The Feud That Toppled a TV Empire

CHANNELS

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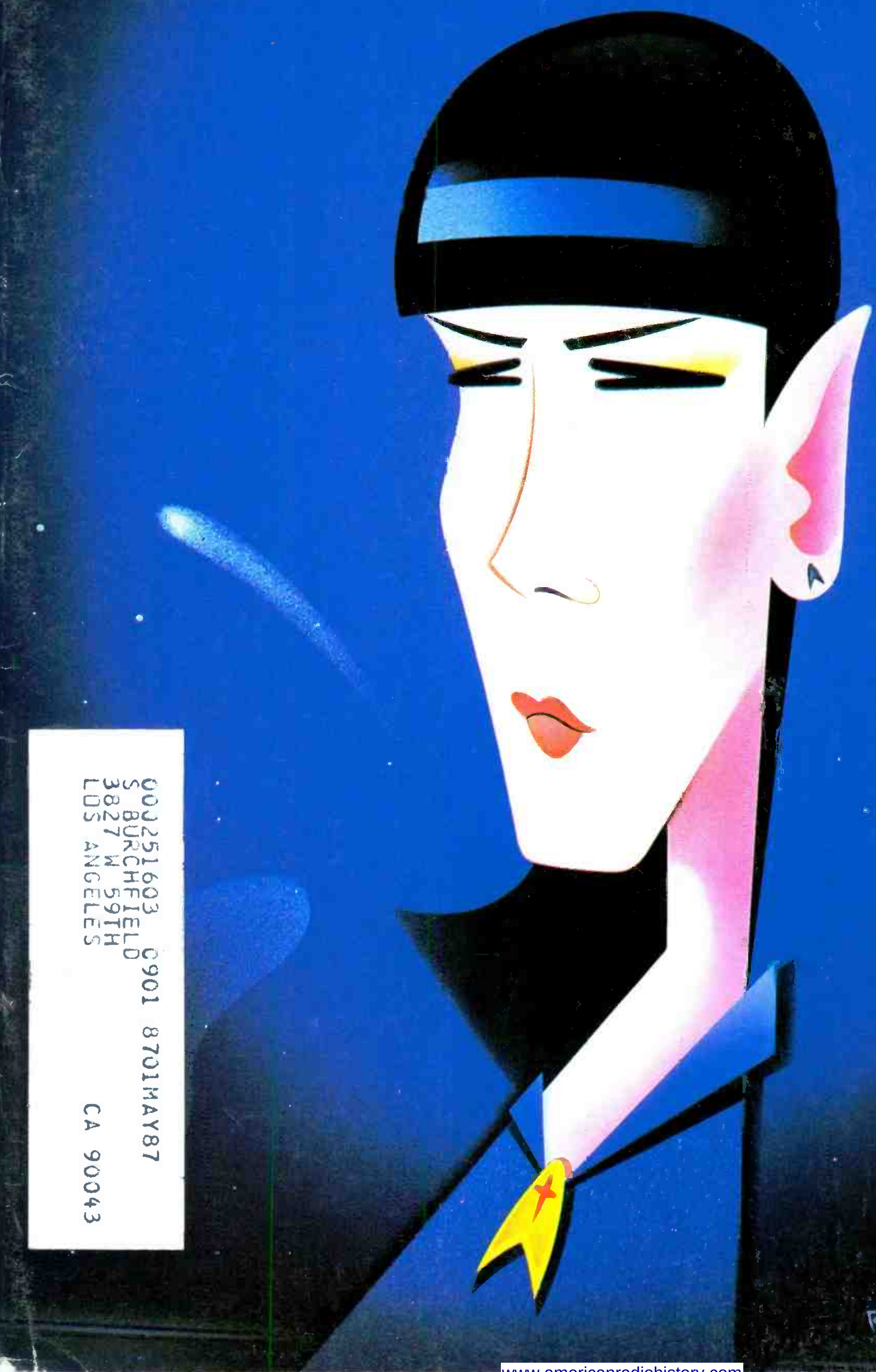

Independent Television— The Next Generation

When Paramount elects to bypass the networks and syndicate its *Star Trek* sequel directly to stations, it's clear there's a new dawn in TV programming.

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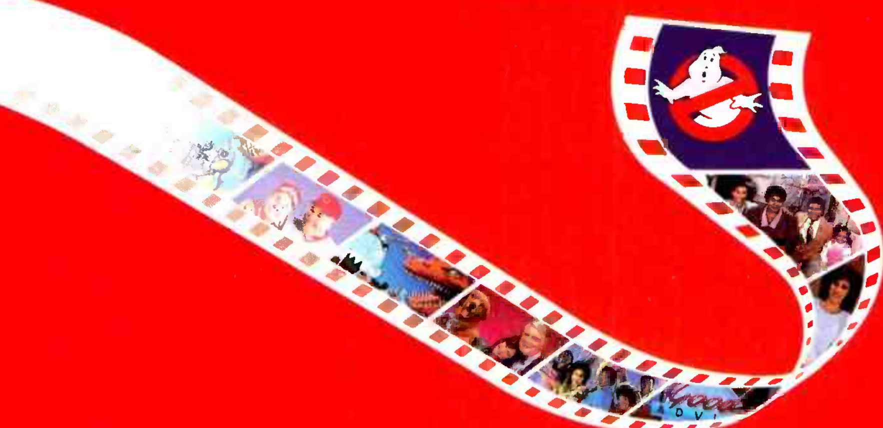


Coca-Cola®
TELECOMMUNICATIONS

CHANNELS
OF COMMUNICATIONS

VOL. 7, NO. 1 JANUARY 1987

54 Campus ink freak in 1952, news-media chieftain today.

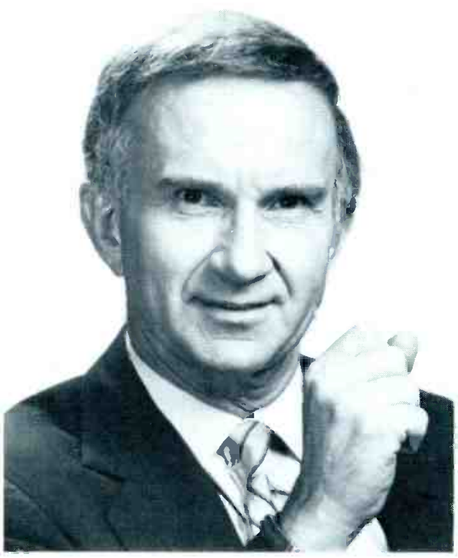
Cover illustration: Robert Risko

"When it comes to buying and selling, it's important that broadcasters talk with broadcasters."

"The financial community today has awakened to the enormous opportunities in the broadcasting industry. But it takes another broadcaster to really understand the dedication that goes into building a broadcasting organization. To recognize the excellence of the stations they're dealing with. To appreciate that a good station is more than a business; it's part of the community.

RICHARD N. SAVAGE
Senior Vice President
Broadcast Services

Richard Savage has over 30 years of broadcasting experience. He joined CEA from his position as vice president of the ABC Television Network. In addition, he has owned and operated radio stations, and worked in television sales.



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Whether it's financing, acquisitions or divestitures, CEA's team of brokers and financial experts handle even the most complex transactions — with a personal approach and understanding that sets us apart.

Today, it's more important than ever to work with people who know the industry. At CEA, we believe the outlook is positive. The dedicated broadcaster can be confident about both product and marketplace.

Confidence and commitment. That's our position when it comes to broadcasting. We've built our reputation for success by believing in this industry."

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EDITOR'S NOTE

Indie Trek–The Next Generation

In the very first issue of *Channels*, back in April 1981, we speculated about what would happen to the broadcasting business if American public television went under. All those 230 frequencies would be turned over to commercial broadcasters, upsetting the television economy and creating havoc in the industry. With more stations competing for choice syndicated programming, prices would soar while advertising rates would decline, and the new stations would make possible a fourth network.

Something like that has actually happened in the years since—not because public television died but because a whole new independent television industry was born with 160 new stations signing on in the last five years. Program prices have indeed gone wild, ad rates have dropped and a fourth network does seem in the offing.

We used to speak of independent television as yesterday's network because the mainstay of its schedule was network reruns. But that was in the old days, half a decade ago. Today independent television is a new creature, a new force which, if it survives the current shaky period, promises to change the face of television in our country.

The boom in stations has been a boon to the TV-production and syndication industries. The latter has grown substantially in stature and is now creating network-style programs expressly for sale to individual stations. Paramount TV , for example, is producing *Star Trek—The Next Generation* as a sequel to the old series and, bypassing the networks, is marketing it in the first-run syndication circuit. We take that as emblematic of independent television's growing strength, an industry that is passing to its own next generation.

This issue of *Channels* devotes its special Focus section to the ups and downs of independent television today—the incredible success stories, as detailed in an article by Jean Grillo, occurring simultaneously with a rush to sell indies in an increasingly tough market. Meryl Gordon tells the story of the grim realities of that trading market in "Psst! Wanna Buy a TV Station." Other articles examine the two large public policy issues affecting independent television's future: the right of satellite-transponder owners to turn indies into superstations against their will, and the impact of cable's revised must-carry rule.

The man of the hour in independent television today, Rupert Murdoch, who may prove the savior of many stations with his proposed fourth network, makes some startling comments in an exclusive interview with *Channels* editors for this issue's Sound Bites.

And in a major feature on a highly targeted facet of independent television, Greg Critser tells the fascinating inside story of how the successful Spanish International Network was forced to sell its stations, passing them—surprisingly—into the hands of Hallmark Cards.

The next generation of independent television is producing some of the liveliest news of the business. And its shake-out will matter not only to independent broadcasters, but to the great networks, the cable industry, the advertisers, syndicators, Wall Street and, inevitably, the viewers.

Les Brown

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THE BUSINESS OF COMMUNICATIONS

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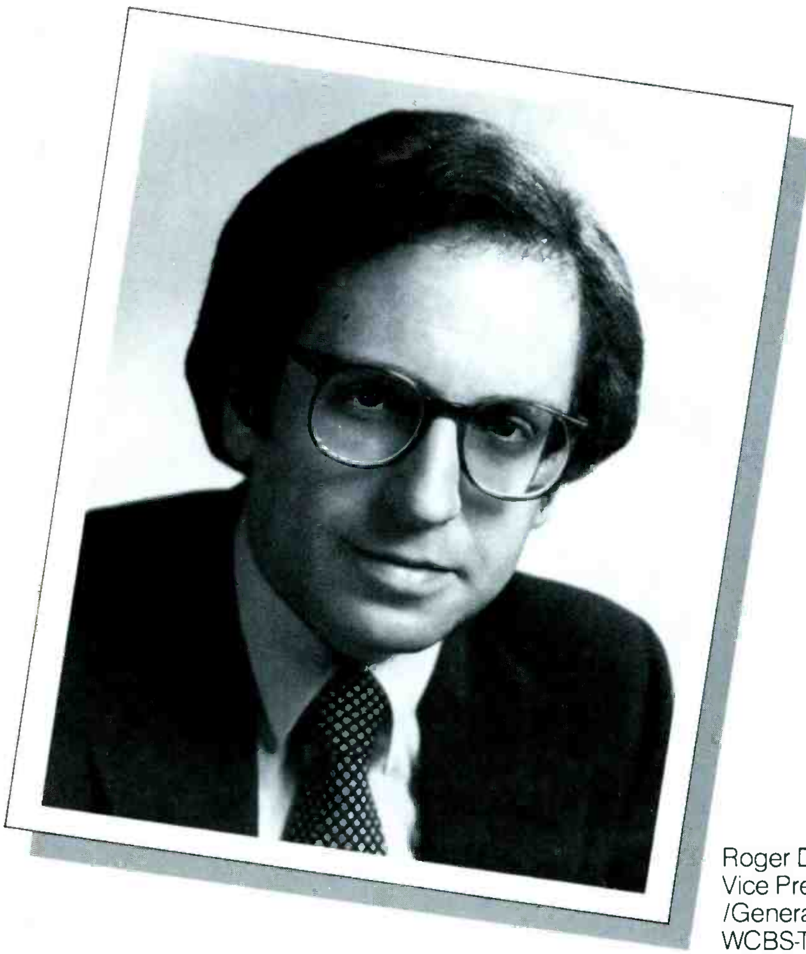
Colloff on CHANNELS



Roger D. Colloff
Vice President
/General Manager
WCBS-TV

"Just a note of congratulations after reading CHANNELS. I've been watching with interest, and it seems to me that you've really hit the mark.

It's a terrific magazine, and you really should be proud of the changes you've implemented."

CHANNELS
THE BUSINESS OF COMMUNICATIONS
TO UNDERSTAND THE BUSINESS YOU HAVE TO GO THROUGH CHANNELS

ZHJK
BROADCASTING

Dear Dr. Browne,

I'm losing viewers to another channel. It's getting harder to keep my ratings up.

I need good advice.

Station Programmer in Peril

LETTERS

HBO's Health

HBO (almost) always enjoys appearing in *Channels*. I'm sorry to say, however, that I must put Merrill Brown's October column in which I am quoted ["HBO's Second Wind," The Business Side] in the "almost" category.

Simply put, the column created a misleading impression of HBO's business health. Far from being endangered, HBO is among the healthiest companies in the cable business. Although Brown maintains that "HBO has been steadily losing customers," HBO has *never* chalked up an annual subscriber loss.

Last year, admittedly the slowest in our history, we finished with a net *gain* of 100,000 subscribers. While seasonal losses have occurred, they have been more than recouped by aggressive marketing campaigns and innovative programming. And where is mention of HBO's sister pay service, Cinemax, which is currently cable's biggest success story?

Brown says that 1985 was a year in which pay services were fighting for their lives. But in that year, Cinemax added 400,000 subscribers. Also, our much publicized staff cuts took place two years ago, not last year, as the column says.

Two consultants were quoted in the column, one asserting that HBO suffers from growing audience dissatisfaction, the other claiming proof of "the entire rejection" of pay TV by consumers. Both conclusions are contradicted by our own research, which Brown never asked me to comment on. According to our data, subscriber attitudes are holding steady. Our churn rate—the one irrefutable litmus test—shows no increase.

Considering the depth and accuracy of reporting we are used to seeing in *Channels*, the factual errors in the column are especially disappointing.

Seth G. Abraham
Senior Vice President
Programming Operations and Sports
HBO
New York, N.Y.

Channels *regrets any innaccuracy in the column in question but relied on information provided by senior HBO officials, and by analysts, in reporting a net subscriber loss for the service in 1985. HBO officials were asked about HBO research and their remarks are reflected in the column.—Ed.*

Small Is Beautiful

I am pleased Les Brown mentioned Conus Communications in his October column ["Not Necessarily the Demise"]. I only wish he had raised with me the points he raised in his column. There are answers to his questions regarding local stations' ability to compete on a national level [with network news].

If local stations can employ more than 6,000 broadcast personnel, and the networks can only afford to employ 1,300, where does the ultimate power lie? The direction and allocation of resources among the 6,000 will tell the tale.

At Conus we do not feel that the network newscasts are in any immediate danger of passing from the broadcast scene. But when Ted Koppel, Lesley Stahl, Sam Donaldson, etc., can syndicate their products directly to television stations, as newspaper and magazine columnists do, small stations, like small newspapers, will acquire and pay for their talents directly. That's what the new technology means.

Charles H. Dutcher III
Vice President, General Manager
Conus Communications
Minneapolis, Minn.

No-Win Situation

I write to commend you for providing a medium of praise and honor for those who demand the best, both in product and conduct [*Excellence*, October]. So seldom do those who stand for something receive proper acknowledgment.

I certainly cannot argue with your choices but wish to correct the record in the otherwise well-written Group W article ["Local Heroes"]. Much of the excellence of Group W you so rightly praise is the result of the contribution of Win Baker. As president of the television station group prior to Larry Fraiberg, Win was not only responsible for working closely with Don McGannon in their mutual quest for quality and service but was chiefly responsible for the creation of *Evening/PM Magazine*.

In the initial stages of its development, no one wanted to assume responsibility for what looked to be a colossal (and expensive) failure. But on the front lines in San Francisco, and back at headquarters, Win fought it out on creative and management levels and saw it through successfully.

While success has many fathers, failure is an orphan. In all the years since *Evening/PM*'s acknowledged success, I've never read a word of credit for Win.

Win Baker was (and is) the very essence of what Group W Television has stood for, for as long as I can remember and he should have been included in the article.

Michael A. Fields
Columbia, S.C.

Sibling Rivalry

I was delighted to see *Channels* salute Group W Television for excellence in local broadcasting [October]. I feel obliged to correct one gross distortion of fact. Our sister station, WBZ-TV, is a very fine station indeed, but "the finest local TV station in America"? Not while the staff of KDKA-TV in Pittsburgh continues to draw breath on this planet.

Arthur Greenwald
Creative Services Director
KDKA-TV
Pittsburgh, Pa.

No-Static Kling

Thank you for your thoughtful inclusion of a public broadcaster in your Excellence Awards for 1986 [October]. I was honored to be among the group you selected, most of whom I have long known and respected.

Your magazine has a wide impact. I had more comment on this award than any other that I have received. After reading the articles in the October issue I can see why, and I can see that I have been missing an excellent publication by picking up stray copies only occasionally. I plan to change that.

William H. Kling
Vice Chairman
American Public Radio
St. Paul, Minn.

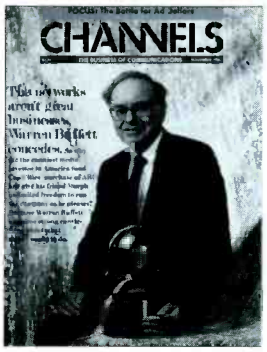
Buffett Buffs

The wonderful profile on Warren Buffett and Berkshire Hathaway omitted one fact which is further indication and proof of Buffett's innovative spirit. In 1982, Buffett wrote the approximately 1,500 stockholders of Berkshire Hathaway, advising them that the board had decided to give approximately $2 million to charities, which amounted to $2 per share, and a form on which to designate the charity that was to receive the gift was included. If you held 100 shares, Berkshire Hathaway would send $200 to the charity of your choice, as long as it was a tax-exempt institution.

In Mr. Buffett's letter to the stockholders announcing the new policy, he pointed out that one of the results of any corporation's deciding who should be the beneficiary of a company's contributions was that "stockholders' money [is used] to implement the charitable inclinations of the corporation manager" rather than the inclinations of stockholders themselves. He went on to say that while "corporate managers deplore governmental allocation of the taxpayer's dollar [they] embrace enthusiastically their own allocation of the shareholder's dollar."

Mr. Buffett also pointed out in his letter to the stockholders that this was not a one-time affair. If everything went according to schedule, it would be continued in the years to come, and indeed, it has been continued. This year, the stockholders were advised that for every share a stockholder owns, the company will give $4 to that individual's favorite charity.

Marcus Cohn
Cohn and Marks
Washington, D.C.



Pat Bauer's fabulous article on Warren Buffett cannot go without plaudits from out this way. Not only is she to be commended on the interview as printed, she also gets points for the *coup de maître* of the interview opportunity itself.

Alan Eaton
Director of Broadcast Operations
WFRV-TV
Green Bay, Wisc.

Correction

Daniel O'Kane, financial vice president of MMT Sales, a major advertising representative, says the firm does not release estimates of its annual revenues and disputes the figures given in the November issue of *Channels*. O'Kane declined to say however, whether the figures were too high or too low.

Channels Subscribers:

Should you at any time have a question about your subscription, you can call our customer service department directly for a quick answer. The number to call is (914) 628-1154.

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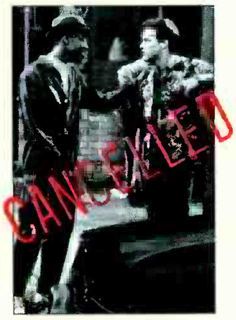
later, in syndication. The producer's tab for 13 episodes of a show like this season's short-lived *Kay O'Brien* on CBS can run as high as $5 million.

The networks usually sign production contracts that require them to pay for a set number of episodes, regardless of whether they air. By yanking Lorimar-Telepictures' *Better Days*, for example, CBS ate $2 million in fees for seven completed episodes that were shelved.

Low ratings that prompt cancellations produce additional losses because of disappointing ad revenues. The difference to a network between a good and a bad rating can be as much as $50,000 per 30-second commercial, or as much as $250,000 per half-hour episode.

While the three networks are now actively searching for ways to cut these costs, Hollywood tends to be nonchalant. "It's the cost of doing business," sighs Harvey Shepard, the former programming chief at CBS and now president of Warner Bros. Television. "You just have to be prepared."

LEE MARGULIES



By yanking L-T's *Better Days*, CBS ate $2 million in fees for seven completed episodes that were shelved.

RADIO

Preparing for War

Under a new plan code-named "The Last Resort," the Federal Communications Commission is preparing the nation's radio broadcasters for nuclear attack. The commission is identifying 30 to 40 commercial stations in remote locations across the country where antenna and electronic systems will be protected against a nuclear blast, enabling them to transmit White House messages to what's left of the nation.

The plan was quietly readied in the wake of a 1986 FCC report concluding that America's Emergency Broadcast System (EBS) has virtually no chance of surviving a nuclear war. EBS—familiar to most listeners as a tone followed by the words "This is only a test"—relies on a network of local and regional broadcasters to relay Presidential messages in case of a national catastrophe. But many of these stations are located near urban areas that would be targeted for attack, and their transmission towers are not likely to survive a nuclear blast.

The new plan calls for significantly strengthening the towers of selected stations, and protecting solid-state equipment against the electromagnetic pulse that follows a nuclear explosion. According to an FCC official, the supposedly "low-risk" broadcasters selected can cover up to 85 percent of the population.

The FCC wants to make sure Reagan gets one last radio show.

Carl Loughry, president of WFRB AM and FM in rural Frostburg, Md., is one of the broadcasters who have already been contacted. So far, Loughry says, the FCC hasn't appealed to anything but his patriotism. "There's no money in it for us, no nothing." But he plans to cooperate all the same.

DONALD GOLDBERG

CABLE TV

The Death of AMEN

When the AMEN Channel, a Christian-music, cable-television network based in Louisville, Ky., ceased transmitting last fall, it left the heavens to other satellite services and several local announcers mad as hell.

AMEN—the American Music Entertainment Network—was conceived early last year by Al Gannoway, a Nevada showman and television producer, and Bill Airy, a New Mexico advertising man. It signed on in July from Louisville, eventually transmitting to 53 small cable systems around the South, interrupting its gospel music videos with home shopping segments that sold everything from typewriters to Jesus clocks.

PETER SPACEK

One month after its founding, AMEN abandoned Louisville for a former gift shop in Cave City, Ky. Back in Louisville, however, the channel had left behind a congregation of announcers who had not been paid for their last days. "It was the worst experience of my life," says Kate Underwood, who introduced products on the shopping segments.

In September AMEN abruptly closed its Cave City studio and moved to Gannoway Productions' Reno, Nev., headquarters. "They never really knew what they were doing," says Ed Tonini, general sales manager of the WHAS-TV subsidiary that leased a studio to AMEN. "Nobody even knew they were there."

Nonetheless, AMEN plans a resurrection. Al Blankenship, general manager of Gannoway, claims that AMEN's summer stint was just "a test," and boasts of advertiser support for resuming the service.

VINCE STATEN

STRONG STORIES, TIMELESS CHARACTERS

PREMIERING FALL '87

That's the secret of every Disney success, from the first animated short, through the feature-length classics to the sixty-five brand new episodes of DUCKTALES.

HIGH ADVENTURE WITH A DASH OF COMEDY AND A TOUCH OF WHIMSY.

DUCKTALES begins with long-time favorite Disney characters, Scrooge McDuck—the original billion dollar bird—and the nephews, Huey, Dewey and Louie, all pitted against their traditional arch-rivals, the Beagle Boys. Added to this long-time appeal is a brand-new character—Launchpad McQuack—a "retired" test pilot designed to give the Disney tradition some very up-to-the-minute company.

Story lines take DUCKTALES around the world in truly international escapades. From earthquakes in subterranean caverns to temple ruins in steaming jungles, from supersonic airborne pursuits to romance in an Alaskan goldrush. DUCKTALES is an all-family adventure.

QUALITY: THE DISNEY PASSION.

In a day of slap-dash animation, when it's difficult to tell whether you're watching robots that move like people or people who move like robots, Disney's lifelike motion and brilliant coloration shine above all others. The reason is really quite basic—and expensive. We use 40% more cels per minute—and with more multiple action frames—than the usual simply animated show. All story concepts, and scripts are done in Burbank, as is all post production. Only the cel painting is done overseas, under the watchful eyes of our own on-site inspectors. This unique combination of at-home and off-shore production ensures maximum production value.

PROMOTION AND MERCHANDISING: THE DISNEY ADVANTAGE.

Already DUCKTALES has the full attention of Disney's Licensing and Merchandising divisions. Larger-than-life Launchpad McQuack characters are being designed for Disneyland and Disney World, as are new lines of DUCKTALES promotional garments for sale by our licensees.

RATINGS AS SPECTACULAR AS THE PRODUCTION.

DUCKTALES has the clearances that build major audiences. On more than 130 stations covering over 90% of the country, DUCKTALES is already cleared in 10 of the top 10 markets, 48 of the top 50 and 90 of the top 100. No other syndicated series has, or ever had, clearances so strong.

Buena Vista Television

DUCKTALES: YOU MADE THE BEST CHOICE. GIVE IT YOUR BEST AFTERNOON POSITION.

DISNEY MAGIC I

THE WONDERFUL WORLD OF DISNEY

A PROGRAMMER'S DREAM COME TRUE.

DISNEY MAGIC I. THE WONDERFUL WORLD OF DISNEY. A library of 25 films. 178 syndicated hours. Each carrying the inimitable values that make Disney part of America's culture. Each carrying the incomparable ability to command an audience wherever it is played.

TRON: a contemporary dream.

KBHK, San Francisco scores a dramatic increase over its previous four-week average rating (+150% for each of its two runs), to earn a 12.5 "cume" rating. KBHK is also up 79% from a year ago. All of this in the face of such tough network competitors as PERFECT STRANGERS, DYNASTY, MIKE HAMMER, MAGNUM PI, DALLAS and MIAMI VICE![1]

THE ABSENT MINDED PROFESSOR: the drawing power of a Disney classic.

WDIV, Detroit scores a Sunday evening triumph, earning an 18 rating, 27 share against 60 MINUTES, MURDER SHE WROTE and a National League baseball playoff game.[2]

WNYW dominates Sunday morning.

Against all competitors, WONDERFUL WORLD comes in #1 in time period rating, share, homes, teens, kids, men and women 18+, 18–49, 25–54 and women 18–54. WNYW also increases total viewers by 27% (compared to Oct. '85) and increases this year's lead-in audience by 60%![1]

KGO, San Francisco: An access winner.

Using WONDERFUL WORLD as a lead-in for the

THE FIRST TIME YOU CHEERED.

THE FIRST TIME YOU CARED.

THE FIRST TIME
YOU LAUGHED YOURSELF SILLY.

THE FIRST TIME YOU DARED.

DISNEY SUNDAY MOVIE. KGO boosts its time period rating by 60%, compared to its regular programs introduced last November.[1]

**KRIV, Houston:
A pair of prime-time winners.**

KRIV takes a double win running WONDERFUL WORLD Saturday and Sunday evenings.
On the average, WONDERFUL WORLD increases its lead-ins by 83%, while outperforming last November's Saturday night by 25%. Sunday is up 100%![2]

**WONDERFUL WORLD:
the bankable strip.**

On the most difficult kind of competition, the come-from-behind hard scramble for success, a WONDERFUL WORLD strip works every time. In the October measured markets, all WONDERFUL WORLD strips are either the highest rated show on their station, improve on their time period, or dramatically increase lead-in. KRBK, Sacramento proves the point: WONDERFUL WORLD improves *every* lead-in demo by at least 50%, and all of last year's demos, by at least 25%. WONDERFUL WORLD is up 33% in overall rating from last October, and improves its lead-in by an incredible 100%![6]

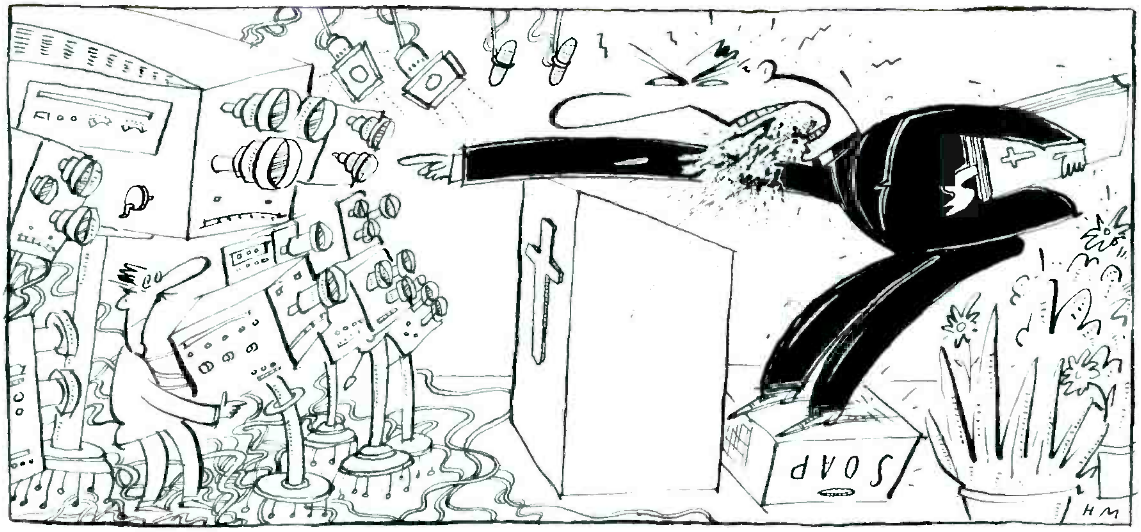
**THE DISNEY MAGIC IS BACK FOR
THE ENTIRE FAMILY.**

DISNEY MAGIC I, THE WONDERFUL WORLD OF DISNEY. Predictably bankable performers. Programs people look for and find.

1. Source: NSI 11/12–14/86
2. Source: NSI 10/12/86
3. Source: Nielsen Cassandra 10/86
4. Source: NSI 9/14/86–11/23/86
5. Source: NSI 9/21/86–11/23/86
6. Source: Arbitron Apollo 10/86

Buena Vista
Television

TALK SHOW



HAL MAYFORTH

CON MAN OF THE CLOTH

The attention that comes these days to the Reverend Pat Robertson, Christian evangelist and Republican presidential aspirant, tends to focus on his bringing religion into politics. But for those who followed the rise during the 1970s of his Christian Broadcasting Network and its flagship show, *The 700 Club*, the story was his blatant attempt to bring in politics under the guise of religion.

Taking advantage of Federal Communications Commission license provisions that encouraged religious programming as a community service, Robertson stiff-armed challenges to the propriety of what was being aired under the rubric of religion. He has now resigned as host of *The 700 Club* but continues as commentator until he decides to make his candidacy official—and thus potentially expose stations that air the program to demands for equal time.

Religious programming is now, and was even more in those pre-Moral Majority days, an aspect of TV that journalists choose to overlook. The feeling has been that such programming is ignored by the vast majority of viewers and is, at worst, innocuous in the lives of those who tune in. That may be moral oversight: Buying air time to beg for money is a coarse business no matter how worthy the cause, and preachers who seek cash now in exchange for salvation later come perilously close to emulating the Medieval sale of indulgences that split the Christian church. But then, the general notion of religious tolerance in American TV is simply to ignore faith as a force in people's lives. Think of entertainment series: How many characters are ever seen going to services, or even acknowledging their beliefs?

I took interest in the subject only after Robertson's group acquired the license to a new UHF station, Channel 25, in my then-home city, Boston. Much of the programming was preacherly and the rest routine for an independent of the time: reruns, many in black and white, of family-oriented comedies. But the schedule also included documentaries, acquired from conservative lobbying groups, which explicitly opposed arms treaties and the transfer of the Panama Canal. Such topics seemed sufficiently controversial to fall under Fairness Doctrine rules requiring stations to reflect a range of opinion and offer a right of reply.

When I phoned to ask whether the station had aired, or planned, any balancing shows, people there refused to talk to me and referred me to headquarters in Virginia Beach. The people in Virginia Beach referred me back to Boston. This runaround went on for months on every issue I pursued and was no accident: It persisted even after I exchanged letters with a high-ranking official of the network.

Although Robertson has tempered his style somewhat in the past few years, *The 700 Club*'s political intentions were explicit in the late 1970s. During one installment, Robertson insisted that the U.S. must not criticize South Africa, because it is the only country that could evangelize the entire continent. He suggested that the way to deal with Idi Amin, then in power in Uganda, was to send Bibles to his Muslim soldiers. He announced that God forbade all deficit spending by government and all household credit except home mortgages. And he warned that unless Christians opposed abortion, in decades to come a majority of the U.S. population would derive from Asia, Africa and Latin America and would lack "Anglo-Saxon heritage and values."

Resurrecting those views now might arouse considerable controversy during his campaign, particularly if Robertson persists in labeling them "religious" and therefore not open to debate. It is revealing of the true Robertson that he and his aides reviewed the old programs before proposing his candidacy—and concluded that absolutely nothing he said then could embarrass him now.

WILLIAM A. HENRY III

TALK SHOW

BLACK AND WHITE AND GREEN

To listen to what some people have been saying about film colorization, you'd think a graffiti artist had just invaded the Sistine Chapel with a spray can. "The destruction of art," sighed director John Huston. "A rewriting of history," moaned Gilbert Cates, president of the Directors Guild.

"I feel sorry for Joe Walker," said Jimmy Stewart, who could only bear to sit through half of the colorized version of *It's a Wonderful Life,* not knowing that Walker, the film's original cinematographer, had endorsed colorization shortly before his death.

What purists seem to have lost sight of is that the process of applying hues onto old footage via computer has given new life to old films, and introduced another generation to movies it might otherwise have ignored.

The colorized version of *Miracle on 34th Street* was the highest-rated syndicated film of 1985. Last summer, the color version of *Yankee Doodle Dandy* was the highest-rated movie on WTBS, seen in 1.6 million homes. It may be a carnival-gawker's curiosity at work, but people are certainly watching.

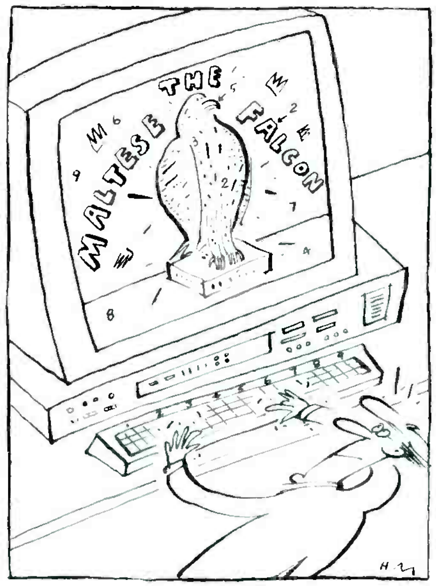
Despite opposition from the National Council on the Arts, and a number of other groups, the Motion Picture Association of America supports colorizing old movies because it means they will be seen and appreciated again.

Those who complain loudest about this "debasement of film" should be the first to decry *any* televised presentation of a theatrical movie. No self-respecting filmmaker should want his work panned and scanned, edited, censored and interrupted every few minutes by commercials. And those who care most about the heritage of the cinema should concede that colorization does not destroy the original print and may, in the long run, help preserve many classics.

The major players behind colorization—Color Systems Technology, which pioneered the process, and Ted Turner, who owns MGM's 3,800-films—are not cranking out colored classics in a philanthropic spirit. CTS is charging Turner $190,000 per film and Turner pumps up his ad rates whenever he runs a "new" classic on WTBS.

But those who say that bastardized movies are being foisted on a powerless public should remember that the viewer, as always, has the final say. A quick twist of the color-tint knob on his set will, in an instant, wipe away the colorizer's work and return the classic to its prelapsarian glory.

JOSEPH VITALE



HAL MAYFORTH

MUST-CARRY'S POSTER CHILDREN

How bad would an unregulated marketplace be for independent broadcasters?

When "must-carry"—the regulation that required cable systems to provide all local broadcast stations to subscribers—was struck down in 1985, independent broadcasters thought the sky would fall. And to hear INTV tell the story, it has. For the last 18 months the independents' trade association has paraded in front of press and legislators, like so many poster children, its favorite cases of abused independents, exploited by an avaricious cable industry.

But ask the stations involved in the squabbles to talk about their problems and few will go on record, fearing they may jeopardize any chance for carriage on local systems. And with new must-carry rules about to be adopted, independents are reluctant to irritate even those system operators who may have to carry them anyway.

Unfortunately, however, the stations' closed-mouth approach and the very public war INTV is waging against cable are resulting in conflicting accounts of must-carry's effects on independent stations.

Take, for example, the case of WTZA-TV in New York's Hudson Valley, which signed on in December 1985—a mere five months after must-carry's repeal. "We got caught in the cracks," says the station's general manager Gene Collins.

But depending on who is talking—INTV lobbyists or the station principals—WTZA is either a classic victim of repeal or a new station involved in typical business negotiations with cable operators. INTV says four of the largest systems in the region—three of which are involved in an advertising cooperative—are refusing to carry WTZA because it competes with them for local ad dollars. But station and system personnel deny that the advertising picture has anything to do with the station's notable absence from the local cable systems. Says one system manager in the area: "There are some terrible things being said by INTV. If we were in the market to, we'd sue them. I hope the station's not feeding it to them."

To complicate the situation, WTZA received a letter in November from Colony Communications' U.S. Cablevision system in the area, agreeing to carry the station if it provided money upfront for capital costs and turned over to the system two minutes of advertising time every hour. Colony president Charles Townsend says the letter's contents were prematurely leaked and that he and WTZA officials have since met and discussed the situation. Townsend says he'd like to "help" WTZA if his U.S. Cablevision wasn't a "classic 12-channel system" with eight of those channels already filled with broadcast signals—an odd thing to say since U.S. Cablevision is a 25-channel system.

WTZA managing partner Ed Swyer maintains that operators from the four systems concerned have told him they plan to carry WTZA. That would mean its current 27 percent penetration of cable households will be boosted to 98 percent, he says. But, of course, that hasn't happened yet.

If INTV and concerned independent stations hope to preserve a must-carry rule, it's in their interest to talk straight and in the same voice.

CECILIA CAPUZZI

THE PUBLIC EYE

by Les Brown

FOX AND THE HOUNDS

A bright, young reporter and a camera crew from Cable News Network's *Moneyline* came to see me one day for comments on Rupert Murdoch's fledgling fourth network. They were doing a piece on how the Fox Broadcasting Company was failing because it had promised advertisers a 4 rating with its flagship program, *The Late Show Starring Joan Rivers*, and instead was delivering only a 2.5—a drop from the 4 rating it did earn during its first week on the air.

I said, to a hot camera, that when the ratings slide that way it's normally taken as evidence that viewers who sampled the show were rejecting it, but that was not a fair judgment to make in this instance. I then went on for 40 minutes to tell why I thought the Fox network had a damned good chance of making it—and that it was unreasonable to expect a show playing on 99 independent stations, most of them on UHF, to knock off Johnny Carson on the 200-station NBC network.

Moreover, I said, it was dead wrong to deem any show a failure if it didn't prove an instant hit, especially if it was not airing on one of the mainline networks. The big, established networks provide all their shows with a fixed potential audience in place, while any other contender has to build an audience almost from scratch.

The rules for the networks don't apply to their competitors because each has a vastly different economy. A prime time network show has to come in at a 15 rating to be a hit, while a syndicated show is in clover if it averages a 6 or 7 in the high-viewing hours. And as for the late-night period, where there is so much competition this year beyond that of Carson and Rivers, a 2.5 rating for Fox is quite respectable, even if it puts Murdoch's aspiring network in the red—where it expects to be for the next three or four years anyway.

In late night a 2.5 rating for Fox is respectable, even if it puts the aspiring network in the red—where it expects to be for the next three or four years anyway.

A rating of 2.5, I pointed out, is better than most UHF Fox affiliates could score on their own in that time period. The cable networks, including CNN, usually pull lower ratings than that, and seven of them were in the black in 1986.

Fox will make it where other fourth network attempts have failed, I said, essentially because of timing. Given the overabundance of independent television stations, there is for the first time an actual need for a new network and sufficient stations on which to build the infrastructure. On top of that, I said, Fox seems to have the financial resources, the management know-how and the blessings of the advertising community. Regardless of Joan Rivers' ratings, the outlook is really quite positive.

Clearly I took the interview seriously. But, as I was to discover, the reporter was either determined or assigned to tell the story of failure, and what she really wanted from me was confirmation of her thesis: The Fox network was in trouble because, after a month of broadcasts, its maiden offering was not meeting projections.

All that resulted from the long interview was a ten-second sound bite of my first statement—that the decline in ratings suggested viewers were rejecting the show; it was clipped right there, before the but, omitting all that came after.

This is the kind of willful distortion and scurrilous reporting that Murdoch's newspapers are often accused of, so maybe there was some poetic justice here. But I hated seeing it happen on CNN, of which I've become a fan and would like to think can be trusted to report responsibly, even on a story of no earthshaking importance, such as the Fox network.

NURIT KARLIN

The segment on Joan Rivers wasn't the main story of *Moneyline* that night, just one of the side pieces that flashed by. It consumed no more than two or three minutes and consisted of a glimpse of Rivers on her show, the obligatory graphic tracing the ratings decline and evidence of three or four interviews in the form of sound bites, one of which was mine. I watched the piece twice and still wonder why it was done at all and what anyone interested in business (presumably the program's audience) could have gained from it.

Actually I was not too surprised at how it turned out; television does a notoriously poor job of reporting on television (while doing a truly marvelous job of promoting itself). And, it seems to me, television is at its worst when reporting on a competitor. Here was a young, insecure cable network doing a report on an aspiring new broadcast network. Good luck on getting straight information.

I'm sure I'd feel much worse about being misrepresented if I hadn't learned from previous TV appearances that people see you flashing by and pay no attention to what you're saying. That's what worries me when I read surveys that say Americans get most of their news and information from television.

A friend called the next day to say what fun it was to see me on the tube.

"Did you like what I said?" I asked.

"It sure sounded like you knew what you were talking about," he replied.

"But what was I talking about?"

"Television," he said. "What else would you be talking about. Money?" ●

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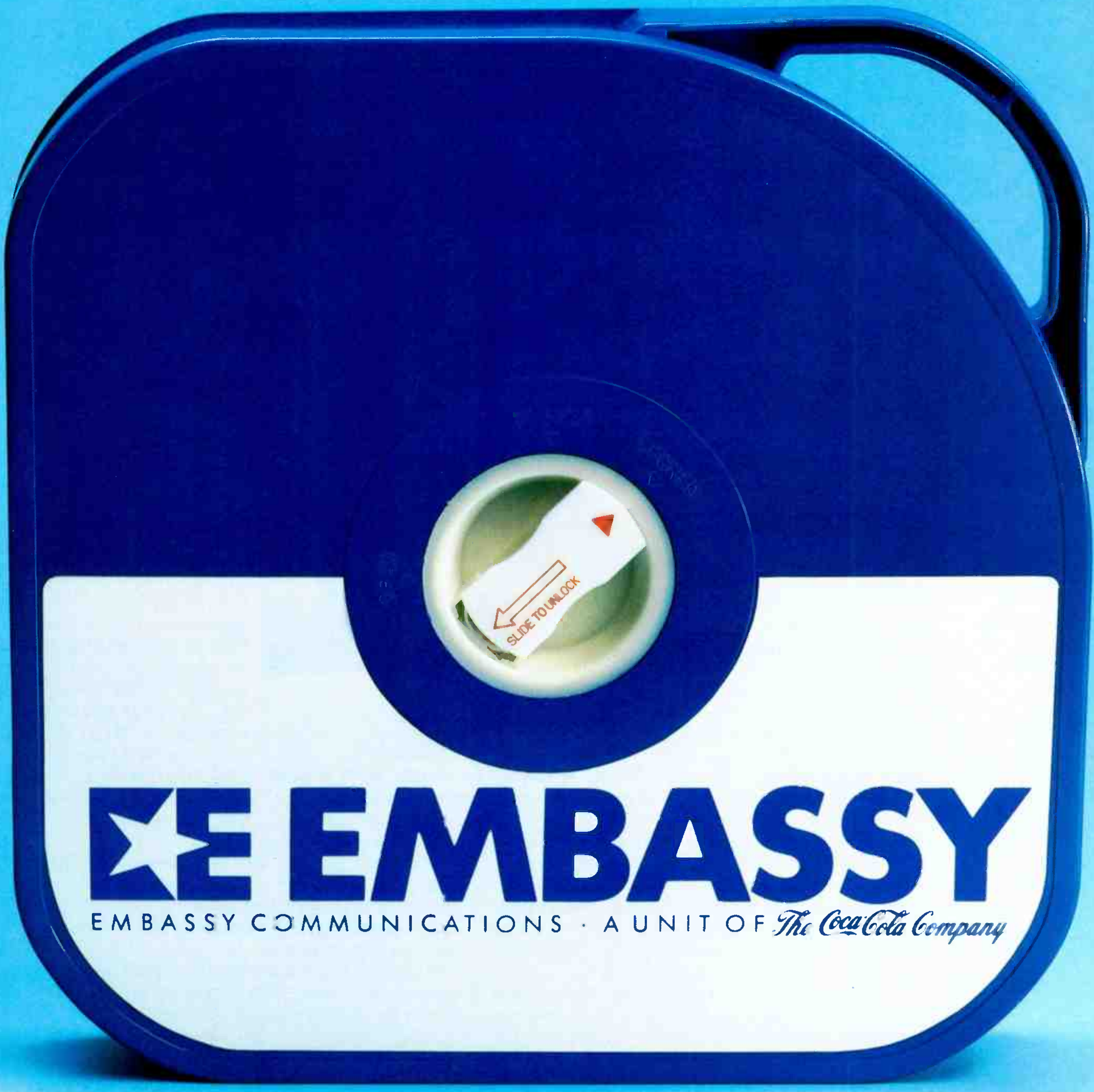

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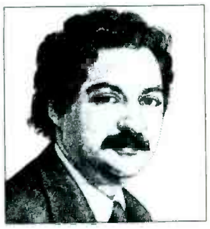


by Merrill Brown

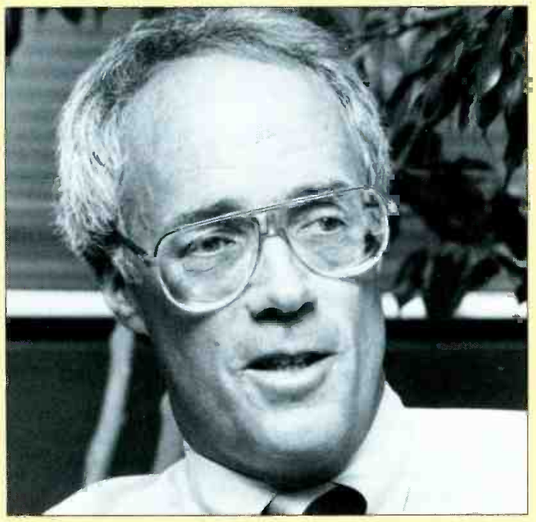
CABLE'S DEREG DILEMMA

While the financial community expects a lot from cable this year, sharp rate increases carry risks.

The business world has changed in the two years since the federal government decided to deregulate the cable television industry. This month, as cable operators get their long-awaited carte blanche to raise rates, the free market is loaded with problems.

Some leading industry spokesmen, such as Trygve Myhren, chairman of Time Inc.'s American Television & Communications, the second-largest cable operator, and chairman of the National Cable Television Association, have been warning operators to avoid excessive rate increases as cable's political opponents await signs of the industry overreaching. But at the same time, many Wall Street observers and media investors have been counting on cable companies to build cash flows that are based on rate increases. The dilemma looms large for the cable industry as the new year begins.

The risks of aggressive rate hikes are clearly substantial, although at year end Myhren's view was that most operators would not exceed historically common rate increases in the 4 percent–to–8 percent range. Larger rate hikes will hurt subscriber numbers, he says. "People are going to disconnect," said Myhren in an interview. "With increasing competition from overbuilds, from cassettes and from an active broadcast industry that has improved its product, cable operators who think they can dramatically increase prices and automatically make more money late in this decade are wrong. There is consumer resistance on price. It's been clearly demonstrated. When you raise prices, you lose customers."



ATC's Myhren: "We play into our enemies' hands to the extent we appear to be abusive. When you raise prices, you lose."

According to Myhren, the risks of quick rate hikes go beyond financial considerations. Since 1984, the legislators' perception of the cable industry as the new little guy on the block has changed markedly. "My major concern is the bottom line, but that isn't to say I don't have some concern about the Washington situation," he says. "Some members of Congress feel guilty about having passed the cable bill. If the industry abuses its rights, some of them will think real hard about taking those rights away."

The production industry, broadcasters, telephone companies, city officials and dish manufacturers are factions that Myhren describes as "selfish" interest groups "speaking with one voice" in Washington about their fear of the cable industry's growing power as the telecommunications gatekeeper. Rate increases "have to be thought out against the backdrop of strong lobbying groups doing their damnedest to hurt the cable business. We play into their hands to the extent we appear to be abusive."

Thus, cable operators, especially the larger public companies that Wall Street watches, are caught in a tug-of-war. While the financial community is expecting a lot this year, sharp subscriber rate increases also carry risks. In Myhren's view, smart operators will use deregulation as an opportunity to simplify cable's confusing pricing packages. One method is through what is being described as "tier meltdown." "Instead of having two or three basic tiers, operators are collapsing those tiers into one basic tier," he says. "That's a much more consumer-friendly way to go." Operators, for example, who offer basic rates of $8 a month with further basic programming available for an additional $4 a month, might introduce a single basic rate of $10 a month. "The other thing you'll see is that operators who do exceed standard-type increases will typically reduce the price of the pay product," he predicts.

The problem with that scenario is that it won't yield the cash flows that Wall Street is counting on, and with ATC now partially publicly held, he is well aware of those forces. "The Wall Street pressures are significant, there's no question about that," he says. But he maintains the response to those pressures is going to be significant cost cutbacks, not unlike those reverberating through many other sectors of the media business today.

"You don't cut costs with with your service technicians," he says. "You do it in the staffing in your superstructure. I see that definitely happening as a way of responding to Wall Street without buckling to their cry to raise prices."

That kind of strategy is only a small part of the answer, since most cable companies are considered relatively decentralized and somewhat lean. The other answer is to try to pull off one of the things cable system operators generally do poorly: marketing their product in order to raise penetration and therefore revenues. To that end, Myhren has convinced the NCTA to launch a $350,000 public relations campaign designed to sell the value of what's unique to cable—24-hour news, congressional coverage, continuous children's programming and the like.

If that kind of campaign works—the last time the industry tried a national advertising campaign it fell on its face—cable may find a way to push beyond its breathtakingly low penetration rates. For cable's sake, it had better work, because Myhren's judgments about the political and financial climate are on the money. If the industry isn't cautious, its joy over deregulation is likely to be short-lived. ●

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The Feud That Toppled a TV Empire

SICC may have been a classic American success story, but all the Don's money and all the Don's men couldn't put the station group back together again.

by Greg Critser

Beefy, well-dressed, smiling nervously, general manager Danny Villanueva took his seat on the dais inside KMEX-TV's small Hollywood studio last July and gazed out onto the mob of reporters and photographers gathered below him. For weeks they had been hounding him for news about one of the hottest, if least-understood, media stories of the year: the sale of Los Angeles-based KMEX, the nation's largest Hispanic television station, and eight other Spanish-language UHF stations, which together make up Spanish International Communications Corp. (SICC). Villanueva had been astounded by the gray-suited Anglos lining up to make their bids for the nation's dominant Spanish-language station group over the past several months. Among them were some of the savviest and boldest players in the communications business—Saul Steinberg's Reliance Capital Group, which recently bought John Blair & Co., investment bankers from the New York firm Forstmann-Little, and former Embassy Pictures partners Jerry Perenchio and Norman Lear [owner of *Channels* magazine].

But none of them were chosen. The buyers, as it turned out, were not well-known players in the entertainment industry, and they most certainly were not, as many in the room had hoped and speculated, Hispanic. Instead, the purchasers were Hallmark Cards and First Capital Corp. of Chicago. They managed to walk away with SICC for $301.5 million, an impressive coup considering that many analysts initially estimated the stations to be worth as much as $500 million.

Hallmark? To many in the room that day, the decision to sell SICC to the $1.8 billion Kansas City greeting card empire seemed the latest form of heresy. For years the credo of the fledgling Spanish broadcast industry was that only Hispanic broadcasters knew what was good for Hispanics. And who in corporate America was interested in Spanish language broadcasting anyway?

Yet here was Villanueva, the very embodiment of Hispanic TV, assuring his audience that Hallmark had every intention of maintaining the stations' Spanish programming and that he had also secured an agreement assuring management continuity for at least two years. "*Mi presencia*," he would later tell reporters of the Hispanic newspaper *La Opinion*, "*es la garantia*."

What had happened? How had a group of stations as jealously guarded as SICC come into play? And how did SICC, long ignored by corporate America as a kind of quaint broadcasting backwater, suddenly become such a hot target?

Part of the reason lay in the internal politics of SICC, which had been torn apart over the past decade by an ugly feud between the Anselmo and Fouce families. They had cofounded the station group in 1961 under the patronage of the legendary Mexican media baron Emilio Azcarraga Vidaurreta. That dispute, which mushroomed into a bitter court battle and hearings before the Federal Communications Commission, unearthed embarrassing revelations about SICC's business practices and ownership, making its sale virtually inevitable.

But Hallmark and the other suitors found SICC attractive for another reason, one that goes to the heart of the current shakeout in the independent station business. With many major markets now saturated with independents, program costs soaring and national advertising turning soft, independent television's

Greg Critser is a contributing editor of Inc. Magazine *who writes about business and politics in the West.*

WIDE WORLD PHOTOS

'Don' Emilio Azcarraga enjoyed monopoly control in Mexico, and he wanted to operate the same way north of the border.

go-go years are over. Throughout 1986, station sale prices dramatically declined, and many deals soured before they could be completed. To be sure, the dominant independent station in each market will remain profitable, but the outlook for lesser-rated stations is not at all certain. Many analysts now believe that the independents with the best chances for survival will be those owned by strong station groups that carve out relatively narrow program areas without meaningful competition—so-called network niches—and concentrate only on that. The trend is typified by the Home Shopping Network's recent acquisitions of independent stations across the country, which it plans to program with an upscale version of the shopper service that lit a fuse under the cable industry last year.

Today, Spanish-language TV has a most secure niche. According to U.S. Census Bureau estimates, America's Hispanic population will rise from 7 percent to 14 percent of the total population by the year 2020 and then grow to almost 20 percent by 2080. In many metropolitan areas, particularly in the Southwest, Hispanics comprise over 25 percent of the market. In Los Angeles alone, the number of Hispanic households today is roughly equivalent to the seventh-largest television market in the U.S.

National advertisers, which spent about $180 million on Spanish TV last year, have generally been slow to recognize the importance of the Hispanic market. This too is changing. Advertising buys on Spanish stations grew by an estimated 20 percent in 1986, and recent ratings surges by SICC and other Spanish independents seem to promise similar increases in future years. Last spring, the television *novela Cristal*—a Mexican soap-opera-style serial carried by the SICC stations—consistently won a 7 rating from Arbitron in the L.A. market, enough to tie or beat KMEX's two main Anglo competitors in the 7 to 8 P.M. slot. *Cristal*, in fact, delivered more viewers in the L.A. area per night than network shows such as *Highway to Heaven* or *Knots Landing*.

Figures such as these have translated into a strong financial performance for SICC over the past five years. According to a confidential prospectus circulated by the investment banking firm Bear, Stearns & Co., which SICC retained in 1986 to sell its stations, the group's gross revenues jumped from $49 million in 1983 to $84 million in 1985. KMEX alone collected gross revenues of $35 million in 1985, registering an impressive $10 million in operating income.

The outlook for other Hispanic outlets is just as bright. "We believe that Spanish-language television is the fastest growing segment of the television industry in the country," says Henry Silverman, president of Reliance Capital, the firm that already owns two Hispanic stations through Blair Television and just acquired two more.

But the SICC saga is much more than a story about American media belatedly waking up to the possibilities of Spanish TV. It is, foremost, a tale of three powerful men, their sons and closest business associates who initially succeeded at implanting a Latin-style corporation on North American soil only to watch their empire self-destruct amid swirling accusations of greed, self-dealing and deception. If the saga ended before a crowd of reporters in a Hollywood television studio, it all began in secrecy a quarter century ago, several hundred miles south of the border.

The adoring crowds that swirled around the Mexico City offices of Telesistema S.A. in August 1961 had come to see one man, Emilio Azcarraga Vidaurreta, the founder of Mexico's largest media company. Friend and confidant to presidents, luminary of the emerging nation's postwar industrial class, Azcarraga's story was the stuff of *corrido*, the plaintive folk songs that frequently lilted from the many radio and television stations he owned. He was not simply one of the wealthiest men in Mexico. He had founded Telesistema (now called Televisa) in 1930 with a single radio station. Now, in 1961, Azcarraga exercised monopoly control of private television in Mexico. (His son, Emilio Azcarraga Milmo, would later parlay this position into one of the largest media empires of its kind anywhere in the world.) Azcarraga also had a softer, paternalistic side, typical for his time and class. He was known to encourage visits to his offices by employees and their families, even the man off the street. In Mexico City he was affectionately called the Don.

To Reynold ("Rene") Anselmo, a young American who worked in Telesistema's export division, the Don represented a new breed of businessman. Anselmo, a colorful, slightly eccentric man who had made his pilgrimage to Mexico as a free-lance theatrical producer in the early 1950s, had found in the Don something of a mentor. "He didn't seem to care a lot about money," Anselmo would later recall. "He used all the money he had helping people, building houses, doing charitable things. I learned a whole new way that business could be conducted."

When the Don summoned Anselmo to his office one hot summer day in 1961 to offer him a business deal, the student listened with rapt attention. The Don had in mind creating a network of television stations in the U.S. The network would not only help Telesistema boost exports of its own television productions, but would also help the company balance its growing imports of American programs. Anselmo, the Don explained, would be working with Azcarraga's longtime partner, another American named Frank Fouce, owner of a chain of Spanish movie houses in Los Angeles. The Don offered to invest 20 percent of his own money for the first station acquisition and lend Anselmo enough funds for his own stake.

This arrangement represented a technical violation of FCC rules that limit alien ownership of broadcast outlets to 20 percent. But Washington was a distant place, few Americans paid much attention to Spanish TV and the Don was inclined to operate north of the border as he did in Mexico—exactly the way he wanted.

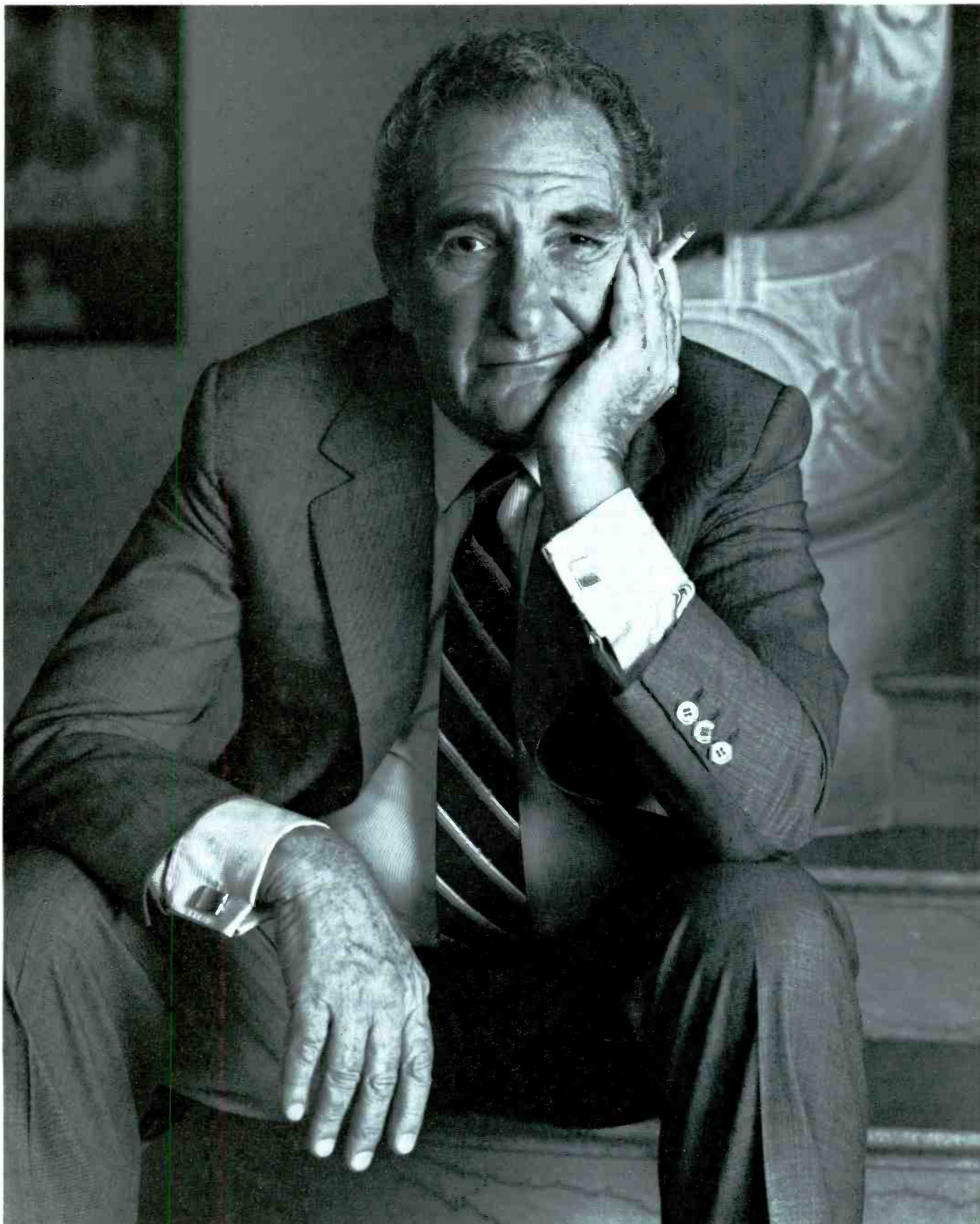
The deal held a special allure to Anselmo. The son of a Chilean of Italian heritage, raised and educated in Boston, Anselmo had always felt like an outsider in America. The Don's proposed network was a godsend, not only for him, but for other Hispanic Americans with the same social misgivings. "I saw right away that we could make people feel that they should not be ashamed, like I had been, coming from a non-Anglo background."

All through the 1960s Anselmo stumped the United States for what would later be named SICC, using the Don's and Fouce's money to acquire UHF stations in Los Angeles, Miami, New York, Fresno and San Antonio. Even by his own account, he was not a good manager. Anselmo loved launching new stations, but he was uninterested in the smaller details. "He'd file for [FCC] licenses without really having all the money, then kid about it, saying if we get it, I don't know where the money is coming from," recalls Chester Smith, president of KCSO-TV in Modesto, Calif., one of Anselmo's early associates.

But the money always came. Azcarraga consistently carried large programming debts, often floating loans to keep the stations alive. SICC's personnel and accounting practices were peculiar in other respects. Through a variety of Mexican companies controlled by the Azcarragas, for instance, SICC general managers reaped the benefits of Mexican largesse. The Azcarragas funded loans for stock purchases, homes and cars. Danny Villanueva even received $103,750 for a Coors beer distributorship. Some of the loans had no payback provisions.

The impact of this patrimony on SICC's corporate culture was striking. On the one hand, SICC was the classic American entrepreneurial start-up, wedded to a tenacious leader who persisted in the face of overwhelming odds. Yet SICC's reliance on Mexican largesse and a constant flow of cheap TV *novelas* wrought a company that was curiously removed from mainstream America, even from Hispanic-America. Programs about Hispanic life

CURT RICHTER



Rene Anselmo, tenacious and visionary, extended the Don's empire into the U.S. with a steady flow of Mexican largesse.

in the U.S. or news other than that bottled under the supervision of the Mexican government, were largely ignored.

By 1975, three years after Azcarraga died, Anselmo had succeeded in creating a tightly knit family corporation. Anselmo styled himself after the Don, and in return for his noblesse, he demanded loyalty to his cause and whims. Says Lou Sweeney, a former KMEX sales manager: "If you think of the Mexican feudal system, that's what working at SICC was like." Yet not everyone at SICC would share so willingly Anselmo's dream. One important SICC figure, Frank Fouce Jr., would eventually prove to be Anselmo's undoing. Fouce, the son of the Don's original SICC partner, was named chairman of the station group and inherited 25 percent of its stock after his father died in 1962.

Tall, meticulous, detail-oriented, Fouce was in every way Anselmo's opposite. While Anselmo was obsessed with building SICC, Fouce was devoted to efficiency and profits and viewed the station group more as a business than as a family mission. Fouce had no patience with Anselmo's vision of ethnic nationalism—he was even considered a bit of a bête noire to some in Los Angeles' ethnic left. He was soon warring with Anselmo over a number of issues.

The feud first boiled over in 1972. KMEX in Los Angeles had experimented that year with an English language segment to fill its early afternoon hours called *News, Finance and Business*. The show's staff included both Fouce and Anselmo family members. For reasons that are still not clear, Anselmo fired Fouce's son, infuriating the Fouce. Later, when Anselmo moved to cancel the show, the two men argued again. The controversy ended with an angry confrontation in the parking lot of Paramount Studios across the street from KMEX, where, according to a close Fouce associate, each man vowed to buy the other out.

There were other management irregularities. Fouce, for instance, objected to Anselmo borrowing SICC employees to help organize and promote boxing and soccer events that did not contribute to station revenues. Soon Fouce was met with icy stares and silence.

Fouce's final showdown with Anselmo concerned demands made on SICC by Televisa, a newly reconstituted Mexican conglomerate that merged the Azcarraga's original Telesistema S.A. with other Mexican industrialists, among them Romulo O'Farrill, a leader of the influential Monterrey Group, and Miguel Aleman Velasquez, son of a former president of Mexico. The demand concerned SICC's mounting debt to Televisa for programming, which by December 1975 had reached $1.9 million. Now under the control of Emilio Azcarraga Jr., Televisa considered the SICC investment as something of a liability. Azcarraga Jr. viewed Anselmo as "just another employee" and not the visionary entrepreneur who had helped his father extend his empire into the U.S. Thus, when the younger Azcarraga was pressured by O'Farrill and other Televisa stockholders to collect SICC's debt, he summoned Anselmo to Mexico City and threatened to initiate bankruptcy proceedings.

During that meeting, Azcarraga told Anselmo, in reference to SICC, "I'm sick and tired of carrying that SOB on my back," Anselmo recalls. "I have told you that for years and years. I don't want any part of it." Chastened, Anselmo returned with a mandate to fund the Televisa debt by issuing an additional 3 million shares at $1 each.

Fouce balked. He had begun to consider selling his shares in SICC, and a new issue then would have diluted the value of his stock. Anselmo had obtained the proxy voting privileges for the Azcarraga stock, giving him a controlling block of votes for a tumultuous December 1975 board meeting. Fouce was outvoted. The board not only approved the stock dilution but also stripped Fouce of his chairmanship. Anselmo was named chairman and president of SICC.

Furious, Fouce then reneged on an agreement to sell back his shares for $1 million and demanded more money. Now Anselmo was intransigent. "Take it or leave it," he told Fouce. "If you don't like it, go ahead and file a goddam lawsuit."

Fouce did exactly that. In November 1976 he filed a civil suit federal district court, in Los Angeles charging Anselmo and the SICC board with breach of fiduciary duty, self-dealing and mismanagement. The case would drag on for almost a decade and would help trigger an FCC investigation. The agency's inquiry led to an endless series of hearings, depositions and leaks of confidential information that exposed the dark side of SICC's *padrone* system of management.

The most embarrassing of SICC's problems centered on the Spanish International Network, better known by the unfortunate acronym SIN. Founded by Azcarraga and Anselmo in 1962, SIN began as an attempt to represent Hispanic broadcasters to national advertisers. In the late 1970s, however, Anselmo combined SIN's national repping service for the SICC stations with a program supplying service for other Hispanic stations across the country. SIN was 75 percent owned by Televisa, 25 percent owned by Anselmo. Anselmo served as its president at the same time he served as SICC president and chairman.

From the outset this arrangement presented obvious conflicts of interest. How could Anselmo faithfully represent SICC, obtaining the best prices for programs, while simultaneously running the program supplier, SIN? To the entrepreneurial Anselmo, both entities were the same. Together, they represented complementary parts of the same grand plan of making Hispanic broadcasting viable in the U.S. "Rene saw no real difference between any of his enterprises," says former SIN vice president Bill Stiles. "To him, it was all one big dream."

At SICC board meetings, however, something more akin to a fiduciary nightmare was going on, according to FCC and court documents. Shareholders, officers and general managers, many of them the recipients of Azcarraga largesse, were rubber-stamping business deals that clearly benefited SIN—and the Azcarragas—at the expense of the SICC stations. In one case in 1977, board members approved a payment to SIN for $128,000 worth of programming they had never ordered.

Another controversial case was a 1977 contract called the Univision deal. Under this arrangement, the SICC board allowed Anselmo, despite his dual status as SIN and SICC president, to negotiate a contract under which Televisa made direct broadcasts of Mexican programming on the SICC stations. The stations were paid for carrying the Televisa programs. Unknown to the shareholders, however, was the fact that Anselmo already knew how much Televisa was willing to pay for the broadcasts. He then negotiated payments to the SICC stations for an amount considerably below what Televisa was willing to pay. Anselmo's brokering of the Univision deal saved Televisa some $690,000 in payments—money that came directly out of SICC's hide.

Station managers, too, were increasingly losing their independence to Mexico City. In the Univision contract, for instance, Televisa required the stations to charge 150 percent of their usual advertising rates. This was to prevent them from competing effectively with Televisa, which was also selling ads for the programming. And through SIN, Televisa forced the stations to accept increasing numbers of Mexican *novelas*, leaving little time for local programming.

SIN, in short, treated SICC as a kind of wayward corporate step-child. According to court and FCC documents, SIN paid the SICC stations money it owed them from national ad sales only when Anselmo and SIN decided SICC needed the funds. Even though SIN had signed a contract to represent SICC for national ad sales, SIN borrowed SICC employees to do the actual work. And throughout the early 1980s, SIN took increasingly large percentages from the SICC stations' gross revenues, despite the fact that the bulk of ads were sold locally by the stations. As a result, hundreds of thousands of dollars were being drained from SICC to SIN and the Azcarragas.

Frank Fouce Jr., meticulous and businesslike, was in almost every way Anselmo's opposite, and the two were constantly warring.

HAPPIER TIMES: Frank Fouce Jr. (top, left) and Rene Anselmo (center) at a dinner party celebrating the opening of their New York station in 1968, long before the feud boiled over. While Fouce fretted over the bottom line, Anselmo stumped the country buying stations with the Don's money. In the late 1950s Anselmo clowned on the couch at Televisa's Mexico City offices and later (above, right) accompanied engineers aloft to help erect an antenna at the San Francisco station.

Station managers had little reason to protest these practices. As long as SICC was in bed with SIN, the stations were assured of a constant flow of cheap, Mexican-exported programming. By now this was considered a necessity, given national advertisers' reluctance to buy in the Hispanic market.

The real losers, of course, were Hispanic-American viewers. At the SICC stations, there was no incentive to produce local shows, no incentive to graft the business to more American tastes. The situation prevented the stations from evolving along the lines of Anglo independents, which were busy experimenting with syndication and barter deals to battle the networks. "The political pressure was such that the stations could not make independent decisions on programming," says one Los Angeles ad agency representative. "We would offer the possibility of dubbed cartoons for Sunday morning on a barter, and the answer was just no, even if it saved them money. Domestically produced was just a no-no."

Fouce proved to be a tenacious litigator. In August 1985 Federal Judge Mariana Pfaelzer handed down a stinging rebuke of SICC's management practices. Anselmo, the court wrote, had engaged in "fraudulent self dealing" in his management of SICC. "In all of his dealings with SICC . . . Anselmo was motivated by a desire to further interests of himself, SIN, Televisa, the Azcarraga family, rather than a desire to further the interests of SICC. . . . " The judge's findings also confirmed that the general managers and several key shareholders had been remiss in their duties as board members, opening the possibility for a punitive damages suit by Fouce.

Things looked even worse for SICC at the FCC. For years the FCC had winked at the station group's apparent violation of section 310b, which limits alien ownership of U.S. stations to 20 percent. In 1980, however, a group of Spanish radio broadcasters petitioned the FCC to look into SICC's ownership, and two years later the commission encouraged SICC to reorganize. Despite Azcarraga's willingness to part with his stock, Anselmo refused to restructure the company. Azcarraga's departure might have given Fouce the opportunity to resume control.

The FCC then resumed its hearings and in January 1986 handed SICC the broadcaster's ultimate nightmare. The commission concluded that SICC had exceeded the ownership provisions of 310b, and the agency denied renewals of SICC's nine broadcast licenses. Anselmo vowed to appeal, but by this time the station group was in play.

Stiles, SIN's veteran vice president of marketing, was the first to see opportunity in SICC's predicament. Tall, rangy, pragmatic, Stiles had for years played the long cool drink of water to Anselmo's more fiery and eccentric brand of management. Like the rest of SIN and SICC executives, he was devoted to the company and Anselmo. But after the FCC decision in 1986, Stiles had begun to see himself as "part of the solution rather than part of the problem." He also knew of restlessness among the ranks of SICC general managers, many of whom were worried that the stations could lose their licenses for good if something wasn't done soon. The apparent answer was a leveraged buyout.

So Stiles, after informing Anselmo, shopped the street for an investment banker. He approached Henry Druker, a principal with L.F. Rothschild, Unterberg, Towbin Inc., and Druker leaped at the chance. "To me the deal was a home run," Druker now recalls. "With SICC and SIN you had a built-in target market, you had the wonderful qualities of a broadcast investment, plus incredible growth rates above the norm." Druker shopped for investors, settling on E.M. Warburg, Pincus & Co., First Capital, and Hallmark Cards. Pincus and Hallmark had worked together earlier on buying a piece of SFN Co., a book and communications company, and Hallmark had "liked what it saw" in the television business. First Capital (a unit of First Chicago Investment Corp.) was also gaining a reputation as a smart investor in UHF stations—inside FC's portfolio was TVX Corp., a chain of UHF stations run with amazing efficiency. The LBO group eventually settled on a possible bid, according to Druker, "in the range of $240 to $325 million."

By this time, however, the word was out that SICC would have to sell. Azcarraga's son, Milmo, had abandoned Anselmo's desire to fight the FCC decision. He wanted to sell, too, but that posed problems south of the border. Globo SA., the giant Brazilian television production firm and Televisa's main competitor, was looking at buying a share of SICC. That, Anselmo recalls, "had Azcarraga sweating bullets."

Azcarraga pushed for another, more friendly bidder, Jerry Perenchio. Perenchio had a long-standing interest in Hispanic broadcasting, but his one holding, WNJU-TV in New York, had proven somewhat disappointing. (Perenchio and his partners have since sold the station to Reliance.) With SICC, however, he could have his own network. By early May, *The Times* and *The Wall Street Journal* began reporting leaks of Perenchio's huge bids—$300, $340, $350 million.

The leaks had the effect of churning the value of the stations and chilling other, less well-heeled buyers. As a result, by mid-May the LBO effort was sagging. Faced with Perenchio's bids, Pincus Warburg wanted out. Then Anselmo, infuriated by what he believed was disloyalty, fired Stiles and Andrew Goldman, another SIN vice president. The path now seemed clear for

New Players

The sale of the SICC stations to Hallmark is not the only development threatening the dominance of the Spanish International Network (SIN). A new Spanish-language network, Telemundo, will begin operation this year, broadcasting six hours of programming every day to stations across the country. Telemundo is the result of a merger between two syndication and ad-rep firms that serve the Hispanic market. NetSpan and BlairSpan, and will be managed by the Reliance Capital Group, which already controls Spanish-language stations in New York, Los Angeles, Miami and San Juan. While Telemundo may prove to be an important national development for Hispanic TV, changes in local markets have also been dramatic.

SICC derives 86 percent of its revenues from three markets: Los Angeles, Miami and New York. While SICC stations dominate these markets, new competitors have emerged during the last year and are beginning to erode SICC's strength.

- In Los Angeles, the nation's largest Hispanic market, KVEA shaved six ratings points from SICC's KMEX during prime time (7-8 P.M.) last spring, according to the latest ratings compiled by the Strategy Research Corp., which measures Hispanic audiences nationwide. Arbitron reports that KVEA was garnering 38 percent of Hispanic prime time viewers last fall. KVEA projects $9 million in gross revenues for 1986; KMEX estimates revenues of $42 million.
- In Miami, with a Hispanic viewership of one million, SICC's WLTV has lost 18 ratings points in prime time to competitor WSCV in the SRC ratings. WSCV estimates 1986 revenues at $8 million; WLTV projects $23.9 million.
- In New York, WNJU has reversed SICC station WXTV's dominance in many key spots, particularly prime time, when WNJU is usually ahead by four points in the SRC ratings. WNJU estimates 1986 revenues at $15 million; WXTV projects $18.8 million.

The success of these challengers partially rests on the eagerness of advertisers to upset SICC's traditional monopoly by spreading their buys to the upstarts. Yet it also illustrates the dramatic changes in Hispanic broadcasting wrought by the arrival of new managers whose skills were honed at Anglo independents and affiliates.

To cut costs and attract new advertisers, many of the newcomers are airing dubbed shows, often obtained on the barter syndication market. Many Hispanic stations are now using research techniques developed by the independents to showcase their audience demographics. And increasingly, stations are tailoring their shows to attract specific subcultures—New York's WNJU programs for Puerto Ricans, while Miami's WSCV targets Cubans.

The new competitors face a tight window of opportunity, however. When Hallmark acquired the SICC stations last year, it agreed to retain the stations' programming agreement with the Spanish International Network until 1989. This creates pressure on the competitors to sign long-term deals with program suppliers before SICC gets back in the market. KVEA in Los Angeles, for instance, has signed a contract with MGM/UA for dubbed American films and Saturday cartoons.

—G.C.

Hallmark acquiesced to everything that SICC and the Azcarragas wanted, which turned out to be a brilliant, opportunistic move.

Perenchio to wrest control of the stations without significant opposition from other bidders.

Perenchio began to waver. Fouce still had to be placated, and Fouce was now insisting that the stations were worth more than Perenchio's highest bid—maybe even as much as $500 million. What's more, without Fouce's cooperation, Perenchio might be buying into a costly lawsuit. Unwilling to enter a round of open bidding, Perenchio bowed out. In a memo agreement between most shareholders, including Fouce and Anselmo, the stations retained Bear, Stearns to coordinate the sale, and within weeks SICC was reviewing bids from almost a dozen potential suitors. By late June, the stage seemed set for a bidding war among the major contenders for SICC—Hallmark and First Capital, Reliance, Norman Lear and Forstmann-Little—with the only outstanding points being the purchase price and terms of sale.

A new wrinkle developed after Hallmark chairman Irvine Hockaday received a call from Diego Ascencio, a former ambassador to Brazil and a consultant to Azcarraga's competitors in Latin America, Globo SA. Ascencio had called Hockaday before, attempting to bring Hallmark into a deal with "a Brazilian acquaintance" with an interest in SICC, but Hockaday had declined.

Now, however, Ascencio had a different proposal. On June 26 he met with Hockaday in Washington, informing him that a new group, TVL, had a plan to acquire SICC. Hockaday then met with TVL principal Raul Tapia, a former deputy special assistant on Hispanic affairs for the Carter Administration, and Gene Loving, the chairman of TVX Corp., who had been called in as a consultant and investor in TVL. According to a deposition filed in Los Angeles district court, the plan was simple: TVL would use its clout in the Hispanic community to acquire SICC on a distress-sale basis. TVL, with Hallmark's participation, would get the stations at below market cost, since they were the minorities. Hockaday was not interested, and he left the meeting determined not to let TVL derail the deal for Hallmark.

Hallmark from this point on acquiesced to everything the general managers and Azcarraga wanted, which turned out to be a brilliant, opportunistic move. Hallmark accepted a program renewal agreement that called for SIN to take 37.5 percent of the stations' net income for two years. Hallmark agreed to grant SICC general managers equity options once the deal cleared the FCC. Finally, it agreed to keep all current management for at least two years. Its financing was solid.

TVL was playing a different game. From the time the stations' license renewals were denied, its officers had been lobbying in Washington for a distress sale. It had enlisted several prominent Hispanic politicians. The most important among them was Congressman Matthew Martinez, who would later introduce legislation blocking the sale to anyone but Hispanics. By late June, this strategy had failed. TVL turned to trying to find money. The company failed to strike a deal with SIN and alienated the general managers by saying it might not keep them. Its bid of $320 million was higher than Hallmark's, but its financing was slow to firm up.

On July 18 Hallmark upped its original offer to $301.5 million and issued a drop-dead provision to the SICC sales committee meeting in Judge Pfaelzer's courtroom. The judge was at that moment overseeing the sale by agreement of the Anselmo and Fouce factions. Hallmark's offer, the company said, would be good only until that evening. After hours of debate Judge Pfaelzer broke a sales committee deadlock, choosing Hallmark's bid over TVL's larger but less secure offer. TVL, claiming that the sales process was "tainted," has since filed an appeal.

For all their warring over the years, Anselmo and Fouce will walk away from the deal considerably enriched. Fouce's 25 percent SICC stake translated into some $60 million in proceeds. Anselmo's 23.5 percent share earned him only slightly less. And certainly Azcarraga came out on top. His 20 percent share earned him some $60 million, and he retains his programming agreement with SICC, for the next three years, which gives SIN continued access to the major markets. For the immediate future, nothing has really changed.

What did Hallmark and First Capital get? To many in the industry, their acquisition represents the maturation of Hispanic broadcasting as a permanent force in the U.S. media. SICC stations have a presence in top markets, reaching more than 50 percent of the country's Hispanics. But many believe that Hallmark started out on the wrong foot by attaching itself closely to SIN and its Mexican programming. "That does not cover all Hispanics," says Bruce Sheen of Paul Kagan Associates. "What Cubans want and what Mexicans want is very different." And, by retaining most of the old management at the stations, Hallmark is now wed to the very system whose excesses led to the sale of the stations in the first place.

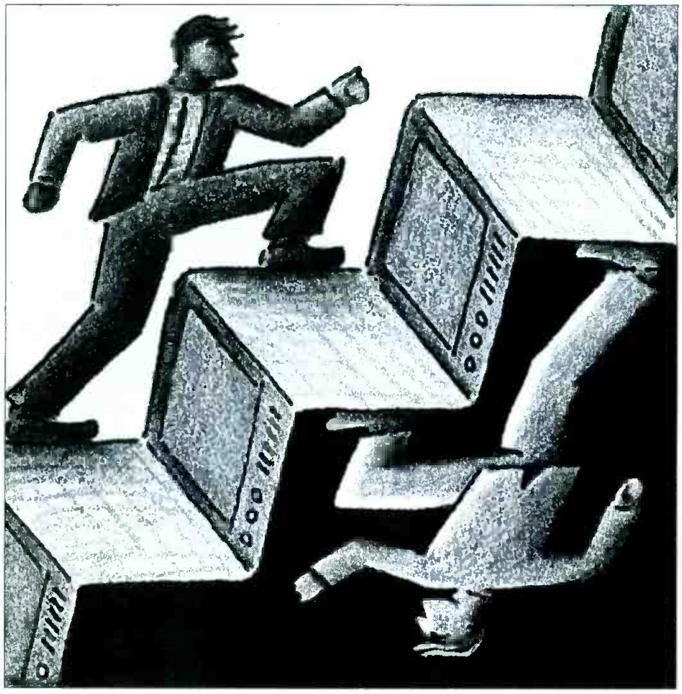
Ad agencies have other concerns. With SIN taking more than a third of SICC's bottom line, how much can Hallmark be expected to invest in product research, the area their clients increasingly value? And SICC now faces a new slew of Spanish-language broadcasters who will be competing for the same ad dollars. "If SICC is going to play ball like the other independents, it is going to have to invest in lots of new tools and that costs money," observes Louise Olson, Spanish-language buyer at Western Advertising.

Hallmark's biggest challenge will be fostering a new, more aggressive corporate culture within SICC. The problem is most pronounced at KMEX, where a sales force used to operating as a virtual monopoly is badly in need of modernizing. Ad management was so sloppy last year that one agency was able to fund a full quarter of buys from KVEA, KMEX's new competitor, entirely out of lost billings. The problems are especially worrisome since Los Angeles represents SICC's biggest potential growth market. New competitors in other markets (see box) present equally strong challenges and are sure to make inroads whenever SICC is caught napping.

For viewers of Spanish language television, many of the long-awaited changes in programming still sit in limbo. Indeed, the great irony of the SIN-SICC breakup is that the FCC may now get the nightmare of foreign control it thought it had expunged by forcing Anselmo out. The wily Azcarraga has since assumed 100 percent ownership of SIN, which will continue to program SICC stations. Azcarraga hinted at the type of programming SIN would provide: "We have about 400,000 hours of tape in our warehouse (in Mexico City)," Azcarraga bragged to *Daily Variety*, "probably 400 hours of Julio Iglesias alone. . . . "

Azcarraga could prove to be a headache for Hallmark in other respects. One of his first moves after parting from SICC was to send Jacobo Zabludovsky, Televisa's main news anchor in Mexico City and long regarded by media critics as a mouthpiece for the Mexican government, to Miami to head SIN's news division. After SIN's vice president in charge of news, Gustavo Godoy, protested the move, he was forced to resign. At least 15 SIN staffers, including anchors, correspondents and writers, followed Godoy out the door. Godoy is now discussing plans to establish a rival Spanish-language news network with several U.S. and Latin American investors.

The ink on Hallmark's sales contract wasn't even dry. *Bienvenidos al mundo de la television latina.* ●



BACHRUN LO MELE

The Changing Indie Landscape

Independent stations have just had another passage through soaring promise, with prices to match. Propelled by the syndication success of *M*A*S*H* and children's shows, industry fortunes took off; suddenly, strong ratings weren't an occasional stroke of luck. Add attractive operating margins, plus a deregulatory mood that positively grinned on quick flips in ownership, and the result was a perceived value of independent television properties at unprecedented heights. Stampedes of buyers for whom no deal seemed too precarious or no price too high fell in step with stampedes of sellers to whom no price had ever looked so good. Other eager entrants flooded the Federal Communications Commission with applications for start-ups. It had taken some 30 years for independents to number 83; they bounded by an additional 86 between 1984 and 1986.

But now the movement is toward the exits—and "For Sale" signs and bargain prices beckon from all directions. The recital of reasons for the turnabout is a litany: a station surfeit, owners who were opportunists rather than broadcasters, murderous competition for local advertising and programming. Internal problems have been heightened by a changed external world in which viewing options have slowed once-growing indie ratings to a standstill.

However brief the heady period may have been, it has had long-term effects on the media marketplace and has honed a new breed of manager with an eye for the main chance.

Our Focus section maps the changing indie landscape: Buyers and sellers rejoice and lament in a market that appears to have no bottom; astute counterprogrammers explain what they do and how they do it, in case studies of successful news and entertainment strategies; an aspirant to station-group ownership serves as object lesson for new broadcasters; and the murky byways of must-carry regulation and superstation predation are explored.

JERI BAKER

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• Dayton/WDTN-TV • Toledo/WNWO-TV • Des Moines/KCCI-TV • Green Bay/WLUK • Omaha/WOWT • Rochester/WHEC-TV
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• Roanoke/WDBJ-TV • Honolulu/KGMB-TV • Lexington/WKYT-TV • Spokane/KREM-TV
WMSN • Salinas/KSBW-TV • Rockford/WREX-TV • Duluth/KDLH-TV • Tallahassee/WCTV
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Psst! Wanna Buy a Station?

Soaring independent station prices come down with a thud—leaving once-confident sellers bruised and sore. **BY MERYL GORDON**

Executives at *The Providence Journal* had reason to be pleased. Their Philadelphia TV station, WPHL, was number two among independent stations in the nation's fourth-largest market. Small wonder that the *Journal*, which bought the station in 1978 for what one insider says was $15 million (rather than the $11 million announced), expected to reap a bundle when it put WPHL on the market in June 1986. After all, it had recently been announced that total station sales for 1985 had nearly surpassed the combined total of sales for the previous 30 years. The surge was born of the right combination of low interest rates and such historical broadcast attributes as high operating margins and cash flow, easy leverage and little need for equipment spending.

But, like many hopeful sellers in 1986, *Journal* executives discovered that the wide-open window on lucrative indie sales had slammed shut. Dismayed by the paltry offers on the station, price-tagged at $100 million, they took down the "For Sale" sign in October and canceled the sale plan altogether in November.

"They put a foot in the water and decided that this is a bad time to sell," says Gene McCurdy, WPHL's general manager. "One of the reasons is that there are a tremendous number of stations on the market at this time—more stations than there are buyers."

Independent-station owners all over the country are affected. Businessman's Assurance Co. of Kansas City tried to sell its stations in Sacramento; Portland, Ore., and Denver, but withdrew them when bids proved disappointing. In the Pensacola-Ft. Walton Beach, Fla., area, WJTC and WPAN have been languishing on the market for months. Taft Broadcasting accepted $300 million less than it wanted for its five independent stations, selling at a loss to TUX Broadcasting. "Hindsight is 20-20," says one rueful Taft official.

Brokers and investment bankers estimate that at year end '86, some 70 of the nation's 250-plus commercial independents—more than 25 percent—were up for grabs. Clearly, some owners were rushing to avoid unattractive consequences of the 1987 tax law. But many of the stations are on the block because they are in serious financial trouble. "The bottom has really fallen out of the market," says Steven Rattner, an investment banker at Morgan, Stanley & Co. "It's gotten to the point where you're lucky to sell independents at a *reasonable* value. There are virtually no buyers because cash flow is so weak now that it's difficult to finance the deals."

The economics of operating an independent station have changed dramatically in the past year, catching newcomers as well as old pros off guard. Back in the old days of 1984 and '85, stations were selling at multiples as high as 14 times cash flow.

But in 1986, three cold realities hit: a softening in national advertising

HAMMOND/BOSTON GLOBE

Manhattan business writer Meryl Gordon's last article for Channels *was a profile of the cable giant TCI.*

revenues, soaring programming costs and increased competition from new independent stations as well as cable TV and video recorders. Result: Start-up stations are losing money, and owners are having trouble recouping the investments they made so optimistically. Long-established and profitable indies are now trading at a more subdued multiple of ten times cash flow, according to Michael Finkelstein, chief executive of Odyssey Television Group, which has ownership interest in five stations.

In the Washington, D.C., market, executives at independent stations are painfully aware of the tougher economic climate. "About 18 months ago, we decided that the only way to make money was to control our costs, and we laid off 34 employees," says Chuck Cowdry, general manager of WDCA, one of the Taft stations sold to TUX (and reported to be only marginally profitable). Lawrence Maloney, general sales manager for Fox Broadcasting's WTTG, the District's number one indie, says he based the 1986 budget on projected national ad sales growth of 10 percent. The actual rise was about 6 percent. While the station made up some of the difference by hustling local ads, "the election year wasn't as good as people thought it would be," Maloney says. "There weren't many hotly contested races." Thus, fewer ads.

The D.C.-based independents are also facing increased competition from an upstart, WFTY in the Washington suburb of Rockville, Md., which began broadcasting in March 1986. But the new station is having its troubles as well. "Hell, yes, I'm losing money," growls Nolanda Hill, chairman of the Hill Broadcasting Co. She spent $15 million in 1985 to buy the Rockville property, which was then operating as an over-the-air pay TV outlet. Although she says local ads are picking up, WFTY has been able to land few national spots, and Hill predicts it will lose $4.5 million in its first 18 months. But she insists she's confident it will start making a profit in late 1987—an assertion local operators and brokers say is unduly optimistic.

New stations like Hill's have been exploding onto the airwaves in the past few years, thanks to sweeping deregulation. In 1980, there were only 120 independent stations. Now there are more than 250, and the Federal Communications Commission still has a backlog of permits and applications for hundreds more. In 1984, when the FCC lifted its requirement that an owner had to operate a station for three years before selling it, many new investors entered the market, hoping to flip new stations for a quick profit.

AT YEAR END, OVER 25 PERCENT OF THE NATION'S COMMERCIAL INDIES HAD BEEN PLACED ON THE BLOCK.

"Most of the stations that have gone on the air in the last two years are tremendously undercapitalized," says Ronald Ninowski, a TV broker for the D.C. firm Gammon & Ninowski. "People thought that just because they had a license, they would make megabucks. They still want 100 percent return on their misfortunes, and while last year people were paying, now they're not. I think we'll see stations going into receivership."

Many bankers have seen those black holes in the balance sheet and now balk at lending money either for start-ups or to newcomers already on the air but struggling. "We don't finance start-ups anymore," says Alice Frentz, a group vice president at Shawmut Bank of Boston. With tough times for independents, Shawmut is shifting its emphasis to acquisitions.

That new caution is a far cry from the go-go mood of 18 months ago, when independent stations were springing up as fast as Benetton stores. The boom left many markets overbuilt. If Washington, D.C., the country's ninth-largest market, is having trouble supporting three indies, it's difficult to see how Pensacola-Mobile, the 55th market, will keep five independents afloat. Tom Eaton, president of WJTC in Pensacola, says he's been trying to cut costs by renegotiating with program suppliers.

Some suppliers are reluctantly cooperating. "We talk to them about extending payment periods. In retrospect, we overpaid for some shows. As we negotiate for new blocks of programming, we tell them we need to get prices down. They have to face reality," says Eaton.

Programming costs have climbed in the past several years, largely because of bidding wars among new stations entering a market. When the popular *Mary Tyler Moore Show* went into syndication in 1977, it earned a mere $200,000 per episode nationwide. Things were looking up when *Magnum, P.I.* brought a staggering $1.75 million per episode in syndication, according to Paul Kagan Associates. During the same period, independents began to turn increasingly to barter syndication to lower program costs, trading ad minutes for shows. But as Lawrence Maloney of D.C.'s WTTG notes, "Barter isn't cheap. We lose the ad time. And now barter plus cash is becoming increasingly common."

The end of the programming money madness does not appear imminent. Bidding is now underway in major cities for reruns of the NBC miracle, *The Cosby Show*, expected to bring a record total of $2 million to $3 million per episode. As yet another indication of the allure of syndication dollars, Paramount Television is reviving *Star Trek* for the fall and selling the series into first-run syndication rather than pitching the networks.

Paramount is not the only supplier to see new riches in first-run syndication. But stations locked in ratings wars will want tried-and-true hits, and are likely to keep paying top dollar for sitcoms hot off the networks.

The "I-need-the-ratings, cost-be-damned" attitude has been disastrous for many independents, says

Michael Finkelstein of Odyssey. He estimates that indies nationwide have signed long-term contracts that commit them to $1 billion more than they can make back in advertising sales. Those four- and five-year program contracts are yet another factor depressing the purchase price of stations. One media conglomerate rejected *The Providence Journal*'s WPHL because it judged that program buyers had overpaid for product. "I'm always looking for opportunities [to buy stations]," Finkelstein says, "but I want a station that can make some money in the near term, not one that has so much committed to programming that the cash flow for years to come goes to the syndicators."

An affiliate station isn't as vulnerable to skyrocketing program costs, since it does not pay for the 60 percent of its fare that comes from its network. As a result, purchase prices of affiliates have held up better than those of independents. But no broadcast property has escaped unscathed the unexpected slowdown in the growth of national advertising. Kohlberg, Kravis, Roberts & Co., the New York leveraged-buyout firm, reduced the selling price for Storer stations that Lorimar-Telepictures wanted, but not enough. Lorimar, already skittish, backed out of the deal in November when it determined that ad revenues were too soft to cover service on its new debt.

Broadcasters made the mistake of believing that the red-hot years of 1984 and '85, when national advertising revenues soared 15 percent, were the norm rather than a happy aberration. So 1986 gains of 7 to 8 percent threw station budgets into disarray, according to Martin Ozer, head of independent TV sales for the Katz Television Group. He expects a replay in 1987. Charles Kadlec, of the consulting firm Frazier, Gross & Kadlec, agrees but says that sales should rebound in 1988, when millions will be spent on political ads in that Presidential election year and during Olympics telecasts.

As independent-station owners try to calculate their financial futures, one other major force looms large—cable television. Cable is a mixed blessing for independents: Stations carried on cable reach a larger geographic audience, but they're also subject to greater competition from all the cable channels available. The independents and the cable industry are still battling heatedly over what stations must be carried on cable.

In the short term, analysts expect 1987 to be a sluggish year for earnings and a buyers' market for stations. Station prices are also likely to be depressed by a change in the tax code. As of this month, the government has eliminated the General Utilities provision, which has provided broadcasters with a valuable exemption from the rule that subjects earnings from the sale of appreciated property to both capital gains and depreciation taxes. Those extra tax payments are expected to come right off the purchase price of a station. And that's just half of the bad tax news for sellers, who must also pay as much as $80,000 in taxes on each $1 million involved in a deal, because of the increase in the capital gains tax.

Bargain hunters are salivating over opportunities to snap up properties. "I've been a broadcaster since the 1950s, and this is the most propitious time to buy TV stations I've ever seen," says Lowell Paxson, president of Home Shopping Network, the cable and broadcast home shopping service. He's bought ten independents since May and is looking to buy four more, the legal limit. (The FCC permits 14, rather than 12, if minority partners own 50 percent or more of the added stations, as will be the case with HSN.) "We have looked at more than 70 stations, and not a one of them is profitable," Paxson says. "Prices were 40 to 50 percent higher a year ago than they are today."

Brokers and investment bankers say that station owners able to weather the next few difficult years could wind up holding valuable properties. As programming costs eventually edge down and population growth allows many markets to support more stations, the independents will be looking at a much brighter financial picture. "Three to five years from now, people will again view independents as a very attractive business," says Steven Rattner of Morgan Stanley. But in the painful short run, station owners such as *The Providence Journal* are discovering that their once golden properties have lost much of their luster. ●

TURNABOUT ON STATION SALES

Loss of confidence in payback potential can be read in this sampling of station sales abandoned by seller or buyer

STATION	MARKET	SELLER	PRICE	OUTCOME
WPHL	Philadelphia	The Providence Journal	$100 mil*	Withdrawn after 5 months
WSBK	Boston	SCI Holdings Inc. (controlled by Kohlberg, Kravis, Roberts & Co)	150 mil	Buyer Lorimar-Telepictures dropped out**
KTXL	Sacramento-Stockton	BMA Properties Inc.	N.A.	Withdrawn
KDVR	Denver	BMA Properties Inc.	N.A.	Withdrawn
KPDX	Vancouver, WA-Portland, OR	BMA Properties Inc.	N.A.	Withdrawn

*The Providence Journal would have accepted anything above $50 million, say reliable sources.
**Buyer and seller sharply disagree about the reason the sale fell through. L-T attributes it to softness in the advertising market. SCI charges that L-T could not arrange financing. Each explanation supports the same conclusion: an ill-omened investment marketplace.

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CHANNELS
THE BUSINESS OF COMMUNICATIONS

How Hill Got Leveled

Nolanda Hill discovers that building an independent station group takes more than aggression, ambition and smarts. **BY DENNIS HOLDER**

Less than a year ago, Nolanda Hill proudly conducted a tour of a Dallas office suite and declared that, in these rooms, an empire would be born. By the end of 1986, Hill insisted, Hill Broadcasting, Inc., would own ten independent television stations in major markets across the country. Before the decade was out, she predicted, she would be included on *Forbes* magazine's annual list of the 400 wealthiest Americans.

Her claims seemed a tad boastful perhaps, but credible nonetheless. Hill stations in Washington, D.C., and Worcester, Mass., part of the Boston market, were moving steadily toward the black. Her application for a UHF license to serve Dallas hovered near approval. She headed a group bidding some $350 million for Spanish International Communications Corp.'s (SICC) seven stations. Hill apparently belonged, as *Fortune* had concluded, among "People to Watch" in U.S. business.

Six months later, Hill's fledgling empire was in shambles. The SICC stations had been sold, not to her group of minority investors, but to Hallmark Cards and First Capital Corp. of Chicago. The deal for Channel 55 in Dallas was off. And one of Hill's two operating stations, WFTY in Washington, was struggling. Only the marble floors and rich mauve curtains, which hid a view of an authentic Texas whorehouse across a back lot, remained to suggest that a now forlorn office suite in Dallas had once housed a little TV company with large aspirations.

The new realities of independent television overwhelmed 42-year-old

Dennis Holder is a Dallas free-lancer who writes frequently on the media and business.

JIM KNOWLES/PICTURE GROUP

***Nolanda Hill,** forced to a rare restful posture by her stalled empire building.*

Nolanda Hill just as she steered toward the big time. Like operators everywhere, she confronted syndication prices climbing past any potential return in revenues, a soft advertising market and competition intensifying as newly active licensees saturate the market. Most of all, it seems, she was squeezed by the megabuck companies that entered the business as federal regulations eased over the past five years.

'TO SUCCEED THESE DAYS YOU MUST START WITH DEEP POCKETS AND PLAN ON LOSING A FORTUNE OR TWO.'

"I think Nolanda's problems are pretty typical of the industry right now," says John McKay, president of KDFI-TV, Channel 27 in Dallas and one of Hill's oldest friends. "A few big corporations that produce programs have also moved into station ownership. They force operating costs way up and take advertising dollars away from the rest of us. To succeed in independent television these days, you have to start with deep pockets and plan on losing a fortune or two."

The irony is that Hill saw today's tight market developing long before many others and thought she knew how to turn it to her advantage. Her plan: grow big enough to join the titans in strangling smaller competitors. In other words, she figured to do unto others what they wound up doing to her.

"A shakeout is occurring now," Hill said a year ago, when things seemed to be breaking her way. "I think we're in the forefront of it. You're going to see big insiders divide up the business. They're going to—à la the family—divide the territory. I don't think it's a good thing for the industry, but it is the reality. Companies like mine have to either get into a different business or else become one of the eight or ten megagiants within the next couple of years."

To write her name next to Rupert Murdoch and Ted Turner, Hill said she intended to be tough, aggressive and opportunistic. "Someone said not long ago that I'm a good business person but I don't know a lot about television," she explained. "I said, 'I don't have to know a lot about television, if there *is* anything to know about television.' Other people who work for me do television. I do deals. I can do the deals to take this company into the big ten."

It takes only a few minutes with Nolanda Hill to realize that she really does have a rather dismissive attitude toward television. She speaks scornfully of most programming as mindless pap. The screen, she says, is filled with airheads. She would rather see her nine-year-old son, Andrew, read a book. Her technical knowledge, she reports, is so limited that she cannot operate the gadgets in her kitchen. She refers to a channel selector as a "deelie-whopper."

When a deal is in the making, though, Hill is a study in concentration. Friends say she once became so preoccupied with negotiations that she showed up at a meeting in unmatched shoes.

According to *Dallas Morning News* business writer Michael Weiss, who has followed her recent deals, Hill saw flips of television station property as the surest route to growth. Like others who have run prices into the stratosphere using the so-called greater fool theory (no matter how much you pay for a station, there's always some fool willing to pay more), she apparently intended to purchase stations, operate them in the black for a couple of years and unload them at a profit. She had seen the strategy work for others, such as John Kluge at Metromedia. On a smaller scale, she built her own business on a similar transaction, selling to Kluge himself.

A native Texan, Hill entered television in 1968 as a producer and director at one of the first UHF stations on the air in Dallas. Later, she gained business experience in Los Angeles, managing a sports syndication company. In 1973, she formed a company to apply for a license to operate Channel 33, a Dallas station that had gone dark. It took her six years to get the first program on the air.

While she waited for license approval, for financing, for construction, for lawyers to untangle a skein of legal problems, she formed a publishing company to issue arts directories. The venture was a matter of survival, she said. Her husband and business partner at the time, Sheldon Turner, had a brain tumor. Doctors predicted at best permanent blindness. Somebody had to support the family. (Turner now is fully recovered and, though he and Hill are no longer married, they still are associated closely in business.)

When Channel 33 finally reopened in 1979, it was as a subscription television (STV) outlet. Later, Hill took the station commercial, first in a business-information format and then as the only Spanish language TV outlet in Dallas. In 1983, the last year she owned it, Hill claimed her station was in the black. Whether that is true is moot, but Dallas TV executives agree that Hill pocketed about $10 million when she sold to Kluge's Metromedia.

With part of the profit, Hill bought Channel 27, a failing STV station in Worcester, Mass., and began negotiations to purchase Washington's Channel 50, also an STV station. When the deals were complete, she converted both to commercial broadcasting.

In Worcester, Hill hired a staff to produce local newscasts in competition with network affiliates in Boston. Nine months later, she closed the newsroom and laid off 20 employees, saying news programming was simply too costly. Critics said the newscasts were ill-advised from the beginning, a matter of Hill's reach exceeding her grasp. Some say she suffers today from the same problem.

However, at WFTY in metropolitan Washington, which began commercial broadcasting in March 1986, the business approach was conservative. Hill eschewed expensive off-network programming in favor of old movies, positioning Channel 50 as a "nostalgia station." She even bowed out of a United Way fund-drive simulcast because she didn't want to give away the airtime.

While the Boston and Washington stations groped their way along, Hill sought licenses in other cities. Attempts in Milwaukee and Detroit fell through. Overtures to owners of a Houston station were reportedly rebuffed. A bid for WOR in Secaucus, N.J., finished a distant second to an offer from one of the giants, MCA Inc. Hill began to feel the squeeze, but she still was confident that she could continue building her company.

When SICC decided to sell its seven stations in the wake of a Federal Communications Commission investigation into its foreign ownership, Hill thought she saw her chance. She would buy out SICC and add a Spanish language station in Dallas, where she had applied for a license to broadcast on Channel 55. In a matter of months, she would own the nation's largest TV group broadcasting in Spanish and a total of ten stations.

Hill gathered investors to present an offer—which was "well over $350 million," she claimed. "I'm extremely optimistic about our chances," she said. "There's a dearth of experience out there in Spanish language broadcasting. Our group, which includes several Hispanic businessmen in Miami, has the experience. All of our voting stock is held by women and minorities. I don't think we'll have any trouble winning approval."

As it turned out, internal disagreements among investors and uncertain capitalization scuttled the deal. The SICC stations were sold, instead, to the Hallmark-First Capital partnership for about $301 million. Reviewing the sale in October, a U.S. district court judge in California gave great weight to the fact that "the Hallmark Group had (and has) a net worth more than sufficient to consummate its offer, whether or not it chooses to obtain any financing. . . ." The court also noted that "the offer of the Hallmark Group provided unlimited liability for breach backed by the net worth of the Hallmark Group, which substantially exceeded the purchase price. . . ."

For Hill, the sale simply affirmed her belief that big money interests are elbowing entrepreneurs out of independent television. She plans to fight the sale before the FCC. "I'm convinced we still have a good chance to get those stations," she says. "I think the FCC is going to have to look at the fact that my group"—a different consortium than her original investors—"is minority controlled and is determined to continue programming in Spanish. I don't think the Hallmark people can prove that they will continue Spanish language broadcasting."

> 'PEOPLE WHO WORK FOR ME DO TELEVISION. I DO DEALS . . . THE DEALS THAT CAN TAKE THIS COMPANY INTO THE BIG TEN.'

According to Hallmark spokesman Charles Hucker, the new owners have no plans to tamper with the Spanish language format. And, apparently, Hill overlooks the fact that last September the FCC renounced an affirmative action plan that gave licensing preference to minorities and women.

Meanwhile, Hill Broadcasting faced problems on other fronts. In Dallas, where her application for Channel 55 was contested by several groups, the boom economy went bust. With five general (nonreligious) independents crowding the market, she concluded that another TV station, even one broadcasting in Spanish, could not succeed. For an undisclosed amount, she released her claim on the license to a group that reportedly plans to concentrate on religious programming.

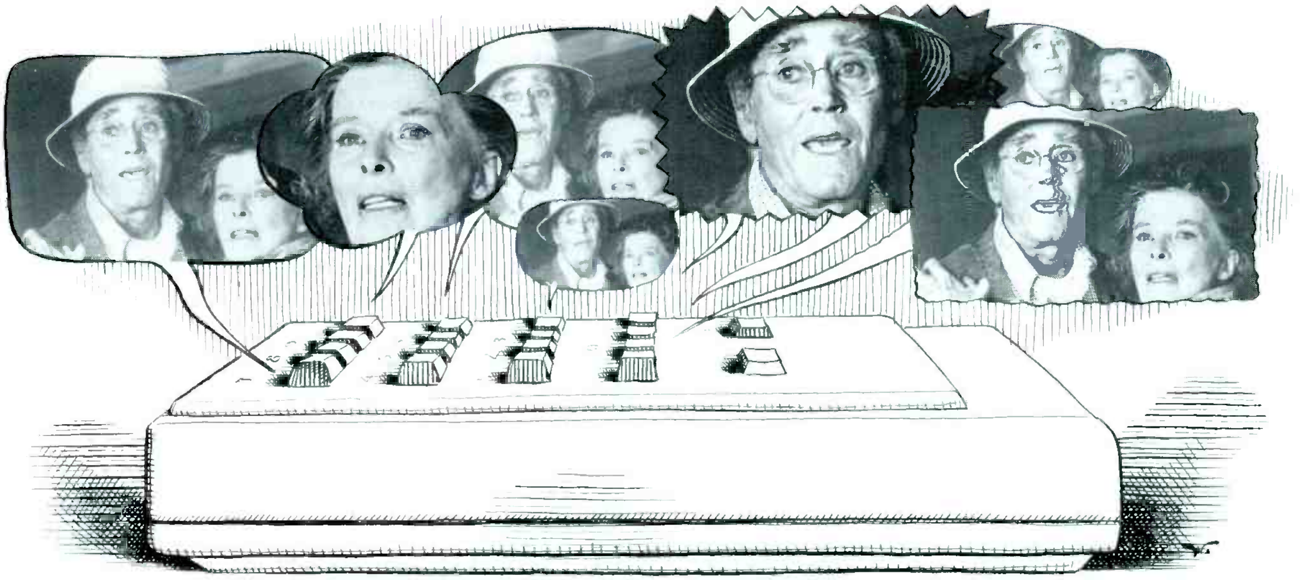
As if these blows against the empire were not enough, the Washington station foundered at the same time. Claiming some of her executives had outside interests that conflicted with their duties to her, Hill fired Channel 50's management. She also severed ties with a New York ad rep. In the midst of the SICC and Dallas negotiations, she moved her corporate headquarters to her Washington station and personally took over.

"The station didn't do badly in the spring ratings book," says John Carmody, television reporter for *The Washington Post*. "She can do pretty well in terms of audience once in a while. But with all the stations in Washington and Baltimore, she has a lot of competition. Trying to run this station while taking care of her other interests has spread her pretty thin."

But Nolanda Hill paints a more positive—no, a rosy— picture. In a recent interview, she insisted that her Massachusetts station now is beginning to make money and that she'll recover about $3 million of her $8 million investment there this year. The Washington station, she says, is progressing on schedule. It won't see black ink until the end of 1987, she claims, but she expects to recover her investment, some $23 million, by 1991. "I still think I can make the *Forbes* 400 by 1990," she says.

In fact, Hill says, moving her corporate headquarters out of Dallas was the only major setback of 1986. She now commutes from Washington to spend weekends with her husband, Billy B. Hill, an attorney, and her son. Not only does she dislike being away from her family so much, she also misses her rural Texas farm.

She does not miss the now-vacant office suite that once was headquarters for her corporation. She never liked the place. "It is not a very good neighborhood," she says. "A company like I am building needs much more impressive offices. We need a place that really says 'Success.' " ●



MICHAEL WITTE

Superstation Super Mess

By failing to finish the deregulation that it started, the government has made a farce of exclusive broadcast rights. **BY PATRICIA HERSCH**

It was an old familiar feeling last October for the staff of the largest independent station in Tulsa: KOKI-TV was getting screwed. "We had scheduled *On Golden Pond* as the Thursday night movie," says creative services manager Dick Underwood. "We gave it big play—advertisements on radio, television and in the newspaper. Then it happened again: On Tuesday night the same movie came in on superstation KTVT-TV Dallas, on cable. We had no way of knowing beforehand when it would be aired. Our plans were in place," says Underwood. "We wasted thousands of dollars."

Likewise, KOKI was blindsided by superstations on about a quarter of its syndicated programming this winter. Three years ago, when *The Dukes of Hazzard* first went into syndication, KOKI paid top dollar for an exclusive license to broadcast the series in Tulsa. The station scheduled its exclusive purchase at 6 P.M., but then discovered that by that time, the show would already have aired twice, earlier in the day. *Dukes* came in at 4 P.M. on one superstation and again at 5 on another.

For a medium-market independent like KOKI, the five superstations are Big Trouble, Godzilla-size Trouble. They strike at random, eating into the local station's audience shares, destroying the ratings reliability of expensive syndicated programs, creating chaos far from their home markets. And, remarkably, all with the protection of federal law.

In 1976 Congress gave the fledgling cable industry the gift of the "compulsory license," which allows cable operators to retransmit programs from broadcast TV without negotiating fees with the programs' copyright owners. Instead, they pay relatively low, fixed fees to a tiny federal agency, the Copyright Royalty Tribunal, which in turn distributes the money to copyright holders. The fees are so low, according to motion picture industry spokesman Jack Valenti, that the average cable system spends more on postage for its subscriber bills than on superstations. This makes it not only legal but very attractive to pick up distant signals like WTBS-TV Atlanta, WGN-TV Chicago, WPIX-TV New York, KTVT Dallas and WOR-TV New York.

At the same time, two new Federal Communications Commission rules did provide some protection for local broadcasters from the compulsory license: The first limited the number of distant signals a cable system could carry and the second, the syndicated exclusivity rule, guaranteed that a local station would have an exclusive showing of syndicated programs if it had bought the rights to them. When the same programs came in from afar, the local cable operator had to black them out.

Then, in 1980, in the early days of deregulation under FCC chairman Charles Ferris, the commission did away with these two rules. Yet the fast-maturing cable industry retained its license to buy superstations' programming without negotiation. For local TV stations, the decision turns syndicated program-buying decisions into a crapshoot. "It is a dopey thing," says Henry Geller, a former FCC general counsel who would like to see

Washington writer Patricia Hersch's last article for Channels *was an update on the radio industry.*

cable's compulsory copyright license repealed by Congress. "It makes mincemeat of what is a perfectly decent marketplace."

"You sit down and run the numbers," says Tom Herwitz, a vice president of the Fox station group, "but when you get down to the bottom of the page, you have to say, 'We could be faced with someone bringing in that same show at the same time, or before or after us.' How do you figure that in? You might as well crinkle up the paper and throw it away."

Major independents with attractive schedules face the danger that they will become superstations against their will. With its "passive carrier exemption," the law allows third parties—intended to mean AT&T in the days before distributors did their own transmission by satellite—to transmit a station's signal without paying copyright fees. As a result, unforeseen third parties such as United Video can pick up a station's signal and put it on a satellite, without its permission, and sell it to cable systems across the country. United, for example, does that with superstations WGN, WPIX and KTVT. Some broadcasters would say the passive carrier exemption, originally considered a mere technicality, has created a business based on legalized piracy.

"We had a funny idea that *we* had the license to our station," says WGN general manager Joseph Loughlin. His station in Chicago gets letters from cable viewers demanding more Colorado news coverage and North Dakota weather forecasts. And some syndicators and advertisers who want to restrict their reach won't do business with him. United can sell WGN's signal to cable systems with a total of 16 million subscribers, without paying copyright fees, but the station itself can't do so. "Talk to anybody but a lawyer, and nobody believes it," says Loughlin.

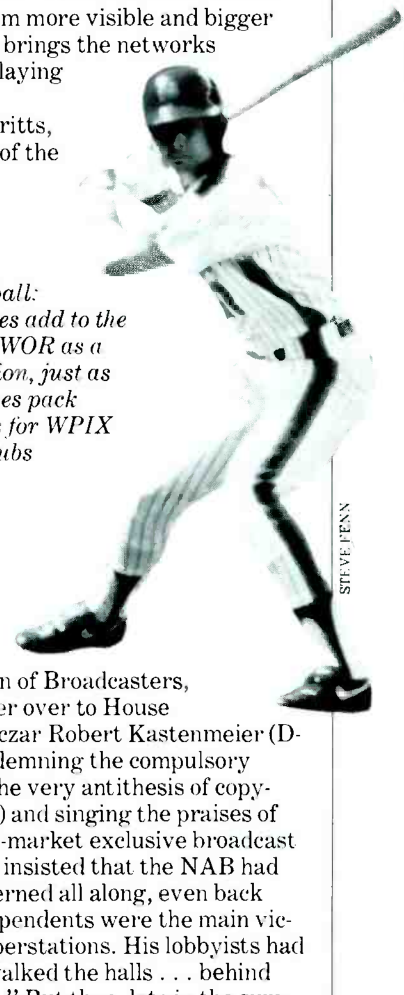
Roy Bliss, executive vice president of United Video, says in response, "I'm real sorry that we're prohibited from working directly with WGN. It would be better for us if we were partners than in this arm's-length relationship." The law regards United as a passive carrier, but at cable conventions the company's salesmen are anything but passive—boasting about WGN's schedule and giving away little Chicago Cubs bats. Isn't Bliss engaging in rather *active* program distribution? "We are just passive carriers . . . a little piece in the chain of distribution . . . a funnel . . . All we sell is electromagnetic charges," Bliss says.

From that position, it's a small technological leap to the next market: passive carriers selling superstation subscriptions to backyard dish owners. This year key congressmen are expected to reintroduce a bill to extend the compulsory-license law to companies that will put scrambled superstations on satellite. (Bliss isn't waiting for the bill to pass. He has already started scrambling WGN.) Backers of the bill want to give dish owners access to the same range of programming that cable subscribers receive. But when the government intrudes in the marketplace, it has to go back and tinker with its rules again and again. Says Rep. Romano L. Mazzoli (D-Ky.): "I think maybe we get ourselves so tied in knots that we tend to perpetuate the knots instead of trying to think of how we can untangle them."

The lone voice of dissent at a hearing on the matter last August was Preston Padden, president of the Association of Independent Television Stations (INTV). Letting passive carriers use scrambling to protect signals that don't belong to them, he said, "is like a mugger stealing an old woman's purse and then running to the police station to ask for protective custody to make sure no one will steal it from him." But Padden stopped short of calling for an end to the compulsory license. Though he surely would love to see its repeal, he had promised the cable industry not to advocate it, as part of an INTV-NCTA compromise over the must-carry rule.

There will be more than enough opposition, however. Suddenly, the networks and their affiliates share the danger of the compulsory license. A startup company called Satellite Broadcast Networks has announced an audacious plan to create three new superstations from three network affiliates (WABC New York, WBBM Chicago and WXIA Atlanta) and sell what it calls the Prime Time 24 package to backyard dish owners as well as to cable operators. The public fuss even upsets Bliss: "Prime Time 24 makes the problem more visible and bigger because it brings the networks onto the playing field."

Eddie Fritts, president of the National Association of Broadcasters, shot a letter over to House copyright czar Robert Kastenmeier (D-Wis.), condemning the compulsory license ("the very antithesis of copyright law") and singing the praises of market-by-market exclusive broadcast rights. He insisted that the NAB had been concerned all along, even back when independents were the main victims of superstations. His lobbyists had "quietly walked the halls . . . behind the scenes." But then, late in the summer, Prime Time 24 was announced and the bill began to look serious. Major broadcast powers began to notice what KOKI Tulsa knew from frustrating experience: The government hadn't finished the job of deregulating an important aspect of cable-broadcast relations. Now Fritts is on the march: "At some time, you have to raise the banner and say, 'That is enough!' " ●



***High fly** ball:* *Mets games add to the appeal of WOR as a superstation, just as the Yankees pack the stands for WPIX and the Cubs for WGN.*

STEVE FENN

Independents' Day

Daypart tactics that succeed for indies include subtle changes in traditional counterprogramming. **BY JEAN BERGANTINI GRILLO**

RUDY SMITH/OMAHA WORLD-HERALD

Harry Pappas brought independents to affiliate-only turf and watched them bloom.

In a field strewn with land mines, Harry Pappas just keeps striding along. President of Pappas Telecasting, Inc. (and self-appointed equipment analyst, building designer, sales promoter, programmer and financial manager), Pappas, 40, happily speculates that by 1988 his UHFs in Fresno, Calif., Omaha, Neb., and Asheville, N.C./Greenville-Spartanburg, S.C. could be the top three independent stations in the country.

"We do nothing differently," insists the first-generation Greek-American, who followed his twin brothers into broadcasting at the age of 19. All you need to compete with network affiliates, he says, is to have "the best overall signal coverage, the best on-air look and the best programming."

Pappas is not alone. Some combination of those things has provoked an unprecedented shift in the fortunes of many independents. The shift has caught the networks and their affiliates, in battle formation against cable, facing the wrong way. The most effective assault on their programming and revenue dominance didn't come from satellite-delivered services; it came over the airwaves from network TV's most potent viewer alternative.

Since 1981, 160 new independent stations have signed on across the country, bringing competition to over 50 markets that network affiliates formerly had all to themselves. Indies have bowed in with massive classic film libraries, original dramas and sitcoms, and lucrative, exclusive local sports and newscasts with all the bells and whistles. Thanks to indies, local news now airs at 7, 8, 9 and 10 P.M. as well as 5 or 6. Kids bored by soaps in the early afternoons have found *Transformers*, *Voltron*, *He-Man* and *She-Ra*. And, of course, those looking for alternatives to Johnny now have Joan and David.

The networks have noticed. When CBS announced it would add another movie night to prime time early in the fall 1986 season, it wasn't just replacing faltering network series. Independent stations have been running movies between 8 and 10 P.M. and their ratings can boost them above the market's third place affiliate—often enough these days, CBS.

Mavericks by nature and flexible by design, independent stations scramble either to meet local needs or to create new demands. But just how do they counterprogram?

In a large market such as Los Angeles, certain indies routinely earn better ratings and revenues than certain affiliates. Viewers there don't have to be sold on watching indies. They've grown up with them. But they expect to be—and are—skillfully, lavishly and constantly wooed.

In smaller or midsize markets such as Hartford/New Haven, Fresno or Omaha, independents still operate virtually in a separate ratings arena. Their success is in selling shows geared to specific audience groups.

Whatever the size of the market, a successful indie challenge to the network affiliates, especially in prime time, takes big money and astute management. Half-hour, off-network syndicated programs are selling to independent stations for $40,000 to $125,000 an *episode*—major outlays for a small portion of the programming day. Even if an indie programmer has plenty of money, however, expensive purchases can fail utterly to attract viewers or advertisers. Management is key. And if anyone's lived a primer on how to create the right mix, it's Harry Pappas.

KMPH-TV in Fresno, established by

Jean Bergantini Grillo is a New York free-lancer who specializes in analysis of TV programming and markets.

Pappas in 1971, holds Nielsen's national number one indie spot for designated market area (DMA) household share, sign-on to sign-off. WHNS-TV in Asheville/Greenville-Spartanburg, established in 1984, is in a multistation tie for number seven. But the most intriguing story is KPTM-TV in Omaha. Serving the Midlands area of Nebraska and Iowa, the station went on the air April 6, 1986. It is already ranked third in the nation in overall share, sign-on to sign-off, for independents, and is tied for first place in prime time.

A spokesman for the industry trade group, Independent Television Association (INTV), calls Pappas, the youngest broadcaster ever elected to the group's board, "the best negotiator for programming around."

Pappas demurs. "Yes, you have to know how to purchase at the best prices," he says, "but you also must know how to read market-program preferences and position your station in the minds of the viewers."

First Pappas went after the traditional indie audience: kids. Kids are fickle, while adults are slow to be weaned from network choices. And, thanks to Rambo and Hulk, kids are also suckers for lots of whizbang cartoons. KPTM went after all of them: *She-Ra*, *Transformers*, *Thundercats*, *Silverhawks*. For adults, KPTM bought a library of 3,000 films. It runs a prime time movie block every evening of the week, before switching to off-network syndicated shows between 9 and midnight.

While an average new indie will get a 3 to 5 share, sign-on to sign-off, KPTM won 9s and 12s in the May and July books—striking numbers considering that none of its programming is revolutionary non-network fare.

Pappas excels in promotion. He worked mightily to boost KPTM's carriage on cable from 54 to 90 percent of the systems in the station's area of dominant influence. And, in September, he spent over $500,000 to mail out free UHF loop antennas to

THE MARKET PICTURE

LOS ANGELES—#2 Market TV HH 4,516,000

STATION	OWNED BY	RATINGS/SHARES[1]	% OF MARKET REVENUE[2]	
KABC	ABC	13/21	18%	$112M
KCBS	CBS	12/19	13%	$ 81M
KCOP	Chris-Craft	5/ 9	13%	$ 81M
KHJ	Group W	3/ 5	9%	$ 56M
KNBC	NBC	12/25	14%	$ 87M
KTLA	Tribune	7/11	15%	$ 93M
KTTV	Fox	4/ 7	13%	$ 81M
KMEX	(Pending)	2/ 3	5%	$ 31M

HARTFORD-NEWHAVEN—#24 Market TV HH 813,230

STATION	OWNED BY	RATINGS/SHARES[3]	% OF REVENUE[4]	
WFSB	Post-Newsweek	12/20	33%	$31.7M
WHCT	ACC LIMITED	1/ 1	.5%	$480,000
WTIC	Chase Broadcasting	2/ 3	.6%	$ 5.8M
WTNH	Cook Inlet	12/21	32%	$30.7M
WTXX	Finklestein	2/ 4	9%	$ 9.1M
WVIT	Viacom	10/17	19%	$18.2M

OMAHA—#70 Market TV HH 348,300

STATION	OWNED BY	PRIME TIME RATINGS/SHARES[5]	% OF REVENUE[6]	
KETV	Pulitzer Public	11/23	33%	$10.8M
KMTV	Lee Corp.	12/24	25.5%	$ 8.7M
WOWT	Chronicle Broadcasting	10/22	32%	$10.5M
KPTM	Pappas Telecasting	4/ 8		

[1]MAY 1986 NIELSENS 8–11 P.M.; [2]NET REVENUE (ESTIMATED) 1986: $622 MILL; [3]8–11 P.M.; [4]NET REVENUE (ESTIMATED) 1986: $96 MILL; [5]7–10 P.M.; [6]NET REVENUE (ESTIMATED) 1986: $33M

INDIE PRIME TIME RANKINGS

LOS ANGELES

Station	8:00 PM	8:30 PM	9:00 PM	9:30 PM	10:00 PM	10:30 PM	11:00 PM	Rating May	Share November
KCOP	Movie				News			5/9	6/10
KHJ	$100,000 Pyramid	Million Dollar Chance of a Lifetime	News		World of Survival			3/5	2.6/4
KTLA	Movie				News			7/11	6.5/10
KTTV	News	WKRP in Cincinnati	Movie					4/7	4.6/8

HARTFORD/NEW HAVEN

Station	8:00 PM	8:30 PM	9:00 PM	9:30 PM	10:00 PM	10:30 PM	11:00 PM	Rating May	Share November
WHCT	Suspense Theatre .... Odd Couple T-F: Mystery Movie .... Odd Couple				M: Mission Impossible T-Th: Cover-Up F: Hallywood Close Up			1/1	1/1
WTIC	M-F: Tonight at the Movies........				Kojak			2/3	2/4
WTXX	M-F: Bil Movie				Star Strek			2/4	3/5

Omaha

Station	8:00 PM	8:30 PM	9:00 PM	9:30 PM	10:00 PM	10:30 PM	11:00 PM	Rating May	Share November
KPTM	M: Cinema 42				M*A*S*H	Star Trek		4/8	Not Available
	T-F: Cinema 42 (from 7:30 PM) .		Quincy		M*A*S*H	Star Trek			

Omaha's entire 504,000 households. Signal parity is power.

More important, however, is Pappas' wise nod to area interests. In fall '86, KPTM introduced *The New Tom Osborne Show*, hosted by the University of Nebraska football coach. It runs Mondays at 7 P.M., a clever parlay on ABC's top-rated *Monday Night Football*. For late night, KPTM declined Fox Broadcasting's new entry. "Would you program Joan Rivers in Johnny Carson's hometown?" asks Gary Nielsen, KPTM's general manager. (Carson, an Iowan, started out on Omaha's radio and television stations.)

Since Omaha was the only top 50 metro area without an independent station, a case could be made that Pappas was in a fail-safe position. In markets such as Hartford/New Haven and L.A., however, the diversity of competition makes counterprogramming much trickier. In those places, independent programmers have learned to sell demographics first and ratings second.

Five independent stations compete for L.A.'s general interest viewers—not including the five others aimed at religious, business or ethnic audiences. Since independents arrived in the early '50s, years before network service came to L.A., watching an indie is part of the area's tradition. Indies and affiliates there not only compete on even footing, but because of low cable penetration—35 percent—stations battle only among themselves. In Los Angeles, indies successfully woo prime time viewers with local sports, local newscasts, slickly produced local specials and Operation Prime Time miniseries. But their biggest attractions in the movie town are their expensively pursued movie packages.

KCOP has spent over $100 million to secure premiere titles, a figure nearly matched by its indie competitor KTLA. Together, each station routinely reaches 8 share points in prime time. "No other market has two indies doing a combined 16 share," notes KCOP president Bill Frank.

Says KTLA senior vice president Steve Bell: "With so many long-term, healthy independents in L.A., networks often follow what we do." Case in point: It was Bell who tossed aside evening fringe strips and decided to checkerboard five new comedy half hours, airing a different show each night. In October, his first-run comedy series beat or tied all competitors. NBC's owned stations will flatter

Who Cares About Indie News?

In this nervous world, some people prefer *Jeopardy* to the latest from City Hall or Beirut. They can generally rely on independents to keep them uninformed.

Indies aren't famous for news. But that reputation is changing. "Independents can't say they're on a par with affiliates, but we're narrowing the gap," says John Corporon, senior vice president of news for New York's WPIX-TV and president of Independent Network News. INN's growth—from 26 stations in 1980 to 110 now—proves indies' interest, at least in national news. INN's feed includes a three-minute optional local-news window to encourage stations "to get their feet wet."

The water can be cold. A decent local news operation is expensive. But rating for rating, news can be a better investment than entertainment. A station can be 5 in the ratings at 10 P.M. and still profit on news, says Bob Bennett, chairman of New World Broadcasting. Bennett started the nation's first 10 P.M. newscast in 1966 at WTTG-TV in Washington, D.C. In six months, it made a profit. Today, the program often beats affiliates' and networks' ratings for the early and late news.

Taft Broadcasting launched Philadelphia's only prime time newscast on its top-ranked independent WTAF-TV last February. Ratings have steadily risen and are near the 3 that INN's Corporon terms "lucky" for a first year. If WTAF's news can raise prime time ratings by only one share point, it could be worth $3 million in ad revenues, estimates Jonathan Intrater, vice president of Washington, D.C.-based Broadcast Investment Analysts, Inc. (WTAF was sold in November to TVX Broadcast Group, which has no plans to drop the newscast.)

Smaller stations have had a more checkered experience with local news attempts. Year-old WTZA-TV in Kingston, N.Y., spends some $750,000—almost one quarter of its annual budget—on nightly news and two weekly interview shows. If the station ever has to retrench, news would be the last thing cut, says Ed Swyer, managing partner. "News is our identity. If we programmed like a typical independent we'd be lost."

Derry, N.H.'s WNDS-TV, in competition with Boston stations, won awards for local news in 1984 and '85. But by 1986, the staff was down to three and all that's left of news is short breaks. "The cost," says general manager James Lannin, "in conjunction with the ratings didn't justify continuing." Still, "my inclination is to try again. The timing wasn't right. But we did it so well."

KFTY in Santa Rosa, Calif., is only now close to breakeven after five years on the air. But it has not cut back on news. Gutting daily newscasts plus a weekly magazine, says executive vice president Jim Johnson, "would be the beginning of the end."

Clearly, for these and many other independents, such commitment means it's just the beginning of the beginning for local news.

MICHAEL HOYT

Additional reporting by Sheree Goldflies

KTLA with imitation when they begin checkerboarding next fall.

Local news is another area where Los Angeles indies have collective clout. They have created news programs at 8, 9 and 10 P.M., catering to those who get home too late for Rather and go to bed too early for the network affiliates 11 P.M. update. Angeleno news junkies can now be numbed by seven straight hours of local and national news between 4 and 11 P.M..

In Hartford/New Haven, on the other hand, indies are very new (none of the stations is more than four years old), and viewers were accustomed to other alternatives: With 70 percent cable penetration—the country's highest, according to Nielsen—the market has access to dozens of distant television signals. That high cable penetration plus over-the-air signal spill-in from neighboring states creates what one TV spot buyer calls "the market of the future: so fragmented that no one local station can expect a clear majority."

Hartford/New Haven indies are fighting for shares within shares. With a bow toward its young, affluent audience, newest indie WHCT-TV counterprograms the counterprogrammers, airing *Rocky and Bullwinkle* against *Voltron*, *Best of Saturday Night Live* against game shows, and genre films against traditional prime time move fare.

WHCT, a minority-owned station group currently fighting to keep its license, prides itself on not running the violent, the exploitative, the shamelessly without redeeming social value. And its ratings are nil. But, according to general manager Richard Ramirez, demographics will be his weapon. "You may have a HUT [homes using television] level that some say is a failure," Ramirez says, "but if you can show an advertiser that that HUT level is 80 percent of the target audience, he's willing to pay more for those demos."

The narrowcasting that once was cable's rhetorical preserve now is a choice marketing tool for independents. (The marketing oriented among them prefer the term "targetcasting.") By defining dayparts as just kids, just sports, just sitcoms, or just films, indies are taking the fight for share points to the network affiliates' ring . . . and winning a few rounds. ●

The Elusive Compromise

No one's happy with the FCC's new must-carry rules: Indies want tougher regulation; cable wants fewer restraints. **BY CECILIA CAPUZZI**

Last August 7, the Federal Communications Commission voted unanimously to reimpose short-term, modified "must-carry" regulation based on guidelines submitted by the cable and broadcasting industries. But before copies of the announcement left the Xerox machine, the National Cable Television Association (NCTA) and Community Antenna Television Association (CATA) filed briefs with the FCC questioning the regulation's constitutionality. And INTV, independent television's trade association, cried foul in every public forum it could find.

Must-carry, regulation that requires cable systems to provide local broadcast signals to its subscribers, had been in effect in various forms from 1963 until 1985. In cable's early days as a mere delivery vehicle for broadcast signals, the regulation barely raised an eyebrow. But when cable began to come into its own as an original programming medium in the late 1970s, the industry argued that the rules impeded its ability to compete by clogging channel availabilities and requiring that systems, in some cases, carry more than one affiliate of the same network. By June 1985, must-carry was struck down by an appeals court as a violation of cable's First Amendment rights in *Quincy* vs. *FCC*. Since then, cable has been operating with no must-carry obligation (it will continue to do so until 30 days after the text of the FCC decision is published in the Federal Register), adhering instead to the compromise struck with broadcasters.

Both industries might have regarded the new rules a victory since their compromise was followed closely.

SYLVIA PLACHY

__INTV's Padden:__ His smile would be bigger if must-carry had never been repealed.

Instead, the regulation served only to escalate the must-carry war into a new phase. Though the groups who were party to the compromise (INTV, National Association of Broadcasters, Television Operators' Caucus, NCTA and CATA) were never happy about it, they were willing to "live with it," according to one trade group executive. But the FCC chose to add provisions to the already fragile agreement, and the result was to drive partisans back to their original intransigence. INTV is not happy that the regulation now "sunsets" in five years; NCTA is furious over a requirement that operators supply A-B switches to customers. As one frustrated FCC official says: "This thing could be litigated forever." And well it might be. The cable industry wants nothing short of the eventual dissolution of must-carry; INTV wants the all-encompassing old rules back.

So far, the battle has been waged primarily between cablecasters and independent broadcasters. Caught in the midst of declining station values, rising programming costs, a weakened advertising market and a proliferation of competing stations (167 new independent stations since 1980, compared to 31 in the six years preceding that), independent broadcasters—primarily those from smaller and newer stations— fear for their lives. When they made plans to enter the market, old must-carry rules practically guaranteed success since cable systems were required to carry all local stations. But when must-carry was struck down, unestablished independent stations felt the breath knocked out of them, even as INTV president Preston Padden refuted inferences that the new independent stations bet their existence on a free ride from cable: "The cable industry got a free ride on the backs of broadcasters," he says. "If not for cable, far more people would have outdoor antennas."

To independent broadcasters, the Quincy decision and the new must-carry rules have meant one thing: freedom for cable to act in an "anticompetitive, monopolistic" manner. Cable operators, according to Padden, have refused carriage to independent stations, demanded payment for carriage, bumped independents from low-numbered to high-numbered channels and blacked out independent programming that competes with cable network fare. "A lot of people like to talk about deferring to the marketplace," Padden says. "That sounds good if you have a competitive marketplace to defer to."

The reality, say cable executives, is much less dramatic. "He's got his list of horribles," says Anne Stern, associate counsel at American Television and Communications, the nation's second-largest multiple system operator. "But when we looked at the problem, it wasn't so terrible." ATC, for example, dropped less than 2 percent of independent stations from its systems since must-carry's repeal, she says.

Nonetheless, Padden says the cable industry has "violated the spirit of the compromise." Though there is no count of the overall number of stations dropped or denied carriage, INTV does have its favorite real-life "horribles" to parade before the press and legislators. It maintains that nearly all of the 45 independent stations that have signed on since must-carry's repeal have had problems with cable carriage. And it charges that in the unregulated climate, cable's decision to carry a new independent has often come down to one question: Is the system active in local advertising sales? If so, an operator is unlikely to jeopardize his sales effort by giving a competing independent the extended reach and signal strength it needs to entice local advertisers—who might otherwise put their money into cable.

These problems are compounded by the new regulation's five-year sunset provision, Padden says. Though the regulation mandates carriage of broadcast stations that qualify based on amount of viewing, geographic distance from the system headend and a system's channel capacity (criteria both independents and cablecasters generally accept), Padden says INTV never negotiated for temporary regulation and fears that when the interim rules disappear, so will a good number of independent stations that are currently guaranteed carriage.

INTV wants NCTA to make concessions on must-carry, but what those concessions might be is unclear. So far the industry has focused objections on one clause in the new regulation that allows cable operators to choose channel positions for broadcast signals as long as the stations are available in the lowest-priced tier of service. This clause was in the compromise as well, but INTV says its interpretation was that stations would be positioned among the system's first 12 channels, which can be received without a converter and which, traditionally, have made up the lowest-priced tier. Instead, says Padden, operators have expanded their least expensive tiers and are making room for cable networks (which are willing to pay for channel position and on which operators can sell local advertising) by shifting independents from the desirable low-numbered channels to the high numbers many believe draw fewer viewers.

Not so, says the cable industry, which claims that in many cases independents are simply being placed on their assigned over-the-air numbers. In other cases, only less-watched independent stations are being moved. "The obverse of independents' complaint about being on high-numbered channels," says NCTA's Steven Tuttle, "is that it's good for cable networks to be there. Pity the poor cable networks—there's no must-carry for those guys."

So adamant is INTV about maintaining control over the manner in which independents are carried that it is threatening an anticable publicity campaign and says it will lobby Congress to dismantle compulsory license legislation. The legislation, adopted as part of the 1976 Copyright Act, allows cable operators to carry all local-station programming without negotiating a license fee with each program's copyright owner. Instead, cable operators pay a percentage of gross revenue attributable to their carriage of distant broadcast signals to the Copyright Royalty Tribunal, which then distributes it to copyright owners. When compulsory licensing went into effect in 1976, *all* local stations were must-carries. Now, with temporary and loosened regulation, in which some local stations—primarily independents—will not get carried, INTV maintains compulsory licensing grants cable operators disproportionate control over independents.

"If a cable network can't reach agreement with an operator over the terms of carriage, it can always say, 'You can't carry us,' " says Jim Hedlund, INTV vice president for governmental relations. "But the station has no rights with the operator. If an operator wants the right to say 'We want to carry you,' then we want the right to say no."

The cable industry says the compulsory license argument is something for independent broadcasters to "hang their hat on," but operators are only too aware of their vulnerability on this one. Though the industry paid $100 million last year in copyright fees, Padden points out that's peanuts when compared to the $15 million one Los Angeles independent paid for the rights to air *Magnum, P.I.* alone.

All cable wants, say its executives, is to operate like the First Amendment entity that the courts say it is. And what's wrong with that?

Nothing, says Padden, as long as what INTV regards as competitive restraints, such as compulsory licensing and a 1984 Cable Act statute that protects cable from competition from local phone companies, are removed. Then *maybe* INTV would compromise.

In the meantime, don't count on any slack in the must-carry tug-of-war. "Cable's been beat around by broadcasters for years," says industry analyst Paul McCarthy of Broadcast-Cable Associates. "Now it's their time at bat." Smart independents are making their own deals with cable systems: "If an indie gets dropped, it's its own fault. Trade associations can't save the world."

Friends in High Places

by Ben Yagoda

How four pals from Columbia's Class of '52 ended up running two network news divisions and *The New York Times*.

On a spring day in 1952, a young man about to graduate from Columbia University was interviewed by a reporter from *The New York Times Magazine*, writing a piece about the mood of the 480-odd members of that class. This is what the senior said: "I want to be a good lawyer and a credit to the profession, but I don't feel a driving ambition to get to the top. This class may possibly feel frustrated by our inability to do anything about the big picture. It's a big job for us just to get ourselves and our own family and our own career going; it's too frightening a proposition to try to think in terms of tackling problems of a lot of other people, too. We're all looking for a peaceful life and a quiet life, within the bounds of our personal philosophy, among people we like. We figure we'll make our contribution to society in the way we lead our individual lives."

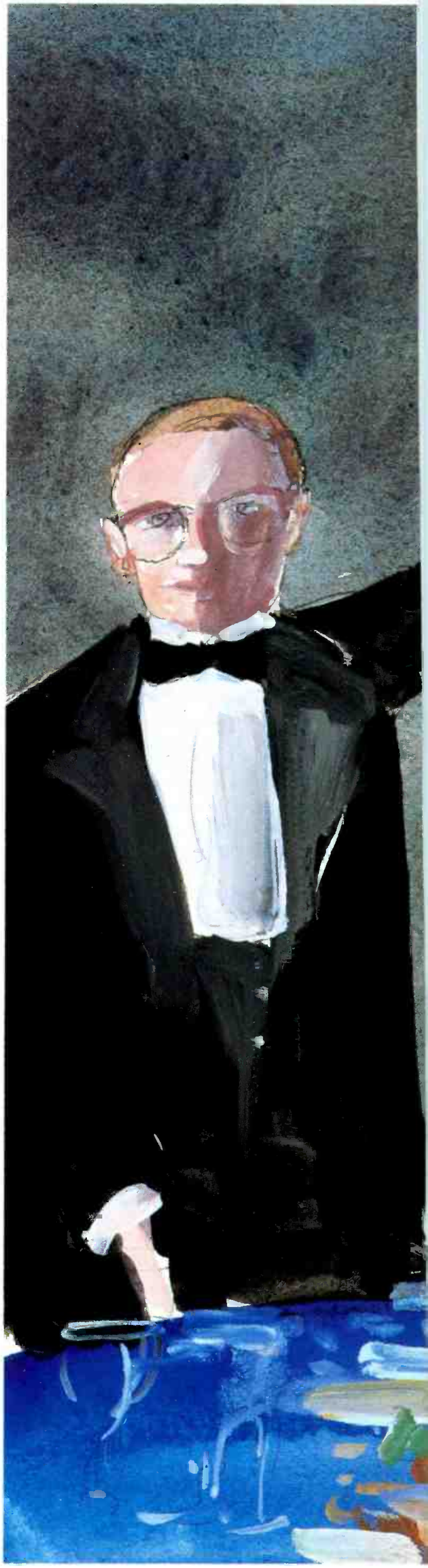
Almost 35 years later, the same man—Lawrence Kugelmass Grossman, who did not become a lawyer, good, bad or indifferent, but rather the president of NBC News—sat in black tie at an elaborately set table at Columbia's marble-columned, granite-walled Low Library rotunda. The occasion was the annual presentation of the John Jay awards, Columbia's alumni award for distinguished professional achievement. Seated at Grossman's table were two other members of his class—the class that was "looking for a peaceful life and a quiet life." One was Roone Arledge, the president of ABC News and Sports; the other was Max Frankel, then the editorial page editor of *The New York Times*. Arledge and Frankel had received the John Jay award in 1979; Grossman in 1983. All three men and their parties had paid $250 apiece to sup on *tournedos aux splendeurs de perigord* tonight because yet another classmate, Richard Wald, Arledge's chief deputy and the senior vice president of ABC News, was going to be honored.

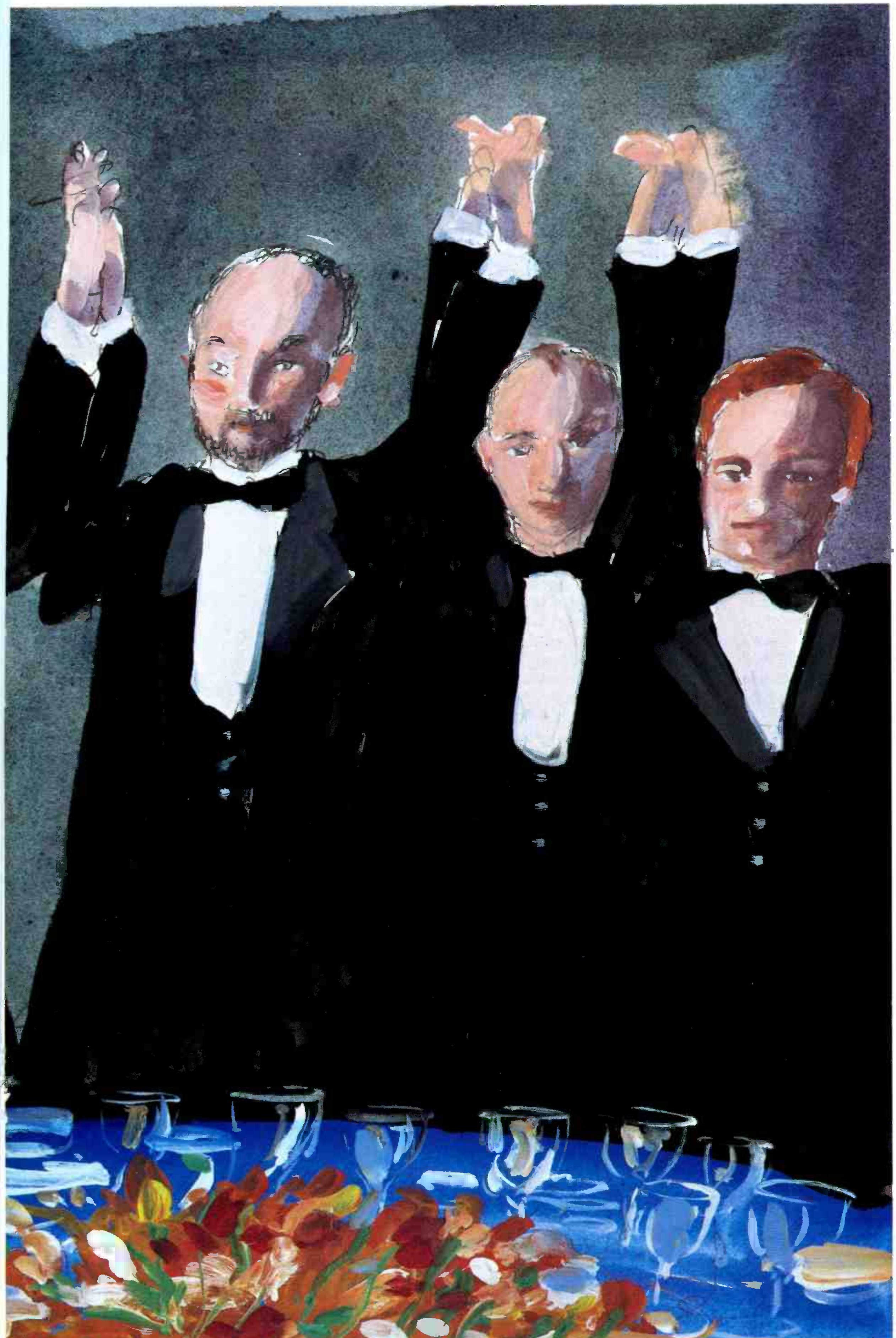
Remarkable as it was that four classmates had achieved such eminence in the world of media, at least one of them would soon climb even higher. Last fall, Max Frankel was named executive editor of the *Times*, the newspaper's equivalent of editor in chief. And, after the recent firing of Van Gordon Sauter as president of CBS News, prominent among the names mentioned as a possible successor was that of Richard Wald. (He did not get the job; it was filled from within the CBS ranks by Howard Stringer.) So by year's end, members of the Columbia Class of '52 were managing the destinies of the news divisions of two out of three networks and the editorial direction of the most influential newspaper in America.

The four men are not merely members of the same class. Grossman, Frankel and Wald have been intimate friends since their days laboring together for *The Columbia Daily Spectator*. Their senior year, Grossman and Frankel (along with future NBC correspondent Marvin Kalb) were roommates and Wald and Arledge had kitchen privileges in their apartment. Grossman introduced both Wald and Frankel to the women who would become their wives. To this day, all four remain close.

Connections like those among the quar-

Ben Yagoda's last piece for Channels *was on the TVX station group.*





ROBERT ANDREW PARKER

A pride of former Lions: triumphant tablemates at Columbia's 1986 John Jay Awards banquet, honoring alumni for distinguished achievement. From left are Max Frankel, Larry Grossman, Dick Wald and Roone Arledge. Wald received the citation awarded in previous years to each of the others. "This is long overdue," he joked, looking at his three friends. It is not premature to ask how they all got so far so fast.

tet are not unknown in the journalism and broadcasting communities. Yet in this case their long-standing friendship, which to some might suggest a cabal, has, perhaps unavoidably, made the men a little defensive. "We all push ourselves," says Frankel. "Far from a conspiracy, we've all traveled very different paths," says Wald. "We've had very little effect on each other's careers—we've made our own." Arledge is so sensitive to the suggestion of a conspiracy that he declined to be interviewed for this article, explaining to an acquaintance that "it would just give ammo to the future Spiro Agnews of this world."

"Far from a conspiracy, we've all traveled very different paths."

Their protests are credible up to a point. Still, they have most certainly helped each other out from time to time—a kind of assistance that goes with friendship almost by definition, but that becomes more and more noteworthy at higher and higher levels of achievement. Thus when Arledge hired Wald to be his deputy in 1978, it could have been seen as just another example of the old-boy network—except in this case the network was ABC. And it was not until Wald took over day-to-day operation of the division that ABC News became a full-fledged competitor to CBS and NBC news.

There is no conspiracy here. But the story of these four Columbia classmates who stayed fast friends over the years does contain its share of revelations. It is simultaneously a story of New York, a story of the modern communications industry and how it developed over 35 tumultuous years, a story of excellence and ambition and how these qualities shape each other and a story about the progress and potent sweep of that thing we call a career.

"Frankel was busy sharpening pencils for Dave Wise, while Grossman sat stoically surveying each situation with an air of intellectual aloofness."

—The Columbian, *1952.*

The day he arrived at Columbia, before he went to any class, Max Frankel went to the newspaper. The road that took him there had been long and eventful. He was born in 1930 in Gera, a city in what is now East Germany; when he was eight his family was expelled to Poland in a mass roundup of Jews. He and his mother managed to sail for New York two years later, but his father, arrested by the Soviets on the absurd charge of being a German spy, served in a Siberian hard labor camp. He was released when the war was over, and rejoined his family.

Frankel later discovered that, as a rule, people who learn a new language before the age of 12 come to speak it without an accent. And, in fact, he quickly became a fluent speaker of English. But he always had trouble reading and writing—until one of his teachers at New York's High School of Music and Art somehow spotted some latent aptitude in him. Why, she asked, don't you write for the school newspaper? A year ahead of Max at Music and Art was a boy named David Wise, whose father, a civil liberties lawyer, had once defended the editor of Columbia's student newspaper, *The Spectator*, in a freedom of speech case. "He used to fill us with wonder about how great it was to have a daily newspaper," Frankel remembers. With two such influences, it wasn't surprising that the boys became, in Max's words, "ink freaks." First Dave and then he became editor of the high school paper and went on to Columbia and *The Spectator*.

When Max showed up that day in September 1948, he met Larry Grossman, a Brooklyn boy who would go on to be the other standout student journalist of their class. Almost immediately, they were thrown into the labor of putting out *The Spectator*—no small task, since it was a real live daily with a staff of more than 100 people. Everything about it was exciting: the smell of copy paper, the way you could write something one night and have everybody on campus see it the next day, even the trip to the printers.

It wasn't just the *Front Page* ambience that was so great, either. In a way that it wouldn't be again until the Woodstein era, journalism was *sexy*. "In our eyes it was a quick step up from what we were doing to interviewing mayors, ambassadors, presidents," Max Frankel says. "There was a sense of doing something that mattered and of making yourself the equal of your betters."

What's more, their era was the golden age of journalism at Columbia: the man who assumed the presidency of the university in June 1948, Dwight D. Eisenhower, was being mentioned more and more frequently as a candidate for the presidency of a much larger institution. Though Ike would take an ostensibly temporary leave of absence in December 1950 to help form NATO and would never return to Columbia, once he started running for President, there was always a Columbia angle.

But Columbia offered more than a chance to write for a newspaper. If it's true that there are great periods in the lives of great universities—Princeton in

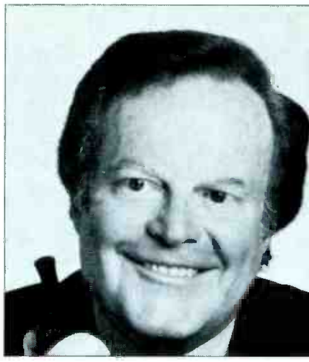
the teens, Oxford in the '20s, City College of New York in the '30s—then Columbia surely experienced such a golden era in the late '40s and early '50s.

To begin with, there was the city. Columbia had always been in New York, of course, but now suddenly the city seemed to have become a magically exciting place. The shortages of the war were over, the streets were safe, and things were going on. Bebop jazz, abstract expressionist painting, a new electronic medium that was like a visible radio, a

Cubs: Putting out the student newspaper, *The Spectator,* in 1952, "a golden age of journalism at Columbia," were Frankel, the editor (seated center), Wald (top left) and Grossman (seated right). Arledge (inset) edited the class yearbook, the *Columbian.* "In our eyes," says Frankel, "it was a quick step up from what we were doing to interviewing mayors, ambassadors, presidents."

new kind of writing called beat (and pioneered by Allen Ginsberg, Columbia '48, and Jack Kerouac, '40-'42)—all were just getting under way, and all were centered in New York. "What was best about Columbia was that I could do exactly as I pleased and do it in New York" says Robert Gottlieb, '52, now the editor in chief of Alfred A. Knopf publishers. "It was a time when the city had clearly become the artistic capital of the world. And, maybe for the last time, it was a relatively happy and safe place."

Arledge was a campus political boss. 'He was a *tummler* then and he's a *tummler* now.'



Within the university, there was excitement, too, as its classes were energized by two new populations. Going to school on the GI Bill, veterans lent a sense, if not of sophistication then at least of maturity, that couldn't help rubbing off on their younger classmates. Maybe more significant, the university was beginning to adopt a more "liberal" admissions policy—a euphemism meaning that it was prepared to admit more lower- and middle-class Jews. Max Frankel, Larry Grossman and Dick Wald were all Jewish kids from New York City, who only could afford to come to Columbia because they were recipients of scholarships.

Not that all traces of anti-Semitism were extinguished at Columbia. There was still an informal Jewish quota—17 percent, Norman Podhoretz, '50, reported in his book *Making It*—and a good deal of patronization. Max Frankel says, "There was a lot of talk about Columbia becoming too Jewish. They used euphemisms like 'too New York' or 'too parochial.' "

But the benefits of being at Columbia far outweighed the real or perceived indignities. At the very least, it introduced these men to a wider world. Dick Wald's father had come from Austria in the '20s and worked as a dress manufacturer; at one point or other, Wald remembers, the family lived in all five of New York's boroughs. But until he came to Columbia, Wald told a professor of his—exaggerating only slightly—he didn't realize that everybody wasn't Jewish. "For us," says Willard Block, '51, president of Viacom Worldwide, "a Columbia education was an unsurpassed opportunity that educated people could take advantage of. It was a chance to take a quantum leap."

But the most wonderful thing about Columbia, everybody agrees, was the faculty. Especially in the humanities, the school had assembled a group of professors the likes of which had never been seen before and very likely never will be again. In religion there was Moses Hadas, in art Meyer Schapiro, in history Jacques Barzun, in sociology C. Wright Mills, in English—the best of all—there were Lionel Trilling and Joseph Wood Krutch and Mark Van Doren and F.W. Dupee. Given this roster, it's no wonder that the Columbia of this era turned out some of the outstanding literary, as well as journalistic, products of the generation: publishers like Gottlieb and Jason Epstein, '50, who invented the quality paperback and is now editorial director of Random House; critics like Steven Marcus, '48, now a Columbia professor of English; novelists like Kerouac, Herbert Gold, '48, and Ivan Gold, '53; poets like Ginsberg, Richard Howard, '51, and John Hollander, '50.

Wald almost ended up in this company. He was the editor of his high school newspaper—in which capacity he had met Max Frankel at a conference of teenage journalists—and he had further developed a strong and not entirely explicable interest in the soon-to-be-obsolete linotype machine. But at Columbia he didn't have the journalism bug as intensely as Frankel or Grossman. He did go over to *The Spectator* office freshman year, but he frankly didn't find the people there very receptive. Besides, he was commuting then to his home in the Brooklyn neighborhood of Bay Ridge—a trip that took an hour each way.

And Wald had broader interests than journalism junkies like Frankel and Grossman. One of them was acting. Ronnie Meyers Eldridge, a high school classmate of Frankel's who went on to Columbia's sister college, Barnard, remembers sewing a costume for Wald to wear as the fourth knight in a campus production of T.S. Eliot's *Murder in the Cathedral*. (She would later work in New York Mayor John Lindsay's administration, work for Larry Grossman at PBS and marry columnist Jimmy Breslin.) Wald was also a brilliant literature student. After graduation, he won a scholarship that enabled him to take a master's degree in English at Columbia and then another to study for two years at Cambridge University.

As a rule, there was a distinct separation between the literary and journalistic crowds at Columbia. Podhoretz, a member of the former, admits, "We looked down on the journalists." Wald was highly unusual—if not unique—in straddling both groups. After moving on campus, he finally got involved in *The Spectator* his junior year, on the advice of Frankel's old buddy, Wise.

At the end of junior year Wald was named associate editor of *The Spectator*. The next year he succeeded Wise as campus correspondent for the *Tribune*. But he was still undecided about which career to pursue—teaching or journalism. His mind was only made up, Wald says now, when he returned from Cambridge. There was a possible job for him at Columbia, and he went to see Moses Hadas, the great religion professor, to talk about it. Hadas gave him the same message David Wise had, except in blunter terms: "Go away. You're not a professor." Wald took his advice.

As for Roone Arledge, well, he hung out with a different crowd. Or rather crowds. Arledge, who came from a middle-class (and non-Jewish) family in Forest Hills, Queens, set some kind of single-season Columbia record for activities: wrestling, his fraternity, and student government (although, contrary to what his official ABC biography states, he was not his class president). Remembers Ralph Lowenstein, '51, who is now dean of the University of Florida school of journalism: "Roone was sort of a campus political boss. In those days, politicians were identified by white buck shoes. Roone was the epitome of the white-bucks set." Willard Block is more succinct: "He was a *tummler* then and he's a *tummler* now."

Roone really didn't show much interest in journalism, his closest involvement being his editorship of the *Columbian*, the school yearbook. But he did make the most of that post. Looking through the yearbook, now, 35 years later, Roone is ubiquitous. His name constitutes the first two words in the book, before even the title page. Later, under his picture, there are 12 lines of activities—five more than anyone else in the class.

As an assignment for a creative writing class, a Columbia junior named Ralph Schoenstein had to interview "the most interesting man on campus." He chose Max Frankel, the editor of *The Spectator*. When he met Frankel, says Schoenstein, now an author (he worked with Bill Cosby on his book *Fatherhood* and is currently working on the comedian's forthcoming sequel), "I suddenly had the feeling that he would one day be the editor of *The New York Times*."

Schoenstein's perception was prescient but it was not far-fetched. Even then, Frankel was a brilliant writer and had the kind of ambition—nothing pushy or obnoxious, but palpable and intense—that everyone knew would take him far. "In any other year, Larry Grossman would have been named *Spectator* editor," says Ralph Lowenstein. "But Max was the inevitable choice." And he knew it. Says Frankel of his college relationship with his friend Grossman: "There was an unspoken competition between us. I felt my commitment to journalism was greater." Grossman was named managing editor.

And the *Times* was the inevitable place for Frankel. Of the two most respected New York papers, the *Herald Tribune* was possibly better written, more entertaining, more literary, but the *Times*, after all, was the paper of record: weighty, respected, above all, *serious*. Just like Frankel. Decades later, an author researching a book about the *Trib* asked Frankel's opinion about the newspaper's reporters. "They were not," Max sniffed, "expert in their fields."

Frankel's junior year, he was offered the highly desired position of Columbia correspondent for the *Times*. Before responding he went to his friend Dave Wise, then campus correspondent for the *Herald Tribune*. Wise was a year older, Frankel explained as they were standing outside John Jay hall, and thus had dibs on the more prestigious *Times* post. "I thanked him," Wise says, "but I said I thought I'd stay with the *Tribune*. And in those few seconds, the decisions that affected two lifetimes were made." (Wise went on to become a reporter for the *Tribune*, eventually being named Washington bureau chief by Wald and holding the job until the paper folded in 1966. Wise had already published the enormously successful *The Invisible Government*, a study of the CIA. He then decided he would write books full time. His eighth will be published early next year.)

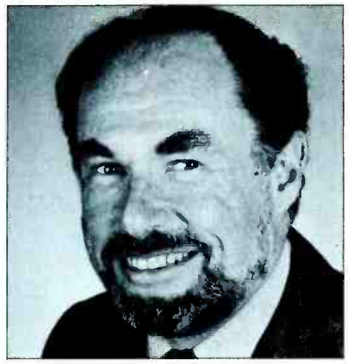
When Wise graduated, he handed down his *Tribune* job to Wald, who despite his late start had been named associate editor of *The Spectator*. Wald had reason to be grateful, because both campus correspondent positions were plums, traditionally leading to full-time reporting jobs after graduation. And so it was with him and Frankel: After finishing with graduate school (Frankel got an M.A. in political science at Columbia), each was rewarded with a job.

Grossman, meanwhile, was less sure that his destiny lay behind a typewriter. He took a year at Harvard Law School, didn't like it, and came back to New York, hoping, he says now, for a journalism job. Not at a newspaper, like Wald and Frankel: They were somehow too far away from the action for Larry. He wound up being offered a position by a magazine, *Look*, in the promotion department. He undoubtedly could have turned up a writing job eventually. But, as Wald says, "We were conditioned that you *had* to have a job," and Grossman accepted *Look*'s offer.

After three years, he was ready for a move. His friend Ronnie Eldridge—Frankel's old high school classmate—was working on the business side at CBS. One day, she remembers, her boss said, " 'Don't you know somebody like you?' I immediately suggested Larry."

In the mid-fifties all three networks were building their New York-based news divisions, and CBS, in its Edward R. Murrow-Fred Friendly heyday, was far and away the most exciting place to be. Grossman's job was in the advertising department, but he haunted the news division, star struck. "Every week," he says, "I went upstairs and asked them for a job." The answer was always no.

Grossman has just concluded the major success of his career: NBC News was number one.



Grossman, then living back in Brooklyn, had become reacquainted with a neighbor—his classmate Roone Arledge, back from a tour of duty in Korea and working at a series of production jobs in the television industry. The two men became good friends—Arledge drove Grossman's wife to the hospital for the birth of the Grossmans' first daughter—and spent hours trying to come up with television ideas that would make their careers. The most memorable was for a series with an as-yet-unused name—*Masterpiece Theatre*. "The idea was to have a biweekly series based on the great works of art, music and literature—the Sistine Chapel, the *Eroica*, Whitman's 'Drum-Taps,' " Grossman says. "We worked on it for months, spreading our stuff all over my living room floor. We had an elegant, yellow-green living room rug, and I remember one night Roone spilled coffee all over it.

"I managed to arrange an appointment with Pat Weaver, the president of NBC, to make a presentation. When we went to see him, it was the first time I had ever been in an office with a speaker phone. Unfortunately, he turned us down.

"Many years later, when word came out that I was going to PBS, I got a telegram from Roone: 'I've got a great idea that you can have cheap.' I sent one back: 'Sorry, we've already got *Masterpiece Theatre*.' "

In 1962, Grossman was named vice president for advertising at NBC. It was a big job, especially for a 31-year-old, but in retrospect, the most important thing about it were two contacts he made. One was the president of the network, Robert Kintner, a legendary figure whose protégé Grossman became, and for whom, Grossman later said, "news was an all-consuming passion." The other was another young executive, the vice president for programming, with whom Grossman became good friends.

His name was Grant Tinker.

Looking back on successful lives, the temptation is always to see their outcomes as inevitable: to view each episode as leading inexorably to the next, in a steady upward progression. But that is the well-crafted work of hindsight. Along the way there are always doubts, hesitations, even outright failures.

Still, it looked for a while as though Frankel would climb straight and swiftly to the top, never faltering once. Early in his *Times* career, Frankel was the beneficiary of a series of lucky breaks, of which his considerable talent took the greatest possible advantage. The first happened one night in 1956. Frankel was on rewrite duty when news came over the wire that the *Andrea Doria* had collided with the *Stockholm* at sea. He pieced together all the facts, did a masterful job writing them up, and the next day's editions carried his front-page story. That coup, plus his knowledge of German, led to his being sent to Vienna later that year to help with the coverage of the Hungarian revolution. The assignment was supposed to be temporary, but Frankel never returned to the newsroom. His next stop was Moscow, during the rise of Khrushchev.

When he did return to the United States in 1961, he was assigned to the prestigious Washington bureau. He did predictably well there, benefiting particularly from the mentorship of bureau chief James ("Scotty") Reston. Three years later, though, came the episode that, for the first time in Max Frankel's life, proved that no success is inexorable. Reston stepped down as bureau chief, to devote more time to his column, and Frankel hoped to be named his successor. He was not. Frankel was so upset at being passed over that he wrote and mailed a long, emotional letter to *Times* publisher Arthur ("Punch") Sulzberger, saying he was resigning to take a job with *The Reporter* magazine.

But he couldn't go through with it. "For all of us reared on the *Times*, leaving the paper is a traumatic thing," Frankel says now. "The minute I said yes, it began to bother me deeply. So I turned to Scotty Reston and Clifton Daniel, and then the publisher, and was able to undo it.

"I suppose I realized that everything I was was confused with the paper. After that, I stopped thinking of other things altogether."

This included television—Frankel being the only one of the four classmates who never made the move to electronics. "I've done some television," he says, "but I always felt that what I could bring to it was the knowledge I acquired in the discipline of writing."

Frankel's loyalty was justified, for eventually he did make bureau chief. In that job, he presided over the *Times*' breaking of what was, until Watergate, the biggest Washington story of the '70s: the Pentagon Papers. When Richard Nixon visited China in 1972, Frankel covered the story, filing an astonishing 35,000 words in eight days. He was rewarded for that feat with a Pulitzer Prize for international reporting and an appointment as Sunday editor of the *Times*—then the number two news position on the paper.

In 1976, he had a chance to advance even further. Publisher Sulzberger decided that he would name an executive editor who would oversee all editorial operations, choosing between Frankel and news editor Abe Rosenthal—two *Times* veterans whose relationship a colleague describes as "high rivalry covered by collegial embraces when required." Each was asked to submit a master plan for the whole paper; and, in the words of Harrison Salisbury in *Without Fear or Favor*, his book about the *Times*, "It was implicit that the man with the best plan would win the jackpot."

The winner of the contest was Rosenthal; Frankel eventually became editorial page editor. But he was not consoled. He ruefully told a friend on the paper that Sulzberger had decided on a compromise—he, Max, would get six columns, and Abe would get 431.

Wald was too much the son of a proud Austrian father to push himself for president of CBS News.

Across town at the *Herald Tribune*, Wald's rise was equally meteoric. He started out as religion editor, then in rapid succession was promoted to political reporter, foreign correspondent (working out of London and Bonn), associate editor and managing editor.

Part of the reason for his success was demographic. "There was a kind of evaporation," Wald says. "The *Trib* paid so poorly that when people got to a certain level of excellence they could do better financially elsewhere, so they tended to leave. That left a lot of slots open."

But Wald was also a superb writer and inspired rewrite man, with a happy knack for making friends with influential people. When he was reporting from London, he made the acquaintance of John Hay ("Jock") Whitney, then U.S. ambassador to England and soon to acquire the *Herald Tribune*.

Says Richard Kluger, author of *The Paper*, a book about the *Trib* published last fall: "Wald and Ray Price, the editorial page editor, became like the sons Whitney never had."

In the early '60s, Wald was picked as a managing editor by editor Jim Bellows, who unlike Wald was a shy man, uncomfortable in public. The paper then was experimenting with new kinds of writing—practiced by people like Tom Wolfe, Jimmy Breslin, Dick Schaap and Richard Reeves—and Bellows, says Kluger, "used Wald to explain the editorial concepts to Whitney."

The *Trib* folded in 1966, but Wald's star continued to rise. In 1968 he made the transition to television, landing a job at NBC News as vice president, director of local news at network-owned stations. (Grossman had put in a good word with the network president and news chief, but, he insists, "Dick wasn't hired because of me.") Wald posted an *L* on his office door—a typically obscure allusion to the letter put on the license plates of Englishmen learning to drive. But he did fine. His chief accomplishment in that job was originating and developing the two-hour local news show at NBC's Channel 4 in New York—a familiar feature now, but revolutionary then.

In 1973, at the age of just 43, he was named president of NBC News. And it was at that point that Wald suffered his fall. Under president Herb Schlosser, the network was in turmoil. Schlosser made things particularly hard for him, Wald says, because "the only division doing well was news. This was unpopular because everybody liked to say it was unprofitable." Wald, for his part, didn't like Schlosser's moves—awarding fat news contracts to celebrities like Gerald and Betty Ford and Henry Kissinger, courting Los Angeles newsman Tom Snyder as anchor. Eventually, Schlosser would be gone, replaced by Fred Silverman. But that was too late for Wald. A year earlier, he had been fired.

Grossman never had a fall, but for a while he definitely appeared to be the underachiever of the four classmates. Two years before Wald got to NBC, Grossman had left, resigning as vice president of advertising to start his own ad agency. It was a dicey move, leaving the warm security of the peacock's nest, but, as he said years later, "Before getting caught in that velvet trap, I wanted to try something myself."

The agency prospered, but Grossman's most notable achievement in this period was probably an extracurricular activity. In 1969, he and a few partners—including his old friend Eldridge—decided they would challenge the license of an independent New York television station, WPIX, on the grounds that it inadequately served the community by falsifying the news and practicing race discrimination. Improbably, after a ten-year struggle, the group—called Forum Communications—ended up receiving a $9 million settlement from the station.

Grossman, however, had to be content with a reimbursement of his original $16,000 investment, for in 1976 he had disassociated himself from Forum to become president and CEO of PBS. At first the notion of an adman at the helm of public broadcasting seems odd. But it makes more sense when you consider that Grossman's specialty had been public service ads, and that PBS was in a period of consolidation and growth when a businessman's skills were sorely needed. And, as Chloe Aaron, head of programming at PBS under Grossman, says, "He liked advertising because it was about getting ideas out and that's why he was good for PBS. Larry is about ideas."

News became a specialty of Grossman's at PBS. He helped conceive *Vietnam: A Television History*, *Frontline* and *Inside Story*, and (after hiring the then-unemployed Wald—an expert, after all, in lengthening formats—to do a study on the subject) was responsible for the expansion of *The MacNeil/Lehrer NewsHour* from 30 to 60 minutes. Grossman also earned praise for his tough stand in 1980, when he refused to pull the docudrama *Death of a Princess* from the air despite intense pressure. (A bronzed *New York Times* editorial commending Grossman's courage adorns his wall. Asked if he wrote it, Frankel says, "We don't say out loud who writes what. But my name's on the top of the page, so you can hang it on me.")

Just as Grossman was hired to bring a touch of commerce to PBS, his appointment in 1983 as president of NBC News could be seen as bringing a touch of class to the network. There had been four different news chiefs in the six years since Wald's departure and Grossman's hiring brought some much-needed stability. And even though (as news articles pointed out) this was his first news job since serving on *The Columbia Daily Spectator* in 1952, he did not have to fight hard for the post. When he made the announcement, NBC chairman Grant Tinker said, "Larry was my first and only choice for the job."

Max Frankel says, "I was one of the first people Larry called. I could hear the happiness in his voice. 'I'm back where I belong,' he said. 'How crazy.' "

Of the four friends, Arledge had to wait the longest for a major career dislocation. For, until very recently, he seemed to be nothing short of invincible. Shortly after he was hired as a producer by ABC Sports in 1960, he was given responsibility for a new program called *Wide World of Sports*. With it Arledge ushered in the modern era of sports television. He was never a print man, after all; he had grown up with television and he was the man to exploit the medium to its fullest. On *Wide World*, at the Olympics and—after he became president of ABC Sports in 1968—in all the network's coverage, he let out all the stops: slow motion, split screens, cameras mounted on skis, junk sports like *The Superstars*, even (with his invention of *Monday Night Football*) vaudeville in the broadcast booth.

Frankel will have to find out whether his quiet style will generate enough horsepower.

From the beginning, Arledge was an object of network desire. At one point, early in his ABC career, there was talk of his going over to NBC. Grossman, then working at 30 Rock, had lunch with network president Julian Goodman and told him he had to hire Roone. But Roone wanted too much money.

Alone among the four men, too, Arledge seemed aware of the sixties. He exchanged his former trademark, thick black glasses, for a pair of wire rims, and—partly because he worked at all hours of the day and night—acquired an image as a casual, mod dresser. (He did, however, once categorically deny that he had ever worn a medallion.) Also unlike the other three, Arledge divorced his first wife, becoming an aggressively eligible bachelor. Eventually, he was remarried. His new wife was a former Miss Alabama young enough to be his older brother's daughter.

Such risky elements of the Arledge style were one reason why so many eyebrows were raised in 1977, when ABC gave him the additional title of president of news. But the appointment wasn't as outlandish as it seemed. In the dust of the Harry Reasoner-Barbara Walters anchor debacle, ABC wanted to do something *different* with its news operation—and it seemed reasonable that the man who had changed the face of TV sports could do the same to TV news. Arledge had always been interested in news. Of the dozens of Emmys he has won, the only one he lists on his official ABC biography is for coverage of the massacre at the Munich Olympics of 1972.

Although his first innovation in his new job, the triple anchor team of Frank Reynolds, Max Robinson and Peter Jennings, didn't work out, other Arledge moves did, especially after he hired Wald (who had bounced around from one job to another after leaving NBC) as his deputy. *This Week with David Brinkley*, *20/20* and especially *Nightline*, which developed out of ABC's standout coverage of the Iranian hostage crisis, became highly successful programs. ABC's entire news operation began to elicit an unfamiliar reaction from its competitors. The reaction was respect.

But even the amazing Roone Arledge couldn't remain untouched by failure forever. His moment of trial came when Capital Cities bought ABC last year. Cap Cities was notorious as a cost-controlling company, and Roone's three favorite words always had been spend, spend, spend. He had a weakness for limousines and high-tech goodies; ABC staffers still recall the time he rented four satellites just so he and other executives meeting in Rome could watch the SuperBowl live. What made the incident particularly galling was that, days before, there had been substantial layoffs at the network—ostensibly for budgetary reasons.

Something had to give. Not long after Cap Cities took over, it took the ABC sports presidency away from Arledge. His successor, Dennis Swanson, immediately began dismantling the announcing team of what is perhaps Arledge's major monument, *Monday Night Football*. Other Cap Cities officials started to snipe at the extravagance of some deals negotiated by Arledge—notably the $309 million he agreed to pay for the 1988 Winter Olympics and $575 million for major league baseball.

For the time being, though, Arledge seems relatively safe as news president. Wald, however, appears to be in a precarious spot: He has been surpassed in clout by another CBS News senior vice president, David Burke, a former aide to former New York governor Hugh Carey. Wald refused to promote himself for the CBS News presidency even though he could have called acting chairman Laurence Tisch, whom he knew, to make his interest in the job known. Says a friend, Wald considered himself too much the son of a proud Austrian father to place that call.

Frankel, of course, has just assumed control of the newspaper that is almost a part of himself. And Grossman has just concluded the major success of his illustrious career: taking NBC News to the unaccustomed position of number one.

But it is the nature of a dynamic career that there should always be uncertainties, decisions, questions, and so it is even with men at the very pinnacle of their professions. Hard on Grossman's triumph came a conflict with the newly appointed president of his network, Robert Wright, over Wright's request for further budget cuts that could affect the news division. And Frankel will have to find out whether his quiet, courteous, style is sufficient to generate enough horsepower for a newspaper used to Abe Rosenthal's aggressive whip snapping.

No, the story of the four friends is not over yet. But it is not premature to wonder how these former classmates managed to get so far so fast. Wald, says someone who knows all four men, "may be the smartest of them all," and maybe his answer is the best:

"We grew up in the Depression, without any expectation of an easy life, so we were willing to work hard. We're part of an underpopulated generation, so there was never as much competition for jobs as there is for the baby boom generation. And we started working at a moment when the communications business was just beginning to expand. We got in on the ground floor. The city was beginning to understand the ways in which you can expand ideas. The abstract idea of 'communication' was beginning to be perceived as an intelligent course of action and a possible career.

"And we were very lucky."

On the dais at Low Library Rotunda, as the guests were being served *fuilleté aux fraises* and *petits fours glacés*, Wald was presented with a chocolate cake. This was the work of Arledge, Frankel and Grossman, who laughed conspiratorially at their table. The chocolate cake was significant for two reasons. First, it was Wald's fifty-sixth birthday. Second, he is horribly allergic to chocolate.

There were presentations to, and speeches by, the other five 1986 John Jay award winners: a public relations man, a lawyer, a civil libertarian, a financier and an actor. Then it was Wald's turn. Looking at his friends in the audience, he said, with his characteristic irony, "This is long overdue." It got a good laugh, and Larry, Roone and Max stood up and held each other's hands in the air, like triumphant prizefighters.

When the laughter had died down, Wald said, "I first knew when I was a small boy that the gypsies had stolen me from the home of the duke, my father, and placed me in an immigrant family in Brooklyn, only to achieve a great honor somewhere.

"And in these simple surroundings, it has found me." ●

Video Rites of the New Saturday Night

It's a steamy Saturday evening at Rockaway, one of northern New Jersey's largest shopping centers. As in virtually every town across America, the teenagers have seized the mall; 50 or so mill about in the fumes of the busy parking lot. Sherry, a 17-year-old strawberry blond with tirelessly rosy cheeks and a pink Disney T-shirt, dangles her Reeboks over a low brick wall. "I think movie theaters are gross," she says. "I mean, sitting there in those uncomfortable seats for two hours with all those strangers . . . "

Tonight, Sherry is facing a crisis. Her parents—in a kind of reverse social ritual of the 1980s—were supposed to go out, leaving the house to Sherry and her friends. In anticipation, Sherry had rented several movies—*It's Alive, Footloose, I Spit on Your Grave*—at the mall video store and invited ten friends to a combination video night and splash party. But when she called home, she learned that Mom and Dad had canceled their plans and were staying in. Her boyfriend, Carl, a stocky footballer, is now on the phone desperately trying to persuade *his* parents to relinquish their house—along with their Toshiba four-header with four-event, seven-day capacity and frame-by-frame advance.

"I hope Carl can talk his parents into this," Sherry says, nervously glancing over her shoulder at her boyfriend in the phone booth. "My girlfriends rent movies every Friday night. We go for the ones with the gorgeous guys in them. Our favorite is Harrison Ford."

Sherry had just graduated from high school, and last weekend she hosted a farewell pajama party for her best friends. College is breaking up the gang. "It was sad," she says. "We rented *Witness* and *The Muppets Take Manhattan*, but we were all kind of down."

Bars and dance clubs used to be the scene in New Jersey. Then the legislature raised the drinking age to 21. That meant it was "everybody to the malls"—until the VCR came along.

JOE McNALLY

No more necking in the balconies. No more dancing the night away. The '80s generation spends its weekends curled on the couch in front of the VCR.

by Joseph Vitale

For earlier generations, Saturday night has meant three things: a car, a date and a movie. Weekend nights were a time to step out, and the movie theater was the meeting place, the temple where dramas of adolescent freedom, discovery and libido were played out. But part of the ritual seems, if not over, at least changed.

There are now 25 million VCR households in the U.S. A million more VCRs are sold every month. Just six years ago, videocassette sales accounted for 1 percent of a movie's total revenue. This year, people will spend more money on rentals than they will at the box office. A Columbia Pictures survey shows that theater attendance dropped by 13 million between 1983 and 1985, and no one sees those millions coming back. At the same time, VCR use shot up among all age groups, particularly among teens and young adults. According to the Columbia study, 10-to-19-year-olds rented a scant 6.9 million videos in August and September 1983, the original test months. During the same months in 1985, teens rented 58.4 million tapes. Twenty-to-29-year-olds increased their rentals during those months from 7.9 million in 1983 to 69.9 million in 1985.

Similarly, prime time viewing of the three major networks dropped on Friday and Saturday nights. A. C. Nielsen ratings show that for the 1981–82 television season, the networks averaged a combined 42.6 percent of all television households on Friday nights and 40.6 percent on Saturday nights. In 1984–85, just as the VCR was catching on, those numbers had dropped to 40.6 percent on Friday nights and 36.4 percent on Saturdays. CBS figures tell a similar story: Saturday night network viewing by 12-to-17-year-olds dropped from 30.8 percent in 1983–84 to 27 percent last year. David Poltrack, who is head of audience research at CBS, believes that this is the time period and the age group that are most

Six years ago, cassette sales made up one percent of a movie's revenue. This year, people will spend more on rentals than at the box office.

affected by the videocassette recorder.

Today, tapes are as ubiquitous as the pods in *Invasion of the Body Snatchers*. They turn up in gas stations, supermarkets and convenience stores. Many local libraries, in a kind of death wish, now have prominently displayed video collections. In Costa Mesa, Calif., motel guests rent tapes in the lobby. In New York City, a Chinese laundry offers videos along with the starched shirts. At least one company, Micom Systems Inc., is marketing video vending machines.

Like television before it, the VCR seems to have come along at precisely the right moment. Video is a marriage of Zeitgeist and technology. It is the toy of choice for the Reagan era, for a culture steeped in consumerism, conservatism and high-tech one-upmanship. Today, many of the children of the post-'60s generation seem to lack the restlessness of earlier generations, the nervous hunger that drove teenagers into the streets.

"In a sense, it's a return to the home as center for entertainment," says Judith Martin, who, as Miss Manners, writes a weekly etiquette column that appears in more than 200 newspapers. "It's much more natural for young people to interact with their families than to view them as their worst enemies." (Miss Manners has her own reasons for being bullish on VCRs. This fall, she released her first video, *Miss Manners on Weddings: For Better, Not Worse*, a guide to excruciatingly correct nuptials.) Even *Playboy* magazine, once the vaunted adviser to the young man-about-town, has recognized the importance of the VCR for the new generation of suave stay-at-homes. Its cover story in September celebrated "The VCR Date."

Pop psychologist Dr. Joyce Brothers believes that the VCR revolution has already led to a subtle alteration in sexual politics. "It's harder to get your girl from a movie theater into bed than simply to move into the next room or lie down in front of the TV," she says. Brothers even recommends the video equivalent of soft lights and Sinatra: the horror film. The physiology of fear, she says, is the same as that of sexual arousal.

Peter Agostini, a first-year law student at the City University of New York, believes the videocassette recorder produces a new moment of truth between a man and a woman. "It comes when you first invite her to your room to watch your VCR," he says. "You lay the groundwork by mentioning your great tape collection. But you have to know just when to spring the question. It lets you know how she feels about you."

Agostini and his steady, Sue, who works for Merrill Lynch, are avid VCR-watchers. "I like action movies," he says. "Sue likes comedies like *Police Academy*. Anything with people falling down a lot." Peter and Sue spend most weekends at his parents' house, curled before the VCR with a bottle of wine.

But is it right for a young lady to accept a gentleman's invitation to repair to his quarters for a private screening?

"That was once a terrible no-no," says Miss Manners, "but in this age of coed dorms we've become more sophisticated about the notion that it is not simply the lack of opportunity that prevents something from happening. The VCR is really a civilizing influence."

But when the three of them—man, woman and VCR—are alone together these days, some may be surprised at what is and isn't happening. "I haven't really met that many promiscuous people," says Agostini. "Maybe it's AIDS or herpes, maybe it's conservatism, but there isn't that much going on sexually."

On American college campuses, Saturday nights are taking on a different flavor. Last spring, students at Georgetown held their first "VCR Night." It lasted all weekend. The setting was a dorm called Arts, where junior John Smith and his friends organized a video bash to christen their new VCR. "The place is called Arts," says Smith, a 20-year-old international-business major, "but I doubt you'd find five people here interested in them." Smith says Georgetown is "a status school," populated with wealthy young Arabs and South Americans who bring the latest-model VCR with them. So, for the men of Arts, acquiring their own was a reason to celebrate.

The Arts contingent began the evening with 50 videos—one of the group even donated his entire tape collection. "We put fliers in the other dorms," Smith says, "so we had some non-Arts students show up." With refreshments in place (popcorn, potato chips, pizza) and the libations of choice (Weidemann's, Schaefer) flowing, the evening began. There were about 35 students packed into the Arts lounge, a mixed crowd, with three coeds acting as unappointed proctors, shooshing hecklers and advising smokers to snuff their cigarettes. ("Good manners," Smith says, "is very big at Georgetown right now.")

The screening opened with *Casablanca* and *Singin' in the Rain*, and then gave way to *Fast Times at Ridgemont High* and *The Terminator*. That's when most of the women left. Inspired by Arnold Schwarzenegger, Ned, the dorm's resident assistant, went to his room and returned with an electronic squirt gun and doused the crowd.

One of the nonresident visitors was a hulking 6-foot-3-inch, 250 pounder with a vacant look, who arrived with a crowd at 7:30 P.M. "Someone knew him as Jim, that's it," Smith recalls. Big Jim, as he is known today in Georgetown lore, began drinking as soon as he arrived, sitting for hours in front of the VCR with a beer in one hand and a bag of O'Grady's au Gratins in the other. Thirty-six hours and 17 videos later—a record at Georgetown—he was still there.

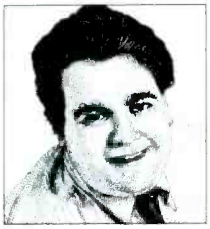
"I was in and out at various times that weekend," Smith says, "but Big Jim was always there, sometimes alone, sometimes part of the crowd. I never asked him if he was having problems or anything. He just seemed to like the VCR a lot." Sometime in the early hours of Sunday, Jim's friends led him away.

As Georgetown students tell it, the videocassette recorder is becoming the most popular recreational instrument, filling the entertainment gap at a college that has no bars or fraternities. Not far away, at William and Mary, every dorm had its own VCR this fall, compliments of the university.

Recently, an article ran in a suburban New Jersey newspaper under this headline: "Morristown, Madison, Summit Losing Cinemas." Two of the three theaters date from the 1920s, but declining attendance has made the real estate more valuable than the movie businesses. In fact, since last year several companies have begun to speculate in theater properties because of their prime locations within communities. "It's a shame," one of the soon-to-be-unemployed ushers is quoted as saying. "I think it's the VCR." One of the theater's managers says his next job won't be in cinema: "It's a dying industry, that's my feeling."

The golden age of the movie theaters may have passed into history, but in 25 million living rooms across the land, what passes for Saturday night lives on. "The VCR has become the best excuse in the world to keep the party going," says attorney-to-be Agostini. "As long as the videos last, the party never ends." ●

PRIVATE EYE



by William A. Henry III

IN PRAISE OF INNOVATION

Network executives, producers, critics and viewers are always talking about the need for something fresh and new, but the truth is, audiences prefer what is old and familiar.

For proof, one need look no further than the weekly Nielsen ratings: Most weeks, the vast majority of top 20 prime time series are holdovers. A successful show may build to a ratings peak over two or three years, survive for six or seven (not coincidentally, the approximate length of a marriage these days), then endure in syndication for years more. During off-peak hours, especially in daytime, programs may be practically immortal.

When a new entry does capture the imagination right away, as *The Cosby Show* did a couple of seasons ago, it usually offers at most one new element, in that case the skin color of the family, but otherwise harks back to a time-tested favorite, in *Cosby's* case to *Father Knows Best.*

Genuinely innovative shows almost never last (*M*A*S*H* and a few others notwithstanding), mostly because writers working under weekly deadline pressure usually cannot figure out how to sustain the novelty. That is certainly what happened to NBC's *Turnabout* (1979), which in its debut established the demanding premise that a husband and wife wake up to find their personalities switched into each other's bodies.

Like *E.T.*, NBC's *ALF* is an alien far from home. He's also a furry scam artist with a fine-tuned sense of the perverse.

If people were really looking for something fresh and new this season, the survival of *ALF* and *Crime Story* would be assured.

Even if writers are up to the task, audiences often are not. Larry Gelbart's unblinking depiction of a modern marriage in *United States* (1980) is now recognized as something of a classic, but viewers balked at the fact that the program's central characters were not breezily likable, and NBC yanked the series before it could find a following.

Predictably, early ratings problems have beset the two most innovative shows of this season. Both are on NBC, which tried offbeat ideas in the past because as the third-place network it had to and now risks quirky offerings because as the first-place network it can well afford to. The odd but welcome couple: *Crime Story*, a nighttime soap about cops and robbers that is set in Chicago, and *ALF*, a sitcom about a furry, ugly, quick-witted and wonderfully ill-mannered extraterrestrial with a taste for house cats—as entrées, not pets. Both programs ranked in the lower half of the ratings lineup last fall, although not at the very bottom. It remains to be seen whether they will be renewed for next season. But if people were really looking for something fresh and new, and not just saying so, the survival of *ALF* and *Crime Story* would be assured.

Crime Story in synopsis sounds like *Miami Vice* against a backdrop of Frank Lloyd Wright instead of Art Deco or—given its 1960s setting—like *Vice* with oldies instead of New Wave. Nothing in the network hype prepared me for the concept of a serial, à la *Dallas*, set not within a single, oversexed, sinfully rich family but among the underworld and the police.

Nor would I have believed, if it had been explained to me, that so open-ended a narrative could hold my interest. I assumed that cop shows, probably more than any other genre, required the satisfying finality of a "book him" at the close of each episode. If there were no final victories, why bother to pay attention to each installment?

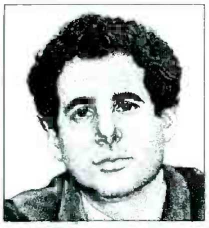
To be sure, *Hill Street Blues* and *Cagney and Lacey* have had multipart episodes. But their structure is nonetheless much more conventional than *Crime Story*, and those shows are mostly about cops as flawed, fragile human beings. *Crime Story* is foremost about cops as cops, out catching crooks.

That focus does not, however, bar *Crime Story* from peering into the bedrooms of its central characters. The main detective, played by Dennis Farina, is macho but ugly; his wife, played by Darlanne Fluegel, is gorgeous. The combination defies the Hollywood convention that pretty people belong only with each other. And, unlike what happens in most TV shows and especially movies in which sexual interest seems to be limited to extramarital liaisons, the leads in *Crime Story* act almost embarrassingly hot for each other. Their union hit the rocks after a miscarriage several episodes in. Still, it has been great to see a marriage generate such steam.

ALF is derivative only in a perverse way—it is *E.T.* turned on its head. ALF, too, is a nomad far from home and fearful of government scientists. But instead of setting a noble, moral example for children, he sneaks beers and burps and listens to rock music turned up to ear-splitting volume. Because an alien life form doesn't fit anywhere in a conventional family structure, he bends the rules to his advantage. He is a glutton, a spendthrift, a scam artist, a minor-league vandal—at heart a naughty kid dressed up with the authority of an adult. His sense of humor would have been more appropriate to *Saturday Night Live* in its halcyon days. He is jovial on the surface but there is a scent of sadism in his one-liners and something faintly demonic in his hoarse, chortling laugh.

I'm told *ALF* is a favorite of NBC Entertainment president Brandon Tartikoff. Stick with it, Brandon—even a three-foot-tall conniver with a snout and a pelt can become familiar to audiences eventually. ●

WASHINGTON



by Joel Swerdlow

It's easy to be antidrug in the mid-1980s. But what happens when that begins to cost too much?

PUBLIC SERVICE AND THE BOTTOM LINE

The Washington Yellow Pages lists more than seven columns of "public relations consultants," and that doesn't include the thousands of lobby-ists, lawyers and trade associations providing PR services. They invite journalists to an endless succession of receptions but, unless a reporter wants free shrimp, there's rarely a reason to go.

One recent invitation from the National Association of Broadcasters (NAB) seemed different: Its reception was to be held in the caucus room of the House of Representatives and promised to feature professional athletes and broadcast superstars such as Los Angeles deejay Rick Dees, who hosts one of the nation's most popular Top 40 programs.

The NAB also planned to preview antidrug public service announcements that would soon be fed to broadcast stations across America via satellite. It was time to suspend cynicism and see how the video revolution was affecting public service spots.

At first, the evening seemed wasted. The PSAs were boring, proof perhaps that the broadcast industry does not take combating drugs as seriously as selling cars or coffee. The reception slowly dissolved into a huge sponge soaking up small talk. And in Washington, small talk can be particularly painful. Work is everything. Your work must be interesting, and you must be busy.

Los Angeles deejay Rick Dees: These who once sold "sex, drugs and rock 'n' roll" now want to drop the drugs.

"I see my husband over there," one of the event's organizers said to me. "I haven't seen him since last Friday."

"That's a long time," I said. "This is Wednesday."

"Is it really?"

A cynic would have looked around and asked someone from the NAB what it all cost. (The answer, by the way, was more than $10,000. Not every cause can afford that kind of money just to get some attention.)

Everyone except the waiters and athletes was white. Weren't other racial groups worried about drugs? And why hold the reception on Capitol Hill? Obviously because the antidrug effort is a super soft sell designed to influence congressional attitudes on other issues, such as copyright law and the Fairness Doctrine.

I was listening to this cynical voice when I found myself talking to young broadcasters, and to one in particular, Larry Barron.

Barron is a senior at Syracuse University who handles the morning shift on a campus radio station. He is planning a career in broadcast management. Last year, when Rick Dees called upon colleagues to tell listeners that drugs are not "hip," Barron was the first to respond. Along with Barron and about a dozen other young deejays, Dees formed Broadcasters Against Drugs, which now involves deejays at hundreds of stations.

"Maybe if we get the story out, more people will start to say no," Barron said. "The role of the broadcaster is to serve the community."

Barron's views—and his commitment—are clean and linear. He has no complex agenda, no political *Weltanschauung*. He simply wants to use his position to combat something that kills people.

Lots of young people are idealistic, but what makes the idealism of young broadcasters unique is its marriage to power. Thus, Rick Dees demonstrated a cool confidence that would have made any U.S. senator blush when he recently told the *Los Angeles Times*, "We create and shape the minds of young people." In other words, the very people who have done so much to sell "sex, drugs and rock 'n' roll" now want to drop the drugs.

Since idealism is a commodity that is not usually associated with the broadcasting industry these days, it was time to bring cynicism back for a reality check on Barron.

"What about the NAB?" I asked. "It lobbied hard to keep beer and wine commercials on the air. Most of these ads glamorize drinking, and drunk driving is the biggest killer of young people. Isn't there some inconsistency in its campaign against drug and alcohol abuse?"

"I know that other things kill people," he says. "But I can only worry about one thing at a time now."

I gave cynicism one more chance.

"The Reagan administration is orchestrating a big hype on drugs. Do you feel part of a politically motivated program?"

"I was against drugs before Reagan became president," he answered. "If he supports an antidrug position now, that's great. He's a wonderful role model."

Dees, when he spoke, assured his Washington audience that by early this year deejays across the country would be airing antidrug messages. It will be interesting to see if that promise is kept.

More interesting will be what happens to the idealism of young broadcasters such as Larry Barron. It's easy to be antidrug in the mid-1980s. But freed from regulation and pressed by colleagues in cable and other industries with little public service tradition, will they continue to believe that "the role of the broadcaster is to serve the community"— especially when such service may harm a station's bottom line?

The cynic in me says no. I hope he's wrong. ●

by David Thorburn

The Made-for-TV Movie Malady

What ails most of these heavy-handed, simpleminded weepies can't be cured by laying on money.

Hollywood has been producing films for the small screen for more than 20 years, and in each of the past nine seasons the networks have broadcast more television movies than theatrical films during prime time. More than 100 new TV movies were aired last season alone, and this year the three networks will spend nearly $300 million on these films, many of them devoted to timely social themes. At roughly $2.5 million for the typical two-hour drama, TV movies can cost almost twice as much per hour as a regular weekly show, but the networks nevertheless regard them as a strategic part of their overall programming. Television movies can be scheduled "defensively" against popular series on competing networks, and they also give the industry a vehicle for attracting big-name theatrical and film actors and actresses who would not ordinarily appear on network television.

Yet except for some rare surprises, most American television movies are distinctly inferior, not only to the best television films produced in Europe but also to the strongest weekly series produced in Hollywood since the early 1970s.

The explanation routinely offered by producers, writers and network executives for this record of mediocrity is that tight budgets and killing production schedules make serious or thoughtful work impossible. According to this view, the TV movie is merely a mass-produced commodity for which artistic standards are as inappropriate as for candy bars or plastic tableware.

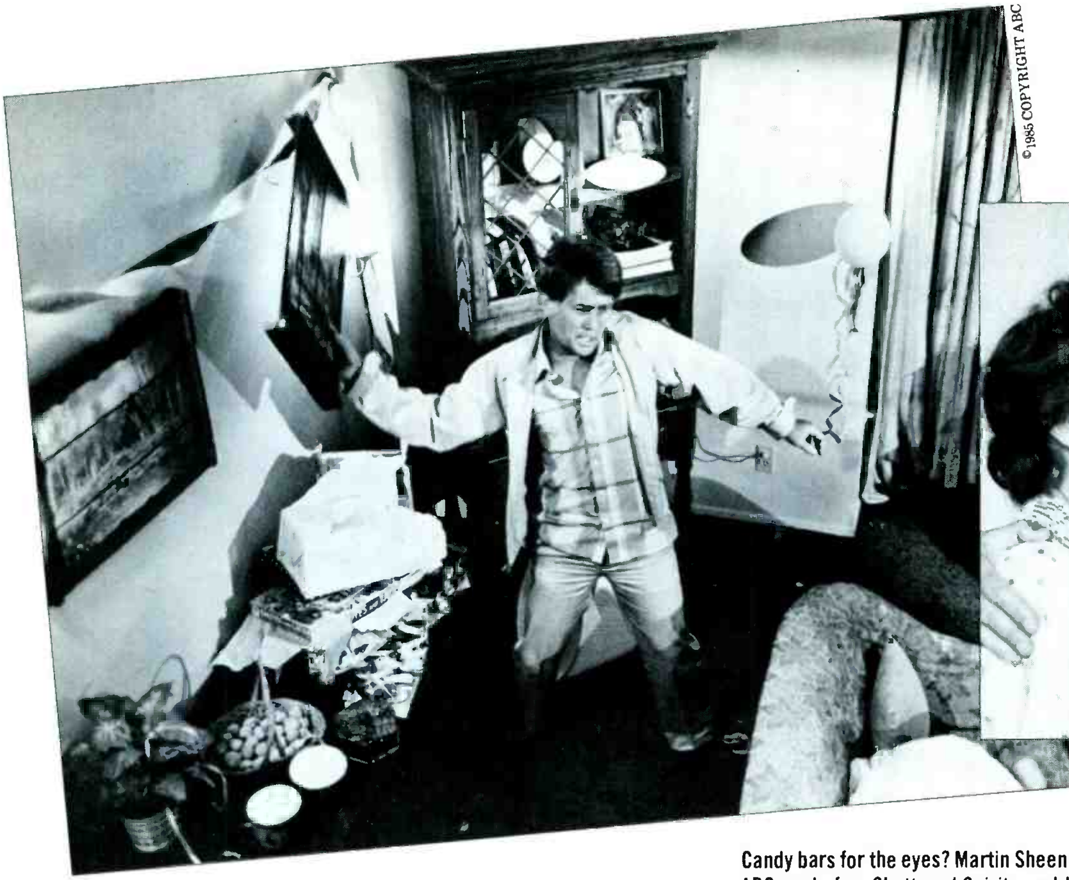
This explanation is plausible and partly true, but it is also evasive and self-ratifying. The conditions of mass production that constrain the TV movie are not essentially different from the conditions that governed movie-making during the era of the Hollywood studios. Those films, too, were created on an assembly line and relied on celebrity stars and the formulas of melodrama. Yet memorable and complex movies were produced under that system, in which commercial imperatives dominated all aspects of production and distribution. This suggests that more money and longer production schedules will not guarantee superior TV films— movies that offer a plausible sense of character and setting and that handle significant subjects in a coherent, intelligent way.

Last year, when I served as a juror at the Banff International Television Festival in Alberta, Canada, I had occasion to compare some of the best of our television with that of other countries. In most of the festival's categories, American programming more than held its own. Our commercial series are decisively richer visually and thematically than their English, French or Japanese counterparts. American documentaries are often as powerful as those made in Canada and in Europe, though they are often less bold about urgent political and economic themes.

But our TV movies, and most of our limited series, seem decidedly inferior productions, even when they contain intelligent performances, imaginative direction and decent, even noble intentions.

The four American productions among the 22 finalists in the TV movie category at Banff last year are the kind of films that the networks and production companies like to identify as "quality" programs. Three belonged to a now-familiar category: the melodrama of catastrophic disease. *Shattered Spirits*, first broadcast by ABC in January 1985, starred Martin Sheen as a middle-class father whose alcoholism brings misery into his own life and his family's. It was the weakest of the four, a crudely conceived morality tale in which nearly every event and gesture aimed to illustrate the evils of the demon rum and the benevolent wisdom of Alcoholics Anonymous. The two other fables of medical catastrophe were *Do You Remember Love?* (May 1985, CBS), in which Joanne Woodward played a victim of Alzheimer's disease, and *An Early Frost* (November 1985, NBC), in which Aidan Quinn was afflicted with AIDS. These movies were more subtly written than *Shattered Spirits* and contained admirable performances. But they, too, simplified or purified their central characters in

David Thorburn is a literature professor and media studies director at MIT.




Candy bars for the eyes? Martin Sheen (left) grapples with alcoholism in an ABC made-for, *Shattered Spirits*, and Joanne Woodward takes on Alzheimer's disease with Richard Kiley (right) in CBS' *Do You Remember Love?*

their earnest desire to instruct the audience about their respective illnesses.

The final American film, *Between Two Women*, first broadcast last March by ABC, was the strongest, in part because it centered on human relationships, not disease or social problems. Its treatment of the tensions between a tyrannical mother, powerfully played by Colleen Dewhurst, and her son and daughter-in-law (Farrah Fawcett, in a subtle, poignant performance) had genuine authority, but also relied on easy stereotypes in its portrait of Dewhurst's weak husband (Steven Hill) and in its rendering of the world of high culture to which Dewhurst and her painter-son are supposed to belong. And this movie, too, resorted to the disease formula for its central crisis: The Dewhurst character is felled by a stroke and then must be tended by the daughter-in-law she has bullied and intimidated for many years.

All of these films were undermined, though in different degrees, by the same defect. Despite passages of authentic drama, each film radically simplified the moral, psychological and social issues it purported to be treating, and each was finally condescending both to its characters and to its audience. Their shared failing, and perhaps the central characteristic of most American TV films in recent years, was a heavy-handed didacticism, an ambition to instruct that reduced what could have been powerful drama to the level of a school text or a moral lesson.

Repeatedly in the American entries at Banff, as in so many other movies made for television, the momentum of the story is interrupted so that a professional expert—a doctor, a therapist, a scientist, a credentialed specialist in the disease or social problem that has inspired the film—can deliver an extended lecture on the number of victims afflicted by this or that ailment and on the terrible social costs associated with the affliction. These scenes openly articulate a mixture of sentimentality and muddled civic-mindedness toward the audience that is diffused more generally through the whole of the story.

Usually, the wisdom figure's lecture dwells as much upon the cruelty to which victims are subjected by an ignorant public as upon the details of the illness itself. The disease becomes secondary; the intolerance of the ordinary public in treating "victims" as pariahs is the true problem and larger evil. This clever dramatic evasion sentimentalizes disease by pretending that physical decay is minor or doesn't exist as part of illness, and by "blaming" social attitude, which can, after all, be improved or enlightened—for most of the suffering caused by disease.

One measure of the simplemindedness of these lessons in civics and medical emergency is that in nearly all such stories the illness or the social problem is the *only* blemish in an otherwise ideal middle-class paradise. The handsome members of Martin Sheen's suburban family are virtual paragons of loving togetherness. Joanne Woodward's life as a professor of English, an accomplished poet and beloved wife and mother is so idealized that a cynical viewer might almost wish for the disaster that awaits her. Similarly, in *An Early Frost* the protagonist who contracts AIDS is a highly successful lawyer whose relationship with his handsome lover is a model of affection.

The technical or visual equivalent of these thematic simplifications is the garishly high-key lighting that dominates nearly all American television movies, and that specifically defines the visual texture of the films discussed here. Whether indoors or out, in hospitals or bedrooms, in factories or courtrooms, in the city or the suburbs or the countryside, nearly every scene in American TV movies has a uniform brightness. The colors are far more distinct than in reality; there is an estranging neatness, a cleanliness, even in scenes of supposed squalor or physical suffering. This is a visual universe without blemish or shadow, as purified or idealized as the plots and characters who inhabit it.

So it's not more money or significantly longer shooting schedules that would help our ambitious and often well-intentioned television dramatic fare to achieve true excellence. Rather, it's a greater respect for audiences and for the muddled complexity of the real world.

HOLLYWOOD INC.

HOW TO WIN FRIENDS AND INFLUENCE TV

By Patricia E. Bauer

A lobbyist came to town not long ago to urge that the entertainment industry join the fight against drugs. As you might expect, she got a rousing reception—not only because her message was only slightly less palatable than apple pie and motherhood, but also because she happens to be the First Lady. After giving her a standing ovation at a packed industry luncheon, studio representatives lined up to warmly endorse Mrs. Reagan's remarks. Soon there were results as well: *The Smurfs* unveiled a special episode with an anti-drug theme; CBS started airing public service announcements; and AMC Entertainment Inc. began showing "Just Say No" anti-drug messages at each of its 1,200 movie theaters.

Nancy Reagan is not the first person to lobby the entertainment industry on a pet issue nor will she be the last. Indeed, trying to influence programming content is something of a cottage industry here. And though it is often difficult to trace the results directly, it would seem that some of the efforts, like Mrs. Reagan's, have been successful.

With the networks losing viewers and advertising dollars, they can ill afford to anger viewers—especially organized ones.

Over the years, gay rights groups have made substantial progress in reducing on-air stereotypes of homosexuals through persistent monitoring of network shows and a continuous feedback on their contents. The efforts of women's organizations and minorities have changed the way those groups are portrayed as well.

Miller's *Salesman* with Lee J. Cobb: Protagonist Loman's angry brethren tried, unsuccessfully, to alter the play.

The public doesn't often hear about such measurable results, in part because most interest groups don't want to publicize their victories for fear of goading their opponents into action. Of course, there are also lots of ill-conceived efforts that don't get anywhere. When CBS was planning to air Arthur Miller's *Death of a Salesman* 20 years ago, a group of New York salesmen chafed at what they saw as the play's anti-business theme and lobbied, unsuccessfully, for the addition of a prologue called "Life of a Salesman." And network officials are still chuckling about the time a potato industry group complained about a show in which a character turned down a helping of potatoes because she was on a diet.

These and other tales will be laid out in detail in an upcoming book, *Target: Prime Time* by Kathryn Montgomery. A UCLA professor who has spent a number of years researching the interplay that goes on between special-interest groups and the networks, Montgomery writes about the successes and failures of would-be lobbyists and, more importantly, about how the system works.

The television networks are particularly vulnerable to organized pressure, she writes, because government regulation has made them wary of alienating interest groups who might agitate for the revocation of their broadcast licenses. And because networks are dependent on commercial advertising for their livelihood, they are fearful of public complaints that might tempt advertisers to withdraw their spots. Complicating matters still further are the recent erosions of the networks' share of viewers and advertising. Now more than ever, the big three can ill afford to anger viewers—especially organized groups of viewers.

All of this points inexorably in the direction of greater lobbying—and probably greater influence—in the creation of television programming in the future. Many in Hollywood see that as an ominous development and are fearful that it will bring new attempts at censorship by, for instance, right-wing groups angry that their liberal counterparts seem to have more direct access to network decision-makers. Producer Gary David Goldberg, for one, whose *Family Ties* is among television's top-rated shows, admits he's worried, and angry.

"I resent terribly the feeling that we as a profession need a group monitoring us to make us more responsible than we already are," Goldberg said recently. "As a member of the community, as an adult person living in the world, I have a right to put my ideas into the marketplace."

But ominous or not, the lobbying of television is a fact. And it should be of special concern to those who care about what they view but don't lobby. Put another way, those who remain silent have much in common with those who fail to vote: They won't be heard because they have disenfranchised themselves.

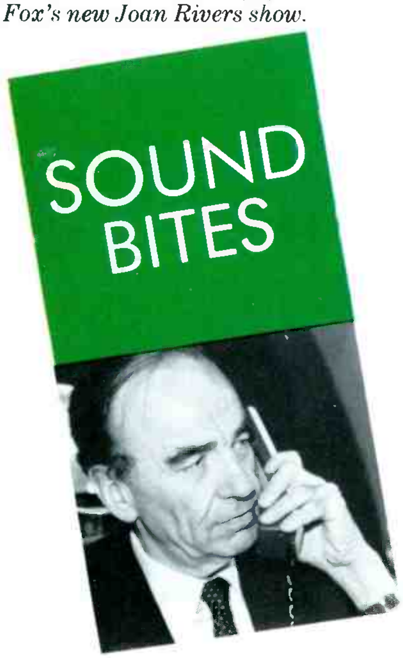
Not long ago, representatives of many of the nation's most influential charitable organizations gathered in Los Angeles to debate whether they should attempt to play a role in influencing the content of prime time television. Though the participants seemed to agree on what they wanted to achieve—programming that reflects current social issues—the conference ended without a decision. No one was sure whether television content is a proper target for charitable efforts. And even if it is, where to begin?

With a new road map heading for the bookstores and a growing realization that the networks are vulnerable, the lobbying efforts in Hollywood are sure to intensify. Whether it's now or later, the charities, and every other organized group that cares about an issue, are going to get involved. Given the choice, their window of opportunity appears to be now. ●

Tally-Ho, Rupert

Sly, yes. Quick, no. Murdoch's plan for Fox Broadcasting calls for slow, deliberate pursuit of its quarry.

Ever since he burst onto the American scene in 1976 by purchasing the New York Post, *Rupert Murdoch has been a one-man media cyclone, and now he is poised to make his most daring—or foolhardy—foray yet. After spending almost $2 billion on 20th Century Fox and the six Metromedia local stations last year as the core of his new Fox Broadcasting Company network for independent stations, Murdoch will launch his first night of prime time programming on Sunday March 1. Overseas, Murdoch was already well-positioned with his TV-10 network in Australia and his European Sky Channel, inviting speculation that Fox was merely part of a larger dream of creating perhaps the first truly international media empire.* Channels *editors Merrill Brown and Rinker Buck interviewed Murdoch shortly after the debut of Fox's new Joan Rivers show.*



THE FOX VENTURE

When we first began talking about this a year ago, we thought that our original problem would be generating enough credibility to sign up affiliates. Now we're already covering 80 percent of the country, and we face a quite different problem. We're going to be under a lot of pressure to introduce programming faster than we want to. Independent stations have overcommitted themselves to expensive rerun programming, and now they're looking to us to get back in the market. If you look at independents that are on the block, nearly all show decreasing advertising earnings and rising program costs. So they all want programs that give them high ratings, and they don't want to pay for them. So, over the next few years, we'll be seeing two approaches. One is going to be lower network advertising rates, applied to everybody, and the second will be more demand for inexpensive programming. This makes the outlook for Fox very promising, but it is also dangerous.

THE INDIE SHARE

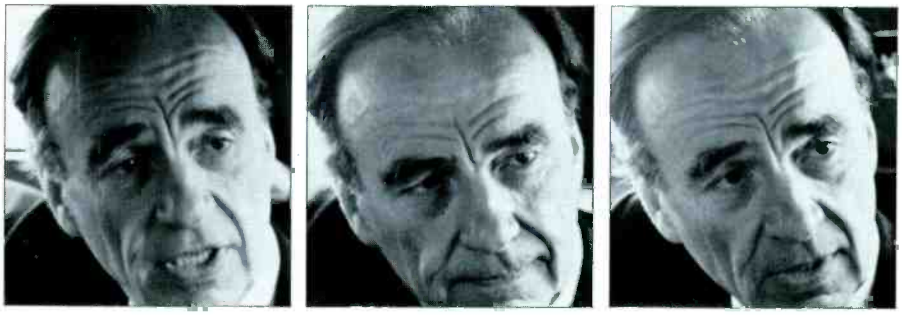
American television is undergoing a lot of turmoil right now, a lot of introspection and worry about its economic future. The networks are under pressure, not just from the lack of advertising, but from each other, HBO, the VCR and the remote control button. Take independents. It's very interesting. In most markets, 20 percent of viewing now goes to independent stations, and that doesn't change very much whether there's one or three independents. In markets where there used to be two independents, a third one will come along and claim 3 percent of the audience, but that comes off the 20 percent of the first two. So it's a very finite number that we can get now. Our job is to bring our stations together and break out of just sharing in that independent unit.

FOX'S FINANCES

We're never going to risk the kind of money that people have been speculating about. Let's just quantify. We started off with *The Late Show Starring Joan Rivers*. It's a little too early to boast about success, but we're already getting the ratings we need, a national 3.5, and running a clear second to Johnny Carson. At 3.5 we can make a profit—at a 4 rating she'll pay for the cost of expanding the network. The next step is three hours of programming on Sunday nights. That will cost a maximum of $2.5 million for 26 weeks—$60 million a year, say. The worst you could do is to have half of that as loss. But let's say we lose $50 million. We wouldn't stay at that level for ten years, but we could be losing $50 million in prime time broadcasting for four or five years. But we believe that we'll gradually see that loss shrinking on each night. Then we'll move to more nights of programming, building up our income as we go along.

PROGRAMMING

We want to somehow elbow our way in there and be different. But, to begin, we need programming that the public will be comfortable with. The networks don't do what they do now because it's cheaper; they do it in response to public taste. The most important thing we have to do first is get one credible night on the air that gives our affiliates relatively high numbers—an 8 or a 9 rating, as opposed to the 3 or 4 they get now for an old movie. But as we go out through the week we'll become more experimental. I suspect



ROB KINMONTH

'The most important thing we have to do first is get one incredible night on the air that gives our affiliates an 8 or 9 rating. Then we can become more experimental.'

that the costs of producing the type of popular programs we're used to—adventure series and comedies—are not going to come down.

So you're going to see us trying a lot of things. I'd love to do variety, but variety isn't cheap. On daytime and late night we'll experiment in local markets, establish the talent and the production skills and then, if a program works, go national. We're going to start a midday program in New York and maybe on the West Coast. Take *Oprah Winfrey*. That show probably started at a cost of $10,000 a week. Today, I'd guess that it isn't costing more than $50,000 a week, and it's national and getting good numbers. Outside of what they're paying Johnny Carson, *The Tonight Show* can't be costing NBC more than $60,000 a night. That's only two spots out of 14 NBC sells. So there certainly will be a search for something new—and not just by us, but by the networks too.

THE NEWS SIDE

We plan an ambitious, competitive news operation at our owned stations, but not a network news operation as such. We will certainly retain the 10 P.M. newscasts on our stations, and we're spending a lot of money improving our efforts in Los Angeles, Washington, Houston and New York. Exchanging material among stations, even sharing a news bureau in Washington, are both possibilities, and we'd like to have the capacity to compete strongly with the network affiliates.

But I question the future of network news. Today you've got these three big companies, each spending about $250 million for a half-hour news program. The public, for the most part, is bored. Viewers have learned to enjoy local news shows, which in most markets pretty comprehensively cover national and international news, too. Then the networks come on for an extra half hour and say, "Now we're going to be serious." Well, often that just means, "Now we're going to be dull." I'm not sure that can be justified much longer.

MONDAY NIGHT FOOTBALL

It's a big issue that we're not decided on yet. Look at what ABC loses now on *Monday Night Football*. We would lose at it too. But we would establish ourselves as a network and get clearances everywhere, and there would be strong advertising support. If we took it away from the networks, or took baseball away, we would have to pay the going price, which has been too high.

BREEDING JOURNALISTS

I've always thought that television was the growth business, so getting into it here was a perfectly rational play for us. But I'm not going to turn my back on newspapers. We have 14 newspapers across the world, and we'll find other markets [in the U.S.] where we can start newspapering again. Although newspapers are becoming less a factor in everybody's lives, they are still the place for breeding journalists. We need to have competitive papers within the company in which journalists can develop before they move into television.

THE ADVERTISING SCENE

We're seeing a move to global marketing at a lot of companies. There's a lot of money being spent to establish identical brand names internationally, whether it's Coca-Cola, McDonalds or Volvo. Broadcasting regulations and the ad agencies are changing to accommodate this trend. In this country, however, we're seeing a leveling off of growth. Highly advertised products like liquor are going out, and the cigarette dollar has disappeared. Major companies are spending millions of dollars to take over brand names rather than spend those dollars establishing new brand names via advertising. We're just going to have to see whether this is just a slight recession or something more fundamental is occurring.

A GLOBAL REACH?

It would be wrong to represent what we're doing as some huge, global scheme, certainly at this stage. Fox is just beginning. The Sky Channel in Europe is moving along nicely, but it is still embryonic. And Australia is a small part of the world. We could, conceivably, be doing a live morning show here in New York and move it by satellite to Sky for a nice afternoon talk show in Europe. The question is whether we go DBS in Britain or wait longer for cable to get started there. Deregulation is sweeping through Europe now, and a lot more channels are being created. Yet it doesn't necessarily follow that American programs will work everywhere. But we'll have to continue to position ourselves.

THE FUTURE

People are not going to spend less time in front of their television sets—probably they'll spend more. And they're going to want more elements to it. Today cable can deliver 20 or 30 channels, but if those same channels were available out of the air from satellites, at no cost, you wouldn't bother to pay $30 a month for cable. I'm not saying it will happen, but eventually the market takes care of these things. The demand is there. The technology is there. And that would certainly change the game a lot. ●

RUNNING THE NUMBERS

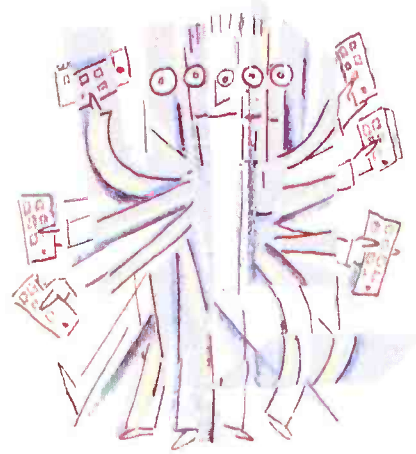
Fear of Flipping

Now some numbers have been attached to the nightmare: According to a study by J. Walter Thompson USA, there are some 58 million "flippers"—viewers "who usually flip around to some degree rather than watching a show from beginning to end." Flippers constitute 34 percent of all viewers and a big 56 percent of the 18 to 24 age group. And the numbers are likely to grow even larger as more homes get remote-control devices (42 percent of American homes now have them).

Not only are there more flippers than zippers (30 million) or zappers (15 million), but they're making a more serious judgment on TV: They're not impatient with just ads—they're impatient with the programs too. But *how* impatient? CBS research chief David Poltrack believes the ad agency's poll exaggerates the extent of wanton flipping.

Why are the agencies raising fears about zapping, zipping and now flipping? Poltrack supposes that, as the main buyers of ad time, they want to show that it's not as effective as assumed and that ad rates should come down.

9% *of viewers are* **zappers** *(who avoid commercials by changing the channel)*



18% *are* **zippers** *(who avoid commercials by fast-forwarding through them while watching on a VCR)*

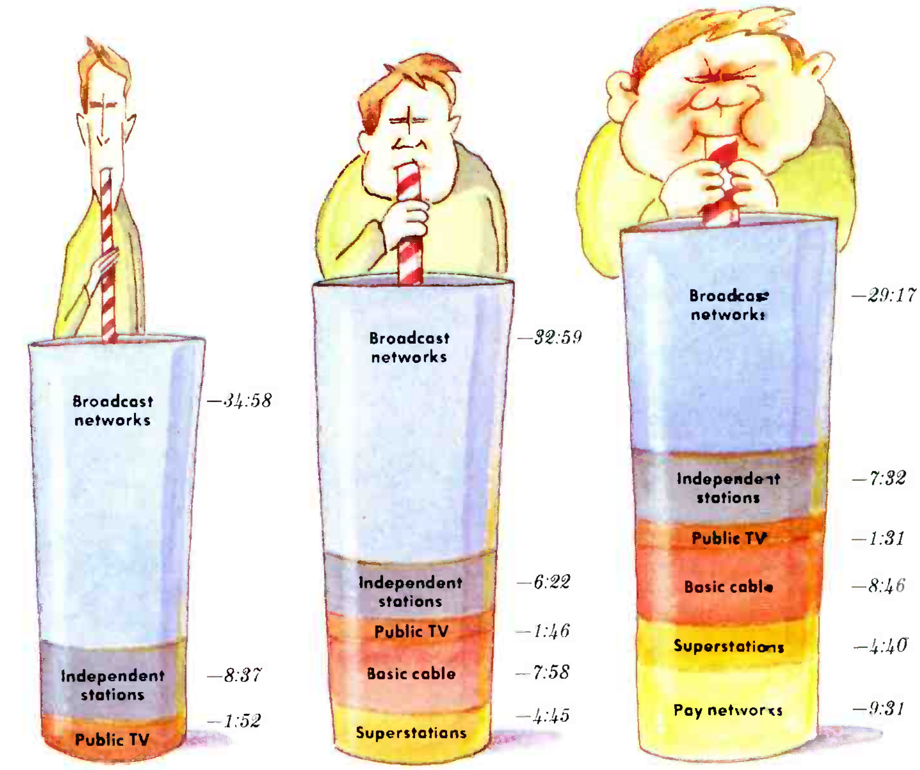
34% *are* **flippers** *(who change channels instead of watching a program from beginning to end)*

PETER KUPER

A Healthy Thirst for TV

The more choice, the more viewing. Last season, TV sets glowed 25 percent longer on the average day in homes that subscribed to pay and basic cable, compared with homes with no cable at all. Breadth of selection was not the only reason for the difference, however. Homes with cable service are disproportionately located in the suburbs and have more children, on the average—more hungry little eyeballs—than noncable homes do.

Households with VCRs add an average of about two more hours of prerecorded cassette viewing per week that aren't counted in the accompanying chart. (Sources: Cabletelevision Advertising Bureau compilation of full-day Nielsen ratings for October 1985 through September 1986; Nielsen Media Research.)



Homes without cable watch **45 hrs: 24 min.** *a week*

Homes with basic cable watch **51:47 hrs.** *a week*

Homes with both basic and pay cable watch **57:29 hrs.** *a week*

PETER KUPER

LESS MORE

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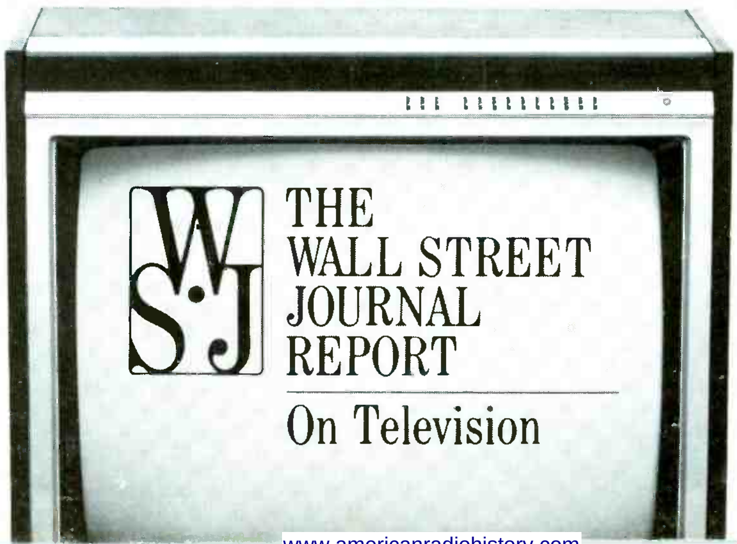

*Source: NSI telephone survey, February 1986.