City, county OK cable-firm transfer

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SANTA CRUZ — The Santa Cruz City Council and the county Board of Supervisors Tuesday approved their end of an agreement aimed at settling a long-running legal dispute over the city-county cable-TV franchise.

Now it's up to United Cable Television Corp. of Denver to make the next move.

Council members and supervisors opened the door to a settlement by approving a change in the ownership of Greater Santa Cruz Cable TV Associates, which holds the city-county cable franchise. Ownership of GSC, along with the franchise, is being transferred to United Cable from a group of local investors. The investment group, which is headed by Watsonville beer wholesaler George Couch, has been trying to back out of the franchise since late last year.

United is negotiating to buy the existing cable system from a three-company consortium headed by Denver-based Tele-Communications Inc. TCI and its partners acquired the city-county system for an estimated $40 million two years ago when the system's former owner, Group W Cable, was dismantled and sold piecemeal by Westinghouse Broadcasting.

United must swing the deal with TCI and its partner companies within the next 30 days or so, or the complicated settlement arrangements could come unraveled.

The county, the city and cable subscribers all stand to benefit if the deal between United and the TCI consortium goes through.

United has agreed to build a "state-of-the-art" 78-channel-capacity cable system, extend cable service to an estimated 6,100 currently unserved households in the county's unincorporated area, and freeze rates for basic cable service at $13.50 a month through 1992 — when work on upgrading the system is expected to be finished and the rate will jump to $16.95 a month. Subsequent rate increases will be tied to a formula based on rates charged in the San Francisco Bay Area, where television viewers who do not subscribe to cable service can still receive as many as 25 channels over the air.

Television viewers here have no such option. Because the Santa Cruz Mountains block TV signals, viewers who want to receive more than two or three local channels must hook up to the cable system. City and County officials said Tuesday that the rate agreement with United Cable will guarantee local cable subscribers competitive rates in what is essentially a monopolistic market.

The rate arrangements will be enforced by a federal "consent decree," which will be part of a settlement of a lawsuit over the franchise begun by Group W and later continued by TCI and its partners. Settlement of the lawsuit hinges on United's acquisition of the cable system.

TCI will still have a piece of the local cable action even if the deal is consummated. According to United Cable President Fred A. Vierra, TCI, the country's largest cable company, owns 40 percent of United Cable, which is the nation's eighth largest cable firm. United Cable is also in the midst of a merger with United Artists, which, Vierra said Tuesday, is already 65 percent owned by TCI. The Santa Cruz cable system's bottom line is thus likely to bear TCI's corporate fingerprints no matter how the current negotiations between TCI and United end up.

County Administrative Officer George Newell and Santa Cruz City Manager Richard Wilson said Tuesday that if all goes as planned, the city and county will have accomplished virtually everything they set out to do when the cable franchise was first offered to bid four years ago. Moreover, they said, the board's and council's goals will have been realized at "no cost to taxpayers," because United Cable has agreed to reimburse the city and county for about $400,000 in legal expenses still outstanding from the long franchise-bidding process.

The United Cable takeover of GSC was engineered by one-time United employee and former GSC executive vice president Mark Van Loucks. Van Loucks, who was fired by GSC in December 1986, sued the investment group for $225,000 in back pay and bonuses. He re-entered the cable picture here several months ago, after learning that GSC was trying to get out of the franchise.

GSC's attorneys informed the city and county in late December that the group — which had paid $250,000 toward the city's and county's legal bills — wanted out because continuing litigation had rendered the franchise worthless. GSC subsequently went to court to force the city and county to rescind the franchise and pay the investment group more than $200,000 in damages.

Van Loucks obtained an option to buy GSC, thereby positioning himself to broker the transfer of GSC's ownership to United and to recover the wages and bonus money which he contends he still has coming from the investment group.

GSC investors were conspicuously absent from Tuesday's proceedings. Couch, reached at home Tuesday night, declined to comment on the pending settlement or GSC's lawsuit against the city and county.