Media analyst:

High-capacity cable TV has too high a price tag

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WASHINGTON (AP) — A high-capacity cable TV system is "a solution in search of a problem," and it's time the public realized that cable will become unaffordable if cities keep demanding ever more advanced systems, a leading media analyst said Tuesday.

"You don't need sophisticated (cable facilities) to bring the American consumer what he's not getting now," Tony Hoffman, the head of corporate finance for the venture capital firm of Cralin and Co., told the Washington Metropolitan Cable Club. "And the people who are going to pay for all those unused channels (in the future) are the subscribers."

Hoffman, who until this month followed the cable industry for the investment firm of A.G. Becker, maintained cable has yet to develop any strikingly new programming that would serve as an alternative to the commercial networks.

Cable by and large is offering "the video equivalent of Hamburger Helper," Hoffman added, sticking with variations of the major broadcast categories of movies, sports, news, series and talk shows.

Yet cable operators, egged on by city governments, are promising big-city systems with a capacity for 100 or more channels; institutional networks; burglar and fire alarm service, and two-way videotext, shopping and banking services — complete with basic rates of only $2 a month.

That may win a cable operator a city franchise, Hoffman said, but he's guaranteed to lose money. Few subscribers are willing to sign up for all the extra pay services that produce additional revenue for a cable operator, and all the other "bells and whistles" offered by cable can be provided more efficiently using telephone or radio links.

It becomes only a matter of time before the cable operator has to go back to the city government for help "and that $2 basic fee goes to $12," Hoffman said.

What makes it even worse, he continued, is that the public's viewing patterns have already become relatively clear. More than 95 percent of the viewing public can be accounted for by adding up the audiences of the three major networks; a local independent station; two pay movie services, and the five largest ad-supported cable channels, he said.

"And we've only used up 11 channels," Hoffman said.

Further, there are only so many cable services like the USA Network or the WTBS "super station" in Atlanta that are likely to survive because the idea of aiming programs at narrowly defined audiences "is by definition uneconomical."

"Why not take 20 channels and bring in some (cable program channels) and leave our antennas on the roof for local stations?" Hoffman asked.

The alternative is for cable operators to continue struggling to make money while competitors like satellite-to-home and microwave distribution systems gear up to offer "just the six or 10 channels that the public wants."

Ultimately, cable companies will probably survive by eschewing any improvements to their systems, waiting 20 years for a profit, and relying on inflation "to pay off their debt with future cheap dollars," Hoffman concluded.

"We're simply building too much (cable) capacity for what we're trying to do," he said. "In three or four years, we'll be trying to fill 30 channels."