

<< ORAL AND VIDEO COLLECTION

JOHN SIE

Interview Date Wednesday, 13 August 2003,

INTERVIEW

SOUTHWICK: My name is Tom Southwick. It's August 13, 2003 and we are in the offices of John J. Sie, chairman, CEO and founder of Starz Encore Group in Englewood, Colorado. This is part of The Cable Center's Oral History Project. John, I thought maybe we'd start, if you would, by telling us a little bit about your family, your parents, grandparents, as far back as you might know. Where did you come from?

SIE: Well, I was born in Nanking, China in 1936, and then in 1937 moved from Nanking to Shanghai and stayed in Shanghai during the Japanese and Chinese war until after the Second World War was over. I grew up in Shanghai, then went to Nanking back again during the tumultuous years of '47-'48, and went on the last boat out of Shanghai to Taiwan in '49, and from April 4, 1950 emigrated through a cargo ship to America.

SOUTHWICK: And your father was a diplomat, is that right?

SIE: My father was a diplomat, yes. He was for Nationalist China and during Second World War we were separated. He was the minister from Nationalist China to the Vatican, the Holy See, and if you remember, Italy, which surrounds the Vatican, was the Axis nation, which was the enemy. So therefore, he was sort of quarantined in the Vatican City.

SOUTHWICK: Stuck there!

SIE: Yes, for all of the 2nd World War, and we were in Shanghai stranded.

SOUTHWICK: And it was you, your mother – siblings?

SIE: Yes, with us were my mother and my older brother – the three of us – and we stayed with my mother's side of the family.

SOUTHWICK: Your older brother's name?

SIE: Charlie.

SOUTHWICK: What was your name in Chinese, if I may ask?

SIE: My name is Shie Jungong. Shie is the last name, which is like Sie, and means thankful or grateful; Jun means honest and Gong means strength, so it's all good things.

SOUTHWICK: That's a good combination. What was it like – if you could tell us for just a minute or two – growing up as a young boy in China, occupied by the Japanese forces?

SIE: It was interesting because a lot of things were happening, but it was under Japanese rule and we had to make up a story that our father was in the countryside because had they known our father was an officer of the enemy – Nationalist China – bad fate would come to us. But we lived under the occupation and there was a lot of cruelty to the Chinese people. What I enjoyed most during those days is listening to the myth about the American forces. Whenever there were air raids toward the end of the war, against my mother's wishes, I would always go out and look for these dog fights and bombings, and it was exciting.

SOUTHWICK: Wow! And how did you happen to come to the United States? How did that take place?

SIE: We were in Taiwan from '49 to '50 and my father was already in the United States looking for a gig in Europe again for the Nationalist government, and he found some sort of a position in Belgium, so we were going to get a diplomatic transit visa from Taiwan to the United States for three weeks and then we'd go off to Europe. By the time we got to the United States in 1950, April, his job was not there anymore, so we had to make a decision whether we should go on to Europe where the cost of living was cheaper, or stay in the United States, and my brother and I decided to stay in the United States.

SOUTHWICK: And did the whole family stay, or how did that work?



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Program: Hauser Project

SIE: I'm missing a piece because when my father came back from the Second World War back to Shanghai, my mother and he had another child which was twelve years younger than I am. His name is Francis. So basically, my mother, Francis, Charlie and I came to the United States. They stayed in the United States for about two or three years, but they couldn't afford big housing, so we got the choice – Charlie and I, that is – of either go to Europe where my father thinks it's cheaper and he has friends and so on, or we can go to an orphanage on Staten Island. Charlie and I, for whatever reason – it could just be momentum, just since we're here – we decided to take the orphanage route. So, from 1950 to 1953 we stayed at the orphanage until we graduated from high school.

SOUTHWICK: And you came here speaking no English?

SIE: That's correct.

SOUTHWICK: What was your impression of the United States? Your uncle, I think, had given you some advice before you left China, hadn't he?

SIE: Well, the impression, of course, generally was the street was paved with gold, and good life. Of course, when you came to the United States you saw tall buildings and cars. It's just a wonderment, the first time, but I was left back with China during the internal civil war from '45 starting to '49. I was left back for about two years, so I was two years behind, but by accident...

SOUTHWICK: Left behind in school?

SIE: In school, yes. And so, when I came to go to school, they tried to figure out what grade to put me in and instead of going into the 8th grade, they put me in sophomore, unknown to me. So I got my two years back by accident.

SOUTHWICK: And you were 13 at the time?

SIE: I was 14. So I didn't speak any English, but I had a trusty small English-Chinese and Chinese-English dictionary, so everything on the board I copied down and at night I was translating trying to understand what the teachers were saying. That's when whatever my uncle told me really helped me for the wrong reasons. My uncle, when I was coming to America, told me really two things. "One," he says, "all Americans are dumb." So that was the first thing, and the second thing he said, "You should never lose face for the Sie family," because in China saving face is very important. So, armed with those two information – I was a pretty bad student in China, just barely eking out a 60 passing mark and actually left back for one year – but coming to this new environment, even though I didn't speak a word of it, I knew they were all dummies, and second, I can't let the Sie family's name down. So I studied hard and I think that sort of propelled me for the wrong reason to excel. So, in the sophomore year I finished maybe with Cs and C+s, and junior year and it became B and B+s, and senior year I was sort of near the top of the class.

SOUTHWICK: Were there particular subjects that interested you, either when you were in China or later, when you came to the U.S., a particular area of study that you particularly enjoyed?

SIE: Not really. I think I enjoyed the creative process. I was a pretty good craftsman in drawing, painting, but I liked all subjects generally. I was curious. My English wasn't too good, but other subject was pretty good.

SOUTHWICK: How did you learn English? Just by picking it up, or was there a course that you took?

SIE: No, it was just by immersion and having the Chinese-English dictionary and picking it up, and of course by watching television at the orphanage, which at that time had Bishop Sheen and there were a whole bunch of game shows, Lucky Strike, or whatever shows.

SOUTHWICK: Had you seen television in China?

SIE: No.

SOUTHWICK: So the first time you saw television was when you came to the U.S.?

SIE: That's correct.

SOUTHWICK: A pretty magical instrument.

SIE: It was, yes, but radio was already magical, that I saw in China. I always thought there was little people inside the big box, talking.

SOUTHWICK: You and your father, at some point, discussed what kind of career you would have. Is it correct that you were more inclined towards art?

SIE: Yes. If you remember in the old days, there were these matchbooks that when you opened the cover it said, "Draw this thing and get a scholarship" or something like that. So I drew one and sent it in and one thing led to another in my senior year, I got a scholarship from Coopers Union in Manhattan, majoring in art, and my father thought there is no future for Chinese in America with art having himself brought up in the liberal arts background, literature and renaissance, so he encouraged us to go on to engineering, something practical, something more objective. So we applied and we got a full scholarship – I got a full scholarship – to Manhattan College in The Bronx, majoring in electrical engineering.

SOUTHWICK: You commuted there from home? Where were you living when you went to college?

SIE: When we graduated from high school on Staten Island – by the way, we went to three high schools in three years. The first year was Tottenville High School, which is on the southern tip of Staten Island; the next year we went to St. Mary's in Perth Amboy; and the third year was at the St. Peter's high school in Georgetown, which is the northern end of Staten Island. My brother and I were sort of on the vanguard academic test program from the orphanage to go into the academic schools in the surrounding area. Of course the people coming from the homes had a pretty bad reputation because it was for both orphan, destitute and the incorrigibles. So people would tend to avoid us like the plague in these schools, but we got through it and went to Manhattan College and picked electrical engineering.

SOUTHWICK: You and your brother must have been very close during that time – the two of you left in the U.S. to fend for yourselves, largely.

SIE: Yes, it was a very good self-supporting structure, but as with any teenager, we also fought.

SOUTHWICK: Did you work, as well, during this time? Did you have to have jobs?

SIE: Yes, we had... I'm sorry, let me backtrack. After graduating from high school, by that time my father went back to Taiwan, so he was not there for our graduation. So we moved in where my mother and younger brother Francis lived, in Long Island, Queens. So we stayed there and commuted to Manhattan College every day for the first year. Then we found a rent controlled apartment in The Bronx, off Grant Concourse, so we lived there for another year with my mother and Francis, and during all that time we did do work, weekends, as a waiter in a Chinese restaurant, and then weekdays in a print shop at the school.

SOUTHWICK: And was there a fairly strong Chinese community in New York where you were that you became part of, or were you kind of isolated as Chinese in this sea of English speaking people?

SIE: Well, by that time we spoke pretty good English. No, Grant Concourse... actually, it's a funny story... there's not too many Chinese, except we were in the Jewish neighborhood so usually you have Chinese restaurant in the Jewish neighborhood. In fact, the apartment we lived was 1930 Grant Concourse. It is also the same name on the ground floor of a synagogue, so if you come out of the subway station you see the awning that says 1930 Grant Concourse, and many of my friends wound up going to the synagogue instead of up to our apartment.

SOUTHWICK: That is a different experience.

SIE: Then our father, in our junior year, finally got a gig again from the Nationalist China, this time promoted from minister to ambassadorship to the Vatican again. So in 1955, he came to pick up my mother and Francis in New York and then they went off to Rome, and then Charlie and I went to board at Manhattan College for the last two years of our school.

SOUTHWICK: And you graduated from Manhattan College?

SIE: Yes.

SOUTHWICK: In?

SIE: In Bachelor of Electrical Engineering.

SOUTHWICK: In what year?

SIE: 1957.

SOUTHWICK: And what did you do after that?

SIE: I was fortunate in that I got a research fellowship at a graduate school at that time called Polytechnic Institute of Brooklyn, so I went to Brooklyn. I stayed in another orphanage, because now I know the orphanage gig, in downtown Brooklyn and went to graduate school there.

SOUTHWICK: During this time, up until you finished graduate school, were there any particular teachers or mentors or people who really kind of affected your life one way or the other that stand out?

SIE: I think probably more back in the orphanage there were sisters, or nuns, and there were priests and some of them were very good, and they sort of continued the inspiration of doing good and I felt quite religious and converted and got baptized. So there was a sense of virtue's important, and my mother throughout our growing up years always teach us to be virtuous and do good things and so on, so this sort of carried on, quite inspirational during the orphanage years. In the graduate school there was a professor that was very passionate, and so he spurred me on to solve big problems in microwave research. His name was Professor Lucio Valisi from Italy; that was before I met Anna.

SOUTHWICK: You have some ties to Italy in several different ways.

SIE: Yes, yes. So, yes, there are various people that affected me, but I think the foundation really is set by my mother and then by several of the nuns and priests at the orphanage.

SOUTHWICK: Did your mother have a particular love for learning or belief in education as a way to advance?

SIE: Yes, she was, I think, a frustrated literati. She was masterful in calligraphy, which in China is very important, how you write, so she would try to teach us, which I didn't do too well, and she would recite Chinese poems, always many, many Chinese legends, and all of the legends point out to say if you can work hard you will succeed. In China you have so many folklore about poor people who rose to become prime minister. China has very, in a way, democratic civil service system even though during the dynasty it was a totalitarian monarchy, but the civil service was very democratic and you take tests.

SOUTHWICK: Based on merit?

SIE: Yes, so you see all kinds of story about poor kids who didn't have oil for light, and so you take lightening bugs and put them in bottle and use that as light at night to study, and these kinds of inspirational story. There are so many of them in the Chinese folklore and my mother would always read to us about those things.

SOUTHWICK: It must have sunk in. What did you do after graduate school? Did you have a particular area of electrical engineering that you were interested in?

SIE: Yes, the research was really for electro physics and it was under an Air Force Roam Air Development Center's grant to the school, so in a way we were doing some pretty advanced microwave research. When I graduated I received my Master's from Brooklyn Poly, Master in Electro physics, a year later, in 1958, and then I was casting about looking for a job and I found one with RCA at the defense electronics division in New York City. So that was the job that continued with aerospace, mostly in satellite communication, which was in the early days, and some avionics work at RCA.

SOUTHWICK: What specifically did you do?

SIE: I was doing, at that time it was new, it was called microwave solid state, which means solid state is different from vacuum tube in the beginning of semi-conductors, but for the microwave application, which is a much higher frequency it was very embryonic, so the best thing they had at that time was you might have heard the term "cat whisker" for crystals. That was all they had. So we were moving into the microwave frequency to develop semi-conductor application for processing, for amplification.

SOUTHWICK: For communications for the military?

SIE: Yes, and it was through there that the division I was in – defense electronics – worked with the semi-conductor research division of RCA, which was in Somerville, and so we were combining solid state advancement into microwave circuitry for sub-systems.

SOUTHWICK: And how long did you stay with RCA?

SIE: I stayed at RCA for two years from '58 to '60, and during that time I carried on a full course load at Brooklyn Poly for my doctorate. Most of my Chinese friends, at that time I was involved now with the Chinese Students Society in New York, were about four to six years older than me because they were Chinese college graduates that came here for graduate school from Taiwan, and so we got along pretty well because I spoke the language better, and most of them were PhDs. So that was sort of the normal course. In 1960, I received what RCA called David Sarnoff Research Fellowship, which was granted to one person each year from all of RCA's various divisions. So I got that fellowship and then I was able also to get a concurrent research fellowship from Brooklyn Poly. I thought with those two fellowships, which at that time was about six to seven thousand dollars a year; I was in hog's heaven. I can finish my dissertation and finish my thesis. Just about that same time, my boss, which was Dr. Sam Weissbaum, came from Bell Labs in Murray Hill to RCA to set up this New York City facility. He got an MBA from NYU and he said, "Gee, we can raise some money and start a company," and what was needed was combining the electronics of what we were doing to the research on semi-conductor, which was sort of a different division, and maybe combine both of them to create integrated circuits for microwave. So, I was all set to go to leave RCA for getting my PhD, but that challenge sounded interesting for one reason, and the reason was that all my Chinese colleagues who were working now that I know always complain that they were being prejudiced against and they can only do technical work, they never can pass into the supervisory managerial. Well, back in China I always remembered that in Southeast Asia, certainly, the Chinese were great businessmen. They made money, they created commerce, I said, "What's wrong with the Chinese in America that they can't get into management?" So this sort of gave me a golden opportunity to test out whether I can become a businessman or manager or supervisor. So it was a tough decision, but I made it, to forgo the natural course of getting a PhD, which everybody else had, and to go into this entrepreneurship. We raised a million dollars back in 1960 and off to the races. We started a new company called Micro-State Electronics and located right in Murray Hill, which was in the shadows of Bell Telephone Laboratories at that time, to get a lot of good research people.

SOUTHWICK: So there you were in the business world. Had you had any training in business?

SIE: No, not really.

SOUTHWICK: What was your position at the company?

SIE: I was one of the co-founders, and we had two divisions. Sam was the boss and president and we had two senior vice-presidents. One was in the electronics side that made the product, but then we had a semi-conductor side, which created the material from raw material to the semi-conductor devices.

SOUTHWICK: So you actually did the manufacturing, then?

SIE: It was totally vertically integrated from the raw material, which was not existent at that time, was called a 35 compound instead of using germanium and silicon, which were the main semi-conductor base for semi-conductor electronics. For higher speed microwave we went to what they called combining of the third column and the fifth column, things like gallium arsenate, gallium antimony, and you have to grow those crystals first and then test them for microwave applications.

SOUTHWICK: How'd the company do?

SIE: The company did pretty well. I think in ten years we got up to about 4 to 6 million dollars of revenue and mostly it was R&D, so it was government contracts and it was ironic that until 1963 I was here illegally. So I'm now working on government contracts, some of them are secret contracts that I can give the direction but I can never read the report. At that time I felt pretty good because of the hundred or two hundred people we had about fifty PhDs. So here I didn't even have to get a PhD to run PhDs, so that was a pretty good decision.

SOUTHWICK: And you were hiring a lot of these people. Was this the first time you'd hired anybody?

SIE: Well, yes. Everything was learning by the seat of our pants, just sort of we don't know what we're doing except we need to get R&D contracts. So we figured out how to pitch R&D contracts and then create products to sell against big competitors – at that time they were big – like Microwave Associates, Raytheon, but we were a small company but we were the first one to integrate semi-conductor and electronics for microwave applications. So that was our uniqueness.

SOUTHWICK: You laugh about your lack of legal status. Was that a concern to you during that time?

SIE: Yes, it was. At that time we followed the law and every January all the aliens, legitimate or not, had to register with the immigration office and you fill out a form from the post office and you send it in. You'd usually be called to say what happened to you. Remember I told you we had a three week transit visa?

SOUTHWICK: Um-hmm.

SIE: That visa was long expired. This was a yearly ritual all throughout college and basically you get an official letter saying come to the office, blah, blah, blah, on Columbus Circle, a hearing for deportation. Every year we would go and we'd sit there for the whole day and then we'd get dismissed.

SOUTHWICK: Because you were a student?

SIE: No. It's that one, they told us they couldn't find our records, but later on, I think there was probably a good director, INS director, an Irishman, I forgot his name, who didn't want to deport us to communist China, so he just sort of let it slide.

SOUTHWICK: Because you were Nationalists and it would have been a bad fate if you'd had to go back there.

SIE: Yes.

SOUTHWICK: And year after year, every year this happened?

SIE: Every year. So I had no paper, but I justified to myself because I would always go to the recruiting station – there's a kiosk on Grant Concourse – for Air Force and I would go apply to join the Air Force, then I had no paper so they said, "Well, you can't join." So I said, "Well, if they can't take me, it's not my problem." Actually, the first two years at Manhattan College I was a member of the ROTC.

SOUTHWICK: Really?

SIE: Yes, because I liked the Air Force, but from junior year on you had to be a citizen so I could only go two years of that. So, by 1963, I was a president of Micro-State Electronics. Sam had died of a heart attack at age 40, so I assumed his position.

SOUTHWICK: At the age of?

SIE: 20-something. So, in the meantime we were acquired by Raytheon, which was a large company headquartered in Massachusetts and Raytheon was a big defense contractor and we were supplying key components to their avionics, as well as surface radars. Avionics in terms of hawk and sparrow missiles, and various different divisions as well as communications. So they thought they needed our expertise to further integrate into their process. So we were acquired by Raytheon and we made some money and felt very good in Raytheon stock, which was liquid, and all that stuff. By 1963, I was able – because of Raytheon and my own status at Raytheon – to apply for permanent residence because they needed resources like myself and through various Congressional pleadings I was able finally in 1963 to get a green card, and that felt very good.

SOUTHWICK: Become legal.

SIE: Yes.

SOUTHWICK: And how long did you stay with the company after Raytheon bought it?

SIE: And I also got my secret clearance. In fact, I got something between secret and top secret, so it was pretty good, and we did a lot of good stuff. One thing which is not secret which is always good is that we designed an amplifier called Asaki Diode or Tunnel Diode amplifier, and that was in the very early vanguard mission to Mars by NASA, and that amplifier is in the Smithsonian Institute. So we contributed quite a few advances back in the '60s. That was the beginning, if you remember, of the Vietnam conflict, and for those of us in aerospace, actually we didn't see the big picture of how Vietnam was unfolding, but we looked at it as a great testing ground for new technologies, so we were very happy to create a lot of new technology for that.

SOUTHWICK: A lot of patents?

SIE: Yes, quite a few, yes, and I stayed there until 1960 when the aerospace took a downturn, and if you recall during that time, the buzzword was converting aerospace research into commercial applications. So IT&T went to create schools, it was all kinds of process of transferring technology from aerospace and NASA and the government into commercial applications because the defense was going down, the budget. Raytheon decided to move the company from Murray Hill to Boston, to Waltham, and at that time, for personal reasons, Anna and I decided we don't want to move and we started trying to raise money to do some commercial applications from whatever the savings we had from selling it to Raytheon. We created another venture with about four technical engineers from Micro-State to start a company to create radar detectors, as well as for security purposes, for commercial application. So did that for two years, from 1970 to 1972.

SOUTHWICK: And what was that company's name?

SIE: That company was called Security and Telecommunications, Inc. – STI.

SOUTHWICK: You also got into the diamond business at some point, didn't you?

SIE: That was a side job. The three engineers with me and myself were working out of my basement – you know, go pitch different things, try to raise money – and we didn't succeed. A good friend of my father, Mr. Miao, was a geologist. One day he called me and said, "John, you ought to get into the diamond business." I said, "Well, I don't know anything about diamonds." He showed me the Sunday Times business section showed how the laser materials produced by Raytheon, produced by Linton Industry, can be made into simulated diamonds to create jewelry. So he said, "You come from Raytheon, so you should know that." I said I didn't know the first thing about diamonds. All I knew about diamonds was somehow a master something or other would look at a piece of stone and hit it in the right place and all of the sudden these facets come out. That was my perception of diamonds. He said, "No, no, no. I'm a rock hound; I go to YMCA to learn how to cut and polish. You learn, you learn." So I said, "Where the heck do I go learn?" He said, "Go to 47th Street." You see, 47th Street is a jewelry center of Manhattan – all kinds of diamond cutters, wholesalers, retailers, everything. So, the four of us went to 47th Street, and at that time the laser material, which was used for aerospace, as a matter of fact, in communications as well as weapons, it's called YIG – it stands for yttrium, iron, garnet. It looks very similar to diamond in characteristics. So we went to see these YIG

cutters and they wouldn't give us the time of day. It's interesting; it's a very close knit Jewish community, probably Hasidic Jews that were master cutters and they're upstairs, you knock on the door and they open the little things, and as soon as they find out we didn't want to buy things, we were just asking them how to do it, they said, "It will take you ten years to be a master." So didn't learn much from there. Then we said, "Gee, this can't be that complicated." So, the four of us took physics, optics, to figure out based on the YIG's characteristics as different from diamond, what are the proper angles and what are the proper things. So, from there we spent about half a year and we developed the industrial process: first how to grow the crystal YIG, which we perfected, and then slice it, optimize it and then cut and polish it. So I became a master YIG cutter – very high quality, competitive with these master cutters on 47th Street. So we set up a small assembly line in a little strip mall; we took over an old store and had about ten girls that we hired who had some dexterity and within two weeks they became master YIG cutters.

SOUTHWICK: And you became a gemologist?

SIE: Yes, I was a gemologist – certified – and I was the sales guy, so I went to New York every week with all these cut simulated diamonds – YIG – and sold it to Saks under the Diamondier name, and then there's also a custom jewelry called Triman brand name. It was good; I think it was \$35 a carat, so we sort of amused ourselves thinking now that we developed the industrial process now we can ship it to Taiwan, low cost labor, and really grow. Just about that time, the market was flooded with very inferior discount YIG diamonds from Amsterdam, from Israel, from Brazil. So it just took the market right out. It used to be a Saks pretty high quality and then it went to Covets and so the market collapsed. That was a sort of a business failure, but was an interesting sidebar.

SOUTHWICK: So around 1972 or so you're looking for a new opportunity?

SIE: Yes, because money was running out, but just about that time – obviously I'd had a lot of time to read and figure it out – I became very intrigued with the possibility of cable television.

SOUTHWICK: How did you first learn about cable TV?

SIE: It was through two books – well, one publication and one book. The book was called Wired Nation by Ralph E. Lee, and the publication was actually published by the government, a research project that we were able to get hold of. It was called Broadband and it was put out by the Office of Telecommunication Policy, which was under then President Nixon. The head of that was Clay Whitehead. Actually under him there were two renowned persons, Brian Lamb and Antonio Scalia. They were working on those projects, and broadband and cable really intrigued me because they paint a social picture that was very intoxicating. You know, you can vote at home, telemedicine, shop at home, order movies at home, learn at home. The two-way system was very intriguing to me as the new level of societal behavior, and those two books really got my imagination going. Coming from aerospace with very high tech but very limited application, now zoom! – this whole paradigm of consumer behavior that transcends anything we were able to do at that time. So I was very intrigued with that.

SOUTHWICK: And how did you go about getting into the business?

SIE: Well, then I looked at okay, if I want to get into that business, who's the largest equipment companies and rapidly I found out it was a company called Jerrold Electronics, which was a division of General Instrument. So I said, okay, well, now I know that. Then I talked to a good friend of mine who was vice-president of IT&T in Nutley, Harold Rappaport, because we did a lot of aerospace sub-systems with them. Harold said, "If you're interested in Jerrold, then you've got to go talk to these two people. I'll introduce you to them. One is Mike Jeffers and the other is John Malone." So I went down to Philadelphia and saw both Mike Jeffers, who is the chief technology officer today of Jerrold, and John Malone, who was the president and CEO of Jerrold.

SOUTHWICK: What was your interview with John Malone like?

SIE: It was interesting because I think I fulfilled a need for him at that time. That is a high energy, very high tech injection into the Jerrold research lab to create new products. Even though I was not involved with cable, which at that time we sort of... those of us in aerospace considered cable sort of a low tech schlock. But the book interested me about the possibility, so when I talked to John, John asked me a lot of interesting questions including to describe the Asaki effect, which is the tunnel diode which we produced, from a physics point of view. So I did that and he was impressed.

SOUTHWICK: What did you think of him?

SIE: He was a good guy. He was nice and asked me good questions and I found out he had a PhD in engineering, so we sort of bonded in that sense. He was also very interested in... I told him I was a gemologist, a lapidist. He didn't really know what a lapidist was and that's someone that polishes and cuts stones, a lapidary, so to speak. But unbeknownst to me, Jerrold was the largest supplier to the cable industry of all sorts of system equipment, including turnkey, and so they sold amplifiers, they sold headend equipment – they sold everything – taps... But they were upstaged by two small companies doing two-way interactive systems. Jerrold was selling a lot of two-way systems, but they didn't have anything to hook at the end of the application. One company was called Thetcomm, a subsidiary, 50% owned by Hughes; and the other one was called EIE, which was a subsidiary of RCA. They were creating two-way tests. Thetacomm was testing in El Segundo, California, a two-way interactive called SRS – subscriber response system. Then EIE was testing with ATC, the predecessors of Time Warner Cable, in Orlando, a decade and a half later a full-service network. But anyway, it was testing two-way application, got a lot of national publicity, and so they were starting to take business away from Jerrold on distribution because they said, "We have something at the end." So, John needed something for two-way interactive systems and Jerrold didn't have any, so there was a need for him to show some application. I don't think he had any faith in actually having a system working, but it was very important to sell the distribution system to say we have also tested. I didn't know that, so I headed up this new two-way interactive terminal division.

SOUTHWICK: What year? Was this '72?

SIE: 1972. So, I was full of vim and vigor, I guess, to create the new order, but instead of doing the testing that they were doing, I wanted to go a step beyond. At that time, General Instrument had a system software company which does betting called Amtote Totalization. They also had a semi-conductor division in Long Island, and they also had a defense electronics system, also in Long Island – ESD. So, at Jerrold I was able to tap into these three resources of General Instrument to create a customized, one of the first integrated circuit, specifically for two-way interactive systems. So it was pretty exciting, beyond the state-of-the-art at that time. In 1972, the very first calculator came out from, I think it was North American Rockwell, which was about nine inches by seven inches by two inches, and you know, you push a button, there was a liquid crystal, it was wonderful! So it was that thought process that I actually created a wired remote with the alpha numeric keypad for control of two-way interactive systems. We developed it, called CommuniComm and it was demonstrated at the 1973 Western Show. It was a very successful opening for this integrated system, and I actually got five MSOs to do a large scale field test for applications – Rogers of Canada, and then four MSOs here.

SOUTHWICK: Tell me a little bit about what the industry was like when you first got into it. What were the shows like, what were the people like? It was entrepreneurial, right?

SIE: Yes. I joined Jerrold in '72, and actually even before I joined them, I went to the very first marketing seminar in 1972 in Denver. It was put on by NCTA and I learned a lot of potentials and excitements and different people who were connected. Rob Stengel was the NCTA's public affairs officer, and Tom Willet of Continental, Jeff Marcus, there were a lot of names – Marc Nathanson, who was at TelePrompTer. So they were all talking about futures. I was awestruck, coming from sort of an aerospace bent, to see the hype and pizzazz. I thought it was good show biz because they were all talking about promotions. It was fascinating. There was one person who was bigger than life, his name was Dick Lubek, who created Home Theater Network. At that time it was microwave interconnected with CARS and you could buy everything, shopping as well as movies. But I knew the technical boundaries, so I knew he was a little bit full of hot air, but he was bigger than life and confident and would pay people \$70,000 if they affiliated with him. He had a truck that goes around the country. It was fascinating to see the hucksterism at that first NCTA marketing seminar. So I was awestruck with a lot of things, and I still have that book. It would be interesting to look at it sometime. Interestingly, HTN – Home Theater Network – and another company, far outshadowed HBO. The second company was by Jeff Nathanson and Alan Greenstadt called Optical Systems, Channel 100, and it was all pay-per-view and they had a box from TRW they put a card in, you could buy a 7-11 and you could watch movies. Channel 100 was signing up big cable systems at that time, like San Diego from Cox; Toledo, Ohio; all of the big systems would either sign up for HTN, Dick Lubek's, or Channel 100. But very few which were still regional signed HBO. HBO had just launched that year, so it was interesting to see how if you forecasted at that time, HBO wasn't anywhere near it and today, of course, HBO is the father of premium service, everybody realizes. But in the early days, there were quite a few competitors that had much more notoriety. I remember – I forgot the name now – Dory Shary, who was a big Democratic contributor, but also was a head of MGM, he together with Ralph Bellamy set up a system in Sarasota for pay-per-view called Theater Vision. So these were the early stirrings of pay TV, and I got really a quick emersion course when I joined Jerrold, so I was determined that Communicomm could do all that plus more.

SOUTHWICK: Were you involved, or was Jerrold involved, with supplying the equipment for when HBO did launch in Wilkes-Barre, Pennsylvania? Were you on-board by then?

SIE: Yes, and we helped them. It was a second choice; everyone who was interested in pay TV always wanted pay-per-view because that's what Hollywood's model is. All of the tests were all pay-per-view. I remember talking to the people that were planning that at Time, Inc., and the gentleman at the head of that was Red Austell and then his sidekick was Barry Sortium, who came out of the Johnson administration, was doing CIA work in Vietnam, and they together with a gentleman named Paul Kline, who was formerly at NBC, the one that coined "least objectionable programming", came out to Jerrold to see how we could help them create a pay-per-view box, and we couldn't do it in time, or cheap enough, or reliable enough. So, Jerry Levin wanted to do pay-per-view also, and we had actually some tests going on in a Holiday Inn in Newark – a pay-per-view box from a guy named Keith Sorenson – Keson box – which if you don't remember was a flip of A and B, a little clunker thing in a hotel room. Anyway, we were going to try to make that cheaper, but it was beyond the state-of-the-art at that time, so as a default we went to a subscription model and Jerrold had those converter boxes that would work to use the mid-band for HBO, and that's how we started in Wilkes-Barre, Pennsylvania – with the Jerrold, I think it's RSC-30, which was like a two row, wire corded remote, and you'd push the button. That was the beginning of pay TV and the beginning of my involvement with pay TV equipment.

SOUTHWICK: But the cable operators in those days were broke, weren't they?

SIE: Well, actually in '70-'73 was on the ascension.

SOUTHWICK: Beginning to come back?

SIE: Beginning to come back – and then a series of events happened, I think in '73 and then maybe continued to '74. All of the cable stock went from fifteen to thirty down to one or less, so the whole market collapsed. I don't know whether that had to do with Irving Kahn going to jail...

SOUTHWICK: That was part of it.

SIE: It was a whole rationale, and I've seen many cycles of that. Cable fulfilling a promise, dash the promise, market crash, and so before it crashed I signed up these five systems that were willing to pay me to do a thousand unit test, and of course when the market crashed nobody can do anything with that, and I think it was at that time when pay TV became very in vogue – HBO or Channel 100 – because they gave you additional revenue from the same base. So from a two-way interactive system I became a one-way pay TV and terminal division at Jerrold, and from there I eventually became in the fifth year at Jerrold the vice-president and general manager of the cable division.

SOUTHWICK: Well, Malone left at some point, didn't he?

SIE: Malone left about six months after I joined Jerrold. I joined Jerrold in mid-'72, I think Malone left to go to TCI in '73. So he became one of our biggest customers.

SOUTHWICK: And who was your new boss at Jerrold?

SIE: I had five bosses in five years, if I can remember some of them – Bill Firestone, Dick Eisenhart, John Malone, and there were two others. We'll find out. Little did I know when I joined Jerrold that Jerrold never made any profit until the year I left, which was 1977. So I finally figured out how to get scale economics, moving to off-shore manufacturing, and in 1977 was the first year that Jerrold turned a positive cash flow.

SOUTHWICK: Wow! Even under Milt Shapp it did not?

SIE: Maybe before my time, but there was all kinds of...

SOUTHWICK: Not recent history.

SIE: I really enjoyed the interaction with the chairman of the board of General Instrument.

SOUTHWICK: Who was?

SIE: His name was Monty Shapiro. We called him Monty, and he was the most elegantly dressed, most foul-mouthed individual that unless you fight back you'd be eaten alive. In a way, he was also probably John Malone's mentor or father figure.

SOUTHWICK: He was a smart guy?

SIE: He was smart, aggressive, in your face, "what's wrong with this picture", "why don't you do this", "you idiot", that type, probably like a George Patton of the cable industry, but I had a lot of interaction with him during reviews and being behind, how come you're not making profits. So it was interesting. I can tell you, maybe off-color, but it was during one of those typical reviews, he would know right away what the problem is. So in a big group he would go on his normal bashing and so at one point we're sort of raising our voice and every other word was the "F" word from Monty, and finally in desperation I said, "Fuck you!" He said, "Watch your language!" So it all depends on how you deliver it, I guess. (LAUGHTER) But that one sunk in my mind. I don't know if John was in the room – no, John was gone a long time.

SOUTHWICK: He remembers some of those, as well. When did you first become aware of the satellite as a possibility for delivering cable programming?

SIE: Well, satellite was always there during the aerospace days, but in communications, the United States was really way behind. Canada actually started first as a communication satellite. It was back in 1958, if you remember, it was '58 or '57, I think '58, Sputnik went up and America was shocked. We're behind and so we got Wernher Von Braun, an ex-Nazi, to run our aerospace program, but at that time the most advanced laboratory was Bell Laboratories and they put up the very first communication satellite. I think it was called TelStar, and so everybody was projecting communication from satellite. We all used the theory of geostationary orbit, a concept by Arthur C. Clarke, first, and basically if you move far enough away so that the centrifugal force is equal to the centripetal force, the thing will stay constant in the same place and it rotates at the same speed as the earth's rotation, so that's why it stays at the same place. Everybody was moving toward that communication satellite, which to this day we use except one little thing, called time delay. It took about .6 seconds to go up and down 22,300 miles away, and we are so used to response hearing and reflex that that .6 second of delay became very irritating in normal conversation and therefore all of the hopes originally of the satellite as communication...

SOUTHWICK: As a voice communications for telephone.

SIE: Which was the main thrust of all communication at that time, became fallow, but Canadian – which was behind, but then they came ahead – they continued to do the communication satellite. If you go to some foreign country some time, you can still see the delay on their telephone service because they're using instant communication through satellite, but it never worked in America for any two-way but telephony failed. So, Bell Lab built all these capacities... plant really didn't work. To answer your question, I think it was 1975 NCTA in New Orleans – I remember the big flood in New Orleans – and that's when I attended the press conference by Jerry Levin and Bobby Rosenkrans announcing HBO going on satellite toward the end of the year, and that was fascinating. So that was the very first shot. Jerry had to show a profit and HBO wasn't making any profit, nor progress as a regional microwave delivered footprint using eastern microwave, which was New Channels or Advanced Communications microwave network. So it needed to compete on the national footprint with other competitors like Channel 100 and so on, so it took that gamble to go on satellite as a way to amortize the cost in New York to a larger base.

SOUTHWICK: Did you realize at the time how this was going to change the industry?

SIE: No. Yes and no, because I thought that would only work for very, very large systems because at that time the size of the dishes had to be 10 meters which was very expensive. So it's almost like here talking about head end digitization today, that only a certain size can have the scale to fit and at that time cable was a lot of small systems that could never use it. So I thought that's a great idea, but the cost of the reception was just too expensive for smaller systems, but nevertheless, I certainly knew all about the technology of it and actually I was there at Sid Topol's conference room – I think it was September 30th, whatever it was, 1975. It was the Fight from Manila... I think that was...

SOUTHWICK: Yeah, the Thrilla from Manila.

SIE: The Thrilla from Manila, and Sid Topol and several of us say there and watched that fight. It was a Scientific Atlanta receiving dish.

SOUTHWICK: It came down in Vero Beach, Florida and at the Scientific Atlanta headquarters.

SIE: Well, it came down in three places – Jacksonville, Mississippi, Vero Beach, Florida, and Scientific Atlanta, and I was there watching that fight and the rest is history.

SOUTHWICK: How did that affect Jerrold's business?

SIE: It improved because we were selling head ends and so you had one more slot for HBO. I think it spurred on the whole building into the major cities which was not built at all at that time because they had plenty of reception of off-air channels. So that was the first step in moving to larger cities, and then probably not as well recognized today, Ralph Baruch, head of Viacom – Ralph used to call it 'Vee-a-com' – really headed up the de-regulation in moving into smaller sized earth stations and I think a year later, 1976, was the momentous decision by the FCC to permit smaller size of earth station and eliminated the requirement for what they called "frequency coordination". To get the 10-meter dish in is a bureaucratic nightmare; you've got to file, you've got to do all the surveillance to make sure you're not interfering with any other C-band terrestrial communication and so FCC de-regulated that piece, and actually that act propelled HBO. If it weren't for that it would not be as robust as it is today.

SOUTHWICK: I want to get to your move to Showtime, but before we get away from Jerrold, back in the days when the cable companies were having trouble with their credit you had John Malone as a customer. Did that require some innovative financial arrangements?

SIE: I think it wasn't by choice. Actually, Jerrold at that time, besides being the largest supplier of equipment also financed the build, either through turnkey or just financing equipment purchases. I think our biggest borrower was actually Chuck Dolan in Cablevision, so in the way Jerrold financed all of the build of Cablevision's Long Island franchises, and TCI was no exception. At that time I wanted to make sure we could pay for what we shipped so we usually had credit checks for various customers and TCI was a slow paying company, and of course we had to slap a credit check on them. So, okay, the system is working, but then a couple of months

later I'm reviewing and we're still shipping stuff to TCI. So I asked our controller, "What's happening? What happened to the credit hold?" And then I found out John's genius is that to the outside world he's saying, "Every one of our systems is a bulkhead, so it has self-integral credit references," but actually it turned out we just got 20 or 30 different entities that does business with Jerrold. So when one credit check goes down he uses the other companies, so it rotated for quite a while because he knew the system from when he was the president of Jerrold.

SOUTHWICK: (Laughter) Very good. In '77 you moved from Jerrold to Showtime. How did that come about?

SIE: I'd like to go back to the precursor of the NDF Communicom and the precursor to Qube. Remember I mentioned to you that Jerrold was the largest supplier of two-way equipment and they had a huge project in Akron, Ohio, two-way interactive distribution system; it was one of the first. So, obviously I'm taking it to the next level of Communicom. So we made 30 units and were going to do a field test of those 30 units, technical Beta tests. I remember it worked – voting, pay-per-view, merchandising, emergency, security, all kinds of applications – and we had an independent consultant verifying the data for Warner – Elmer Metz, who passed away. Metz and Jarvis were consulting, so they came and...

SOUTHWICK: This is after Warner had purchased the system in Akron?

SIE: Yes, it was called TVC at that time, and so they purchased it and I was dealing with Gus Hauser. So I installed the stuff in Akron and that's when I first found out the real problem of two-way interactive system – that it was noisy as hell. That means everything, information was coming back and swamping, the system was leaky, and therefore it was a failed test and Warner decided to move to Columbus, which is a tighter system.

SOUTHWICK: By noisy, you mean there was...?

SIE: Ingress.

SOUTHWICK: Elements from the outside coming into the...

SIE: Ingress of a signal coming into the system and then feeding back. Because it was two-way it all gets amplified, and so when you imagined this ten thousand points of energy coming in it just swamped out the regular intelligence that you were trying to transmit. So it rendered the system totally inoperative. So Warner decided to change it to Columbus and we were doing all kinds of preparation when Warner issued the RFP. Pioneer, a Japanese company at that time, mostly in audio equipment came in and bid the Qube system and they put in about six million dollars of upfront R&D free of charge and Jerrold just couldn't afford to do that so we backed out. That's the story of Qube. It would have been Communicom.

SOUTHWICK: How did the decision to leave Jerrold and go to Showtime come about?

SIE: Well, actually, it came by accident, I guess. It was about '76, and Viacom was a cable operator as well as a syndicator for television programming. Ralph always thought that they know show biz because he came out of CBS and at HBO they don't know how to do programming, so Ralph had ambitions of creating its own pay TV service. HBO was already on satellite, but back then, which prompted the beginning of CTAM, was that HBO was solid and grew initially very well, but three or four months later the churn was killing it. So you have more truck rows and consumer dissatisfaction, which was the genesis of CTAM getting together to figure out what's wrong, and within that same cycle Ralph says let's do a pay TV and hired two executives from ABC network because they felt network knows what they're doing. One was Jeffrey Reese who sort of pioneered movie of the week under Barry Diller, and the other was Jules Heimevitz who was in their research department, a very bright, young researcher, and those two started a pay TV called Showtime in 1976. It was a bicycle tape, and Times Mirror, a Viacom system on the West Coast used it, as well as a Viacom system in Long Island – Suffolk, Long Island – and during that time Jeffrey and Jules wanted to learn more about the cable industry, which they really had very little knowledge of, and of course my good friend who was running Viacom Cable at that time named Doug Dittrick, who knew me, says, "John, why don't you come in and give a talk to these two young kids, Jeffrey and Jules, about the cable industry." And so I did. It was in a small conference room and I gave them my idea of pay TV since living through with Jerry Levin Home Box Office and various equipment – how does it work, what does satellite mean – so I sort of gave them an overview of the cable industry and I also told them that for pay TV to be successful you needed multi-level, and in fact, one of the first...

SOUTHWICK: Multi-level meaning?

SIE: Meaning you can buy this kind of pay TV or that kind of pay TV, it's not just one flavor, and I remember trying to convince Jerry Levin, whose secretary used to stuff guides in the early days at the office, that he needed to break out his sports from the movies so you can have three combinations of services. You can have a movies service, you can have a sports service out of Madison Square Garden, or you can buy both. So you've got two channels and I designed a box called DST-4, which allowed you to buy all these combinations. So I thought you need a multi-level pay. So I explained that theory to Jeff and Jules and they sort of were intrigued. They knew they had to get on satellite to compete; they had no idea how to do that. With my technical background, as well as my knowledge of the cable industry and the customer base, Jeffrey suggested that I should join them, with Doug's blessing, to run their marketing and sales and convert them into a satellite service. I was intrigued with show biz or a more glamorous happening and it was exciting moving the next step closer to total application. Rather than selling hardware I would be able to use the hardware as an application for a service, so that was very interesting to me and that's how I joined Showtime in the summer of 1977.

SOUTHWICK: And Showtime had a number of innovations during that period. HBO had run into some problems. Can you tell us what Showtime kind of brought to the table that advanced the business beyond where HBO had it?

SIE: I think a little bit of smoke and mirrors, but basically our claim to fame was that I think we had ten movies a month, and we scheduled them with interesting interstitials to reduce churn.

SOUTHWICK: So that the movie would start on the hour rather than somewhere...

SIE: Haphazard, yes. We said, basically, we were trying to get the message, which still has not gotten through, the question of repeat. That we're saying to the consumer proposition it should be: here is the option to watch these ten movies for eight dollars a month, rather than here is a new channel, so that was a challenge and I think we were able to get that message across. The point of differentiation with the way we scheduled and the way we packaged versus HBO, which had movies and sports and different specials so it was not a pure movie service, and I think that resonated well with the consumer.

SOUTHWICK: So Showtime was a pure movie service and maybe later on in your career you did that again.

SIE: By default of the other two falling by the wayside, yes.

SOUTHWICK: But HBO and Showtime had the same movies. They were buying from the same studios, is that correct?

SIE: Yes, at that time a studio opened up a window and they both had the same movies, it was just a matter of how you scheduled and packaged them differently. We did not have Madison Square Garden, so we just had a pure movie service. So at that time, the conventional wisdom – in fact, that was not conventional wisdom – the practice is all you need is either HBO or Showtime or some other service. There was, if you remember, the Telemation programming service was a cassette, and various companies like TCI had their own cassette service, Continental had their own cassette service, and you have sort of two national brands. Channel 100 was also converted from a pay-per-view because the box ate up the cards, so it didn't work, pay-per-view; so they went to a subscription also. So these were the competitive forces at that time.

SOUTHWICK: So a cable operator would have to decide which one of these premium services they wanted and it was an uphill battle, I assume, for Showtime against HBO.

SIE: It was very, very difficult because you had to know when their contract was up and then you fight for the successor to be us, or if the contract permitted switch-out we would switch from HBO to Showtime. So those were the only two modality is a switch-out and so it was very difficult. I think we had some success in switching out, at the time ironically called Liberty Communications out of Oregon, Don Tykeson's MSO, we switched it out, and then the other one was called Communications Services out of Kansas City, Kansas, and we switched that out. So it was like block by block to do. It was touch.

SOUTHWICK: But at some point that changed and the industry realized you could sell more than one. How did that happen?

SIE: Success is always taking opportunistic of things with unintended consequences. There was a company at that time called Wometco, which was run by some theater owners out of Miami, and the head of Wometco... do you remember the name of the guy?

SOUTHWICK: Tykeson? No. No, I can't.

SIE: Gee. Anyway, Wometco was into all kinds of entertainment including the over-the-air pay TV and they also ran some cable systems, and this gentleman – how can I forget his name – anyway, he was a craggly old guy who didn't trust anybody and so in the system in Thibodeaux, Louisiana he wanted to offer pay TV, at that time either HBO or Showtime, and we both said we were the best thing since apple pie, we'll get you more money, and he looked at it and said, "Why don't you two fight it out? I'll give you both a channel. I'm not going to pay any marketing costs. You tell the customer, we'll help you, and so you duke it out." So basically we said, "Well, that's fine." So I sent my best marketing person down there, her name was Sarah Levinson who later on went to NFL, and I think HBO sent their crackerjack, John Billock. So these were the two duke it out, we spent a lot of money on media, all kinds of promotion, and the interesting thing was at the end of the day when the dust settled, number one, they got higher pay units penetration of any other single service, and outstandingly about 25% of those households took both. They were the same movies but they took both. So one is because of disposable income, and the other is, frankly, the convenience of seeing two different options. So, having armed with that information, we were off to the races. Cue Spaulding, which was with me at that time at Showtime as head of sales, we started to promote dual pay, and so that sort of started to sink in and then we saw a path that we can, instead of switching out HBO we can be together and co-exist with HBO. That's number one. Number two, those were the early franchising wars and what was popular then was a successful story in the Philadelphia area called Prism, which is combining of the local sports franchise and movies. So the success of Prism begat many other regional movies/local sports channels and in the Southeast all these franchises went with a company called... During the franchising war, many companies replicated the success of Prism, so in the Southeast conference a movie sports service called Fanfare was successful because it had all of the local league sports contests on the thing exclusively. So, as a result, it was written into every franchise: San Antonio, Texas, Dallas-Ft. Worth... every franchise had HBO and Fanfare, but Fanfare was running into financial troubles – the enterprise – so what we did was while we were pushing for the dual pay we also acquired Fanfare. So we then called it Showtime Plus. So we put some sports in there and then we phased it out so it became Showtime. So all of the sudden we were in all these new franchises in Texas and the whole region. It was really these two combinations that led us to newer... from two-pay to multi-pay. The rest is history on how we sort of survived the toughness of the early days of Showtime against HBO and now it's Showtime with HBO.

SOUTHWICK: And had Showtime and The Movie Channel merged by that point or not?

SIE: Not yet.

SOUTHWICK: That was later.

SIE: But then HBO as a true packaged good strategist created a flanker brand called Cinemax.

SOUTHWICK: So they could go in and offer two instead of having the two be HBO and Showtime.

SIE: Yes, that's right. So they would cut prices and we had a couple of anti-trust fights on the convention floor, and so it was a very tough competitor still. That's why we had to say HBO and Cinemax had the same movies, at least we had different movies... I'm sorry, I skipped a beat. Then to make the dual pay stick better, we started to move towards exclusive programming contract and Showtime was the first one to cut with Paramount on the exclusive contract. That was a gamble because you had to pay a lot more money, but at least it established a point of differentiation which lasts 'til today where each premium service has a cadre of studios that belongs to them exclusively.

SOUTHWICK: And who was the CEO of Showtime when that exclusive movie deal took place?

SIE: Okay, Jeffrey has gone, so it would Mike Weinblatt who came in from NBC.

SOUTHWICK: And you stayed at Showtime through '81?

SIE: Through '84. From '77 to '84.

SOUTHWICK: And in '84 what happened?

SIE: In '84 I became a cable cowboy in Denver.

SOUTHWICK: And how did that take place?

SIE: Actually, you know, John and I kept our friendship and business association throughout the '70s, first at Jerrold, then at Showtime because I was trying to sell Showtime to TCI and that was interesting because before I even started the job I got Ralph Baruch and Terry Elkes to agree to commit to a satellite. At that time we didn't have a satellite, nor did we have a playback. I said, "I need 10 million dollars," which was a huge amount of money, committing so that I can go to TCI and say we're going to do satellite. So I came to pitch John Malone and J.C. Sparkman in '77, and showed them how great it is, price is good, and John was convinced that this was a better service but he wasn't sure because he couldn't see our signal in the parking lot. He said, "You know, John, you make a good story, your thing is compelling, but I can't see your signal in the parking lot so I have to go with HBO."

SOUTHWICK: Because you weren't up on the satellite?

SIE: Yeah, because I hadn't even joined Showtime yet so I just came out to pitch this thing with Jeffrey Reese. But John was very good because at that time I realized how tough HBO was going to be because HBO had a rate card that stopped, I think, at 20%, and of course John made two phone calls, one to Nick Nicholas, who was head of HBO, and within ten minutes Nick created a new rate card which is lower. I think it was a 25% discount, so he immediately saved TCI millions of dollars without doing anything, and then John called Scientific Atlanta to get a dish program. So he's saying I'm going to convert it to satellite from my cassette and then Scientific Atlanta gave him great financing on the dish, so John was off to the races converting a cassette run pay TV service to HBO. So that was my very pre-starting at Showtime sales call to know how tough HBO was going to be.

SOUTHWICK: What is it about John Malone that makes him such a financial wizard, I guess? You know him as well as anybody else. You worked for him at Jerrold, then he was one of your customers at Jerrold and at Showtime and then close allies for all these years.

SIE: Well, I think everybody pinpoints the right thing, that his intellect and his voracious conceptual understanding of very complex subjects and is able to interconnect them, something that I could never do in the realm that he does. That is both in business technology and tax and leverage. That means he puts them all together in one and that is where his key strength is, is that ability to navigate through all of that simultaneously in the head and come out with a deal that really optimizes the situation. I'm very good in the area I'm involved – in the business and finance of a business, whether it's pay TV or technology, but his integration of a broader scale of tax regulation into a final package, that's his strength.

SOUTHWICK: And how did you come back to work for him in '84?

SIE: We kept a good relationship, and of course I got to know Bob and Betsy Magness during the TCI days, so we were very fond of each other, that core team, and it was, I think, in '83 I nominated John to the Vanguard Award and John did receive it, the Vanguard Award, that year. It was during that celebration banquet – I forget where it was, we were all in tuxedos and happy and all that – that John and I got to talking and John said, "Why don't you come out to Denver and make some real money?" So that was the beginning of our discussion of joining TCI. John knew at that time that TCI had a lot of franchises in the C & D county, but it really never played into the major A & B county, the major cities, and John knew that to be a national medium the cable industry, and TCI in particular, had to penetrate those major markets. All of the major market was then not built because of the physical costs and so on. John thought I could sort of bring some strategic help in how to penetrate these large markets as well as creating new revenue sources.

SOUTHWICK: And one of the things you did was to move TCI into the major markets, particularly the markets where Warner and others had overbid and then were unable to meet their promises. Was that your first task at TCI?

SIE: Well, actually, it's the other way around. John wanted to get into those markets and those markets were bleeding, like you said Warner Amex particularly, and many others. So when I joined TCI that was sort of my first job. It was loosely called Senior Vice-President and part of the office of the president, or something like that. John couldn't fit me into operations, so...

SOUTHWICK: Titles didn't mean much at TCI, did they? I mean, people sort of did whatever they wanted to or whatever made sense.

SIE: I think TCI at that time... John had sort of started to create sort of an unwritten two groups. One group is the operations headed by J.C. Sparkman, runs a tight ship, budget to the pennies, and then he hired a lot of what I would call 'young tigers' who were financially driven, who were thinkers, who were really more able to financial engineering, technical engineering, all kinds of new things so that it can feed into this disciplined machine. So you have sort of two groups; one is rigid and inflexible, and the other is sort of...

SOUTHWICK: Peter Barton would be in that latter category.

SIE: Yes, Peter Barton, Stew Blair, Dob Bennett, Brendan Clouston. Yeah, those are the ones, and I was sort of the eldest guy that used to know some cable. So we were sort of in the other group. So John did that because he really didn't want to run operations. I came in to TCI, John had already had a handshake deal with Warner Amex to buy Pittsburgh from Drew Lewis, who was head of Warner Amex, and so they had this one page term sheet. It was my job to see how we can get the franchise transferred.

SOUTHWICK: Which is a political process?

SIE: Yes, which was totally new to me. I was technical, I was programming, I was business, but not franchising. But now I'm an operator and so TCI surrounded Pittsburgh with old antiquated 12-channel systems. Inside the city is the jewel of Warner Amex, Qube, with 82 channels, two-way interactive Qube, but they spent like 130 million dollars building it and they were losing 30 million dollars a year, so there was no end in sight. So that's Warner Amex where everybody thought it was a jewel and TCI surrounding it had a bad reputation and low channel capacity. So it was that environment that I had to transfer and the only thing I got guidance from J.C. and John is stay away from the press because they will murder you because TCI just gets always murdered. You know, "So when are you going to go from 12 to

50?" So that was the environment there. So I analyzed the system, figured out what would work and then go about following that goal of what would work and then trying to sell it to the political entity who was hostile. I actually went the opposite route of what J.C. and John suggested. I went to the press – every talk show, every TV program, I challenged everyone to debate. What I said was the Qube system is a wonderful idea, but the practical implementation is a disaster, it's not reliable, it's not working, and many channels are just... nothing was alpha-numeric. You know, school lunch menus, it sounds good, but when you look at it it's really not fulfilling the request, and so I proposed less is more and focused on an offering including a thing I created called movie on demand, which is sort of a subscription type pay-per-view. Anyway, so I trucked that out and finally I think the politicians were calling back to say, "We'll do the deal as long as John stays away from the air."

SOUTHWICK: (Laughter) Who did you debate? Who were the people on the other side? Local community leaders?

SIE: Oh, public interest groups, public access, "You're taking away our studios." There was a free-for-all in all these big meetings. There was a meeting every week and I would fly down there, but I would go on the air, I would go on the attack to show why less is more. They finally brought in John Malone, Drew Lewis and J.C., so we had a big city council meeting and everything was done and they passed. It was interesting because concurrently with that negotiation, Mayor Richard Caliguiri was the head of the National League of Cities at that time, who was negotiation with I think it was Jim Mooney at that time for the Cable Act.

SOUTHWICK: Of 1984.

SIE: Of 1984, and that was passed in December. So I was sort of a surrogate to look at what is the definition of economic viability and various other things. So in a way it worked very well that it became a template and I used the NCTA guidelines so that we sort of pumped each other and Pittsburgh was the very first franchise.

SOUTHWICK: Pittsburgh was going on about the time the '84 Act was up before Congress. How did that relate?

SIE: Well, actually it was a very good template because we would test various words, which incorporated in our franchise agreement to be coinciding with the Cable Act law before it became law. So it was sort of a testing ground, if you will, for the cable industry as well as for TCI, and then eventually culminated in various languages that's used in the Cable Deregulation Act of 1984.

SOUTHWICK: And Pittsburgh turned out to be a great financial bonus for TCI, a tremendous success.

SIE: Absolutely, very successful. It grew and the cash flow turned around and it became a jewel because then they could integrate the whole surrounding area as well. So, it was a very interesting... it was the center of the donut that TCI needed very badly and they got it. Actually I improved the original term sheet by about 30-35% financially, and I think one of my continued leverage – which Warner Amex people hate me to this day – was that I had a provision that we can ship them the old Qube box to Dallas for \$30 a piece.

SOUTHWICK: So you sold them their equipment back to them for use in their Dallas system.

SIE: In Dallas and whatever... the Dallas and Milwaukee systems. I can just dump it to them at \$30 a piece so I recaptured a lot of those equipment costs that we bought for nothing.

SOUTHWICK: And TCI went on then to expand into other major metropolitan areas.

SIE: Yes. I think right after that we got... Peter Barton, actually, was instrumental in getting the Chicago franchise. Then I had an interesting encore in Washington, D.C. That was very interesting.

SOUTHWICK: How so?

SIE: Bob Johnson... Malone supported Bob Johnson in him getting the franchise, but we just thought it was a minority owner and Bob was going to run the whole thing and Bob was going to look for financing from other MSOs. So, Bob got the franchise, which was totally uneconomical. That means, I think you needed about, at that time, \$55 dollars of revenue per sub to break even in those days. So it was an onerous requirement, it was a leaseback from the telephone company, an onerous lease contract, with a thing called C & P – Chesapeake and Potomac.

SOUTHWICK: C & P Telephone.

SIE: So Bob, with that kind of franchise requirement, couldn't succeed, couldn't raise financing. He would go to all the other MSOs – TelePrompTer, United Cable – to ask for funding, but all of them wanted control, so Bob says, "I don't want to give control." So one day Bob came in and the franchise was going nowhere, and John says, "Why don't you see if you can fix it." So I went off to Washington D.C. and that was a totally different kind of franchise because it was, with the telephone company with the onerous lease that was very expensive, they were going to build it, and then the city government was a little different and was even more of a minority owned, African American controlled city council. If you remember, the mayor was Marion Berry, a bigger than life figure, so that was the atmosphere I went in to change the franchise, again from a gold plated thing into something practical, but the key thing was to renegotiate the C & P lease contract because you cannot dig up the street because of defense and it's all trenched already by C & P. So, the ability to, in a way, force C & P to renegotiate a contract that is viable was a tough nut. I needed political pressure from the PUC, and I think I created the very first volume discount on tariff in the country. That means tariff is always set at the same price so they say, "Well, you know, we can't discriminate against MCI or whoever else wants to use the conduit," so I created this volume concept so that we got a much reduced construction and lease contract, and that was the key thing, and then of course getting the onerous provision of the franchise agreement taken out. Now it's Comcast and I don't know how successful it is.

SOUTHWICK: But having a cable system in the nation's capital that provides service, I think, is a valuable to the cable industry beyond maybe the economics of the particulars.

SIE: You're absolutely right because there was somehow an imperative that you really can't be a national medium unless you penetrate the capitals and the large urban centers like New York, Los Angeles, Chicago and Philadelphia, and Washington certainly is a key piece of that.

SOUTHWICK: And then at some point, TCI decided they wanted to get into the programming business and you were given yet another, if I can, "football" handed off to

you.

SIE: Well, actually TCI was always into the programming business way before I joined. They owned a studio called Republic Pictures which was bleeding like a squealed pig and mismanaged. Then they had actual involvement with the Telemation programming services and they were always talking about forwarding, a la Bill Daniels, sports program throughout, so they were very much...

SOUTHWICK: And they got BET – Black Entertainment Television – financed, and Discover Channel, also.

SIE: Well, no, that was later.

SOUTHWICK: Okay, later.

SIE: But it's heritage was always... there was need for programming to fill for people to buy the service, so that was always in their genes – Bob Magness's genes and John Malone's genes – but they abhorred the idea of creating content, so packaging content probably was more in their thinking. So Bob Johnson was supported by John at TCI putting the seed money, got Time, Inc. involved and got Taft involved, so Bob was off to the races and I think Bob was struggling with, I think it was at that time a penny to penny and a half per month license fee. So when I joined TCI, Bob and I were discussing it and I thought that was an important segment of the programming so basically I created the rate card that TCI was to pay a nickel. So that immediately went up by 2 ½ times, so once Bob says, "Well, TCI's paying that," so the rest of the industry sort of followed. So that was a needed injection which I sort of spearheaded to propel BET to its financial health.

SOUTHWICK: Particularly important because you were getting into the cities, like Pittsburgh, with a substantial minority population.

SIE: Absolutely, and then Bob was very good in managing the budget and he had the incentive because he owned a significant share, so it really worked as an entrepreneurship, but he needed some validation to get out from the penny and a half into the nickel and six cents and seven cents, and I was very glad to play that role at TCI. Then, of course, we know the Cable Deregulation Act of 1984 happened and we knew to get into the cities we had to invest in programming because otherwise consumers weren't going to buy it. So that was a key resultant of the Cable Act of '84. So we knew we had to fill the pipe, and to differentiate ourselves. At that time there was a good stirring of various programming beginning like ESPN, MTV – that was before CNN – but they were always using the broadcast model: it's free and we'll sell advertising. Well, that didn't really work, and so we sort of encouraged a dual revenue stream model so that ESPN charges a license fee as well as advertising. MTV started charging a license fee as well as advertising. So it was during that time that we formulated that thought process, and then I thought, yeah, we should support a lot of the cable programming channels, but I think the killer rap is for cable to get together and create what I coined "punch through programming". Simply put, punch through programming means you want to create a cable channel with programming that you can get at ten ratings or above. People thought I was crazy because MTV, ESPN was getting .4, so what is this Chinaman talking about 10?! So I sort of told the industry they can do that because if all of us pool our money together, let's say put in a quarter each, it's a huge amount of resources.

SOUTHWICK: A quarter per subscriber?

SIE: Per subscriber, and you can get 500 million dollars and you can rival the network development budget, so I said, "Why can't we do that if we pull together?" So that was sort of my mantra, besides supporting other programming, that cable has got to focus, unite together, create a national footprint, clear a channel... so that was sort of my fondest dream.

SOUTHWICK: What did you go after in terms of programming?

SIE: Well, first we formed an organization, I think it was called the Cable Programming Cooperative Consortium, or something like that. I was head of that. We were looking for all different kinds of ideas. We had Stephen Spielberg come and different people came to talk to us, and ESPN proposed Monday Night Football and different people were proposing different things. I thought, let me think about football and it didn't make sense with ESPN getting Monday night football even though it's very highly valued but the consumer says, "I've already got it, so what's new?"

SOUTHWICK: So they wanted to take that away from ABC? They weren't owned by the same company?

SIE: ABC, yes. No, they weren't. ABC owned a small minority. So, that's what ESPN proposed. I mean we got all different kinds of proposals from different people of this punch through programming that I coined. So having no takers, I finally figured let me look at NFL. So I created the proposal at the same time called Sunday Night NFL. I was laughed out of the box again – "Gosh, you've got two Sunday afternoon football... you're going to be saturated with football. Nobody's going to watch." So I showed them that really on Sunday night there are not many male oriented – except 60 Minutes – it's mostly female oriented programming. Then I figured out the economics that all I take is about 3% of the football schedule and put it on national so it's not hurting their broadcasting. So I put together a business plan and start to negotiate with Pete Roselle and his sidekick at that time on media is Val Pinchback. So we had a team on our side – I think it was Bob Miron, myself, I forget who the 3rd person was. On their side it was Pete Roselle, Val Pinchback and Art Modell, who was representing their television rights, and we formulated and negotiated the Sunday Night NFL package, but before I did that I had to convince both Turner and ESPN not to bid on it, and they agreed to be good citizens and we said once we get the rights, the Cable Consortium gets the rights, then we'll have you two bid to carry it as a block and we'll give you some ad avails. So that was sort of the gentlemen's peace that allowed the Consortium to negotiate the programming, and we got down to a very... almost closed the deal when accidentally ESPN bolted from that commitment because Warren Buffet, who was on the board of ABC, happened to chat with Bill Grimes asking, "What's new?" and Bill said, "Oh, it's pretty exciting, the cable industry's bidding on NFL and we have a good chance to carry it," and Warren said, "Who would own the rights," and Bill said, "Well, the cable industry because they want to do it and they have the collective money to buy it and would be a great carrier and would increase our visibility as well." With that, Warren Buffet turned around and told Bill, "I don't care what you promised to the cable industry, you get the NFL. That is your franchise; don't let the cable industry have it." So, Bill Grimes called me sheepishly saying, "John, remember I told you we wouldn't bid on it? My board just instructed me to compete with you." The next piece is interesting because I said we should bid against ESPN and get the rights, but Bob Miron said basically, "John, we'd be just bidding against ourselves because we'd be the ones that were paying for it."

SOUTHWICK: It would drive the price up.

SIE: Yes, and so we decided not to bid, but I always mused had we bid, even though high – it was like 60 million dollars – suppose we went and got it, it may have changed the cable industry's, today's, woes about paying high cost for sports rights because it would have owned that franchise. So, we will never know, but anyway

we got out of bidding and TCI, under my negotiation, was the very first affiliate with ESPN on NFL to promote that punch through programming and would you know it today, even 'til today Sunday Night Football is still the highest rated cable show on the dial. So that was sort of my attempt at punch through programming.

SOUTHWICK: But you also kept your eye on the technology scene during these years and there was something happening from Japan that caught your attention.

SIE: Well, yes, actually let me back up a little bit. Probably around, I think it was summer of '86, but it could be '87, John Malone was off on vacation – his three month hiatus in Maine – and we got a rash of negative publicity on cable. It was two articles: one was Barron front cover saying that Telco is going to own the world – the telephone company – and then another article appeared saying "Cable is Dead", so immediately the stock market reacted to it because at that time the telephone company had a holy grail – fiber to the home. Once they get the fiber to the home, they can do everything – video, interactive, data and voice – and they're the only ones that have the technology, the capital resources, so it was in that aura of confusing that I got more involved in public policy and technology of spectrum usage, and I became the cable industry's spokesperson because John was in Maine. I went to every telecomm conference. In fact, the telephone company guys know me more than the cable guys. I went to Forrester Research, Kagan, you can name it, actually saying what the telephone company says doesn't work. It's going to bankrupt America with fiber to the home and I showed the economics of why it doesn't work, and also why a telephone company which is designed architecturally from point to point is very inefficient when you want to do from point to multi point. So I went through the whole nine yards to at least shore up the financial community that cable is not going to be disappearing. So, through that it was important to excise the technology impact and that's how I transitioned into the high definition television in '87-'88.

SOUTHWICK: And what was the nature of the issue?

SIE: Well, before I forget, then finally the telephone company agrees that it is economically unviable to build, at that time, fiber to the home, and my argument was that who's going to bail out this wonderful telecommunications structure we have if you go bankrupt. So they pulled back and so cable was able to rise again. In the late '80s, Motorola wanted a lot of spectrum for wireless and they were pushing the government to relieve a lot of broadband spectrum set aside for broadcasting, terrestrial broadcasting. At that time, the broadcast market was already pretty saturated with 200 and some markets and all of them have three or four minimum stations. There was no demand for more TV stations, so a huge swath of spectrum, valuable spectrum, the right frequency was available. So, Motorola was pushing the government, lobbying, saying give us these things, we can create wireless and all kinds of new applications. The broadcast industry got very alarmed and wanted to preserve that, particularly it was free to give it to them.

SOUTHWICK: This is spectrum that had been set aside for the broadcasters but they weren't using it.

SIE: They weren't using it, but since it was set aside for them...

SOUTHWICK: They didn't want to give it up.

SIE: ...they didn't want to give it up. That's the American way. So, they were casting about to figure out how they can use the spectrum, and just about that time Japan has already developed into maybe six, seven years, beginning in 1980, what they called the next generation TV standard, which they called high vision, which is a television standard that is so clear compared to our standard, which is called NTSC that you're taping now. It is clear that you can see the hair, you can see everything. It is so amazing that it looks better than the movies. So they spent about ten billion dollars developing that in Japan and they needed an outlet because they were using NTSC after they lost the 2nd World War for fifty years. At that time, if you remember, Japan was king. All of the consumer electronics went to Japan, all of the advancements, VCRs, everything you can think of came out of Japan, cars, everything. So they developed this system to become the next world standard, and the American broadcast industry by and large accepted it. Part of it is because companies like Sony and others were sending all these fancy gadgets to the broadcast labs...

SOUTHWICK: For free.

SIE: For free, so that was good, and then many organizations which sounded like neutral technical research institutes – I remember one that was at MIT, I forgot the name now, a consortium or something that sounded very... but they were mostly financed by Japanese consumer electronics. You have all kinds of developments throughout the whole country abuzz with this new technology that came from Japan, and presto! NAB meets NHK, now you have a new application. So in 1987, NHK brought a demonstration to the FCC of their high vision called Muse, which uses actually 9 megahertz of spectrum versus six megahertz, and the FCC thought, "Ooh, that's interesting, but we have no authority to do anything." So then they went up to Canada to demonstrate to the Canadian government the Muse system, but NAB wasn't about to give up. So NAB thought the next best thing was to set up a demonstration in Congress to show Congress what is the new thing coming called high vision, and at that time it was re-coined to be called high definition television, or HDTV, and it was hot, it was the cover story of every magazine, Newsweek, Business Week, all that. Congress got alarmed because NAB is telling Congress unless you do this, give us a new standard, more spectrum usage, then you'll see boatloads of VCRs, high definition VCRs, coming on our shore with new tapes and entertainment that will make our broadcast system second class. Congress was very alarmed, they said, "This is our last beachhead. We lost consumer electronics, but this is our broadcast system for emergency national security. We can't be second class." So Congress instructed the FCC to look at new television and that's how I got involved.

SOUTHWICK: Well, let's talk a little bit about the Muse battle. So, you got involved and what was your point?

SIE: To round off the thing, there are really two standards coming. One is called the production standard and the other is a transmission standard. One sort of followed the other. Japan was promoting a production standard which was a wide screen – 16 x 9 – as well as high definition and the number of lines – 1125 lines – and I thought that was wrong headed because the aspect ratio I didn't think needed to be changed as well as the line doesn't fit into our standard. But it was so far down the line that American... I forgot her name – Lady, Dame somebody, who was the ambassador, the Assistant Secretary of Commerce was going to sign this international treaty to ratify through ANC, which is standard body, of this new production standard for high definition television, and I said, "Gee, if that thing happens then the next thing will follow." Because the transmission standard they proposed was a 9 megahertz transmission, 16 x 9 aspect ratio, and analog, and I'm saying, "Well, the 9 megahertz doesn't work because the spectrum is even more inefficient, and second, in the next ten years I can assure you digital is going to come and if you go through a transition to analog you have no more spectrum to do another transition when the digital finally comes." So, I thought we should oppose analog, oppose 9 megahertz.

SOUTHWICK: And when you said digital was going to come, what was the reaction you got?

SIE: "You're crazy," "Pigs will fly," all kinds of hyperbole that says he doesn't know what he's talking about. I talked to Congressman Markey, who was the head of the telecommunications sub committee, he said, "John, it sounds good, but MIT tells me it can't be done." So I was the only voice, per se, that went to Congress, both House and Senate, and FCC to say for this country to be successful and maintain superiority in the technology we have a leapfrog strategy – go digital, stay in 6 megahertz. So that was sort of my single push to digital at the time when everyone else is agreeing to use so called the narrow Muse type of system, which is 6 megahertz. Luckily... on the last day, May 30, 1991, for application for advanced television standard... I think there were about 13 applications – all analog. The last day, General Instrument, or Jerrold, one of our largest vendors put in an all digital high definition transmission system and the rest is history. So I felt pretty good in playing a role in encouraging the country to go in the right direction and that is digital television compression.

SOUTHWICK: Tell us how Starz Encore started.

SIE: Well, Starz Encore started sort of as a dare. In 1989 Time Inc. and Warner merged and John Malone thought the strategic balance has shifted to Time Warner, particularly on the pay TV side, so quickly John made a deal to acquire 50% interest of Showtime for 250 million dollars. So, TCI was going to be 50% owner of Showtime to balanced this strategic necessity so HBO doesn't run away with costs. So, I just suggested to Peter Barton, "That's great, now I can get more involved in programming again," because Peter was running programming, "Why don't you suggest to them," (The Movie Channel, which was sort of a stepchild in Showtime, The Movie Channel), "let's convert The Movie Channel into a mini-pay," because we had tremendous success on another channel called American Movie Classics, AMC, which I was involved in owning 50% with Chuck Dolan's Cablevision. What we did is take it from a struggling pay TV service, which was going nowhere and we gave it to everybody for a quarter. Everybody loved it, it was sort of given to people and we raised the rate by 50 cents and they have this wonderful channel. AMC was the hit movies of the '30s, '40s and '50s, so without much thinking I said, "Let's do one for the hit movies of the next three decades, '60s, '70s and '80s. That will be wonderful – we can charge maybe a dollar and then off to the races, just like how successful we were with AMC." So Peter suggested that to Viacom, Showtime. I think the head was Frank Biondi and then Tony Cox was there, and they said, "You're the biggest customer, we'd better listen to you. We'll go do some research." And they did research and they came back and said to Peter, "It doesn't work. The consumer wouldn't want it and the economic model doesn't work. Why don't you just put in the money, let us run pay TV, you run cable system." So, every Monday morning we have meetings and Peter was telling John the rebuttal by Showtime of converting The Movie Channel to a mini-pay service and it got my dander up. I said, "Gee, that's too bad," and just about that time somebody came in, a guy named George Stein, who was struggling with a premium service for satellite with about 30,000 subscribers called Stereon. I said, "Gee, let me put two and two together." I used George, then, as a vehicle to create Encore. At that time, back in the late '80s and early '90s, pay TV was kind of lethargic, it was sort of meandering around between HBO and Showtime and so I thought, "Let me give it a try." So I went to John and I said, "John, here's an opportunity for a lot less money, maybe 5 million dollars, to start a mini-pay service, which is not on the dial." I told him about the '60s, '70s and '80s. He said, "It sounds like a good idea, but John, where are you going to get the programming?" Because all the programming was locked up between HBO and Showtime, so I said, "I think I can get the programming," and John said, "Okay, I will fund the program and carry it on TCI's systems if you can get programming long enough for three years from three or four studios." So I set out to do that, used George Stein as a surrogate to get the programming, and we created, which was innovative, we called it 'grow with license fee". That means the more subs we have the more you get paid versus at that time those library films were only going for about \$30,000 a pop. So I showed him a curve where it could be \$100,000. So the studio liked that idea with George, so we locked up the contracts and then we came out saying it really is John Sie and TCI, and the rest is history. So that's how we launched Encore.

SOUTHWICK: You got a lot of publicity that first couple of months.

SIE: Oh, yes. It's something called negative option because the only way economically for low-priced service is to give people for free and send them a letter saying, "This is a service; you don't have to have it, but if you want to keep it it's going to cost you 50 cents," or whatever it was. We did that with AMC and it was successful and we checked through all of the legal questions and it passed muster, but because of the legal constraint the letter was so convoluted that nobody really understood and because we were using it to also save HBO and Showtime, we said, "If you drop any services the price will go up. Instead of a dollar it could be two dollars, and if you drop all of them it could be four dollars." But the legalese to protect the integrity of the offer was so convoluted that the consumer didn't understand it and then of course it got a rash of negative publicity about TCI raising the rates. Bob Butterworth, who was a district attorney in Florida who was running for re-election took it up as a cause célèbre and before you know it, the whole attorney generals across the country became a wildfire storm and J.C. Sparkman came to me and said, "We've got to change that." So overnight, instead of the promotion saying, "Enjoy the service, don't do anything," we said now, "Enjoy the service. Call." And we sort of broke the local switch here that evening, but we converted to a positive option before we launched. Of course it's a very small postscript and nobody knows that two years later we won the case against Bob Butterworth in Florida, but nobody cared because TCI had this negative option and we signed a consent agreement with NAAG, the National Association of Attorney Generals, to promise TCI would never do such a thing again. That's the stormy beginning.

SOUTHWICK: And it's now become a... what sized company?

SIE: Oh, it's a nice size company. It's about a billion dollar revenue and about 35% margin and hopefully we'll continue to grow.

SOUTHWICK: Talk a little bit, if you will, about your wife, how you met her and your family, if you'd like, for a couple of minutes.

SIE: I have five children, three from a previous marriage and two from my current marriage with Anna. Anna and I first met during aerospace days at Microstate Electronics. Anna's an immigrant from Italy; I'm an immigrant from China, and we bonded immediately. We've been living the struggling life of immigrants that realized the American dream of success with hard work, with a lot of support and a lot of dose of luck, and an ability to take opportunity as it comes. So we now have two grandchildren, one adopted from Vietnam and the other one was just born – Sophia – from Michelle, our fourth child; Benjamin from Vietnam from Jimmy, our third child.

SOUTHWICK: And you went back to China for the first time after leaving there, in what? The mid 1980s?

SIE: I went back for the first time in I think it was 1986.

SOUTHWICK: And what did that feel like?

SIE: It was apprehensive because I left communist China, brainwashing, beheading, all of the horror stories I heard from my mother and so on, and my daughter, Michelle, went to Tufts University and in her junior year she had an exchange program with Peking University, so she was going to go to China for a year. Anna was horrified, so Anna says, it's almost like a Jewish mother, "I've got to go see what my kid is doing." So Michelle, her younger sister, Alison, Anna and I took our very first trip back to China and actually we had relatives in Taiwan and we took our mother, also, passing Taiwan back to China as well. She stopped in Taiwan and then

refused to go to China for fear of being beheaded. So, the four of us went and it turned out that people were very friendly and we enjoyed everything and it was very emotional. So it wasn't as bad as I imagined and they didn't mind I was the son of a big Nationalist official; they just took me for what I was and so that got me interested in... today Encore International is the largest supplier of Western programming to China Central Television, and so we are enjoying that relationship.

SOUTHWICK: Was that your vehicle or was it Michelle's?

SIE: It was Michelle's because Michelle really wanted to... she's a Sinophile, she speaks better Chinese than I do, and she thought China would be a big enough market. Of course we're doing it sort of on a shoestring and hopefully we can blossom it as China becomes more and more open.

SOUTHWICK: You had a visitor here a few years back from China, one of the top political officials. Can you tell us a little bit about that?

SIE: Well, actually, yes. Premier Chu Long Sie visited Denver and we went to meet him and he was very gracious. Then he sent his chief delegates, three very top officials who are now vice premieres in China, visited our facility, I explained to them about our future technology and so I think we created a good bond with China in helping China develop into a world class broadcast or cable media country.

SOUTHWICK: You're also involved in a number of philanthropic efforts, one of which involves bringing students from China to the United States. Is that correct?

SIE: Yes, actually that is through the auspices of the Magness Institute at The Cable Center that we put in a funding, a grant that permits bringing top media executives from China who speak English to have a six week immersion program to learn the American ways of business planning, strategic executions and all kinds of things, and what we'd like to do is expand that into more involvement with the hands on in production, editing – it could blossom into a very nice program.

SOUTHWICK: And you've also established a foundation, the John and Anna Sie Foundation. What is the primary purpose of that?

SIE: It's the Anna and John J. Sie Foundation.

SOUTHWICK: Sorry.

SIE: Its purpose is pretty broad, but primarily it's for education, promoting education and the understanding between countries. Probably as time goes on it will be even broadened to cover children. So it's sort of a very flexible area to see if we can add some contextual perspective for a pro-societal mission.

SOUTHWICK: It's an amazing story, your life. What are the main lessons of it in terms of other people looking at your career? What should they take out?

SIE: Well, take out that the American dream truly does exist; have confidence in yourself; don't let external comments affect your own conviction. At the same time be a great learner and listener so that you can always evolve and improve yourself, and finally, probably, have a very positive attitude. There's always something good of anything that you can look at, there's always a lesson to be learned, and try to use both the left side and the right side of your brain collectively. It's a discipline. That is the left side, which is deductive, is very powerful, but probably more powerful is your right brain, which is intuitive and if you combine both of them you'll find that you can solve problems, face situations much better, and propel yourself with the right solution, whereas if you use only intuition or only deductive logic, you'll find yourself get stymied, whereas if you use both sides of the brain and are always curious and connecting everything together, you'll always find solutions.

SOUTHWICK: Very good. Thank you.

STEVE FELD: Can I ask one more question? Mr. Sie, how many times in your career have people told you you're crazy and you've gone on to prove them wrong? Because I know you've mentioned that several times that you would propose ideas and they told you that.

SIE: I've been told a lot of times I'm crazy or they don't understand it. I think it's moving towards from going crazy to saying we don't understand more. I think it's a byproduct. It's really as I see a problem or a solution I move ahead and articulate and try to make those changes and to the degree that other people don't believe it, if I reviewed their arguments and if it doesn't hold water I continue with the same direction so as I result they may say I'm crazy, but really I don't look for the fact that they don't believe me, it's a fact that I'm marching on my path and if I believe the veracity and the efficacy of it, whether it's national policy or an individual competitive endeavor, I guess I follow the same path.

SOUTHWICK: Thank you very much.

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