

## Expert analysis

# Group W not proposing its best cable TV system

By DENISE SIEBENTHAL  
Sentinel Staff Writer

SANTA CRUZ — Group W Cable's proposal for a new cable system for the north county is inferior to what the company provides elsewhere, according to an expert analysis of the proposal.

Stewart Butler, general manager of Group W here, denied his company is being unfair in its proposal.

"Santa Cruz, as all communities, is unique in its topography, geography, and economic make-up and we feel our proposal is responsive to the needs and desires of the community," Butler said.

The preliminary analysis done by William Marticorena of Rutan and Tucker, a law firm expert in cable television, will be presented to county supervisors on Tuesday. Public hearings on the analysis will be held by supervisors and by the Santa Cruz City Council on April 26.

Copies of the analysis will be available in public libraries.

Group W, current operator of the cable system, is attempting to renew franchises with the city of Santa Cruz and with the county for the unincorporated area from Live Oak to Scotts Valley.

Group W's proposal call for two basic rates: \$9.35 a month for 27 channels or \$11.95 for 40 channels, with additional charges for extra features.

In a letter to supervisors summarizing the analysis, County Administrative Officer George Newell states, "The evaluation 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 was done by Tom Karwin and Associates and includes recommendations from several community meetings.

Newell is recommending the board accept the analysis, set it for a public hearing and then attempt during negotiations with Group W to iron out the deficiencies

noted in the analysis.

If the city and county don't come to an agreement with Group W, the franchises will be open to bids from other companies. There's also been talk of public ownership.

The preliminary analysis makes the following points:

- Group W Cable has shown in other franchises the capacity for innovative and capable operations. It also has a history of litigation with local governments.
- A preliminary examination indicates Group W may be trying to get a far higher return on its investment here than it gets in other communities.
- Compared to other Group W systems studied, the rate structure proposed is extremely high.
- Compared to these other systems, the system proposed for this area is seriously deficient in terms of channel capacity, a separate and independent institutional network and provisions for non-entertainment services such as security alert, fire alert and medical alert.
- Given the abbreviated channel capacity of the proposed system, the programming mix offered appears to be diverse and reasonable.
- The proposal is deficient compared to other communities in the areas of capacity, equipment and personnel for public access and local programming. It approaches comparability only in the area of funding for local programming.
- The proposed line extension policy of 60 homes per mile is less stringent than in the existing franchise, but far exceeds the industry norm in flat areas of 30-40 homes per mile.
- The two-year construction schedule is reasonable.
- The franchise fees and prepayments that would be paid to the city and county are substantially inferior to those offered other communities.
- While Group W has demonstrated a responsiveness to interconnection in other communities, its Santa Cruz proposal has little, if any, commitment to area or regional interconnection.

on the issue of rates, Butler has stated in past conversations that his company believes the rates proposed are comparable with those offered by cable companies in surrounding communities and even by cable companies in this county.

Commenting on what the preliminary analysis states on the profit margin, Butler said, "The statement on profit margin is made in analysis, but I don't think it was substantiated. It's clear in our proposal what our rate of return will be."