

Cable TV bidder offers city, county a share of profits

One of the four proposals submitted to the city and county of Santa Cruz to run the local cable television system offers local governments a profit-sharing arrangement.

The Public Service Cable Company of Santa Cruz submitted a proposal that would make it a partner with the city and county.

The county and city called for competitive bids to run the cable system after negotiations with Group W broke down. Proposals were received Feb. 15 from Group W, the Greater Santa Cruz Cable TV Associates, the Cable Co-op of Greater Santa Cruz, and the Public Service Cable Company.

Group W did not pursue the county's earlier request to consider a partnership with the city and county because Group W was concerned it might be breaking the law, company spokesman Tony Hill said. There was a potential conflict of interest, he said, if the cable system was in partnership with the same agency that is supposed to regulate it.

Public Service Cable Company (PSCC) proposes in its bid to build and operate the cable system and to form a partnership with the city and county in which PSCC would own 55 percent of the cable system and the city and county would own 45 percent.

The two governmental agencies would not be required to invest anything in the PSCC system, but would guarantee the company's debt.

Profits would be split 55/45. They are interested in acquiring the Santa Cruz cable franchise, Del Castillo said, because it is "one of the classic cable markets," referring to the fact that a high percentage of people subscribe to cable because without cable the television reception is poor.

"It's been a good market for Group W," said PSCC partner Henry Del Castillo. "There's no reason to believe it would be any different (for us)."

PSCC's proposal, like the proposals submitted by Cable Associates and the Cable Co-op, calls for building a brand new system from the ground up. Del Castillo estimated it would cost PSCC \$26 million to build the system.

PSCC says it will offer a basic service of 26 channels for \$6.50 a month. Expanded service, adding another 19 channels, would cost an additional \$3.50 a month and six pay television channels would be available for \$11 each.

In its proposal, PSCC offers to post a \$2.5 million performance bond to assure it completes the cable construction as promised.

Group W Cable has also submitted a proposal, although it

is concurrently pursuing a lawsuit against the city and county in an effort to hold on to the local cable franchise.

In a letter accompanying Group W's cable proposal, General Manager Stewart Butler reiterates his position that under the Cable Communications Policy Act of 1984, competitive bids cannot be sought unless the Group W renewal request is expressly turned down.

"However, we strongly desire to continue to serve the residents of Santa Cruz and are committed to doing so," Butler wrote. "Therefore, out of an abundance of caution, in order to give our subscribers the benefit of any doubt... we also submit these materials as a proposal..."

Group W's proposal outlines improvements now being made by the firm, which will give the residents of the city of Santa Cruz 35 channels by the end of this summer. If Group W wins the franchise, it will also upgrade the entire system to a 54-channel capability, the proposal says.

Group W now provides 12 channels to its subscribers at a rate of \$6.40 a month in the city of Santa Cruz and \$6.50 a month in the county. Those rates are scheduled to go up by 30 cents March 1, according to Tony Hill, Group W's community relations director.

Group W began upgrading its system in the city even though the future of its franchise is in limbo, Hill said, because "we needed to do something in the customers' best interest."

"It's a demonstration of our commitment and good faith."

The Group W proposal is the only one that calls for using part of the existing system. The other three bidders on the franchise say a brand new system is needed.

"Some of the plant is usable, so what we're doing is a major upgrade," Hill said.

That upgrade would cost approximately \$19 million dollars, according to the Group W proposal.

"We're familiar with the plant (cable system) and we've done a lot of testing and mapping that a new provider would take a lot of time to do," Hill said. For that reason, he said, Group W can provide the improved system for a lot less than the other three bidders.

"Group W believes... it can deliver a superior system — at fair and reasonable rates — more quickly, efficiently, and reliably than any other prospective operator," Butler wrote in his letter to the county and city. The Group W proposal also contends it would be better for the customer if it received the franchise because it can provide continual service during the transition to the

upgraded cable system.

Edward F. Newman, a Santa Cruz attorney who is president of the cable co-op, and other members of the co-op's board of directors met with reporters last week to outline their proposal.

Under the co-op's proposal, a new cable system would be built for an estimated \$38 million. The group already has a commitment of \$25 million from the National Co-op Bank in Washington, Newman said, and plans to use only \$20 million of that loan offer. The rest of the money would come from the sale of limited partnerships, he said.

Subscribers would not be required to become members of the co-op, but it would be to their advantage to buy into the co-op, co-op officials said. If they buy into the co-op — at a rate of \$2 per month for 12½ years or a total of \$300 — they will own a share in the system that will be returned to them if and when they leave the cable service area.

The co-op's proposal calls for a basic service of 40 channels for \$8.50 a month. The "super basic" rate of \$11.95 a month includes an additional 18 channels plus 30 FM radio stations.

Each applicant says it will build and equip local community television studios and train community residents to operate them.

REFERENCE

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