

NEWS

Cable TV

# Supes and Council Pick Cable Company

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It was unanimous. Both the Santa Cruz City Council and the Board of Supervisors made preliminary decisions this week to award the exclusive city-county cable TV franchise to a local investor group, Greater Santa Cruz Cable TV Associates (GSC). Although the votes, taken during an unusual joint council-board session, still face final ratification, they were the end of the first long phase in Santa Cruz's cable TV wars, and probably the beginning of a second.

Aced out in the competitive franchise award process were Group W Cable (the company which now provides cable service to the Santa Cruz area) and the Cable Co-op of Greater Santa Cruz (Co-op). Group W's exclusive cable franchise was scheduled to run out in 1985, and the city and county originally tried to negotiate a contract renewal. After talks broke down — primarily over rate control and extension of cable service into new areas — the city and county put the contract out to bid. Group W applied, as did GSC, the Co-op and the Public Service Cable Co., now out of the picture.

Group W's proposal has been rated at the back of the pack throughout the long franchise award process. The entire matter has also been complicated by the sale last year of the Group W network and by a suit filed by Group W against the city and county. The suit charges that the municipalities cannot grant an exclusive franchise to another group.

The lawsuit has been on hold, pending award of the franchise, but

it's expected to go back to court soon. In fact, one major deciding factor in the board and council decision was the fact that GSC was willing to cough up past and future legal fees more quickly than the Co-op, its closest rival.

Throughout the bidding process the two proposals have been neck and neck, and the competition has generated an uncomfortable tension among members of Santa Cruz's activist community. GSC, an investment group of local notables like Neal Coonerty, George Ow, George Couch and Jack and Elena Baskin, faced another group of activists including Ed Newman, Dan Haifley, Steve Turner and Margaret Brezel, plus a long list of Co-op members.

According to the city-county staff report, and to members of the board and council, the decision between the two groups was a tough one. Santa Cruz City Manager Dick Wilson said one factor was certainly financial. GSC was the only group that agreed to provide equity funds for future legal costs — \$200,000 — at the time of franchise award. Wilson's staff report also found GSC to have a better plan for line extension to unserved areas and more solid financial backing. He particularly questioned the limited partnership structure the Co-op planned to use to raise funds.

Co-op president Edward Newman attempted to refute those findings, both in a letter sent to the board and council on Monday and at Tuesday's meeting. He also addressed another point cited by the board and council

in making their decisions. Although many of the board and council members agreed that a cooperative structure would be a good way to keep cable rates down, they worried that the Co-op's specific plan, because it involves other initial investment partners, might not function as a co-op until those partners had been bought out. According to Newman that assumption is based on a "direct misrepresentation of our bid." Co-op protection would, he says, begin immediately, while the GSC rate control plan would tie local rates to a statewide average. He says rates should be based on system costs.

Newman adds that his group plans to speak to all these points during a public hearing planned by the city council on October 14, but he does not hold out much hope that either the city or county will change its mind.

Group W also has plans. The company is confident that its suit will be victorious, allowing continuing operation in the Santa Cruz market. And the victor in the local bidding war, GSC, has yet another scenario. Although the group has agreed to put up as much as \$500,000 toward legal fees to fight the Group W lawsuit, they are hoping it won't come to that. GSC spokesperson Neal Coonerty says the group hopes to buy the system from group W, adding that recent Supreme Court decisions have weakened the original Group W position. He's optimistic that the company will sell if offered a "fair price" for the system.