

stands to net considerable savings on copyright fees it will no longer have to pay for carrying the two superstations. Federal copyright fees are paid semi-annually based on a percentage of a cable operator's gross revenue.

Derk Tenzythoff, marketing director for United Video Satellite Group, the national distributor of WGN-TV, estimates that WGN-TV will lose approximately 2 million, or roughly 5%, of its 40 million subscribers. Some 7 million of its subscribers come from TCI. That is not TCI's only connection with the company. It obtained 40% of UVSG earlier this year in a \$250 million stock deal.

UVSG markets affected so far include TCI systems in Pittsburgh (380,000); Tulsa, Okla. (170,000); Los Angeles (88,000), and St. Louis (60,000).

Industry experts say WGN-TV became especially vulnerable when it lost carriage of Chicago Bulls telecasts for the 1996-97 NBA season. The station is in the midst of a six-year-old lawsuit with the NBA over telecast rights.

TCI spokeswoman LaRae Marsek

**"We've gone [over programing] with each system specifically to bring more and better programing to customers, especially families."**

**—TCI's LaRae Marsek**

says the MSO's intention in switching networks was to strengthen its program lineup. "We've gone [over programing] with each system specifically to bring more and better programing to customers, especially families."

But industry analysts say TCI's moves were motivated as much by a desire for cash as by a programing strategy.

"At the end of the day there's a capital crunch here; that's what it's about," says analyst Vogel. "It's not about a lack of programing."

"You can pretty much bet that what they're putting on is going to cost less than what they have on, or they think it will give them the opportunity to raise some rates," says Wolzien. "They've got their own cash-flow issues; they're trying to save money every way they can."

TCI's cuts don't affect Turner's superstation TBS, which reportedly has contracts tied to its TNT and CNN cable services. "It doesn't affect TBS, nor do we expect it to," says a Turner spokesperson. "We have hard-and-fast deals in place with TCI for the superstation."

TBS is set to be converted from superstation to "free market" basic cable channel next year as part of Turner's merger with Time Warner.

WGN-TV could rebound somewhat with the expected launch of the network on DBS operators DIRECTV (2 million subs) and Primestar Partners (1.5 million subs) in the first half of next year, say industry sources. The superstation is already on DBS operator EchoStar, which has an estimated 300,000 subscribers. ■

## SET pegs PPV piracy at \$100 million

*Report also warns of DBS threat to cable operators*

By Michael Katz

**C**able TV pirates are looting the pay-per-view industry of an estimated \$100 million annually, according to a report released by Showtime Entertainment Television.

The figure was extrapolated from the results of various stings set up by Showtime during its event programing. During such events, Showtime often features a toll-free number for viewers to call to receive free merchandise, such as a T-shirt. When a viewer calls, the cable operator identifies the caller's phone number and cross-references it with a list of phone numbers of paying customers. If a match cannot be made, the operator concludes that the person calling is watching the event illegally.

"There's a huge problem of theft in this business," says Mark Greenberg, an executive vice president with Showtime.

For the Sept. 7 Mike Tyson-Bruce Seldon fight, Showtime set up the sting in 20 systems around the country and found that 18% of the people watching

the fight were doing so illegally. In one system in California where 858 households paid for the fight, at least another 649 were apparently getting a free ride.

The report, a PPV industry overview, also warned that cable operators are in danger of losing their high-end customers to DBS. Showtime's research found that:

- 31% of total cable households say they have considered switching to DBS.

- 40% of cable households subscribing to more than one premium service say they have considered switching to DBS.

- 60% of new DBS customers are former cable subscribers.

"The thing that jumps out at you is that the cable-addressable-world's growth is slowing down," says Greenberg. "We would like to see that escalate." According to the report, cable homes with PPV addressability increased 10%, to 26.6 million, but 1997 is projected to bring only a 6% increase. DBS subscribership, however, is expected to grow 65%, to 7.1 mil-

lion households (all of which have at least twice the number of PPV channels as the average cable household).

The report showed a 33% rise in gross PPV revenue during 1996, with a 17% increase expected in 1997. Showtime/King Vision was responsible for 50% of the industry's total gross revenue, mostly because of its exclusive rights to Tyson fights, which generated more than 50% of 1996 PPV event revenue and an even higher percentage for which is anticipated for 1997.

Request TV also recently published a year-end report on the PPV industry. Greenberg says the two reports were mostly consistent, but he pointed out one substantial difference: "I think they have been overly optimistic forecasting the number of [PPV] addressable homes in 1997," he says. The Request TV report predicts that there will be more than 40 million such homes in 1997, but "there is nothing to suggest that that number is accomplishable. We hope they're right, but I think that is wishful thinking." ■