



*Logo for Milwaukee's Community Controlled
Cable Communications Cooperative*

The Cooperative Alternative To Cable

Residents Can Benefit From Owning Their Own System

By Mike Keesee

Municipal officials often find themselves caught between a rock and a hard place as they balance community needs and business concerns in bringing cable TV to their communities. How does a city ensure that its residents not only are provided the best possible cable television system at the lowest cost, but one which also meets the many, diverse and often competing needs of the community?

One alternative attracting increased attention by both local city officials and community members combines the best of the business world with accountability to the community and meeting local community needs.

Cooperatives have long been an integral part of the American business

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economy. Most prevalent in the rural parts of the country, where they are often the largest local employers and tax payers, cooperatives provide a wide variety of service to their members, including credit unions, health care, housing, farm implements and supplies, grain elevators, consumer goods, food, electricity, and phone service. The Cooperative League of the USA (CLUSA) estimates some sixty million Americans belong to at least one type of cooperative.

User-owned

A cooperative is a business owned by the people who buy its goods and use its services. Because they are owned by their users, cooperatives are consumer oriented businesses.

A cable television co-op is an alternative both to private cable companies and to municipally-owned enterprises.

Most private companies make little or no provision for local community ownership or control of local cable services. A local private consortium may enter the franchise competition in a city, but in most cases ownership is limited to a handful of investors. Most people cannot afford or risk the large capital investments required to become a part owner in a private cable TV operation. Even if an individual could make such an investment, they likely would still have only a minor role in the company's decision-making.

In a municipal cable system, a board of directors is chosen according to the political process found in a local city, making the system a part of the local political scene. Board members may be appointed, not for their expertise or community interest, but on the

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basis of their political clout. As a result, a municipal cable system could be used as a political stepping stone for ambitious politicians rather than serving the broad range of community interests present in a city.

Every individual or family that joins a cable co-op becomes an equal owner with an equity investment. Governance is vested in a democratically elected board of directors responsible for the co-op's operation and management. Day to day operations are handled by professional management or by an established cable company hired by the board to meet member needs.

Profits

A cooperative approach also offers an alternative in the use of cable system profits. Private companies distribute profits to stockholders, and when the investors are not local citizens, franchise fees are in effect being exported from the community. It is also difficult for a city to determine the actual level of profit realized by a private concern.

In a municipal system, rates may be held to lower levels, but profits generated ordinarily revert to the city's general fund. In a sense, a municipal cable system could be viewed as another, more subtle form of local taxation.

With a co-op, however, net savings generated by cable operations are returned to members according to their subscription charges as a patronage refund. Because net profits are returned to a co-op's members, money created by the co-op's operations remain in the community.

The cooperative approach offers other advantages, too.

Community access to cable TV is a widely accepted goal for granting a franchise. Being member-owned, a cable co-op would have to work at educating its members and the public in the various facets of cable TV ownership, management and operation, and a reasonable goal of a successful co-op would be to hire staff specifically to meet membership education and training needs. Such programs would help take the myth and mystery out of cable TV, making it more accessible to more people. Other forms of ownership have little natural incentive to undertake such community education and training programs.

Co-ops also have a tradition of being

leaders in providing consumer education services, and members could direct their local cable co-op to emphasize services such as nutrition and health counseling, home economic services, and other programs. Through the transfer of technical and business skills and by providing essential consumer information services to large numbers of people, a cable co-op could be viewed as an economic development tool that makes local communities more self-reliant.

Co-ops can also provide rural and smaller communities with cable where no private firm has offered service. For these smaller, more rural areas there already exists ample co-op cable experience to draw from. CLUSA claims 36 cable systems serving small towns and rural populations.

Big Markets

The cooperative approach has also been considered in a number of big city markets across the country. In Milwaukee, Wisconsin the Community Controlled Cable Communications Cooperative (5 C Co-op) submitted a bid in competition with the nation's largest cable TV companies for the city's cable franchise.

Utilizing a grant from the Wisconsin Federation of Co-ops and membership dues monies, the 5 C Co-op designed a cable system to provide interactive capabilities to 16 community cable districts, patterned after the city's high school districts. The 5 C Co-op system will allow each community district to communicate with each other and provide each district access to local production facilities. In addition, the 5 C Co-op has provisions to hire staff to assist the local communities in producing their own programs.

The Co-op's proposed financing is a combination of private loans, tax leveraged leasing and membership dues. The National Consumer Co-op Bank (NCCB) has agreed to negotiate the maximum loan allowed by the Bank's regulations if the 5 C Co-op is awarded the franchise. Additional loan money will come from the issuance of shares of indebtedness in \$1000 and \$25,000 lots. The Co-op will utilize its non-profit status to leverage its unuseable tax credits by offering investors an opportunity to buy the co-op's tax credits. Finally, capital will be raised from the sale of individual and group memberships.

The next phase of the Milwaukee Co-op's bid is what Co-op coordinator

Jeannie Drose terms a combined political campaign and membership drive. The Co-op hopes to build membership from its present 500 members to 5000 members and in so doing gather the local community support to convince the Milwaukee city council that a co-op cable system is a viable and popular option.

Even when a cable cooperative does not win a franchise, its presence can have a profound effect on the ultimate cable TV franchise awarded by a city council. The nation's first urban cable co-op in St. Paul, Minnesota, played a critical role in that city's process. Ultimately the city council denied the cable co-op's bid, but in so doing decided against awarding the franchise to a private cable firm as well. In the St. Paul council opted for public ownership.

California

Several communities in California are also examining the co-op option. In Santa Barbara, the city's 20 year franchise agreement with Cox Cable Company was due to expire in February 1982. Spurred by the St. Paul experience, the University of Santa Barbara Public Interest Research Group (UCSB PIRG) organized a community based cable cooperative group called Santa Barbara Citizens Media Watch Committee in February 1981. Starting with an initial grant from the UCSB PIRG, the committee initiated a program to inform the city council and the public about the co-op cable alternative and to begin the necessary grass roots co-op organizing work. Raising \$10,000 from grants and memberships, the committee hired cable consultants to prepare reports that were presented during council-sponsored public hearings on the re-negotiation of the Cox Cable Company's franchise. Among some of the major points raised by the consultants' reports were the recommendations that the city open the franchise process to competitive bidding and create a citizens' task force to investigate cable options, including the cable co-op proposal or a provision to allow local residents to become part owners of the city's present cable system.

Although the city eventually awarded Cox Cable Company a new franchise, committee efforts helped raise the local residents' level of awareness on the city's cable system.

In Palo Alto, members of the Consumers' Cooperative Society of P

Also formed a Cable TV Co-op in July, 1981. Under its plan, the city would own and install the cable while the co-op manages and operates the "head end," or studio and programming aspects of the system. The city has hired two consultants and is awaiting reports on various cable options.

Davis

Perhaps the most ambitious of the co-op cable projects being pursued in California and the nation is in Davis.

In 1980, the city council appointed a Citizens' Advisory Panel on Cable TV and issued an RFP for a city system. At first the panel leaned toward municipal ownership, but it felt the city could not undertake the financial risk inherent in such a venture or sell the necessary bonds, and it was unsure whether the city had legal authority to develop a municipally owned system.

In the course of its research, the panel uncovered the work done by the St. Paul Co-op. After further investigation, the panel decided the co-op option met their requirements for community control and access and that it could work in Davis.

"I was concerned that cable TV represents a technology that could

alienate and isolate people in their homes," said Davis Council member William Kopper. "A cable co-op would force people to communicate with one another and come together to decide how the co-op should be run and what programming they wanted."

Meanwhile, the National Consumer Cooperative Bank was interested in funding a pilot co-op cable TV project. Representatives of the co-op, the city, and the bank met to discuss funding for a feasibility study for a cable co-op in Davis.

With the recommendation of the Citizen Advisory Panel, the urging of local community supporters, and the assurance that the Davis co-op would receive funding, the city council awarded the Davis Cable Co-op an exclusive franchise in May, 1981. The franchise was conditioned on the studies showing that the co-op could develop a system to meet all the council's technical requirements including undergrounding, community participation and programming requirements, and still be competitively priced.

In July, the co-op secured a NCCB technical assistance contract for \$50,000 and hired a program manager. The co-op has hired a team of

consultants to study technical, community access, and financial issues and to study Davis residents' reactions to cable TV, to identify the city's community groups and to determine their needs and interests in cable TV. A final report on the plans for the Davis system is due in February, 1982.

Although available resources for forming a cooperative cable TV system are limited, information is available from a variety of sources. The Cooperative League of the USA (1828 L St, NW Suite 1100, Washington, D.C. 20036 202-872-0550) has compiled a list of technical documents and can make referrals to interested parties. The National Consumer Cooperative Bank (1330 Broadway, Suite 1017, Oakland, CA 94616 415-273-7576) can provide a brief synopsis of what resources are available to groups starting cable co-ops and can make loans to groups with firm commitments for a franchise and who can demonstrate loan repayment capacity. The National Citizens Committee for Broadcasting, a non-profit foundation, can offer emerging cable co-ops technical papers on cable co-op operation and guidance. ■

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