte there have been two rate increases - one in 1974 and one in 1976. He stated they have a system in Fayetteville; that system has rate regulations which allow them to increase their rates up to 10 percent a year. If they had exercised that right, their rate there would be about \$18 a year right now; they just increased it to \$7. If they want to see a good cable TV market, Fayetteville, North Carolina is a good TV market. They have over 25,000 customers there.

Councilmember Cox stated he would like to say in support of these folks, that over the past five years the quality of service out where he lives has doubled or tripled - they have really done a very good job, compared to the folks we used to have.

Mr. Burkhalter stated he would like to tell them a little bit about the reason, and why he thinks it might be fair . . . that when you negotiate you give and take. That there are some things in the contract that they negotiated with them and he does not want to leave them with one short side, without Council's knowledge.

In the first place, they did not want to do it with 50 homes per mile. In the second place, they wanted a 15-year franchise. He stated his thinking was that Council ought to maintain some control over the system and one way they can do it is through rates - public hearings. The other way is to have a short franchise - in this case, a 10-year franchise is short. It is short for a big reason that they have not talked about much - the 20 channels. They are required by law, whether Council does anything or not, to have this capability and it is a very expensive thing to do. That will be the end of their franchise - they may wait until the last minute or they may do it anytime, but that will be the end of their franchise. So, Council has a tremendous hold over this company in this area.

The other thing they discussed - staff wanted the City covered. They started off by saying they had to go out and put it in every place in the City, anyone who wanted it. It became a little ridiculous, on our part, to demand that, as they found when they began to go into all the details. Anything they could come to on a regulation basis was the first strand mile. That was the easiest thing to enforce and the easiest thing for them to agree to do because they knew how much money they could make if they had that opportunity, that many homes per mile.

Another thing is about the 3 percent. The City can get 5 percent, but if we do we have to spend the 2 percent and they have to spend it on something connected with this service, checking on what they are doing. They will let us demand this and we can do it - it has been done - they may argue a little bit about this, but it can be done. But, we would have to show who we are hiring, what we are paying and what they are doing. Mr. Burkhalter stated when they started looking at that, he thought it was a little bit too much. That they set up personnel to check on something that we could do by strand mile, rather than going out, just to get the 2 percent, and get somebody, create a job, and go check to see if they are doing this. That whatever the City gets out of this system, you and you and you are going to have to pay for it. So, in negotiating, the City agreed to not get the 5 percent because it is really putting cost into the thing in order to get it; there are really not that much benefits.

Mr. Burkhalter stated if Council is seriously considering doing away with the 6 percent, then in fairness he must ask them to give CATV a 15-year franchise. They do not have to do it, but he thinks in fairness to the company because they conceded this point in the negotiations, that is what should be done.

Mr. Mike Cloer stated he represents Access Program of Central Piedmont Community College which deals directly with Cablevision. That he is program coordinator for the Access Program - not to be confused with the access channel that they have referred to. They are five community colleges of which Central Piedmont is one and he is program coordinator and consultant to Central Piedmont along this line.

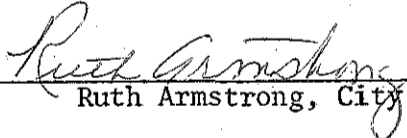
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He stated the association of Access with Cablevision of Charlotte started in 1975. That in the past six months he has been involved with Gary Gregory who is the general manager, with Dr. Hagemeyer and Dr. Bill McIntosh. That the home office is in Denver. That he wants to state that the actions of Cablevision of Charlotte have been most accommodating to them - there has never been a time when anything was held from them. In lieu of the franchise that is coming up or anything else, they have had financial assistance from them granted in such ways as utilizing their situation that is arranged with WBT-FM whereby on the Channel 3 rotasystem, WBT-FM music is heard. It is a trade-out of sorts that brings in the opportunity for CPCC to utilize commercial time on WBT. They simply want to state that the cooperation from Cablevision of Charlotte, from the Denver office, has been most accommodating, in every way that they possibly could. Their cablecasting will start Monday - three hours daily, six days a week. That as much as Central Piedmont Community College can, they urge their overall support for the franchise renewal for Cablevision of Charlotte.

Mayor Harris stated he participated in the long range planning that Central Piedmont did several years ago when the goldmark system, etc. was considered; that some fascinating things are going to be happening in the future of television. He stated Cablevision is a great service and Council has had a good presentation tonight, and he thanked Mr. Fleming and Mr. Frazier.

Mr. Fleming stated that on behalf of ATC and Cablevision, they very much appreciate the interest of City Council. They realize that this is not a mandatory attendance session for the Councilmembers and they are very, very gratified that this large number of members of Council are this interested in this endeavor. They appreciate their attention and welcomed their questions.

Mr. Underhill, City Attorney, reminded Councilmembers that according to the schedule that he sent out previously, the ordinance will be on the February 13th agenda for consideration at first reading. It will be voted on at two different meetings - again on the 27th, as it is now scheduled.


Ruth Armstrong, City Clerk