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Great Lakes Cable Coalition  
Atlantic Cable Coalition  
California Cable Television Association  
New Jersey Cable Television Association  
National Cable Television Association  
Canadian Cable Television Association  
Time Warner, Oceanic Communication  
Cablevision Industries  
Comcast Corp.  
Wometco Cable  
AGT Limited  
AT&T  
Southwestern Bell Mobile Systems  
Cellular Telecommunications Industry Association  
Interstate Natural Gas Pipeline Association  
Ford Foundation  
Arizona Corporation Commission

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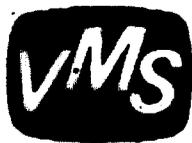
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November 1995

## **APPENDIX B**



**VIDEO MONITORING  
SERVICES  
OF AMERICA, INC.**

1000 National Press Building  
Washington, DC 20045  
(202) 383-7110  
(202) 383-6461

**New York**  
(212) 736-2010

**Detroit**  
(810) 352-9220

**Denver**  
(303) 881-7152

**Los Angeles**  
(213) 963-0111

**Boston**  
(617) 288-2121

**Hartford**  
(203) 963-1889

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**Philadelphia**  
(215) 688-4800

**Houston**  
(713) 789-1835

**San Francisco**  
(415) 843-3361

**Miami**  
(305) 676-3581

A **BURDETTE'S** Affiliate

## Transcript

**DATE** October 31, 1995  
**TIME** 9:00-10:00 PM (ET)  
**NETWORK** PBS-TV  
**PROGRAM** Frontline

Robert Krulwich, host:

Now, I know that some of you are thinking, 'This has nothing to do with me, because I don't surf the Internet and I certainly don't subscribe to any digital newspapers-- not in my lifetime. All I do is I just go home, sit down and watch TV.' Well, you are not excused from the future either, because you should know that there are certain companies who are very anxious to make some adjustments to your TV.

This is the future racing towards your TV set. It's a new television service called Stargazer.

(clip from Stargazer)

Unidentified Announcer: You are a pioneer on the information and entertainment superhighway.

Hi, and welcome to Stargazer, the world of interactive television. It's totally revolutionary.

Krulwich: Well, that's easy for him to say. But what do the customers think?

Patricia Gadziala (sp) (Fairfax, Virginia): I can't imagine why anybody would turn this down. We love it.

Krulwich: You love it.

P. Gadziala: We love it. We don't have cable. We love it.

Ed Gadziala (sp) (Fairfax, Virginia): It's great.

Krulwich: Meet the Gadzialas (sp) of Fairfax, Virginia-- Patricia, Ed, and ten-year-old Reed (sp). And guess who is the Stargazer expert?

P. Gadziala: We let Reed do it.

Reed Gadziala (Fairfax, Virginia): They can't- they can't...

*For a videocassette(TV) or audio cassette(radio) of this news segment contact your nearest VMS office.*

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P. Gadziala: Well, we can, but we let you do it.

Krulwich: Do you believe them when they say they can?

R. Gadziala: No.

Krulwich: What Stargazer does is bring the video store right to your living room.

P. Gadziala: They said to us that it would be very similar to Blockbuster, buying a- just renting a video at Blockbuster.

Stargazer Announcer: We're talking about an exciting new world of entertainment and information right at your fingertips.

Krulwich: Well, okay, there are actually a lot of things to choose from in Stargazer. You have a whole selection of movies here, and then there's TV favorites--which would be "Donahue" and "Geraldo" and stuff. And then they've got a Kids' Zone for kids programming.

Stargazer Announcer: Isn't Stargazer great?

Krulwich: Only with Stargazer, you are billed for what you watch, one program at a time. So, you can watch "WWF Wrestlemania," that costs a dollar-forty-nine. You can watch "60 Minutes: 25 Years," that costs ninety-nine cents. So now, over a month, how much do the Gadzialas spend?

R. Gadziala: Fifteen or twenty dollars, maybe? Thirty, maybe?

P. Gadziala: We pay more like thirty, it would be. About thirty dollars a month.

Krulwich: Does that surprise you? Is that more than you thought you would spend?

P. Gadziala: That's about what we were spending at Blockbuster renting movies.

Krulwich: And what does that thirty dollars comprise mostly?

P. Gadziala: Movies.

E. Gadziala: New movies.

Krulwich: But movies are only the beginning.

Stargazer Announcer: Soon, you'll be able to shop at your favorite stores without leaving home. No crowds, no

## VIDEO MONITORING SERVICES OF AMERICA, INC

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waiting in line--it's great. And it's all brought to you by Bell Atlantic Video Services.

Krulwich: The telephone company?

Stargazer Announcer: I mean, we're making history here.

Ray Smith (Chairman, Bell Atlantic): You're connected via the telephone wires out to the supercomputer that stores all of the hundreds and hundreds of movies.

Krulwich: Well, let's suppose my Aunt Margaret calls. Can I make a phone call or receive a phone call at the same time that I'm getting the movie?

Smith: Oh, yes, you can watch the movie, as a matter of fact, while you don't listen to Auntie on the telephone.

This is the delivery of information, and the control of information, to individuals in a way that they've never had in the history of the world.

Krulwich: But wait a second--there's a little problem here. The boxes that the phone companies want to put on our TVs, the ones that they're connecting to the giant computers, are very expensive. Even if they sell lots of these boxes, they'll still cost about, oh, four hundred dollars per household. Now, am I gonna (sic) pay that four hundred dollars? Would anybody pay four hundred dollars for the right to pay another hundred bucks per month on stuff? Well, nobody I know. So, someone's got to make these boxes free. The phone companies say advertisers will pay, and they say, we will want the ads.

Smith: That's what the market trial is all about. We're trying to figure out how much people would be willing to have additional ads subsidize some of the things that they do. Today, you can watch the movie on Stargazer and you have no ads whatsoever. We will be adding, however, the ability to have advertisers. But the customer will choose that.

Krulwich: Why would I choose an ad?

Smith: Well, because you can say that you can get Jean-Claude Van Damme for two dollars and fifty cents without ads; or you can get him with ads for a buck. A number of people will say, 'I'll take the ads.'

Krulwich: You get the film for free; all you have to do is answer fifteen questions about your interest in washing machines. Would you do it?

R. Gadziala: Yeah.

Krulwich: I'm not asking you--you don't buy washing

machines. I'm asking you two.

P. Gadziala: You know, we're only watching movies here. Yeah, sure. For three-twenty- yeah, for a three-twenty-nine movie, if they wanted to- for- if it was gonna (sic) take me five minutes to answer fifteen questions about washing machines? Maybe--sure. I don't have a problem with that.

Smith: Advertisers can come in and say that in the two-hour movie, I'll take twenty minutes of advertising that cannot be fast-forwarded or erased, twenty minutes of...

Krulwich: Ah--I mean, I can run through the movie fast, but I can't run through the ad.

Smith: Because, in effect, you're saying rather than paying two dollars and ninety-nine cents or three- three dollars and thirty-nine cents, I'm willing to get this for a dollar and a quarter and listen to your ads.

P. Gadziala: I just want to use it for pure entertainment. If you want to ask me some questions about some things, that's fine, but I'm not interested to then dial up the 800 number and- and make a major purchase. I would hope that that's not where this is headed.

E. Gadziala:: Right.

Krulwich: The Stargazer system is set up to track the behavior of all the customers, so everything you do is recorded on massive supercomputers. Each one of these black boxes remembers every transaction coming from thirty thousand homes.

Smith: So, it's gonna (sic) be advertising, transactions and entertainment-on-demand. Great--a marvelous package.

Krulwich: So already you've got a business that I'm not- I hadn't thought about, but you already have the business of who's watching.

Smith: Oh, absolutely. And so we know who to promote to, and we get all sorts of information. We would not use the information if the customer didn't want us to. But most people don't care. They say, 'Sure, I'll be glad to.' Stargazer therefore knows what you're doing.

P. Gadziala: We're very much aware of the fact that they know everything...

E. Gadziala:: We're being monitored.

P. Gadziala: ...that we do, everything that we watch, and

we're intimate with Bell Atlantic in that regard.

E. Gadziala: Yeah.

# # #