

ANNENBERG SCHOOL FOR COMMUNICATION

HBO ORAL HISTORY PROJECT

The Reminiscences of

Charles F. Dolan

Annenberg School for Communication Library Archives

University of Pennsylvania

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PREFACE

The following oral history is the result of a recorded interview with Charles F. Dolan conducted by Howard Burkat on December 20, 2013. This is part of the HBO Oral History Project.

Readers are asked to bear in mind that they are reading a transcript of the spoken word, rather than written prose.

Transcribed by: Service

Session: 1 (of 1)

Interviewee: Charles F. Dolan

Location: Long Island, NY

Interviewers: Howard Burkat (Q1), Stuart F. Chuzmir (Q2)

Date: December 20, 2013

Q1: Okay. We're ready. I'm ready. You're ready. The first question is, what is your name?

Dolan: Charles Dolan.

Q1: Many people say that you invented Home Box Office [HBO]. I'm just wondering, is that true?

Dolan: Well, I'm glad to hear that people are saying that. To the extent that I was involved in the start of Home Box Office. I'm very proud of it--proud of what has been accomplished by all the people who have been with Home Box Office since its beginning. That's quite a crew including yourself.

Q1: Yes, thank you. Tell us what business you were in when you came up with the idea.

Dolan: We were distributing commercial motion pictures. We were distributing them both via television and with direct sixteen millimeter exposure to the audiences. We worked for sponsors of those films, everybody from the American Medical Association [AMA] to Swift & Company. Our sponsors had an interest in reaching particular audiences. Those audiences were not easy to reach. They were busy and they didn't have time to be distracted by watching a movie. We were

operating out of New York, Manhattan, and we noted that many of those audiences met in New York hotels during their convention periods. We thought wouldn't it be great if we could run these movies over a wire that would attach to the hotels and play on the antenna systems [note: receive over-the-air broadcast television signals] within the hotels. Okay, we found that in order to wire the hotels we had to have a franchise [note: a right to operate a cable television network] from the City of New York. So we went to the City of New York and they said, "Well, that's a pretty commercial purpose. Don't you have something else you can do that would be of greater service to the people in the hotels?" We said, "Okay, we'll provide a news service for visitors to New York about what's going on in New York, and that's called Teleguide [note: Teleguide Inc. provided information services to hotels in New York City via cable]." We started the Teleguide. They gave us the franchise to wire midtown Manhattan and to connect all of the hotels. Then when Teleguide wasn't running we ran the movies, and that worked out very well.

We found subsequently that the hotel people were telling us that the picture that we provided to their guests in the hotel rooms was far superior to the picture they were getting from the television stations of all the regular television programming. That made us think, "Well, maybe we can be of service not only to our customers and the hotels, but also to the residents of Manhattan. So we went back to the City and said, "May we have a franchise to provide an improved television service to the residents?" They said, "Yes." And they gave us a franchise to serve the residents of Manhattan as far north as 89th Street on one side of town and 72 Street on the other side of town. That was the beginning. Pardon the long answer, but there it is.

Q1: It's a great story though. It's amazing to think of how that happened and the changes that have spun out from it. So, here are these movies. I just wanted to zero in on something you said. You had the rights to show certain movies; you got a franchise; and people had to buy cable as well, right? It was a buy-through kind of thing. They had to buy cable from you, right, to see the movies?

Dolan: Well, the movies were really for the people in the hotels. They were the commercial movies. Now as that story progresses, as time goes along, we're now urging residents to subscribe to our cable service. We're charging six dollars a month. But the people in Manhattan who had good television reception were not motivated to pay us six dollars a month when they could get the same service free from the antenna. That was recognized of course as being a limitation to the growth of this service. We began to think, "What else can we put on that cable that would attract the interest of subscribers?"

About that time, we're now into the '70s, the industry, in its technological advance, came up with the converter box [note: cable converter box] which was a way of providing the frequency capacity on the wire to carry more channels than we had broadcast stations. It occurred to us we could put more expensive programming on our wire, and we would make an additional charge for it. The people who wanted that programming, we would provide them with the box, which could display those channels on their television set. Then about the same time, we had been working with Madison Square Garden [note: Madison Square Garden is an indoor arena in Manhattan, New York City]. We had been running on our cable system some of the games of the Knicks [note: The New York Knickerbockers are a professional basketball team based in New

York City] and Rangers [The New York Rangers are a professional ice hockey team based in New York City]--the playoff games.

Q1: Which was not part of your company then, is that correct?

Dolan: No, it's not, right.

Q1: It was not part of your company then.

Dolan: They were not putting those games on broadcast because they were afraid that would diminish the box office attendance for the games. They were willing to put it on cable because we didn't have that much of an audience. So, we're now reaching the late 60s and early 70s. They sold us their playoff games for I think it was like \$23,000 for two weeks of games. It was just remarkable to see how much attention everybody paid to that. Our principal customers in Manhattan were the bars. All of the bars wanted the games. I remember walking down Third Avenue one night and seeing the people lined up outside of the bars waiting to get in so they could watch the hockey game and the basketball games in the playoffs.

Again, a long answer, but it wasn't far from that before we realized that if we provided more than a reception service--if we did sports and if we did movies--our service would be far more attractive to the residents of Manhattan. Then came the idea, I remember trying to think it through and my family and I went on a vacation to Europe. This was 1971. We rented a house in Chateau-Renault [France] outside a Tours [France]. We were there for two months. I thought,

“Well what an opportunity to write a memo explaining what we wanted to do and how it would work financially and technically,” etc. I was way up on the third floor of this house. All the kids were playing downstairs. I spent a good part of that two months writing that memo. Then I could hardly wait to get back, because by that time, Time Inc. had become our partners and I was so eager to see what they thought of that idea. We would need a lot of financial help in order to do it. I finally got back and they hadn't read the memo yet. But they did, and they were very good about it.

Q1: Who were you--wait, let me back up one question. What was your business called at that time--the business that you were running that did all the things you were just talking about?

Dolan: Well, going back to the movie business it was Sterling Movies USA. Then when we started the cable in Manhattan that became Sterling Manhattan Cable. Eventually it was converted to Manhattan Cable.

Q1: Before we talk about this memo that you wrote to our friends at Time Inc., you ended up in a partnership with them to run Sterling Manhattan?

Dolan: Yes. For us, the big problem was always financing. We didn't have the money to build cable systems and they were costly to build. We had an associate from Seattle, Washington, [John] Elroy McCaw, who was a broadcaster. Elroy said, “You know, you need partners.” So he did it. He became a partner, and Bill [William P.] Lear of Learjet [Corporation] and of Time Inc.

Q1: There you are in this joint venture. Time Inc. is involved. Do you recall who the Time Inc. people were that you were working with?

Dolan: Yes. Various people, Andrew Heiskell, Jim [James R.] Shepley, there were others.

Q1: Levine would have been the lawyer then.

Dolan: He came later as we were actually starting Home Box Office as an operation.

Interviewer: It was Heiskell and Shepley?

Dolan: Right. I remember we needed, we thought, \$300,000 to start Home Box Office. That was a lot of money. There was finally a meeting, which Andrew Heiskell attended, as well as Jim Shepley. We went through the presentation, etc., and it wasn't quite through, and Andrew Heiskell pushed his chair away from the table, and got up and left. Then after the door closed Jim Shepley said, "Well, okay, that's it. You have your money." That's how he said yes.

Q1: Wow. You must have been trembling until he explained to you what that meant.

Dolan: Right, a little bit, because we were very keen to do it, and there were ways of doing it.

We wanted then not only to have Home Box Office for our Manhattan Cable, but we had started syndicating those games to other cable systems using--

Q2: Microwave?

Dolan: Microwave then was a very popular way of syndicating programming from one cable system to another, or distributing programming.

Q1: We've been told by others that we've talked with, we've named a couple you and I in conversation, I've heard this generally that, people would say at that time that television is free. No one is going to pay for television. No one is going to pay for movies on television. What did you guys say? What was your thought about it? What was your argument?

Dolan: The cable industry had really started. It began in the '50s and grew in the '60s, but not in metropolitan areas--always in remote suburban areas where there was some reception difficulty. Either the communities were too far from the transmitter, or they had mountains in the way, or whatever. Cable was then an antenna system--a way of bringing the broadcast stations to people who could otherwise not see those signals. That was fine, but it was of marginal value to the customer and it limited the growth to areas where there was a real signal difficulty. We would look around on Long Island [New York], and in Manhattan, and the Bronx [New York City], and elsewhere, and there were so many populous areas that loved their television. We weren't going to grow in those areas because they didn't need help with the reception.

Q1: You said, "We will add something to this: our basketball games, our movies, and so on, and then they will want to buy us for things other than reception."

Dolan: That's right. You couldn't buy the movies and the games unless you also bought the reception. We wanted to provide a complete television service.

Q1: I'm entranced by your family vacation in France there and your writing memos during that time. Was that memo a financial memo about why this joint venture should proceed or did it deal with the concept of movies and sports and such on television for a price.

Dolan: Yes, mostly that. The whole idea of how we could introduce that programming, syndicate it, and expect audiences to buy the whole service, the reception, and the programming. Then financially, how we thought that would work out.

Q1: Did that memo predict fairly well what was going to happen and how you created and ran the business.

Dolan: I wish I had a copy of the memo.

Q1: It would be great wouldn't it?

Dolan: I'm not sure exactly what it predicted. After it circulated it did gather attention. We were, with those early efforts through Madison Square Garden, having success with the individual events and attractions. So there was substance to it.

Q1: Did you have to convince some internal people of the validity of this? Did you have boards, or lawyers, or bankers, or anyone that you needed to hit up with this?

Dolan: We always did. Because we didn't have any money of our own. Anytime we wanted to do anything, we had to go out and persuade the people that it was worth the investment.

Q1: Let's see. Chronologically, we now have the joint venture going. One of the things in marketing, any marketing course or anyone who has done any marketing, knows that pricing is an art and a science together. No one's ever done this before. No one's ever shown movies on television and charged for it, and tried to get people to pay this month, and next month and the month after, so you'd still have a business. How did you determine what you would charge for it? Was there research? Was it gut? What was it?

Dolan: [Coughs] Well, it was pretty much, "What was the cost?" We knew the expense side of it very well. We had to make an estimate of what percentage of the market would be likely to buy it. Those years during the '60s and the '70s working in Manhattan taught us a great deal. Then we began to visit with cable operators outside of New York--people in Pennsylvania and other areas that we could reach with a microwave, and pick up their point of view on it, etc. From all of that you began to have a pretty sure idea of what was likely to work; what could be charged; what percentage of the market would buy it; etc.

Q1: It became profitable at some point, hopefully, presumably? I don't really know. I'm just asking.

Dolan: The early signs were positive. The best proof of that is that Time Inc. continued to expand its ownership. It bought out Mr. McCaw, Mr. Lear, and then finally they bought us out. We had been operating Home Box Office for less than a year. Time Inc. was convinced enough of its potential to want to own all of it. With our continual cash shortage, we were very vulnerable to their offers. [Laughs]

Q1: Is that the last transaction that you just mentioned, in which Time Inc. bought the operation, all of it, is that how Jerry Levine comes into the picture? Or maybe you can just tell us how Jerry Levine comes into the picture.

Dolan: After Mr. Heiskell and Mr. Shepley approved the investment in Home Box Office, we put together a small group and we moved into the Time-Life Building. I remember we were located just one floor, as I recall, above the executive offices there. That unit needed to be staffed. We were lucky enough to have gathered a group around us, but then we needed other people. Along came a recommendation of this man Jerry Levine. Jerry was very impressive. He had been working in the Middle East for a number of years. He loved the idea. We brought him along as chief of programming. I remember Jerry would spend the afternoon watching movies in his office. He was really into content. He did the job very well, related to motion picture companies, etc.

Q1: He had gone from a law firm to part of your team there doing early Home Box Office?

Dolan: Yes. Relating principally to the motion picture studios.

Q1: Because he was lawyer, he was probably doing programming deals, as you mentioned?

Dolan: Yes.

Q1: Now I probably should have asked you this earlier. I ask you the classic question about the name of Home Box Office. Is there a story there that you should tell us?

Dolan: Yes. I think we mentioned before, we were flailing around for the right name. We had ourselves had had a sequence of names. In the original memo, the name that was given the channel, was The Green Channel, which was just a name. We began looking at that box, the converter that made it possible to provide a channel over the cable that couldn't be seen until you had the box. Jerry along with--

Q2: Tony [Anthony] Thompson.

Dolan: Tony Thompson and--

Q2: Frank [Francis] Randolph.

Dolan: --and Frank Randolph. They were all part of that original group. There was a discussion and the first idea was, "Well let's call it 'The Home Box.' Okay, that was fine, let's call it the

'Home Box.'" Then somebody said, "Well if it's 'Home Box' and we're selling movies, why don't we make it the 'Home Box Office.'" That's what it became, and it didn't take long for that to convert to HBO. Everybody liked that name, and that was the beginning of it.

Q1: Personally it's wonderful to hear that story. I think a lot of people wonder how it happened. It's amazing to hear it first-hand. Also, Tony Thompson is actually the reason I'm sitting here today. I was working at NBC [National Broadcasting Company]--Tony Thompson was a recruiter--and he called me. He had left the Time Inc.-HBO hierarchy. He called me and said, "We've heard you're pretty good. There's this new thing that we're working to recruit a marketing promotion staff for called Home Box Office. Are you interested in talking about it?" The first thing I said was, "I've never heard of it. What is it?" That was '77.

Dolan: Right, that was early.

Q1: It was still early. The interesting thing is, I had been working at NBC--walked around, talked to my friends--no one even knew about it. So strange, no one had heard of it. But they convinced me to join, and here I am. Okay. Let me just see where I am here. Oh yes, getting back to programming and buying movies as we were talking about. This was another part of inventing the business it seems to me. No one had bought movies for television that people were paying for over here on the customer side. They were on broadcast television. Do you have any sense or recollection of how those business arrangements started and what they were like?

Dolan: We went around trying to make those arrangements. This is before Jerry had joined the group. I remember visiting all of the studios and finally the people at Universal [Pictures] said, "Okay, we'll try it." They made a cluster of movies available to us. The first one we decided to run was *Sometimes a Great Notion* with--

Q2: Paul [L.] Newman.

Dolan: Paul Newman, right. The first HBO broadcast was an evening of *Sometimes a Great Notion* and a hockey game, the Rangers. By that time Jerry was with us, and we had a couple of affiliates out in Pennsylvania. I remember that first night, our offices were on 23rd Street then, in a studio. Jerry was going to go out and be with the affiliate in Scranton, Pennsylvania I think it was--

Q2: John Walson [Sr.].

Q1: Oh yes.

Dolan: John Walson, right.

Q: Service Electric Company [Service Electric Cable TV, Inc.].

Dolan: But there was a storm that night. The microwave network worked all right, but Jerry couldn't get his car off the George Washington Bridge [New York City]. He spent that whole

evening, that first night, sitting in traffic on the George Washington Bridge, to his great frustration.

Q1: Did you pick--did someone pick--did the company pick--*Sometimes a Great Notion* for programming reasons or because that title was to foretell what the company would become.

Dolan: No, we were just happy to have that wonderful movie with Paul Newman, never mind the title. We would have run it no matter what.

Q1: I gather you had gotten some no's before Universal said yes?

Dolan: Well, there weren't really no's, there were, "Let's see; we'll think about it." Universal was the first one to say, "Okay, take them. Use them."

Q1: Why do you think that was? Do you have any knowledge of why they took a deal and nobody else said let's--

Dolan: I think they saw the possibilities in it. Maybe contractually they were able to do that with their movies, while the other studios had to clear up conflicts, etc.

Q1: Did you have at this time a competitor? Had Showtime [Showtime Networks, Inc.] or had Warner [Cable] had something? Were there competitors to your business at that point?

Dolan: No, not really. Our competitor was “Hey, people aren't going to buy the service unless there's something added that they can't get elsewhere.” We were very limited by the idea of being a reception service.

Q1: I just have a few Time Inc.-HBO names bouncing off you. Did you work with Nick [J.] Nicholas [Jr.]?

Dolan: Oh yes.

Q1: In those days, what was Nick doing?

Dolan: Well, Nick--he was an officer of Time Inc. When the first board was put together after Time Inc. became our dominant equity company, Nick was chairman of the board. He was very involved and very, very helpful.

Q1: How about Dick [J. Richard] Munro?

Dolan: Dick Munro was a vice president at Time Inc. and very involved with us. Also Barry [Baryoor] Zorthian had the immediate executive authority and had so much to do with the early organization.

Q1: Once this deal was made, and all these Time Inc. people are involved, you've gotten the capital so that you can go back to running--or gotten some capital--did you exit the HBO management, or did you stay with it in various activities for some time?

Dolan: No. After Time Inc. offered to buy out our interest and we agreed, I left. I didn't have anything to do with it after that. Fortunately they had Jerry and they had a succession of executives who just did wonderfully with it. Then we had the cable industry became involved and there were so many people who took an interest, like Bob [Robert M.] Rosencrans. Bob really initiated the industry's use of satellite to distribute the HBO signal.

Q1: You had exited before the whole satellite business came into HBO, correct?

Dolan: That's right.

Q1: We will definitely get to you on that then. Have you ever thought about, "What if we had kept it? What if we had kept HBO?" Do you have any thoughts on that, or regrets, or wonders?

Dolan: Every day.

Q1: I think that says it all. I am done. Where is John [L. Jackson, Jr.]? John is making a call.

Q2: John is making a 10:30 call.

Q1: Oh, okay.

Q2: Should I call him?

Q1: Yeah, because I'd like to tell John, as the real professor, sometimes might want to add a question or two. Stuart did you have anything that you wanted to clarify?

Q2: No. I think what Chuck said was fine.

Q1: It's an amazing story. I've always thought that if HBO--this is a personal thing based on nothing--if HBO had been a venture unto its own, not part of a larger company like Time Inc., that it would be recognized much more than it is as one of the great financial business successes. People know it for its product and what it does and it's recognized as a success. But they don't really know how fast it grew and how profitable it became and all that because of the low profile that the parent keeps of it.

Q2: It had some heady days. At the very beginning it wasn't always considered a slam-dunk. I don't mean in terms of the plan, in terms of the churn [unclear] issues just getting it going--like any start-up. You asked him if he ever thought about life would be like, we're not on camera now, are we?

Q1: Do you want to stop? Then we'll stop, I'd like to hear your comment.

Q2: Right.

Q1: Stop if you can.

[INTERRUPTION]

Dolan: --It was an exciting business and there were so many interesting people involved, and it was fun to work with the people at Time Inc. That's where I met Stu [gestures toward Q2].

Q1: You actually said--well, let me put it positively--you really haven't severed your connection, because Cablevision [Systems Corporation] is one of the major affiliates of HBO, and has I don't know how many million HBO subscribers that you serve.

Dolan: HBO is a very important part of our product, and I've never really felt that much apart from HBO.

[END OF INTERVIEW]