multichannel service, STV operators expect to add no more than 100,000 subscribers a year in the near future, predicted Paul Kagan, president of Paul Kagan Associates, during Monday's opening session. Kagan, who independently appraises pay TV and cable systems, said "multichannel is the name of the game, unless you want to be small business in the long run.

The multichannel service could take many forms, he said, including the addition of separate tiers on existing one-channel systems and the consolidation of competing operators in a cooperative manner to reduce overlap and promote diversification.

According to Kagan, an STV operator can expect penetration of 15% to 20% in noncabled areas and significantly less in communities that have been wired. He estimated that half the homes in a typical neighborhood, cabled or not, seek some form of pay TV and encouraged operators to pursue that audience.

Kagan also urged the STV industry to form alliances with DBS services in order to minimize their negative impact on STV's subscriber base. "DBS will have a tough row to hoe when it comes to local marketing of their service," Kagan contended. "It may be possible to form affiliations with them that are mutually beneficial." He pointed out that STV operators already have extensive marketing and servicing systems in place that could be applied to new DBS services.

In a separate speech on Tuesday afternoon, Paul Bortz of the Denver-based consulting firm of Browne, Bortz & Coddington told a luncheon audience a multichannel approach is the only way STV can survive as a truly competitive service.

"We believe that the [STV] industry will do well to reach two million house holds by 1990," Bortz declared, "which is not much above where you are right now." Aggressive development of multichannel systems in some markets could push that total to about three million homes, said Bortz, which also might occur if DBS and other new entrants are significantly delayed.

Bortz said he is convinced that cable will emerge as the dominant player among the new video technologies a decade from now and be the major factor in STV's stagnation. He cited a recent study completed by his firm which showed that in a market where STV began operating after a cable system had already been established, the former enjoyed about 3% penetration. Where STV got there first, it held about 14% of the market even after a community was wired. The study also concluded that four to five pay TV options appeared the ideal number for most consumers, underscoring the need for STV to provide more options.

"The STV situation in Dallas is symbolic of missed opportunities due to the limited time horizon of your industry," said Bortz, arguing that cooperation among the three STV operators in that Texas city might have improved the chances for success for all three. (Two now exist, owned by Golden West and Oak Communications.)

By 1990, Bortz believes, about 5% of the pay TV market will be held by STV, with that figure rising as high as 15% to 20% only if a strong multichannel approach is taken. If authorized, multichannel MDS, he predicted, could be serving two to three million subscribers in the same year, with low power TV and DBS sharing another three to five million viewers, depending on the start-up times for both new services. In Bortz's view, both LPTV and DBS will have greatest success among rural viewers where competition is less intense.

The bread-and-butter of the STV business will remain Hollywood-produced motion pictures, Bortz maintained, with local sports programing as a supplement. Made-for-pay movies and specialized programing "are filler," he said, mostly because they do not have the built-in promotional advantages of major movies and sporting events.

Pay-per-view events and ancillary over-the-air services will have a limited usefulness in future STV operations, Bortz suggested, noting that "the real explosive growth in the latter part of this decade will be in transactional services, and the telephone will be central to that development." The inherent problem of pay-per-view, he continued, is the exclusion of nonpaying subscribers during the event's broadcast: "You must have diversity without losing the subscribers who are not interested in your specialized programing.

Both Kagan and Bortz estimated that an STV operator in a noncompetitive market could break even with as few as 40,000 subscribers, but in a large market Bortz puts the break even point closer to 100,000. He estimated that a multichannel MDS operator could break even with between 20,000 and 25,000 subscribers. □

Changing Hands

PROPOSED

KATV(TV) Little Rock, Ark., and **KTUL-TV Tulsa, Okla.** □ Sold by Leake TV Inc. to Allbritton Communications Co. for more than $80 million (BROADCASTING, Nov. 8). **Seller** is principally owned by James C Leake, who owns 80% of WSTE(TV) Fajardo, P.R. **Buyer** is owned by Joe L. Allbritton, chairman, who owns WJLA-TV Washington; KCKN-AM-FM Kansas City, Kan.; WCIV(TV) Charleston, S.C.; and WSET-TV Lynchburg, Va. Allbritton bought