

Cable proposal called bad deal for viewers

By BUD O'BRIEN

A proposal by Group W cable television to provide a new "state of the art" cable TV system for Santa Cruz County and the city of Santa Cruz is no bargain for the public.

That at least is the conclusion of a "preliminary analysis" of Group W's proposal by a San Francisco law firm hired by the county and city to analyze the proposal. The analysis report, drawn up by William M. Marticorena of the firm of Rutan & Tucker, will be presented to the county Board of Supervisors Tuesday.

In an introduction to his report, Marticorena stresses that it is the result of a "preliminary analysis" and that a "thorough and exhaustive analysis" of some of the financial aspects of the plan have yet to be performed.

"Thus," he writes, "the conclusions contained in this report may be supplemented, modified, or updated pending close scrutiny of the financial information provided by Group W Cable Inc."

With that caveat, Marticorena proceeds to subject the Group W proposal to an almost uniformly unflattering analysis.

He begins by noting that since the Group W proposal is the only one the county and city have received there wasn't the opportunity to compare it with other

proposals that would have been submitted if the government agencies had invited bids from several cable TV firms. (Note: The city and county agreed at the outset of their joint effort to seek the best cable TV system available to allow Group W, which already has the cable franchise, to submit a proposal for a new system. This does not mean the county and city can't reject the proposal and call for bids at a later time.)

For comparative purposes, therefore, Marticorena scrutinized the deals that Group W had made with a number of cities in southern California and he concluded that, in general, the offer the company has made to Santa Cruz County falls short in nearly every respect.

Briefly, the proposal submitted by Group W in February would commit the company to build a new \$21 million cable system for the cities of Santa Cruz and Scotts Valley and for all the unincorporated areas of the county except for the parts of the Pajaro Valley that are served by Sonic Cable TV.

The new system would, among other things, provide 60 channels, including three "community access" channels, a leased access channel, a data channel, and the ability to subscribe to "pay per view" events.

The monthly charge for the basic service would be \$9.35 per month. For another \$2 per month subscribers could

receive certain satellite channels, such as ESPN, the weather channel, health network, etc. The pay TV package, including the movie services, would cost another \$12.95 a month.

In almost every respect, Marticorena's report says, The Group W proposal is open to vigorous criticism. County Administrative Officer George Newell says that the analysis "concludes that Group W's proposal is inferior to Group W systems in other jurisdictions, and unresponsive to the community needs set forth in our needs assessment."

The "needs assessment" referred to by Newell was prepared by Santa Cruz consultant Tom Karwin and was intended to reflect the needs and desires of the public in regard to a cable TV system. Marticorena also used the Karwin report in his analysis as a way of measuring the Group W proposal against community needs.

A major conclusion that Marticorena reached as a result of his analysis was that Group W stood to reap nothing short of a

financial bonanza if its proposal were to be accepted as is.

"A preliminary examination of the financial projections in Group W's proposal raises many questions and indicates that Group W may be attempting to extract a far higher return on investment in Santa Cruz than it has in other communities," writes CAO Newell in his report on the Marticorena analysis that will be presented to the board Tuesday. "Group W has indicated a desire to earn an 18.5 percent return, which is not unreasonable by industry standards. However, a preliminary examination of the financial projections indicates that Group W may actually achieve a return two or three times as high as their stated goal."

In that regard, Newell said, compared to the other systems analyzed by Marticorena, "the overall rate structure proposed by Group W (in this county) is extremely high and the rate guarantee offered is vastly inferior."

Newell said the Marticorena analysis also reveals serious

shortcomings in the Group W proposal in such other areas as system design, commitments to local programming, interconnection with other systems, and commitments to institutional uses of the system.

"In conclusion," Newell says, "the proposal which Group W has submitted for Santa Cruz is inferior in many critical areas compared to proposals Group W has offered and accepted in other communities under competitive conditions over the last two years."

Newell said that the joint city-county cable TV task force is now preparing for more negotiations with Group W on its proposals, during which, he said, it is hoped to "correct the deficiencies" in the proposal. If those negotiations aren't successful, Newell said, "we will recommend that the county consider alternatives to granting Group W a renewal of their franchise."

Newell will recommend Tuesday that the board set a public hearing on the Marticorena evaluation for 10 a.m. April 26.