



LOCAL SELF-RELIANCE

May/June 1983

<http://www.motherearthnews.com/Nature-Community/1983-05-01/Cable-TV.aspx>

By the Mother Earth News editors

The Institute for Local Self-Reliance works to help urban residents gain greater control over their lives through the use of low-technology, decentralist tools and concepts. Because we believe that city dwellers and country folks alike can profit from the institute's admirable efforts, we've made this "what's happening where" report by the ILSR staffers one of MOTHER's regular features. If you would like to know more, you can have a free catalog of ILSR's selection of books and pamphlets by sending the, institute a self-addressed, stamped envelope ... or become an associate member for a tax-deductible \$35 per year (\$50 for institutions) and receive both a periodic report on the institute's work and a 20% discount on all the group's publications. Write to ILSR, Dept. TMEN, 1717 18th Street N. W., Washington, D.C 20009.

CABLE TV'S VIEWER/OWNERS

Cable TV is a fast-growing, multibillion-dollar industry, and firms are scrambling to gain municipal franchises that will allow them exclusive rights to wire those territories for decades to come. In fact, one out of every four American homes is already reached by cable, and almost all of the systems that serve such residences are owned by major national corporations.

There are, however, a few exceptions. Several dozen smaller cities (including Conway, Arkansas and Jackson, Minnesota) have decided to finance and build their own cable services. Davis, California, though, will become the first major market to choose a *third* alternative: customer ownership. As a member of the Davis Cable Cooperative (DCC), each household will be able to vote on the types of programs and services that the system will offer.

"Cable cooperatives do exist, but not in major markets," explains Robert Kahn, a DCC board member. "They've sprung up in the upper Midwest primarily because no one wanted to invest in those areas. But the industry *wanted* our market. In fact, several large companies that were bidding on a cable system for nearby Sacramento offered to tie Davis into it ... but our community preferred a co-op."

HOW IT HAPPENED

Davis's cooperative cable system pretty much owes its existence to three factors: The National Consumer

Cooperative Bank (NCCB) agreed to consider financing the project. In 1981, it gave DCC \$130,000 to conduct a feasibility study, but did so only *after* the Davis city council awarded a conditional franchise to DCC, with *full* franchise rights contingent on the outcome of that study . . . and everyone agrees that the city council's action was crucial. "It gave us the time to arrange financing and to contact experts to manage the system," says Kahn. In addition, Malarkey-Taylor Associates, a Washington-based organization with extensive commercial cable experience, was hired to manage the co-op.

Half of the required funds will come in the form of a short-term loan from NCCB, and more will be chipped in by outside investors who'll gain tax benefits. And of course, additional cash will be obtained from co-op members, each of whom will pay a \$4-a-month equity fee as well as the \$10 basic service charge. (A member who leaves the system can have his or her accumulated equity re funded.) However, despite such groundwork, the Davis system has a number of hurdles to overcome before it can be declared successful.

"For one thing," Kahn points out, "a survey found that the typical Davis resident watches television only half as much as does the average American, so we're not sure how many people in the area will subscribe to the service. This is, you see, an intellectual community, and we have a mild climate, so people are outdoors a lot of the time."

Judy Corbett, chairperson of DCC, disagrees, stating that the same survey found "the percentage of people in Davis who are interested in cable is *greater* than the national average. It's not that they dislike television... only what's on it *now*. And DCC is planning to devote a very high 6% of its revenues for local programming, while also tapping into the best that satellite broadcasting systems have to offer."

But Bud Wagner of Malarkey-Taylor Associates, who is a 13-year veteran of the cable industry, identifies another potential problem.

"College students represent a large portion of the population here, and we don't know whether they'll be steady customers for these services. Besides," he adds, "we wonder whether a very expensive, state-of-the-art system can be commercially successful in a town—with a *small* population—where such a high proportion of the cable must be laid underground."

This is definitely a consideration, too, because the installation of underground cable costs \$40,000 a mile as compared with \$14,000/mile for aboveground lines. And half of all the cable for the 14,500-household Davis system must go underground. Additionally, while rural cooperative systems usually offer 12 channels, the California community plans to have 52.

WHY BOTHER?

If there are problems in setting up a system of TV viewer/owners, there are also many potential benefits to the local community. Profits, for example, will stay in the area.

"In Davis," notes Kahn, "whatever income is generated can be used to upgrade the system or to give our members rebates. And of course, the city government expects to receive an annual \$60,000 from its 3% franchise fee."

"Another thing we feel very strongly about," says Corbett, "is that the jobs generated by the system should go to local people. The insurance policy, for example, will come from a community company, and deposits will be made in local banks."

"That's important," Wagner adds. "In a traditional arrangement, you pay a local company whose corporate headquarters are in, let's say, Atlanta. Within 24 hours, any cash that's generated is consolidated in an Atlanta bank to increase the company's interest revenue. It follows, then, that keeping the money in local banks could add hundreds of thousands of dollars to the community's available loan pool."

At this point, however, no one in Davis is willing to call the cooperative a working model for other communities. The project is too new. But those towns that are wary of outside ownership of their future communication services—and are also critical of city government ownership—can watch Davis to evaluate yet another possible path.