

A Summary Report
on
Cable Television

Cambridge, Massachusetts

1 September 1981

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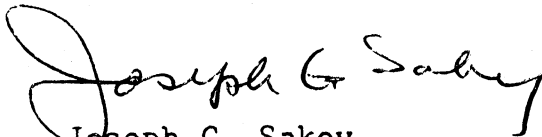
TO: Robert W. Healy, Jr., City Manager
City of Cambridge
Cambridge, Massachusetts

Herewith is a summary report which briefly describes the current status of cable television in Cambridge, Massachusetts.

The two studies commissioned by the City of Cambridge will be completed in October 1981 and January 1982 respectively.

An examination and discussion of the findings of the above reports with conclusions by yourself and the City Council can take place early in the new year.

Respectfully submitted,



Joseph G. Sakey
Chairman
City Manager's Cable Television Advisory Committee

September 1981

A SUMMARY REPORT ON CABLE TELEVISION

I INTRODUCTION AND BACKGROUND

In 1973, Cambridge placed a moratorium on cable exploration, deciding that too many questions about cable's future development and operation were not yet answered. Many other cities and towns had already allowed system development and were unhappy with their decisions. Cambridge chose not to repeat their mistakes.

In May of 1979, cable television returned to the City's agenda with the formation of the City Manager's Cable Television Advisory Committee. The Committee collected information and conducted hearings throughout 1980, and in September submitted their report to the City Manager. This report attempted to provide the City of Cambridge with an understanding of recent developments in cable television, in order to determine the needs of that City as they relate to cable. This report, Cable Television Report and Program for the City of Cambridge, MA. (CTRP), presented the recommendations of the Committee regarding system design and use, ownership, construction, and municipal regulation.

A central issue examined in this report was that of private vs. municipal ownership of the cable system. The Committee examined many of the problems related to private ownership, and saw many potential advantages related to a municipally owned cable system. In particular, the study recommended that the City

of Cambridge seriously consider the development and ownership of a municipal cable system, with the understanding that they contract the operation of the system to a private facility management team and that the overall policy responsibility be vested in a separate Telecommunications Authority buffered from City government.

Cambridge is not the first or only city to consider an alternative to private sector ownership of its cable system. Philadelphia, St. Paul, Chicago, Minneapolis and Palo Alto are among the major cities currently investigating municipal cable ownership. "The Cooling of America: what about Municipal Ownership?" lists over 30 communities that currently and successfully own and operate their cable system.

The City of Cambridge is presently seeking a comprehensive assessment of the construction cost and feasibility of a city-wide cable system. Cambridge today, like other Boston area cities which have delayed franchising pending a maturing of the cable industry, offers a significant opportunity for cable development. The City, after substantial study, seeks to determine whether a modern cable system is technically and financially viable in Cambridge, perhaps as a first step toward determining the probable consequences of municipal ownership.

II PUBLIC SERVICES COMMITTEE OF THE CAMBRIDGE CITY COUNCIL

On February 11, 1981, the Public Services Committee of the Cambridge City Council held a public hearing on the City Manager's Cable Television Advisory Committee's Report entitled: Cable Television Report and Program for the City of Cambridge, MA. Councillor Thomas Danehy presided.

There was considerable discussion, questions and answers by all of the participants (City Council members, City Manager, and members of the Advisory Committee) relative to the Advisory Committee's recommendation that the City of Cambridge should build, own, and operate the cable system. The Advisory Committee strongly recommended that the City conduct two studies prior to the franchise process: (1) Construction Feasibility Study, and (2) Economic Feasibility Study of Municipal Ownership of Cable Television.

On a motion duly made at that meeting, it was unanimously RESOLVED That the City Manager conduct a Construction Feasibility Study and an Economic Feasibility Study of Municipal Ownership of Cable Television.

III CONSTRUCTION FEASIBILITY STUDY

On June 22, 1981, the City of Cambridge entered into a contract with Kalba Bowen Associates of Cambridge, Massachusetts, to conduct a Construction Feasibility Study. The study will provide the City of Cambridge with essential background information regarding the feasibility and construction cost of a city-wide cable television system.

The following task outline describes the scope of the work:

Task Summary

- . Review the needs of the Cambridge community regarding cable television, based largely on the findings and recommendations of the City Manager's Cable Television Advisory Committee.
- . Identify those entertainment and communications services which should be offered on the subscriber and institutional networks, based on a review of the most recent franchise proposals in adjacent communities, as well as other major cities.
- . Develop a preliminary cable system design, with recommendations to the engineering consultant regarding technical specifications.
- . Assemble and analyze demographic and ascertainment data for the City of Cambridge as an input into the development of penetration estimates for basic premium services.
- . Develop a preliminary trunk routing plan for the Cambridge cable system, based on a study of utility company records and interviews with appropriate City and utility company officials.
- . Determine the location, condition, and availability of all aerial lines, and physically inspect underground ducts and vaults which lie along the preliminary routing.

- . Identify all necessary street cuts, assessing complications and costs, as well as any other problems associated with system construction.
- . Specify the most economical and physically feasible plan for trunk routing and cable system construction for the City of Cambridge.
- . Provide a complete set of maps and tables related to the construction of the Cambridge cable system.

IV ECONOMIC FEASIBILITY STUDY OF MUNICIPAL OWNERSHIP OF CABLE TELEVISION

On August 24, 1981, the City of Cambridge entered into a contract with Rice Richter Associates of Pennsylvania and Washington, D.C. to conduct an Economic Feasibility Study of Municipal Ownership of Cable Television. The study will essentially determine whether municipal ownership of cable television is financially viable in Cambridge.

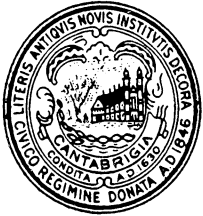
The following task outline describes the scope of the work:

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|--------------|--|
| Task Summary | <ul style="list-style-type: none">. Evaluate the effect of presence of a city-based application on the licensing process prescribed by the Massachusetts CATV Commission.. Review possible administrative and management designs for cable system, with recommendations for preferable designs.. Review and describe start-up costs and review various methods available to City and/or cable system administration for financing these costs, with recommendations for preferable methods.. Assess the best method of a municipally owned system to meet community needs regarding cable service.. Assess the best method of a municipally owned cable system to avoid potential for abridgment of freedom of speech, with recommendations of safeguards.. Explore alternative financial relationships of the cable system with the City, and making recommendations regarding the payment of surplus cable revenue to the City. |
|--------------|--|

- . Develop estimates of the capital cost for constructing the cable system specified in the Kalba-Bowen Report.
- . Develop projections of revenue for the proposed cable system based on alternative assumptions regarding the rates and penetration for each level of cable services.
- . Take into account future revenues a cable system might derive from advertising, home security, and information services, and institutional and business data, and video services.
- . Provide a projection of cumulative 5 and 15 year operating expenses, including plant organization, sales, and administrative expenses for the proposed cable system.
- . Prepare a set of alternative pro-forma projections, each under specified assumptions.
- . Apply traditional measures of cable system financial performance to each of the pro-forma statements to assess the viability of the proposed system under each scenario.

ADDENDUM

1. The Cambridge Cable Television Report was reviewed by syndicated urban columnist Neil Pierce. The column appeared in well over 180 newspapers across the country.
2. Professor George Stoney of New York University, an eminent cable access person, has praised the report before cable television gatherings across the country.
3. One hundred and forty requests for the Report have come from a large variety of mayors, city managers, and aldermen from across the country.
4. The International City Manager's Association will publish the CAMBRIDGE REPORT. The Association believes it is an important study and should be shared with other cities and towns.



CITY OF CAMBRIDGE

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EXECUTIVE DEPARTMENT

ROBERT W. HEALY

City Manager

September 14, 1981

To the Honorable, the City Council:

With respect to Awaiting Report Item No. 13, enclosed please find copy of a Summary Report on Cable Television submitted by Joseph G. Sakey, Chairman of the City Manager's Cable Television Advisory Committee.

Very truly yours,

Robert W. Healy
City Manager

RWH/mbf
Enc.

Awaiting Report Item No. 13 relative to
a Summary Report on Cable Television.

In City Council,

September 14, 1981

9/14/81

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