

Area firm nets cable contract, but more fights loom

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SANTA CRUZ — Greater Santa Cruz Cable TV Associates has been declared the tentative winner in a hard-fought, two-year struggle for the exclusive right to serve an estimated 50,000 cable TV subscribers in the city and county of Santa Cruz for the next 20 years.

But Group W Cable, which has served cable customers here for most of the last 20 years, is still vowing to fight in court to renew its lapsed city-county franchises, and it could be months or even years before Greater Santa Cruz Cable can begin operations.

GSC emerged as the winner of the franchise wars at a joint meeting of the county Board of Supervisors and the Santa Cruz City Council Tuesday afternoon.

Both supervisors and council members said Tuesday that the decision to jettison Group W as the city-county cable franchisee was an easy one. But they said the choice of a successor was "difficult."

In the end, however it was no contest. Greater Santa Cruz Cable TV Associates was the unanimous choice of both the board and the council. The balance was tipped in favor of GSC over rival Cable Cooperative of Santa Cruz by hard pragmatism and cold cash.

Supervisors and council members spoke admiringly of Co-op supporters, who, they said, had worked long and tirelessly to secure the lucrative city-county cable franchise. But they accepted a staff argument that GSC was better-fixed financially to weather the anticipated storm of litigation with Group W and go on to construct a new, improved, expanded cable system.

Though the board and the council made their choices clear Tuesday afternoon, what they approved was a pair of resolutions stating their joint intent to award the cable franchise to GSC. Supervisors and council members must still hold public hearings on the franchise awards.

The council will air the matter again Oct. 14. Supervisors will next discuss it Oct. 21.

In voting to reject Group W's franchise-renewal bid and pick GSC over the Co-op, city and county politicians followed the lead of their respective staffs.

County Administrative Officer George Newell and Santa Cruz City Manager Dick Wilson advised the board and council last week that, in their view, GSC — which is bankrolled by a group of wealthy local investors — had the financial muscle to live up to its contractual

commitments. Those commitments include: repaying the city and county the \$400,000 the governments have spent on the cable bidding process to date, shouldering the full cost of future litigation with Group W and building a new cable system that will bring service to currently unserved outlying areas within two years after the court fight has ended.

Newell and Wilson said they did not believe the Co-op, with its "speculative" financing, could perform similarly.

Co-op backers have been counting on the sale of limited partnerships to finance their venture. Newell and Wilson called the partnership plan "an extremely speculative device for financing a cable television system."

Please see back of section

Cable contract

Continued from Page A1

The CAO and city manager said they did not believe Group W, whose franchises with the city and county expired July 1, was capable of living up to the terms of a new, 20-year franchise either.

They said Group W's recent break-up and sale by Westinghouse Broadcasting to a "consortium of operators," and the transfer of its assets to an 18-month "self-liquidating trust," had cast a pall on its ability to meet its commitments.

Moreover, they said, Group W's sale to "operators totally foreign and unknown to the city and county" without prior city and county approval had constituted a "material breach" of Group W's previous franchises — in itself grounds for rejecting the company's franchise-renewal bid.

Newell and Wilson also called Group W's renewal proposal "inferior to the proposals submitted by other applicants in virtually all respects."

Group W attorneys, who sat stoically in the first row of seats in the Board of Supervisors chambers and took notes on yellow legal pads throughout Tuesday's meeting, kept their silence as the board and council voted to send the firm packing.

But Co-op president and principal spokesman Ed Newman went down fighting.

Called to the speakers rostrum by Board of Supervisors Chairman Gary Patton, Newman declared that GSC would not be able to extend cable service to the county's unserved hinterlands any faster than the Co-op. And he said that "the Cable Co-op, and only the Cable Co-op" could "guarantee rate protection" for cable subscribers.

Newman said the Co-op would eventually be owned by its subscribers and therefore, would never take advantage of them.

But William Martecorena, a Los Angeles attorney who has been representing the city and county in negotiations with Group W, GSC, the Co-op and an eastern group which

recently dropped out of the bidding, offered a different view.

Martecorena said that the Co-op was a good idea "in the abstract."

But he told supervisors and council members that the Co-op would have to pay off its investors before its subscriber-members would own the system. Moreover, he noted, day-to-day management responsibilities would be ceded to an eastern firm which would insist on some margin of profit.

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It fell to Santa Cruz' Socialist mayor, Mike Rotkin, to deliver what may have been the unkindest cut of all to Newman and other Co-op backers, a number of them liberal activists who have been allies of Rotkin's in the past.

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"I trust that the people involved in the Co-op mean the best," he said, "but it's not a matter of whether I trust people's intentions. The question is: Do we have enforceable (contract) language?"

Rotkin said Co-op supporters "could end up getting screwed by one of their partners.

"I don't trust they will really become a Co-op," he said.

Group W attorney Peter Smoot said following Tuesday's session that the decision of the board and the council was "not a big surprise."

Smoot said Group W would "carry on with providing the best cable service we can to the community," and would continue to press in court to stop the city and county from granting an exclusive franchise to another cable operator.

The attorney said Group W is currently seeking a preliminary injunction to bar the city and county "from putting us out of business in this jurisdiction."

A U.S. District Court judge in San Francisco is scheduled to hear that request Oct. 3.