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25TH ANNIVERSARY OF SATELLITE LAUNCH PANEL Interview Date Saturday, 25 November 2000,

INTERVIEW

MARVIN JONES: Let's start the event this evening. I'm sorry we're running a little bit late, but I think it's all going to be worthwhile. We've got quite a sterling group sitting up here as well as in the audience. I have a couple of remarks to make and then I'll let Brian get on with the program at hand.

I'd like to welcome you to the 25th anniversary of the satellite launch which made this industry what it is today. The events that took place back in Vero Beach, Florida and in Jackson, Mississippi were landmark in more ways than one. I was lucky enough to get to participate in it as I was responsible for the Vero Beach system at that time, so I got to see the earth station get built and the paperwork get built by Bob James and Ken Gunter and others who had to go through the FCC to get the permission to even put up a receive only earth station, which kind of boggles your mind, but that's the way the world worked then. So I'm very pleased to be able to be the MC here tonight. The Cable Center staff and the MTR, Museum of Television and Radio staff have done an outstanding job in putting this event on. We have several people here, Anna, you're here, and others that really worked hard to get this thing off the ground, as well as The Center staff itself. I'm very pleased that we have this relationship with the Museum of Television and Radio because we have kindred interests, especially on the programming side. Cable television is more than just cable TV, it is also a programming entertainment business, which broadcasting and radio is as well, so I think we have a very unique opportunity to share our various skills and archive history that has been made over these last few years.

As some of you may know, I have been the interim president and CEO of The Cable Center for the past, I don't know, 15 months or whatever it's been. I'm pleased to announce that we have announced and hired a permanent replacement for myself. Jim O'Brien gives his regrets; he was not able to attend due to a previously scheduled operation, which hopefully went well. I mean that sincerely, Jim! He would have loved to have been here and I would like to have had him here to introduce him to everyone here but you'll be seeing more of him. The Center through the Gus Hauser Oral and Video History Project recognizes the significance of this 25th anniversary and its impact on the industry and society. Thank you for sharing in this historic panel discussion with the individuals who were key to this event in 1975. We are taping the panel's remarks to keep in our archives,



INTERVIEW DATE

November 25, 2000

INTERVIEW LOCATION

Beverly Hills, CA

INTERVIEWER

Brian Lamb

PROGRAM

Program: Hauser Project

which will become part of the historic archive of information of The Center's Barco Library. This is possible through the activities of the oral history committee, chaired by Steve Nelson, who I think had to leave. I was going to have him come up and make some remarks, and the generosity of Gus Hauser who has funded this project in its entirety.

There is one announcement I wish to make and I'm very proud and pleased to have the opportunity to do this. It's fitting on this anniversary that Jerry Levin who played such an important role in the development of cable television and programming, has so generously donated 10 million dollars to enable The Center to create what we hope will become the world's largest central resource for cable programming in existence. This gift will establish an academic chair in the name of his son, Jonathan, a dedicated teacher, in supporting educational programs and a repository for widely available research and teaching and other Center activities related to cable programming. You've already beat me to the punch in thanking him, but thank you, Jerry. It's very nice. I would also like to thank Scientific Atlanta for the sponsoring of the reception this evening, to HBO for the donation of the tapes of which there will be copies for each of you after the event is over in the lobby outside, and to our panelists and moderator, Brian Lamb. Brian, it's all yours.

LAMB: Good evening, everyone. For somebody like me sitting here and looking at these six gentlemen, it brings back a lot of memories. I know I wouldn't be sitting here if it wasn't for these six gentlemen. But I look back at the last 25 years and there's a fellow that's not sitting at this group that has never made a dime off the cable television business who I want to mention at the start because he made an important decision when I was involved in the government in 1970-'71 – I know Hub knows this story better than anybody – and his name is Tom Whitehead, and he made an important decision that instead of the government choosing one company to run the satellite system in this country, that it would be an open skies policy and he got on a crusade and he went to the FCC and convinced them to change their mind, and because of that all these dreams that these fellows had came true, including a dream that I had and it wouldn't have happened, I can tell you right now, if there'd been one company pricing satellite time in this country we would never have been able to afford to start C-SPAN, so I want to mention Tom before we start this. Secondly, anybody who has watched this last couple of weeks down in Florida, and I doubt if anybody in this room has missed it, has got to think about what these six men and others in this room has done for this country because there are about seven or eight or nine networks that are devoting almost their entire days to showing every single aspect of what's happening down there. It's never been done in the history of the world. You may not like what's going on, but you're seeing every bit of it, and it all started 25 years ago with a lot of the decision that were made here. What I thought we'd do to start off this discussion is have each of our panelists just give us a minute of their background, what they were doing in life 25 years ago, and then we'll come back around and have them tell us more of the story. Why don't we start

with Jerry. Where were you 25 years ago, what were you doing?

LEVIN: Well, I was running HBO, a lot younger, I'd actually been the first microwave engineer to establish the network system and that's when I fell in love with the idea of transmitting something by satellite which was just a big microwave system in the sky, although not everyone agreed at the time. We had a number of pay television services which started at the time but HBO was the only one that had a network and therefore carried live events. So it was more natural and we were constrained in the northeast with a microwave system and satellite offered a way of becoming a national network, and frankly the real reason why I wanted to do it was I was getting very little respect at Time Inc. for this thing called HBO. (LAUGHER)

LAMB: Bob, what were you doing 25 years ago?

ROSENCRANS: I was involved with a cable television company that had cable systems across the country and we were a customer of Jerry's in northern New Jersey and it was a fantastic service called HBO and we wondered how do we get that to the rest of our systems? How do we do that in a way that makes sense economically because it was a way that the cable industry could develop itself with new services, new sources of revenue. So that was what I was doing when this event began to take shape.

LAMB: Sid Topol?

TOPOL: I was president and CEO of Scientific Atlanta and I was at our headquarters wringing my hands, hoping that the earth station in Jackson and Vero Beach were working well. I had become interested in satellite communications back in Raytheon days, built some of the early TV aerials, and along with these gentlemen, was convince that if we were going to make pay television viable, satellite transmission was the way to do it.

LAMB: Hub Schlafly?

SCHLAFLY: I'm Hub Schlafly. At the time of the Thrilla from Manila, I had just retired from TelePrompTer Corporation after having I think successfully demonstrated that satellite operation was a practical, useful thing that would change the world as far as the cable operators go. During the previous couple of years I was executive technical director for TelePrompTer Corporation and responsible to a great extent for the earlier demonstration that I will speak of later.

LAMB: Jack Cole?

COLE: I'm Jack Cole, and though I'm often hesitant to acknowledge it, I'm a lawyer. I'm a senior partner in a Washington D.C. firm, Cole, Raywid and Braverman, and in 1975 I was fortunate enough to include several of the distinguished people on the panel here today among my clientele.

LAMB: Monty Rifkin?

RIFKIN: I was CEO and founder of ATC, a nationwide television cable operator. We at that point in time had been extremely aggressive in franchising, not metropolitan areas, but secondary markets in the country – Albany, New York; Orlando, Florida; Jackson, Mississippi; Shreveport, Louisiana; Fresno; Champagne-Urbana; Green Bay, Wisconsin – and we were plowing tons of money into the building of infrastructure and were desperately looking for programming sources to enable us in those competitive markets to gain the customers we needed to keep our eyes above the horizon.

LAMB: I'm going to ask each of our panelists to tell us a little bit more about the Thrilla from Manila and how that all came together. They all had a different role in it. I want to start with Hub. First of all, what was it?

SCHLAFLY: What was ...?

LAMB: What was the Thrilla from Manila?

SCHLAFLY: Well, it was a heavyweight fight between Muhammad Ali and Frasier, and it originated in Manila and was carried across the Pacific to the United States and ultimately to a satellite transmitter which put it back into the orbit and down to Monty and Bob Rosencrans' cable systems to carry into the cable homes that comprised their subscribers.

LAMB: Give us the background leading up to it that you experienced.

SCHLAFLY: Well, since I'm 81 years old, I am using notes - not a TelePrompTer, incidentally. I jotted these down this morning and I'll try to be as brief as I can on them. Sid Topol and I are here today to give you a prologue of this wonderful event that we're celebrating today: the September 1975 transmission of an international event into Bobby Rosencrans' cable subscriber homes in Vero Beach, Florida and Monty Rifkin's subscriber homes in Jackson, Mississippi is truly a memorable and historic occasion. They, and Jerry Levin at HBO, proved that the satellite transmission of television programming to cable homes was a practical reality and was here to stay. But this celebrated day was not an isolated stand-alone event. As The Cable Center has rightly proclaimed, individuals and organizations took risks, committed extensive time and resources to change the industry landscape forever. In the early '70s, industry visionaries like Fred Ford and Jack Cole, Irving Kahn, and many others were predicting and indeed salivating over the possibility of changing a mom and dad business into a mighty national and international programming entity, but here were many skeptics who claimed it can't be done, it will cost too much, and who knows if it will work. There were active opponents, too. Communication carriers had to protect their own turf and the major networks were horrified at the thought of massive programming competition. The Canadians, however, whose need for a national communication network was greater than ours in the United States, and whose determination was more decisive than ours, took the first step. Telesat Canada launched the world's first synchronous domestic communication satellite from Cape Kennedy on November the 9th, 1972. It was called Anik 1. Now there was a vehicle in orbit that could be used as a demonstrable learning laboratory to see if the cable industry might at least consider a new programming possibility. Fortunately the Anik footprint included a reasonable portion of the United States. The June 1973 NCTA convention in Anaheim, California provided a platform to attempt to prove to the cable operators, the practicality of satellite transmission. TelePrompTer bit the bullet. In March 1973, the FCC responded quickly and most cooperatively to TelePrompTer's application for a transportable receive-only domestic satellite earth station for experimental tests. An RFQ was issued for the impossible requirement to design, build and deliver this equipment within a 90-day period. Sid Topol at Scientific Atlanta rolled the dice. I told him my budget was only \$100,000. Sid will tell you that the cost was at least twice that amount and it was the best investment he ever made. They delivered and on June the 18th, 1973 the first experimental program featuring the Speaker of the House, Carl Albert, and Governor Ray Shafer, formerly of Pennsylvania, in a WETA studio in Washington D.C. addressed the

cable convention in California via a Fairchild satellite transmitter in Germantown, Maryland. Jerry Levin recognized the possibility of transforming a regional program service using terrestrial microwave into a national programming supplier. HBO used this same facility to transmit the Quarry-Shavers heavyweight fight from Madison Square Garden to Anaheim via Thetacom AML microwave into local systems in Long Beach, Newport Beach and San Bernardino, but unfortunately the fight lasted only about 30 seconds and most people who were still having a drink at the bar missed seeing the event. Following the demonstration, TelePrompTer seized the opportunity to obtain familiarity with satellite distribution, practicality and restrictions and to sample public reaction even before the U.S. domestic facility was available. On June 18th, 1973 to February 1, 1974, the receiver that we had built for Anaheim traveled over 15,000 miles from Vancouver to San Diego, from Mobile, Alabama to Rochester, Minnesota and made tests in a total of 28 locations. In June of 1974, Western Union launched Westar, the first satellite in the domestic service of the United States. Those of you who wish more details of this exciting experiment might refer to the 1974 report on the technical specifications and the test results that were submitted to the FCC, and this report is now in the archives at the Barco Library at The Cable Center in Denver. Thank you.

LAMB: Spencer Kaitz is here who runs the California Cable Television Association. There are about 20,000+ that will be here at the show this year...

KAITZ: 31,000.

LAMB: 31,000 - excuse me - 31,000. How many were at the show, say in 1973-'74?

KAITZ: That was the National Show, by the way.

LAMB: It was the National Show? But anyway, how many were there though?

KAITZ: 2,000

LAMB: 2,000. So we've gone from 2,000 to 31,000. I just want to get for the television audience watching this the size of everything. Monty Rifkin, when you were building cable systems back in '74, '75, how many channels did you have on your system?

RIFKIN: As many as we could find. Not nearly enough.

LAMB: On average, though, would you have 12, 15, 20?

RIFKIN: Depending on the market... No, it would be very hard to have 20 channels in those days. We were essentially limited to programs we could receive off the air or via microwave if we were fortunate enough to be in the Southern Tier of New York or northern Pennsylvania there was a microwave network running through that could bring New York City stations and HBO west to Buffalo. If we were in the midst of Kansas, we were limited to what we could pick up from Topeka and Kansas City. So there was a crying need for the additional programming that has made cable what it is today.

LAMB: Jack Cole, what was the regulatory environment in Washington about this whole idea of changing everything?

COLE: Well, the principle function of the Federal Communications Commission was to suppress competition and preserve the status quo. They did an excellent job of that for many, many years. To me, the satellite was the watershed event in the history of cable television. It is as significant to me as BC/AD is to the calendar. The whole complex, the whole picture of the industry changed almost overnight. People like Monty and like Bobby traded in their boat meters and their coveralls and they got casting couches and they sat on director chairs and they became programmers. There are not too many of you here that remember when your television set could get a maximum of three or four or five or six, maybe sever or eight signals. Now you've got so many that the clicker is the only way to get through them if you can click for a long time, but that was something that changed the face of the industry and it did it in two ways. It gave the operator something to give to his subscribers that they could not get otherwise and that had a compounding effect. It brought on new subscribers and it brought in additional revenues two ways: from the news subscribers and from the new services including the pay services. When that happened, the industry mushroomed. Its values went up. It went from a delivery business, a signal delivery business, to a communications business.

LAMB: Go back to the regulatory environment at the FCC. You say that they wanted the status quo. Why would ...?

COLE: Even when we went for the satellite, and remember, the satellite receive-only earth station did not transmit so one would think that anybody could install one but the Commission was very nervous about it and they didn't want to do anything that might rock that boat that was so stable there. So the Commission made us jump through the hoops, and Bob James, my partner, is here in the audience today, was the principle person in our office riding herd on that application and putting it together, and much to our great surprise, the application did not provoke objection. Still, the staff was a little bit nervous because they did not know exactly what was going to happen and they didn't want to be blamed for any bad repercussions from it. As I remember, a month or so before the event the application was granted. Monty got his permit and I remember Jerry's airplane, which was at the time a prop airplane, I might remember, stopped by, picked Bob and me up in Washington, Bobby was on it, we all went down to Vero and I remember we went out to the earth station site – this gigantic structure out there – and Ken Gunter, who was probably Bobby's chief technical guy on that, was still very nervous as to how we were going to get a picture all the way from Manila, halfway around the world. And sure enough, Bobby through that switch and we watched a delightful movie, Alice Doesn't Live Here Anymore, and then when the fight came that switch was thrown and here we were at ringside just like it was next door. In fact, Bob James always said that the fight was really next door. But it was a marvelous event. For me, I don't think I – in fact, I know I did not realize at the time what a watershed happening that was, that it was going to change the face of the industry but it certainly has.

LAMB: Sid Topol, what did Scientific Atlanta do before it got in the satellite business?

TOPOL: Scientific Atlanta's roots were in the instrument business, test and measurement instrument business.

LAMB: So how big a deal was it for you to switch to building these \$80,000 satellite dishes?

TOPOL: The real question at the time was could we bring the cost of these receive-only equipments down. That was a big question for us. I had been involved in satellite communications in my prior company, at Raytheon Company. I had built four Intelsat earth stations 100-foot in diameter, and I built the first three TVROs for Comsat. They were 10-meters in diameter but that was in the vacuum tube days. One of the great breakthroughs in all of this was something called gallium arsenide. I won't tell you about that but that lowered the cost of the front-end and the receiver so it was low-noise and could receive these signals. But some of my memories of

this – getting a call from Monty Rifkin when he heard about the Thrilla from Manila coming in saying he wanted to have an earth station. We were going to build one for Vero Beach; we actually got an order from Bobby here for seven of these at the previous show in the summertime or the springtime, whenever it was, for the fall...

LAMB: In '74?

TOPOL: In '75. In the spring of '75 we got an order for seven. We had never built these in quantity before. The big question was can we bring the cost of these down.

ROSENCRANS: The movie you didn't mention that night was called The Gambler. It was after the fight.

TOPOL: But Monty called me and said he'd like to put one into Jackson, Mississippi, but in those days we needed a construction permit. Monty, I don't know if we ever really got the construction permit in Jackson. The other interesting issues here were there were a lot of questions that came from a lot of people which said this sounds like a wonderful idea, satellite communications, but where is the programming going to come from was the big issue. Today there are programmers waiting to get on this. The other one was Newhouse, the father, Si Newhouse, he was worried about what would happen if the satellite fell out of the sky, and so I promised his people if it does we'll give you all your money back and take the earth stations. After this happened, we couldn't build satellite earth stations fast enough. We learned how to make these 10-meter on the template and were banging those out like automobile fenders. We couldn't make them fast enough, and then what happened was HBO was the original programmer so it was one antenna and one receiver, but as soon as you went on the air, everybody else went on the air and suddenly we had to make one antenna/three receivers, one antenna/six receivers, and we couldn't make the receivers fast enough. For me, many people didn't like the '70s – I LOVED the '70s. As a company we had 10 years in a row and 40 quarters in a row, and the cable industry, the satellite made that all happen.

LAMB: Before we come down the row, Monty, back to when you made the decision to but one of these earth stations, was it a big deal inside your company then?

RIFKIN: No, I don't think it was a terribly big deal.

LAMB: Were you spending a lot of money, did you feel, inside the company then? Was it a chance?

RIFKIN: I'd like to believe we thought it was almost a sure thing. It just had to happen. That transmission changed the economics of the business. We've talked around it but it was the establishment of a real time network with a high fixed cost, but very little in the way of variable costs so you could have 3,000 headends receiving the signal, as we had two that night, and you can imagine what that did potentially for the economics, and I think it just opened the floodgates for entrepreneurs. Maybe the next one after Jerry and HBO was Ted Turner and CNN, and it just went from there.

SCHLAFLY: Brian, I think the cost of the satellite receiver compared to what the costs would have been with a whole series of terrestrial receivers and transmitters across the land and buying the real estate and getting the right-of-way, I think it was a comparable investment, maybe even favoring the satellite.

LAMB: What was the thinking at UA Columbia then?

ROSENCRANS: Well, we had been speaking with Jerry about establishing major studios to distribute HBO terrestrially. We talked about Vero Beach, Florida as a hub and going north to – what's that? Leon County? And south to Broward and all those places? We talked about San Angelo, Texas being a hub, and that was the thinking. We didn't visualize that anybody was going to take the risk that they eventually took to acquire a satellite. It wasn't a one-time cost, it was a five year commitment of some consequence. So until that happened, no one was going to put an earth station in until you had the commitment of someone to put the programming on. It was the chicken and the egg that all came together. We knew what the programming was – once the commitment was made to distribute it via satellite the decision to put a receiver in, as Monty said, was a one-time capital investment but very low operating expense.

LAMB: Can you remember the first time somebody suggested to you to buy a \$100,000 earth station or \$80,000 earth station and try this?

ROSENCRANS: That was my friend right here. (Indicating Jerry Levin)

LAMB: When did it happen?

ROSENCRANS: I remember very clearly because it was a Friday, Jerry said would you come in and talk to us, and as Jerry indicated, HBO was in a difficult situation. The board, I suppose, was concerned with when is HBO going to expand, how is it going to expand?

LEVIN: Make a profit.

ROSENCRANS: Make a profit. So Jerry said this is it, we're going to try one thing and we need someone to step up and order an earth station so we have a place to transmit this event we're shooting for the fall. He explained to me and I think we spoke to Sid that day, and I asked how much would an earth station be and I think it was \$80,000 plus \$20,000 to install it, get the cement poured, the site prepared and so forth. So Jerry said, "Well, think about it over the weekend and call me Monday." Over the weekend I consulted with my friend Ken Gunter, who understood the connection between technology and operations as well as anybody I've ever seen, and we decided we might as well take them for all our big systems. So as Sid said, we called on Monday and eventually placed an order for seven, knowing that we would in sequence each month try to put a new one in place.

LAMB: Monty says it wasn't a big deal when they made that decision. Was it a big deal on your end?

ROSENCRANS: It was so logical, and it was keyed to the commitment that HBO had made to provide the programming. Had they said we're going to give you one fight, we wouldn't have done it, but we knew what the programming was and here was a five year commitment and it seemed worthwhile.

LAMB: Can you remember the first time you ever thought about this?

LEVIN: Yes, actually even before we started HBO there was in our company, in Time Inc., a close relationship with Hughes – this is something I don't think many people are aware of – and there was a person names Paul Visher at Hughes, and they had a concept of a four-channel satellite delivered service, one channel being education and was kind of a socially-oriented idea, and so when we proposed to the Time Inc. board to start HBO, which was right before the Canadian satellite went

up, Time Inc. said, "Well, there's a little system in Wilkes-Barre, Pennsylvania, it's not really fitting and proper for Time Inc., but there's this Hughes four-channel satellite idea - we'll put the two together, you'll go work for Paul Visher at Hughes and it'll be fine." So I spent a little time there and realized that this was never going to work, it was too early, it didn't make a lot of business sense and I suggested why don't we just start a microwave service, so it was really that far back that we were thinking about satellites. So it was somewhat in the genetic system. But then it was a pivotal time for us. The 1973 Western Show when Hub and Bob Button brought the earth station out and we decided... and we couldn't have had more than 10 or 15 thousand HBO subscribers at the time and we were really struggling, and so we decide to take this boxing match - and the only amendment I would make, Hub, is that it was Jerry Quarry that was scheduled to fight Ernie Shavers, indeed I went to the press conference for this, kind of young and new to the boxing business, and this person named Don King who I'd never met before came out and had Ernie Shavers from Warren, Ohio and he was scheduled to fight Jerry Quarry. Jerry Quarry took one look at Ernie Shavers and did not make the fight and it was actually Jimmy Ellis. So we did set it up. It was an extraordinary thing, first to be sitting in the convention and see Carl Albert coming by satellite into the convention, and Governor Shafer, but then to take a boxing match which was at Madison Square Garden, and the only place we put it, and it was Thetacom, was in one suite in the Disney Land hotel. So I was running back to get up to the little party we were having, got caught in the elevator and missed the first grab and missed the fight. But I think that really registered certainly on me. As a matter of fact, someone named John Barrington, who a few of you will remember, said to me, "We ought to sign up this Ernie Shavers. We ought to be in the business of contracting with these fighters." I said, "Oh, HBO would never do that. We would never line up these fighters." But it was such a profound experience to see all this cable technology delivering a live event from Madison Square Garden into Anaheim, California. So that certainly stuck with me. That it was realistic seemed a little far-fetched, but Hub Schlafly kept talking to me; Sid Topol did; Irving Kahn, amongst others, that in fact maybe this is real and the thing that was missing was a commitment to buy the satellite time - that's the fixed cost that Monty is referring to - that if you just bought the time then that's your fixed cost and then all these earth stations would go in. It was a lot more effective than building these regional microwave systems. In fact we had sent Jim Heyworth down to Florida to look at the systems, out to California. We thought we would establish different microwave hubs, but then it seemed so much easier to do it by satellite and even though we used the Westar satellite, it was actually RCA that made the arrangement. A person named Andy Inglis was the CEO, it was fortunate that he was a graduate of Haverford College, which I was also, and so we had a lot in common, and he persuaded me that if we would contract for five years then RCA could come up with a tariff that might make sense, which was 7 ½ million dollars. So I took that to the Time Inc. board. I remember appearing in my double-knit suit at the time, and it was extraordinary that a publishing company agreed to put up the money - because we were certainly losing money. As a matter of fact, we never got to 100,000 subscribers until we actually made the announcement. But I think even the Time Inc. board recognized that this was something... that this might become a national satellite distribution system and foster the creation of programming. So once Bobby committed we made the announcement in New Orleans and I knew we had finally arrived. We got a front page Wall Street Journal article, no one had ever paid attention to Home Box Office before then. But this was like the power of an idea, even though we hadn't fulfilled it. The other thing I would add to what Jack has said, it was extraordinary that none of the networks filed an objection - that's all they needed to do to hold this up - because we had to go through the FCC process, and my, how times have changed because everybody seems to be objecting to everything these days. But they didn't, and we didn't have this event scheduled because it wasn't scheduled when we made the announcement, but I realized we had relations with Don King and Bob Aram and Mike Mallets and Hank Schwartz at Video Techniques and when the scheduled the fight for September 30th we had an estimate that that's probably the time we'd get through the FCC if there was no objection. So we committed to carry the fight in two systems, although I was advised this evening by Sid that the fight went into a Scientific Atlanta earth station we didn't have the rights for that at the time. So it was a risky thing because we didn't think we'd get through the Commission. And the last thing that happened is people would call up Jim Shepley, who was the president of Time, Inc. and say "This young person at HBO has no idea what he's talking about; the cable industry can't possibly handle satellite technology and this signal is never going to work because no one has ever done 24 hours of television programming, so you should call this thing off." So I would be called up to the president's office almost constantly to say where are we, are you sure this is going to happen, because every other pay television service was delivering movies by tape on a what we now call pay-per-view basis. No one was doing live sporting events, although we were, so to me it was very natural but there were a lot of naysayers and you get enough naysayers that you begin to doubt yourself so it wasn't until I saw the signal in Vero Beach that it was pretty clear that it was going to work.

LAMB: Hub, you were involved in this for a lot of years before the fight. When did you notice people really paying attention to this technology?

SCHLAFLY: Well, when we moved the transportable receiver around the country to 28 locations it got a little publicity in each of the spots that we went to, and the public reaction there, even though we didn't carry it in the cable systems, responded to the newspaper publicity and it looked like it was going to be a go. But the big thing with satellite is that it's anywhere to everywhere. You can have an uplink transmitter anywhere in the world now and that same path will bring it down to a whole continent like the United States or South America and it's just wonderful that you can overcome space with a satellite transmitter and receiver and a little six or a twelve foot gadget up 23,000 miles above the equator.

LAMB: Jack, when this came along in '75 satellite communications had already been around the world in Comsat and Intelsat for 11 years. What was it in Washington, and what was the reaction in Washington to this? Would they constantly say, "No, no, you can't do it."?

COLE: Well, there was very little video, live video programming on satellite. As a matter of fact, and I was doing a little research in preparation for this, the first live sporting event ever carried live via satellite was a Milwaukee Brewers/Texas Ranger baseball game played in Milwaukee and sent back to a television station in Ft. Worth, and that was less than two months prior to the distribution of the Thrilla from Manila, and that was to a single television station and it was done on an experimental basis just to prove that you could do it transmission-wise. But most of the satellite technology was used for voice communication before then. There was very little video, almost none.

LAMB: Why were they resisting using the satellite on a domestic basis in this country?

COLE: Well, they had a hard time resolving the open skies policy until Whitehead declared it and...

LAMB: But why? What was the reason? What were they resisting it?

COLE: Like most things that developed very slowly, take high-density TV, there is always the question of who are the people that are going to really profit the most from this, and I think the delays in the implementation of the technology were based on who was going to get it. Comsat wanted a domestic monopoly and came reasonably close to getting that because those were the days where AT&T was a monopoly and we were used to dealing with monopolies. There was a lot of jockeying back and forth between the interests, including RCA, including Hughes Aircraft, about who was going to be able to put up and control all these birds and it took a while to sort all of that out.

LAMB: Sid Topol, what was your reaction after this event?

TOPOL: I think what hasn't been discussed is the fact that RCA did some forward pricing. They said if you take it for five years... so they did some forward pricing and

were able to... and we did some forward pricing. I think you paid 65K, I don't know. Was it 80?? God, that was a lot of money. Did you really pay \$80,000? Maybe Bresnan paid 60,000.

RIFKIN: For each?

ROSENCRANS: Everybody paid less afterwards.

TOPOL: Bill Bresnan, who became CEO of TelePrompTer came down to see us and he bought 50 10-meter dishes.

LAMB: For \$65,000.

TOPOL: I think it was 65K.

LAMB: Monty, do you remember what you paid?

RIFKIN: No.

LAMB: Don't say \$65,000! Rosencrans will want \$15,000 back.

RIFKIN: We paid the full amount.

TOPOL: We were able to bring those prices down rapidly. An interesting thing – the first TV aerials that were sold by Raytheon to Scientific Atlanta went for \$250,000 each and that was won competitively, that was a low price. Then you were in the 80s and then 65. Just think that you can get that same performance today for \$100 with a DBS station. Now, you have to understand that the whole DBS industry was born out of this effort. The whole direct broadcast satellite came out of this because what happened was that the dishes went from 30 feet to 15 feet to 6 feet and then somebody said if we have a 6 foot CPAN dish why can't we buy one and put it in our backyard? I don't know if people remember that period, and so backyard dishes started to show up in the rural areas and when they started to show up in the middle of the cable systems we put a stop to it with scrambling and so forth.

LAMB: Bob Rosencrans, what was the impact of all this on your company after this happened?

ROSENCRANS: Well, I think fundamentally it quickly generated a whole new source of revenue, specifically the HBO service on top of the basic cable service.

LAMB: What were you charging for HBO back then?

ROSENCRANS: I think we charged 6, 7, 8 dollars a month?

LEVIN: About six bucks.

ROSENCRANS: I think it was 6 dollars. We quickly, with the quality we now had from the satellite versus the quality we weren't getting from a $\frac{3}{4}$ inch tape play machine, the difference was extraordinary and it was easily publicized and understood by the public that here was something coming from outer space, here are movies unedited, untouched, available to the cable subscriber, and I think we quickly went into the 40, 50, 60 per cent penetration levels in these markets.

LAMB: What was the impact on your company?

RIFKIN: Pretty much identical.

LAMB: Any surprises at all after this happened?

RIFKIN: I would think the big surprise would be the rapidity with which the followers came along, the proliferation of a variety of programs.

LAMB: What about the changes at HBO?

LEVIN: It was actually a difficult period because a stunning announcement, but HBO was losing money and while technology costs have lowered, programming costs were always going up and HBO didn't begin to make money until the 3rd quarter of 1977. So the period, for example, in 1976 when TelePrompTer made its order, it was very helpful to the cable industry but HBO was still losing money and so we still had our doubters back home in the Time & Life Building. What I'd try to do is I would go to every satellite launch because it was really fascinating and it was a lot better than being back in the office. And as an example of what Bobby has said, Laredo, Texas, when we introduced HBO and had the event there, the impact of space age technology coming into the community was just an extraordinary phenomenon and it forever changed the nature of the cable system, its ability to market, what it stood for, so these launch events were wonderful, but it was still a tough go because I hear the TelePrompTer price but it was more or less \$100,000 at the time to get a fully installed earth station and that was a big ticket. As you know, for a cable operator it's not easy to sell into the cable industry, and so that was a tough go and it seems in retrospect that it went quickly but it really didn't. In fact, it was fortunate that Ted came along and eventually put TBS up, and that took awhile to get through the Commission, but it went up in 1976 so it was really just HBO and then TBS. So it's only two services. This was before Showtime started, it was before Disney got into the business. It was a much quieter period. To me it was still a struggle and it wasn't until we could validate that this was not only a terrific way to distribute but that you could make money. As I say, it took us well into 1977 and at the time we wanted to deliver a lot more, like news services and other things, and we couldn't get it through at Time Inc. because HBO wasn't profitable then.

LAMB: What was the first year HBO was profitable?

LEVIN: The 3rd quarter of 1977 we turned the corner, we weren't profitable for the full years, so 1978.

ROSENCRANS: Jerry mentioned the launch in Laredo. We installed this huge earth station and I remember we asked a priest from Laredo to come and bless this,

which he did in extravagant language and that night one of the movies – because at the time we launched these we put them on for everyone, all our customers, we didn't trap it out or scramble it, so everybody saw it – and that night there was a movie on that was a little bit off-the-wall, a little too much sex, and fortunately I don't think the priest saw it. But a lot of people resented that in the community so there were many problems, incidental problems associated with these.

LAMB: Jack, the next step in this process might be the change from the 10-meter dish down to the smaller dish for the smaller cable systems. Were you involved in trying to get the FCC approval for that?

COLE: Well, our law firm was involved all along the way in trying to make it easier and make smaller dishes, but that was principally a matter of technology improvement. That was Sid's baby and other people who were able to persuade... The Commission was very worried for a long time about interference.

LAMB: Technical interference?

COLE: Technical interference, and I remember Hub being able to demonstrate to the Commission – and I can't remember when it was but it was certainly after the Thrilla from Manila – that their fears about potential interference were not well-founded and finally they bought that and it became easier and easier. Another thing we did, as Jerry alluded to, we created a monster, or the cable industry created competition with the direct to home service because the smaller the dish got the more homes could afford the dish and I don't consider that to be at all a bad development in the long run. There was no question that technology improved so much and so fast that that was much more of a technical advancement than it was any legal accomplishment.

LEVIN: Jack, thinking back to the regulatory environment then, there were a lot of restrictions on programming. They had the anti-siphoning rules that were all designed to protect the broadcasting system and really it wasn't until we actually got some First Amendment protection that demonstrated that the cable industry was not simply a transmission system but was a programming marketing service and that was later in the '70s.

COLE: Well, it was almost in the early '80s that that really came about that the anti-siphoning rules sort of evaporated.

LEVIN: Well, there was a case called the HBO Case that did establish First Amendment protection and to this day we're still struggling to have that fully recognized and to this day you still have many of the rules are basically to protect the broadcasting business.

LAMB: You know, over the years you often hear people in this industry say if it wasn't for the government we would have been much farther along. I'd ask all of you to jump in on this one. Are there any heroes out there in the Commissions and all over the years? Can you name somebody back in those days?

RIFKIN: I wanted to ask Jack if you think Dick Wiley told the broadcasters "Please don't object to this."? Is that feasible?

COLE: No, I don't... Dick Wiley was chairman during that time, of course. To be truthful with you, the first advances on the regulatory front that came through were during Charlie Ferris's administration who followed Dick.

LAMB: Jimmy Carter's FCC chairman.

COLE: Carter's FCC chairman, and Charlie began to relax the restrictions. Not remove them entirely because that was simply politically impractical, but Charlie did a lot in easing the restrictions and that was the beginning of the end of the really restrictive rules but what really happened is the non-broadcast programming became so important and so essential to the development of the industry that the broadcasters restrictions on distant signals which they were able to maintain for a long time didn't really mean a hill of beans. This other programming was more attractive and it always amazes me to see how many networks there are now and they all ought to be very grateful to the entrepreneurs on this panel for creating an environment in which that could happen because had that not happened and cable had been restricted to really a distant signal or television signal delivery service we would still have very few signals on our television sets.

LAMB: By the way, anybody in the audience who wants to get involved in this, we've got a couple of mikes out here and we've got about 20 minutes to go, so just put up your hand and we'll get a mike to you. Sid, go ahead.

TOPOL: Let me just answer a question you asked about government. We have to recognize that we owe a debt of gratitude to the government for creating the space program itself. No single corporation could ever have afforded the space program and what we're benefiting from – the whole launch and the whole launch of space satellites was something that absolutely required government intervention. We don't want it in a lot of places, but that made a big difference. We mentioned Ted Turner here before, how Ted Turner bought his first earth station. It's an interesting note – Ed Taylor was working with him and those who remember Ed Taylor and myself trying to convince him that TBS had some value and you ought to put that up and put it on the air, and it took him quite a while to come to that but he finally came to the conclusion – he asked a lot of questions, what the thing would cost – so he called me one day and said, "Sid, I want to buy an earth station." I said, "Terrific, Ted. Terrific. We'll get a proposal, put a proposal together for you, a price proposal with contract terms." He said, "Sid, you don't understand. I want to buy an earth station. Send your salesman over!" We send a salesman over, his name was Mickey Hasbet, he goes over, gives him a price, Ted say terrific, gives him a check but says, "Don't cash it 'til next Monday."

SCHLAFLY: With regard to your question about government regulations, before the Anaheim deal Hughes Aircraft had been putting up geostationary satellites for the government and I asked Dr. Harold Rosen who is credited with being the father of geostationary satellites, "How many channels can you get on one of those government satellites?" and he said, "Oh, we get three." I said, "Three!? What's wrong?" He said, "Well, they have so many government regulations and the textbooks engineers in Washington tell us exactly how we have to do it." I said, "Well, if they didn't tell you exactly how to do it, how many transponders could you get on one satellite?" He thought for a minute, we were having lunch together, and he said, "I think we could get eight." A few days after that he gave me a call and he said, "Hub, we can get twelve." The first Canadian satellite that went up, Anik 1, did have twelve, and then finally RCA came along and they started saying, "We can get 24 but we'll use cross-polarization to do it." Jerry was rather skeptical of that. I had to convince him over a period of time that yes, this is possible and could be done.

LAMB: It's dangerous to do this, but Jerry, could I ask you the same question about government and what kind of a grade would you give it?

LEVIN: You know, it is interesting. Of course the government was responsible for satellite technology, just as the Defense Department was responsible for the Internet. The problem is subsequently trying to deal with it. There's no question in my mind that during the '70s the regulatory regime not only favored the broadcasters but I think part of the entrepreneurialism was the ability to work in and around that, but unfortunately it continues today. The regulatory regime that includes must-carry or retransmission consent is essentially designed to provide a substantial benefit to the broadcasters and yet we're living in a time, the last three weeks since the election should demonstrate, that the public interest is being served on cable. That's where this nation, and the world, because CNN certainly goes around the world, this is an education in democracy. It's not coming from the broadcasters. Indeed, I think it was NBC didn't even carry Governor Bush while Titanic was playing. It's the same thing in entertainment. If you look at the Emmys today – just a little plug – if you take the last two years, HBO has gotten more Emmys than any other network. So this is an extraordinary development. I don't think the regulation has caught up with the reality because in fact the public interest, which is what the gift of a frequency to a broadcaster is, is not particularly being served. It's being served by cable and unfortunately there is this lag and insufficient recognition that cable has really provided in every program category. I think it will take a while for that to happen and unfortunately I think we're seeing the same thing in respect to the Internet, which is this wildly, totally democratic system with no centralized control. There is a desire to want to try to figure it out. You're going to run into the same law of unintended consequences.

LAMB: Question in the back.

Audience member: Art Torres, president of the Kaitz Foundation here with 43 Kaitz fellows which represent the future. What do you see in the next 25 years?

RIFKIN: We have how long?

LAMB: About 15 minutes.

RIFKIN: I'd like to respond with just an anecdote that all this talk about satellite brings to my mind. We have sort of a TelePrompTer alumni club up here on the dais, so I think this is appropriate. We were looking at getting into the cable business in 1959 and as Hub reminded me I found a potential acquisition in Silver City, New Mexico that I brought back to the board and as I remember the economics of it looked very good but there was talk about satellite to home transmission of television in those days. Somebody on the board raised the question, "Won't that put you out of business?" So we spent \$5,000, Hub, if you remember, and you found somebody, some peer of yours who worked at the RCA Labs and he did a study and a report for us, a white paper, and he opined that satellite to home transmission technologically would work, be very effective, there were certain local television issues and there were some social issues, and they would serve to provide us with at least five years of clear sailing in the cable industry before we'd see satellite to home competition. So I thought that might be interesting.

SCHLAFLY: It was actually a few more than five.

RIFKIN: We got our \$5,000 worth out of that.

LAMB: Sid, what about the next 25 years?

TOPOL: Well, of course the transition to digital is the big excitement today.

LAMB: What does it mean to society?

TOPOL: What does it mean to society? If the Internet, for example, has great benefits to society, and I think it does, the cable industry has an opportunity to be THE vehicle for broadband access to the home, which is the key. I think one of the big demand pulls in America today is to bring the web pages up fast and the cable industry can do that. But the whole digital, interactive digital creates a whole broadband digital network we don't know what can be done with. I think one of the exciting things is building TiVo replay kinds of devices into the set top boxes today. I think that has a lot of excitement.

LAMB: Bob Rosencrans, what about the next 25?

ROSENCRANS: It's only going to be bigger, that's for sure. I think at the time we went into satellite in 1975, if you asked any one on this panel what's going to happen in five or 25 years, no one, I think, would have predicted the explosion of various programming services, the explosion of the capacity of cable systems to accommodate it, the nature of broadcasting being reduced to almost secondary to the cable distribution. So I can only see, as Sid says, digital developments are changing the face of what we can see. We're going to see much more, much more specialized programming for those that choose it, educational transmissions that are going to be useful in the various communities and specialized training. So much is going to happen – when it's going to happen, how it's going to happen is difficult to predict but I think the opportunities out there are just going to get greater and greater as time moves on.

LAMB: Let me pick up off Art's question to ask Jerry and any of the rest of you want to jump in, we're talking about something that you all did 25 years ago that changed the world. Based on your experience in business and the decisions you made, talk to a 25 year old watching this – what did you learn then and what have you learned in your life in the business world that you would advise them to do in their own lives that would turn into a success like this?

LEVIN: Well, first of all, this is a great time to be a Kaitz fellow. I couldn't think of a more exciting period to be entering the business because we had this Sloan Commission report in 1970, The Wired Nation, about interactivity. It's all happening now but it's happening because of the confluence of broadband, particularly cable, and the Internet. It's almost like the ancient idea of the library in Alexandria that would be the repository of all human knowledge. Well, it's basically out there now and it's called the Internet. It's totally democratic, has no central control, it deconstructs all the existing establishment, so for a young person entering the business now this is an opportunity to reconstruct something that has a lot of social benefit. Just one anecdote about this that really hit home, during the war in Kosovo, CNN as you know has extraordinary capability – Christiane Amanpour was in Pristina and we had to get her out because her life was threatened. We were left with no correspondent to report except there was this young teenage girl who was on the internet pounding away on her computer describing what was happening right outside her home. Well, we picked that up on CNN and sent that around the world. She was already sending it around the world in the most fascinating way. So it was kind of symbolic of the fact that we now have for the first time in human history a total networked society with the opportunity to delivery information as well as a lot of social commitment. The other thing that's happening as a result of the digital technology is that these separate instruments in the home – the television set, the computer, the music player, the telephone – they're all digitized now and they're all converging, and it's really the broadband capability to bring these along. So our ability to invent new ideas, new concepts, we're in a particularly enviable position to really provide new ideas for the rest of the world.

LAMB: Let me ask it though again. What advice would give someone...

LEVIN: You didn't like that answer?

LAMB: It was a wonderful answer to a different question. You sound like a Russian politician.

LEVIN: No, no, no, no.

LAMB: The question to all of you is what advice would you give somebody based on your experience as they're about to head off in their life and be in the business world.

ROSENCRANS: I've got one answer.

LAMB: Go!

ROSENCRANS: I got a mailing from the health club I go to with all kinds of tips as to what to do to stay healthy, what to eat and so on, but most importantly to get rid of that clicker so every time you want to change the channel you walk up to the set and change it with your had instead of sitting in that chair all day and moving that clicker. That's the key to health for a young person.

LAMB: Mr. Levin?

LEVIN: I think if it were GE... wow! Good answer, Bob. If you were at GE the answer would be plastics today. I think for a young person – this was true for us in 1974, '75, it's true in the year 2000 – don't except any conventional view that because things are the way they are today they're just going to continue. Just try and go against the grain. Have the courage when people say it can't be done say I'm going to do it. It's kind of an entrepreneurial flare. I think we saw it in the cable industry, you're certainly seeing it in a lot of the Internet entrepreneurs, so for a young person don't listen to the conventional wisdom. That's why so many mistakes are made by companies that just continue to believe that they had one success and therefore that's going to continue to create more value for them.

LAMB: Thank you, Mr. Levin.

TOPOL: Jerry, I've got a short one for this. My advice would be not to take a risk is a risk itself in today's environment.

LAMB: Monty?

RIFKIN: My advice would be enlist John Malone as a 20% partner.

LAMB: Jack?

COLE: My advice would be to take what I call an educated risk because I think the entrepreneurs on this panel took a risk but it was a very educated risk, a calculated risk. Don't be afraid to take a risk when you have studied the situation and have determined that you have a pretty good chance of it turning out well.

LAMB: Hub Schlafly?

SCHLAFLY: I claim three stages of invention: first stage is when some wild-eyed guy has an idea that is contrary to the status quo and he works out a little demonstration for it. The second stage is when he has convinced somebody to put enough money in it to try it out in the market place. And the third stage is when it's successful everybody says, "Anybody could have done that."

LAMB: Jerry, you had some more?

LEVIN: I would welcome young people having a view to change the nature of a corporation. We're living in a time where I think there is somewhat of a leadership vacuum in our political system. It may also be true in non-profits, education, the clergy, and so there's an opportunity for leadership to come through the private sector where you have a social commitment because you have the resources, you have the people, and to develop that value creation so that Wall Street understands that it isn't just about financial returns, that moral commitments are going to mean a lot in the future. Young people coming into the business world have the opportunity to change the nature of who we are.

Audience member: Hi, David Hutchins with Tech TV. I was wondering – it was interesting how you guys were talking about satellite transmission was sort of devoted to voice and data, kind of what the Internet is devoted to now, and video and the Thrilla in Manila is kind of what crystallized the possibilities for the next 25 years and now we're on the verge of broadband and video and that kind of delivery through the Internet. Do you think the Internet needs or may have sort of a Thrilla in Manila event that will sort of crystallize what the Internet can be used for in the next 25 years, and if so, what would it be since that was sort of live and globalization, Internet is going to be more on-demand and that sort of thing, so what kind of event is needed to see what will happen?

LAMB: Monty, you're shaking your head.

RIFKIN: Yeah, I'm struggling with that a little bit. I think maybe what I foresee is what I'll call the smart home – taking this convergence of television, Internet, telephone and really getting the device to do a lot of the tasking that we need in our everyday life just to make things a little easier to do. I think we all suffer from technical overload in our lives, at least people of my generation don't understand how to make a VCR work too easily. So I think the major breakthrough is going to be really a user-friendly convergence type of a platform in the home.

LAMB: I don't know – to follow up on your question, you might even have an answer for this – has it already happened, possibly? And if it has, what would it be? I remember the Starr Report everybody went crazy over and there are a lot of other events like that. Jerry?

LEVIN: I think it's happened through high-speed modems. The ability to manipulate full-motion video is something that we've been dreaming about. That's what Orlando was – the first Orlando and the second Orlando. It's already here. This morning when I was in my office – it's not a plug – I went on AOL Plus and watched some music videos that I wanted to watch. The video quality was very good and it was coming through a Time Warner Cable connection. So it's already there. This ability to just have video on-demand where everything is archived, that's been our ultimate dream. I remember sitting down and having, this was in 1974, a lunch at Time Inc. where I was being grilled by the people I was working for and they said "What's your dream?" And I said, "If we had a near infinite set of material that I could go in and get in any format, whether it's video, voice, data," I may not have used sophisticated terms like that, that's where we're going to be and that's where we are today, and it's starting to proliferate. So I don't think there's one event; I think that the technology is already there.

LAMB: I think on that note, Marvin, we're out of time.

Audience member: Excuse me, can I ask a question?

LAMB: Yeah, sure.

Audience member: Thank you. It seems like we've always been looking at trying to get the broadcasting signal in front of the viewers that we want to see it and we've been asking about what direction we'll be going in over the next 25 years, and it's evident that we're already taking steps in that direction but you look at things like digital cameras, digital camcorders, you look at high-speed Internet access and I'm thinking that we're going to see more people doing their own bootleg broadcasting over the Internet and coming up with their own types of programs that they think are relevant to their audience and then you're going to see their audiences of course tuning in to those on the other end, on the opposite end, but I just think we're going to see more people doing it and more people getting their message out there and being heard across the waves or across the lines. I think that that's the only direction for us to go in because if you think about what most young people think they want to have for their own signals over the Internet.

LAMB: I think we'll just let that be the final comment.

MARVIN JONES: How about a round of applause for our panel.

COMMENTS (0)

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