

BEFORE THE DIRECTOR OF REGULATORY AGENCIES
OF THE STATE OF HAWAII

In the Matter of the Application of)
PACIFIC NETWORK, INCORPORATED)
to Transfer the Shares Now Held)
by Francis H. I. Brown to the)
Francis H. I. Brown Irrevocable)
Living Trust.)

ORDER NO. 30

O R D E R

The Director of Regulatory Agencies, upon consideration and review of the request made pursuant to the requirements of paragraph 7.b. of cable television Order No. 16 of Pacific Network, Incorporated for approval of ownership transfer of its shares, hereby approves the transfer of control, use and disposition rights of 5,970 of its shares presently held by Francis H. I. Brown to the trustees of the Francis Hyde Ii Brown Irrevocable Living Trust, subject to the condition that any future change in ownership, control or other disposition of the said shares of Pacific Network, Incorporated shall have the prior written approval of the Director of Regulatory Agencies.

DATED: Honolulu, Hawaii, July 17, 1973.

APPROVED:


Edwin H. Honda
Director of Regulatory Agencies

BEFORE THE DIRECTOR OF REGULATORY AGENCIES
OF THE STATE OF HAWAII

In the Matter of the Amended Application of)
CABLEVISION HOLDINGS, INCORPORATED)
for Authority to Acquire Oceanic Cablevision,)
Incorporated and a Transfer of the Permit)
Thereunto.)
_____)

- and -

In the Matter of the Amended Application of)
ALOHA CATV SYSTEMS, INCORPORATED)
for Authority to Provide Cable Television)
Service.)
_____)

D E C I S I O N

Considered herein are the following applications:

The application of CABLEVISION HOLDINGS, INCORPORATED is made pursuant to Chapter 440G-10, Hawaii Revised Statutes, and Condition 7(b) of cable television permit No. 15. It requests authorization to acquire the total shares in Oceanic Cablevision, Incorporated and to transfer from Oceanic Cablevision, Incorporated the permit authorizing the establishment of cable television service for the communities and census tracts hereafter designated for Central and Northern Oahu.

The application of ALOHA CATV SYSTEMS, INCORPORATED is an amendment to a previously submitted application for authority to provide cable television

services to the Waikiki, Ala Moana and Kapiolani districts of the City & County of Honolulu. The application as amended requests authorization to provide cable television services to the above-mentioned areas and also to areas of Central and Northern Oahu not presently being served by cable television systems.

The Director of Regulatory Agencies has, in the above applications, considered the following:

1. The service area sought;
2. The general route of wires, cables, and conduits used in the redistribution of signals;
3. Citizenship of the applicant;
4. The character of the applicant;
5. The managerial and operational structure of the applicant;
6. The beginning and completion dates of construction of the CATV system and the proposed date service will be available to the areas applied for;
7. Financial resources, ability and experience of the applicant;
8. Technical qualifications and experience of the applicant;
9. The facilities and equipment to be employed;
10. The programming proposal and experience of the applicant;
11. The rates and fees to be charged for services to be offered; and
12. The general demeanor, responsiveness and conduct of the various witnesses at the public hearings held relative to the respective applications.

DESCRIPTION OF APPLICANT

Cablevision Holdings, Incorporated

Applicant's full and exact legal name is Cablevision Holdings, Incorporated whose principal place of business is located at 2065 South King Street, Honolulu,

Hawaii 96814.

Applicant is a corporation duly organized under the laws of the State of Hawaii on September 28, 1972 and began the transaction of business on the same date.

Applicant controls no other companies, either cable television or otherwise, directly or indirectly. It is itself not and cannot, under the listing of equity ownership be, for stock holding, tax or management purposes, a subsidiary of any other corporation -- domestic, foreign, or alien.

Aloha CATV Systems, Incorporated

Applicant's full and exact legal name is Aloha CATV Systems, Incorporated, whose principal place of business is located at 3149 Nimitz Highway, Honolulu, Hawaii 96819. Applicant is a corporation duly organized under the laws of the State of Hawaii on April 9, 1970 and began the transaction of business on the same date.

Applicant controls no other companies, either cable television or otherwise, directly or indirectly. It is itself presently not a subsidiary of any other corporation -- domestic, foreign, or alien. It may, however, be, under the Internal Revenue laws of the United States for stock holding and tax purposes, a subsidiary of its principal shareholder, Teleprompter Corporation.

SERVICE AREA

The Director finds, in his consideration of the areas for which authority is requested, that those sought by Cablevision Holdings, Incorporated conform to the existing pattern of service areas awarded on or prior to August 12, 1971. Consequently, the Director, in keeping with the State's policy of deliberate and orderly growth of cable television systems, finds that the areas sought by

Cablevision Holdings, Incorporated represents that service area configuration which best serves the public interest.

A description of the service areas applied for by the applicants is as follows:

Cablevision Holdings, Incorporated

Applicant has applied for and represents to the Director of Regulatory Agencies its willingness and ability to provide quality cable television services to all potential subscribers in the Central and Northern Oahu communities described in the following census tracts:

17	28	38	49	76	89
18	29	39	50	77	90
19	30	40	51	78	91
20	31	41	52	79	92
22	32	42	53	80	93
23	33	43	54	81	94
24	34	44	55	82	95
25	35	45	73	86	99
26	36	46	74	87	100
27	37	47	75	88	101

The above area includes all areas for which authority to provide cable television services was given in CATV Permit No. 15 issued to Oceanic Cablevision, Incorporated on August 12, 1971. It also represents all areas of the City and County of Honolulu not included in service area permits awarded to other cable television systems.

The above area includes 92,827 potential housing units for cable television service and 43 percent of the people of the State of Hawaii.

Included in the above area are the Manoa and Nuuanu districts of the City and County of Honolulu to which cable television service has been provided since February 18, 1966.

Aloha CATV Systems, Incorporated

Applicant has applied for and represents to the Director of Regulatory Agencies its willingness and ability to provide cable television services to all reasonably situated subscribers in the Central and Northern Oahu communities described in the following census tracts:

13	25	52	66	77	88
14	26	53	67	78	89
15	27	54	68	79	90
16	35	55	69	80	91
17	36	56	70	81	92
18	37	57	71	82	93
19	38	58	72	83	94
20	39	59	73	84	95
21	40	60	74	85	99
22	41	61	75	86	100
23	42	62	76	87	101
24	51				

The above proposed service area includes the following:

1. All of Oceanic Cablevision, Incorporated's area, except for St. Louis Heights, Manoa Valley, Makiki Heights, Tantalus, Pacific Heights, and Nuuanu Valley.
2. Part of TV Systems, Incorporated's permit area generally described as Kaimuki, Kapahulu, Lower Kalihi, Moanalua, and Aliamanu.
3. Part of Cablevision, Incorporated's permit area generally described as part of Ewa District.

* * * * *

SYSTEMS DESIGN

The Director finds in his consideration of the proposed facilities to be employed, the general routes of the wires, cables, conduits, or other devices used in the redistribution of signals that Cablevision Holdings, Incorporated's presentation represented designs and specifications which best conform to the

actual needs of the systems proposed. In making his findings, the Director considered the representations listed below of each applicant:

Cablevision Holdings, Incorporated

Applicant represents to the Director that it has:

1. Completed systems "walk-outs" necessary for construction and systems design.¹
2. Completed all theoretical and practical microwave path studies necessary for the design and construction of a microwave distribution system.²
3. With the cooperation and help of the Hawaiian Telephone Company and Hawaiian Electric Company, designed a cable television system which conforms to the power grid arrangement of the City and County of Honolulu which, in event of a power failure in one of the power grids, insures that service to other power grid areas is uninterrupted.³
4. Completed all pre-construction studies and design necessary to begin construction immediately upon award of the requested transfer by the Director of Regulatory Agencies and other authorizations and clearances by government and utility agencies and authorities.⁴
5. Either employed or can obtain through agreement all engineering and technical personnel necessary for the supervision and construction of a cable television system to serve Central and Northern Oahu.⁵

¹ Letter of Oceanic Cablevision, Incorporated dated February 13, 1973.

² Ibid.

³ Transcript, December 18-19, 1972, p. 50

⁴ Transcript, December 18-19, 1972, p. 118

⁵ Transcript, December 18-19, 1972, p. 24; Also, Consultant Agreement, Exhibit E-3 of its application.

Aloha CATV Systems, Incorporated

Applicant has represented to the Director that other than visual inspection and reconnaissance by certain technicians and engineers of Teleprompter that it has not begun:

1. Systems "walk-out" which is necessary for systems design and construction of a cable television system.⁶
2. Theoretical and practical microwave path studies necessary for the design and construction of its proposed microwave distribution system.⁷
3. Electronic design studies necessary for the construction of a cable television system.⁸
4. The employment or the obtaining of the services of engineering and technical personnel necessary for the design and construction of the cable television system it proposes.⁹

* * * * *

CHARACTER OF APPLICANTS

The desirability of a system which is rooted and responsive to the community to which cable television and other communications services is provided is one which has long been accepted by government and thoughtful observers in

⁶Exhibit B, Part II, Graph entitled, "Aloha CATV Systems Construction and Operation Plan" of its application.

⁷Transcript, December 20-21, 1972, pp. 91-92

⁸Exhibit B, Part II, Graph entitled, "Aloha CATV Systems Construction and Operation Plan" of its application.

⁹Transcript, December 20-21, 1972, p. 177

communications. It is conducive to greater responsiveness and stability. Consequently, the Director finds that the investor structure of Cablevision Holdings, Incorporated with its 51% ownership by investors whose roots are deeply ingrained in the fabric of Hawaiian society represents a more desirable community involvement and identification than the less than 20% ownership of Aloha CATV Systems, Incorporated by the same type investor.

The degree of equity investment in an enterprise is generally reflective of the depth and degree of involvement in that business. Consequently, the Director finds that the equity investment of \$1,700,000 of Cablevision Holdings, Incorporated's shareholders reflects a more desirable equity investment in the proposed cable television system than the \$20,000 in equity proposed to be provided by the shareholders of Aloha CATV Systems, Incorporated.

* * * * *

OPERATIONAL AND MANAGERIAL STRUCTURE

The Director finds, after consideration and review of the operational and managerial structures of Cablevision Holdings, Incorporated and Aloha CATV Systems, Incorporated, the following:

1. Cablevision Holdings, Incorporated, if the transfers are allowed, will immediately have an organizational team which has experience and is presently involved in the operation of a cable television system in Hawaii.¹⁰
2. Cablevision Holdings, Incorporated, if the transfers are allowed, will immediately have an organizational team which has been responsible for the development of all of its technical, engineering,

¹⁰Minutes of Meeting of Board of Directors of Cablevision Holdings, Incorporated on January 24, 1973.

and construction proposals herein considered.¹¹

3. Aloha CATV Systems, Incorporated has yet to organize or assemble an operating staff for its proposed cable television system.¹²
4. Aloha CATV Systems, Incorporated's major investor, Teleprompter Corporation manages and operates the largest (in terms of subscribers) cable television system in Hawaii, Kaiser Teleprompter of Hawaii, Incorporated. Its Hawaii Kai system has been in operation since April 20, 1961 and has 108 miles of plant serving over 3,800 subscribers.

* * * * *

CONSTRUCTION DATES

The Director finds in his evaluation of beginning and completion of construction dates proposed by Aloha CATV Systems, Incorporated and Cablevision Holdings, Incorporated that the accuracy and reasonableness of the dates proposed are dependent upon the quality and thoroughness of personnel and planning employed in designing the proposed system. Consequently, the Director finds that the construction dates proposed by Cablevision Holdings, Incorporated represents dates which are reflective of the requirements of the service areas which are being applied for and the conditions requisite for the timely establishment of cable television systems in Hawaii. The Director further finds that the exclusive reliance placed by Aloha CATV Systems, Incorporated on Teleprompter Corporation's cable television experience on the continental United States to be an inadequate basis for realistically determining the construction timetable for the cable television system which it seeks to build to serve the Northern

¹¹Transcript, December 18-19, 1972, p. 24

¹²Transcript, December 20-21, 1972, p. 177

and Central Oahu communities of the City and County of Honolulu.

The Director considered the following in making the above finding:

1. Cablevision Holdings, Incorporated represents its completion of the following activities essential in the timely design and construction of a cable system to serve its proposed service area:
 - a. Pre-construction studies.¹³
 - b. Systems walk-outs.¹⁴
 - c. Discussions with appropriate utility and construction companies.¹⁵
 - d. Assembling an operational, technical and design staff capable of supervising the construction of the proposed system.¹⁶
2. Aloha CATV Systems, Incorporated has indicated that its estimates are based on:
 - a. Visual reconnaissance of the proposed service area.¹⁷
 - b. Experiences of Teleprompter Corporation in building cable television systems on the continental United States.¹⁸

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FINANCIAL RESOURCES

The Director finds, in his consideration of the adequacy of financial resources necessary for the design, construction and initial operation of the

¹³Letter of Oceanic Cablevision, Incorporated dated February 13, 1973.

¹⁴Ibid.

¹⁵Transcript, December 18-19, 1972, p. 50

¹⁶Transcript, December 18-19, 1972, p. 24; Consultant Agreement, Exhibit E-3, of its application.

¹⁷Transcript, December 20-21, 1972, p. 92 and p. 105

¹⁸Transcript, December 20-21, 1972, p. 108

cable television systems proposed by each applicant, that only Cablevision Holdings, Incorporated possesses in hand those available resources necessary for the beginning of construction immediately upon approval of the requested actions by the Director. In making his findings, the Director considered the following:

1. Cablevision Holdings, Incorporated's cost estimates for the construction and initial operation of the cable system it proposes is based on realistic cost projections.¹⁹
2. Cablevision Holdings, Incorporated's combination of equity and loan financing represents a present, sound, and adequate basis for funding a cable television system as it has proposed.²⁰
3. Cablevision Holdings, Incorporated's plan for its debt service is responsible and in consonance with existing financing methods.²¹
4. Aloha CATV Systems, Incorporated's cost estimates for the construction and initial operation of a cable system is based upon Teleprompter's system experience on the continental United States and does not reflect cost differences of Hawaiian construction and operation of a cable television system.²²
5. Aloha CATV Systems, Incorporated's proposed financing lacks any specific commitment of actual funds for the construction and initial operation of its cable television system.²³

¹⁹Transcript, December 18-19, 1972, pp. 193-196

²⁰Ibid.

²¹Transcript, December 18-19, 1972, pp. 193-196

²²Transcript, December 20-21, 1972, p. 106

²³Transcript, December 20-21, 1972, pp. 125-126

Cablevision Holdings, Incorporated

Cablevision Holdings, Incorporated has represented to the Director of Regulatory Agencies in its application that the cost of construction and working capital necessary to provide initial cable television service to the people in the areas applied for is \$11.2 million.

The above cost representation is based upon the following cost elements:²⁴

1. Systems construction cost -- contingency cost, engineering, permit, bonds, electronic equipment, cable, make-ready, strand, hardware, lashing, labor, underground and underground equipment.
2. Hook-up-cost -- labor and equipment.
3. Systems maintenance and repairs (initial period) -- staffing costs, vehicles, moving and preemployment, employee benefits, repair and maintenance, pole rental, microwave costs, rent, utilities, insurance, professional services, small tools and equipment, service fees and training.
4. Program origination expenses -- staffing, vehicles, employee benefits, supplies, repair and maintenance, professional services, sports coverage expenses, news wire, rent, contingency expenses, Madison Square Garden expenses.
5. General and administrative expenses -- staffing, employee benefits, vehicles, rent, professional services, travel and entertainment, telephone and telegraph costs, franchise fee, gross income tax, billing costs, bad debts and other current expenses.
6. Marketing expenses -- commissions, advertising, printing, secretarial services, rent, utilities and postage.

²⁴Cablevision Holdings, Inc. Pro Forma Financial Projections dated December 18, 1972.

7. Depreciation and amortization.

Applicant represents to the Director that it has received the following investor equity and institutional financing commitments to begin construction of the cable television system upon award of the applied for permit.²⁵

1. \$1.7 million -- investor equity
2. \$6.0 million -- Teachers Insurance Annuity Association
3. \$1.0 million -- loan from the Fred Welsh Systems, Limited
4. \$2.5 million -- John Hancock Life Insurance Company

Aloha CATV Systems, Incorporated

Aloha CATV Systems, Incorporated has indicated to the Director that:

1. Its cost estimates for the construction and initial operation of a cable system is based upon Teleprompter Corporation's experience with cable television systems on the continental United States and does not reflect consultation or discussion with Hawaii contractors and utilities, important in the design, construction and operation of a cable system.
2. Its cost estimates are based solely on visual reconnaissance of construction requirements for areas for which a permit is sought.²⁶
3. It has not received from financial institutions commitments for specific funds necessary for funding the design, construction and initial operation of a cable system.²⁷
4. It has not prepared financial plans which indicate potential cash

²⁵Letter from Cablevision Holdings, Inc. dated March 29, 1973

²⁶Transcript, December 20-21, 1972, pp. 109-111

²⁷Transcript, December 20-21, 1972, pp. 124-126

flow and debt service arrangements which are necessary for the effective financing and operation of the proposed system.

5. Its major investor, Teleprompter Corporation through its Kaiser Teleprompter of Hawaii operation, has had experience in the design, construction and operation of a cable television system in Hawaii. Its Hawaii Kai system has been in operation since April 20, 1961 and has 108 miles of plant serving over 3,800 subscribers.²⁸

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TECHNICAL QUALIFICATIONS

The Director finds that, although both applicants have major investors possessing the necessary technical qualifications necessary for the design and supervision of the construction of a cable television system, only Cablevision Holdings, Incorporated has, on its existing staff, personnel who have experience in the design, construction and operation of a cable television system. Consequently, the Director finds that Cablevision Holdings, Incorporated is the applicant which presently possesses the technical human resources necessary for the immediate construction of a quality cable television system to serve the people of the communities of Central and Northern Oahu.

A description of the engineering and scientific personnel and major systems constructed by each applicant is as follows:

Cablevision Holdings, Incorporated

The applicant represents to the Director that:

1. It has, on its existing staff, personnel who have experience in

²⁸Transcript, December 20-21, 1972, pp. 103-104

design, construction and operation of a cable television system.²⁹

2. One of its major investors, Fred Welsh Antenna Systems, has approximately 600 engineering and technical personnel who are available as needed for the design, construction and operation of the proposed system.
3. Fred Welsh Antenna Systems has constructed a Vancouver, British Columbia cable system with 1,200 miles of distribution facilities and 160,000 subscribers and a Montreal, Quebec system with 1,400 miles of distribution facilities and 100,000 subscribers.³⁰

Aloha CATV Systems, Incorporated

Applicant represents to the Director that:

1. Its major investor, Teleprompter Corporation, possesses an engineering and scientific personnel staff of more than 200 and that this staff is available as needed to the proposed system.³¹
2. Its major investor, Teleprompter Corporation, is in the process of constructing systems in: (a) Los Angeles, California with 1,054 miles of distribution facilities and 28,599 subscribers; (b) Elmira, New York with 330 miles of distribution facilities and 21,856 subscribers; and (c) Manhattan, New York with 56 miles of distribution facilities and 38,750 subscribers.³²
3. It has no engineering or technical staff at present.

²⁹Transcript, December 18-19, 1972, p. 118

³⁰Transcript, December 18-19, 1972, p. 22

³¹Exhibit G. Technical Qualifications, of its application.

³²Exhibit D, Part II, Section C, Franchise Data, of its application.

4. Its major investor, Teleprompter Corporation, has for its Kaiser Teleprompter of Hawaii operation, an existing staff which has experience in the construction and operation of a cable television system.³³

* * * * *

FACILITIES AND EQUIPMENT

The rendition of modern communications services in an efficient manner requires that equipment employed be not only reliable but also capable of meeting expanded challenges of social and technological developments. Consequently, the Director in his evaluation of equipment as proposed and initial uses made thereof seeks cable system which minimizes service outage and possesses a high channel capacity with multiple path capability.

The Director finds that equipment and initial uses proposed by Cablevision Holdings, Incorporated represent that combination which is better able to meet the above requirements. The equipment will provide high quality distant microwave transmission to possibly all CATV systems as well as to provide for its own system back-up power and continuous monitoring for system failure for greater reliability.

The Director, in making his finding, considered the following:

Cablevision Holdings, Incorporated

Cablevision Holdings, Incorporated represents that it will utilize the following to provide its proposed cable services:

1. Model MA-12-G, an all-solid state microwave radio system capable of wide band message or video application.³⁴

³³ Transcript, December 20-21, 1972, pp. 103-104

³⁴ Document entitled, "Current Microwave Status" filed October 10, 1972.

2. Cascade Unicom amplifiers, an all-solid state modular system with push-pull circuits, automatic level control, two-way circuits, level monitoring circuits, standby power capability and a 20-channel transmission frequency range.

Aloha CATV Systems, Incorporated

Aloha CATV Systems, Incorporated represents that it will utilize the following to provide its proposed cable services:³⁵

1. A Theta-Com AML multi-channel microwave radio system which contains both tubes and transistors.
2. Microwave Associates Model MA-13-BX microwave radio system for message and video application.
3. Jerrold Starline Push-Pull Series with push-pull circuits, automatic level control, with a one-way capability.

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PROGRAMMING

The Director finds, in his consideration of the programming proposals and structures of Aloha CATV Systems, Incorporated and Cablevision Holdings, Incorporated, that those proposed by Cablevision Holdings represent a more reasoned program structure and arrangement reflective of the needs and wishes of potential subscribers in the proposed service area.

In making his findings the Director considered the representations listed below of each applicant.

³⁵Exhibit C, Part I, Systems Specification, of its application.

Cablevision Holdings, Incorporated

The applicant represents to the Director that:

1. It has conducted marketing surveys to determine the types of programming desired by potential subscribers in the areas it proposes to serve.³⁶
2. It will receive certain programming services and program packages from the Children's Television Workshop and Madison Square Garden programming organization.³⁷
3. It has designed studio facilities and determined the equipment necessary for the production of in-house as well as on-location programming.³⁸
4. Its proposed cable system will have the capacity to provide two-way transmission of interaction between cable subscribers and community functions.³⁹

Aloha CATV Systems, Incorporated

Applicant represents to the Director that:

1. The resources of Filmation Associates, a wholly-owned subsidiary of Teleprompter Corporation, will be available to it.⁴⁰
2. It has secured, as program advisors, certain community leaders.⁴¹

³⁶Report entitled, "Market Study" by Planning Research, Inc. dated May 1971.

³⁷Exhibit L-2, Contract for Program Advisory Services, of its application.

³⁸Exhibit L-3, Program Origination Plans, and Exhibit L-4, Studio and Production Equipment, of its application.

³⁹Transcript, December 18-19, 1972, p. 30

⁴⁰Transcript, December 20-21, 1972, p. 22

⁴¹Transcript, December 20-21, 1972, pp. 12-13

3. Its major investor, Teleprompter Corporation, is, for its Kaiser Teleprompter of Hawaii operation, involved in programming for the Hawaii-Kai community.⁴²

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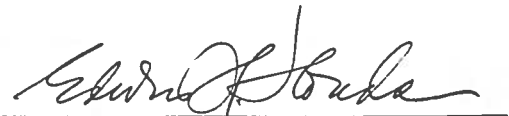
RATES AND CHARGES

The Director accepts, without any determination of reasonableness or relationship to services provided, the rates and charges proposed or existing of Aloha CATV Systems, Incorporated and Cablevision Holdings, Incorporated. The Director will make, after a review and study of all of the rates and charges for services provided by Hawaii cable television systems, a determination of the acceptability and reasonableness of all schedules of rates and charges.

* * * * *

The Director of Regulatory Agencies, upon consideration of the foregoing and with the concern that cable services be afforded most expeditiously and comprehensively to all citizens in the areas mentioned above, finds that Cablevision Holdings, Incorporated's application, proposals and the submissions in support thereunto, if accepted, would best serve the general welfare of the people of the State of Hawaii.

DATED: Honolulu, Hawaii, this 30th day of August, 1973.



Edwin H. Honda
Director of Regulatory Agencies

⁴²Transcript, December 20-21, 1972, pp. 116-117