The NAB's Low Power Signal

CHANNELS

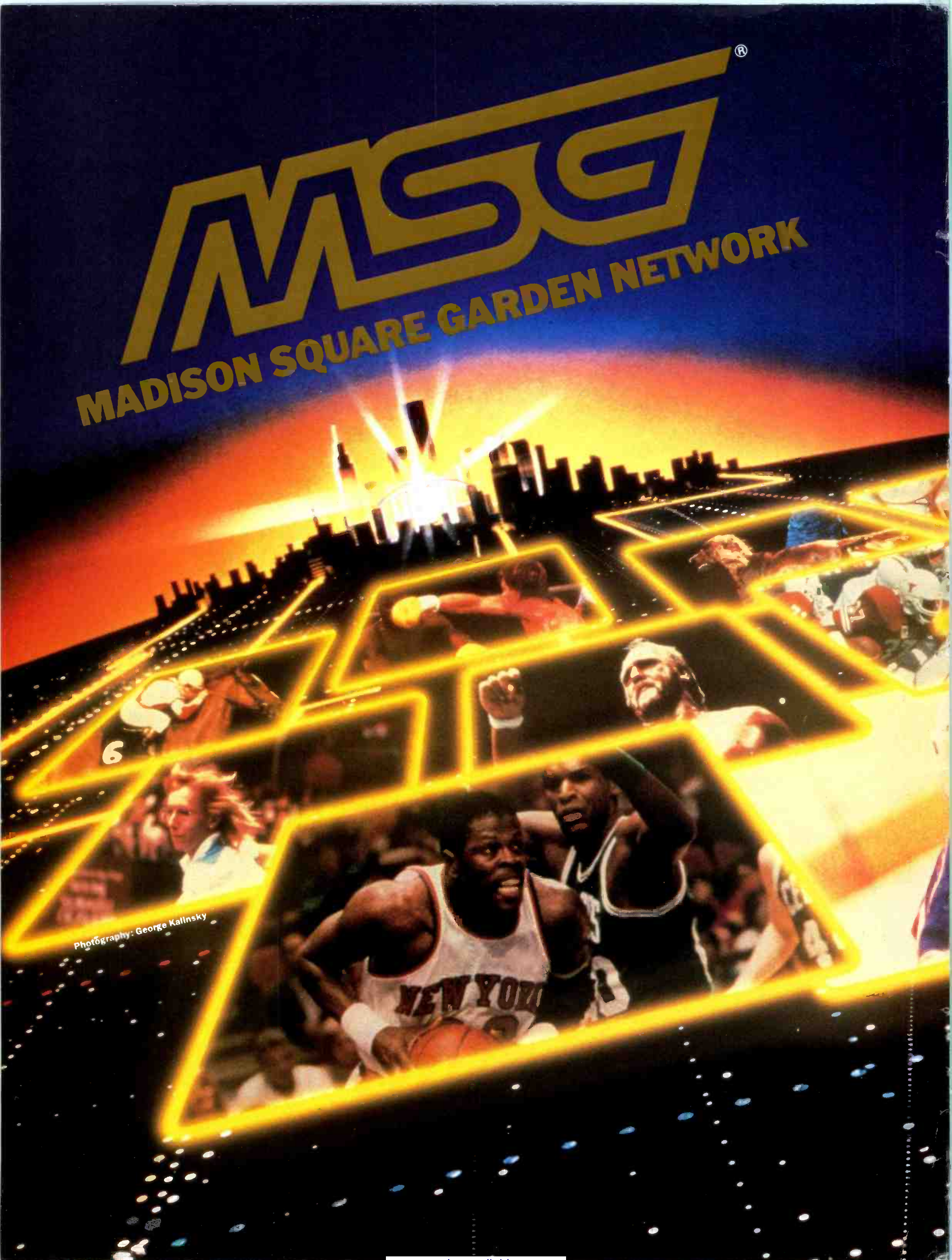
$2.95 THE BUSINESS OF COMMUNICATIONS MARCH 1987

Tough New World

The fast, young Rent-a-Wreck of studios has hired Bob Bennett and Lew Erlicht to launch a blitzkrieg ... TV's ... ous

...irman ...ry Evans Sloan, Robert Rehme and Lawrence Kuppin

Cable's New Takeover Play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MADISON SQUARE GARDEN NETWORK
NEW YORK
Photography: George Kalinsky

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It's all the electricity you would expect
from a network called MADISON SQUARE GARDEN!
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RANGERS

CHANNELS
THE BUSINESS OF COMMUNICATIONS
VOL. 7 NO. 3 MARCH 1987

51 Persona non grava: Who says TV's too serious?

Cover photograph: Amy Etra

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ZURICH,SWITZERLAND

Barry Sussman founded The Washington Post-ABC News Poll, served as city editor of *The Washington Post,* and was the editor in charge of the newspaper's Pulitzer Prize-winning Watergate coverage. He becomes UPI's Managing Editor/National and will have responsibility for UPI's coverage of national affairs, including government and political reportage at the federal and state levels.

Ben Cason, was News Editor and Night Managing Editor of *The Washington Post* before taking on development of new sections as Assistant Managing Editor for New Projects. He will oversee UPI's financial, sports, photo, graphics, features and regional coverage as well as have responsibility for UPI's worldwide network of correspondents and bureaus.

Kim Willenson has been Congressional correspondent, Tokyo Bureau Chief and international affairs editor for *Newsweek.* Willenson previously served as UPI's Asia Division News Editor in Tokyo and a UPI correspondent in Saigon, Bangkok and Washington. As Managing Editor/International, he will have responsibility for UPI's coverage of international affairs, including diplomatic and national security reportage.

Bill Ferguson, who joined United Press in 1950, is credited with many of UPI's editorial innovations, including CustomNews for broadcasters and CustomData for newspapers. As Managing Editor/Broadcasting, he will oversee UPI Radio Network, wires and special services for television clients.

NEW EDITORIAL MANAGEMENT TEAM AT UPI

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WORLD HEADQUARTERS
1400 EYE STREET, NW
WASHINGTON, DC
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202-898-8000
FOR SALES INFORMATION
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PRESIDENT'S NOTE

A Year to Remember

This issue marks our sixth year of publishing and, more importantly, the first anniversary of the new *Channels*. When we redesigned and relaunched *Channels* in 1986, our goal was to provide the most important insightful coverage of the industry available and to make *Channels* the leading business magazine for the television professional.

Throughout the past year we have reported on the rapid changes in communications through detailed financial analysis, exclusive stories and penetrating profiles, ranging from our June special section on the leading financial achievers to our in-depth look at important powers emerging to reshape the industry—such companies as Viacom, Coca-Cola and Tim McDonald's TVX, and such individuals as Warren Buffett and John Malone. We wrapped up a dynamic year with the publication of the *'87 Field Guide*, the industry's most comprehensive and provocative annual review and forecast.

The new *Channels* made its debut last March with a lead story that predicted the explosive growth of fourth networks. Our June issue broke new ground in analyzing media company finance. In a year that saw all three networks and major station groups change hands, *Channels* provided the first detailed analysis of the modern media's balance sheets.

Throughout the year we've covered the myriad forces that are changing TV programming, a world in which the financial deal has become as important as the program itself. Our special fall-season section graphically demonstrated that a new season applies not just to ABC, CBS and NBC but also to independent stations and cable networks. And this issue's cover story about New World Pictures suggests that even more new players, with different views on how to operate in this industry, will become important in 1987 and beyond.

With our total advertising pages up 43 percent and editorial pages up 238 percent, we've had increased opportunities to serve our readers and advertisers. But we know we've only just begun our growth. We spent the year listening to the business concerns of our readers, and in response to those needs, we're planning to introduce new departments focusing on ratings research, promotion, marketing and finance.

In addition to continuing the fine-tuning of *Channels* as the timely magazine for the industry, we plan to launch a number of other publishing initiatives in 1987. We intend also to draw from the special expertise of another magazine in our publishing group, *Marketing and Media Decisions*, which *Channels* owner Norman Lear purchased last year. The knowledge and insight of the *Decisions* staff will help *Channels* do what it has been positioned to do—offer the best reporting, writing and thinking about where our business is going.

In doing that we welcome your help, your ideas, your feedback and criticism. We want not only to be the best magazine in the field, but also the most effective vehicle for advertisers to reach target audiences. As we continue to shape the editorial product to the issues that most concern the television professional, we will continue to target advertisers' efforts to reach key constituencies through special events, mailings and other marketing programs. What looks to be a vitally important year for the television industry will clearly be an important one in *Channels*' development. We look forward to working with you.

Paul David Schaeffer

CHANNELS
THE BUSINESS OF COMMUNICATIONS

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This announcement appears as a matter of record only.

$275,000,000

Gulf + Western Inc.

$100,000,000
Notes Due 1996

$175,000,000
Debentures Due 2006

July 1986

Morgan Stanley acted as financial advisor to Continental Cablevision, Inc. in this transaction.

$303,000,000

Continental Cablevision, Inc.

has acquired approximately 48% of its common stock from Dow Jones & Company, Inc. and Other Stockholders

January 1986

Morgan Stanley acted as financial advisor to Cook Inlet Communications Corp. in this transaction.

Cook Inlet Communications Corp.

acquired

WTNH-TV
(Hartford-New Haven, CT)

from

Capital Cities Communications, Inc.

January 1986

Morgan Stanley acted as financial advisor to BT Acquisition Corp. in this transaction.

BT Acquisition Corp.
a Joint Venture Between Taft Broadcasting Company and The Robert M. Bass Group, Inc.

acquired

Wometco Cable TV, Inc.

December 1986

This announcement appears as a matter of record only.

Price Communications Corporation

$150,000,000

13% Subordinated Notes Due 1996

July 1986

This announcement appears as a matter of record only.

896,768 Shares

Price Communications Corporation

Common Stock

Price $10¾ a Share

July 1986

This announcement appears as a matter of record only.

4,000,000 Units

Falcon Cable Systems Company,
a California Limited Partnership

Price $20 a Unit

December 1986

Morgan Stanley acted as financial advisor to JWT Group, Inc. in this transaction.

JWT Group, Inc.

acquired

Gray and Company Public Communications International, Inc.

October 1986

Morgan Stanley acted as financial advisor to McGraw-Hill, Inc. in this transaction.

McGraw-Hill, Inc.

acquired

Numerax, Inc.

June 1986

Morgan Stanley acted as financial advisor to NewCity Communications, Inc. in this transaction.

NewCity Communications, Inc.

acquired

Eleven Radio Stations of

Katz Broadcasting Company, Inc.

August 1986

This announcement appears as a matter of record only.

NewCity Communications, Inc.

$35,000,000

Subordinated Discount Notes Due 1996

August 1986

This announcement appears as a matter of record only.

The Times Mirror Company

$100,000,000

Notes Due 1996

March 1986

This announcement appears as a matter of record only.

$254,500,000

Comcast Corporation

$110,000,000
11¾% Senior Subordinated Debentures

$95,000,000
5½% Convertible Subordinated Debentures

2,000,000 Shares
Class A Common Stock

July 1986

Morgan Stanley acted as financial advisor to Emmis Broadcasting Corporation in this transaction.

Emmis Broadcasting Corporation

acquired

Three Radio Stations of

Doubleday Broadcasting, Inc.

August 1986

This announcement appears as a matter of record only.

Emmis Broadcasting Corporation

$34,200,000

Senior Zero Coupon Notes Due 1991

August 1986

Morgan Stanley acted as financial advisor to Metromedia Inc. in this transaction.

The Cellular Telephone and Paging Operations of Metromedia Inc.

acquired by

Southwestern Bell Corporation

Pending

This announcement appears as a matter of record only.

Price Communications Corporation

$8,197,597 Series B Zero Coupon Subordinated Notes Due 1990

$3,000,000 8.95% Subordinated Notes (Series A) Due 1989

$4,000,000 9.25% Subordinated Notes (Series B) Due 1991

May 1986

Morgan Stanley acted as financial advisor to GFV Communications, Inc. in this transaction.

GFV Communications, Inc.

acquired by

Valassis Communications, Inc.
a wholly-owned subsidiary of Consolidated Press Holdings Limited

December 1986

Morgan Stanley acted as financial advisor to The Times Mirror Company in this transaction.

The Times Mirror Company
has sold an 80% interest in its subsidiary

Publishers Paper Company

to

Jefferson Smurfit Corporation

February 1986

Morgan Stanley acted as financial advisor to Metropolitan Broadcasting Corporation in this transaction.

Metropolitan Broadcasting Corporation

acquired

Nine Radio Stations and the Texas State Networks of

Metromedia Inc.

September 1986

Morgan Stanley acted as financial advisor to Forstmann Little & Co. in this transaction.

Forstmann Little & Co.

has sold substantially all of the assets of

WRGB-TV
(Albany-Schenectady-Troy, NY)

to

Freedom Newspapers, Inc.

February 1986

Morgan Stanley acted as financial advisor to Pulitzer Publishing Company in this transaction.

Pulitzer Publishing Company

has repurchased

approximately 43% of its outstanding Common Stock

September 1986

This announcement appears as a matter of record only.

1,600,000 Shares

Pulitzer Publishing Company

Common Stock

Price $27½ a Share

December 1986

Morgan Stanley acted as financial advisor to The Field Corporation in this transaction.

The Field Corporation
(through an affiliated partnership)

acquired

Muzak
a division of
Group W Radio, Inc.

November 1986

This announcement appears as a matter of record only.

First Carolina Communications, Inc.

$45,000,000

13½% Subordinated Debentures Due 1996

November 1986

Morgan Stanley acted as financial advisor to Mobile Communications Corporation of America in this transaction.

Mobile Communications Corporation of America

acquired

American Cellular Telephone Corporation
on behalf of its joint venture with Bell South Corporation

September 1986

This announcement appears as a matter of record only.

Emmis Broadcasting Corporation

$50,000,000

14⅝% Subordinated Debentures Due 1995

January 1986

Morgan Stanley acted as financial advisor to Bell South Corporation in this transaction.

Bell South Corporation

acquired

L.M. Berry and Company

December 1986

Communications industry know-how. Investment banking expertise.

Morgan Stanley knows that communications companies have very specialized needs. Because Morgan Stanley knows the communications industry.

Morgan Stanley's Communications Group provides clients in the communications industry with a singular resource—a team of more than a dozen seasoned investment bankers who work full time with media companies. They bridge the gap between the unique needs of their clients and the demands of financial markets.

Over the past two years, the Communications Group has been involved in transactions with a total value in excess of $10 billion.

From mergers and acquisitions to financings and corporate restructurings, Morgan Stanley's Communications Group delivers the combination of investment banking expertise and communications industry know-how its clients need.

MORGAN STANLEY

This announcement appears as a matter of record only.

$338,323,529

BT Acquisition Corp.

$212,000,000
Senior Subordinated Discount Notes Due 1996

$92,500,000
Subordinated Debentures Due 2001

$25,000,000
Cumulative Exchangeable Redeemable Preferred Stock

BT Cable, Inc.

$8,823,529
Class B Common Stock

December 1986

Morgan Stanley acted as financial advisor to CBS Inc. in this transaction.

CBS Inc.

has sold substantially all of the assets of

KMOX-TV
(St. Louis, MO)

to

Viacom International Inc.

March 1986

Morgan Stanley acted as financial advisor to Price Communications Corporation in this transaction.

Price Communications Corporation

acquired

WZZM-TV

from

Wometco Broadcasting Corp.

January 1986

Morgan Stanley acted as financial advisor to Reuters Holdings plc in this transaction.

Reuters Holdings plc

acquired a minority interest in

Instinet Corporation

June 1986

This announcement appears as a matter of record only.

Metropolitan Broadcasting Corporation

$65,000,000
13¼% Senior Subordinated Debentures

$152,500,000
16½% Junior Subordinated Deferred Interest Debentures

September 1986

Morgan Stanley acted as financial advisor to McGraw-Hill, Inc. in this transaction.

McGraw-Hill, Inc.

acquired

The Economy Company

August 1986

Morgan Stanley acted as financial advisor to Cordura Corporation in this transaction.

Cordura Corporation

acquired by

International Thomson Organisation Ltd.

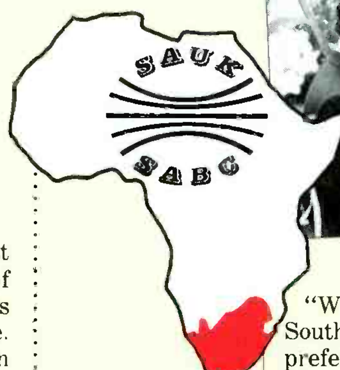
August 1986

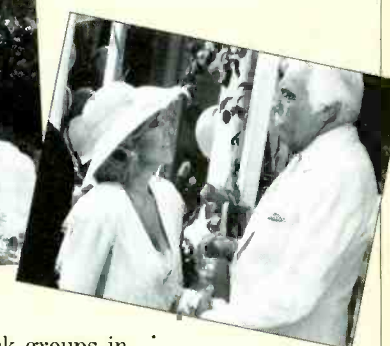
WHAT'S NEW AND NOTEWORTHY IN THE ELECTRONIC ENVIRONMENT

REPORTS

SYNDICATION

American TV's Mixed Message to Pretoria





Lorimar has had enough of apartheid and is pulling such series as ***Knots Landing*** (l.) and ***Falcon Crest*** from South African screens. For others, it's business as usual.

Despite international pressure against trade with South Africa, scores of American TV syndication companies continue to do a brisk business there. On a typical evening, South African viewers can tune in as many as ten American shows—including *Miami Vice*, *St. Elsewhere*, *Night Court* and *Cagney & Lacey* on the country's three top channels.

For Viacom International, selling *Cosby* to South Africa is good business as well as a way to offer positive role models to blacks, the company says. Viacom's contracts specify that the programs be run unedited and the company assumes that they are. Many South African blacks have hailed *The Cosby Show* as a positive influence.

At other entertainment companies, however, concerns about apartheid do not enter into business decisions. At MCA-TV there has been "no discussion of discontinuing South African sales and all of the programming currently being sold will continue," according to Colin Davis, president of MCA International. *Miami Vice* and *Kate & Allie* are among MCA's offerings.

Although Coca-Cola has divested its assets of $50 million in South Africa, Embassy Communications, a Coke subsidiary, continues to distribute *Who's the Boss?* there. Representatives of Coke say Embassy is in line with the company's policy by continuing to sell product but not to hold assets in the country, and that Embassy is within the letter of the U.S. law, which does not prohibit distribution.

Seemingly alone among American TV syndicators, Lorimar-Telepictures has announced that it will not renew its South African contracts for programs, including *Knots Landing*, *Falcon Crest*, *Thunder Cats* and movies of the week.

"We consulted with black groups in South Africa and they said they would prefer to lose the entertainment rather than support the capitalistic goals of the white government," says Barbara Brogliatti, Lorimar-Telepictures' senior vice president of worldwide communications. She estimates that the decision will cost the company "something in the five million dollar range."

But is Lorimar's pullout just P.R.? "I think it's significant," says John Eger, president of International Broadcast Consultants Inc. "If it were just P.R., everyone else would be pulling out too. It's unusual that L-T is doing this, for whatever reason."

JOAN VON HERRMANN

LURING HOLLYWOOD TO THE HINTERLAND

Virtually every state maintains an office to attract TV and film production. The most populous, such as New York and Illinois, have been leaders for some time, but now smaller states have entered the hunt: South Carolina, for one, increased its $175,000 budget in 1984 to $384,000 in 1985, moving from 14th place to fifth. Even California, the historical home of TV and movie production, must now compete; its legislature budgeted $330,000 for the effort for the first time in 1985.

State	Fiscal Yr. '85	Rank	Fiscal Yr. '84	Rank
Florida	$490,000	1	$490,000	2
Massachusetts	$475,000	2	$325,000	3
New York	$450,000	3	$500,000	1
Illinois	$400,000	4	$265,000	5
South Carolina	$384,000	5	$175,000	14
California	$330,000	6	0	—
Texas	$280,000	7	$287,000	4
Michigan	$255,000	8	$250,000	6
Tennessee	$250,000	9	$220,000	9
Alabama	$234,000	10	$205,000	10

Source: National Conference of State Legislatures

REPORTS

PROGRAMMING

Low-Rent Late-Night Getting Gentrified

Much has been made of CBS' struggles to develop a popular morning show, but the beleaguered network has also been having a difficult time in late-night. The importance of those dayparts—the bookends of the broadcast day—cannot be underestimated.

NBC, for example, recognized early the advantages of a strong opener and closer when it developed the *Today* and *Tonight* shows; they've been big profit centers for the network for some 30 years. During the Iranian hostage crisis, ABC stumbled onto the successful *Nightline* format (originally called "America Held Hostage"). But CBS has yet to come up with anything competitive in the daypart.

Late-night is becoming an increasingly attractive time for advertisers because even though the audiences are smaller than in prime time, they tend to be younger and, on the whole, more affluent.

Nightline, for example, without ever threatening Johnny Carson's ratings hegemony, consistently delivers a tidy group of upscale viewers. According to recent Nielsen surveys, 31 percent of Ted Koppel's audience are households earning $40,000 or more a year. Carson's audience also contains a segment with real buying power: Like *Nightline*, 31 percent of the *Tonight* show households earn more than $40,000 a year. But at CBS, only 21 percent of its late-night audience earns more than $40,000 a year and 40 percent earn less than $15,000 a year.

The network is clearly aware of the problems; its relatively new late-night line-up, including *Night Heat* and *Keep on Cruisin'*, was developed to bring in the elusive, and attractive, young male audience.

WILL DANA

Johnny, Ted and *Night Heat*'s gumshoes all want a piece of TV's flush late-night market.

VCR

Ad Test Results Due

If foreigners don't mind commercials on their videocassettes, does that mean Americans won't mind them either? Columbia Pictures wants to know. The company has sunk considerable cash into a study that may determine if it begins putting spots onto its domestic tapes. The results are due this spring.

The study, conducted in Europe and South America this past winter, was designed to gauge dealer and viewer reaction to Coca-Cola (Columbia's parent) ads on its internationally released *Ghostbusters* tapes. Though a company spokesman says Coke has no immediate plans to put ads into videos, industry analysts say positive feedback will change that.

"I anxiously await the results," says Russell Gilsdorf, executive vice president of Geers Gross Advertising. "Commercials on videos will either have tremendous impact, showcased with the right feature, or they'll cause tremendous animosity."

The spots—drawn from the current Coke campaign—precede the feature on the international cassettes.

For several years, the advertising industry has tried to penetrate the video market. If Columbia's tests indicate foreign dealer and viewer acceptance, observers think the strategy will be to package commercial videos as a way of driving down the price of both rentals and purchases.

"The beauty of cassettes is that they're rented by upscale people," says Thomas Winner, director of broadcasting operations for William Esty advertising.

But testing cassette ads internationally may not be as revealing as Columbia hopes. Commercials in movie theaters are already a way of life in Europe and South America.

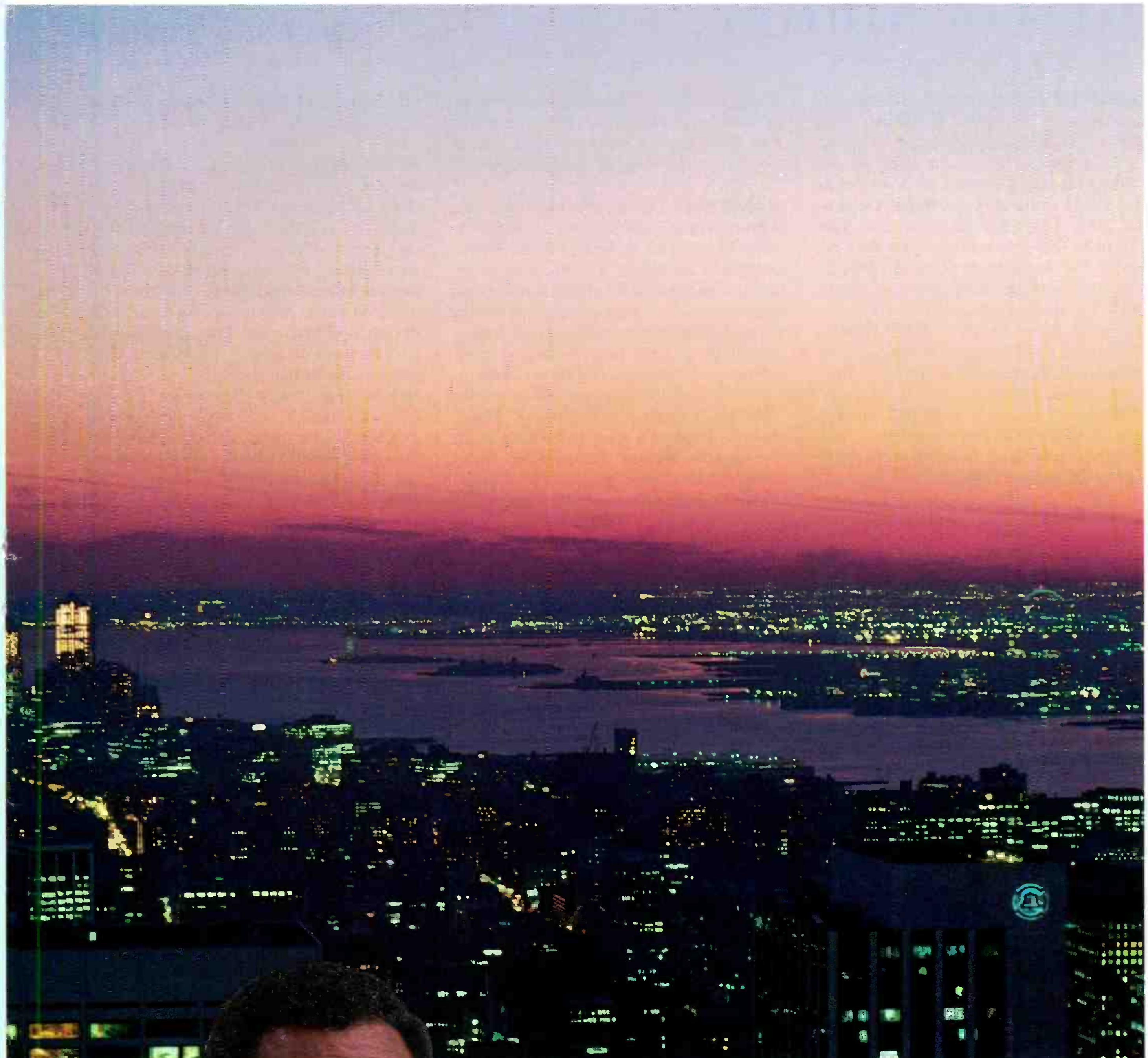
DAVID GRAHAM HALLIDAY

Breaking in is hard to do: Market test on *Ghostbusters* video may reveal if foreign viewers mind seeing Max Headroom pitch Coke on their tapes.

in the New York market.

"We bought Cosby because it will not only take its time period but it will significantly assist in positioning WOR-TV as the leading independent in the country's number one market."

Pat A. Servodidio, *President, RKO Television, New York*



and The Cosby Show

Viacom

What's On

M • A • R • C • H

Ides of March

by Cecilia Capuzzi

MARCH 9: Dan Rather celebrates his sixth anniversary as ***CBS Evening News*** anchor. With sweater or without, Rather's tenure has meant one thing for the show's ratings: a gradual decline since he assumed the mantle from **Walter Cronkite** in 1981. The drop has put the ***NBC Nightly News***, with anchor **Tom Brokaw**, in the running for first place. In 1986, for the first time in more than four years, NBC's weekly averages frequently surpassed CBS's. In 1981, *NBC Nightly News* had an 11.8 rating/23 share yearly average. That dropped to 10/19 by 1984, then rose to 11.3/22 in 1986. In 1981 *CBS Evening News* scored a 13.1/25 average, and last year that had dipped to 11.7/22. ABC's ***World News Tonight***, with an 11.9 rating/23 share in 1980, dropped to 10.5/20 in 1983. Its ratings have remained virtually unchanged since.

MARCH 25: One year after **Turner Broadcasting** purchased **MGM/UA**, saddling itself with $1.4 billion in debt, chairman **Ted Turner** presides over a company in which his majority share has been reduced from 80 to 51 percent. In January, facing a **March 15** deadline for debt payments, Turner exchanged about 35 percent of his equity in TBS for $550 million in financing from former MGM/UA owner **Kirk Kerkorian** and 14 cable operators, including **TCI**, **Cablevision** and **Jones Intercable**. A lot now depends on how the gang of five Turner appointed to run the company—**Robert Wussler, Gerry Hogan, Terence McGuirk, Jack Petrik and William Bevins**—handle the new partners. In the first nine months of 1986, TBS lost $120 million on revenues of $401 million. "Turner violated the first commandment of the entertainment industry," says **Oppenheimer & Co.'s Dennis McAlpine**. "Thou shalt not screw around with Kerkorian."

MARCH 25-28: Economist **Arthur Laffer** is the keynote speaker at the **American Association of Advertising Agencies** annual conference in Boca Raton, Fla. The high costs of producing and airing television commercials, the impact of agency mega-mergers and employee layoffs, and the push among major buyers like **Procter & Gamble** to move ad functions in-house will be the talk of the convention. Advertising law attorneys **Felix Kent, Rick Kurnit** and **Phil Reiss** deliver talks on legal issues. Contact: Rick Schindler, (212) 682-2500.

MARCH 29-31: The annual **Cabletelevision Advertising Bureau** conference meets in New York. With cable ad revenues now exceeding $1 billion a year, conference organizers have dispensed with many traditional panels to concentrate instead on straight talk from experts outside cable. Panelists include **Lois Weiss**, a co-op advertising specialist; **Dr. James Loehr**, a sports psychologist who will conduct "Mental Toughness Training"; **Chuck Reaves**, head of a sales motivation firm; and **Charlie Warner**, former CBS Radio general manager. Comcast's **Bob Clasen**, United's **Fred Vierra**, USA's **Kay Koplovitz** and Viacom's **Ralph Baruch** speak. Hype for **National Cable Month**, which launches **April 1**, begins at the conference. Contact: (212) 751-7770.

APRIL 9-10: The present chaos in the satellite industry will dominate proceedings of the **Satellite Status '87** conference in New York. In the wake of the shuttle disaster, delays in the French Ariane program and skyrocketing insurance rates, consultant **Dr. Mark Chartrand** chairs a conference at which executives try to sort out last year's events. A chief concern: how satellites will be launched into orbit. "A few years ago, we were concerned about the glut of transponder time," says Chartrand. "By the end of the decade we'll have the opposite problem." The recent firings of **Intelsat** director general **Richard Colino** and deputy director general **José Alegrett** for alleged financial improprieties will be the subject of behind-the-hands talk. Contact: Terri McGuire, (212) 233-1080. ●

CALENDAR

March 15-19: Nebraska Videodisc Design Production Workshop. Lincoln, Neb. Training for videodisc production. Contact: Ron Nugent, (402) 472-3611.

March 15-16: West Virginia Broadcasters Association convention. Charleston Marriott Town Center, Charleston, W. Va. Contact: Marilyn Fletcher, (304) 344-3798.

March 17: Hollywood Radio and Television Society 27th Annual International Broadcasting Awards for Best TV and Radio Commercials. Contact: Ollie Crawford, (818) 769-4313.

March 19-April 23: Television Bureau of Advertising sales training seminars in Portland, Ore.; San Francisco; Los Angeles; Denver; Chicago; Dallas; Columbus, Ohio; Nashville; Atlanta; Albany, N.Y.; Philadelphia. Contact: Virginia Camp, (212) 486-1111.

March 23-25: North Central Cable Television Association annual convention. St. Paul, Minn. Contact: Michael Martin, (612) 641-0268.

March 25-27: Peabody Awards board meeting. University of Georgia, Athens, Ga. Selections for radio and TV programming excellence. Contact: Worth McDougald, (404) 542-3785.

March 26: International Council of the National Academy of Television Arts and Sciences Thames Television salute. Alice Tulley Hall, Lincoln Center, New York, N.Y. Contact: Richard Carlton, (212) 308-7540.

March 28-31: National Association of Broadcasters convention. Dallas, Tex. Contact: Bob Hallahan, (202) 429-5350.

March 28-April 5: Prix Futura Competition for radio and TV documentaries. West Berlin. Contact: CPB International Activities, (202) 293-6160.

April 2-5: Society of Cable Television Engineers Cable Tech Expo. Orlando Hyatt, Orlando, Fla. Contact: William Riker, (215) 363-6888.

April 5-11: INPUT, annual international public television screening conference. Granada, Spain. Contact: Sandi Pedlow, (803) 737-3447.

April 7-8: Paul Kagan seminars on the future of the VCR and pay per view. Century Plaza Hotel, Los Angeles, Calif. Contact: Genni O'Connor, (408) 624-1536.

April 7: IRTS Second Tuesday seminar. Viacom Conference Center, New York, N.Y. Contact: Marilyn Ellis, (212) 867-6650.

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March 28-31

GOINGS-ON BEHIND THE SCREENS: TOPICAL MONOLOGUES AND SKETCHES

TALK SHOW

TOM SCIACCA

LIFE AFTER FOWLER

Although the broadcasting industry has changed more during the past six years than during any other FCC chairman's tenure, Mark Fowler does not deserve either as much credit or as much blame as he has received. He rode a bipartisan deregulatory wave that began as far back as the Ford administration. Many of his most important actions were responses to demands made by courts raising fundamental questions—among them, whether diversity of ownership makes for diversity of programming—that Fowler himself never addressed.

Fowler's genius was in seizing opportunity, and he used the national deregulatory mood to change FCC actions and attitudes. Rules on ownership and sale of stations, public service programming, community ascertainment and others have been diluted or eliminated by his commission. Content regulation has been cut to a minimum. The Fowlerian doctrine—that TV carries no more public obligation than a toaster—has also made possible a transfer of control of the media from people steeped in the tradition of broadcaster-as-community-asset to financiers.

At the same time, Fowler gave respectability to asking (on First Amendment grounds) whether the country would be better off without the Fairness Doctrine.

Barring major societal shifts, no one will undo what Fowler accomplished with deregulation. Yet cornerstone regulations such as must-carry, the Fairness Doctrine and the network program-ownership rules remain on the books. The new chairman, Dennis Patrick, who shares Fowler's enthusiasm for deregulation, will find it difficult to alter the remaining landscape.

Patrick faces a Congress spoiling for a fight. Fowler never grasped the primary rule of Washington: Everyone eventually goes, but Congress stays. An FCC chairman needs to work with the Hill, to speak its language and to learn quickly which battles can never be won. But Fowler never accepted the fact that Congress isn't ready to see the airwaves as anything but a scarce resource.

Furthermore, the deregulatory fervor that transcended Fowler has peaked. The First Amendment as a rationale for deregulating TV can be pushed no further, and pro-market arguments have been used to assault every available regulation. With a post-Fowler swing of the pendulum likely, his successor faces serious problems.

First, most major industries—including broadcasting—actually want and need some regulation. Many crucial issues, such as the copyright problems created by new technology, can be resolved only by government action.

In addition, crises arising from takeovers, bankruptcies and concentration of control may raise calls for new ownership rules.

Thus, a return to regulation will occur at the urging of executives who now realize that it's dangerous to get what you wish for, and that the good old days of regulation, while demanding reasonable obligations to the community, also provided for affluence and security.

Second, it's clear that the public interest is not always served by the marketplace. It is in the public's best interest to have program diversity, to hear controversial opinions, to have programming that meets the needs of children and to have adequate news coverage. Few would argue now that such things can be achieved by deregulation.

The likelihood is that the FCC, with a push from Congress, will shift back to its traditional role of giving the public a feeling of involvement in formulating communications policy. And as this occurs, the message sent to TV executives by Fowler—"You don't have to worry about the FCC anymore"—will no longer be true.

JOEL SWERDLOW

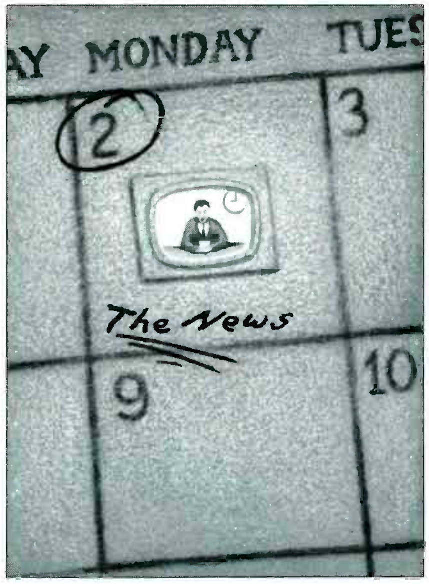
THE ONCE AND FUTURE DOCUMENTARY

Larry Grossman, president of NBC News, got on the phone late last fall to Brandon Tartikoff, president of NBC Entertainment, and struck a deal. Grossman said he'd give up the prime time hour occupied each week by the newsmagazine *1986* in exchange for 15 prime time hours for documentaries and news specials over the year. Some deal: 15 hours in exchange for 52. NBC immediately got richer, since almost any entertainment show was sure to juice up the ratings in the time period.

Nevertheless, Grossman views it as a fair exchange for the news division. "It's nice to have a magazine show like *1986*," he said, soon after canceling the program, "but it wasn't giving us any sort of pop—not like what you can get from devoting part of an evening to an important national issue and promoting it." Besides, Grossman pointed out, news magazines aren't doing so well these days. ABC's *20/20* has slipped in the ratings and so have a number of syndicated shows. And, in addition to easing the news division's budget by some $7 million or $8 million, trading the magazine show for a flock of documentaries will involve more members of the staff in the prime time activities of NBC News.

Grossman's background helps illuminate his decision. In his previous job, as president of PBS, he was a champion of the public-television documentary. And, in younger days, he saw how documentaries and news specials raised the stature and reputation of NBC News. In fact, he participated in that image building as vice president of advertising for the network. He believes, in short, that a return to sporadic documentaries will do more than a weekly series to enhance the image of NBC News today.

Howard Stringer, Grossman's counterpart at CBS, made his mark on the company as a producer of documentaries and recently went on record saying he wanted to revive the form. There may be similar sentiment at ABC. Before Capital Cities acquired the network, it had made a practice of producing at least one important documentary a year that was syndicated nationally. So its chairman,



Tom Murphy, also knows the intangible value of a promotable documentary. As for the tangible value, since news productions are exempt from the financial-interest and syndication rules, a network owns the entire back end of a documentary and may profit from the aftermarkets.

All of which is to say that the prospects for documentary production at the networks are better now than they've been in at least a decade. With luck, the competition for quality in the form will be spirited.

LES BROWN

TO COPY IS HUMAN, TO FORGIVE, DIVINE

What with all the pressing issues facing Motion Picture Association of America president Jack Valenti, it's easy to see how some things might slip his mind. On the one hand there's mammoth, monopolistic cable gaining control over movie product and on the other, video thugs are pirating Hollywood's hits on tape around the globe. Even so, the champion of copyright wouldn't let a little thing like . . . well, magazine copyright, go unchecked. Or would he?

At the recent independent television convention in Los Angeles, Valenti gave a rousing speech equating the cable operator with Darth Vader, calling for an end to the compulsory license and decrying the abuses of copyright. Valenti even copied and distributed a magazine article from *Channels* on Tele-Communications Inc., titled "Colossus of Cable," to illustrate his points. But, interestingly, Valenti and his staff never contacted *Channels* for permission to reproduce the article. And while we appreciate the publicity, and the assurances of Valenti's staff that he's "clearly impressed with the magazine," we couldn't help but notice the irony.

"We do apologize that we didn't get formal permission to copy the article," said a contrite MPAA spokesperson, Barbara Dixon, explaining that it was a "last-minute decision" to attach it to press releases. Hey, that's a good line—maybe Samsung can use it on the MPAA the next time it tries to introduce its dual-port Translator VCR in the U.S.

CECILIA CAPUZZI

TOM SCIACCA

TV'S NOUVEAU RICHE

The carefree *Lifestyles of the Rich and Famous* was bound to yield offspring. In their romp through the Arbitrons, the wealthy and renowned last year begat *Fame, Fortune and Romance* for ABC daytime, and now they've delivered new progeny for first-run syndication.

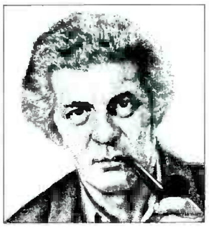
Born Famous, a knockoff of the genre by Fries Entertainment, takes the offspring metaphor literally: It's a series of five one-hour specials on children of the rich and famous, hosted by Meredith MacRae, daughter of famous Gordon and Sheila. The show peeks in on the newer celebrities whose parents were stars in movies, music and sports.

The other series, a purebred child of *Lifestyles*, produced by the same Robin Leach and distributed by the same TPE, is a weekly entry, *Runaway With the Rich and Famous*. But here the celebs are merely shills for a travelogue—visits to exotic places and plush restaurants and hotels. With photography that is often stunning, the series turned out to be, surprisingly, one of the most engaging offerings at this year's NATPE market.

If the newborns make it, the reproductive urge will surely accelerate. Don't be surprised, then, at next year's *Diets of the Rich and Famous* or the one joining the trend in business shows, *Accountants of the Rich and Famous*.

L.B.

THE PUBLIC EYE



by Les Brown

Turning business loose has turned TV upside down. For those on the front lines, winning is not much more fun than losing.

DOWN WITH TRICKLE DOWN

Whatever happened to trickle down? Remember that utopian coinage of the Reaganite economists six years ago? Turning business loose, they assured us, getting government off its back and letting it ramble in free markets, would energize the economy and get America moving again. Sure, the big corporations would get bigger and the rich richer, but not to worry: With their greater success and prosperity would come a joyous trickle down of employment and money, so that even the lowliest worker would share in the benefits of business emancipated.

Tell that today to the thousands who have lost their jobs in media takeovers and see if they don't gag with laughter. With company after company leveraged to the max and slashing their payrolls, the television business is shrinking even as it grows. And that paradox engages another: Winning, for those on the industry's front lines these days, is not much more fun than losing. Indeed, it may even be less fun.

Mark Fowler's free-market legacy: the death of localism and the chipping away of the public-trustee tradition.

Recently I found myself in the company of several second-line NBC executives and remembered them as a happier bunch when their network was running last. The General Electric takeover, coming as it did on the heels of their first undisputed winning season in history, not only robbed them of their hour to rejoice but put them all in an uneasy state of mind. Jobs and perks were being eliminated. Cutbacks were being ordered everywhere. And their new boss, Bob Wright, was sending down semiliterate memos berating them for sloppy management and for failing to share some of their salaries with political candidates sympathetic to the interests of The Company. All that has trickled down at NBC thus far is fear.

To attend any trade event these days is to notice at once that broadcasting is not the happy-go-lucky industry it was only a few years ago. The INTV convention in January, for example, was clouded by a rash of bankruptcy filings, creating misery for the syndicators who had program contracts with the troubled stations. The most shocking bankruptcies were those of Grant Broadcasting, with three independents in major markets, and WTTV in Indianapolis, a well-established VHF station that simply collapsed under the debt it had assumed in a leveraged buyout two and a half years before.

So, along with the prospect of indies losing audience under a greatly softened must-carry rule for cable, thanks to deregulation, the message that is trickling down to managers of the healthier stations is that they're in for a bumpy ride on the free-market express.

I find it hard to cite a single public benefit from the emancipation of the media business during Mark Fowler's six-year tenure as Federal Communications Commission chairman. In departing, he boasts this legacy: With more stations and cable systems concentrated in fewer hands, local ownership of the electronic media is diminishing sharply in a system that was, from the first, based on localism. From Fowler's indifference to the public-trustee tradition in broadcast ownership has come a marked reduction in radio news and greater television exploitation of the child audience. With the rising debt level at companies bent on expansion, there are the austerities that first affect staffing and then, inevitably, the product. Everywhere, the search is on for cheaper programming.

One of the arguments for deregulation was that it would result in people paying less for services, as with air travel; and yet the first effect of cable deregulation in 1987 is a hiking of the subscription rates.

During the Reagan administration we traded big government for big business. I'm not sure we cut ourselves such a good deal. Turning business loose has turned television upside down. Where previously the broadcaster's primary obligation was, if only in theory, to the public, today it's unabashedly to the stockholder. That fundamental difference has made a whole different business of broadcasting. With Fowler's FCC binding no one to noble purposes, with nearly every operator pledged to making the biggest buck, it's a jungle out there.

Personally, I'm more comfortable with big government running things than with big business. At least government, in our democracy, is representative and accountable. Sooner or later, if you have to, you can throw the rascals out. But you can't do that with business; the public can't unelect a corporate president.

Doubtless, the true believers will argue that we haven't been patient enough, that it may take a few years for the working stiffs to receive trickle-down benefits from the big killings made by the big companies. But from the histories of the companies that now control the networks—Capital Cities, famed for its leanness and meanness; the fiscally prudent Loews Corp.; the hard-nosed General Electric—you'd have to say it's highly improbable.

Of course, there may be a handsome trickle down to the members of the public who invested in media stocks. But any elected official who considers *that* the ultimate public benefit is a rascal who deserves to be thrown out on his ear. ●

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Tough New World

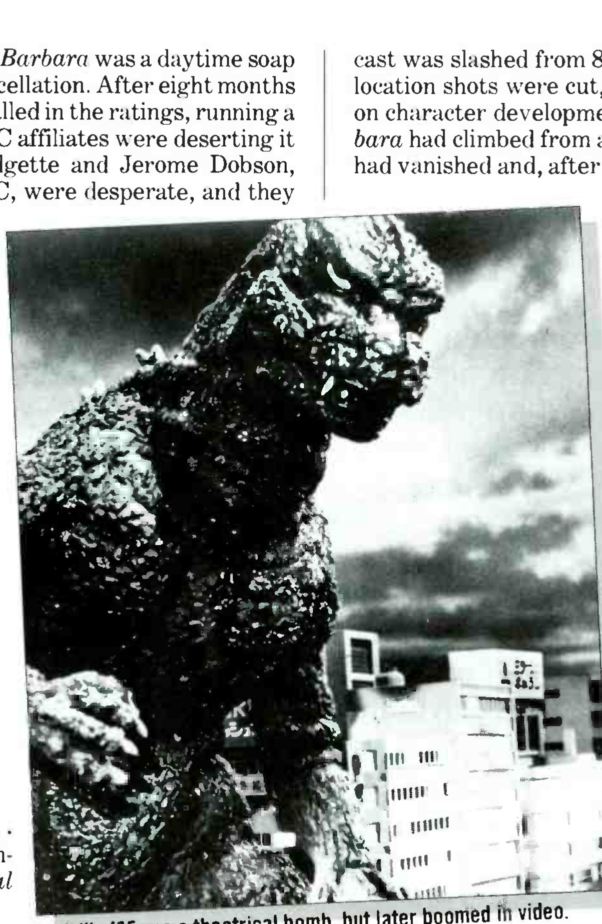
In just four years, two Hollywood attorneys have parlayed a $2 million investment into a $300 million empire. Now they're moving into TV, applying the same formula that's made them the kings of Grade B. *by Greg Critser*

In April 1985, NBC's *Santa Barbara* was a daytime soap with nowhere to go but cancellation. After eight months on the air, the show was stalled in the ratings, running a $2.3 million deficit and NBC affiliates were deserting it in droves. Producers Bridgette and Jerome Dobson, who had created the show for NBC, were desperate, and they turned for help to their former entertainment attorney, Harry Evans Sloan. Two years earlier, Sloan, 35, and his partner, Larry Kuppin, 36, had closed their lucrative law practice in Los Angeles to buy New World Pictures, but they had never produced a regular series for television. Yet *Santa Barbara* appeared to be just the kind of property they were looking for to launch their fledgling TV division.

Within a matter of days, Kuppin and Sloan had reached a co-production agreement with the Dobsons that transferred ownership of the show from them to New World, received NBC's consent and moved onto the *Santa Barbara* set to supervise a massive rewriting of the script. The soap's cast was slashed from 80 to 50 actors and expensive action and location shots were cut, freeing up the Dobsons to concentrate on character development. By the following spring *Santa Barbara* had climbed from a 9 to a 15 share in the Nielsens, its debt had vanished and, after rights were sold overseas, the show began delivering steady profits. *Santa Barbara* is expected to generate profits this year of $3 to $5 million.

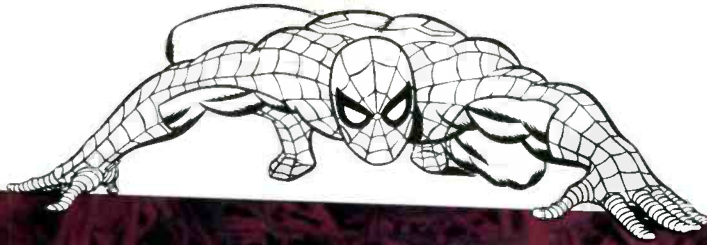
"It was all union costs—it was AFTRA [American Federation of Television and Radio Artists]," says New World cochairman Sloan. "We reduced those by 30 percent and saved the show for everybody else."

Before New World took on *Santa Barbara*, few television executives had even heard of the company. But no longer. In recent months New World has emerged as one of the hottest entertainment companies in the country, and now it is moving aggressively into television, arriving at exactly the moment when financial pressures at the networks make its no-frills approach practically irresistible. By lowballing the competition at the major studios, ruthlessly cutting costs and playing union against union, New World has managed to place four prime time series—NBC's *Crime Story* and *Rags to Riches*, ABC's *Sledge Hammer* and *Mariah State*—on the



Godzilla '85 was a theatrical bomb, but later boomed in video.

Greg Critser last wrote for Channels *about Spanish International Communications Corp.*



AMY ETRA

LOW-BUDGET, LOW PROFILE: New World Pictures' three cochairmen are (from left to right) owners Harry Evans Sloan and Lawrence Kuppin and CEO Robert Rehme.

networks this season. *Monte Carlo*, a CBS miniseries starring Joan Collins, another former Kuppin-Sloan client, aired last fall, and New World has a raft of other development deals in the works. From a virtual cold start a year ago, when its television revenues were a mere $12 million, New World is now clocking production fees in the $100 million range. When these are added to the income of its booming movie and home video divisions, New World is projecting 1987 revenues of $300 million.

New World is also moving into television along another front. Last fall, the company entered a joint venture with two respected broadcast veterans, former Metromedia president Robert A. Bennett and former ABC Entertainment chief Lewis Erlicht, to explore television station acquisitions. With $300 million in equity left over from stock offerings and junk bond sales, which the company says it can leverage as high as $1.5 billion, New World is shopping for network affiliates and independents in major markets. It is counting on station prices to continue to fall in the wake of Lorimar-Telepictures' scuttled bid for the Storer group.

"We're looking for undermanaged stations, properties where we can quickly improve cash flow and value—just like we did with New World itself," says Sloan. "I *love* the fact that the station market is depressed right now. I'm glad that the major studios can't meet network budgets anymore. We're going to move in and grab their market share before they know what's happened to them."

This is the same strategy that Kuppin and Sloan have relent-

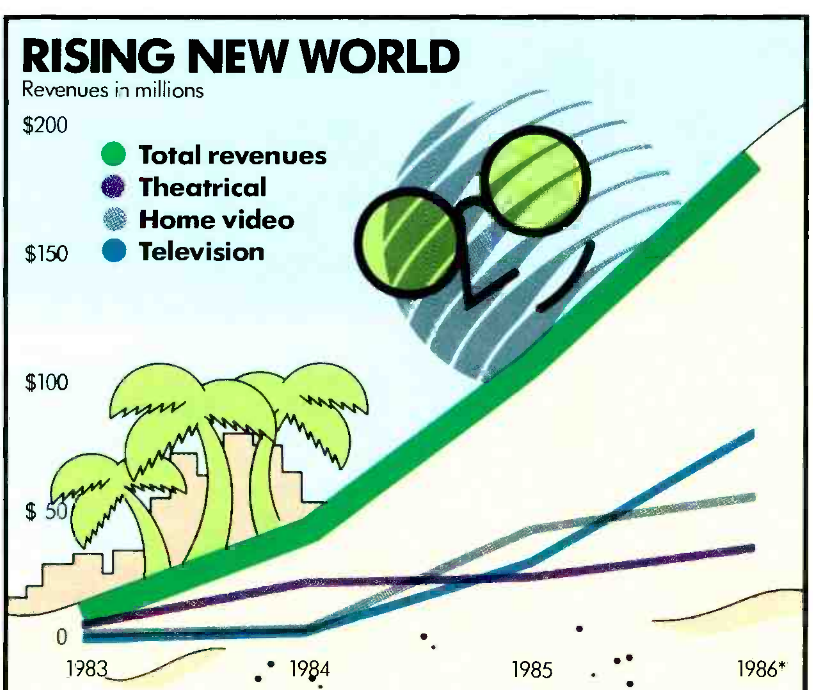
NEW WORLD'S GREATEST HITS

Film	Production Budget ($ Millions)	Box Office ($ Millions)	Gross* ($ Millions)
Angel	1.4	17.5	22.0
Children of the Corn	1.6	16.0	21.5
House	3.5	19.5	29.5
Soul Man	4.5	28.5	41.0***
Godzilla '85	.5**	5.0	9.5
Night Patrol	.5**	10.0	14.5

* Gross revenues include home video, pay-TV and foreign sales
** New World acquisition costs
*** future revenues estimated

lessly pursued on the film side, transforming New World into the undisputed leader in the niche they have carved out: low-budget exploitation flicks for teens. While majors such as Paramount and Universal lavish upward of $20 million apiece on a half-dozen films each year, New World churns out more than 25 releases, none of them costing more than $5 million, in some cases literally ripping out pages of scripts to bring productions in under budget. Wedded to the star system and their expensive back lots, the majors gamble on the vagaries of the box office to produce a blockbuster or two that will balance the books for the year. New World, by contrast, leaves nothing to chance. It generally avoids the high price tag of major stars, has no master contracts with the unions, keeps its overhead low by owning no Hollywood real estate and supports a payroll of just 300 corporate employees. Only a handful of the 100 films Sloan and Kuppin have released have lost money—only about $3 million in all.

Yet the traditional distinction drawn between Hollywood majors and independents seems almost meaningless when applied to New World, for the company has already achieved a remarkable degree of vertical integration. After their release through New World's own theatrical distribution network, a monotonous litany of titles like *Transylvania 6-5000, Nice Girls Don't Explode*, and *Vamp* are quickly cycled through pay-TV and New World's video division. Kuppin and Sloan fiercely protect their rights on foreign and television sales, and promotional campaigns are adjusted flexibly for each distribution window. *Godzilla '85*, for instance, which New World purchased from a Japanese producer, bombed at the box office, but the company immediately recovered its $500,000 acquisition fee by selling theatrical rights in Australia and England, American television rights and then greased in another $4 million by moving its cassettes through the video stores underneath huge inflatable Godzillas. Last winter, New World's first crossover film, *Soul Man*, was the season's sleeper hit. The film cost $4.5 million to produce, and racked up some $28 million in sales at the box office.



*1986 4th quarter estimates

New World's steady revenue growth and ability to collect the lucrative video "back end" have won the company raves on Wall Street. "Kuppin and Sloan found their niche, insulated themselves well and stuck to plan," says Dennis Forst, an entertainment analyst with Seidler-Amdec Securities in Los Angeles. "Wall Street likes the fact that they're caught up in the numbers of the business, not the glamour." Kuppin and Sloan took the company public in October 1985 at $7.50 a share and by January 1986 the stock had climbed to $18.50. (In early February shares were trading at about $13, a casualty of the battering entertainment stocks took last year in the wake of the financial difficulties at the Cannon Group and Securities and Exchange Commission investigations into studio accounting methods.)

Now even mainstream Hollywood is noticing. Some of the industry's top talent, attracted by New World's lean operating style and overnight decisions on budgets and scripts, are lining up to sign production deals. This year New World will release a film directed by Robert Altman, and titles starring Whoopi Goldberg and Julie Christie.

New World's rise is important for another reason. Kuppin, a former attorney for the powerful ICM agency, and Sloan, once a lawyer for the Screen Actors Guild, typify the new breed of entertainment attorneys now assuming top management jobs in Hollywood, a development fraught with irony for the studios. In 1979, for instance, Kuppin and Sloan became briefly notorious for playing on actor Gary Coleman's medical difficulties after kidney transplant surgery to considerably enrich his contract as the star of NBC's *Differ'nt Strokes*. Kuppin and Sloan once initiated a controversial suit against MGM to collect royalties for *CHIPS* star Eric Estrada, and they were also instrumental in securing the huge fees that former client Linda Evans collects for appearing in *Dynasty*. Now, however, like prosecutors abandoning their government jobs to defend the same white collar criminals and drug dealers they once pilloried in court, the new moguls see no contradiction in switching sides. The same negotiating skills they used a few years ago to drive production costs up can now be applied to pushing them back down.

"If what we did for Gary Coleman makes us bad guys, then so be it," says Kuppin. "We were the mavericks of the Hollywood production community then, and we're the mavericks of Hollywood today."

New World's maver-

ELIOT BERGMAN

AMY ETRA

> ‘**I** *love* the fact that the station market is depressed right now. We're going to move right in.’

Broadcasters Lew Erlicht (left) and Bob Bennett are shopping for stations in major markets.

ick approach is often compared to that of its chief rival in the schlock niche, the Cannon Group, which early this year seemed on the verge of collapse after owners Menahem Golan and Yorum Globus overreached into high-budget films and theater ownership. Actually, the comparison could not be less apt. Unlike Cannon, New World stresses stable management and adroitly manages debt by borrowing more than it needs and then parking large cash balances in the bank. New acquisitions, such as the company's recent purchase of Marvel Comics, have to contribute to the core business, and are usually made at fire-sale prices. In fact, the principal acquisition that defused Cannon—its $270 million purchase of Britain's Thorn/EMI theater chain—had been previously offered to New World. Kuppin and Sloan passed, at a price $50 million below what Cannon paid.

"Cannon did the deals first and the analysis second," says analyst Forst. "New World does it the other way around."

Yet for all the recent interest in New World, the company and its principals largely remain a mystery. Part of the reason lies in the low profiles kept by most of its executives who, like Kuppin and Sloan, so far have seemed more devoted to financial success than artistic recognition. "I don't even know what taking a lunch means," says Paul Culberg, the company's antic video division president. "All I want to be is rich and anonymous." Fiscally puritanical yet loosely managed from the top, New World throws up a contradictory image. At the company's headquarters on South Sepulveda Boulevard in Westwood, young MBAs breeze through the corridors in dark suits, corporate clones somehow diverted from IBM. Yet last year, when video dealers complained that New World's semiliterate *Where Did I Come From?* was too "childish" for the market, marketing vice president David Pierce dispatched his salesmen to high-powered pitch meetings in diapers. More than anything else, New World's success is due to the split personalities of the two men who, almost by accident, stumbled onto the company in 1983.

The Kuppin-Sloan story is, at heart, a classic Hollywood tale of opportunism. In 1978 Kuppin and Sloan had joined the legions of young California attorneys leaving their jobs to form entertainment law firms. Kuppin, an intense, private man who enjoyed burrowing through the dull language of contracts, provided the team's legal guerrilla tactics while the outgoing, acerbic Sloan filled out the entrepreneurial side. Drawing on their ICM and SAG contacts, Kuppin and Sloan had pulled together an impressive roster—in addition to Coleman and Joan Collins they represented Michael Landon and Ron Howard—and they were soon extracting from their clients' fame the usual gluttonous fees.

Within a year of founding the firm, however, both men had become frustrated by the way the studios rejected worthy commercial projects anchored to their clients or frittered away video and foreign rights. Tentatively, they decided to branch out on their own. "Most attorneys in Los Angeles run their firms to break even and then make money on the side in real estate," says Sloan. "We decided to make ours by doing films."

The Marvel Strategy

New World's $50 million purchase of Marvel Comics late last year was a strategic entry into the animation field at a moment when its prospects appear especially bright. After 15 years of eclipse, animation is making a strong comeback in Hollywood. Disney's *The Great Mouse Detective*, for instance, grossed almost $25 million at the box offices last year. The networks spent an estimated $200 million on Saturday morning cartoons in 1986, and syndicators spent another $75 million for animated shows. When tie-ins for toys and T-shirts are thrown in, animation represents a total market of well over $400 million in revenues.

Since 1961, when the old Marvel Comics line was incorporated as a separate publishing entity, the company has pursued a diversified approach. Today, the company has grown into the dominant distributor of comic books, selling about seven million copies a month—almost 60 percent of the market. Marvel established its television unit in 1981 and today it is the third-largest producer of animated programming, with 250 half-hour episodes in the works for the 1986-1987 season. The television unit generated about half of Marvel's 1986 revenues of $90 million.

The New World and Marvel lines fold together nicely in several respects. Popular shows like Marvel's *Spiderman* can be stripped together and sold as home cassettes through New World's video division. Marvel characters that do well in comics can be recycled as TV series and vice versa. The studio's teen-oriented films can be pitched in ads in Marvel Comics, which reach about 16 million young readers each month. Perhaps most important, Marvel series will flesh out New World's syndication offerings, which until now were weak in cartoon shows.

But animation also presents several clear risks. With independent and foreign animation studios flocking to the field, the market is glutted, and Marvel already has felt the sting. "Seven or eight companies are now vying for the same four hours of Saturday morning programming, where before there were just four competitors," says Margaret Loesch, president of Marvel Productions. "That makes our chances half of what they were before."

—G.C.

In 1979 Kuppin and Sloan formed Zephyr Productions and one year later they made their first film, *On the Right Track*, which starred Coleman, cost about $3 million and grossed $17 million. But they soon ran into trouble when the studios spurned a distribution deal for their second film, *Jimmy the Kid*. "They weren't interested in the kind of movies we were making," recalls Sloan. "They just wanted blockbusters."

As they searched for a distributor, Kuppin and Sloan realized that mergers and acquisitions in Hollywood had created an enormous vacuum in the distribution system for B films. Two erstwhile low-budget shops, AIP and Filmways, had been subsumed into Orion, which promptly departed the B market, and Avco Embassy had also left the field. That left Roger Corman's sleepy New World, king of the 1970s exploitation flicks like *Caged Heat* and *Piranha*. With its own network of 14 branch outlets that distribute films to theaters, New World had built up a reliable wholesaling operation for grade-B product, virtually the only one left in the country. It was, in short, a classically undervalued company with a lock on its market. Surprisingly, when Corman began shopping the studio to investors in 1982, no one was interested. Kuppin and Sloan, who by now had distributed *Jimmy the Kid* through New World, realized that they'd be fools not to buy in. With $2 million of their own money and $10 million in bank loans, they snapped up New World.

The change in management style was swift and severe. Corman had been a tightfisted but ultimately benign godfather, and Kuppin and Sloan soon supplanted this with a coolly reasoned, targeted approach: Crank up the output, attract strong managers and keep costs low while tightly controlling distribution. During their first year of operations, New World lost almost $15 million while waiting to recover start-up costs on films, but after former Universal president Robert Rehme was hired as CEO in 1984 the company began to break even.

On the financial side, New World quickly evolved into a bold innovator that used limited partnerships and junk bonds to protect the studio from the risks of box office failures. Under a deal arranged last year by Balcor Co., a subsidiary of American Express, for example, New World has received $70 million from limited partnerships sold to the public by Balcor. For each $3,000 investors put up, they receive 55 shares of New World stock plus a portion of the receipts of about 25 films tied to the deal. In return, the investors assume liability for production cost overruns. New World's share of the deal includes its own portion of film profits, hefty production, advertising and distribution fees and—most significant—a whopping 78 percent of video sales.

Two important developments in recent years contributed mightily to New World's early success. First, the pay services on cable began noticing that the megahits, already overexposed in the theaters, often had less appeal than B-grade genre flicks that viewers felt they had "discovered" on the schedule. Second, teens began forming a critical mass around the home VCR, and New World's ecumenical cast of snarling dragons and polygamous prom queens proved highly seductive. After its experience with *Godzilla '85*, New World began carefully "tweaking" promotional campaigns for each stage of distribution; video president Paul Culberg fondly describes the process as "turning cow manure into ice cream." New World's *Vamp*, starring model Grace Jones, failed miserably at the box office in 1986 after the company overshot its audience by promoting it as high camp. Rushed into video and pitched as a straight horror flick, *Vamp* sold 94,000 cassettes, grossing $5 million.

"I'm always amazed when I visit old friends at the other studios," says Bill Shields, president of worldwide sales at New World. "They're always saying 'Well, I'm down on this picture,' before it's even made! No one is that smart. We don't presume anything about the market until we get there."

Because they operate outside the star system and supervise only a modest corporate staff, New World's principals are free to devote their time to the mundane details of marketing and production costs, decisions which are often marooned in middle management at the larger studios. The company has become legendary for practicing a kind of "tough-cop, good-cop" routine during script and budget negotiations with producers. First, CEO Rehme sits down and listens thoughtfully to the pitch.

Then Sloan, witty and upbeat, softens them up. Finally Kuppin moves in for the kill, insouciantly proposing ridiculously low budget figures as the suppliers squirm and try to justify their costs. "The guy eats raw meat for breakfast," says one producer. "Even if you've done a tremendous job on a film he comes in and looks as if he's never seen you before."

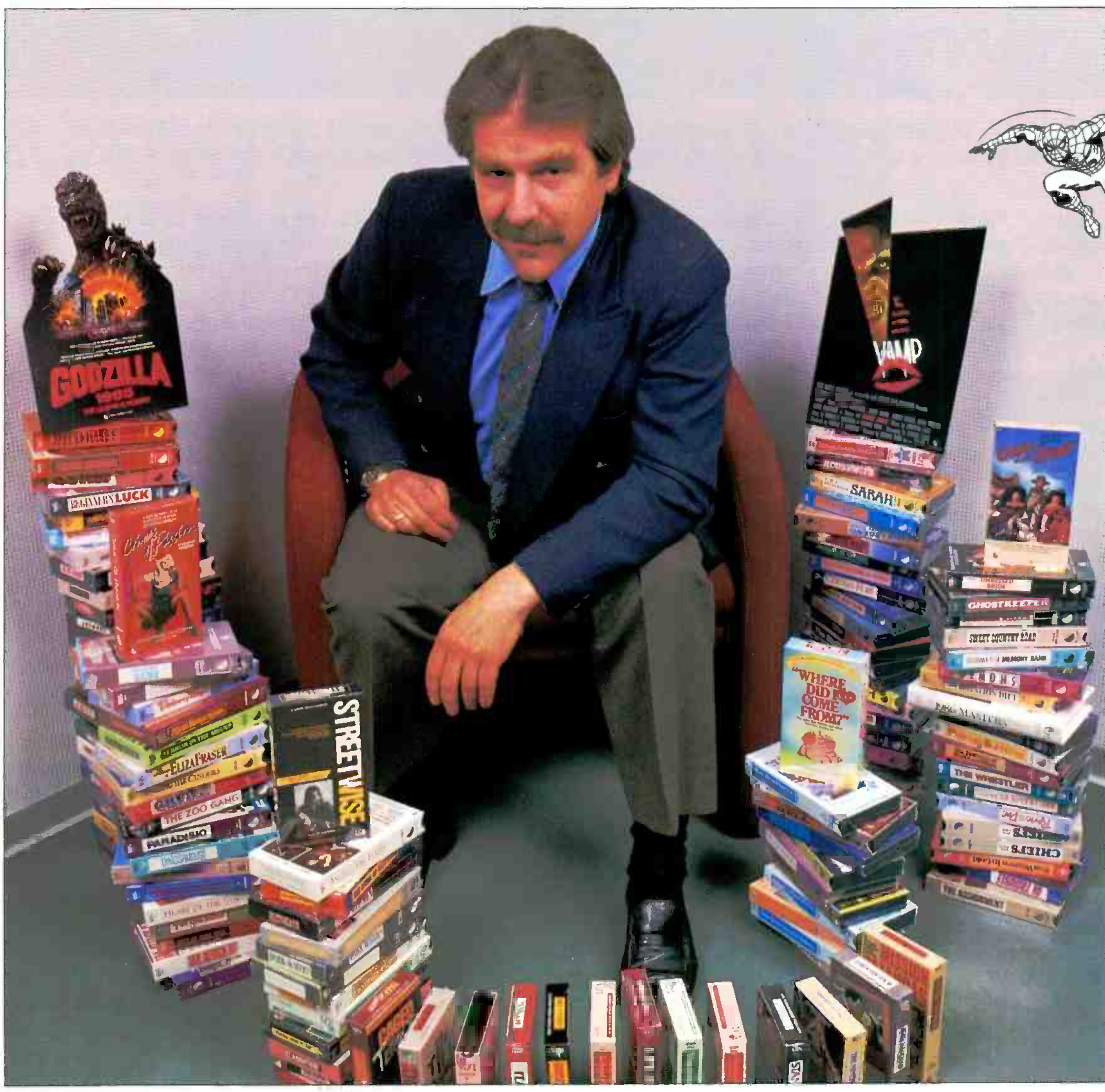
"New World is the Rent-A-Wreck of independent studios," says an associate producer who once sat in on budget talks for a New World film. "Somebody ripped out the seat belts and brakes, and all the passengers arrive DOA."

New World's blitzkrieg across the television frontier seems infinitely more risky. Here, Kuppin and Sloan do not enjoy a franchise, and they have committed a huge part of their company to production for the networks at the very moment when the health of those networks is in doubt. Typically, Sloan views the gamble as a classic entrepreneurial struggle, a matter of new suppliers reaching out to a mature industry. "Each of the three networks has been fundamentally altered in the last year. They have changed hands from people who were relationship-oriented, and wanted to continue to do business with the studios they had always had relationships with, to new managers who simply want to receive serious programming at cost."

That was certainly a major factor early last year, when New World landed NBC's *Crime Story*, an early-60's cop show originated by *Miami Vice* producer Michael Mann. Production had originally been slated for Universal, with NBC insisting that it would not pay any more than $1.2 million per episode in licensing fees. But Universal executives concluded that they couldn't possibly make the episodes for less than $1.5 million and, with Mann's reportedly large overruns on *Vice*, they realized that they might be staring down a $1 million deficit. The studio passed, compromising a valuable relationship with a hot producer and casting a pall over the production. After New World expressed interest and vowed to live within the budget, NBC gave it the show.

Since then, *Crime Story* has run to generally favorable reviews and mediocre ratings. Deficits reportedly in the $200,000 to $300,000 range will, the company hopes, be recovered by foreign syndication. To keep costs down, the show is mostly shot on location to avoid expensive sound stages, and a Midwest auto club lends the production its vintage cars. Instead of succumbing to the high rate cards of the IATSE union local in Los Angeles, New World negotiated a better deal with the Chicago local and shot the first 14 episodes there before moving production to Las Vegas. (On *Sledge Hammer* and *Rags to Riches*, New World "shopped" the unions and eventually signed NABET's, which agreed to rates 25 percent below IATSE's.) Scripts are carefully vetted to anticipate and diplomatically curb Mann's expensive penchant for wrinkled Ferraris and bomb squads that usually arrive too late. Character development, such as lead Dennis Farina's on-again, off-again relationship with his wife, is stressed. "Emotion is difficult to show on film," says Sloan. "But it's a hell of a lot cheaper than train wrecks."

Still, no one is pretending that New World has beaten the system. It faces a mountain of losses if its shows are not renewed and don't reach syndication, where in any case it competes with



AMY ETRA

New World carefully "tweaks" each new video promotion, turning "cow manure into ice cream."

Video president Paul Culberg and his ecumenical cast of cassettes.

First in 1947

5

KTLA

On January 22, 1947, KTLA made history when it signed on the air as the first television station west of the Mississippi.

First in 1987

40th Anniversary

5

KTLA

LOS ANGELES

A Tribune Broadcasting Station

Today, we're still making history as L.A.'s leading independent. KTLA...First in 1947. First in 1987. First for forty years.

the FBI apprehended 55 organized-crime figures involved in pornography and videocassette piracy. The operation, which peddled bogus copies of everything from *Bambi* to *The Exorcist*, had cost the movie industry some $700 million a year in lost revenues. One key suspect was so distraught by the raid that he died of a heart attack minutes after his arrest.

Then there was the case of Olav Hastad, a projectionist at the Union Theater in Queens, whom one FSO agent described as "an electronic genius." For months, MPAA was stumped by the way virtually all new films were showing up in the East Coast video underground several days or weeks before their theatrical release. Working with an FBI strike force, MPAA zeroed in on Hastad, a movie buff who had built his own film chain—a device used to transfer 35mm film prints to videotape.

According to MPAA, the 33-year-old Hastad and a confederate "borrowed" film prints from theaters during sneak previews, duplicated them on the film chain in Hastad's apartment and sold 70 master videocassettes for between $800 and $1,800 apiece to FBI undercover agents. Hastad ended up pleading guilty to criminal copyright infringement and was given a $2,500 fine and a two-year suspended sentence.

Piracy not only cuts into legitimate cassette sales but thoroughly disrupts a film's carefully staggered release schedule. In order to maximize revenues, a studio typically releases a film to U.S. theaters first, then to foreign theaters and the domestic video market and later to pay cable and broadcast networks and TV syndication. The earlier in the schedule that pirates acquire an illegal copy, the greater the illicit profits to be made, and the greater the losses to a studio.

Rambo's producer reportedly lost "millions and millions of dollars" when pirated videocassettes went head-to-head with the film's first theatrical run overseas. "Within two weeks of the film's release, I had filed copyright lawsuits in six countries," says Peter Eichler, an attorney for Carolco, the producer. The problem has gotten worse as the VCR population has grown, says Eichler, who had to pursue much less litigation to protect *Star Wars* and *Star Trek* in the late '70s.

The first stop for a pirated film is usually one of several notorious "export centers" in the Far and Middle East, where copyright laws are nonexistent, weak or poorly enforced. The pirate underground typically smuggles a hot film to such havens as Thailand, Taiwan, Malaysia, Cyprus and Saudi Arabia. Since it is usually impossible to identify an illicit videocassette in a traveler's briefcase or handbag, customs agents rarely bat an eye.

Moscaret devised rules plugging the leaks.

In the Middle East, says Bloeser, "a film will go directly to video laboratories that do nothing else but copy pirated material. But there's nothing we can do about it, because they're not breaking the Saudi law." In Japan, the Yakuza crime syndicate dominates the market, which is more than 50 percent pirated, and earns an estimated $500 million a year. Until a massive crackdown a few years ago, London was the hub of European piracy because the city has a great deal of the professional video equipment used to convert videotape from one of the world's many TV standards to another. After hours, pirates were copying films with the equipment of legitimate businesses.

Once a movie videocassette enters the chain of illicit commerce, it begins a global odyssey that takes it to film-starved South Africans living under strict cultural censorship and to isolated islanders in the South Pacific with few sources of entertainment. In Italy, church bingo parlors were said to sponsor illegal public showings of such pirated videos as *The Thorn Birds* and *Monsignor* before selling them to the African black market.

Racketeers flooded stores with *Exorcist* dupes.

As illicit copies get passed along from one pirate to another, they mutate like some devolving bacterial strain. Inferior videocassettes originally shot off a theater screen with a video camera (featuring overlays of actual audience laughter and coughs) will father as many as eight generations of copies. Homemade subtitles surmount language barriers, translating James Bond's pillow talk into Chinese, Mali, Arabic, Thai and dozens of other languages.

MPAA has an active enforcement effort in 35 nations, and is seeking stronger copyright protections in another 20 nations. But because it cannot supervise a global dragnet by itself, it has helped organize regional antipiracy federations in the United Kingdom, Japan, West Germany, France and Spain. Officials of the Japanese federation were on the scene late last year when police raided 21 video shops, seizing 67,000 illegal tapes, a third of them copies of American movies.

The federations, like MPAA's Film Security Office, work as shadow police forces; they have no official authority but they can conduct useful preliminary investigations, promote better security practices for the industry, sponsor lawsuits against pirates, lobby for stronger copyright laws and enforcement and mount publicity campaigns. But this mission can be a hard sell: How do you convince a nation's constabulary that it should divert its energies from combating terrorism and violent crime in order to protect Hollywood's copyrights?

Fighting government apathy can be especially difficult in Third World nations, where officialdom frequently views American studios as wealthy interlopers and the pirates as resourceful entrepreneurs aiding the impoverished local economies. In some countries, in fact, the government may be the biggest problem. Charles Morgan, senior vice president of Universal Pictures, was visiting Panama to assist in the prosecution of Isaac Zafrani and other pirates. While relaxing in his hotel room at the Panama Hilton, Morgan was suddenly greeted by violent banging against the door.

"I looked through the keyhole," recalled Morgan, "and saw several soldiers with automatic guns who said they had a warrant for my arrest." The pirates had apparently obtained the arrest warrant from a corrupt Panamanian judge. Morgan quickly telephoned the U.S. embassy for help and kept the soldiers at bay for three hours. After convincing the envoy that he himself was not mixed up in illegal drugs, the embassy intervened to get the soldiers called off. Despite such harassment, Morgan managed to shut down Zafrani's piracy empire in 1984. Zafrani is now a legitimate distributor of videocassettes, says Morgan, "but I don't know what else he does."

Bob Mann, an FSO investigator, had a similar problem with the Caribbean island of Aruba. Mann accompanied the island's police chief on a series of raids of video stores selling illegal cassettes. The next day, an embarrassed chief showed up at Mann's hotel room and ordered him to leave the country. It turned out that one of the island's top government officials had a financial interest in the raided stores and wanted Mann deported. MPAA later pursued the cases through Aruba attorneys.

Even when the police and courts are sympathetic to Hollywood studios, the native citizenry sometimes is not. In Puerto Rico, a U.S. territory, the FBI has brought several criminal prosecutions against pirates caught red-handed. But juries in Puerto Rico have always turned against the "gringo lawyers" and rallied to the defense of pirates, says Bloeser glumly. "We've *never* had a conviction in Puerto Rico."

Because chasing after pirates can be so futile as well as arduous, and because prosecution and punishment don't directly prevent revenue loss, the movie industry is intensifying its search for preventive tactics. A pioneer on the technological front is Joseph Moscaret, a man who, before retiring recently, was to Hollywood what the Secret Service is to the White House. Paramount Pictures tapped him in 1979 to create the first studio antipiracy program, drawing upon his knowledge of the byzantine film distribution system (he had served for 16 years as the studio's nontheatrical sales director). At MPAA's request, Moscaret developed a ten-point security program that most major studios have adopted. To prevent tampering with films in transit to theaters, for example, canisters are now sealed with lead.

Moscaret's biggest achievement may be his role in working with Kodak researchers to develop the Coded Anti-Piracy (CAP) system, a print identification and tracking system. By inserting a few extra frames into each film print, giving it a unique signature, studios can trace illegal copies back to a particular film print and theater.

Warner Brothers used the coding system to get tough on pirates last spring with the release of Sylvester Stallone's violently anticriminal movie *Cobra*. The firm took out full-page ads in trade magazines, warning potential pirates that each of 4,100 film prints could be traced. While the markings did not entirely prevent *Cobra* ripoffs, says Warner's Molly Kellogg, it apparently slowed the process. The first copies made from a theatrical print reached Bahrain in about 29 days, Japan in 45 and France in 117, and relatively few top-quality copies were detected outside the Middle East—a rare victory over pirates. All other *Cobra* cassettes were low quality, shot off theater screens.

Looking long-term, the film industry is now trying to find technological fixes to block back-to-back copying of prerecorded videocassettes, a simple form of piracy accomplished by hooking together two VCRs. Because an estimated four million U.S. homes already have two or more VCRs—a figure that could rise to 17 million by 1990—MPAA fears that back-to-back copying will siphon away more and more of its revenues in the future. If manufacturers ever dare to risk MPAA's wrath by selling dual-cassette VCRs in America, studios fear an unstoppable epidemic of do-it-yourself piracy.

So far, the film industry's best technical weapon is a technique called Macrovision, which, for 10 to 25 cents per cassette, encodes videocassettes with signals that distort the sound and picture of homemade copies. Early versions of Macrovision sometimes interfered with normal playback; the high rate of returned cassettes led Embassy Home Entertainment to drop the process after using it on three movies. But MCA Home Entertainment, among other firms, has been using Macrovision steadily for a year, according to technical director Michael Fitzgerald, and finds that its latest refinements make the process "very effective against casual copying." But it isn't 100 percent effective. Well-equipped pirates can copy despite Macrovision, and so can anyone with a Beta-format VCR—only VHS recorders are affected.

Worried about the potential effectiveness of any software countermeasure, the film industry is now lobbying Congress to require VCR makers to insert antitaping electronic chips into new units. But an ad hoc coalition of VCR makers, retailers and blank tape manufacturers has mobilized to oppose any anti-taping systems. A Senate panel is looking into the controversy, but no action seems imminent.

It is hard to imagine an antipiracy crusade that could marshal greater expertise and clout than the MPAA's. The effort is as relentless as an Indiana Jones movie. Indeed, for an industry that is used to writing its own happy endings, it seems farfetched that the black hats could prevail in the final reel.

But Richard Bloeser, a hard-boiled cop who has dealt firsthand with the criminal element, is a man of few illusions. Piracy can be greatly reduced, he admits, but then quickly notes, "As far as we're concerned, just about every new picture of any importance is going to be pirated before it is legitimately released to the home video market. It's just a fact of life." ●

Might Makes Copyright

Hollywood is not alone in suffering piracy. Dozens of industries that export "intellectual property"—books, music, computer chips and other creative products—are victimized by foreign bootleggers. The estimated loss: $20 billion a year, according to the International Intellectual Property Alliance (IIPA).

As the toll has mounted, American industries have mobilized in recent years to fight foreigners' casual attitudes toward U.S. intellectual property. Third World governments consider it "creative" and "entrepreneurial" to copy intellectual property, complains Carol Risher of the IIPA. Many underdeveloped nations rely heavily on pirated goods for domestic jobs, foreign exchange and prosperity.

To spur reform, American industries are urging the U.S. government to deny scofflaw nations the preferential trade status that many Third World countries enjoy. Nations that refuse to protect U.S. intellectual property rights could be slapped with new import quotas, tariffs or other restrictions on trade with the United States. So far, says Risher, 23 countries are "trying to clean up their markets" by strengthening their copyright laws and enforcement.

Long-term remedies are most likely to emerge from the GATT trade negotiations (General Agreement on Tariffs and Trade), which began in Geneva last October and will end in 1990. American industries consider it a major victory that the 92 nations participating in the talks have agreed to make stronger protection for intellectual property one of four key negotiating priorities. D.B.

The NAB's Low Power Signal

How come Washington's biggest media lobby has such a lackluster reputation? And what is Eddie Fritts able to do about it?

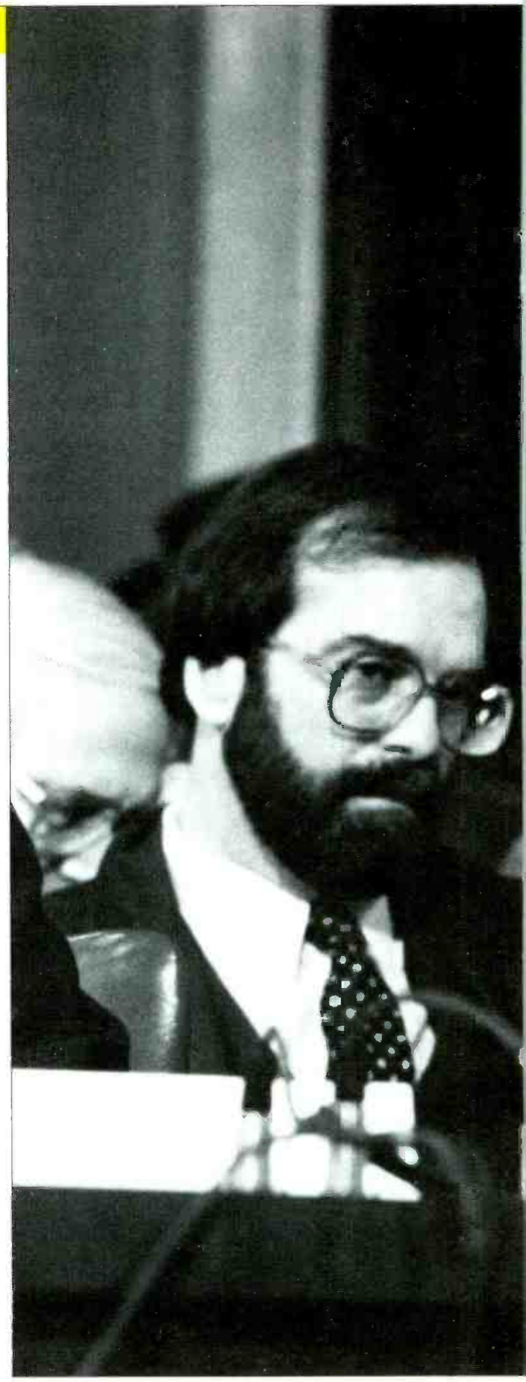
by Mark Frankel

Although it often doesn't work, Washington, D.C., is based on a simple meritocracy. Ambitious people leave their hometowns, big and small, to take a job as a congressman's aide, a trade association lawyer or lobbyist, and once they've mastered their job they are rewarded by being slowly absorbed into the grinding machinery of the capital. Previous lives in Queens, N.Y., or Kankakee, Ill., are forgotten as newcomers rise through the hierarchy, and the worst thing you can say about a seasoned Washington hand is that he or she still belongs to the land beyond the Beltway.

When capital insiders talk about the current president of the National Association of Broadcasters, however, they almost never forget his native roots. The words Indianola, Miss. (pop. 8,947), are routinely tacked onto Eddie Fritts' name. "Eddie Fritts, of Indianola, Miss.," they call him, or simply "the guy from Indianola." According to the subtle nuances of the capital, that's a polite way of suggesting that, after four years in his post, Fritts is still regarded as an outsider.

Mark Frankel is a contributing editor of Channels.

By Washington standards, Fritts commands an impressive operation—more than 130 staffers and a budget of $12.5 million a year—and his client roster is one of the capital's most coveted plums. As the trade association of more than 900 television stations and 4,800 radio outlets, the NAB is the official voice of arguably the nation's single most powerful industry—the media itself. From its eye-catching marble and glass headquarters building on N Street, the NAB blankets the entire industry, from the three networks to 250-watt daytime radio stations, and it has always won high marks for providing its members with a remarkably broad range of services—dispensing legal advice, tracking legislation in Congress, offering guidance on new technical standards proposed by the FCC.



Paper tiger in a paper bag: National Association of Broadcasters' president Eddie Fritts testifies at a Senate hearing.

Only the dullest of politicians, however, runs for office by promising good constituent services, and simply mastering the small details of the federal bureaucracy is no real exercise of power. Instead, Washington sizes up its myriad lobbyists and pressure groups by another, higher standard: the ability to provide a vision of where a particular issue or industry is going, then taking control of the political process to achieve it. In this respect, the NAB has long been regarded as a paper tiger in the Washington zoo.

"The NAB should be the most powerful trade association in Washington, but it has never developed into anything approaching that," says one congressional source, and that view is widely shared. Members of Congress and their aides, industry figures and even former NAB staffers themselves agree that the organization doesn't know the ropes, that it is outclassed by the competition from the cable and motion picture industries and that broadcasters have little clout where it counts, particularly in Congress. Indeed, among Washington insiders, the perception that the NAB does little more than preserve the status quo is practically conventional wisdom. Last year,

when the prestigious *National Journal* ranked Washington's best industry lobbies, both the National Cable Television Association (NCTA) and the Motion Picture Association of America (MPAA) made the list. The NAB didn't.

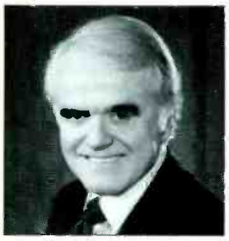
"Everybody wants it to be a Cadillac while in reality it's a Chevrolet and it will always be a Chevy," says Shaun Sheehan, a former NAB senior executive. "It's easy to knock." That's true, but it would be a mistake to blame Fritts alone for the NAB's lackluster political performance. In 1982, when it passed up the chance to hire a professional heavyweight and chose Fritts instead, the NAB got exactly what it wanted: an outsider without his own power base in the capital who was unlikely to shake up the NAB's delicate internal structure or the external Washington establishment. In this sense, Fritts' tenure is merely symptomatic of the inherent weaknesses that have always plagued the NAB. Saddled with a large, unwieldy board and an overly broad mandate, and beset by factional disputes between the three networks, small broadcasters and large broadcast groups like Tribune and Group W, the NAB is a lobbying organization seemingly at war with itself.

'Everybody wants it to be a Cadillac while in reality it's a Chevy and it will always be a Chevy.'

In the past, the NAB's plodding, management-by-consensus style adequately served the industry, because an expanding economy and broadcasters' virtual monopoly over communications gave viewers and advertisers nowhere else to turn. The major issues facing broadcast-

Media's Other Voices

In addition to the NAB, dozens of organizations—from the National Association of UHF Broadcasters to the National Religious Broadcasters—have offices representing their interests in Washington. The networks and broadcast groups such as Fox, Tribune and Westinghouse also have their own staffs, and even small stations are represented by their own Washington communications attorneys, who do everything from filing routine applications and reports with the FCC to monitoring important legislation. What follows is a short tour of the biggest centers of communications lobbying:



MOTION PICTURE ASSOCIATION OF AMERICA

Under the leadership of Jack Valenti, the MPAA is frequently cited as among the most effective and savvy of trade groups. Representing the nine major studios, the MPAA lacks a national constituency but it's success in raising money for congressional candidates makes it a potent political force.

ASSOCIATION OF INDEPENDENT TELEVISION STATIONS

Since coming to Washington six years ago, the 165-member INTV has, among other things, argued against superstation scrambling and fought to keep independent stations on the cable box during the 1986 revision of must-carry rules. Preston Padden is president and Jim Hedlund is chief lobbyist.

NATIONAL CABLE TELEVISION ASSOCIATION

The NCTA steered through Congress the most significant communications law in 50 years, the cable deregulation act of 1984. Its membership includes 2,600 systems serving 75 percent of cable subscribers. The recent furor over satellite scrambling, however, will make president James Mooney's job more difficult.

TELEVISION OPERATORS CAUCUS

Formed by 11 broadcast groups to counter the networks' dominance of the NAB, the TOC is a loose alliance that meets as issues dictate, and has only a single staffer, former FCC commissioner Margita White. Last summer, the group played an active part in hammering out the compromise on the FCC's new must-carry rules.

ASSOCIATION OF MAXIMUM SERVICE TELECASTERS

Ignoring First Amendment and business questions, the AMST focuses on technical matters, with the aim of ensuring the delivery of interference-free signals by its members. The AMST represents 250 television stations in major markets, and lobbies the FCC on frequency allocation. Tom Paro is president.

—M.F.

ers in Washington were procedural—not competitive—in nature. But those days are over. With virtually every segment of broadcasting in the midst of a shakeout, national ad revenues flat and new competition from cable and home video, the industry is facing the most serious challenges in its history. As the NAB enters its 65th year, many question the organization's ability to meet these challenges and provide the leadership required to carry the industry into the next century.

You might say that Eddie Fritts has radio in his blood. The 19th president of the NAB grew up in Union City, Tenn., where he often worked as a sportscaster at the radio station his father managed, WKN, and quickly developed an interest in the business side. Though intrigued by politics, Fritts displayed a certain political naiveté from an early age. As a freshman at Ole Miss, for instance, Fritts turned down a job arranged by his congressman to work in Yellowstone National Park, choosing summer school instead. "Later that year we crossed paths," Fritts recalls. "He said, 'I was in Yellowstone this summer and I asked to look you up and you weren't there,' " Fritts recalls. "I never realized the power and function of a member of Congress until then."

After his marriage, Fritts bought a small 500-watt daytime station in Indianola. It was the start of Fritts Broadcasting, which grew to four small AM/FM combos serving such agrarian towns as Helena, Ark., and Tupelo, Miss. Fritts Broadcasting had grown into a business grossing $3 million a year by the time he sold it in 1982 to become president of the NAB.

No one questions that Fritts works extremely hard, and he has generally won praise for streamlining the NAB's management while significantly adding to services. After years of running on a deficit, the NAB has enjoyed three consecutive years of budget surpluses since Fritts arrived, without raising dues to members. "Eddie is a very astute, shrewd human being who wanted the NAB job and campaigned hard for it," says Joel Chaseman, president of the Post-Newsweek broadcasting group. "Once he got elected he set about qualifying himself for the job."

Although Fritts, 45, loves his job's high visibility, in person he is underwhelming. Short and rotund, his face incredibly boyish behind glasses, he speaks with a voice as soft and flat as the Mississippi delta, full of languid, fractured syntax. He is eminently unquotable, and if he has a clear vision of broadcasting's future, it's hard to decipher exactly what it might be among the blurry pronouncements emanating from his spacious office. "The NAB has constantly dealt with a constantly changing environment from day one," Fritts opines. "And even though we are undergoing tremendous change in this industry, change is not new to broadcasting."

Fritts holds a strict constructionist view of the NAB. "Its mission is to represent the broadcast industry before the Congress and the FCC, the courts and other regulatory and administrative bodies," he says. "We must also provide services to our members that help them operate in a more effective manner."

Fritts hosts American Council of Young Political Leaders: media commentator Hodding Carter III and FCC commissioner Mimi Dawson.

Fritts fails to mention another aspect of the NAB, however. "It should represent Washington to its membership, explaining to them what the realities are," says David Aylward, former staff director of the House Telecommunications Subcommittee. "In Washington, you rarely get 100 percent without paying for it."

The NAB's lobbying task is not easy. Radio and television broadcasters have traditionally steered clear of the political arena. Awarded a lucrative license and regulated by the FCC, they have been spared the need to huddle with local governments which awaits any cable operator before he can lay an inch of wire.

"Broadcasters are too busy going to the bank to go to the political arena," says Gene Bohi, president of WGHP-TV, High Point, N.C., and a former NAB director.

Further evidence of broadcasters' reticence to step into politics is provided by the NAB's Television and Radio Political Action Committee (TARPAC). Contributing campaign money is a sure way to get your calls returned in Washington, but broadcasters have always come up short. During the 1985-1986 election cycle, TARPAC collected $237,000, not enough to make the Federal Election Commission's preliminary list of the top 50 trade association PACs.

In the course of lobbying, the NAB often butts heads with the motion picture and cable associations. Sideline commentators like to keep score of which group is on top, overlooking that each represents a vastly different industry.

MPAA president Jack Valenti, a cocky, dramatic man and a brilliant speaker, is the very model of the well-connected capital insider. Representing the nine major Hollywood studios, the MPAA enjoys no grass roots support in Congress, but Valenti assiduously builds up chits on Capitol Hill by delivering Hollywood stars for key political fund-raising events. His golden connections were instrumental in his 1983 victory over the networks when they attempted to revoke the Financial Interest and Syndication Rules limiting their role in program ownership, which the studios opposed. "Valenti created a larger-than-life aura," says Tom Wheeler, former NCTA president, "Congressmen stumble across the room to see Jack."

The NCTA's reputation, by contrast, rests on performance, not flash. It resembles a legislative SWAT team and has succeeded by portraying the cable industry to Congress as an emerging technology asking only for a level playing field with broadcasters. Unlike broadcasters, its membership is not afraid of a good political tussle, and the NCTA picks its issues carefully and hires superb talent. Former NCTA president Wheeler and his successor, Jim Mooney, are smooth political animals who cut their teeth working on and around Capitol Hill.

"Hell, when I went to the NCTA, I couldn't spell cable," recalls Wheeler. "But I knew how Congress works. I told my board, 'Tell me where you want to go, and how we get there is my problem.' "

Most importantly, the cable industry has repeatedly demonstrated that it was willing to compromise to get what it wants. During the endless negotiations on Capitol Hill over the 1984 cable act, Wheeler and his staff held their noses while agreeing to concessions like 5 percent franchise fees, but walked out of the back rooms with cable deregulation as a result.

Compared to the competition, the NAB resembles K-Mart, trying to be all things to all people. Unlike cable, broadcasting is a mature industry that traditionally enjoyed protection as a public trustee. And unlike the MPAA, it must balance the interests not of nine but of 5,800 mem-

Fritts, vice chairman of the President's Board of Advisors on Private Sector Initiatives, is welcomed at the White House.

bers. The NAB's cumbersome board structure—its 66 seats are divided between a 19-seat television board and 47 for radio—make it difficult to react quickly to breaking issues, and too much power is held by small radio broadcasters who do not fully comprehend the larger world of broadcasting and Washington.

"The board is too damn big; you can't accomplish anything with a board that big," says Post-Newsweek's Chaseman.

The NAB is further hampered by the bickering between the factions representing different ends of the industry. "There is absolutely no confidentiality on the executive committee," complains one communications lawyer. "Anything discussed at board meetings appears in *Communications Daily* within 24 hours." Meanwhile, the networks and broadcast groups like Tribune and Fox keep their own Washington offices of lawyers and lobbyists, giving them freedom to maneuver independently outside the NAB and pursue their own goals.

Unfortunately for Fritts, he assumed the NAB presidency during a historic reversal of FCC policy by the conservative Reagan administration, a development he neither anticipated nor handled very well. At the NAB's 1985 convention, members were treated to the amazing sight of an NAB president calling for more, not less, government intervention in response to FCC chairman Mark Fowler's proclamation that broadcasters should have no special protection against hostile corporate takeovers. Many considered Fritts' move a blunder. "At the FCC there was a real sense of distance" [between Fowler's office and the NAB], a former FCC staff member recalls.

Fritts was first elected to the NAB radio board in 1977 and quickly worked his way up through the hierarchy, serving as vice chairman and later chairman of the radio board. In 1980, he was elected to the powerful post of joint board chairman, overseeing both the radio and TV boards. As chairman, he ran the executive committee that oversaw the staff and then president Vincent Wasilewski, an amiable attorney who left the day-to-day operations to executive vice president John Summers while he entertained VIPs at the fashionable suburban Maryland country club called Burning Tree. Toward the end of Wasilewski's 17-year career as head of the NAB, there was a strong feeling among members that fresh blood was needed. "We weren't aggressive, we weren't agile, we seemed to be a slumbering giant," Fritts recalls.

In the spring of 1982, Fritts was named chairman of the search committee for candidates for the president's job, which reportedly pays $200,000 a year. It was clear the board wanted a broadcaster; the membership felt the time had come to reclaim the organization's top office with one of its own kind.

Among the five candidates nominated were Summers and board member Don Thurston. Thurston, who owned three small radio stations headquartered in North Adams, Mass., was a favorite among the staff, known to have his own agenda and to be willing to push the moribund trade association in new directions. But Thurston scared the networks. He had once convinced them to donate $2 million each to a venture capital fund for minority broadcasters and they feared that he would come up with more ideas like that if he was elected.

Early that summer, at the urging of the networks and the radio board, Fritts threw his own name into the ring as a compromise candidate, throwing the NAB into institutional pandemonium. The election controversy boiled all summer, with many members charging that the search committee's integrity had been undermined by Fritts' apparent conflict of interest. As the August election meeting in Chicago drew closer, Thurston and Fritts emerged as the leading candidates.

Participants still speak with awe of the meeting's behind-the-scenes politicking, which was reminiscent of the late Mayor Daley's machine. Former radio board chairman Walter May and ABC Washington vice president Eugene Cowan spent the night before the vote calling and cajoling on Fritts' behalf from a hotel hospitality suite. The final tally was 24-20, but victory had a price. Fritts has since been shadowed by the suspicion he owes the networks for his job.

Fritts knew little about big-league broadcasting or politics, and considerable intrigue and bad luck dogged his early years in office, leaving behind a lingering cloud that still hangs over the NAB's reputation in capital circles. At the 1983 NAB convention in Las Vegas, for instance, Sen. Robert Packwood (R-Ore.), chairman of the powerful Commerce Committee, uttered his now famous dictum that the NAB couldn't lobby its way "out of a paper bag." Packwood was frustrated after watching the Senate twice approve television deregulation, only to watch efforts die in the House. Believing the NAB's membership had let him down by refusing to get behind the bills, Packwood administered a tongue-lashing that mostly wounded the NAB staff.

What happened next was more serious. Fritts and his political strategists tried to pull off a power play against former Rep. Tim Wirth (D-Colo.), then chairman of the House Telecommunications Subcommittee. It failed miserably. In early 1983, Reps. Thomas Tauke (R-Iowa) and W. J. (Billy) Tauzin (D-La.), among the NAB's best friends in the House, introduced in the House a television deregulation bill that proposed to eliminate the comparative renewal process that allows outsiders to challenge routine license renewals. In return for his support, Wirth asked that broadcasters pay a "spectrum fee" for use of the airwaves that would go to pay for public broadcasting.

Wirth's proposal seemed reasonable to many members of Congress, and for the first time in years broadcasters seemed close to achieving deregulation. Typically, however, the NAB refused to compromise. The organization tried to run around Wirth's subcommittee by attaching deregulatory language to a routine spending bill. To regain control of the bill Wirth humbled himself before House Energy and Commerce chairman John Dingell (D-Mich.) and dropped his spectrum fees idea.

But Wirth was determined that broadcasters should not be handed something for nothing. His staff, with NAB encouragement, decided to establish minimum standards for public affairs programming by sending out a questionnaire to TV stations across the country. The NAB immediately dispatched a mailgram to its members, reminding them that their participation was strictly voluntary. During the bitter recriminations that followed, the bill died in subcommittee and with it, broadcasters' hopes of deregulation.

"Fritts tried to torpedo his own subcommittee chairman," says one Capitol Hill source. "You don't play that way in this town."

The deregulation fiasco exacerbated other tensions that were beginning to surface within the NAB. A number of large broadcasting groups such as Post-Newsweek, Tribune, Group W and Cap Cities believed that Fritts was not devoting much attention to their interests. The NAB, for instance, had not taken a position when the networks attempted to revoke the Financial Interest and Syndication Rules, an action which the station groups opposed. In 1983 the station groups formed their own ad hoc organization, the Television Operators Caucus. Rumors swirled that the TOC members would leave the NAB altogether.

Hoping to repair relations, the NAB hosted a dinner for the group presidents at a Washington hotel, presided over

NAB at a Glance

The National Association of Broadcasters was founded in 1922 by eight radio broadcasters initially concerned about acquiring music rights for their stations. As the organization grew, it moved its headquarters to Washington, and in the late 1940s the NAB expanded to include television after that technology was introduced. Because of its origins in radio, the NAB is weighted heavily toward that medium, and this was further enhanced by its merger with the National Radio Broadcasters Association in May 1986. The NAB's 66-member joint board, for instance, is made up of 47 representatives from radio and 19 from television.

The NAB's 7,200 members come from all 50 states, Guam, the Virgin Islands and Puerto Rico. Broadcasting members include approximately 900 television stations and 4,800 radio outlets. An additional 1,500 nonvoting, associate members are made up of equipment manufacturers and suppliers, communications lawyers and a variety of service industries in the broadcasting field.

TELEVISION

The NAB television board consists of one member from each of the three networks; five broadcast-group owners; executives of six stations from the top 100 markets; and five stations in smaller markets. Seven independent stations and twelve network affiliates are also represented on the board.

The NAB's membership includes about 74 percent of all commercial and noncommercial television stations in the country. NAB member stations from the top 100 markets include 152 independent stations and 312 network affiliates. Stations from smaller markets include 28 independents and 245 affiliates.

RADIO

The NAB radio board consists of 17 members from major markets (500,000 population or greater); 11 members from medium markets (100,000 to 500,000 population); and 19 members from small markets (under 100,000 population).

The NAB's membership includes about 56 percent of all commercial and noncommercial radio stations nationwide.

The bulk of these stations (approximately 45 percent) have annual revenues of under $600,000. Another 18 percent have revenues of between $600,000 and $1.2 million; 29 percent have revenues of between $1.2 million and $5 million. Eight percent have revenues exceeding $5 million.

AFFILIATED GROUPS

The NAB provides office space for and coordinates its activities with these affiliated organizations:

Broadcast Education Association
Broadcast Industry Council to Improve American Productivity
Broadcast Capital Fund, Inc.
Advanced Television Systems Committee
Broadcast Pioneers Library

The NAB provides annual financial support to these groups:

Television Information Office	($185,000)
Television Bureau of Advertising	($ 50,000)
Radio Advertising Bureau	($ 50,000)
State Broadcasters Association	($ 55,000)
International Association of Broadcasters	($ 20,000)
Freedom of Expression Foundation	($ 12,500)
Electronic Media Ratings Council	($ 31,000)

CONVENTIONS

The NAB annual convention draws almost 40,000 registrants from more than 60 countries and almost 750 exhibitors. The NAB's separate radio convention attracts 5,500 broadcasters and exhibitors.

Rating the Com-PACs

Broadcasters have always been reluctant contributors to political campaigns, largely because the responsibility of operating stations under public license and maintaining large news staffs required them to be free of apparent conflicts of interest. Unlike their competitors in cable, who negotiate openly with local governments to secure their franchises, broadcasters have tended to view political activism as an afterthought, not an end in itself. Thus, a comparison of federal campaign spending records shows that while the National Association of Broadcasters' political action committee (PAC) contributes more than other communications lobbies, its spending is far below what might be expected for an organization of its size.

According to reports filed with the Federal Elections Commission for the 1985-1986 election cycle, the NAB's PAC raised a total of $162,920 before the latest filing deadline, November 24, 1986. With additional funds collected earlier, the NAB distributed a total of $236,195 to House and Senate candidates. With 5,800 broadcast members in the NAB, that works out to disbursements averaging about $40 per member.

Over the same period, the 2,600-member National Cable Television Association raised considerably more for its PAC: $240,951. It distributed $234,912 to candidates, an average disbursement of $90 per member.

The 165-member Association of Independent Television Stations (INTV) raised $101,560 and distributed $87,800. Its disbursements averaged $532 for each member.

The Motion Picture Association of America raised $45,339 and distributed $45,843 to candidates in 1985-1986. That averages out to a mighty $5,093 for each member. But even that figure may be low, because the MPAA often delivers celebrities for political fund-raising events that generate contributions that do not show up in its own filings with the Federal Elections Commission.

In part, the NAB's averages are dragged down by its huge number of radio members, most of whom operate in small markets and collect modest annual revenues. And some prominent NAB members, such as the big broadcast groups, contribute outside the organization's regular channels through PACs of their own. Nevertheless, the considerable disparity in the amounts that the cable and film lobbies raise from individual members is one reason they are considered fund-raising lions of the Washington scene, and the NAB is not.

RINKER BUCK

by former joint board chairman Gert Schmidt of Harte-Hanks Communications. But it turned out to be an acrimonious evening. "The groups ate Eddie and Gert alive and spit them out in little pieces," recalls one participant. Since then, the NAB board has been restructured, increasing the representation of broadcast groups, but the possibility that the big players will defect continues to haunt its leadership and divert attention from more important matters.

Fritts' survival in the wake of these repeated debacles has earned him grudging respect among many NAB members and outsiders. But he has held on in part by wining and dining the NAB executive committee and radio board members, and not by achieving any substantive lobbying victories for the industry. "Both Eddie Fritts' strength and his weakness is his desire to please people," observes a former staff member. "He's very personable, but he doesn't exert leadership or take risks."

In Washington, it's far easier to stop legislation than to initiate it, and in this limited realm the NAB occasionally shines. The NAB has successfully scared off recent congressional attempts to impose Reye's syndrome warnings on aspirin advertising, limit negative political advertising and ban advertising during children's shows. But perhaps its proudest "victory" was the defeat of a proposed congressional ban on broadcast beer and wine ads.

In response to growing public attention paid to crusading groups like Mothers Against Drunk Driving during the spring of 1985, two desultory bills were introduced into Congress to appoint a commission to study the link between advertising and drunk driving and to encourage public service spots on the subject. In his personal message in the 1985 NAB annual report, Fritts portrayed the threat as the Battle of Gettysburg: "This issue galvanized the industry and provided us the occasion to respond by utilizing our greatest asset—our ability to communicate. Our unprecedented commitment to community service convinced Congress and others that we can make a positive difference without resorting to restrictive advertising regulation."

Actually, the threat of an alcohol advertising ban was as serious as Ronald Reagan resigning to replace Willard Scott, and neither bill came close to passage on the House floor. Says one congressional source, summing up the reaction on Capitol Hill, "They succeeded in beating something they had virtually created."

Since the Wirth subcommittee disaster, the NAB has kept a low profile in Congress, avoiding major confrontations or initiatives and hoping that memories will fade. With Wirth's election to the Senate, Fritts may find a friendlier reception awaiting him in the House, but a big question is how the new Democratic Senate will respond to the NAB's pleas for support. Yet the major opportunity of the Fritts years—broadcast deregulation—may already have passed. And, by pursuing its present policy of avoiding confrontation and new initiatives, the NAB is not likely to win new adherents in Congress on other important issues.

"The danger facing the NAB now is that it will become another Chamber of Commerce, trying to be all things to all people but really nothing more than a figurehead organization," says ex-staffer Shaun Sheehan.

Four years ago, in one of their last joint acts, the old regimes at the three networks banded together and installed Fritts at the NAB, precisely because he could be relied upon not to rock the proverbial Washington boat. Now those old managers have collectively walked off the scene, handing over to their successors a vastly different industry facing troubled times. The new managers may well decide that shaking up the Washington establishment is exactly what they now need most, but to get that, they'll first have to shake up the NAB. ●

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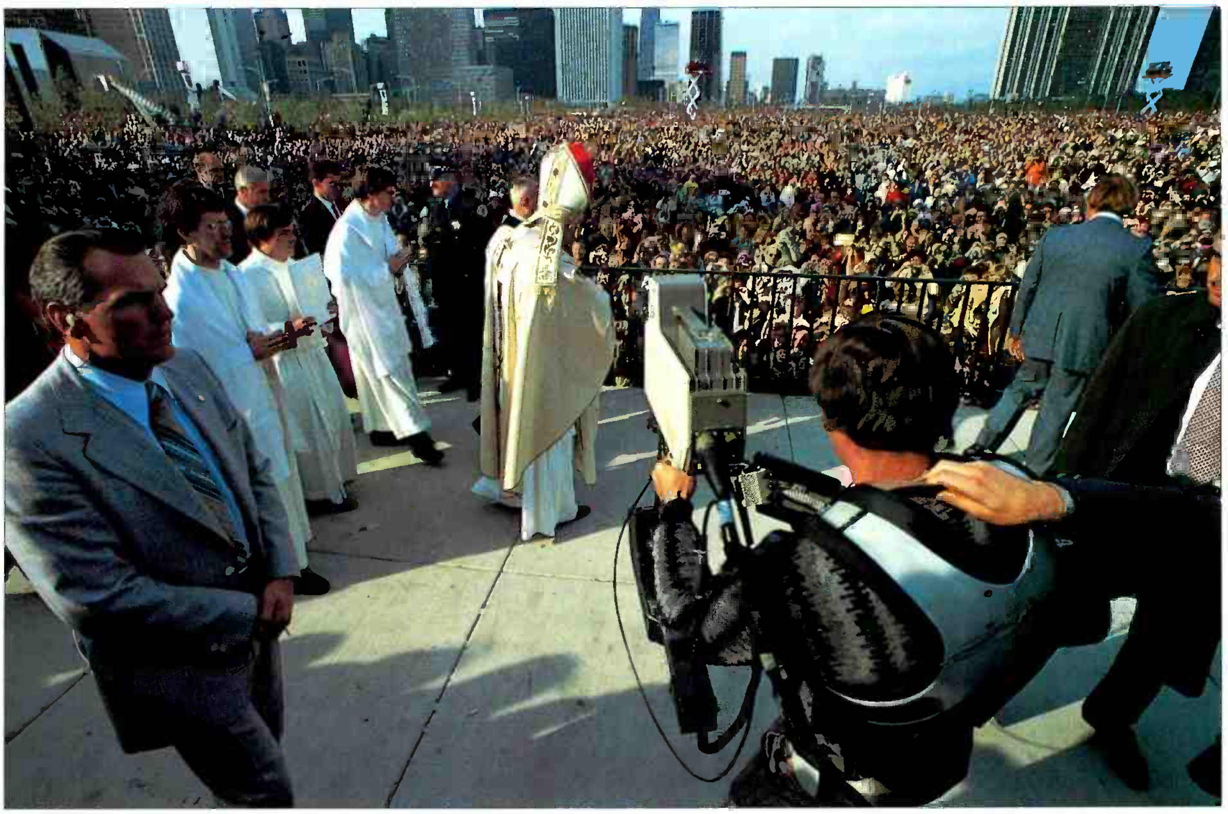


ZANN/BLACK STAR

Shares of the fisherman: Until three years ago the Vatican regarded TV with distrust. Then John Paul hired a cleric from Columbia J School.

Flacking in the Fields of the Lord

What's worth more than a thousand encyclicals? A 30-second clip on the evening news. Getting it there is the job of John Foley, the American archbishop who's helping to change the face the Roman Catholic Church shows to the world. *by Joseph Ferullo*

Not long ago, Archbishop John Foley sat behind his great hand-carved desk at the Vatican, listening to an angry CBS News executive on the other end of the phone. Earlier that day, Foley had arranged for his boss, Pope John Paul II, to address an audience of NBC bureau chiefs. The pope's remarks weren't momentous—an appeal to stress more good news in reporting; to highlight, as he put it, "the heroes and heroines of society." But the fact that he had directed them privately to representatives of one American news organization was impressive. And certainly a coup for NBC.

Joseph Ferullo, whose articles have appeared in The New York Times, *the* Village Voice *and* New Age Journal, *is a writer-producer for CBS News.*

VITTORIANO RASTELLI

Foley: Image making pro for the papacy.

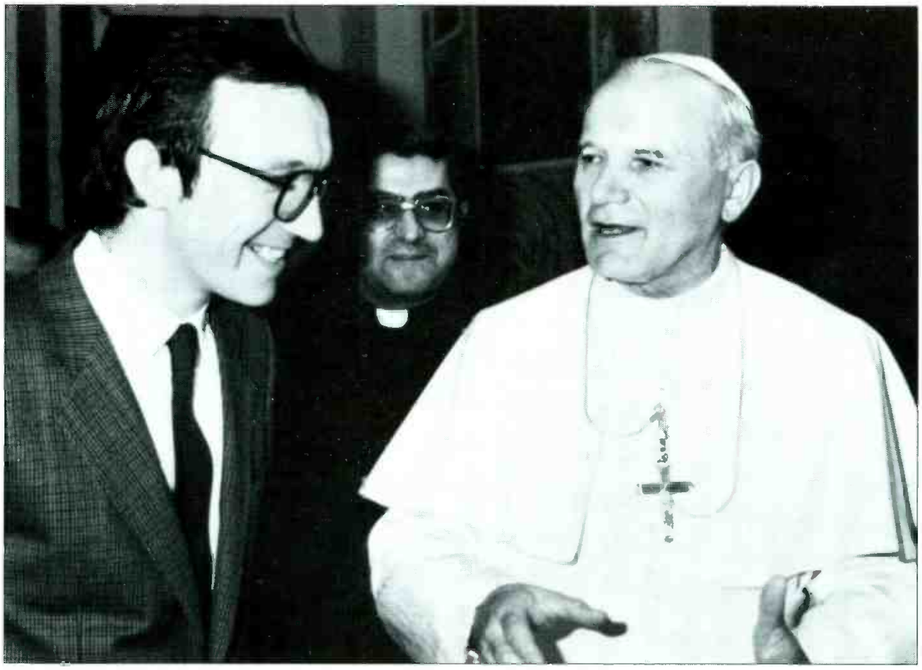
But now the CBS executive wanted to know what was going on. What did it mean? Was the Vatican playing favorites? Why couldn't the pope speak to the CBS News people as well?

Foley explained that the NBC bureau chiefs were having their annual meeting in Rome. What about CBS? he asked. Does it have an annual meeting like that?

Already had it, the CBS executive said. In Salt Lake City. Foley laughed. Well then, he said, they had picked a different religion, hadn't they?

Haggling with representatives of the

world's news media is all part of a day's work for Foley. The 50-year-old Philadelphian, architect of the Vatican's first age of video, is the man who makes sure the Roman Catholic Church gets its message across and its star, John Paul, on the evening news as often as possible.



CTV chief Tagliabue (left) released videotape of the pope visiting his Turkish assailant in prison.

For those who haven't noticed, the Vatican has changed its mind about TV. It had to. These are troubled times for the church. Fewer men and women are entering religious orders and there is a growing split between Rome and Western Catholics—especially in the United States—over questions of theology, birth control, abortion, homosexuality and divorce. Recently, that rift was underscored by the censuring of the Rev. Charles E. Curran at Catholic University of America and the disciplining of Seattle's Archbishop Raymond G. Hunthausen. Both men were rebuked for, among other things, their liberal views on sexuality.

Still, the church has a trump card—its most charismatic leader of the modern era. And the Vatican, hoping to bring the faithful back and to attract new members, is prepared to play that card on TV as often as possible.

Since 1983, the church has had its own television operation, the Vatican Television Center (CTV), and the world's press representatives are finding that when the time and issues are right, they can have unprecedented access to church officials and, in some cases, to the pope himself. But to manage this complex—and in the church's eyes new—medium, it has been necessary to bring in a different breed of cleric: sharp, young, media-smart. Spearheading that effort is John Foley, president of the Pontifical Office for Social Communication.

"He's the first professional image maker the papacy has ever had," says David Andelman, a former journalism school classmate of Foley and now Paris correspondent for CBS. ABC's Rome correspondent, David Ensor, who has watched Foley at close range, agrees: "He's extremely sophisticated and he knows TV."

Like the advisers to Ronald Reagan, the men surrounding John Paul have a problem: a leader whose philosophy is often out of step with his constituents on important issues. On the abortion question, for example, a recent Lou Harris poll found that 53 percent of American Catholics oppose a ban.

"Both Reagan and John Paul are more personally attractive than their message, and TV is one reason why," says Monsignor Thomas J. Hartman, director of radio and television for the Roman Catholic Center in Rockville Centre, N.Y.

For years, church officials had discussed a greater use of TV, but those talks were always stymied by old liners who thought television frivolous at best and, at worst, dangerous: an unpredictable force in the hands of the secular media. The problem always came down to, How could the Vatican get *its* message across? How could it "control the flow"?

Navarro: press secretary of the Holy See.

The breakthrough came three years ago, in what observers call a major shake-up—orchestrated by the pope himself—in the Vatican's media office. That's when Foley took over and established the idea that television was a potentially positive force that could give the church a sorely needed human face.

"The Vatican always had a terrible PR problem," says a longtime friend of Foley who now works in the American media. "John says that when he got there it was run like a medieval bureaucracy whose role was not to reveal but to conceal."

Foley's rise reads like that of other media consultants, a Gerald Rafshoon or a Michael Deaver. In the mid-1960s, he became the protégé of a powerful man—in Foley's case, Philadelphia's John Cardinal Krol—who sent him to Columbia University's Graduate School of Journalism.

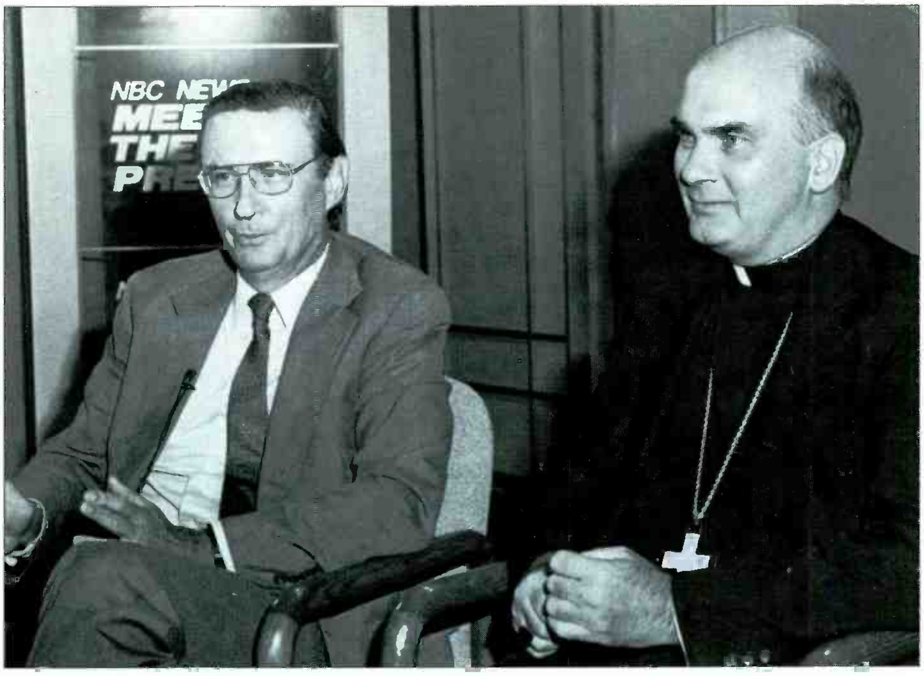
"It was an exciting time to be in New York," Foley says. "Pope Paul had held his mass in Yankee Stadium; *Time* magazine had run its 'Is God Dead?' cover." And a young priest had been put in charge of the journalism school's TV coverage of the 1966 mayoral race—Foley's first exposure to television news and news decision making. Foley stood out at Columbia: He always wore his Roman collar, and classmates called him "His Foley-ness." "But he wasn't uptight," says classmate Michael Leahy, now editor of *The New York Times* Arts and Leisure section. "He was the sort of priest who'd go out for a beer with you after school."

When he returned to Philadelphia, Foley edited the diocese newspaper for Krol, who in the meantime had become a close friend of a little-known cardinal from Kraków—Karol Wojtyla. Twelve years later, when Wojtyla, as John Paul II, toured America, Krol accompanied him. It was during that visit that the two discussed the church's image problem in America. The pope said he could use a good image maker; Krol said, "I've got your man."

"And now Foley's in and out of the

office half a dozen times a day," says a Columbia friend who works in American television. "He's press secretary and chief of staff rolled into one."

One of the first things Foley did was to bring in two experienced laymen. One was Joaquin Navarro Valls, who had covered Rome for eight years as correspondent for *ABC Madrid*, Spain's leading daily. The 49-year-old Navarro was also head of Rome's foreign press association when the pope tapped him, at Foley's suggestion, to be his press secretary. Navarro's appointment was a clear signal that things were changing: For the first time reporters could deal directly with a former journalist. "He operates as a presidential press secretary would," says Richard Roth, who spent four years in Rome for CBS News. "Navarro understands deadlines. He helps you gain access."



Foley (right) going head to head with censured theologian Charles Curran on *Meet the Press* last August.

Foley's second move was to name Fiorenzo Tagliabue, 45, an editor at the Italian weekly magazine *Saturday*, as head of CTV. Since its inception, the Center had been wallowing, producing only tired propaganda tapes for local dioceses. Foley and Tagliabue changed that. Though CTV is still primitive by U.S. standards—a couple of rooms tucked away inside Vatican City staffed by two dozen—experts say Foley is using it resourcefully.

Soon after he and Tagliabue took over, CTV made headlines. In December 1984, John Paul sat down in an Italian prison to talk with Ali Agca, the man who had tried to kill him three and a half years before. CTV—and only CTV—was there to record it all. Later, Foley and Tagliabue carefully reviewed and edited the tape and made available exactly those clips they wanted to release. The Vatican was now controlling the flow.

Today, CTV crews follow the pope everywhere. Cameras accompany him to such prearranged photo opportunities as ski trips with the president of Italy, visits to Rome synagogues and dips in the sea with village fishermen. Even religious ceremonies in St. Peter's Basilica appear at times to have been started, stopped and delayed for the benefit of the CTV cameras.

But most importantly, they accompany him on his frequent visits abroad. From the slums of India to the beaches of the South Seas to the Australian outback, this pope has traveled the world as none of his predecessors have. Traditionally, heirs to the throne of St. Peter have not strayed far from the Vatican, as if staying away from Rome would be seen as abandoning the strict dictates of the Holy See. But John Paul seems almost driven to touch his far-flung flocks and to have them touch him.

To take full advantage of these trips abroad, Foley has devised a media plan of attack. Before each trip, CTV produces "special reports" about the impending visit and the church's historic ties to the country he plans to see. The programs are then sent ahead to the national television outlets and serve as effective "advances," popping up on news shows weeks before the visit.

Advancing the Pope

John Paul's second visit to the U.S. (Sept. 10–18) comes at a time of increasing tension between Rome and the American church. His strong stands on abortion, birth control, celibacy, divorce and the role of women in the church are controversial here, and last year's attacks on liberal American priests and theologians have instilled a siege mentality among progressive Roman Catholics. Bishop James W. Malone of Youngstown, Ohio, a former president of the National Conference of Catholic Bishops, sees "a growing and dangerous disaffection [between] the church in the United States and the Holy See."

The pope's itinerary calls for him to visit the South and Southwest, including Miami, San Antonio, Phoenix and Los Angeles—areas with large Hispanic-Catholic populations—and to steer clear of more liberal, northern cities.

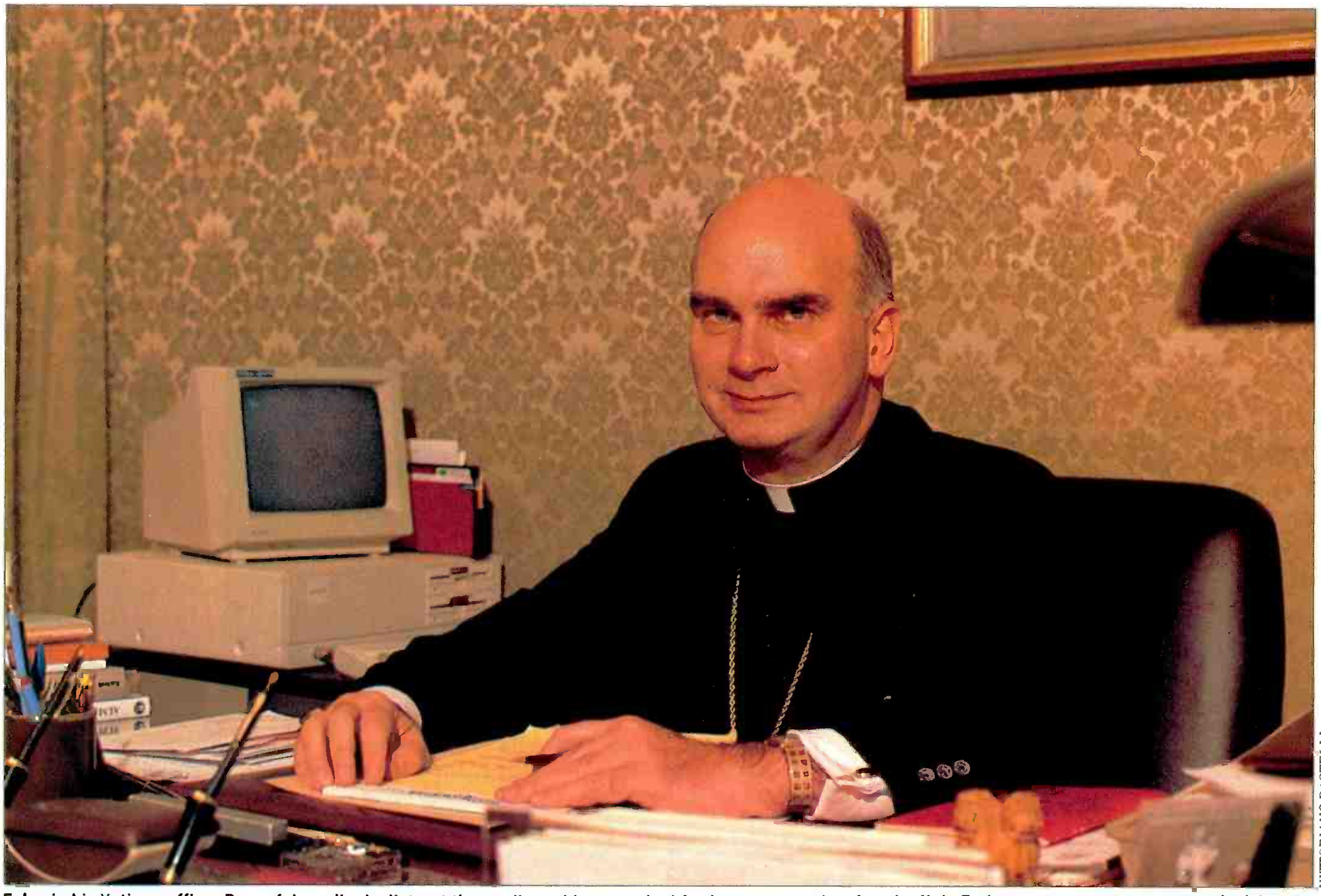
Foley and his Rome media team will coordinate planning with the U.S. Catholic Conference, principally with its secretary for communications, layman Richard Hirsch. "Before the pope's visit in 1979, the first thing I did was to get a copy of the White House 'bible' [the presidential tour planning guide]," says the 49-year-old Hirsch. "We modeled our plans from that." He'll do the same this time.

In each city on the tour there will be a primary press center in the pope's hotel and secondary centers at each stopping point. Two press planes have been chartered, and Hirsch will arrange for buses and hotel rooms. The pope will also travel with an American press secretary, Russell Shaw, the Conference's secretary of public affairs.

Following the Foley strategy, Hirsch is also producing a film about John Paul, to be put together at KPIX, a Westinghouse station and CBS affiliate in San Francisco, whose facilities the Conference will rent. The film will be distributed to American TV a few months before the visit.

"This medium always seems to treat personalities the best," Hirsch says, "whether the personality is Johnny Carson or John Paul."

—J.F.



Foley in his Vatican office: Powerful cardinals distrust the media and have pushed for less cooperation, but the Holy Father wants more access to television.

Not surprisingly, Foley has been particularly sensitive to the needs of American TV. He arranged for an ABC News documentary on the Vatican and cleared the way for the series of NBC *Today* shows during Holy Week 1985.

"It's inconceivable that the *Today* show coverage would have happened in an earlier era," says one network correspondent. "Foley engineered the whole thing. He made sure the *Today* people were right there when the pope walked by. He knew that week was worth more to the pope than a thousand encyclicals." It was also worth a great deal to NBC's ratings—part of Foley's skillful give-and-take with the media.

"It helps to cooperate," Foley says of the *Today* show experience. He knows the Vatican has traditionally been viewed as a shadowy fortress where a medieval hierarchy still operates. He's pleased the *Today* show went beyond that. "There was one *Today* piece," he says, "about a Swiss guard who is married to an American girl from Chicago. That was great."

Today executive producer Steve Friedman admits he was surprised by the Vatican's cooperation and expertise: "They were eager; they were sophisticated and they realized how much this would help deliver the pope's message."

Observers say there is no question but that John Paul fully supports Foley's strategies. The pope knows he projects well on TV and that his personal appeal might draw people into listening to what he has to say. Still, insiders say the pope has vetoed some suggestions as being "too show biz," including one proposal to produce weekly videotaped messages for distribution to American networks.

John Paul is also lukewarm on a weekly TV magazine-show idea, *View from the Vatican*, proposed by an American priest. News of the program made a splash last year when *Variety* ran articles heralding its arrival, but church officials say Foley and the pope are not only worried that it's too show biz but that it would wind up in the Sunday morning religious ghetto—and more of that, they don't need. What they're looking for is mainstream exposure.

Some say the pope's resistance to certain proposals is his own effort not to offend the Curia, the Vatican bureaucracy. Traditionalists there have remained skeptical and sometimes uncomfortable by the mix of religion and television.

"There's great suspicion among the old guard," says ABC's David Ensor. "They worry about opening the papacy to news people—because *we* don't care what's good or bad for the pope; we just report. But sophisticated people like Foley realize that if you cooperate with the media, your point will eventually come out. There's a constant battle at the Vatican over how much to do that."

Ensor says that after Foley and his staff got the pope to appear in ABC's Vatican documentary two years ago, the "new guard" found themselves in trouble with certain powerful old-line cardinals who thought John Paul's appearance "unseemly."

In fact, press secretary Navarro admits there's a split but that "the Holy Father wants more television access, and everyone will just have to learn to adjust to that."

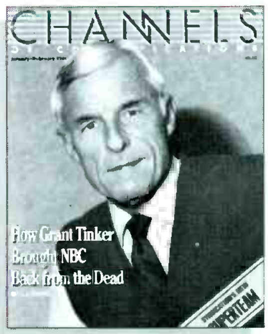
Foley says some in the Vatican have expressed concern that TV trivializes the church's message and the papacy. "But in a way, that's okay," Foley says. "Concentrating on the nonessentials helps to make the Holy Father more human. From there, it's easier to get people to listen."

There's an old show-biz saw: Get them on your side. If people like you as a person, they'll root for you onstage. The wisdom of that adage has never been lost on those advising Ronald Reagan, and it isn't lost on John Foley.

"Christ told the apostles to teach to all nations," Foley says. "If St. Paul were alive today, he'd be on TV." ●

We Give You The Business...

JAN/FEB '86

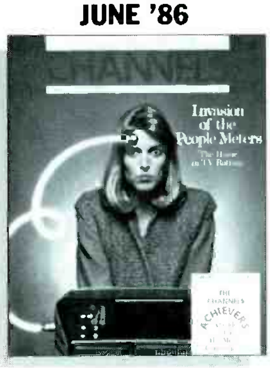


MAR '86

APR '86

MAY '86

JUNE '86



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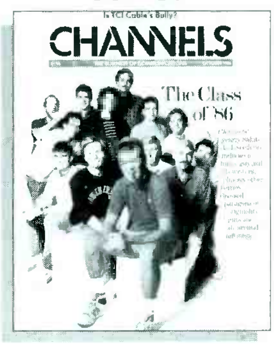
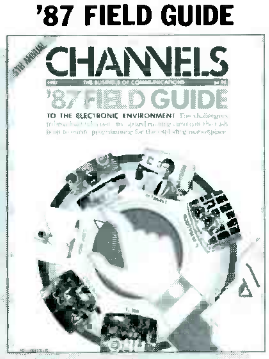


NOV '86

'87 FIELD GUIDE



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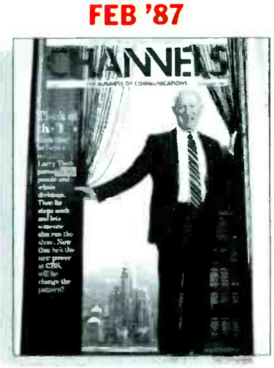

Last year *Channels* filled a niche in the marketplace by creating a new business magazine on television. In the ten issues we've published since then, the "new" *Channels* has reached television professionals with just the right mix of articles and information they need to cope in a new competitive environment. We've covered all the major stories (and a few you hadn't heard about) first and best, from Rupert Murdoch's visions of a fourth network to Larry Tisch's spartan regime at CBS. The "new" *Channels* delivers. And we're going to continue to deliver month after month, because we know your audience wants to be given the business. ■■■

CHANNELS
THE BUSINESS OF COMMUNICATIONS

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The Unimportance of Being Earners

SCOTT SINKLIER

Heritage Communications gambled, made several bold acquisitions and kissed earnings good-bye. All that value made them an irresistable target, leading to a dramatic buyout.

by Jeri Baker

Nobody—not even Heritage Communications executives themselves—describes the company without a bow to its image as a salt-of-the-earth Midwestern business run by solid hometown boys. Just folks, whose modest headquarters, next door to a Dairy Queen, is a much amended former apartment building, once the lair of a prostitute dba Lavender. Just folks, who quickly explain that theirs is not the sort of company that would ordinarily have corporate planes except that they have all these cable and broadcast properties spread out in inaccessible small towns.

Just folks, yes. But the question facing Heritage this spring is whether its reputation as independent, aggressive and entrepreneurial can survive Tele-Communications Inc.'s $835 million plan to take the company private and spin off its broadcast holdings. Heritage is, after all, the company that on its own pulled off three of the cable industry's major deals: Its $110 million acquisition of Warner Amex's moribund systems in Dallas in 1985; the $43 million purchase of 51 percent of San Jose's thriving Gill Industries; and in 1986 its raciest buy yet, purchasing Rollins Communications for $630 million and slashing earnings.

The Rollins deal was a coming of age for the company's young management team. Decidedly unconservative, the purchase pulled Heritage into significant diversification, expanding its TV holdings from five to 11 stations and introducing it to radio and outdoor advertising.

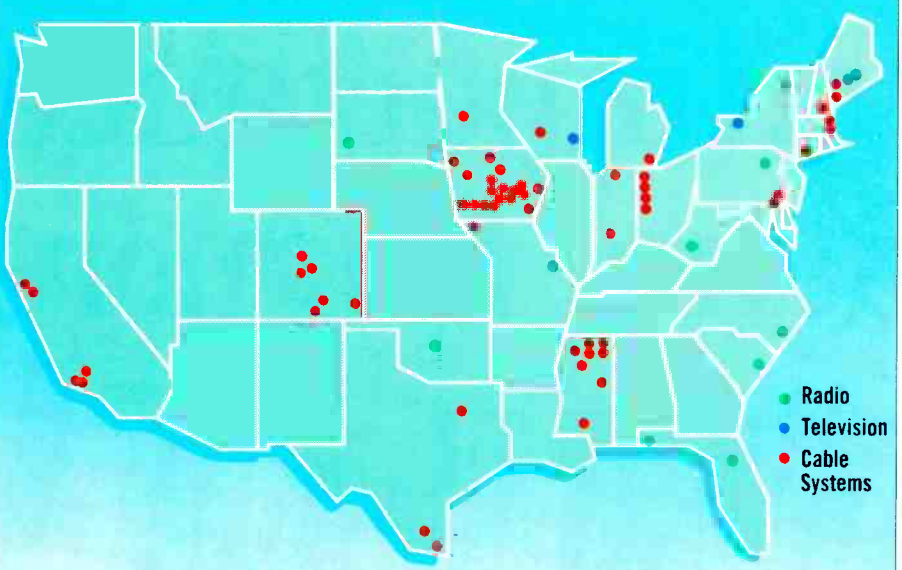
The purchase also signals the end of a curious self-denial that afflicts media financings. Heritage, an early Wall Street darling, has wanted to parade steady earnings growth before analysts. So, even more than most cable companies, it has structured acquisitions in ways that aren't shown on its balance sheet. Such limited partnerships and joint ventures must share some of the profit potential with the other investors, of course, and in Heritage's case they account for a large portion of its assets. Seven partnerships serve about 200,000 of its nearly one million subscribers.

With the on-balance-sheet Rollins acquisition, however, Heritage acted on what all multiple system operators know, and have at length persuaded Wall Street to accept: Earnings are not a yardstick for media company valuation. They are not an approximation of cash-generating potential because they simply do not reflect the intangible assets of media properties. Though Heritage's earnings are tumbling for the first time since 1976 (starting promptly with third-quarter '86), the company has greatly improved its net-asset value for shareholders.

Hometown boys make good: Boyhood friends, then business colleagues, Jim Hoak (left) and Jim Cownie built Heritage.

Media analyst Barry Kaplan at Goldman Sachs,

AMERICAN HERITAGE



RADIO
Bangor, Maine (AM/FM)
Rochester, New York (AM/FM)
Milwaukee, Wisconsin (AM/FM)
St. Louis, Missouri (AM/FM)

TELEVISION
Bangor, Maine (*Channel 5, ABC*); Plattsburgh, New York (*Channel 5, NBC*); Scranton, Pennsylvania (*Channel 22, CBS*); New Bern, North Carolina (*Channel 12, ABC*); Florence, South Carolina (*Channel 15, ABC*); Gainesville, Florida (*Channel 20, ABC*); Charleston, West Virginia (*Channel 8, ABC*); Pensacola, Florida (*Channel 13, ABC*); Sioux Falls, South Dakota (*Channel 5, NBC*); Oklahoma City, Oklahoma (*Channel 43, Ind.*); Rapid City South Dakota (*Channel 7, NBC*)

CABLE SYSTEMS

Wholly Owned
Iowa; South Texas; Mississippi/Alabama/Tennessee; Colorado; Ohio; Minnesota/Wisconsin; California

Partially Owned
Texas Iowa; Indiana; New England; Michigan; Colorado; San Jose, California

Limited Partnerships
North Iowa Cablevision Associates; Central Iowa Cablevision Associates; Cablevision Associates IV; Cablevision Associates V; Cablevision Associates VI; Cablevision Associates VII; Heritage Cablevision Associates of So. Bend; Heritage Cablevision Associates of Dallas

Joint Ventures
San Jose; Council Bluffs; Birmingham/Bloomfield Hills; Diversified Communications

which is Heritage's banker, has said the stock had been trading at one of the industry's steepest discounts and that its break-up value could reach $36 a share, $4 a share above the buy offer.

It was the value in Heritage's assets that attracted TCI, which last year alone gobbled up 1.3 million cable subscribers. How Heritage leveraged itself into position for such a takeover is a story that sends a signal about the growing concentration of the industry and the undeniable power of its handful of giants.

The origin of Heritage is very much a tale of Andy Hardy and friends grown up, complete with sagacious Judge Hardy to give the young folks a hand.

As Andy: stalwart James Hoak Jr., super student, high school BMOC, graduate of Yale and Stanford Law. Scratch Judy Garland. As Andy's buddy: James Cownie, high school sports hero, lackadaisical student, barely a graduate of Notre Dame, universally well liked. Both are Midwest icons—blandly even-featured, open, healthy, well fed.

By the time the revelation scene rolls around—"I've got it! We'll do our own show!"—it's 1970 and the two Jims, now 26 years old, are walking to lunch at Babe's, a once-rollicking place (when Des Moines was headquarters for the Women's Army Auxiliary Corps in World War II) that has fallen on quieter days.

The two are deep in a conversation they've had many times since Hoak, former aide to Federal Communications Commissioner Nicholas Johnson, returned disconsolately to Des Moines to take up the lawyer's trade. Cownie, who'd come home after an ill-starred stint in law school, is working in a small municipal bonds company, following in his father's footsteps and maybe those of his grandfather, a prominent local banker.

Hoak leads the pursuit of an elusive business he and Cownie can launch. As he talks, he stops to pick up the paper and reads that the city has received an application for a cable franchise.

"Wait a minute! Our families know everybody in town. We'd be the local guys. We should apply."

Jim Hoak Sr., well-connected founder of a locally based construction-materials company, quickly invested and rallied his business peers. "No one said no," recalls the elder Hoak, today still listed as Heritage chairman. In the end, the young entrepreneurs found their Des Moines Cable Television Inc. oversubscribed by $1 million, twice what they sought. They returned it. "Ah, many's the time we wished we hadn't," says Jim Hoak Jr. "But we wanted to keep as much control as we could. We were 26 years old. We figured we could lick the world."

Confidence like that was ebbing from urban franchising just as Des Moines began taking bids. FCC strictures on signal carriage did little to diminish cable's appeal in small towns where reception was the issue. But they quashed its marketability in cities well served by television. Des Moines' city fathers temporized for more than a year. Meanwhile, doing business as Hawkeye Cablevision (the company name was changed to Heritage—"After the furniture company; it sounded solid"—when operations expanded beyond Iowa), Hoak and Cownie picked up franchises elsewhere in Iowa and around the metropolitan district. A sophisticated precursor of cable operators' later urban franchise strategies? "Nope. We just figured we better learn something about running systems," says Hoak unabashedly.

By the time the city decided to go ahead, the young men's diligent local politicking had been rendered worthless. From a field that had grown to half a dozen applicants, a new city council chose Athena Communications.

"We decided it was all-out war," Hoak says. Iowa law requires an election to award a franchise. The Nixon-McGovern presidential contest was coming up. Volunteers hit the streets, gathering signatures in some 90 precincts to support a petition that Des Moines Cable be put on the ballot with Athena. "The mayor was on our side," says Hoak. "Over the loud screams of the majority of the council, he put us on the ballot."

"Des Moines has its own experts" was the rallying cry, an appeal to local pride that blanketed radio, TV and print. "We blitzed the town," says Hoak. "We manned the polls. We wound up carrying every precinct but one. It eclipsed the Nixon-McGovern race by far."

The still very inexpert experts embarked on one of the quickest builds in cable history at a time when urban construction elsewhere had virtually halted. "We had a commitment. We'd said, 'Trust us. We're local people. By God, we're going to make it work.' "

God had other plans. Two weeks after the first section of plant was turned on, a tornado destroyed it.

That was the kindest blow. There was no original programming to prompt people to subscribe, and they didn't. The system passed about 100,000 homes and served fewer than 20,000. "We were slowly bleeding to death," Hoak recalls.

After much agonizing, Hoak and Cownie decided to put a hard-earned $5,000 into a group studying satellite uses for cable. "It was the best $5,000 we ever spent. Out of that group came HBO, and this industry was born."

The desperate system became HBO's second affiliate. On launch night, after much hoopla about the premiere of *The French Connection*, Hoak settled down

NANDELL / DES MOINES REGISTER

Chairman Hoak sheds decorum to don a Halloween party mask. Heritage's corporate culture is "casual," say Hoak and Cownie, but can it survive the buyout?

at home to watch the film. It was February. February in the Midwest. At the movie's climactic chase scene, a lightning storm knocked out the system headend. "A freak!" says Hoak, whose voice still retains some of the hysteria of that night. "We never have lightning storms in winter!

"We scraped together some money and put on radio ads the next day saying 'It wasn't our fault. *The French Connection* will be on again tonight.' "

But it wasn't. HBO, very new to all this, sent out the wrong feed and couldn't fix it. Into Des Moines living rooms bounded the New York Rangers. "I was literally in tears," says Hoak. I don't think I've ever felt so beaten up in my whole life."

It should be said at this point that time has mixed some crocodile tears with those real ones. Both Hoak and Cownie have a rather endearing love for stories whose implicit punchline is "Hey, look at me now." Cownie's undistinguished academic career; the novices who went to inspect their first cable acquisition and devoted their attentions to a railroad microwave tower they mistook for system equipment. " 'Looks good and sturdy,' we said to each other," Hoak gleefully recalls.

They learned. Sometimes by design and sometimes by default, the company picked up steam. By the time it expanded beyond Iowa, its systems in the state numbered 15 and served some 10,000 subscribers. Today, metro Des Moines alone has 66,000 subscribers. Barry Kaplan estimates that Heritage-plus-Rollins 1987 revenues will hit $329 million, $157 million from cable. Operating cash flow will likely come in at $107 million for '87, up 45 percent since '85. And operating margins will be better than 32 percent.

> "There's all this folklore that earnings are important," says Lundquist. "Why care about earnings if you can make good investments and make your stock go up?"

It has become a point of pride among some cable operators that they were defeated in the franchise wars of the '70s. The winners, say the losers, won because they overstated the appeal of Tomorrowland services and sold municipalities on completely unrealistic penetration and revenue figures.

Heritage was a loser. "We couldn't figure it out. We'd come back and redo everything and we just couldn't make these bids work," says Hoak of that era. As a result, the company was insulated from the cities' fury when franchise promises were not met. When cable stocks hit a trough in 1982, Heritage was untouched, largely operating in imperturbable systems where cable means reception—and by that time, of course, bragging to stockholders about its "lack of exposure" to urban ills.

HERITAGE AT A GLANCE

Cable Assets	Year-end '86 (includes Rollins)	Year-end '85
Homes franchised	2,140,176	1,722,471
Homes passed	1,935,750	1,512,343
Basic subscribers	978,547	717,459
Basic/homes passed	51%	47%
Pay units	748,419	540,904
Pay/homes passed	39%	36%

It was 1985 when Heritage leapt into a big city with both feet. Warner Amex, a major franchise winner, was awash in red ink in Dallas, the classic urban disaster. Demand was poor; the descendants of the famous Qube interactive converters, which made Warner's reputation in its Columbus, Ohio, showcase in the '70s, were cumbersome and fragile; service was unspeakable. With no attempt to rouge the corpse, Warner Amex put it up for sale.

Several buyers considered it and shuddered. Heritage bought, prompted by Jim Cownie's personal conviction that the deal was right for a company that had proved its operations prowess. Immediately, subscriber numbers plummeted. Wall Street, suspecting it had been inordinately trusting of Heritage management, turned skeptical.

Cownie blames himself. "I think I did Heritage a disservice. When Dallas showed subscriber losses last July and August—at just the time my plan said it would take off—I was shocked and disappointed and humbled and scared. And I said, to anyone who asked, 'We're worried and we really don't know what's going on.' "

Since then, Cownie says, there's been "fabulous improvement" in Dallas. Other observers agree, albeit more gingerly. Heritage pulled out the Qube boxes and put in dependable replacements, trained a staff that understood customer service, streamlined programming and burnished cable's image to the extent that the city abolished its watchdog cable commission. Though churn is a whopping 6 percent monthly, subscriber figures began to show steady net increases last fall. There are still problems and cable has not lost its laughingstock status in Dallas. As Goldman Sachs' Kaplan delicately puts it, the acquisition is Heritage's "most dramatic opportunity for growth in net asset value and return on investment" as well as its "greatest risk."

ESTIMATED OPERATING DATA
(in millions)

Operating Cash Flow	1985E(a)	1986E(a)	1987E	1988E	1989E	1990E	Compound Annual Growth Rate
Cable Television	50.2	58.5	70.0	82.0	95.0	109.0	16.8%
Broadcasting	11.0	14.0	16.0	18.0	21.0	24.0	16.9%
Communications products	11.6	13.0	14.5	16.0	17.5	19.0	10.4%
Outdoor	8.0	10.0	11.0	12.0	13.5	14.5	12.6%
Corporate expense	(7.3)	(5.5)	(5.0)	(6.0)	(6.5)	(7.0)	NA
Total consolidated	73.5	90.0	106.5	122.0	140.5	159.5	16.8%

Sources: Goldman Sachs Research *Channels* (E) Estimated (a) Pro forma for Rollins acquisition.

Cownie's candor about his role and his misgivings is characteristic. As president of the cable group, he relishes autonomy and hints broadly that it's what minimizes friction between two old friends, one of whom is now in charge.

He is unstinting in his admiration for Hoak and again candid in explaining it. "It was easy to decide who was boss. There was a financial reason [the Hoaks' investment], an intellectual reason, an educational reason. Hoak and I are great pals, but we're very different. He knew what he was talking about. Clearly, he was the president."

And as the company goes private, it's hard to say what's ahead for the two. Even before the buyout was announced, Cownie was uncertain. "That's tough. My strength is not in running a broad-based communications company. I don't have the intellectual curiosity that Jim Hoak has about all the increments of our business: outdoor advertising, radio, television, communications products [a longstanding nonmedia segment that produces meeting-room products and trade show exhibits]. On the other hand, he's not so interested in detail. I am. I like having my arms around this piece of our business."

This is the man who will likely be chosen next month as chairman of the board of the National Cable Television Association, unless TCI chairman John Malone elects to sit on the board of directors at Heritage. After doing yeoman's service at NCTA, Cownie emerged very quickly from his generation of cable executives and was "early regarded as a comer," says former NCTA president Tom Wheeler.

Yes, Jim Cownie has a lot of fans. Yet to hear him talk, you would think Cownie himself was leader of the opposition. He is by all odds the most self-deprecating man in the industry.

I got a call from Tom Wheeler telling me I'd been drafted to run for secretary. I was absolutely shocked. I'd only been on the board a year and I hadn't opened my mouth more than three times." (Wheeler: "He doesn't have to open his mouth to be impressive. We were looking for leaders and his actions at Heritage tell it all.") "I felt and still feel very inadequate to carry some of the intellectual weight that the issues require. I don't know that I'm comfortable representing the industry as spokesman." (Wheeler: "He's being terribly modest.")

The premium Cownie puts on sheer tenacity and his insistently low assessment of his other skills seem a kind of penance for the years of playing academic grasshopper to Hoak's ant. "He loved a party," says Hoak Sr., remembering the two boys' high school careers. "My son was more serious."

Says the chairman of another multiple system operator of Cownie, "He's solid, methodical, wonderfully efficient. But he's not a plodder—that wouldn't be fair—he's dogged." Adds Wheeler, "You can see how Hoak's mind works by the way he talks—like a locomotive. An idea a minute. And then suddenly he turns to Cownie and says, in effect, 'Jim, now if you'll just get this train into the station.' "

Not only are the two effective complements, but the comfort of their longtime intimacy smooths the corporate culture as well. It's shirtsleeves and first names, and on Fridays, jeans and free lunches. Staffers' regard for Hoak was evident in the restraint that quelled office gossip about his collapsing marriage, even as he was transformed by the loss of some 70 pounds. On the day a local paper published a ghoulishly detailed account of the settlement, Hoak—by then gaunt—said wistfully to Cownie, "Tell me a happily-ever-after story."

In effect, Cownie and wife, Patty, did. Patty introduced Hoak to a Des Moines divorcée who became his second wife and has borne him two daughters. (He has a son and daughter from his first marriage.) Nancy and Jim Hoak, her son and their girls live three doors from the Cownies and their five children, aged 6 to 18, in a Des Moines neighborhood of vast family homes 15 minutes from the office.

A wry Cownie volunteers that he and Patty began dating when they were 14 and proudly displays an 8 x 10 of his attractive wife as she is today. One wall of his office is covered with family photos.

Set a little apart from the family montage is a shot of Cownie with Ronald Reagan. Asked whether he's active in Republican politics, he answers, "Well, I'm a Republican, yes, but not actively. That stuff bores me."

That could be a problem for someone who may become an industry statesman, and Cownie clearly knows it. He relies heavily on the NCTA staff, on whom he lavishes praise, and regards current NCTA chairman Trygve Myhren, head of American Television and Communications, with nothing short of hero worship. In addition, he comes to the job at a time when the industry is making do with lowered public acceptance. The prospect of his new role has prompted unaccustomed ruminations about cable's place in society, and Cownie spent a long time attempting to reconcile—off the record—his public stance and his private doubts.

If he is troubled by what is really a perfectly reasonable response to the amorphous nature of large issues, however, his quick, confident approach to operations is its polar opposite. Cownie is the quintessential operations guy.

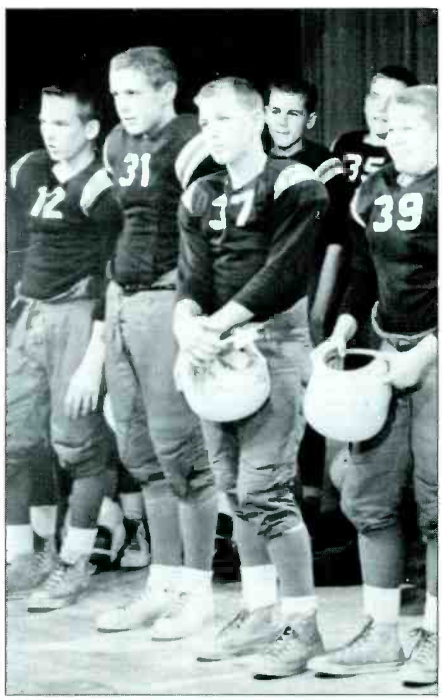
Here are some off-the-cuff Cownie assessments of industry questions.

Pay TV? "It's not sick. The worst is over. We bottomed out in 1985 and started to sell more units. We made a big leap of faith in 1987 by lowering our prices from $11.95 to $9.95."

Multipay? "I'm a believer. But this business of charging $12.95 for HBO and the same for Showtime and the same for Cinemax was stupid."

Rate deregulation? "We eliminated tiers and every customer is getting everything. That's no news from a price standpoint for the people who elected to subscribe to a tier, but it is news to those who didn't. They're getting the increment of new programming, but they're also getting a $4.95 price increase. But we lowered pay and basic-plus-pay package rates at the same time, so total increases were 4½ percent in Des Moines, for instance, which is a typical market."

Rebuilding? "We've always done a lot of rebuilding. One thing that distinguishes Heritage from others is our plant maintenance. Our capital expenditures on that would shock a lot of companies. But it helps when we're scrutinized. Dallas and the cities where Rollins does business all looked at our operations before they blessed our acquisitions. That comes



Teammates early on: Cownie (37) and Hoak (31).

back to pay dividends. And it also keeps the subscribers happy."

Doubtless, part of Heritage's appeal to TCI lies in the fact that it has been, in temperment and in management expertise, a cable company, and the sale of its broadcast properties—part of the initial plans to take the company private—ends Hoak's dream of building a diversified media giant. Prior to the Rollins acquisition, cable accounted for 62 percent of cash flow. Post-Rollins, cable remains the major contributor to 1987 cash flow. Basic penetration, revenue-per-subscriber and cash-flow margins are healthy given that until Rollins, Heritage systems were largely in depressed farm belt and oil patch areas. Margins held and revenues and cash flow actually improved in the difficult months of 1986.

Heritage's major purchases, Gill and Rollins, were unique in that each was executed in a seller's market. Rollins wasn't for sale and had rejected other suitors; Al Gilliland wasn't in a hurry and had high standards for a buyer. (Heritage also acquired a major equity interest in Diversified Communications, a Portland, Maine-based operator of cable systems; four small-market, network-affiliated television stations; an AM/FM radio station; plus some special-interest magazines.)

"Al Gilliland is an Old West kind of guy," says Dave Lundquist, Heritage's chief financial officer. "Some people care about what happens to a community and employees after a sale. My reading is that he's that sort, and he assessed Heritage the same way."

Lundquist, a large, deceptively sleepy-looking man whose speech is characterized by the endless vowels of the Midwest, works ferocious hours (joking he'd have as many children as Hoak and Cownie if he didn't), and has guided Heritage to a welter of financial tools: five or six equity deals; a couple of convertible bond transactions; three or four rounds of junk bond financing; a Eurodollar deal; five limited partnerships in five years, two of them partial blind pools; and several joint ventures. His walls are covered not with family photos but with framed mementos of every public offering Heritage has done. Over one is draped the souvenir piece of yellowing ticker tape given Heritage on its first day of trading, May 19, 1982. A sentimentalist in his way.

He was the in-house cheerleader for the decision to do the Rollins deal on balance sheet and to let earnings slide. "It was a difficult decision. There's all this folklore that earnings are important. But it's obvious that the arithmetic of making acquisitions and preserving earnings doesn't work. Are profits more important, or is making good investments?"

While the debate went on, the company moved away from maximizing earnings. "We'd say, 'Well, we could've earned 75 cents per share, up from 40. If we do this deal, we'll get to 60. Still a nice increase."

They were, as it happened, too cautious. Before it attracted the institutions that are gaining on 50 percent of the stock, and more recently the Bass Group, which put its 5.8 percent in a voting trust ("in view of their confidence in existing management," they said), Heritage had a small, sophisticated investor group and a tradition of full communication. "And these people were convinced. Finally we just said, 'Why care about earnings if you can make good investments and make your stock go up?' "

Thus, the Rollins acquisition. The purchase price came to 11.5 times Rollins' estimated 1987 cash flow. Not a bargain. But, on analysis of the assets, not an overpayment either. Hoak told shareholders in a videotape message explaining the impact of the deal that the combined Heritage and Rollins cash flow will reach $100 million in 1987.

Heritage was trading at 28¾, just above its 52-week high when the buyout was announced January 31. The stock immediately moved to slightly above the buyout price, prompting speculation that the company was now in play and would receive competing bids.

The stock performance came despite the fact that the company took on a mammoth debt load to cover the Rollins purchase. Its debt-to-equity was 2.5:1, compared with pre-'85 1:1, making it one of the industry's most highly leveraged companies. More tellingly, Lundquist estimates debt-to-cash flow in 1987 could be 7:1, compared with 3-4:1 earlier. Hoak had assured shareholders that cash flow from its properties will "retire our debt very comfortably."

The Rollins deal, with 200,000 cable subscribers and above-average penetration, brought Heritage into areas more promising than the economically depressed Midwest: Massachusetts, Connecticut, Rhode Island (in wealthy Newport) and Delaware. The company also holds the franchise to wire one of the better sections of Philadelphia. In addition, the deal brought five VHF network affiliates and one UHF independent (which will probably be sold). Rollins' four AM and one FM stations are being used as chips to enter the trading game. (Heritage bought six of LIN Broadcasting's radio stations late in 1986.)

The total price of the management buyout is actually about $1.4 billion, when adding to the offer Heritage's $600 million debt, although that price will effectively be reduced by the sale of broadcasting properties. For now, however, the buyout stymies Hoak's diversification dreams. Although it is unclear precisely what prompted management to make its move when it did, investors—perhaps the Bass group—may have been eyeing the company's holdings. Nevertheless, the move putting the company into play will leave Heritage's future unresolved for many months.

But this is also a management that several months ago wouldn't feint at questions about a sale. "We don't have any plan to sell, although we've been approached now and then," Hoak said at the time. "But we're not dumb. There's always a price."

Although the buyout will enrich Hoak, Cownie and Lundquist beyond their most ambitious dreams, the risks of the combination of added debt and the ties to TCI and other investors are not to be ignored. While the deal may affirm Heritage's bold growth strategy and its willingness to cut earnings in exchange for asset value, the issue of corporate values and the company's future is far from resolved. Retaining Heritage Communications' aggressive posture and unique Iowa culture may be a challenge too big for even Hoak and Cownie. ●

by William A. Henry III

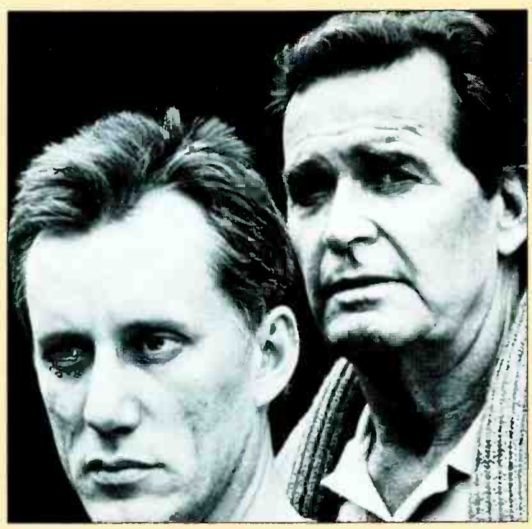
Maybe the way to win back the fragmenting prime time audience is for network series to be more like the "daring" TV movies.

TELEVISION'S UNTOUCHABLES

Television may seem pretty far removed from the 18th century, yet its executives have something in common with that era's exemplar, Samuel Johnson. Speaking of such oddities as women preachers and dogs who walked on their hind legs, Dr. Johnson said what he found noteworthy was not that the thing was done well but that it was done at all. Network honchos frequently say the same about the social content of entertainment programming, especially made-for-TV movies.

Whether the subject is AIDS or incest or alcoholism or divorce, the promotional campaign beforehand and the self-congratulation afterward almost always focus on the "daring" and "relevance" of dealing with a knotty topic rather than the merits of the drama itself.

Networks seem not to realize that these very claims are admissions of constraint and irrelevance. A great fuss was made in December, for example, when *Hallmark Hall of Fame* aired "Promise," a drama about a middle-aged man and his schizophrenic brother. In real life, mental illness is not uncommon. Practically every family I know has been touched by it in some way. On screen, however, people who need psychotherapy—let alone hospitalization—are all but invisible, particularly in the family-oriented series that are TV's heart.



James Woods (l.) and James Garner in *Promise*: An exception to the rule of no-risk network programming.

The natural reply is that television is light entertainment and mental illness a downer, except in jokes about nuttiness that families of the real-life afflicted coin privately, but might not welcome about (or from) strangers. Yet the emotionally disturbed are only one among a number of categories of people who hardly ever show up on TV.

Despite much talk about demographic diversity—centered on *The Cosby Show*, featuring blacks, and *The Golden Girls*, celebrating the elderly—networks still pitch to the lowest common denominator. Who winds up missing or at least under-represented? Social researchers, some with admitted agendas of their own, say that women over 40, blacks in middle-income jobs, admirable politicians and honest businessmen are all rarities on the box. I can add a few categories (apologies in advance to any I forgot).

Deeply religious people of whatever denomination: Hardly anyone on TV is ever seen going to church. Hardly anyone prays. Hardly anyone ever talks about faith and doubt, which is a pretty big topic in tens of millions of households.

Political activists of whatever stripe: Millions of people work in campaigns, join protests, contribute to lobbying groups. Yet on the rare occasions when a TV character, especially on a series, is seen as involved in such things, he almost always says he is participating for the first and last time.

Unemployed people: They are seven percent or more of the U.S. work force but surely not of the characters on ABC, NBC or CBS. On TV, hardly anyone even has real blue-collar money worries.

Hispanics: They have offbeat accents; they tend to cluster in a few urban areas and, most important, Hispanic characters don't generally get good ratings (*Chico and the Man* notwithstanding). So what if they are 10 percent of the population and growing?

Other ethnics: TV recognizes a handful of groups—WASPs; Irish, Italian and Polish Catholics; blacks; Asians (half the world lumped together); and Jews. Where are the Armenians? (My wife's family and a million other people, including California's governor.) The Greeks? Albanians? Dutch? The ever overlooked Canadians?

Homosexuals: Like Hispanics, gays are about 10 percent of the population according to researchers, and their lifestyle offers rich comic variety to writers gone stale on flip kid dialogue about the keys to the car. But the shows depicting gays as having dignity and decency tend to hit the panic buttons of the religious right. There have been a couple of noble efforts nonetheless—the humane and delightful *Love, Sidney* on NBC, and the often brash but sometimes sensitive *Brothers* on cable.

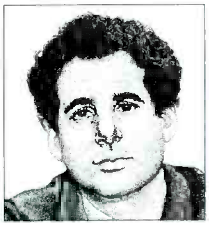
Occultists: Somebody is buying all those Shirley MacLaine books and reading all those astrology columns in the daily papers.

Other groups come to mind. Farmers—except for *Waltons* reruns. Civil servants—they might tap people's latent resentment of regulation and taxes. Culture vultures. Fat people. And so on.

The point is this: If TV series often seem bland in comparison to the world we live in, it is because only the blandest, safest parts of our world are allowed to show up on screen. And maybe, just maybe, the way to win back a fragmenting prime time audience is for network series to be more diverse, more controversial, more like those occasional ballyhooed TV movies that walk on their hind legs and preach.

That may require some selling to advertisers, who don't want to risk offending anybody. But time and again, advertisers have been pleasantly surprised by the sophistication of the TV audience. To remember *Roots* is to realize that businesslike prudence need not always translate into caution. ●

WASHINGTON



by Joel Swerdlow

The industry has always been insulated from international trade wars. That may be about to end.

ENDING TV'S ISOLATIONISM

With the nation facing a crushing trade deficit, congressional leaders are promising "comprehensive legislation" this year aimed at those nations perceived to be harming America. Sensing a thirst for blood, a recent *Washington Post* editorial warned that "some truly awful legislation may be on the way." Awful or not, that legislation could have a long-lasting effect on the television industry—something the industry has been slow to recognize.

The United States is by far the world's largest producer of TV programming. Last year, revenues from foreign sales totaled $600 million. The potential is incalculable. As The *Economist* recently put it, "Whenever a country improves its productivity, its workers use the extra leisure time to watch more television."

American producers do not sell programs in an open market, of course. Remittance restrictions, taxes, screen and import quotas and other barriers significantly curtail sales. Yet most American producers, focused solely on the U.S. market, seem unconcerned about these barriers because overseas sales do not noticeably affect what domestic networks and stations pay for programming. Despite the overwhelming importance of world trade—Senate Finance Committee chairman Lloyd Bensten (D-Texas) now uses the term "worldeconomy"—television as an industry remains curiously insulated. "Program producers negotiate with us and what they get from foreign sales just falls in their pockets," says one network official.

ETHAN HOFFMAN/ARCHIVE

Pax Americana Video: The U.S. sells $600 million a year in programming to the world. Will a trade war harm that?

This cannot continue forever. Foreign producers complain that the situation is unfair: They cannot sell their programs as cheaply because American producers recoup most of their costs from the U.S. market, then underprice programs abroad. The logical allies of foreign producers, American networks and independent stations, who should resent subsidizing foreign broadcasters, are beginning to. NBC, CBS and ABC feel they deserve a piece of the foreign action and cite this as one reason why the network financial interest and syndication rules should be rescinded.

There are some who caution that television should stay away from trade issues. Each nation's desire to protect its cultural identity by limiting the import of American programming will always defeat appeals for free and fair trade, they say. And treating television like shoes or grain will make other nations more likely to tax it.

"Viewed as merely another product in international trade," write NBC general counsel Corydon Dunham and NBC attorney Barbara Hering in a recent American Bar Association publication, "programs are likely to be more vulnerable"

But events are moving faster than television producers can control. The Reagan administration has convinced America's trading partners to include copyright and services such as television on the agenda of trade talks that could shape much of the worldeconomy for the remainder of the century. Congress, under enormous pressure, could use America's most visible export—TV programs—as a bargaining chip. And other countries, hurt by some "awful" congressional action, could retaliate through the imposition of new restrictions on American-made TV shows.

To protect itself, the American TV industry—admittedly a heterogeneous entity—must begin to shape its own future vis-à-vis trade. Five practical steps should be taken:

First, television must develop its own trade specialists. To date, the only major TV-related player in this area is the Motion Picture Association of America, whose interests often conflict with those of TV.

Second, a television producers' consortium—an MPAA-style organization concerned with production and distribution—should be formed. It could immediately establish credibility by making available accurate data on key questions such as the extent of overseas sales. Currently, legislators and trade negotiators often rely on unsubstantiated figures derived from the trade press.

Third, the industry must stop linking news with entertainment as a single entity to be shielded from trade wars, as many of TV's Washington lobbyists now do. News programs should always transcend trade considerations. The same cannot be said about *Miami Vice*.

Fourth, coproductions with foreign partners should be energetically pursued. Such productions could lower the domestic price of programs while sidestepping many trade barriers that public officials will be unable to negotiate away.

And finally, the industry must recognize that advertisers are thinking increasingly of the global market and not of protecting the interests of the domestic television industry. "Advertisers have already started to think in terms of international demographics," says John Eger, an international-TV specialist who advises major broadcasters. Distinctions so important to domestic television today, such as spot versus network buying, will become less important if not obsolete tomorrow. ●

by John F. Berry

Wall Street Weak

How well are the new network business shows covering their subject? Check out the way each of them handled the biggest story of the year.

Not long ago, coverage of business and finance on TV was pretty much limited to public television's weekly stock-market hosanna, *Wall Street Week*, now in its 12th season. Cable helped change all that. Financial News Network fills the day with market-related interviews and features, while stock prices roll by continuously. "Watching FNN is an addiction," says one financial adviser. On Cable News Network, business shows in the morning and evening sandwich spot business news coverage, and CNN also runs weekend feature shows on business.

What television—and, more specifically, the networks—has learned from the success of Ted Koppel's *Nightline* is that news can succeed by aiming at narrow audiences. The U.S. Chamber of Commerce's Biznet, which produces a two-hour live, weekday morning show for ESPN and five other shows that appear elsewhere, will also turn out 60-second business news capsules for ESPN. Dow Jones, producer of *The Wall Street Journal Report*, this month added a 15-minute show, coproduced with NBC, to run before the *Today* show. Business coverage on public TV, meanwhile, includes the half-hour *Nightly Business Report*, produced by WPBT-TV in Miami, and the weekly *Adam Smith's Money World*, a thoughtful look at business topics.

But the big news recently is the emergence of business shows on the networks. ABC News produces a half-hour weekly show on Sundays called *Business World*, while *Strictly Business*, produced by WNBC-TV in New York and aired on five NBC-owned stations and in 66 other markets, runs for a half hour each weekend. A daily morning show, *Today's Business*, produced by Walt Disney's Buena Vista Television, goes to network affiliates in 130 markets. There's also an hour-long weekend version of the show.

The networks' foray makes clear that the market will no longer be left to cable and public television. And the shows are cheap to produce, annually costing about what it takes to do a couple of prime time hours. "We are aiming at the CEOs and those who want to be CEOs," claims Gay Rosenthal, producer of *Strictly Business*. While targeting that market, the show's impressive numbers (7/13) in the New York area suggest a bigger audience.

After so little business coverage, it's ironic that some feel there are too many business shows on TV. Most producers agree with Rosenthal, who says, "There's room for all of them. Besides, the shows cater to different audiences and appear at different times of the day." But all the business shows face a couple of daunting challenges as they search for audiences.

In bringing nonvisual subjects to a visual medium, computer-graphics help, but it's still a problem finding enough so-called B-roll—video shots—to illustrate voice-overs. Once fiery blast furnaces, representing the dynamism of industry, or trading floor frenzy, suggesting high finance, have been shown, there aren't a lot of ways to depict business and finance in action. (FNN doesn't have this problem because its investor audience wants

Herd on the Street


Vanocur: embarrassed.


Cafferty: softball.


Mack: Disney's anchor.


Goodman: Intelligent.

Contributing editor John F. Berry is a former managing editor of ESPN's now defunct Management Report.

tips on how to make money.) Second, even though the new business shows try to give sophisticated material a mass-appeal patina, it's difficult to explain the complexity of a leveraged buyout or a currency swap. Ignore such important subjects and you can't call yourself a news show; cover them and you risk losing viewers.

One answer, tried by two of the new shows, is to use unsophisticated business commentators to appeal to unsophisticated viewers, in the hopes that old news pros can make business as compelling as space shots. On *Business World*, he's veteran network reporter Sander Vanocur. On *Strictly Business*, he's Jack Cafferty, who also cohosts *Live at Five* on WNBC, a gossipy, daily afternoon soft-news show.

To get a feel for these three recent shows, consider how each handled Wall Street's biggest story last year, the Ivan Boesky scandal. Public disclosure that Boesky had illegally enriched himself by trading on inside information broke late on a Friday, presenting a tough test for the weekend shows.

All three led with the Boesky scandal, of course. On *Strictly Business*, Cafferty had a rather desultory exchange with Sen. William Proxmire, whose banking committee is holding hearings on insider trading. "This is a scandal," Proxmire said. "We have to do something about it and I think we will." To which Cafferty intoned, "Should he [Boesky] go to jail?" Yes, said Proxmire—not terribly surprising or even interesting stuff.

But Cafferty has a knowledgeable backstop in financial editor and producer Jeff Madrick, a Harvard Business School graduate who once wrote for *Business Week*. Madrick showed a healthy skepticism when he interviewed an investment banker who tried to slough off the whole insider scandal as the work of "a few bad apples."

Business World opened its Boesky coverage by rerunning an earlier piece on Drexel Burnham Lambert, the fast-growing junk bond firm implicated in the scandal. In apparent embarrassment over using the old footage, Vanocur lamely explained that no one at Drexel, or for that matter on all of Wall Street, would comment on the scandal. That same day, of course, *The New York Times* was loaded with attributed quotes, as was *The Wall Street Journal* on Monday.

Like Cafferty's Madrick, Vanocur has experienced sidekicks in Dan Cordtz, a former *Fortune* writer, and Stephen Aug, former *Washington Star* business editor, who are supposed to give the show a hard edge of expertise. But Cordtz set a golly-gosh tone in his report by asserting, "No question, the system in fact has worked" in catching Boesky.

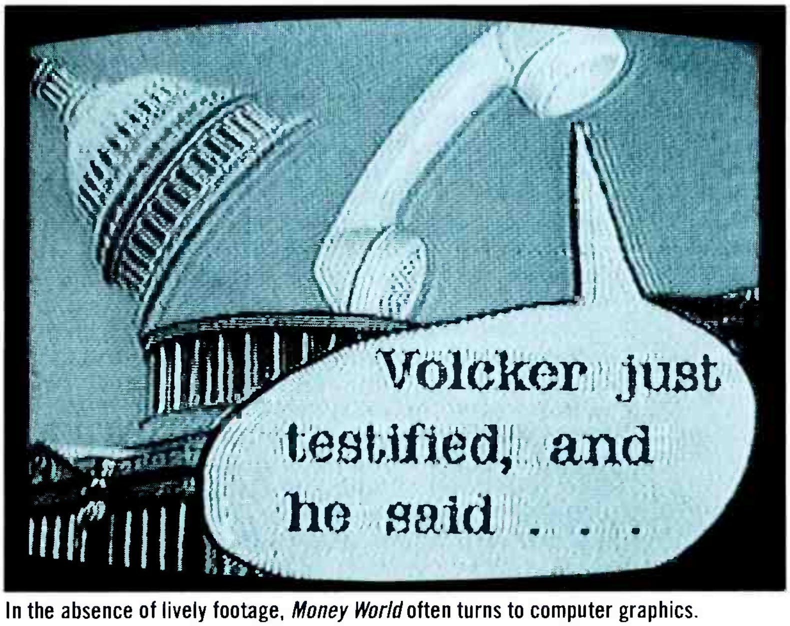
Still, interviews with William Simon and T. Boone Pickens indicated how business shows can become platforms for skilled media manipulators. It was further illustrated by the show's final guest, Sir James Goldsmith, the Anglo-French corporate raider and "greenmail" practitioner, who closed the interview with this explanation of his motives: "I've seen Europe destroyed by big government, big business and big unions. I like to fight that triangular establishment." This outrageously self-serving remark went unchallenged by Vanocur and Cordtz.

The best coverage of the three was the weekend version of *Today's Business*, anchored by Consuelo Mack, a former Wall Street executive and an experienced TV business journalist. Mack and *Business Week* editor William Wolman, whose title is chief economist but whose role is resident curmudgeon, interviewed Ira Sorkin, former director of the New York regional office of the Securities and Exchange Commission, and Blain ("Fin") Fogg, a senior partner in one of New York's premier dealmaking law firms.

But perhaps the most startling footage was that showing reaction interviews conducted at a favorite Wall Street watering hole, Harry's Bar. A yuppie female executive, commenting on the arrest of investment banker Dennis Levine which triggered the whole insider scandal, said, "He's making money the way he's been taught to make money. There's nothing wrong with that. Levine's problem was, he did it too slowly and got caught."

Public Broadcasting's *Adam Smith's Money World*, which is hosted by author George Goodman aka Adam Smith and has been on longer than any of these network offerings, may be the most intelligent of the shows. It emphasizes understanding, not just entertainment, and was the only one that attempted to answer the question of why someone worth $200 million would risk it all.

What all these efforts reveal is that business reporting on TV is still in its infancy. The best shows have shucked TV's inclination to trivialize and instead explain complex subjects. TV will never replace *The Wall Street Journal* or *Business Week*, but then, it's a lot tougher to show a leveraged buyout than it is to tell about it. ●

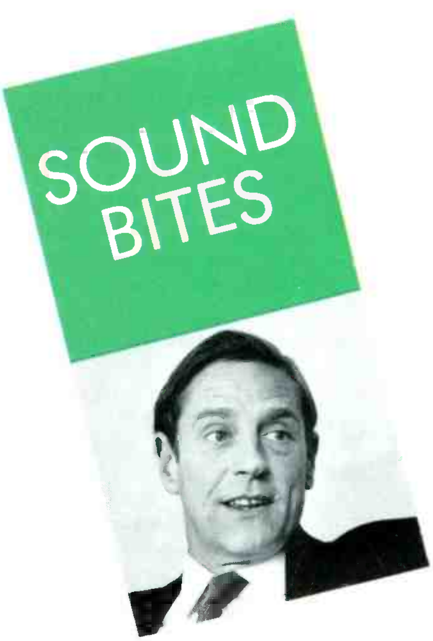


In the absence of lively footage, *Money World* often turns to computer graphics.

'You Can't Yank the Rug Out'

Public broadcasting's William Hanley speaks out on budget cuts, political critics and program content.

William Lee Hanley Jr. admits that the chairmanship of the Corporation for Public Broadcasting "was not something I was really running for." But he took the post last November and has begun expressing his views, both commonplace among public broadcasters (that more corporate underwriting must be found) and heretical (that stations can and must earn cable carriage with their popularity). Hanley succeeded the controversial Sonia Landau, who declined to be renominated. He heads Hanley Co., an oil exploration and merchant banking firm, and seven years ago was executive director of the Connecticut Reagan-Bush Committee. One of his first challenges: defending CPB against the administration's proposed $44 million cut in CPB's 1988 appropriation of $214 million. He spoke recently with Channels *editors.*



FUNDING FOR 1988

Forty-four million bucks is a pretty good chunk of change to lose. The fact is that these monies have already been appropriated. We got advance funding simply because of production lead time, and stations have already made commitments knowing what their grants were going to be. The money was appropriated and the President signed the bills. I think we can make a very strong case that, "Look, there was a good reason for doing advance funding. You, Congress, agreed there should be advance funding because of the lead time involved in production and because of planning. Now you just can't yank the rug out from under us." Obviously we'll be trying to maintain what we got.

Every economist is saying the federal deficit is a ticking bomb. Something's got to give. We can say, "Yeah, but it shouldn't be us," but everybody in Washington is saying the same thing. In the final analysis, I don't know how we would stack up in Congress against Medicare.

Maybe we can address funding as part of a strategic plan: How can we best guarantee relatively constant or increasing funding for the system? If we've got to wage war with the President and Congress every year, it's a heck of a way to be doing business.

SELLING POINTS

We can argue for funding in several manners. I don't think anybody disagrees that a role of the government is education! There is nothing more important than having an informed public. And virtually everything we're putting on, in radio and in television, is informative and educational.

Another emphasis has always been on local programming and local identification. I've talked about Arts & Entertainment and Nickelodeon coming along with competing programming on cable, but they aren't local in any way. They have no identification with a community. That's a distinctive thing. People do identify with Channel 13 here in New York.

A CRIPPLED BOARD

There's been a major transition in the board, in that it was reduced a few years ago from a 15-person board down to 10. Lately we haven't been able to fill the 10-person board, which is tragic. We operated from March of '86 until November with five members. Then we got two more, so we're up to seven. Now we're looking at a situation where I go off the board in March, Rick [Richard Brookhiser] goes off in March, Sharon [Rockefeller, a two-term board member] can't be reappointed by law.

I can't say the White House is holding it up because I don't know. I know that Rick's and my [reappointment] papers are in process. They've known about these vacancies. I have talked to them. I know Senator Goldwater made several calls over there, saying, "Look, this is a disservice that you're doing."

IMPACT OF THE NEW TAX LAW

Everybody has taken the attitude that the decrease in tax rates was going to be a disaster for all charitable contributions because the value of the deduction is lessened. I'm not sure that's going to prove out. I think more depends on the economy. In fact, when the top marginal rate was reduced from 70 percent to 50, a very substantial cut, in fact the opposite happened: Individual giving went up. Which I think says that people are giving for the

JILL LEVINE

'If we've got to wage war with the President and Congress every year, it's a heck of a way to do business.'

right reasons, not just the tax benefit. They had more money in their pocket by virtue of the tax reduction and consequently they gave more.

BOOSTING CORPORATE AID

Take a look at what was done with the '84 Olympics. Peter Ueberroth took something that has been around since 1896 and yet was able to create the perception that no corporation could do without sponsoring the games. I mean, he had Kodak and Fuji fighting like hell to be an official sponsor. He had corporations tripping over each other to participate.

Obviously, our situation is different. But we've got an event to capitalize on. It happens to be our 20th anniversary next November. [In November 1967, Congress adopted the Public Broadcasting Act, chartering CPB and authorizing the first regular federal funding to the field.] I hope we can make appeals directly to the CEOs of a lot of corporations that aren't involved with us now.

As you well know, the major sources of outside funding have been the Exxons and Mobils of the world, and with the situation in the oil industry, those funds are just in less supply. By the same token, there are other segments of the economy that have done awfully well, and I'm not sure we've done our job in attracting a broader base of funding.

A STRATEGIC PLAN

I guess the thrust of my interest is in developing two things. One is the marketing. The second is to work on what we don't have—a strategic plan. Which cannot come from just CPB. It's got to come from the system, from station managers, from PBS, from viewers.

We're talking about something structural, which really has to do with "What are we all about?" We do have a five-year plan that is periodically updated. I guess I've been on the board for three years, and we have dealt with it once, in really quite a perfunctory way, without a great deal of discussion.

One of the former board members once said to me when I was just coming on the board, "I don't know what you're going to find, but I think you'll find you spend a lot of time discussing what color to paint the closet"—nit-picky operational details.

NEEDED ON PUBLIC TV

I think our programming is deficient in two areas. One is certainly children's programming. If you go to the networks, my Lord, there's nothing but four hours of commercials for toys. This has been a major initiative of the board for a couple of years and it's been very, very slow coming. We're still sort of riding on the success of *Sesame Street. There* was a series that in fact made a difference. Statistically it's been shown that if you measured people before *Sesame Street* and after *Sesame Street*, the level of achievement for those preschoolers was definitely raised. There are new programs like the new mathematics series, *Square One TV*, but I personally don't think there are enough on the horizon.

The second area is history. We did get at it with *The Constitution*. But you can think of innumerable things that should be done. History is, I think, a very, very neglected subject in our schools. It's sort of taught as, "Here's the history of Europe. These kings and those kings." And I'm speaking as a parent. I have done all I could with my children.

There is no history on the commercial networks and it's very limited on any of the other channels. Because it's difficult to produce. Here's an idea that somebody mentioned to me: Look at the history of this country through the eyes of the 40 presidents, but with a little bit different twist. Don't dwell on their politics. It would be sort of history and sociology. How did they grow up? We are told that Lincoln grew up in a log cabin in Illinois. What was Illinois like at that time?

LOSING MUST-CARRY

It strikes me that if we are producing programming that people want, they are going to get it. If the loss of the Must-Carry regulations means that we're knocked off [cable systems previously required to carry public TV] in areas, that is a problem. Hopefully, the viewers will ask for it back. If we're really doing our job, people are going to demand it.

Where you've got three overlapping stations, without saying anything about any one of those stations, I'm not sure it's really in the best interests of the system as a whole to have a situation like that. Now you'll never get any one of those stations to say, "Well, gee, I'll turn in my license for the good of all."

THE PROPOSED CONTENT ANALYSIS OF PUBLIC TV

There isn't anybody who will disagree that we are charged with producing and airing programming that, taken as a whole, is objective and balanced.

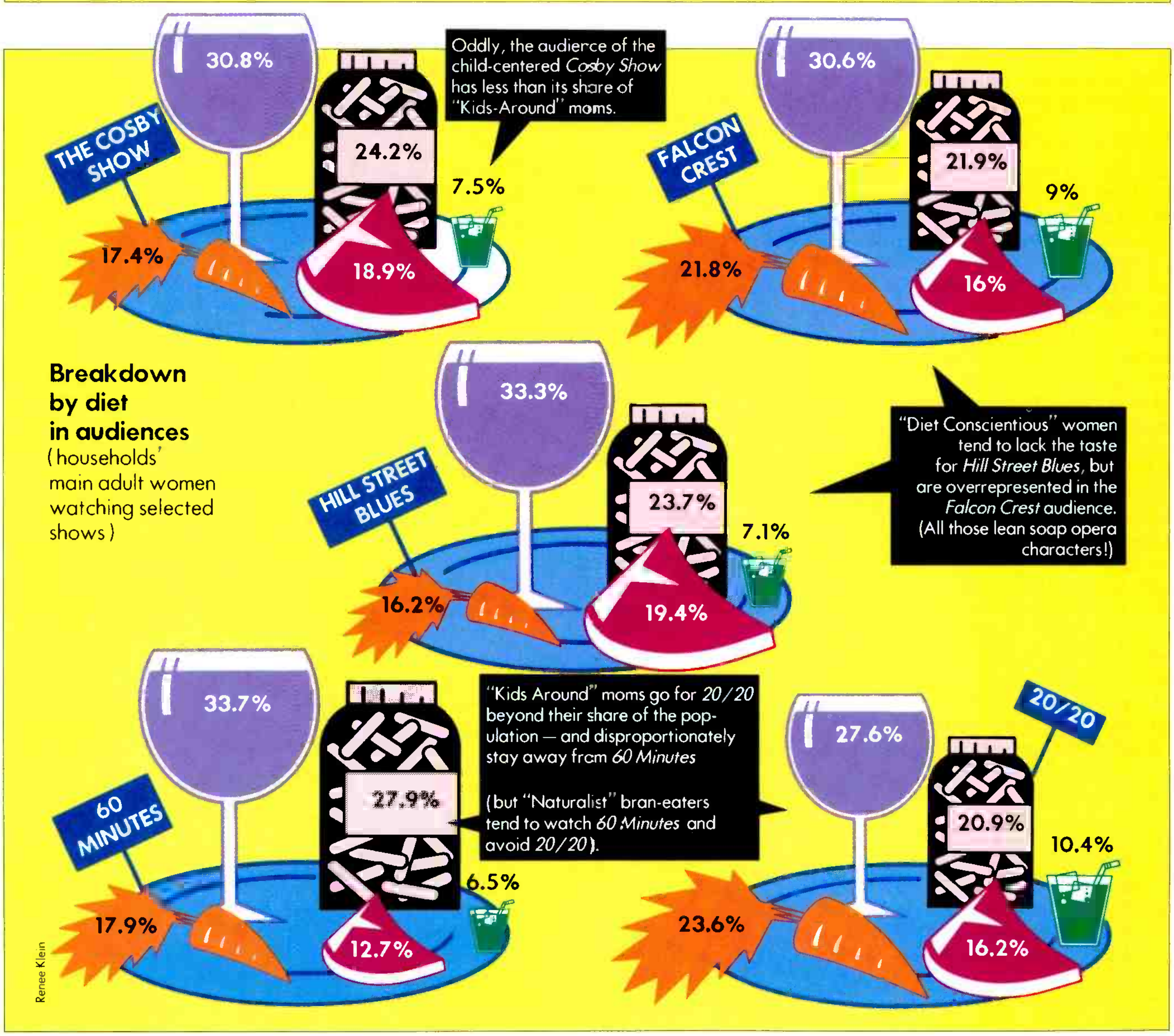
I guess the problem I have, and maybe a lot of other people have, is: Whose view? How do you measure it? You could fill a room with 500 people and not get two to agree on what is objective. How you study it is a mystery to me.

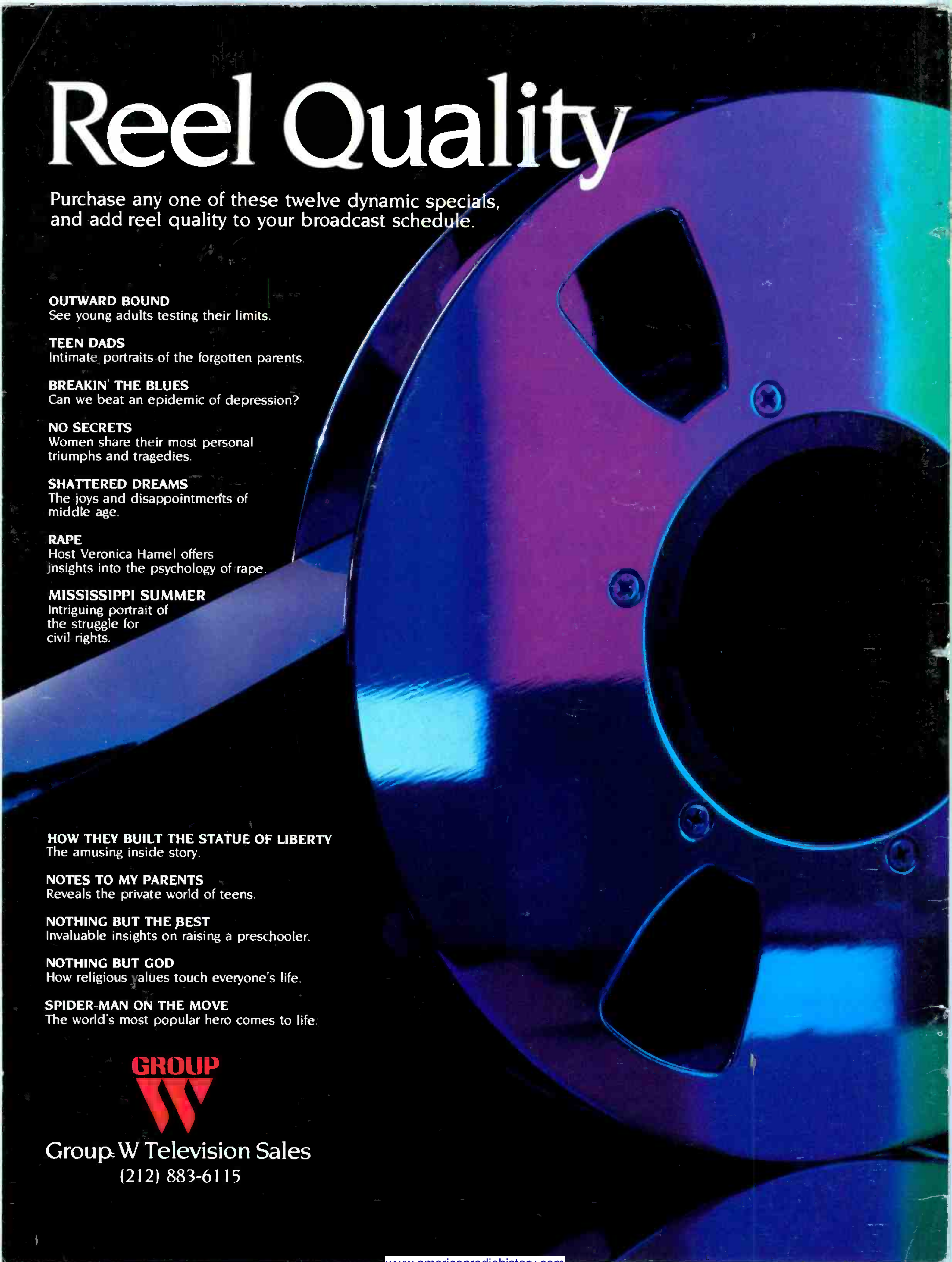
PBS has appointed a committee that is doing sort of an in-house study, which I think is due to report out in April. My feeling is that we should wait and see what they're doing, what they say. ●

RUNNING THE NUMBERS

Mouth–Eye Coordination

First there were demographics, then psychographics. Now lunchographics. Last year, Simmons Market Research Bureau began dividing the consumer population by its eating habits. In its exhaustive annual survey of 6,000 households' main adult women—presumed to be the households' chief shoppers—Simmons added questions designed to put the women in the five standard National Eating Trends dietary groups. Results were cross-tabulated with data from viewing diaries the women kept for two weeks in the spring—as well as other data on their buying and reading behavior. (Source: Nutritional Segmentation System in Simmons' 1985 Study of Media & Markets.)

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