Technology: The View from '88

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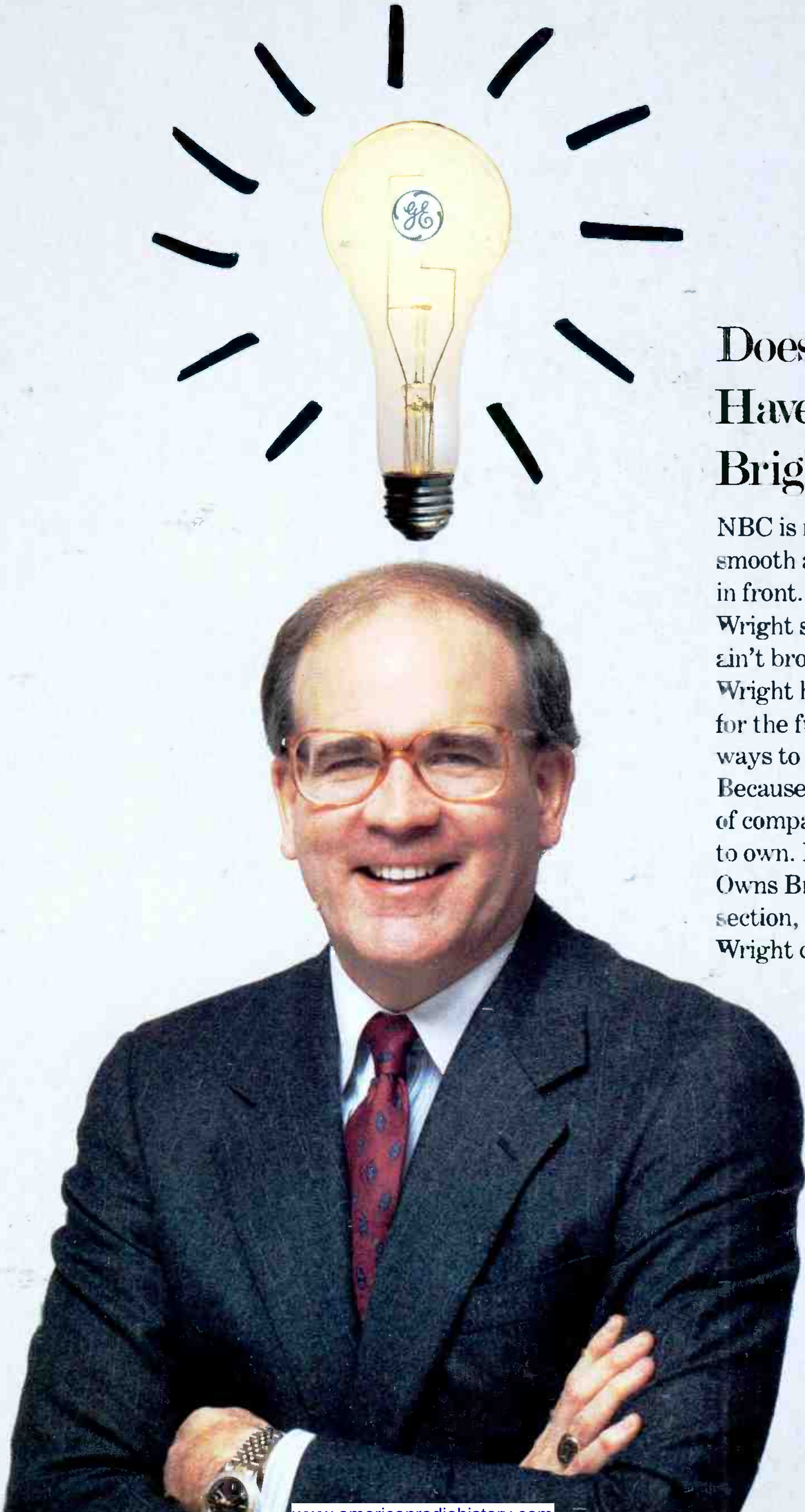

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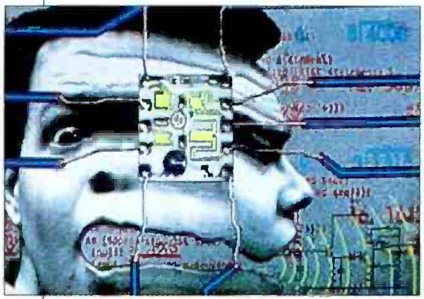

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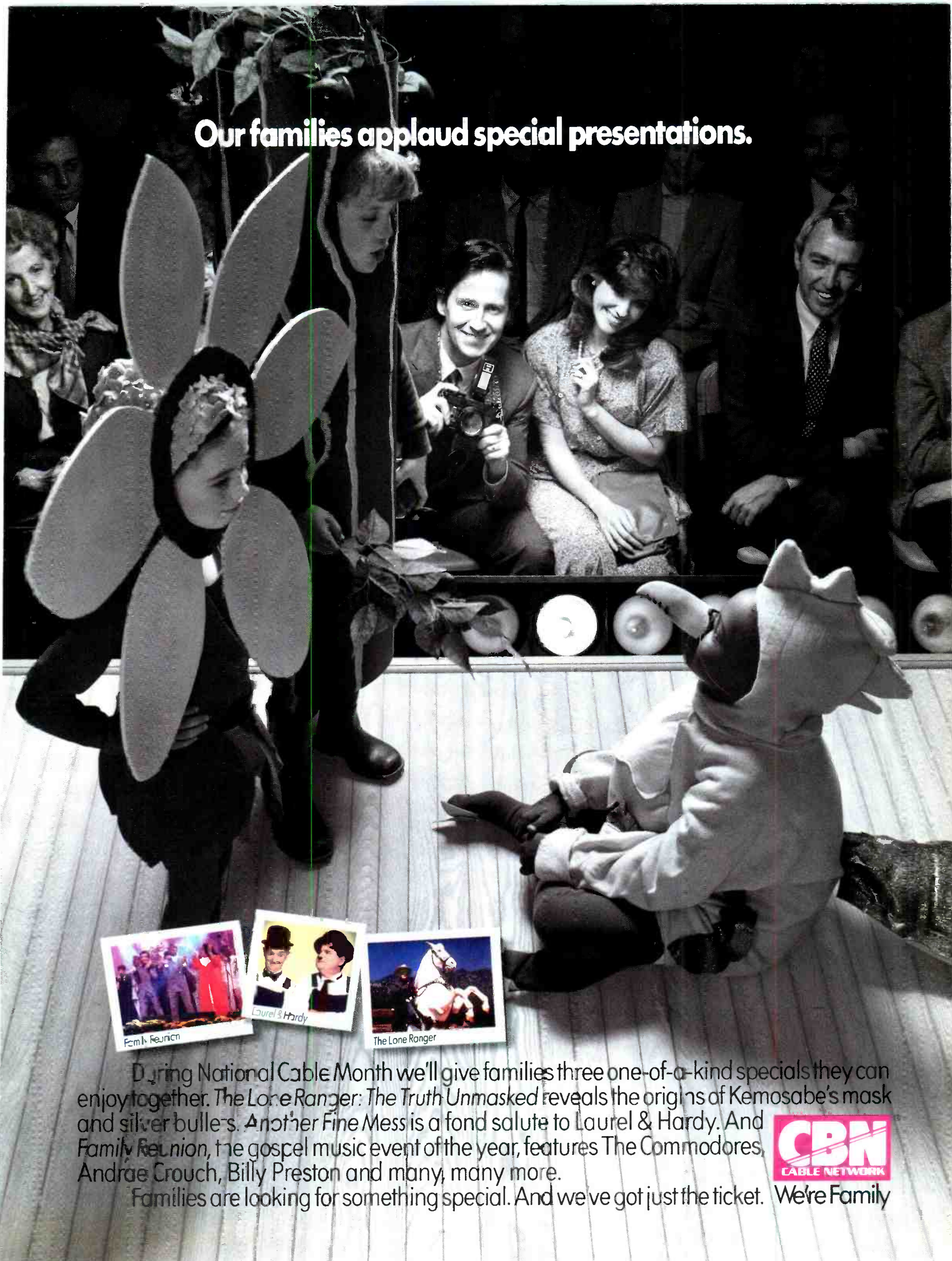

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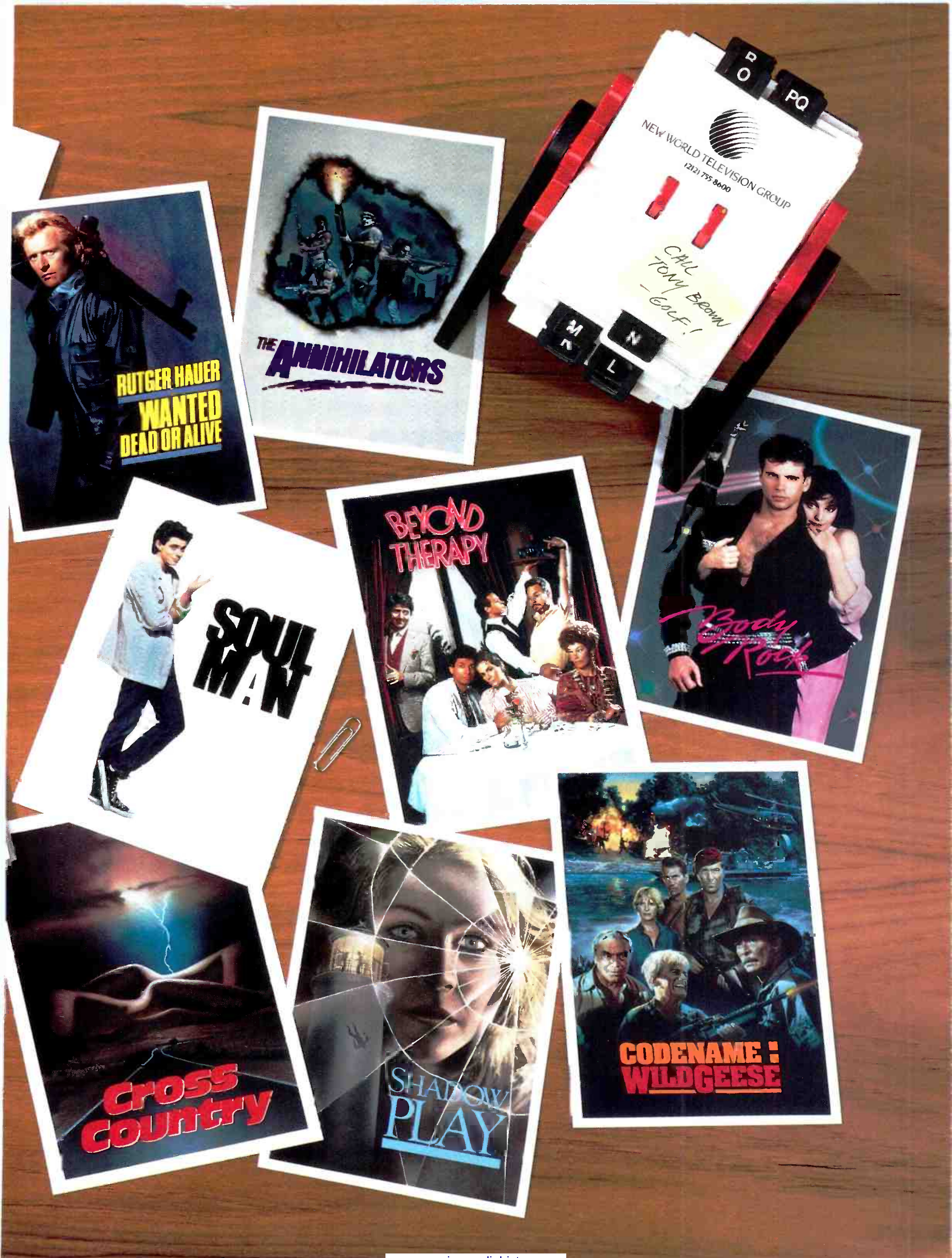
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Local Stations: Laughing All the Way To the News

Will *The Cosby Show* and *Who's the Boss* mark a programmers' turnabout?

Independent television's scheduling credo, counterprogramming whatever is on the network-affiliated stations, could prove a tough path to success come fall. The early evening indie niche of off-network sitcoms is threatened by the appearance of Viacom's *The Cosby Show* and, in fall '89, Columbia Pictures Television's *Who's the Boss* on mostly network affiliates. (Of the 167 stations sold on *Cosby*, only ten are independents, and Columbia's sales are running roughly 80 percent affiliates.)

Barry Thurston, CPT's president, syndication, says affiliate interest in off-net sitcoms is a return to a trend last seen in the late 1970s, when the NBC O&Os bought *Mary Tyler Moore* as a group. "But since those days," Thurston says, "the majority of comedies have been purchased by independents, placed against affiliates' news between 6 and 8 P.M. and done very well."

Thurston says affiliates turned away from sitcoms to go into talk shows—Merv Griffin and Mike Douglas, in those days—game shows and sometimes off-network hours.

The swing back to sitcoms can be traced directly to *Cosby*. Bill Carroll, v.p. and director of Katz American, says, "A lot of stations, in looking at *Cosby*, saw the potential of the show, and saw what the impact might be if the show were run against their news by an independent in their market. They decided it was important that they own the product."

Having purchased the show, the next dilemma for affiliates—and this goes for the owners of *Who's the Boss* as well, Carroll notes—is scheduling it in a time period where it can earn back its record-breaking license fee. The prime time access rule prevents affiliates from airing off-network programming in access. "It forces stations to look to the next most viable time period, based on HUT levels and available audience," Carroll says. "That inevitably means they'll become news lead-ins."

Who's the Boss: Programmers like the demographic mix of the audience for premium off-net sitcoms.

Carroll quickly adds, however, "Whether they're best suited to become news lead-ins remains to be seen." Katz research shows that game shows, court shows and certain talk shows—such as *Oprah Winfrey* and *Donahue*—are more "efficient" in delivering their audience into a newscast. But as Carroll cautions, "You have to look at that in relation to the size of audience that exists. If the sitcom generates twice the audience [of a court or talk show], even if its retention level is only 55 percent, it's more efficient."

CPT's Barry Thurston: Selling affiliates.

Stations are still firming up their fall lineups, but most agree that *Cosby* and *Boss* will not stray very far from their newscasts. WTAE in Pittsburgh, an ABC affiliate owned by Hearst, never got out of the sitcom business: It's been running *M*A*S*H* at 5:30 as its news lead-in. Director of programming Joe Heston notes, "*Who's the Boss* will be compatible with our audience in the afternoon, which has good male demos versus the game shows, skewing old or female, or an *Oprah*, which is young female."

Johnathan Rodgers, v.p. and general manager at CBS O&O WBBM in Chicago, bought *Who's the Boss* despite the station's current commitment to court shows. "I'm going to look at the *Cosby* situation this fall," Rodgers says, "and if *Cosby* works as a news lead-in [on other stations], you'll see *Boss* leading into our news."

Don't expect to see sitcoms popping up in every market at 5:30, however. As Katz's Carroll notes, "If it succeeds and meets stations' expectations, then it will be the beginning of a trend."

JOHN FLINN

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What's On

A • P • R • I • L

Network Naughtiness

by Kevin Pearce

APRIL 11: The Motion Picture Academy presents the **Oscars**, and Hollywood's glitterati turn out to watch. But do Academy accolades translate into small-screen success? According to **Risa Solomon** of **Videodome Enterprises**, "Movies often get renewed vigor on home video from an Oscar nomination. If you've got a title that wasn't a blockbuster, and it's nominated and released soon after the Oscars, it might get a big kick. Last year's ***Salvador*** [nominated for several Oscars and distributed in video by **Vestron**] is a good example." She also cites the success of **HBO Home Video**'s ***Amadeus*** both before and after its Best Picture award. But an Oscar doesn't guarantee gold on homevid: "**Gandhi** [**RCA/Columbia Pictures Home Video**] and ***The Killing Fields*** [**Warner Home Video**] did well initially, but had no legs. In the convenience stores, in the supermarkets, dramas die. The most popular rentals now are still action/adventures and comedies." What about last year's Oscar-sweeper, ***Platoon***, which was delayed in home-video release by a court struggle between HBO Home Video and Vestron? "I think the controversy has actually helped it," says Solomon. "Orders are up 18 to 20 percent over the original orders, despite a $99 price tag."

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APRIL 28-MAY 3: In Cannes, France, the 24th annual *Marche International des Programmes de Television*, or MIP-TV, will bring together 6,000 program buyers and sellers from 138 countries. The U.S. industry's increasing reliance upon foreign sales, as well as explosive European commercialization, should make this a lively event. Also, expect more co-production and cost-spreading deals like **MGM/UA**'s agreement with Yugoslavia for filming ***The Dirty Dozen***. "MIP-TV is called a market rather than a festival or conference because its primary focus is business," says U.S. marketing director **Barney Bernhard**. "This year we are offering two seminars, but they'll be over by 10 A.M. so that people can hit the floor." **Phil Howard** from **LBS** and **Les Brown** of **Television Business International** will lead a seminar on the growing international barter market, and **Lorimar Telepictures' Michael Solomon** will discuss international co-productions.

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APRIL 30-MAY 3: The National Cable Television Association's annual convention in Los Angeles will include exhibitors, seminars and technical sessions. A highlight will be the 10th annual **System Awards for Cable Excellence (ACE)**, sponsored this year by **The Disney Channel** and **ESPN** on May 2. An award for excellence in local cable programming, last year's System ACE competition drew 720 entries. **Continental Cablevision's Robert Stengel** will chair the awards committee. Also, **James Cownie's** term as NCTA chairman expires at the convention. Vice chairman **John Goddard** of **Viacom Cable** has reportedly shown an interest in the job. Other candidates: treasurer **Robert Miron** of **Newhouse Broadcasting** for vice-chair and **Cox Cable's James Robbins** for treasurer.

. . . .

APRIL 30: Guesting for **Rupert Murdoch** as the "titan in a tight spot" this month is **Turner Broadcasting's Ted Turner**. According to last June's cash-infusion agreement, Turner must pay a $38.8 million dividend to his MSO partners by the end of this month. If he doesn't, the cable operators will gain control of 9 of 15 board seats, up from 7 of 15. **Tele-Communications Inc.** president **John Malone** said last January, though, that the MSOs wanted to work out a non-"punitive" arrangement. Even more pressing for Turner right now, of course, is the restructuring of TBS's $1.3 billion debt, since dilution of his holdings could mean surrendering control of **CNN** to **Time Inc.**

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MAY 4: Ah, spring! Is it something in the air? Fifteen years ago this month network television aired its first glimpse of the human form *au naturel* when **Valerie Perrine** bared her breasts on **PBS's *Steambath***. One year ago this month, some mischievous programmers at Kansas City, Mo.'s **KZKC-TV** broadcast **Sylvia Krystal** in a similar state during an 8 P.M. showing of ***Private Lessons***. Six months ago, however, the FCC decided that something had to be done about this threat and filed a complaint against the station. Will they do the same to **Capital Cities/ABC** for a fade-out glimpse of **Susan Walters'** breasts during February's sweeps-week mini ***Elvis and Me***? ●

CALENDAR

Apr. 15-25: NATPE Educational Foundation seminars: "The Law and the Program Director," St. Louis, Atlanta, Minneapolis, Salt Lake City. Contact: Steve Currie, (503) 243-6666.

Apr. 16: 20th annual Golden Reel awards, sponsored by the International Television Association. Caesar's Palace, Las Vegas. Contact: Kelly J. Bell, (214) 869-1112.

Apr. 17-20: Broadcast Financial Management Association annual conference, Hyatt Regency, New Orleans. Contact: Mary Gahiselli, (312) 296-0200.

Apr. 20: Federal Communications Bar Association luncheon. Speaker: John L. Clendenin of Bell South Corp. Marriott Hotel, Washington, D.C. Contact: Jim Smith, (202) 457-8663.

Apr. 28-May 3: *Marche International des Programmes de Television* (MIP-TV), Palais de Festival, Cannes, France. Contact: Barney Bernhard, (212) 967-7600.

Apr. 30-May 3: National Cable Television Association annual convention, Convention Center, Los Angeles. Contact: Don Dobson, (202) 775-3550.

May 1-8: International Public Television screening conference (Input 88), Philadelphia. Contact: Judith Sylk-Siegel, (215) 922-6145.

May 6: Paul Kagan seminar: "TV Program Syndication," Park Lane Hotel, New York. Contact: Genni O'Connor, (408) 624-1536.

May 10: Paul Kagan seminar: "TV Acquisitions," Park Lane Hotel, New York. Contact: Genni O'Connor, (408) 624-1536.

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ARBITRON RATINGS


WHITNEY HOUSTON

Politicizing the Wire

by Peter Ainslie

For candidates, two data bases enhance the appeal of cable as an advertising medium.

Four years ago, you couldn't give away advertising time on cable to politicians. "Selling cable ads in the political arena was kind of like being an elevator salesman in a world of two-story buildings," says Bob Williams, president of the eight-year-old cable rep firm National Cable Advertising (NCA). "There was no place for your product when you first started, and then, if you stayed with it, the landscape changed to fit your product."

But in this election year, candidates are discovering advantages to cable beyond lower rates. Why the big change? The reason is rising penetration and the availability of data bases that make cable increasingly efficient and easy to buy. "Cable was an unknown quantity to political candidates," says Cable Advertising Bureau (CAB) president Bob Alter. "There wasn't much of a track record in '84. But over the past couple of years, it's become more apparent to political operatives that cable can play an important role in campaigns. We now have data to show them how it can be used nationally and locally."

Along those lines are two data bases that have been developed, one by the A.C. Nielsen company, called CODE, for Cable On-line Data Exchange, and another by Bob Williams' NCA, called CableTrack, both of which greatly facilitate the work of the political media planner. CableTrack was developed to help Williams keep track of the vast inventory of advertising time available among the 1,400 or so cable systems that sell local inserts on ad-supported basic services. But because cable franchises coincide with political boundaries of one sort or another—county, ward, voting district—it was an obvious fit to put the data to work for politicians. Nielsen, says CODE's manager Julie Aquan, was collecting data on cable systems anyway, for metered and diary services and for phone coincidentals. "So we decided to turn it around," she says, "and make it available to ad agencies, cable networks, MSOs, cable reps and broadcast networks."

According to Williams, here's what cable can do for politicians: "It autopilots its way into the most desirable homes in America, for politicians and other advertisers. The facts bear out that cabled homes are more likely to vote, more likely to give money to a campaign, to work for a campaign. It selects out the homes you most want to talk to if you're a politician. Secondly, it helps target voting districts. The geography of politics is the geography of cable, and that's a tremendous benefit for a political campaign. Third, cable is a multimedia medium. If you're a politician, you can buy a half-hour show on cable in prime time to really tell your story, then promote that program with 30-second commercials on ESPN, CNN and USA, and you can also send a piece of mail to that same set of households, through the MSO's billing system or through an independent direct-mail approach. A TV station can tell you how many people are watching, but can't tell you where they live. It's a big advantage having the viewer's address."

Both CODE and CableTrack contain comprehensive information about which cable systems are in each television market, including, among other things, which programming services are carried; the cost for locally purchased ad time on each service; and information on cable interconnects. CODE also combines cable customers' zip codes with zip code demographic research from Donnelley Marketing and provides demographic profiles of a cable system's franchise area. One big difference in the two: CODE is for sale by Nielsen; CableTrack is available free to any politician (or advertiser) who buys cable ads through National Cable Advertising. (The company is compensated by the cable system.) Once a politician decides to buy, Williams places the time, monitors the schedules, gets notarized affidavits of performance and provides a single invoice.

If there's a vulnerability here, it's with cable's same old bugaboo: ratings. "For people who need broad reach," agrees Williams, "it's not the right service. When you get to the short strokes in a campaign, these people buy tonnage. Cable cannot compete in that war. So reach is something we concede. On the other hand, our strength is in frequency. We can reach the people they most want to reach with greater frequency because our commercials are less expensive. They can afford more of them." ●

A CODE Sampler

Cable On-Line Data Exchange Advertising Information Report

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Advertising Contact and Phone: Mr. John M. Doe, Gen. Mgr. (999) 999-9999

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ESPN	ESPN	045	Expanded Basic	26294	11/87	$15.00 30 seconds
MTV	Music Television	053	Expanded Basic	26294	11/87	$15.00 30 seconds
USAN	USA Network	046	Expanded Basic	26294	11/87	$15.00 30 seconds
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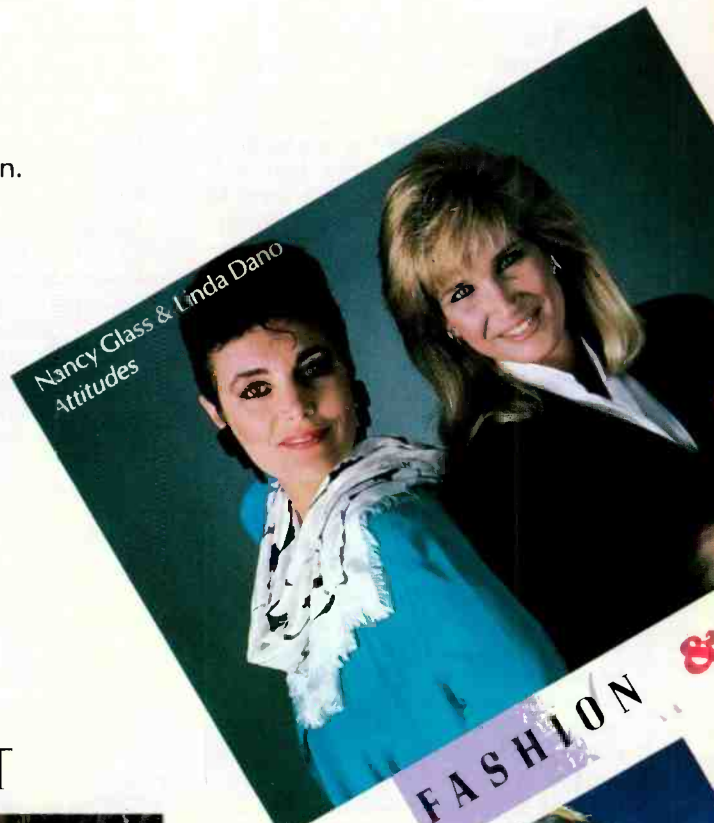

Nancy Glass & Linda Dano
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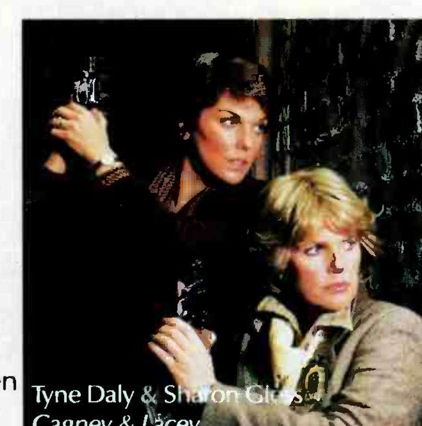

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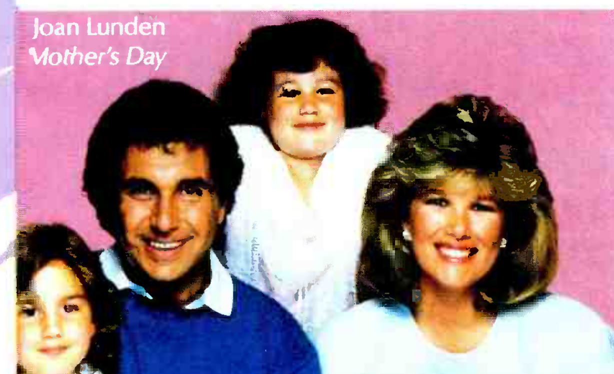

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Taking L.A.'s Challenge

by Neal Koch

American Cablesystems looks to basic marketing to turn around its big new stake.

Los Angeles may enjoy a Mediterranean climate, but to cable operators it's more like a swamp. After pouring hundreds of millions of dollars into the area, they had signed up, by last fall, less than a third of the homes they pass in the city proper, the heart of the nation's most lucrative advertising market. In contrast, the cable industry nationwide boasts more than half of all TV households as subscribers. In Los Angeles, as one analyst's report put it kindly, "few operators have succeeded."

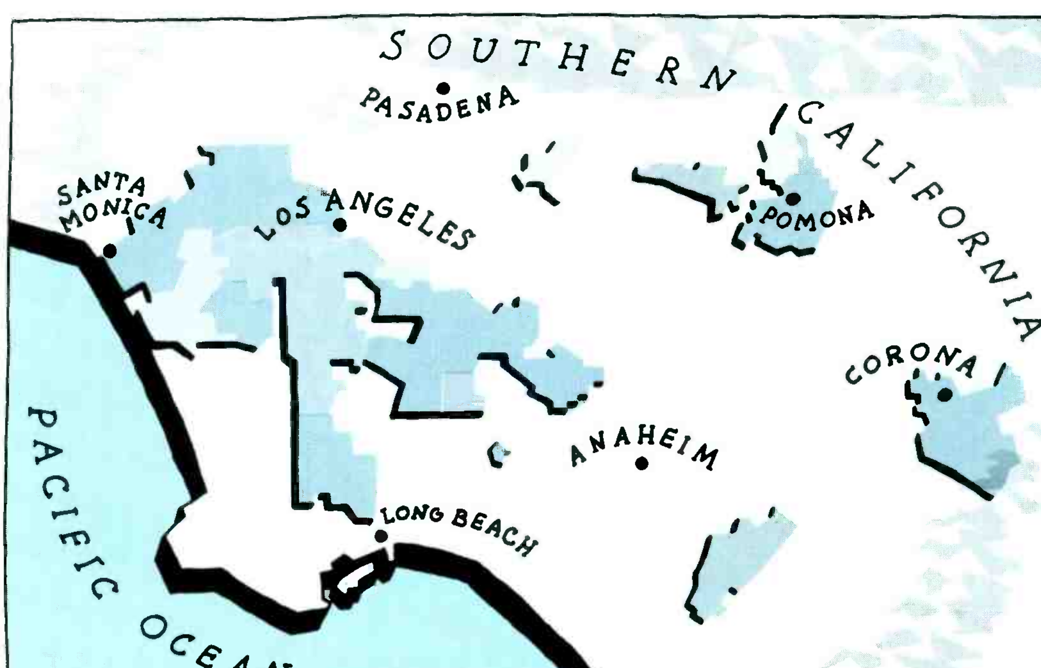
Into the breach has leapt American Cablesystems Corp., a Massachusetts-based firm widely regarded as one of the most innovative and best managed multisystem operators. Having acquired a baker's dozen systems in the Los Angeles area since 1985, American has made itself the market's largest cable operator in terms of homes passed (550,000)—and proven itself gutsy enough to pick up one of the industry's biggest bankrupt properties, the CommuniCom system that covers much of the city's west side. American's ambitious plans call for it to increase penetration from its lowly 26 percent to at least 40 percent by 1993. "We felt like we had the management horsepower to challenge the Los Angeles marketplace," says David Keefe, American's western regional senior vice president of operations.

American likes to pick up underperforming cable systems in densely populated, middle-income areas—especially where available systems are clustered and where construction costs are reasonable and predictable. Then it integrates the systems to achieve operating and marketing efficiencies, improves the physical plant and concentrates on building a better community image and improving customer service—and penetration. This is the scenario American has in mind for its new Los Angeles cluster of systems.

The systems' performance still needs a lot of fixing, but Continental Cablevision, the even larger MSO that purchased American late last year, says it will respect American's plans for the region. "It's a vital market," says Continental vice president of programming Rob Stengel. "It's a key element to the whole merger."

American dismisses the claims of some L.A. veterans that the problems are inherent to the market, contending that it can succeed through conventional marketing techniques and intelligent management, along the lines of its operations in New York, Massachusetts and other parts of the country.

The payoff could be enormous. For one thing, advertisers spend more television dollars in Los Angeles than in any other U.S. market, including New York. In 1986, TV spending in the L.A. market came to more than $893 million, compared with New York's $876 million, according to the National Association of Broadcasters. For another, American's goals call for doubling its cash-flow margin to the industry average of about 40 percent by mid-1991. John Reidy, an analyst for one of American's invest-



American bought up CommuniCom's bankrupt systems in L.A. and became the region's largest cable operator.

RICHARD OSAKA; SOURCE: SOUTHERN CALIFORNIA CABLE ASSOCIATION

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Source: Nielsen NCAR Nov. '87

Affiliate Relations Regional Offices: Eastern–Betsy Dirnberger (212) 408-9170, Central–Carolyn McCrory (312) 644-5413, Western–Barbara Kirbach (213) 277-0199 ment bankers, Drexel Burnham Lambert, has called the floundering California systems both American's "greatest growth opportunity and [its greatest] challenge."

American clearly has its work cut out for it. While most operators aim to sign up 60 percent or more of homes passed, American's L.A. cluster had achieved a penetration of only 26 percent by the end of last year (with 142,000 subscribers out of 550,000 homes passed and more than 860,000 homes under franchise). And American has only just begun building its South Central system, in a lower-income area of 180,000 homes.

Some Wall Street analysts and many local industry officials explain the region's lagging cable penetration by pointing to L.A.'s beckoning beaches, warm weather and variety of entertainment alternatives. In the land of Hollywood, movie theaters abound; Los Angeles County has 549 screens, compared with just 300 in New York City's five boroughs. And when it comes to in-home movies, people in 61 percent of L.A. households huddle around VCRs, compared with the national average of 52 percent. Even when it comes to watching TV, there's the clear broadcast reception most residents enjoy, made all the more attractive by the presence of four strong independent stations, which together give the network affiliates a run for their money in key time periods.

Even so, solid marketing should be able to prevail, American officials contend. "There's no question we can generate more sales than we can handle," says George Douglas III, western regional senior v.p. of marketing and programming. "It's not a difficult market to sell at all." American got to know the market when it managed the CommuniCom systems for a year before buying them. "I don't think you can really blame it on the area," says operations head David Keefe. "Our problems at CommuniCom were company problems. No one was in worse shape than us."

CommuniCom, concluded Reidy in a report before its purchase, "ranks as one of the industry's legendary fiascos: overstaffed, construction budget out of control, undermanaged, undercapitalized and ultimately bankrupt." American walked into a system that was only half built—and poorly at that, often providing signals worse than those from rooftop antennas. "Quite honestly," says Douglas, "most [customers] were badly wired. There's no way those people could have decent pictures."

Mark Mangiola, now vice president of marketing and customer service for Paragon Cable, Los Angeles, says he was "pretty amazed" when he first saw CommuniCom's performance in 1981: "They would go out and build [cable facilities] in a 300-unit apartment complex, forget they were nowhere near a feeder, and go out and sell—only to have to turn around and tell the people 'Whoops!' " Even in American's first year of management, employee turnover was 70 percent and customers turned over at 55 percent a year. Phone orders for new service went unfilled nearly half the time.

> Cable hadn't been an easy sell in L.A.—yet American came on strong. Says an exec: 'We felt we had the management horsepower.'

Douglas says he canceled most promotion plans during his first six months, not wanting to make big promises to new customers until the company could serve them well (though the direct sales force stayed in the field). The most important steps he could take to improve the system's public image and long-term prospects, he says, were to make sure American could follow through properly on any orders it took. American's first piece of direct mail didn't go out until a year after it took over management of CommuniCom. "The whole marketing job in the first year was nothing but operations," Douglas says.

In that time, American rewired 26,000 of CommuniCom's 65,000 units, replaced some signal reception equipment, upgraded standby power facilities and started regular preventive maintenance. To improve customer service, the company not only created a training department to instill a customer-service ethic in employees, but also recruited customer service and marketing employees from Federal Express Corp. American renovated offices and raised those wages and benefits that were below market level.

At the same time, Douglas campaigned on behalf of cable in general. Under his chairmanship, the Southern California Cable Television Marketing Council produced plans for a three-year campaign using TV, radio and direct mail, starting this year. The council set up a toll-free phone number for prospective customers and generated an estimated 40,000 leads. The council also keeps tabs on home sales in the area, sending cable operators the names and telephone numbers of new residents.

American also participates in a new venture designed to overcome L.A. cable's historic weakness in retail advertising. Industry officials attribute the weakness to a fragmented cable marketplace. The city of Los Angeles alone has nine cable operators. Advertisers aiming to cover the city's South Bay area, for example, have to buy time on four separate systems. "The moms-and-pops and middle-size retailers are the types of folks who would get confused and so would probably go back to the conventional pennysaver," says Paragon's Mangiola.

The new venture provides advertisers with one-stop shopping. The operators plan to offer up to half of their local ad avails for centralized placement through a co-op, with the ads themselves to be fed out to the various systems by satellite.

On the programming front, American is a partner in revamping the acclaimed local pay movie service, the Z Channel, which is adding Los Angeles Dodgers and California Angels baseball and other sporting events to its mix. Customer surveys also have led American to add Prime Ticket, a regional sports channel. To appeal to Hispanic viewers, it moved Galavision into its basic package and clustered it with other Spanish-language programmers. Now American's shopping for Mexican movies.

American restructured consumer prices after its research showed that customers wanted to pay less for premium channels but were willing to pay more for the basic services than American was charging. It also lowered or waived installation fees.

The company has already reported improved results in its suburban systems in Carson, Pomona and Inglewood. David Talcott of the city's Department of Telecommunications says that since 1985 American's Hollywood-Wilshire and Westchester systems have cut in half their level of customer complaints. Still, he says, "they've got a long way to go."

"It takes a very long time to dig out of the hole CommuniCom was in," explains Douglas. "I can't say we've made dramatic improvements." More generally, however, the problem in the other Los Angeles-area systems is to sell the service as well as American does back east. "It's basic stuff," he says, "it's not rocket science." ●

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The Public Eye

by Les Brown

State of the Press State

When he fought off Dan Rather's aggressive questions in the now famous live encounter on the *CBS Evening News*, a lot of Americans thought Vice President George Bush behaved heroically. Some wanted him next to take on ABC's abrasive Sam Donaldson. The candidate who previously seemed too much the wimp to be President had in one brief television episode become John Wayne. Such are the miracles of the medium, for politicians.

But wait. Who was the villain in the eyes of the thousands that phoned the CBS affiliates to complain? A newsman acting in the service of the public, probing the man who wished to be President for answers he never gave concerning his knowledge of the Iran-Contra dealings.

The polls a week later seemed to decide the contest as pretty much a draw, Republicans in the main giving the points to Bush and Democrats to Rather. But a draw in this instance, when you think about it, represents a low vote for the institution of journalism.

> 'The Press State argues that it's acting for the public's good, but the Police State would make the same claim,' says Schonfeld.

I remember being shocked in 1969 when Spiro Agnew was cheered for denouncing the press and was thus elevated from a nobody to a household word. To despise a free press in a free society seemed to me downright un-American. Imagine that coming from the Vice President; how unpolitic it should have been. But Bush and Gary Hart have also made political capital from trashing the press, and to some degree so has Richard Gephardt. When running against the press becomes an effective strategy, something is frighteningly out of whack.

Veteran TV news executive Reese Schonfeld offered this explanation over lunch recently: "When you look at all the media that surround us, you realize why people feel they're living in a Press State. We who work in the field may recognize that as the diametrical opposite of a Police State, but unfortunately a lot of people think they're similar. They're both so powerful. The Press State argues that it's acting for the public's good, but the Police State would make the same claim."

I buy it. The press, in some form, does seem to be everywhere, and as our institutions go, it does have extraordinary power. It was the press—and not the police or any other official agency—that brought down Gary Hart, Jim and Tammy Bakker and Joe Biden. Some would call that a damned good record, the press properly doing its job. But these were all popular figures, and to their die-hard followers they were victims of muckrakers who were simply out to make a name for themselves.

Bush, in his great show of machismo on CBS, fed the distrust of the Press State. When the clash with Rather was over he was heard to say, "The bastard didn't lay a glove on me," and the next day commented to a group that he deserved combat pay. The allusions to violence suggest similarities to a Police State. Never mind that such "violence" was aimed at a public official running for the highest office who was being asked to level on a matter of undisputable public importance.

In the end, the rap on Rather turned out to be one of form. He did not display proper deference to the Vice President of the United States. He was rude in his questioning toward a person of such rank and rude in his sign-off. Who the hell does he think he is? Who elected him? So went the complaint.

Here is where one of the virtues of television poorly serves the image of journalism. The virtue is that live TV reveals the process of getting the news; the problem is, it's not a pretty process. Often it involves browbeating. The process, of course, is exactly the same in print journalism—as anyone who has seen reporter Seymour Hersch in action will attest—except that the obnoxious techniques and behavior are never written into the text.

If I would fault Rather for anything in the Bush lash-up, it would be for not understanding the conventions of the medium. As anchorman, he is a form of television host, with everything that requires of courtesies to the audience and to any live guests who might appear, regardless of rank. To turn street reporter while hosting is to commit a serious breech of television etiquette.

But as to the question of who elected Rather, I would say he has a better claim to being elected than does Bush. The Vice President was, after all, a parlay with Ronald Reagan; on his own he gathered precious few votes for the ticket. Rather, on the other hand, got where he is—at the top of the Press State—through the passive votes of viewers in our Nielsen democracy. Projections from the Nielsen sample come to far more people, regrettably, than vote in the national elections.

So maybe Bush should be called down for not having shown proper respect. But that's a silly point. The serious one is that growing numbers of people, including the heads of network-affiliated stations, are uncomfortable with the free press that defines America. ●

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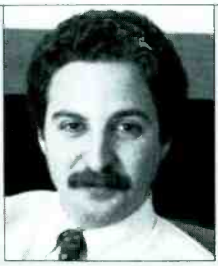
The Business Side  *by Merrill Brown*

Why Taking Risks Makes Sense

Henry Siegel isn't accused of being a short-term thinker. He has created the $800 million barter business and was vital in developing first-run syndication. The firm he founded, LBS Communications, considers itself the nation's largest marketer of ad time in syndication. And LBS has been one of the most aggressive firms in taking barter and syndication into new international markets.

That's why Siegel, now chairman and president of LBS, and his views about television's future, require attention. Throughout his career, Siegel has proven that he's willing to take risks. And even when one fails, as with LBS's Inday venture, there are lessons for other risk-takers. "Somebody always comes in and does it bigger, spends more money or does more of what we do," Siegel said recently. "That's why we're always forced to move quickly into new areas."

With the domestic program field stagnating, Siegel is

Barter guru Henry Siegel sees a contracting market as full of problems. But he also knows when a business is loaded with opportunities.

spending much of his time on LBS's ancillary fields—primarily in the cable and international areas. "There's no question that we've exhausted our creativity and have more than enough product and outlets," he says.

Domestically, Siegel is worried about competition in barter, and the programming industry's growing difficulty selling new shows to cautious buyers. "The concern is no longer 'Will you get the right price from advertisers?' The issue is competition and the fact that you're clearing fewer markets and getting lower ratings," he says. As a born risk-taker, Siegel finds that worrisome. "If the crash had occurred before pilots went into production, you'd have seen even less risk-taking. There's desperation out there right now. People are pulling the plug even faster than ever and more projects are falling by the wayside. A lot of this has to do with the capital markets. Wall Street is no longer enamored with the entertainment industry."

But Siegel, it appears, continues to take risks. Witness his willingness this season to take on King World's game-show steamroller with LBS's *Family Feud*, and his willingness to bet $2 million on October's *Return to the Titanic* special—a program that Siegel says grossed $4 million.

But he isn't optimistic on hour programs—a network staple that is moribund in syndication. "I don't believe hours will ever be back," he says. "They'll never be as good a sell as two half-hour sitcoms. Maybe with cable there will be ultimately a big enough back end to cover their deficits, but I don't believe hours will ever again have real value in the marketplace."

Siegel also has a very provocative and somewhat unusual view of network television. It's his sense that although the three-network share will continue to drop, the networks are about to increase their power—especially in their relationships with producers and syndicators. "They're still the most important national television medium around and I think they're going to be more powerful in the 1990s than they are today," he says, predicting an end to the rules that have barred the networks from syndication and program ownership.

"They have the clout to get significant percentages of the back end and that will affect the bottom lines of all the major studios," he notes. "They will say they need these percentages in order to survive, and they may get them. The networks will then keep shows on longer, be more willing to put lots of money into shows and to put the money into promotion for them. Fewer series will get on the air, but there'll be fewer broken series. And it's likely that fewer independent producers will get series on the air. They might take on 30 and not 100 pilots, but they might also help producers by being more willing to put up money for deficits."

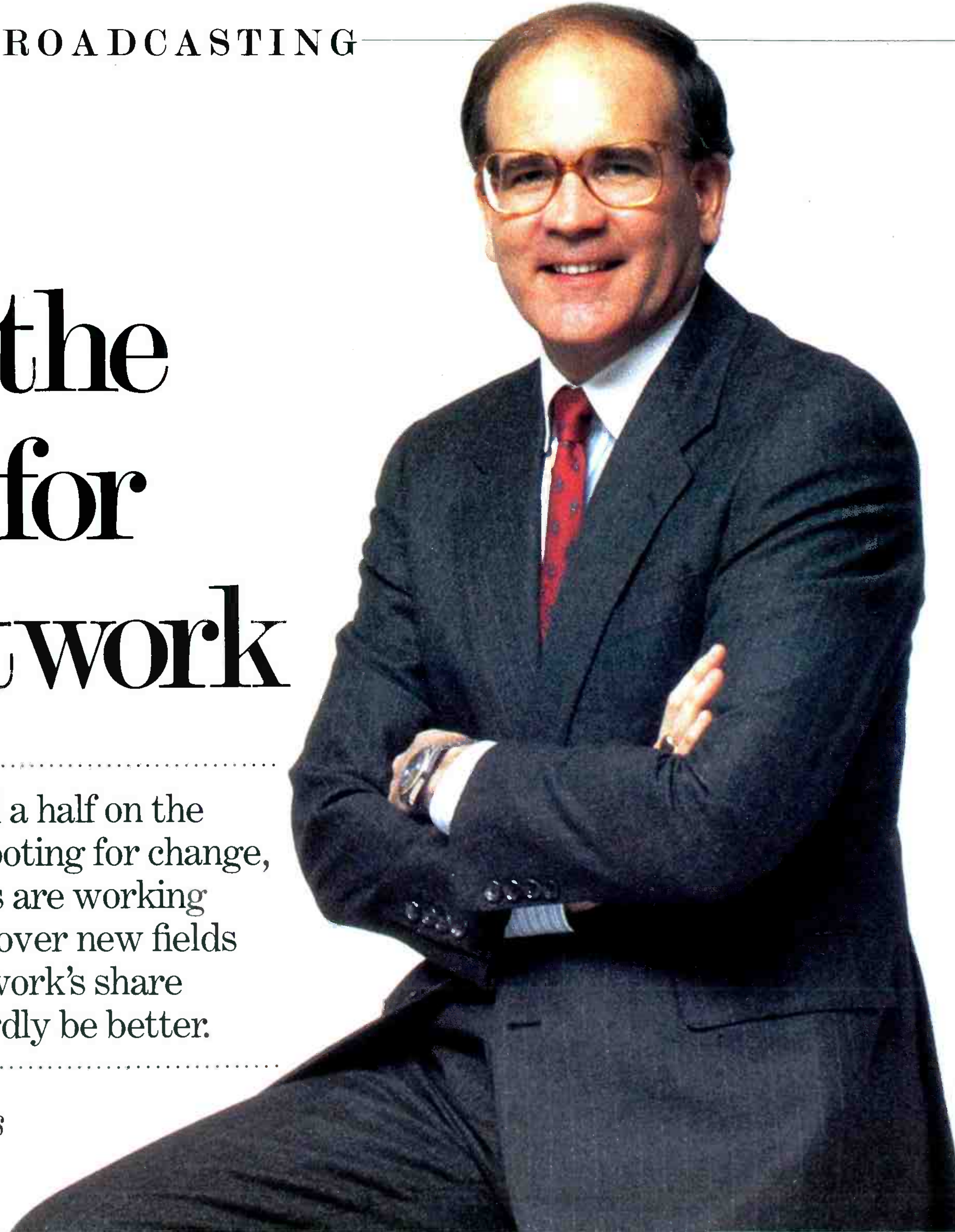
At a time when second- and third-tier production and distribution companies are in a major shakeout, that scenario could mean additional problems, even for midsized companies such as LBS. But Siegel likes LBS's positioning and says that in light of the fact that only LBS and King World remain as larger, significant independents, that's a relatively secure niche. "We have the ability to attract independent producers, who represent the bulk of the creative community," he says. "We've got no ties to studios, their overhead and union contracts and to their own large-scale productions. We have the opportunity to deal with more independent producers than anybody and we're looked upon as their friend. That's why I think we've never been in a better position from a programming and company standpoint."

If Henry Siegel continues to bet right far more often than wrong, that may well be the case. And those are lessons for all programmers. Unless more people adopt Siegel's willingness to challenge the status quo and take qualified risks, today's programming shakeout might well yield more victims. ●

Fixing the Future for GE's Network

For Bob Wright—a year and a half on the job—running NBC means rooting for change, even when the present ways are working amazingly well, and looking over new fields to enter, even when the network's share of the TV business could hardly be better.

by L.J. Davis and Steve Behrens



Robert C. Wright's company, today, is the most successful broadcasting company in history. NBC's television network sold advertising time worth a record $3 billion last year. Its prime time lineup was number one in the ratings for a dozen sweeps in a row (till ABC won with February's Olympics). And 137 of its affiliates are tops in their markets, while 28 are in second place and only 18 are in third.

"You might say that if something ain't broke, don't fix it, and NBC definitely isn't broke," says David van Valkenburg, who once worked with Wright at Cox Cable. "But Bob Wright will look at something and say, 'It ain't broke, but fix it anyway.' " In Wright's year and a half as president and chief executive officer of NBC, he has pared its payroll and prevailed in a bitter technicians' strike. He has extracted a ransom of $98 million in tax relief from the mayor of New York by agreeing to stay put in Rockefeller Center. And he has opted out of the radio business after concluding that NBC would never do right by it.

But these moves by Wright and the few executives he brought with him from General Electric seem inconsequential when compared with the magnitude of NBC's ongoing success. "The true dollars-and-cents impact is like a pimple on an elephant," says an investment banker familiar with

Contributing editor L.J. Davis profiled Bob Wright 18 months ago in Channels. *Steve Behrens is a senior editor.*

Wright may be sitting on top of the world, but he's not sitting tight. His motto, says a colleague, could be: "It ain't broke, but fix it anyway."

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the company. "My read is that they haven't had one iota of impact on the network."

What Wright has been working to fix isn't so much the network's lustrous present day as its uncertain tomorrow. As he observes, "It's hard to focus on a rainy day when it's bright and sunny out." When he's not presiding over current operations (which he says take 80 percent of his time), he's ushering NBC into cable program production. Television's outer bounds are stretching, he says, and NBC must broaden its part of the business to protect its future. Yet despite the company's wealth and power, he is finding it hard to break out of NBC's gilded present.

Wright had no broadcasting experience when he moved over from GE Financial Services in September 1986, but he struck everyone as extremely bright—a quick study, probably the quickest they'd ever met. A lawyer by training, with a home in the suburbs, three children, a fondness for golf and sports cars and little visible craving for fame and glory, he was the model of a modern industrial technocrat in a company, GE, where personal color and forceful utterance were the sole province of chairman John F. Welch Jr.

Wright first worked with Jack Welch in 1973 as a young attorney in the plastics division, which Welch then headed. It was soon clear that Wright was marked for great things in the company. In 1980, he assumed the presidency of Cox Cable Communications as GE's man-in-place when GE attempted to purchase it; although the deal fell through, Cox persuaded Wright to stay on. Welch brought him back to GE in 1983 to head small appliances (until Wright sold it off) and then GE Financial Services, where he supervised the acquisition of Employers Reinsurance and the investment firm Kidder, Peabody & Co. Some mention Wright, who is 44, as Welch's possible successor, though Welch is only 52.

Welch had repeatedly moved Wright from division to division as he reshaped GE, in six years redirecting its growth so that GE's core manufacturing component was reduced from half to a fifth of its business. The strategy worked: Between 1980 and '87, GE's earnings rose 93 percent on revenue growth of 58 percent.

By 1985, it was apparent that Welch wanted a TV network. That year he made himself available to step in as a white knight during Ted Turner's doomed raid on CBS, but CBS was not for sale. Nor

> TV didn't look so tough to GE's Jack Welch: 'Picking an 8:30 program that you can cancel in a few weeks, *that's* not risk.'

was ABC, which had just been purchased by Cap Cities. NBC was widely believed to be immune to takeover, since acquiring its large and sluggish parent, RCA, seemed unthinkable. NBC, however, was almost perfect for Welch's purposes. It was in the service sector, where Welch was concentrating GE's growth. It was immune to foreign competition. And to the chairman of GE, broadcasting did not look like such a tough business. "Who are the big risk-takers at NBC?" he asks in a tone of scorn. "Who are the big risk-takers at CBS? *We* just bet a billion dollars on a new jet engine design. *That's* risk. Picking an eight-thirty or nine o'clock program that you can cancel after a few weeks, that's not risk."

The best thing about NBC, however, was that its chairman, Grant Tinker, had led the network into the position of dominance dear to Welch's heart. He would not own anything, Welch said, that was not first or second in its industry or stood a good chance of getting there. In June 1986, GE bought RCA for $6.4 billion in cash.

Welch had reached the point in his career where his myth had begun to obscure his reality, and the myth said that he had a single blood-red eye in the middle of his forehead and ate a baby with every meal. He immediately lived up to his reputation by destroying RCA, selling off parts of it and absorbing the rest in slenderized form. Then in March '87, he explained his philosophy to a gathering of NBC executives in Fort Lauderdale. Welch clearly meant to sweep up his listeners on a wave of his own evangelical enthusiasm for GE's shining destiny, but what some remembered most clearly was his warning that many in the room were turkeys, by his standards, and might as well quit before he found them out.

"There were two reactions in the audience: 'Yay!' and 'Oh, shit,' " says Jerry Nachman, until recently general manager of WRC-TV, the NBC-owned station in Washington, D.C. "People react to Jack Welch in inverse proportion to their competence. The more competent someone is, the less intimidated he's going to be. And if you happen to be competent, this is good, because GE is very, very serious about identifying performers." For Welch, heightening efficiency was more than a simple strategy. "I'd say that Jack's dedication to efficiency isn't something he thinks about as much as he should," says a former NBC executive. "With him it's an article of faith, something he does automatically."

Welch had the opportunity to give NBC a president of the same faith. Tinker, eager to return to California and move on to new ventures, had expected his successor to be chosen from the NBC ranks, possibly in the person of Robert Walsh, a seasoned and talented group executive v.p. Instead, Welch himself assumed the title of NBC chairman and appointed the adaptable Wright as president and CEO.

Like a prototypical GE executive (and like Tinker as well), Wright was a hands-off manager. Wright campaigned to "invigorate the culture with a sense of dynamism" that was lacking in all but a few corners of NBC, in the judgment of a GE colleague who joined Wright at 30 Rockefeller Plaza. Wright's style, the style of the lieutenants from GE, was to soak up information like a sponge, observed Cyril Vetter, owner of WRBT in Baton Rouge and a member of the NBC affiliates board. "They have big ears, they listen and they work like Trojans."

As a GE man, Wright was proud of being open to unconventional moves, but his early statements caught his new constituents by surprise: the possibility (not an active one) that NBC would spin off part of its TV network to affiliates, the notion of putting home shopping on NBC, the ill-advised memo urging employees, NBC News and all, to aid a political action committee.

To be fair, Tinker was a hard act to follow. Employees had crowded the huge Studio 8-H for a full day to say good-bye. He had courted the troops by holding two-way videoconferences with employees around the country, fielding questions about programming, day care and broken water coolers. When Wright hosted his first satellite hookup for employees in January, the top brass gave pep talks and took no questions. In closing his segment, NBC Entertainment president Brandon Tartikoff thanked Wright for letting him join in "this very daring experiment in one-way communication."

Even high-ranking executives felt Wright was uninterested in their views. "He'll call a meeting, everyone will get together, and he won't show up," says one former NBC executive. "It's no big deal, but it doesn't help. It's not that Wright's arrogant, but he's totally self-confident, the way GE people are. They all come out of the same cookie cutter over there. Their attitude is that they know everything and we know nothing. They don't think they have to talk with us, because we've been doing it wrong all these years, and they're about to do it right."

CARL FISHER

Rogers and Agress: When NBC goes shopping, nothing looks quite as good as what it's already got.

"Some people can thrive on having a knot in their stomach every day," says one staffer who couldn't abide it, and left. But for others, the new masters made NBC an exciting place to work. "I get up in the morning and look at the *Wall Street Journal* to see what these GE guys have done," says John Agoglia, the network's executive vice president of business affairs. "It's exciting. They challenge you. They want you to change. They want you to function in an open and free-market environment."

General Electric, in the person of Jack Welch, was looking for its new subsidiary to stay on top, to make bold and smart moves and, at the same time, to render the fat from its living body. In his Fort Lauderdale sermon he had praised the GE divisions that had cut out superfluous levels of managers, and NBC already seemed to be "delayering" through early retirement. Many long-term NBC employees, including most of its second echelon—group executive vice presidents Walsh, Robert Butler and Ray Timothy—faced a singular temptation: Until the end of '88, they could take early retirement and cash in their old RCA pensions, reaping sums variously reported at between $750,000 and $1 million each. Then, last August, Wright asked Butler, the chief financial officer, to take his money and stand aside.

The new CFO was Al Barber, most recently president of GE's railcar leasing division, who had worked for Wright in the housewares division. "When we buy a company we usually like to put in someone who understands our financial procedures," explained a GE spokesman. Said an affiliate executive: "That young man they brought in takes precedence over everyone else at the table. When they tell you that they brought him in because they like to have someone familiar with GE bookkeeping, that tells you the story at NBC, doesn't it?" In December, Walsh announced his own impending departure. "I would get a cold chill if I thought Ray Timothy was about to leave," says Eric Bremner, v.p. of television at KING, the Seattle affiliate. Timothy quietly put out the word that he intended to stay.

In Wright's first few months, NBC trimmed some 400 jobs, guided by a "functional analysis" initiated under Tinker. But management put off reviewing the technical and newsroom jobs under the National Association of Broadcast Employees and Technicians union, whose contract would expire in June '87. Negoti-

ations had left an impasse over work rules, so when NBC put forth its final offer, the union struck.

By October, near the end of the strike, NABET's New York local president Arthur Kent was close to despair. He had anticipated that the strike would last no longer than seven weeks, when the strikers' unemployment benefits would run out. It had already lasted twice that long. Strikers were selling their cars and seeking other work. All but one of the other unions were crossing the picket lines. Kent believed that GE was trying to break NBC's unions. "The Directors Guild has had it," he said one afternoon in a hushed voice. "We're next. They're going to pick us off one by one. GE's power is awesome. That guy Welch is like a Hitler. Who can stop him?" Arthur Kent believed he had walked directly into a trap. Later in the month, NABET went back to work under NBC's new contract.

For Welch, observing the struggle from GE's redoubt in Fairfield, Conn., the strike was a pleasing but unnecessary confirmation of his management creed. "I don't know what those 2,800 people did," Welch said at the heart of the strike, referring to the absent NABET workers. "I don't know what the people subbing for them are doing. All I know is that 2,800 people aren't working, and we're still in first place."

It was all he needed to know. "If Jack Welch has a fetish," says a former NBC executive, "it's people. He believes that all bureaucracies have grown lazy and oversized over time. I don't care if we were running as efficiently as we could—which we weren't—we'd still be under tremendous pressure from Jack Welch to get rid of people."

Within a few months after the strike, the company had dropped 100 positions through retirements, resignations, dismissals and contract buyouts, in addition to another 100 positions attributed to the sale of the NBC radio networks to Westwood One, and had begun another "functional analysis" of NABET positions. "It's a little like the South Seas islanders tossing people into the volcano to appease the gods," says John Clark, who, a week after the strike ended, won the presidency of the New York local from Arthur Kent by a margin of three to one.

The new work rules, especially helpful to NBC on big football weekends, expanded the network's right to hire union technicians on a daily basis, reducing their job security to the level of chorus girls. In February, according to Clark, NBC was able to pick up a wrestling

Radio might energize the company, Wright believed. But few NBC execs were interested, and the stations went on the block.

match (*The Main Event*) from Indianapolis using only four staff technicians and 19 daily hires. Under the old contract, all the union technicians would have been NBC or affiliate staffers.

"Cost management is an important strategy at GE and we have not escaped that lecture," says Ellen Agress, v.p. of corporate planning and business development. "But they do have to understand that the cost control we can effect will take us only a short distance." A very large chunk of NBC's budget cannot be much reduced—the millions that the network bids for talent in entertainment and sports.

But Welch was ready to spend where it counts. "We'll give money and give it generously to the cream of the network—that shallow layer of people who light up the screen at night, to Brandon Tartikoff and his team," he says. "For the rest of the network, it's a whole new world of change, of cost-effectiveness." Wright, in true GE style, left Tartikoff entirely alone, except, also in true GE style, to reward him with a handsome bonus. "Everything we've wanted to run with, we've gotten a green light for," says Warren Littlefield, executive v.p. of prime time programs. For instance, Wright is letting Tartikoff cautiously extend first-run programming—two new series, including a nighttime soap—into the summer, where cable TV has been making inroads in viewing share. Wright endorsed the move and allocated an extra $10 million. "For the past five years the networks have been experimenting with short orders in the spring," says Littlefield. "Summer is the new horizon. While other networks are in a cutting-back mode, we're expanding."

The area where NBC was lagging was in planning and moving into new businesses to secure its future. Now that prime time was in surpassingly fine condition, the company had the luxury of looking ahead. This was not to be the compilation of a big, fat plan of the kind GE had made famous, Agress says, but a more alert and "opportunistic" outreach now favored by Welch. The core personnel for that outreach effort were Wright himself, an attorney with some experience in cable and even more in GE-style, big-league dealmaking; Agress, NBC's top planner since '84; Tom Rogers, v.p. of policy planning and business development, who had extensive contacts from his days as senior counsel of the House telecommunications subcommittee; and J.B. Holston, v.p. of business strategy and international development, who had briefed Wright on NBC's prospects back in 1986, when Holston was a GE planner and Wright was preparing to take charge of the network.

Wright soon realized that radio would require immediate attention. In radio, the networks were marked for quick disposal, and five of the stations had to be sold, like it or not. NBC would have just three left after being forced by FCC rules to divest those in markets where it also had TV stations. Three was too few. "To stay in radio, we would have to start *acquiring* stations," Wright explains. "The incentive to start up in the radio business just isn't all that great." Radio earnings weren't large or steady enough for a stockholder-owned company, he says. And while he wanted to bring some of radio's entrepreneurial management style into NBC, he saw little chance that would happen. Few of his top executives paid much attention to radio. In the company's high councils, Wright gave up advocating that NBC stay in its original business. The radio networks had already been sold, and before the end of February five of the stations would be sold to Emmis Broadcasting for $121.5 million.

NBC was a television company, Wright declared, and he quickly led it deeper into that business by buying its seventh TV station, WTVJ in Miami, in January '87. If there were more major-market VHFs looking for buyers, NBC might not have bought a CBS affiliate, offending tradition and, in particular, the present NBC affiliate in Miami, WSVN, whose contract runs till next January. To minimize the damage from the uneasy pairing, Wright offered in vain to let WSVN drop NBC early (probably in exchange for CBS). "We obviously don't have much incentive to promote CBS's fall or winter schedule," Wright explains, DR. FAD WELCOMES THE CBS O+O's, WBZ BOSTON, WDIV DETROIT

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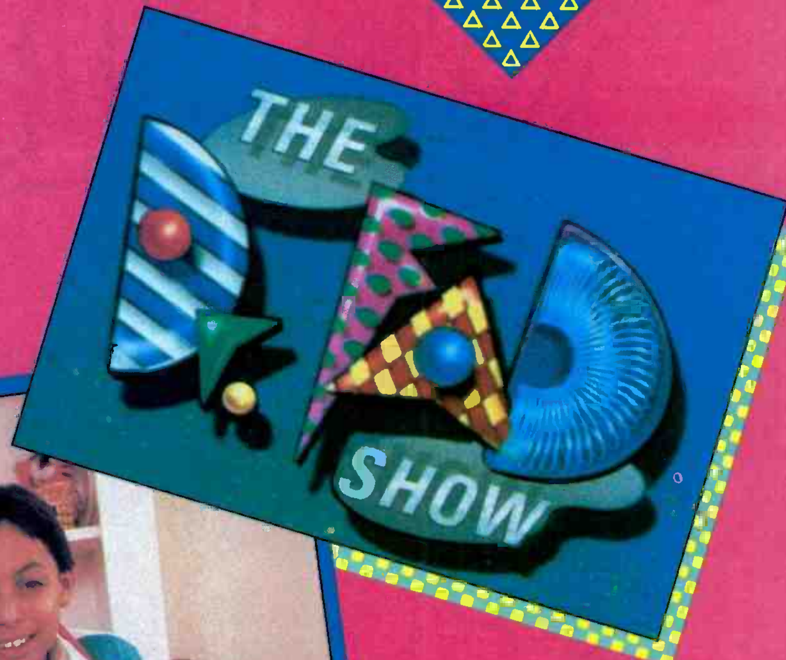

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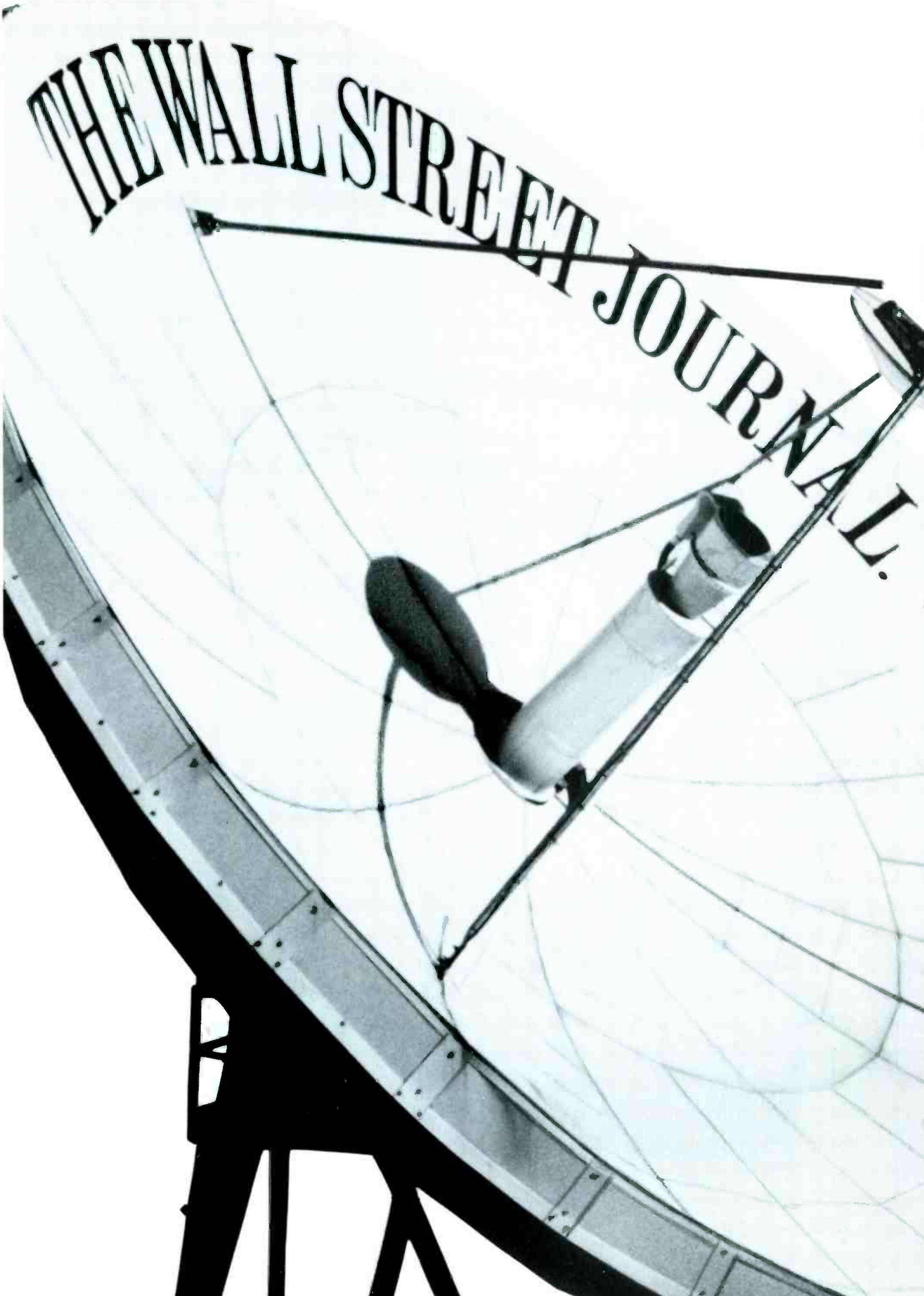
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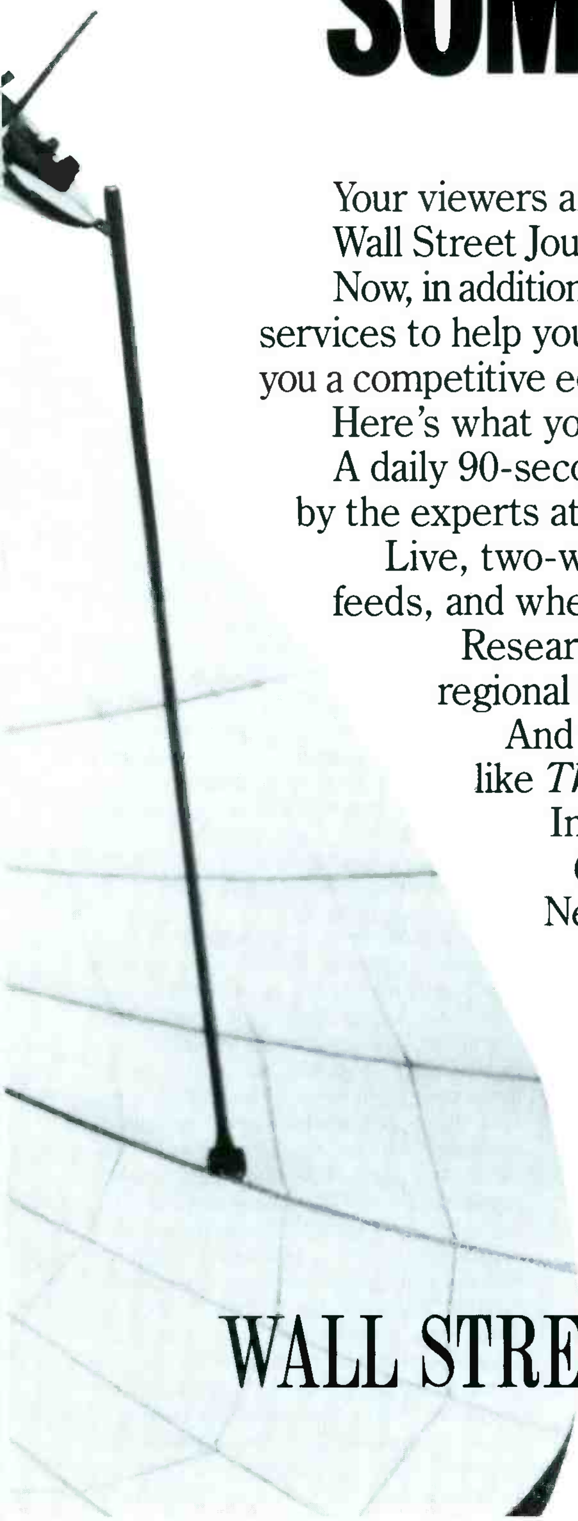

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"and they don't have that much interest in promoting NBC, so all we mutually do is enhance the prospects of ABC."

Leading affiliate executives let Wright know they wouldn't want NBC to repeat what it did in Miami. To some, the deal was a harbinger of a new and not altogether pleasant age. "There's a clear example of the fraternal, collegial relationships that existed in our business for 35 or 40 years being tossed aside," says David Henderson, president of a group owner, Outlet Communications. "Those people down in Miami were good, loyal soldiers for NBC even through the dim days that weren't that long ago." Still, most affiliates couldn't blame NBC for wanting to enlarge its stake in the station business.

With its six other O&Os, including GE's longtime Denver property, KCNC, the company can still lie in wait for the chance to snap up one or two more major-market stations before its potential audience hits the FCC ownership ceiling, 25 percent of the U.S. population (the O&Os now reach 22.32 percent). At the same time, Wright and his new-business team are hoping to luck out on new ventures as ABC did when it bet on ESPN nearly a decade ago. Early this year NBC took a partnership in a high-tech start-up, Interactive Game Network, and put Tom Rogers on its board.

For his part, Holston has looked into nearly every deal making the rounds in foreign TV, including part of a consortium that bid (unsuccessfully) for the privatized French channel TF-1. Based on his talks, Holston can predict a shake-up in the sales of news footage overseas. "U.S. companies jointly subsidize the provision of news video for the rest of the world to a very great degree," he says. Under current arrangements, NBC wholesales its footage through Reuters' Visnews service, but Holston says NBC is considering selling direct to foreign broadcasters.

Rogers was talking foreign newsfilm deals with Turner Broadcasting System executives last October, soon after the stock market crash, when a larger possibility opened up. Ted Turner stepped in and suggested that NBC might want to buy part of his company, the proceeds from which would, not incidentally, help him pay pressing debts. For more than two months Wright, Turner and their lieutenants looked for a framework acceptable to NBC, Turner and the major cable operators on the TBS board. "If this thing comes together with Turner," observed Ed Allen, chairman of West Coast Communications, at the time, "I think it will be because of Bob Wright and his former involvement with cable. He knows us and he knows our business, and we know him."

Tartikoff said he'd let some NBC late-night and kid shows debut on cable, but his prime time wouldn't become anybody's back end.

The good feelings were not enough, however. With no agreement on price and structure, negotiations fell apart in January. Once Wright looked at TBS's earnings prospects, he soured on the deal. "It's a unique company," he says. "It doesn't have any earnings. All it has is debt, no capital. We tried to find a way a public company like ours could meet Ted's stock price, and we couldn't."

Someday, of course, Turner may bring that price down. "The way it's going now," says Wright, "the company is being slowly acquired by Time Inc. and TCI. If that is not satisfactory to Ted, at some point or other, I'm sure he'll raise his hand."

The Turner deal was always an "extreme long shot," as Rogers calls it, but it had characteristics Wright was looking for: It would have opened the door to cable's growing audience at a time when the three-network share of prime time viewers had passed 70 percent on the way down. And joining up with Turner would have been a sizable deal, compared to most of the pygmies in cable. It would have expanded the "shelf space" for display of surplus NBC News material—on CNN. And it was not foreclosed by any of the many federal rules that bedevil the Big Three networks.

The FCC's financial interest and syndication rules, for instance. Wright says he'd like to see them dropped for two or three years as an experiment. They're distorting NBC's options, forcing it to compete with Hollywood, says Rogers pointedly. "What you have with the fin-syn rules is an incentive for us to produce for cable," he explains. Indeed, as its deal with The Disney Channel indicates, NBC was interested in producing shows for cable that the network could play later, on Saturday morning or in late night—though Tartikoff insisted that NBC's prime time would not become anybody's "back end" if he had anything to say about it.

For prime time, Wright was encouraging Tartikoff, the programmer, to make deals with Tartikoff, head of NBC Productions. For one reason, such arrangements give the network the hour-long dramas that studios are reluctant to make—or continue making—these days. Wright points directly at *Moonlighting*, which ABC produces. "It's very doubtful that an outside production house would have kept that show on the air," says Wright. Expecting that the series wouldn't sell well in syndication, a studio would have insisted that ABC shoulder the whole budget up front. In that case, why shouldn't the network own the show?

That's what NBC did in an unusual deal for its new detective series *Sonny Spoon*, which debuted in February: Because the fin-syn rules won't let NBC be a partner in one of the shows it airs, or syndicate it, NBC Productions owns the show but hires Stephen J. Cannell to produce it. NBC will take a flat fee for syndication but let Cannell do the selling.

It's frustrating, having so much money and, under various FCC rules, such restricted power to buy and do. Says Agress: "As long as the syndication rule exists, owning a studio, for us, would be a very difficult business. Then you'd be buying into the *risky* part of the business—production—and unable to fully participate in the less risky part." This is the much-sought-after gold mine of domestic syndication.

Other rules keep networks from owning cable systems, though Agress says NBC wouldn't pay the current prices anyway. "And other things just aren't worth the effort, because if they're wildly successful they will make just a million dollars a year," she says. "The frustration is that there isn't a whole array of options out there we can logically pursue." The rules, the logic, the high performance standards set by GE—all are keeping NBC in the business where it's now on top.

But Wright knows Bill Cosby might not be back after next season, his fifth year on NBC. He knows that Tartikoff can't hit home runs forever, and that there are teams besides the networks playing the game today. And he may very well suspect that, years from now, his tenure at the company is likely to be judged mostly by what NBC did after the Tinker era tailed off. ●

Facing the Music In Stationland

PAUL MEISEL

Slow advertising growth, high program costs and intense competition have station owners—particularly new ones—in a bind. If they can't succeed, they may have to sell. *by Harvey D. Shapiro*

Harry and Morris, two traders from the Chicago Mercantile Exchange, finally took some time off and went on a cruise. As luck would have it, their ship hit a reef and sank, stranding them on a desert island. Suddenly a can of sardines from the ship washed up on the island, and they immediately began trading it. They traded it back and forth, running the price up and down until Harry got hungry and ate the sardines. They were awful. "That's because those weren't eating sardines," Morris said, "those were trading sardines."

—old commodities-market joke

Just so, a number of investors have discovered that the television stations they purchased for high prices in the last few years aren't *trading* stations, but *operating* stations. The station market has turned, so "you may have thought you were going to flip the station and make a killing, but you may now find you're suddenly an operator," says Marvin L. Shapiro, executive v.p. of Veronis, Suhler & Associates. And these are tough times to operate a television station.

For years owning a television station was regarded as a license to print money. To be sure, overall station profit margins are still attractive. But as Sturges Dorrance, vice president and g.m. of Seattle's King Broadcasting, says, "For want of inflationary pressures, revenues are no longer increasing as rapidly as they were in the past." Moreover, advertising budgets are being divided among more stations and more alternatives, especially cable.

This period of relatively stagnant ad revenues has meant those who bought stations at inflated purchase prices and paid for them with expensive borrowed money may be having trouble making ends meet. Says John Murphy, a partner in the investment firm of Murphy & Fauver, "Twenty-three independents have failed in 13 months. The profits of scores of other stations have dwindled, and the industry's growth rate has slowed down." Some station owners are looking at red ink and wondering how they'll make monthly loan payments. Says research v.p. Sharon Armbrust of Paul Kagan Associates, "If you're 80 percent leveraged and have to make payments based on having 15 percent annual increases in cash flow, and you haven't been getting it, you're in trouble."

"There's going to be a lot of pain and agony over the next year or two," Murphy adds. "It will be working its way through the financial structure." The cold wind swirling around television stations is bringing new managerial ideas to the industry as stations seek to make ends meet either by cutting costs or finding new revenue sources, and for those in deeper water, the discussions run to recapitalization plans and even to putting out the For Sale sign.

There are differences of opinion as to who's hurting and how badly because "everybody says, the other guy is in trouble, but I'm not," notes Shapiro. Analysts who judge cash-flow-to-debt ratios of publicly held companies generally agree with Richard MacDonald of First Boston,

Harvey D. Shapiro last wrote for Channels *about media broker Rick Michaels.*

who says few public company have problems. "Privately held indies that don't have a Fox affiliation probably have the most problems," he adds. Reason: they're the weakest franchises and their buyers typically have had the shallowest pockets.

The seeds of this financial distress were sewn in the good years. People like Paul Kagan were insisting that many stations were undervalued and that it was worth large sums to buy them, because good management could quickly build up ratings and ad revenues. The enthusiasm grew when the FCC permitted groups to own 12 stations instead of seven.

Like all manias, station buying took on a life of its own. But in December 1986, after Grant Broadcasting filed for bankruptcy, the market turned, and last year station prices—and ad revenues—quit climbing. Although TV had no real Black Monday, the Wall Street crash further dampened the station market, reducing both the wealth of bidders and the multiples on TV stocks. It also shut down the junk-bond market, which was a critical vehicle for financing station deals. These high-yield bonds made it possible for companies whose securities would never be rated investment grade to still sell bonds and raise large sums of money needed for acquisitions.

The crash scared off junk-bond buyers. Meanwhile, many station owners had a relentless debt burden. The stations may not have been doing too badly. "Even if you're a struggling station and your profit margin dropped to 20 percent, which is a hell of a drop," Shapiro says, "you could still pocket some nice money." You could, that is, unless you were in hock to pay for the station.

Other beleaguered stations have been kept from disaster only by last-minute serendipity. "They're hanging on because interest rates have fallen and because this is a positive year in TV advertising, with the Olympics and the elections," says John Murphy. "But there is a group of station owners who lie awake knowing that if interest rates rise or ad revenues dip, they're sunk. It's not a matter of many more people having to file for bankruptcy. It's people calling their bank every 90 days, saying 'Oh yeah, about that payment we were supposed to make, can we sit down and talk about it—again?' There's going to be a fallout—a gradual restructuring and reshuffling—instead of a disaster." To keep the wolf from the door, Dorrance says, "all of us are pushing harder to hold down expenses and increase revenues."

Cutting costs is new to television. Kevin O'Brien, who's managed stations in Cincinnati, Washington, New York and now San Francisco as executive v.p. and g.m. of Cox Broadcasting, which owns three indies, says: "In every case, we added people and programs and we prospered."

But what if there is no money? Lean and mean is the new concept; it has already been broadcast by the new network owners. Says Michael Finkelstein of Odyssey Partners, which owns one affiliate and two indies: "Television is still a terrific business, but it's a business and has to be run like a business. You have to be very careful how you spend money." He adds, "We're organized and we run our businesses with a very focused eye on the bottom line. We don't pay a lot for programming and we never have."

Programming accounts for nearly half of an indie's expenses, and with the syndie market cooled off, "there's a lot more negotiated sales of programming and a getting back to realistic expenditures," Armbrust says. For example, David E. Henderson, who runs two NBC affiliates as president and chief operating officer of Outlet Communications and two indies (now for sale) as president of Atlin Communications, says, "We don't try to acquire the most expensive product offered by the syndicators. We are very content to measure the financial opportunity that is presented by a time period. If the cost of the product is excessive and does not give us what we consider a reasonable rate of return, being number one in a time slot is no longer the name of the game."

Although Outlet is heavily in debt since completing a leveraged buyout from the Rockefeller family, Henderson adds, "We have maintained *PM Magazine*, despite the fact that it's not number one in its time period, because its demographics are very competitive versus the best product that is put against it, such as *Wheel of Fortune*. So why should we pay program costs that are perhaps three or four times what it costs to do a *PM*?"

Henderson has also attacked the other half of a station's expenses, nonprogramming costs. "We haven't laid off any people," he says, but "we have let some attrition take place. And we've been difficult to deal with in renewing labor contracts, not in the sense that we have penalized people, but we have reduced the number of people that we will need by getting jurisdictional relief." Henderson's two companies were budgeted for 633 employees last year, but operated for much of 1987 with 597.

Elsewhere, too, operating expenses are being reduced or deferred. At Tribune Company's stations, nonprogramming expenditures are being cut 15 percent, largely via personnel reductions. A few months ago, for example, the company said it would cut 22 engineering jobs, or a quarter of the technical staff, to reduce costs at WGN-TV in Chicago. At King Broadcasting, Sturges Dorrance says, "We have had budgetary controls and systems in place for a long time, and whereas a few years ago it was not unreasonable to let expenses rise at the annual rate of 8 or 9 percent, now we are looking at significantly lower levels of increase."

This cost cutting is facilitated by the new culture in TV management. The wave of station sales has replaced family businesses and local entrepreneurial ones with bottom-line-driven professional managers. And if they can't hold down expenses, they can be replaced, because "the turmoil at the networks has made a lot of good managers available," one station executive says. "Owners can look at

'There is a group of station owners who lie awake knowing that if interest rates rise or ad revenues dip, they're sunk.'

the people who have been running their properties for the last two or three years, and if they don't like the results on cost cutting, they know they can find somebody better. So, there will be management shuffling."

But there are limits to cost cutting. "You still have to run the business, and you can't cut expenditures to the point where you create a downward spiral," Odyssey's Finkelstein adds.

If expenses can't be cut, revenues can be raised. "Both affiliates and independent operators have gone back to the basics and are growing their markets in terms of market totals," says Harry J. Pappas, president and chief executive of Pappas Telecasting Inc. in California. "The business is still out there," he adds. One of the most aggressive stations in pursuing stones left unturned has been Albritton Communication's WJLA, Washington's ABC affiliate. The station's share of the national advertising pie is difficult to change, says national sales manager Helen Feinbloom. But she says, "there's a great deal of attention being paid to the local area. You can develop new business. You can go to a bank president who's never been on the air."

WJLA has developed computerized market research on potential local advertisers, but its biggest step has been publication of three glossy magazines, sent to 450,000 area homes targeted as having high-income zip codes. They covered the miniseries *Amerika*, the 1987 fall season and, most recently, the Olympics. Ad space was sold in a package with airtime, and the magazines, though designed to get new advertisers, also got regular WJLA advertisers. "But the money came out of their promotional or direct-mail budget," Feinbloom says. "The idea is not to *trade* dollars but to get different dollars."

The idea is working. The publications have drawn new advertisers and have been money makers on their own. "They aren't loss leaders," Feinbloom says. But putting out a magazine doesn't come easily to broadcasters. When advertisers asked "Can you bleed across the binding," she recalls, "Who here knew what that meant?" WJLA is planning more, and Feinbloom says other stations have been inquiring. In theory, there are lots of stones that have been left unturned in generating new ad revenue, but Dorrance says there are limits. "In major markets, you can create new dollars on a fairly regular basis with vendor programs and new business programs and other things, but in large measure you are dependent on the success of your major advertisers, and if they're not spending, things are going to be tight."

What about stations that can't cut expenses or increase revenues enough to make the numbers work? "With a TV station, you can't liquidate part of it," Finkelstein says. "Its not like you can have an inventory-clearance sale." As the money runs out, stations must undertake what is euphemistically known as a recapitalization. That means finding more money to tide them over until, as Dickens' Mr. Micawber used to say, "something turns up."

The first step is usually to go back, hat in hand, to those who have bankrolled the station. Most deals have been financed with a variety of borrowings, although the biggest piece is usually a bank loan. The banker is typically the first stop for those feeling pressed. If the financing burden is pressing, the time to discuss the terms of a bank loan is when "things are becoming difficult but not yet hopeless," says one banker. "We prefer that you show us that you're aware trouble is on the horizon, not wait until you're already hip deep in quicksand," he adds.

The renegotiations generally don't focus on interest rates. Loans to stations are typically extended on a floating-rate basis, so costs have followed interest rates down. Moreover, bankers would usually rather stretch out a loan than reduce their interest rate margins. It's often not the loan itself that's the center of negotiations. Shapiro of Veronis, Suhler adds, "If your loan covenant requires you to have 20 percent more cash on hand than necessary to pay your interest, and it turns out you have only 15 percent, the banks get very nervous about that."

Whatever the problem, he notes, "pressure can be relieved," because bankers recognize they're better off getting all of their money repaid a little late than having some of it not repaid at all. Moreover,

1987's 20 BIGGEST TV STATION DEALS

STATION/MARKET (MARKET RANK)	SELLER	BUYER	TRANSACTION VALUE ($M)	PRICE PER VIEWER *
1. WAGA Atlanta (12) WSBK Boston (6) WJW Cleveland (11) WJBK Detroit (7) WITI Milwaukee (30) WCST San Diego (25)	Storer	SCI (Gillett)	1,285	$1,792
2. KTSP Phoenix (20) WTSP Tampa (13) WKRC Cincinnati (29) WDAF Kansas City (28) WBRC Birmingham (40) WSVX Columbus (35)	Taft	FMI (Great American)	1,142	1,910
3. WVIT Hartford (24) WNYT Albany (52) KSLA Shreveport (56) WHBC Rochester (68) KMOV St. Louis (18)	Viacom	National Amusements	431	1,184
4. WTVT Tampa (13)	Gaylord	Gillett Holdings	365	2,355
5. WTVJ Miami (16)	Wometco (KKR)	NBC	270	1,957
6. WTAF Philadelphia (4) WCIX Miami (16) WDCA Washington (9) KTXH Houston (10) KTXA Dallas (8)	Taft	TVX	240	567
7. KEVN Rapid City (167) + KAUT Oklahoma City (37) KDLT Mitchell-Sioux Falls (100) KCHS Charleston (51) WEAR Pensacola (55) WPTZ Plattsburgh (93)	Heritage	TCI (and Heritage management)	NA	NA
8. KHJ Los Angeles (2)	RKO General	The Walt Disney Co.	217	1,186
9. KOKH Okla. City (37) WMMT Grand Rapids (38) WRLH Richmond (55) KOLN Lincoln (94) WEAU La Crosse-Eau Claire (135)	Gillett	Busse Broadcast	148.5	858
10. WFMY Greensboro (50) WTLV Jacksonville (59)	Harte-Hanks	Gannett	155	1,292
11. KOSA Odessa (142) WHOI Peoria (109) WMTV Madison (105) WSAW Wausau (129) WTRF Wheeling (126)	Forward Com.	Adam Com.	126.5	897
12. WPHL Philadelphia (4)	Providence Journal	WGHP Ltd. Partnership	71.9	749
13. WTVG Toledo (64)	Storer Com.	Toledo Com.	65	1,015
14. WVUE New Orleans (33)	Gaylord	Burnham	60	1,016
15. WAPT Jackson (83) WWAY Wilmington (127) KFDX Wichita Falls (131) KJAC Beaumont (116)	Clay Com.	Price Com.	60	667
16. KLFY Lafayette (115)	Texoma	Young B'cast Louisiana	51	879
17. WLOS Asheville (36)	Wometco	Anchor Media	50	1,136
18. KEYT Santa Barbara (114)	Shamrock	Smith	30	2,000
19. KSTS San Francisco (5)	National	Telemundo	25	12,500
20. KCPM Chico-Reading (143) KMID Odessa-Midland (142) KSPR Springfield (81)	Lorimar-Telepictures	Goltrin Com.	23	511

*Formulated using A.C. Nielsen station data for Sun.-Sat., 7 A.M.-1 A.M., ending Nov. '87.
Sources: Morgan Stanley, *Media Business News*, *Channels*.

although loans may be secured by a lien on a station and its assets, one station manager says, "There's nothing like the prospect of ending up owning a television station to help bankers find creative alternatives."

Renegotiating bank loans is only the first step in tinkering with a troubled station's financial obligations. Besides bank loans, many recently acquired stations have a layer of "mezzanine" financing—subordinated debt, preferred stock and maybe other, more exotic securities standing between the bank loans and the common stock of the station. The owners of these mezzanine securities, like investors in Mexico or Brazil, "will do debt-equity swaps," Finkelstein says. That is, they may be offered the choice of exchanging the pieces of paper promising to pay them a fixed amount for other pieces of paper representing an equity interest in the station. Like creditors of Mexico or Brazil, a station's bond holders may not always enter into these swaps entirely voluntarily, but it beats the alternative. "There's no question that some people will get less interest. If you can't pay 18 percent, maybe you can pay 8 percent," Finkelstein says, adding, "It's better than nothing."

The results of this recapitalization process may resemble the Third World debt crisis for the mezzanine investors, but not for the banks. "Usually, hopefully, we have not lent in excess of your standard five or six times multiples," says a lending officer at Manufacturers Hanover Trust Co., "so I think there's plenty of cushion in that for the bank to get repaid. It's the layers underneath that will feel the impact, anything from traditional subordinated debt to preferred stock, limited partners, pure equity." One by one, each class of investor may see their investment eaten up by debt payments. Poor financing often forces buyers to sell their holdings.

There is still substantial enthusiasm for buying stations, but the ranks of potential buyers have been thinned out because the junk-bond market has dried up. A lending officer at Manufacturers Hanover calls the recent bidding for two Harte-Hanks stations in Jacksonville, Fla., and Greensboro-High Point-Winston-Salem "spirited." But the only final bidders were the large media conglomerates, because others realized that the deal would be very difficult to finance without a significant amount of pure equity. The remaining buyers are still prepared to pay plenty. The stations sold for in excess of 17 times cash flow. "I wouldn't call that a buyers' market, and I wouldn't say the purchasers at Gannett were lacking either in experience or intellect; they're sharp cookies," says the banker.

Prices aren't at the record levels of a few months ago, but they aren't bad from a longer-term perspective. Moreover, a rash of sales is expected sooner rather than later, Murphy says, because 1988 is an election year. "People aren't sure what the FCC is going to be like under the new administration. If you have to sell, you're going to want to sell this year as opposed to next year, because the FCC might get stickier." Moreover, the conventional wisdom suggests that a recession is due in 1989, and it's best to get out before ad sales sag.

With the wolf at the door and the clock ticking, it may be time for the troubled to sell, and Pappas says, "This is a window of opportunity to buy stations at relatively—relatively—good prices." Murphy is a much more enthusiastic bottom fisher. "For someone like me," he says, "I think there are going to be some real opportunities." He and many others continue to think television is "a decent growth business." The simple lesson that so many people missed on their way into the game, according to Kagan's Armbrust, is that "you shouldn't pay too much for a station." ●

Do Groups Make Sense?

With the last wave of station consolidation over, group owners are digesting their properties and looking for ways to gain new tactical advantages.

by John F. Berry

As the rush to buy TV stations has ended, the rationale for assembling station groups is coming under study. With steady 10 percent plus ad growth—an assumption routinely made by new and expanding broadcasters—no longer a given, and with station sales slowing, consolidation prospects have changed.

Station ownership still can be immensely profitable, but perhaps not to the wild extremes of the past. "It's still a wonderful cash business," says Peter Lund, president of Multimedia Entertainment. "The industry average is about 40 percent return on sales. There aren't many businesses like that." But he adds—echoing an industry-wide worry—that while margins are high, competition has cut sales. "Revenues aren't growing at 12 percent a year anymore. It's more like 7 or 8 percent—which isn't too bad, after all."

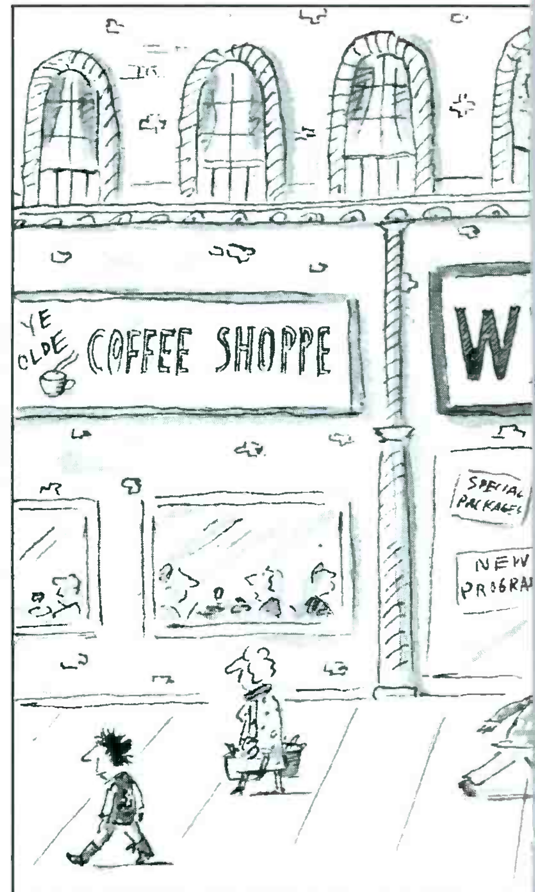
Many executives wonder whether the madcap rush to consolidate, following the FCC's 1985 "12-12-12" ruling, made sense. Nobody wants to turn back the clock, and most agree with Tom Buono, president of Broadcast Investment Analysts, who says that "group ownership certainly offers economies of scale in purchasing equipment and programming." Group officials say the new economics have put increased emphasis on management styles. There is an array of approaches, heightened by debt-service demands for highly leveraged groups, and many reasons for consolidation are getting a new look.

Contributing editor John F. Berry last wrote for Channels *about Media Central.*

Management: Most top executives continue to follow a decentralization strategy—giving autonomy to general managers to decide everything from news to programming. "Managers are important and I care about them," says Robert Price, president of New York-based Price Communications. "I don't like them all, but I would no more tell a manager to hire an anchor than to hire my mother." Capital Cities/ABC takes a *laissez-faire* attitude toward station managers, the lean central-management style that had been the signature of Cap Cities' Tom Murphy and Dan Burke. "Each station clearly is a profit center," says Michael P. Mallardi, broadcasting president. But at another extreme are Rupert Murdoch's seven Fox stations, where the dream of a fourth network has meant stringent station cost controls.

At Cap Cities/ABC, group management is lean, with a total of just seven employees—down from about 60 when ABC was independent. Cap Cities embraces a no-frills view that produces glittering bottom lines, if not necessarily exciting programs or probing news. Not everyone is convinced. A group executive says, "If they spend anything on news, it's a tabloid 'Action News' approach."

But others, like Tribune and Cosmos Broadcasting, a Liberty Corp. unit, follow a more collegial approach. "The thing I ask as a group is that we walk together," says James Dowdle, Tribune Broadcasting chief executive. Counterparts gather at least once a year, and are regularly linked via phone. Cosmos, an eight-station chain, seeks "a sense of team play," says chairman Mac Patton. Once a year, Cosmos' station managers and six Cosmos officers gather at Patton's farm for socializing and casual meetings. General managers meet formally three or four more times a year. News directors and general managers meet four times a year with Audience Research and Development consultants. This year, production, programming and marketing teams will meet for the first time.



PAUL MEISEL

Debt: Tribune and Fox, which bought into Los Angeles and New York, are using debt to grow; Price has also been among the nation's most highly leveraged firms. Affiliates, without big program overhead, garner cash flows of 40 to 60 percent, while indies get 30 percent. Even so, some groups have been stretched. Price last year had a debt-to-cash-flow ratio of about 20 to one—about 13 times CBS and Gannett and almost twice debt-heavy Turner Broadcasting. Sources say Price's ratio has been cut as Price bought back obligations. Total debt

has been reduced from $400 million to about $360 million, and the debt-to-cash-flow ratio has been sliced. Price admits that cash flow "barely" covers debt, and says, "I'd rather be out of debt and soon will be."

Highly leveraged Fox, according to former executives and others, pressures its station managers. It comes from Murdoch through Fox chief executive Barry Diller to Derk Zimmerman, Fox station president. Zimmerman says debt has been reduced, and adds, "the debt is not an issue in running the stations." But one executive describes the Fox situation this way: "Important decisions are made by Murdoch and Diller, with Zimmerman the messenger. Morale is low. There's a lack of communication about the strategy." Left in the dark, managers—whose bonuses are based on ratings—believe that through generally cheaper shows and staff cuts, they are financing Fox's network. Some are quitting. A major programmer says: "I'm not aware of a group that imposes programming on the stations except Fox. It's tough. You are a station manager, in effect, financing the Fox network at your expense."

Economies of Scale: Most executives say local markets demand tailored programming. "Our rule of thumb is if a station doesn't want a program, there's no requirement to take it," says Al Jerome, president of NBC's six O&Os. "It's not economies of scale, it's effective local strategies we look for." But some aggressive owners claim victory over high program prices through corporate buys. "We said we refuse to go bankrupt to buy programs," says TVX president Tim McDonald, and both he and Dowdle say prices are falling.

But James McGillen, Lorimar's TV sales president, thinks that the recent abstention by Fox and Tribune could prove costly. "KTLA [Tribune] has bought a show or two, but KTTV [Fox] hasn't bought in two years—and KTTV was one of the country's strongest stations," he says. "It's a short-term decision brought on by debt servicing. If you're Tribune and you paid $500 million for KTLA and the business goes south, there are two things you can cut: people and programs. To avoid serious trouble, they're going to have to get back in the market."

Many groups use leverage in program talks. A major group executive explains: "We want *Magnum*. We say, 'Either you make a group buy with us or none of our stations will buy it.' That may or may not be an antitrust violation. We're accused of anti-competitive behavior because we make group buys." Recently, some small groups have accused big ones of unfairly using market clout to snag programs. Camelia City Broadcasting has accused the larger Tribune Co. of using access to big-city markets to leverage buys for Denver and smaller markets. The suit claims "Tribune is leveraging alleged buying power in Chicago, New York and Los Angeles," says a lawyer in the case. Tribune Co. denies the charge.

Joel Chaseman, chairman of Post-Newsweek, which owns four stations, sees problems: "If you do it too often, chances are you're dropping out on low-end stations and you're liable to be attacked by your competitors for ganging up on them." And negotiating with groups is much tougher and takes far longer. "In the old days—maybe a year or two ago—groups bought New York, L.A. and Chicago and, for the most part, the rest were almost thrown in," says McGillen. "Major markets are so competitive and groups so cost-conscious that they're taking a second look." Size doesn't necessarily yield economies, admits McDonald, noting TVX only does group buys with station input. TVX recently bought *Munsters Today* for all stations, but *Camp California* for just six stations.

Cosmos' Mac Patton sees other economies of scale, noting that Cosmos recently bought computers for all its stations and enjoyed discounts; it also saves when acquiring services like those of national rep and consulting firms. And with Cosmos owning six NBC affiliates, he says, "It helps in dealing with the network." Dowdle says Tribune has economies of scale in traffic, sales, engineering and equipment purchases.

Scale has also allowed Tribune to create affiliated ventures to support its stations. These include Teletrib, a barter-sales joint venture with Telerep, and Tribune Entertainment, which produces and/or distributes programs such as *Geraldo* and *At the Movies*.

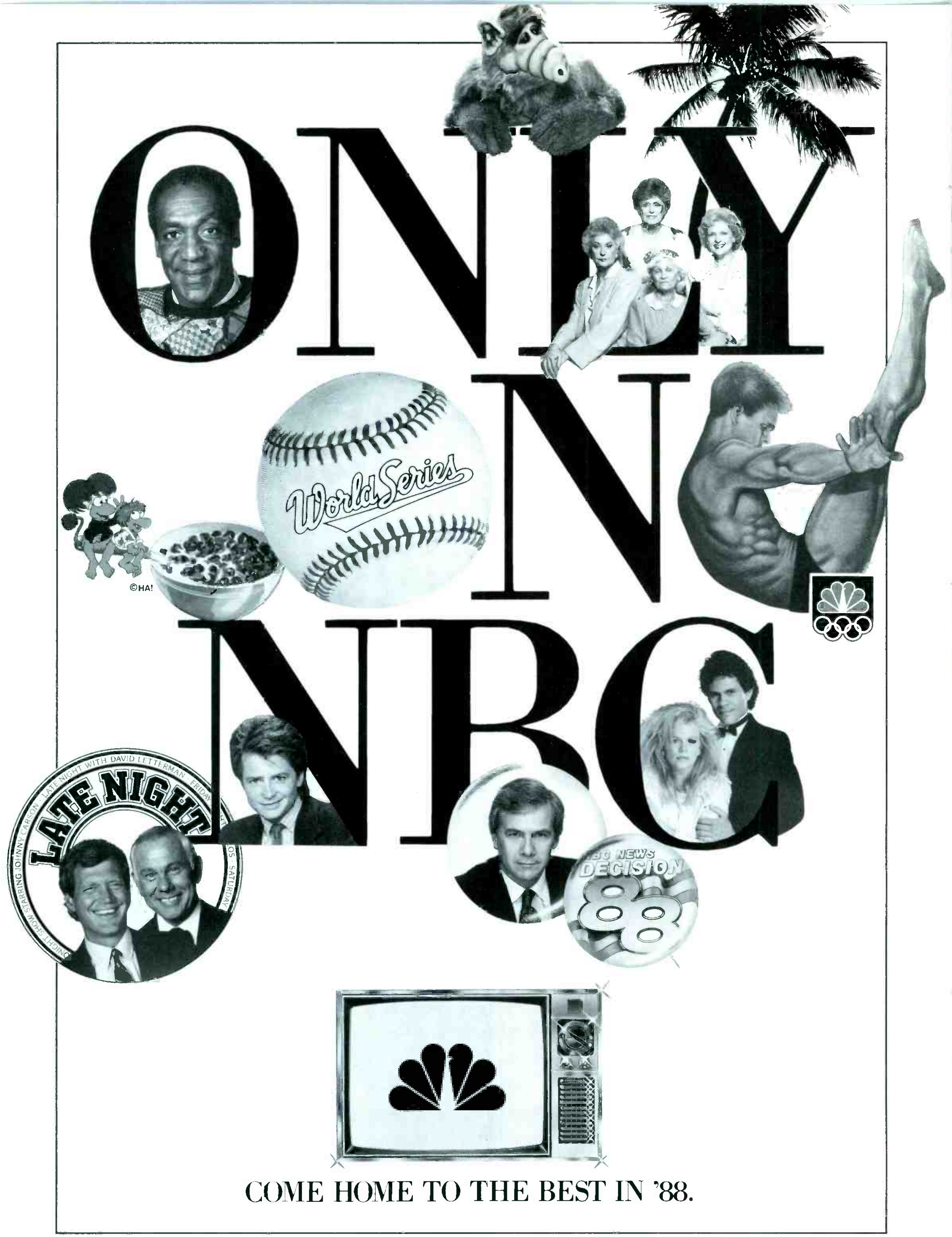
News: Most experts see little change in news. Like many indies, TVX focuses on entertainment and produces a half hour of news only in the major markets of Philadelphia and Miami. Other markets get two-minute news reports during breaks. Price, a former politico, realizes the importance of news. "Network news is critical in every market," he says. He claims that his company's debt burden doesn't affect local coverage. "We broadcast more local news in all our markets than our competitors," he says. "We have an obligation to air news, but news attracts viewers. *Cosby*'s great, but people want to see local news."

Groups can bring added news resources. The NBC O&Os have a shared Washington reporter, Steve Handelsman, who closes reports with local call letters. Post-Newsweek has a full Washington bureau, complete with bureau chief, reporters, technicians and a critic. It also has a documentary unit based in Jacksonville, which has produced award-winning reports for Post-Newsweek and other stations. ●

THE 20 LARGEST STATION GROUPS (by Coverage)

STATION	CITY (MARKET RANK)	AFFILIATION	STATION RANK (b)	(RATING/SHARE)
Capital Cities/ABC Coverage (a): 24.20% '87 revenues: 703.5 million				
WLS-TV	CHICAGO (3)	ABC	1+	(10/26)
KFSN-TV	FRESNO (62)	ABC	1+	(7/21)
KTRK-TV	HOUSTON (10)	ABC	1+	(10/25)
KABC-TV	LOS ANGELES (2)	ABC	1+	(8/19)
WABC-TV	NEW YORK (1)	ABC	1+	(8/19)
WPVI-TV	PHILADELPHIA (4)	ABC	1	(10/25)
WTVD-TV	RALEIGH-DURHAM (36)	ABC	1	(10/30)
KGO-TV	SAN FRANCISCO (5)	ABC	1+	(7/18)
NBC (General Electric) Coverage: 22.32 '87 rev.: 714 *(revenues include radio station revenues)*				
WMAQ-TV	CHICAGO (3)	NBC	2+	(7/18)
WKYC-TV	CLEVELAND (11)	NBC	2+	(8/23)
KNBC-TV	LOS ANGELES (2)	NBC	2+	(8/19)
WNBC-TV	NEW YORK (1)	NBC	1+	(8/20)
WRC-TV	WASHINGTON (9)	NBC	2+	(7/18)
KCNC-TV	DENVER (19)	NBC	1	(9/24)
WTVJ-TV	MIAMI (14)	CBS	2	(7/18)
Fox Television Coverage: 19.38 '87 rev.: 451 *(revenues include Fox network revenues)*				
WFLD-TV	CHICAGO (3)	FOX (IND)	4	(4/9)
KDAF-TV	DALLAS (8)	FOX (IND)	3+	(2/6)
KRIV-TV	HOUSTON (10)	FOX (IND)	4	(4/9)
KTTV-TV	LOS ANGELES (2)	FOX (IND)	3+	(4/10)
WNYW-TV	NEW YORK (1)	FOX (IND)	3	(5/12)
WTTG-TV	WASHINGTON (9)	FOX (IND)	3	(6/16)
WFXT-TV	BOSTON (6)	FOX (IND)	4+	(2/4)
CBS Coverage: 19.01 '87 rev.: 373.1				
WBBM-TV	CHICAGO (3)	CBS	2+	(7/18)
KCBS-TV	LOS ANGELES (2)	CBS	2	(6/14)
WCBS-TV	NEW YORK (1)	CBS	2	(7/19)
WCAU-TV	PHILADELPHIA (4)	CBS	2+	(7/19)
Tribune Coverage: 18.47 '87 rev.: 480				
WGNX-TV	ATLANTA (12)	IND	5+	(3/8)
WGN-TV	CHICAGO (3)	IND	3	(5/12)
KWGN-TV	DENVER (19)	IND	4	(4/11)
KTLA-TV	LOS ANGELES (2)	IND	3+	(4/10)
WGNO-TV	NEW ORLEANS (33)	IND	4	(3/8)
WPIX-TV	NEW YORK (1)	IND	5	(3/9)
Home Shopping Network Coverage: 18.25 '87 rev.: 575 *(revenues include cable revenues)*				
WEHS-TV	CHICAGO (3)	HSN		BM
WHSE-TV	NEWARK (1)	HSN		BM
WHSW-TV	BALTIMORE (22)	HSN		BM
WHSI-TV	NEW YORK (1)	HSN		NA
WHSP-TV	PHILADELPHIA (4)	HSN		NA
KHSH-TV	HOUSTON (10)	HSN		BM
KHSC-TV	LOS ANGELES (2)	HSN		NA
KHSX-TV	DALLAS (8)	HSN		NA
WQHS-TV	CLEVELAND (11)	HSN		NA
WBHS	TAMPA (13)	HSN	NEW	
WHSH	BOSTON (6)	HSN	NEW	
Gillett Holdings Coverage: 13.08 '87 rev.: 420† **(Busse Broadcast, SCI Television)** *(revenues and coverage include SCI Television, of which Gillett is a 50% owner and Busse Broadcast, a trust over which Gillett has no managerial control. Figures do not include revenues of WTVT/Tampa.)*				
Gillett Holdings				
WTVT-TV	TAMPA (13)	CBS	1	(9/26)
WMAR-TV	BALTIMORE (22)	NBC	1+	(8/26)
WSMV-TV	NASHVILLE (31)	NBC	1	(10/31)
WOKR-TV	ROCHESTER (68)	ABC	2	(7/22)
KSBW-TV	SALINAS (113)	NBC	1	(7/22)
KSBY-TV	SAN LUIS OBISPO (114)	NBC	1	(6/21)
Busse Broadcast				
KOKH-TV	OKLAHOMA CITY (37)	IND	4	(2/4)
WWMT-TV	KALAMAZOO (38)	CBS	1+	(7/22)
WRLH-TV	RICHMOND (55)	IND	4+	(1/4)
KOLN-TV	LINCOLN (94)	CBS	1	(10/33)
WEAU-TV	LA CROSSE/EAU CLAIRE (135)	NBC	1	(8/26)
SCI Television				
WAGA-TV	ATLANTA (12)	CBS	1+	(9/21)
WSBK-TV	BOSTON (6)	IND	4+	(2/5)
WJW-TV	CLEVELAND (11)	CBS	2+	(8/21)
WJBK-TV	DETROIT (7)	CBS	3	(8/19)
WITI-TV	MILWAUKEE (30)	CBS	2	(7/23)
KCST-TV	SAN DIEGO (25)	NBC	2	(6/20)
Chris Craft/United Television Coverage: 10.70 '87 rev.: 200				
KCOP-TV	LOS ANGELES (2)	IND	3+	(4/10)
KMSP-TV	MINNEAPOLIS (15)	IND	3	(3/12)
KUTP-TV	PHOENIX (20)	IND	6	(1/3)
KPTV-TV	PORTLAND (26)	IND	4	(3/11)
KTVX-TV	SALT LAKE CITY (42)	ABC	2	(7/23)
KMOL-TV	SAN ANTONIO (43)	NBC	2	(8/23)
KBHK-TV	SAN FRANCISCO (5)	IND	4	(3/7)
Gannett Coverage: 9.86 '87 rev.: 386				
WXIA-TV	ATLANTA (12)	NBC	1+	(9/21)
WLVI-TV	BOSTON (6)	IND	4	(2/6)
KUSA-TV	DENVER (19)	ABC	2	(8/21)
KARE-TV	MINNEAPOLIS (15)	NBC	1+	(6/21)
KOCO-TV	OKLAHOMA CITY (37)	ABC	3	(6/18)
KPNX-TV	PHOENIX (20)	NBC	2	(7/28)
WUSA-TV	WASHINGTON (9)	CBS	1	(9/24)
KVUE-TV	AUSTIN (73)	ABC	2+	(6/20)
WFMY-TV	GREENSBORO (50)	CBS	1	(10/30)
WTLV-TV	JACKSONVILLE (59)	ABC	3	(5/15)
Westinghouse Broadcasting Coverage: 9.66 '87 rev.: 637 *(revenues include radio station revenues)*				
WJZ-TV	BALTIMORE (22)	ABC	1+	(8/24)
WBZ-TV	BOSTON (6)	NBC	1	(8/21)
KYW-TV	PHILADELPHIA (4)	NBC	2+	(2/19)
KDKA-TV	PITTSBURGH (17)	CBS	1	(10/28)
KPIX-TV	SAN FRANCISCO (5)	CBS	2	(6/17)
Cox Coverage: 9.29 '87 rev.: 311 *(revenues include radio station revenues)*				
WSB-TV	ATLANTA (12)	ABC	1+	(9/21)
WSOC-TV	CHARLOTTE (32)	ABC	2	(8/24)
WHIO-TV	DAYTON (49)	CBS	1	(10/29)
WKBD-TV	DETROIT (7)	IND	4	(5/12)
KTVU-TV	OAKLAND (5)	IND	3	(4/11)
WPXI-TV	PITTSBURGH (17)	NBC	2	(8/21)
KDNL-TV	ST. LOUIS (18)	IND	5	(2/6)
WFTV-TV	ORLANDO (27)	ABC	1+	(8/23)
Hallmark Cards Coverage: 8.9 '88 rev.: 75* *(revenues include 1988 estimates)*				
KFTV-TV	FRESNO (62)	SIN	4	(2/6)
KMEX-TV	LOS ANGELES (2)	SIN	5	(1/3)
WLTV-TV	MIAMI (16)	SIN	4+	(2/4)
WXTV-TV	NEW YORK (1)	SIN	NA	BM
KWEX-TV	SAN ANTONIO (43)	SIN	4+	(2/5)
KDTV	SAN FRANCISCO	SIN	NA	
Telemundo Group Coverage: 8.35 '87 rev.: NA				
WNJU-TV	NEW YORK (1)	IND	NA	BM
KVEA-TV	LOS ANGELES (2)	IND	5+	(1/2)
WSCV-TV	FORT LAUDERDALE (16)	IND	5+	(1/2)
WKAQ-TV	SAN JUAN (NA)	IND	NA	NA
KSTS	SAN JOSE	IND	NA	NA
MCA Coverage: 7.73 '87 rev.: 95				
WWOR-TV	NEW YORK (1)	IND	4	(4/9)
TVX Broadcast Group Coverage: 7.60 '87 rev.: 130				
KJTM-TV	PINE BLUFF (57)	IND	4	(1/4)
WNOL-TV	NEW ORLEANS (33)	IND	5	(2/5)
WLFL-TV	RALEIGH (36)	IND	3	(2/10)
WCAY-TV	NASHVILLE (31)	IND	5+	(1/3)
WMKW-TV	MEMPHIS (41)	IND	4+	(2/4)
WTVZ-TV	NORFOLK (45)	IND	2	(2/6)
WDCA-TV	WASHINGTON (9)	IND	4	(2/5)
WTAF-TV	PHILADELPHIA (4)	IND	3	(4/9)
KTXA-TV	FORT WORTH (8)	IND	3+	(2/6)
KTXH-TV	HOUSTON (10)	IND	4	(4/9)
WCIX-TV	MIAMI (16)	IND	3	(3/7)
KRRT-TV	SAN ANTONIO (43)	IND	4+	(2/7)
Scripps-Howard Coverage: 7.60 '86 rev.: 192 *('87 revenues unavailable by 2/88)*				
WCPO-TV	CINCINNATI (29)	CBS	1+	(8/25)
WEWS-TV	CLEVELAND (11)	ABC	1	(10/27)
KSHB-TV	KANSAS CITY (28)	IND	3	(3/8)
WMC-TV	MEMPHIS (41)	NBC	1	(11/28)
KNXV-TV	PHOENIX (20)	IND	4+	(2/5)
KJRH-TV	TULSA (53)	NBC	2	(7/22)
WPTV-TV	WEST PALM BEACH (54)	NBC	1	(8/25)
WXYZ-TV	DETROIT (7)	ABC	2	(10/25)
WFTS-TV	TAMPA (13)	IND	4+	(2/5)
Hearst Coverage: 6.81 '86 rev.: 232 *('87 revenues unavailable)*				
WBAL-TV	BALTIMORE (21)	CBS	3	(7/22)
WCVB-TV	BOSTON (6)	ABC	2	(7/18)
KMBC-TV	KANSAS CITY (29)	ABC	2	(6/20)
WISN-TV	MILWAUKEE (30)	ABC	3	(5/16)
WTAE-TV	PITTSBURGH (17)	ABC	3	(7/19)
WADA-TV	SAN JUAN (NA)	NA	NA	NA
WDTN	DAYTON	ABC	2	(7/19)
A.H. Belo Coverage: 5.65 '87 rev.: 165.5				
WFAA-TV	DALLAS (8)	ABC	1+	(8/19)
KHOU-TV	HOUSTON (10)	CBS	3	(7/18)
KXTV-TV	SACRAMENTO (21)	CBS	3	(6/20)
WVEC-TV	NORFOLK (45)	ABC	1+	(8/23)
KOTV-TV	TULSA (53)	CBS	1+	(8/25)
Gaylord Coverage: 5.25 '87 rev.: 118*				
WUAB-TV	CLEVELAND (11)	IND	3	(2/7)
KTVT-TV	FORT WORTH (8)	IND	5	(3/7)
KHTV-TV	HOUSTON (10)	IND	5	(3/7)
WVTV-TV	MILWAUKEE (30)	IND	4	(3/8)
KSTW-TV	TACOMA (14)	IND	3	(4/11)
Great American Communications Coverage: 4.72 '86 rev.: 274 *('87 revenues unavailable by 2/88)*				
WBRC-TV	BIRMINGHAM (40)	ABC	2	(9/27)
WKRC-TV	CINCINNATI (29)	ABC	2	(6/19)
WDAF-TV	KANSAS CITY (28)	NBC	1	(8/25)
KTSP-TV	PHOENIX (20)	CBS	1	(8/24)
WTSP-TV	ST. PETERSBURG (14)	ABC	3	(6/18)

NOTES: + tie * Estimate of Paul Kagan Associates BM: Ratings below measurable levels (a) Coverages based on A.C. Nielsen figures, UHF stations count 50% (b) Ratings from A.C. Nielsen station index, Sun.-Sat., 7 A.M.-1 A.M. as of Nov. '87 Sources: Morgan Stanley, *Channels*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DECISION 88
COME HOME TO THE BEST IN '88.

Pride has had a role in pushing along the state of the art in TV technology—satisfying the producer with image and sound quality equal to his work, giving tech crew members a tape they want their names on. Economy and convenience also have mattered. All the while, broadcasters' strongest motivation has been the drive to match the competition.

These factors are all at work in the **NEAR-TERM** future, as managers draw up their hardware shopping lists and shop the exhibit floor at NAB. At right, *BM/E* magazine senior editor Eva Blinder details five technologies that are ready for consideration.

For the **MEDIUM TERM**, over the next five years or so, it's the challenge of staying competitive that has raised the stakes, and the urgency, in the transition to high-definition video. *Channels* senior editor Steve Behrens sketches a speculative high-def scenario.

Likewise, over the **LONG TERM**, technology may lead TV away from its roots, posing great opportunities as well as risks for today's players. *Channels* senior editor J. Max Robins reports on the view from MIT's controversial Media Lab futurists.

LINDA BLECK

NEAR-TERM

Tech Decisions On the Station Agenda

by Eva J. Blinder

Tracking the changes in television technology can be arduous and confusing. Amid the many prototypes and new products at a typical NAB show, it's anyone's guess which will become the station workhorse of tomorrow.

Some technologies have come out of the blue-sky stage, however, and are ready for management to consider adopting. That's true of the five described here—the hardware is either available now or will be shipped by year's end.

Digital Video Recorders

• Digital video, in one device or another, has been popping up in television plants over the last five years or so. Now, for the first time, broadcast managers have the option to buy a practical digital videotape recorder. By the end of this year, Ampex will be selling a digital cartridge player (ACR-225) and shipping a studio recorder (VPR-300)—both following the newly proposed D-2 standard. It's not the first kind of digital VTR to hit the market, but it's the one that will interest most broadcasters.

Last year Sony began delivering what was then the only digital videotape recorder on the market: the DVR-1000, which conforms to the Society of Motion Picture and Television Engineers (SMPTE) D-1 standard for component digital recording. Most purchasers have been high-end postproduction and graphics houses. Many broadcasters believe that for TV stations, D-1's high quality is overkill—and expensive overkill at that.

Enter D-2. Ampex's announcement of a composite digital tape recording format in the fall of 1986 upset many in the engineering community, since it

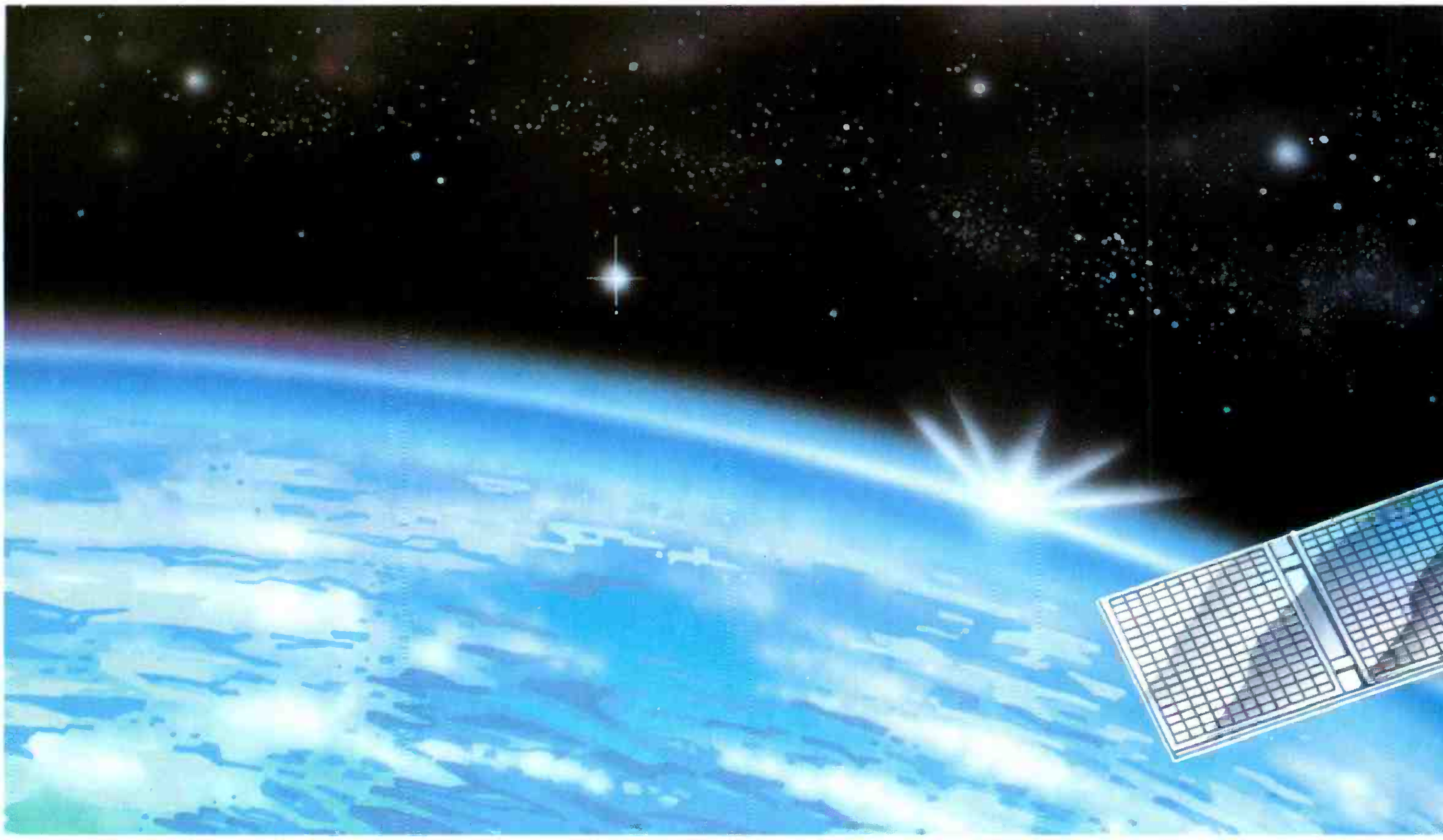
seemingly dashed the hopes that D-1 would become the format for virtually all video recording. Once the feathers settled, however, many, including Sony, conceded that Ampex does indeed have a point.

Both formats record the video signal in true digital form—a series of "on" or "off" pulses. And since each bit of information can only be on or off, never in between, digital recordings resist the generational loss that plagues analog tapes, and keep the original high quality throughout postproduction.

The two digital formats differ, however, in the same way that the older

Eva J. Blinder is senior editor of Broadcast Management/Engineering.

Here's a far out way



and a down to earth

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Cyclecypher downlinks fast!

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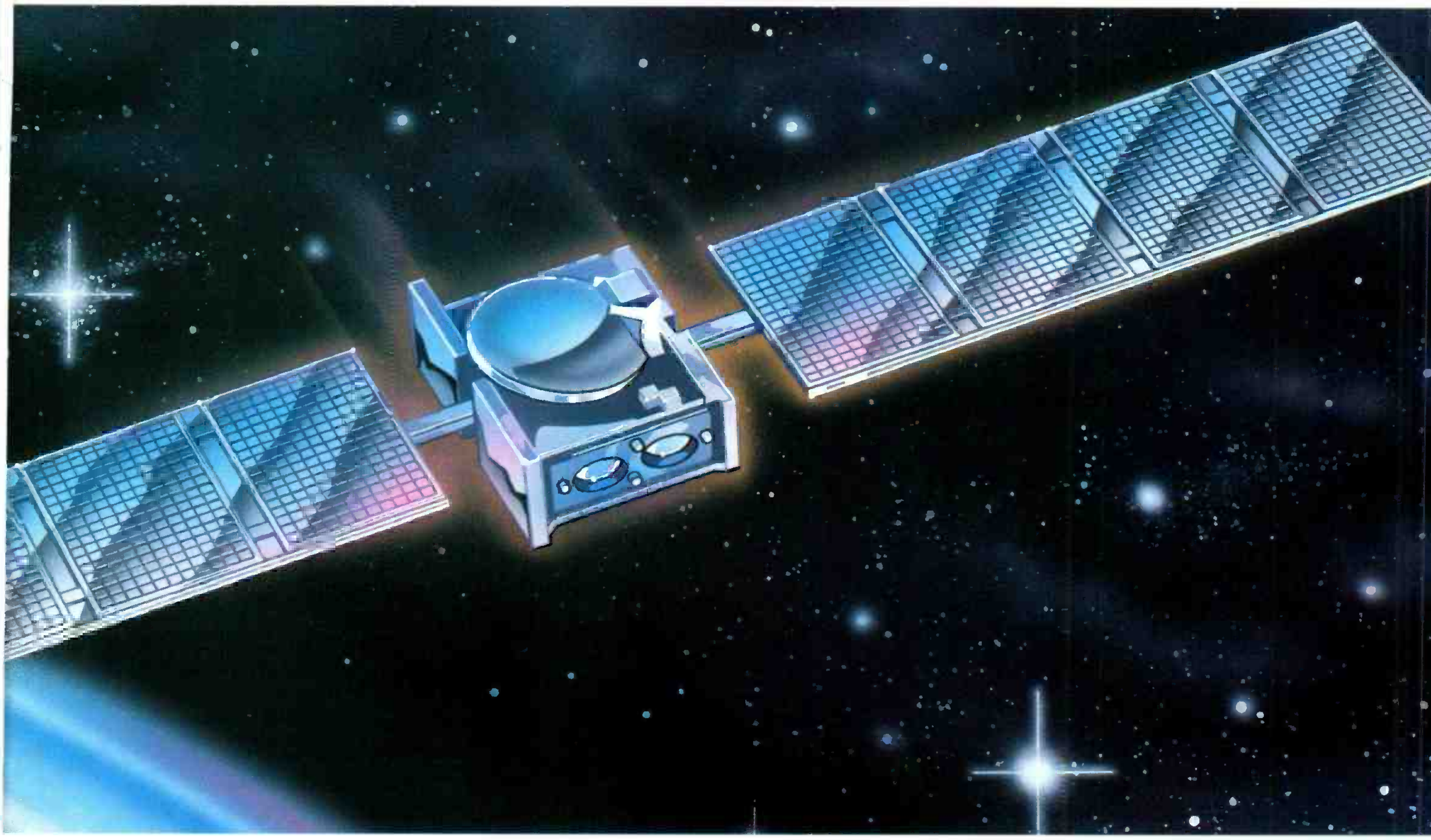

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Offices in Los Angeles, Chicago and New York analog videotape formats, including one-inch Type C, differ from the newer, half-inch Betacam and M-II formats: D-2's signal is recorded in composite form, like most analog tapes, while D-1's signal is in component form, like the new half-inch formats. A component format keeps the three basic signal elements (generally luminance and two color-difference signals) on separate channels all along the signal path. A composite format, on the other hand, encodes these three channels into one signal that travels on a single wire.

Component signals are inherently cleaner than composite since the signal components are kept separate throughout the signal path. But they are more difficult to integrate into an existing plant because the signal that once traveled on a single wire now requires three. And the equipment costs about twice as much as Type C.

Digital composite equipment, however, is expected to be priced "competitively" with high-end Type C recorders. Because of its composite nature, it can be plugged in as a digital "island" in an otherwise analog plant. The VPR-300, which will be introduced at NAB this month, will have features at least equal to Type C recorders and its recordings will be higher quality, both in the first and later generations. The tape carries two digital audio channels.

It may be too early to predict how fully broadcasters will accept D-2. It won't pose a threat to D-1, which will continue to be the premier format for high-end applications. But with its excellent video quality and more reasonable price, D-2 may become the new station workhorse. Both Ampex and Sony predict D-2 will supplant Type C in broadcast facilities within a decade. With machines slated for delivery late this year, the time to start thinking about digital is now.

CCD Cameras

● Remember when radios had tubes? Vacuum tubes in myriad shapes and sizes were the mainstay of electronics until transistors arrived in the 1960s. Suddenly the radio that sat so imposingly on the mantle shrank to fit a teenager's palm. Most studio cameras today are packed with chips as well, but still use vacuum tubes to translate images into electrical pulse. For years the transistor revolution bypassed imaging technology.

Until recently, that is. An imaging chip called the charge-coupled device (CCD) is finding its way into broadcast-quality cameras. The chips have been used for many years in low-end applications such as surveillance because of their small size, low power usage and minimal maintenance needs, but they've only recently attained broadcast quality.

CCD Cameras

Cameras with CCD chips excel with moving images, use less power than tube cameras and weigh less, too.

Digital Audio Recorders

The CCD's biggest disadvantage, compared with tubes, is its poorer resolution. A quick look at the chip's structure explains why. Its tiny light-sensitive surface is divided into a fine grid in which each square is either "on" or "off"—exposed to light or not. The grid's coarseness limits the chip's resolution.

A tube, on the other hand, has an undivided light-sensitive coating, theoretically allowing unlimited resolution. (In practice, many factors limit tubes' resolution, including the fineness of particles in the coating.)

But CCDs have their own strong points: They're almost maintenance-free and never go out of registration, as tubes do. They last as long as the camera does and never need replacing. They use less power and weigh less, allowing an ENG operator to shoot longer before recharging batteries, while keeping him out of the chiropractor's office.

CCDs have performance advantages as well. Though their static resolution—how well they handle detail in still images—is not up to that of tubes, they excel in dynamic resolution. Moving images, such as a football pass, are crisp, without the blur registered by tube cameras. And, unlike tubes, they are not susceptible to "burn-in" from strong light sources, the "smear" effect common in night scenes or other unwanted image retention.

These benefits are making CCD cameras attractive to stations replacing old ENG cameras. The technology is proven, the pluses and minuses well understood. Manufacturers are only beginning to make CCD studio cameras (BTS is introducing a mid-range model at NAB). But for those buying ENG cameras this year, CCDs may be the way to go.

LINDA BLECK (4)

Digital Audio Recorders

● Anyone who's been following developments in television has noticed the upsurge in interest in audio. While engineers and managers alike have long pushed for high-quality video, audio has remained TV's shabby stepsister. Until recently, this was understandable: After all, no matter how great the original sound, it came out of that same little three-inch speaker.

This attitude is quickly giving way, spurred in large part by the advent of stereo TV sound, but also by consumers' rising expectations. The spread of compact discs (CDs) and hi-fi VCRs in the home is pressing broadcasters to provide audio matching that classy picture.

Not every TV station needs a full-fledged digital audio production suite, but those that want the cleanest sound can now choose from a growing array of hardware. Unlike digital video, which is still in its infancy, digital audio technology is already well-established. High-end, open-reel digital audio recorders have been sold for several years by such makers as Sony, Studer, Mitsubishi and Otari. These machines have all the features needed for production work, including time code generators and synch capabilities for integrating audio with videotape in postproduction.

Digital audio tape (DAT) recorders using cassettes are on the horizon, too—though their arrival in stations has been delayed by the record industry's lobbying campaign against importation of consumer models. Sony's recently exhibited portable R-DAT recorder promises two hours of recording time, along with time code capability, for a relatively low price near $7,000.

Compact disc players, now as common in radio stations as they are in the home, can directly replace vinyl discs and (in some applications) cart players, providing high-quality audio for TV productions. Some new CD players offer sophisticated control options and can be cued from an audio mixer.

The most innovative of the digital-audio options are computer-based workstations that record digital audio on computers' floppy or hard discs. Computer discs usually can store only a minute or so of video, but most digital audio workstations hold an hour or more of high-quality audio. (One Mitsubishi model can be expanded to store as much as 28 hours of digital sound.)

Immense storage capacity is only one talent of the audio workstations. Various models offer great capabilities in recording, synthesizing, editing and manipulating sound, all fully digital. Workstations such as the Synclavier from New England Digital are designed especially for composing and performing; others, like the Compusonics DSP 1500 and the Otari Audio File, are designed for on-air spot playback.

Computer Animation

• New animation software that runs on commonplace personal computers has brought three-dimensional animation within range of TV stations' budgets.

For years 3-D animation was prohibitively expensive, and even today the most advanced video animation remains the province of talented programmers working on powerful supercomputers. But systems now on the market are designed to be operated by artists, not computer experts, and many are well within the financial reach of stations in mid-sized and large markets. Independent graphics production houses are using these more affordable systems to bring down the price of animated logos and promos.

Advances in animation have come in two general areas: modeling capabilities and rendering speed. Modeling is the first stage in animation work, in which the artist creates the 3-D object or objects that will make up the final piece. In many systems, a menu-driven interface insulates the user from the mathematical formulas that generate the visuals and move them on screen. Objects usually appear initially in skeletal "wire frame" form. Then the system smooths out the edges, adds surface colors and textures, reflections, highlights and shadows.

In the second stage of animation, the image is rendered on videotape, frame by frame—typically the slowest part of animation. Rendering a few seconds of complex animation can take weeks, even when using a powerful computer. Some manufacturers speed the process by dedicating a separate computer to the job of rendering. For example, Cubicomp, which pioneered the PC-based 3-D video business several years ago, is now offering an optional rendering machine. At the high end, dedicated rendering computers like the Pixar work 50 times faster than conventional workstations.


Computer Animation

Instead of having an operator on each camera for a news show, one person can run several robot cameras.


Robot Cameras

Robot Cameras

• Picture the TV studio of the future. The director sits, calm and relaxed, before a streamlined console, with the ability to activate graphics, chromakey and tape machines at the push of a membrane switch—and to send robot-controlled cameras gliding smoothly through complex shots.

It's unlikely that computer images descended from Max Headroom will ever replace human newscasters. But the robotic camera, far from being a futurist's pipe dream, is a working reality today in NBC studios and at a number of stations. An outgrowth of remote pan/tilt systems developed for sports coverage, computerized camera control can virtually eliminate the need for camera operators in the news studio.

Robotic camera systems take advantage of the fact that a studio program with a standardized format—such as the evening news—requires relatively few, often-repeated camera moves. Instead of having an operator for each camera perform those pans, tilts and zooms, a technician can preprogram the computer for them and later use a touchscreen to select the appropriate moves for several cameras. The system can also "learn" complex and lengthy moves from a human operator—moves that then become part of its repertoire.

"It provides all the functions that were available to a news director with people, with more finesse and a constant labor rate," says Bob Gonnelli, president of TSM, the Valley Cottage, N.Y., manufacturer of the MultiController system, which controls several cameras at once. (Other companies offering such systems include Vinten, EPO and Telemetrics.)

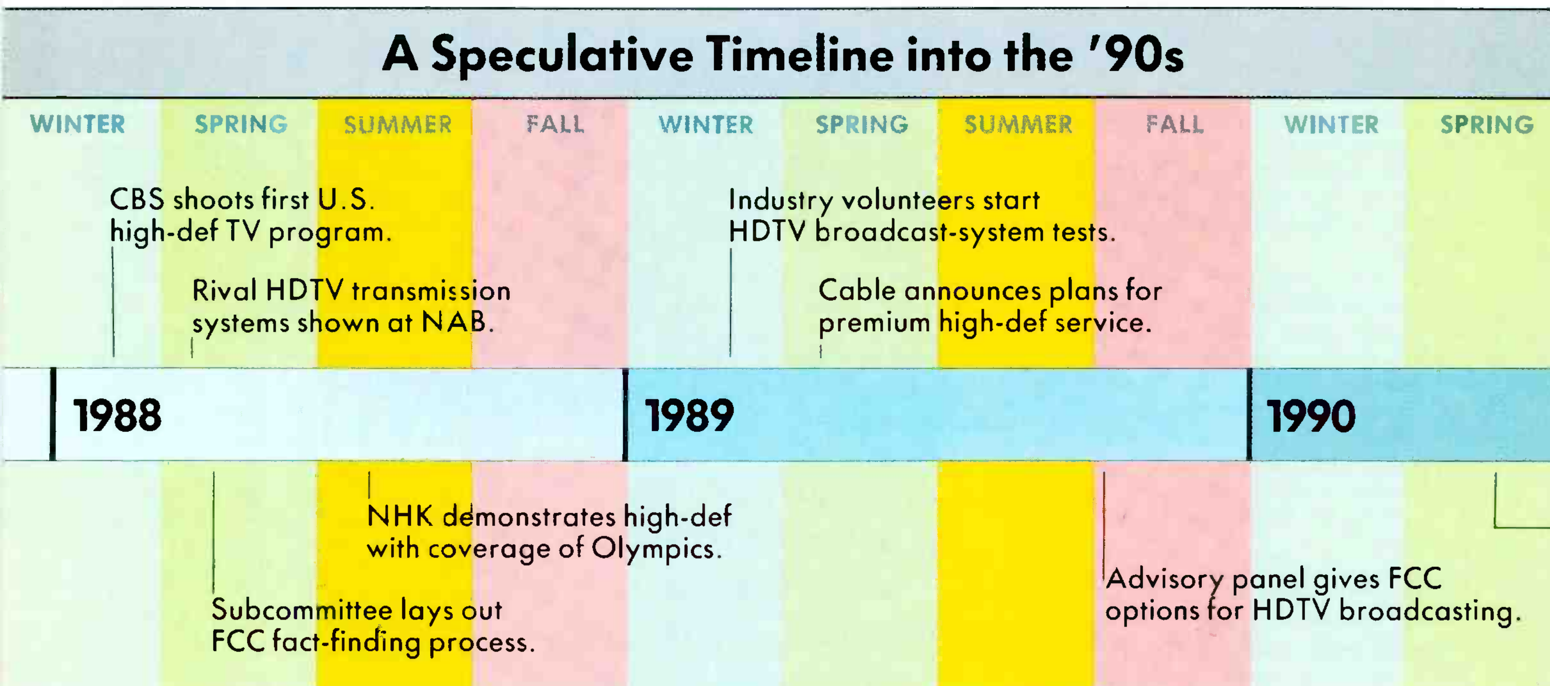
Obviously, such a system isn't for every station. Union contracts may pose difficulties in some areas, although Gonnelli says the system has met with little resistance in stations where it has been installed, including KCRA in Sacramento, Calif.; WRC in Washington and WJAR in Providence, R.I., have systems on order. It's an intriguing possibility, promising enhanced precision and allowing technicians to be reallocated to more productive tasks. •

MEDIUM-TERM

Passage to High-Def

by Steve Behrens

Two or three years ago high-definition TV was one of those inevitable but far-off things the industry left to its engineers and futurists. Now a tekkie debate is becoming a major strategic issue.



A new domino theory is making the rounds: What if the new Super VHS VCR—the latest upgrade from Japan, which showed up in stores late last year—puts to shame the pictures people can get from pay cable? The thought alarms HBO, among other cable partisans. And what if cable leapfrogs over home video, adopting high-def technology that outclasses both VCRs and broadcasters? This gives broadcasters a brand-new cause for unease.

They didn't have far to look for a medium that had withered after losing the technological edge: AM radio. Would broadcast TV lose upscale "early adopters," and its ability to compete?

In an ideal world, the transition to high-def would move as smoothly as the adoption of "compatible color" in the 1950s: Clever engineering let old sets receive broadcasts in black and white while new color sets got red, green and blue as well. But TV history isn't likely to repeat itself with high-def. Here's a scenario that starts with facts and ventures deeper into speculation beyond 1988. More catastrophic ones are making the rounds.

April 1988. In Atlanta CBS wraps shooting *Innocent Victims*, the country's first TV movie recorded on HDTV videotape. Just weeks before, the Canadian Broadcasting Corp. debuted its miniseries, *Chasing Rainbows*, which was also taped using the Japanese 1,125-line high-def format that's heading toward endorsement by the Society of Motion Picture and Television Engineers as an industry standard.

In Toronto, the co-producer of *Chasing Rainbows*, Northernlight & Picture Corp., continues planning with MGM/UA and the Walt Disney Co. for a high-def special effects house based in Toronto.

• Production hardware like that used for these two high-def projects is exhibited again at the NAB conference in Las Vegas, but what fascinates station managers are demos of *transmission* systems that put their stations in the high-def game. They're impressed by an actual broadcast using MUSE, the first operating high-def transmission system, but they lay their hopes on systems that use less bandwidth just now coming out of the labs. With incompatible MUSE, a broadcaster would need two-and-a-half channels to reach both new sets and old.

The same lab that invented MUSE, Japan's NHK, shows simulated pictures from a new, more feasible system: compatible NTSC/MUSE-6. Like the ACTV system announced last fall by the David Sarnoff Research Center and NBC, it's able to reach both new and old sets in a single 6 MHz channel. But critics say both are merely "enhanced TV," not high-def.

Hardware exhibits from ex-CBS inventor William Glenn and from North American Philips represent the next step up—systems that promise pictures approaching or exceeding MUSE quality but requiring augmentation channels. They'd need one-and-a-half or two channels to reach both new and old sets. Also in the news is the dream system—no hardware yet—from former Apple Computer engineer Richard Iredale, which would put out a compatible HDTV picture in just one channel.

May 1988. A subcommittee led by CBS v.p. Joe Flaherty works overtime to lay out the task ahead of the FCC's blue-ribbon Advisory Committee on Advanced Television Service. Major impression: So much research to do, so many trade-offs to weigh, before the FCC sets a standard.

Traditionally the formidable RCA and CBS labs would have developed and tested the systems, but one lacks full corporate backing and the other is gone. Instead, industry groups pass the hat to raise testing funds. In Washington, engineers working with the industry's Advanced Television Systems Committee (ATSC) are testing how well extra-wide channels work in the UHF and higher bands.

Summer 1988. North American Philips demonstrates its two-channel system, for the first time showing its full resolution. Sarnoff shows off actual ACTV hardware and announces that the system's second phase, an optional second channel that would yield full high-def, will soon be simulated in the lab.

• In Japan, NHK begins selling high-def to the public with MUSE transmissions from the Seoul Olympics to dozens of wide-screen sets around the islands. Like NHK's scheduled MUSE service, which begins in two years, these demos are aired by direct broadcast satellite. Americans visiting Tokyo get an eyeful.

September 1988. Instead of investing billions in Star Wars, Europe's multinational Eureka project has been developing an array of native high-tech projects, including HDTV. At the International Broadcasting Convention in Brighton, U.K., Eureka displays its alternative to the Japanese high-def production standard.

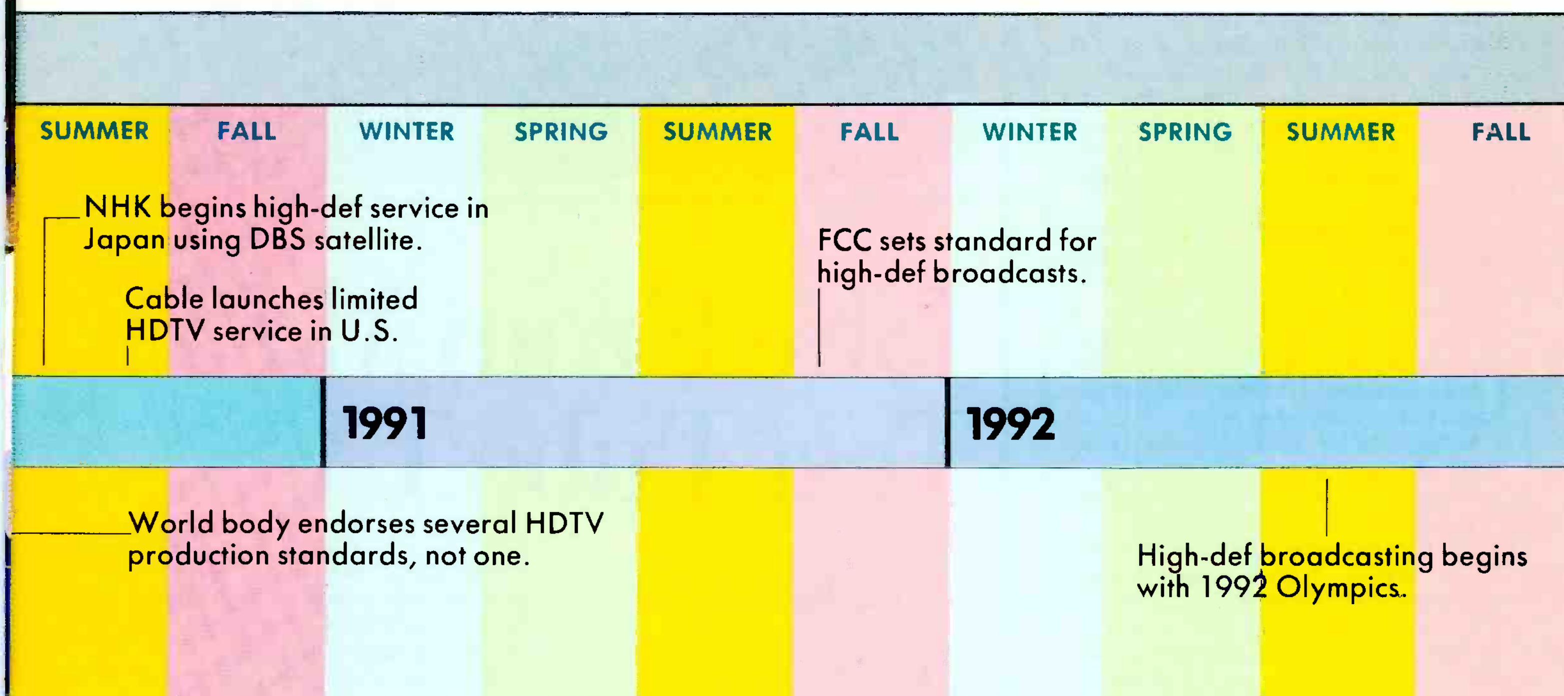
Early 1989. In Washington, channel experiments wind down as engineers prepare to test equipment from Glenn, NHK, Sarnoff and Philips. Each system will be tested in the lab, then over the air and on cable, and finally will face one more trial: viewer perception.

Spring 1989. NAB returns to Las Vegas, exhibiting even more HDTV gear, but the hardware that most concerns the broadcasters is for consumers, not pros. Within a year, or little more, Japan begins high-def broadcasting by satellite. Manufacturers there are gearing up production of 1,125-line MUSE monitors, DBS receivers, disc players and home VCRs for the Japanese market. Export is imminent. Hubbard Broadcasting president and CEO Stan Hubbard nearly incites a lynch mob at NAB by announcing that next year one of the eight channels of his long-planned DBS service will use the MUSE system.

NCTA's convention in Dallas is likewise afire with speculation about high-def. HBO has been gathering support for simulcasting in high-def, using a variant of MUSE. The picture is great—much better than from Super VHS. Keeping ahead of home video is HBO's main objective. Leaving broadcasters in the dust is just a bonus.

Late 1989. After two years' work, the FCC's blue-ribbon committee lists three high-def options. Chairman Richard Wiley maintains that the commission should make the final public-interest judgment. Eighteen members of committees and subcommittees attach angry dissents. CBS's Rupert Stow was right when he predicted last year: "It will be a bloodbath, I assure you."

In weighing options, everyone gives different import to technical quality, national origin and expediency under pressure from oncoming high-def competitors. Many favor one of the compatible systems that fit in a standard 6 MHz channel, since there wouldn't be enough usa-



ble bandwidth for the FCC to give augmentation channels to every station. MSOs say they wouldn't carry them. Minority groups claim the moral right to any new channels. Faced with making a standards decision, two commissioners become clinically depressed and resign. The White House can find replacements only by promising them ambassadorships in major capitals.

1990. The public is developing a taste for sharper TV pictures. Super VHS video recorders, once priced above $1,000, are selling for as little as $500. But studios don't bother issuing full movie libraries in Super VHS. They know it's only briefly the premium format. Japan's 1,125-line VCRs are on the way.

• The quadrennial assembly of the world standard-setting body, CCIR, resumes considering a high-def production standard—left unresolved at its 1986 meeting at Dubrovnik. Instead of one worldwide standard, the assembly endorses two or three, including one invented in Europe's Eureka project. No hopes remain for a single transmission standard.

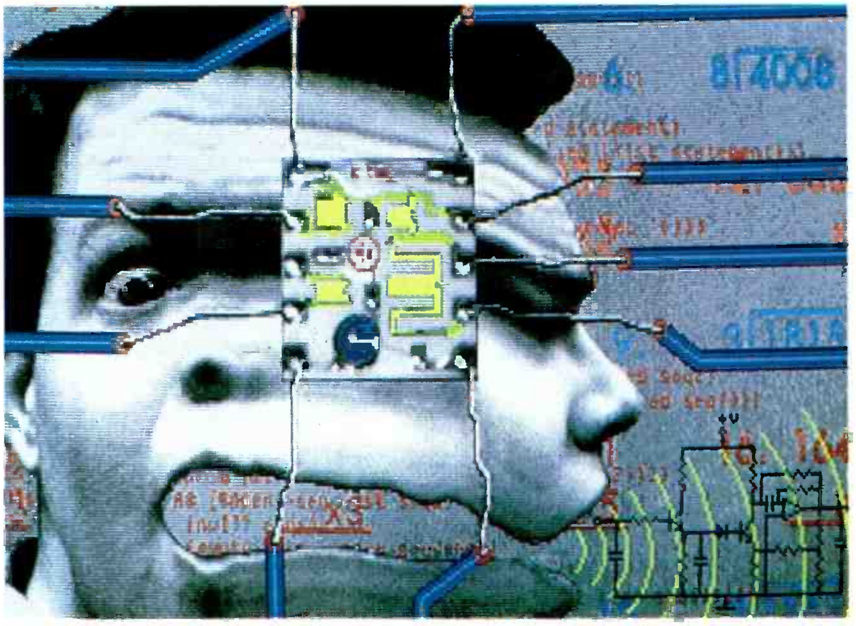
But there's not much reason to lean heavily on such hopes anymore, thanks to chip technology. The 1,125-line sets made for NHK's regular high-def service in Japan contain "smart" circuitry that also receives standard 525-line signals. The sets can be adapted to show 1,050-line pictures, if the Americans prefer.

• The first few cable systems launch HBO and other premium high-def channels. MSOs that rebuilt with surplus channel capacity are glad they did. Despite high prices, high-def sets and VCRs begin selling beyond the videophile elite. Hyundai unveils its new TV slogan: "Let's all get Hi!"

1991. Philips and Sony disclose a year-old secret pact to develop a U.S. broadcast standard. They're ready with chips that compress a compatible, quasi-high-def picture into a standard channel. The Dutch and Japanese companies pledge to make most sets in the U.S., where labor costs are lower anyway. The FCC gratefully rushes to back the system.

1992. CBS inaugurates occasional high-def broadcasts, followed by NBC and the Paramount network. Two years after high-def came to cable, and four years after NHK's high-def aired via satellite from Seoul, most of the world's high-def crews converge on Barcelona for HBO-CBS-NHK coverage of the '92 Summer Olympics. •

LONG-TERM



The Media Lab's vision takes to the screen in a recent Peter Gabriel music video.

Live From MIT: Test Tube TV

by J. Max Robins

Andy Lippman gyrates around his office, riffing on television's future. The lanky, peripatetic instructor is one of the Massachusetts Institute of Technology's Media Laboratory TV mavens. One minute he's in front of a huge abstract painting by his mother that occupies one office wall, pontificating on the need to think expansively about television. In full-tilt lecture mode, he pirouettes to the whiteboard on an adjacent wall, grease pencil in hand, and draws overlapping circles, writing a word inside each: "Broadcasting," "Cable," "Film," "Computers."

The key link in these interlocking circles is the computer—to omit it from the mix would short-circuit the future of television, according to the Media Lab party line.

"Because computers have processing and storage, they can bring a level of personalization to television," says Lippman, crouching like a cat on his chair, preparing to pounce on a pet concept. "Envision your TV set watching TV during the day, and when you come home handing you a cassette and saying, 'Here's 45 minutes of news that I've culled during the day that I know you'd like to see.' "

This personalized medium under development at the Media Lab would rearrange the TV industry infrastructure and, perhaps, put new people and companies in charge. What threatens the industry's current powers is the integration of all species of communications technology, from compact discs for storage to optical-fiber cable for transmission.

"The networks have some serious concerns," says the Lab's director, Nicholas Negroponte. "The biggest one is the almost total disappearance of real-time TV programming [because of time-shifting with VCRs], save for elections and sporting events. That represents a fundamental change. What the networks can do is start making reasonable partnerships, with the telephone companies and other information providers. The timing is right."

Negroponte's analysis is no surprise—to his colleagues at the Lab, discourse on the convergence of communications technology is a mantra. The Lab, now three years old, was conceived with the idea that all media technology—television, film, recordings, telephones, newspapers, magazines and books—were coming together, thanks to the computer, and it was time to research what all this cross-pollination might spawn. More than 40 corporations—including NBC, ABC, Columbia, Paramount, Warner Bros. and HBO—bought the idea and provided funding.

Inside the slick, I. M. Pei-designed facility in Cambridge, Mass., 12 areas of study, from "advanced television," and "electronic publishing" to "human-machine interface"—once spread all over campus—are intermingled. In the Lab's basement, researchers work to develop the largest hologram in the world. In the "terminal garden," an electronic playground of computers, obsessed hackers are teaching machines to think. Nearby, a TV monitor produces a picture with 2,000 lines of resolution.

The way these and other technologies under development there crossbreed may well determine the nature of 21st-century television. "The Media Lab is one of the few places, at the educational level, where advanced television is being studied," says Max Berry, ABC's vice president/broadcast engineering. "When you think of advanced television, MIT is the place keeping that concept alive in this country."

When Media Lab savants think about advanced TV, they see a TV set with "open architecture." It's a hardware philosophy, borrowed from personal computers, that allows a device to grow with each technological advance. If someone develops a technique to enhance picture or sound, for example, TV-set owners would only have to insert an appropriate microchip—they wouldn't have to buy a new set to enjoy each new innovation.

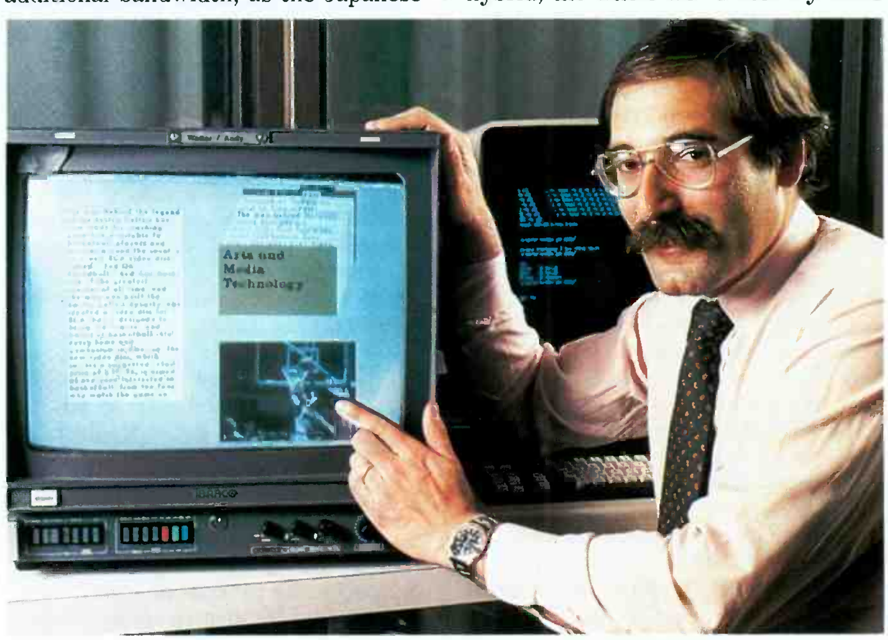
There's evidence that the concept may catch on. "When you talk about improving television, you've got to consider the receiver—I'm glad [the Media Lab] is looking in that direction," says Tom Keller, chief scientist of NAB. "One thing I'm pressing for is room in the system for extendability. To make television better in the future, you've got to have [some intelligence] inside the receiver to talk to."

Open-architecture television is the brainchild of William Schreiber, director of the Lab's Advanced Television Research Project (ATRP). A respected electrical engineer, Schreiber is an elfin man with a shock of white hair whose ideas spill forth in a voice that's pure Brooklyn. He sits at his desk munching peanuts, railing against the system of high-definition television developed by the Japanese public broadcast company NHK. "Old technology," he sniffs. "I think the Japanese system is bad on every level." Under his leadership, ATRP has explored ways to improve the picture greatly within the 6-MHz broadcast channel instead of requiring additional bandwidth, as the Japanese system does. "We've proposed our own system," says Schreiber. "An important concept of it is the receiver—if you were to open it up, it would look a lot like a computer."

Lately Schreiber has been at odds with Joseph Flaherty, CBS's v.p./general manager, engineering and development, who is a leading proponent of NHK's HDTV system. CBS was an original sponsor of ATRP, but pulled out last year. CBS attributed the split to across-the-board budget cuts, but Schreiber doesn't believe it. "I guess you'd have to say [CBS] pulled out because of our less than enthusiastic support for the Japanese system," he says, chuckling.

Of course, Schreiber admits, it would be an expensive proposition to develop the "intelligent" open-architecture TV set, along with the kind of interactive systems his associate director Lippman envisions. But he says Japan's $300 million investment in developing HDTV isn't a lot when you consider that Americans spent $8 billion on sets alone last year. "There's money to be made, so somebody should do it," he says. "It's all about money."

Media Lab researchers tend to assume TV is evolving into a three-dimensional medium. If they can integrate holography with a TV computer-hybrid, the whole world literally could



The Media Lab's Andy Lippman wants to bring TV to the point where "you could *be* J.R."

become a stage. Someday, they believe, TV will put a 3-D Boston Symphony or Bruce Springsteen in your living room.

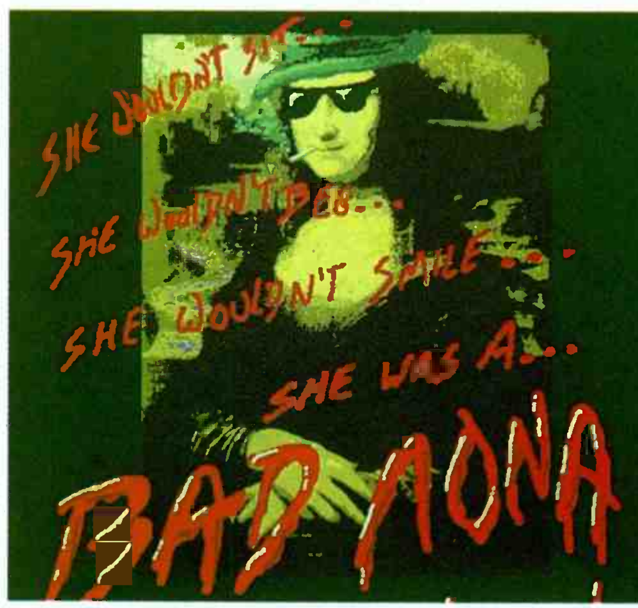
But let's not get too carried away. Changes in the medium will be evolutionary, not revolutionary. Getting that computer in the TV set, under the pretense of improving picture quality, would be an important first step in opening the box to myriad possibilities. ABC's Max Berry may be a fan of the Lab, but he tempers his expectations of its impact. "I'm an engineer. I take a lot of that stuff with a grain of salt," he says. "It's [the Lab's] job to be pie-in-the-sky. It's *our* job to keep them aimed toward goals that can be achieved in our lifetimes. What's possible is not always practical." Even director Negroponte, who sells the Lab's conception of the future with evangelical zeal, says, "Truly three-dimensional TV—yes, that's provocative and it's going to happen. But I intend to be a pretty old man by the time it does."

People in the trenches of the TV business generally have little time to ponder advanced television, let alone diligently study what the medium might look like ten or 20 years from now. Powerful interests are nevertheless still betting they can make TV more interactive. Pay per view points in that direction, as does Sears' and IBM's Trintex videotex venture. A start-up company, Interactive Game Network, has floated the plan for a system that will allow viewers to interact with TV programs, such as game shows and sporting events, attracting interest from NBC and, reportedly, one of the other two major networks. Mattel is making noise about a similar proposal.

Indeed, the Media Lab's ability to get funding from a Who's Who of communications companies points to a certain interest in the long-term future. When you consider that much of the Lab's research anticipates radical change in the way those same companies conduct business, it's no small wonder. Case in point: NHK is a Media Lab sponsor. Yet it would be naive to take companies' sponsorship of the Lab as a sign they're endorsing its every notion. "I'm not sure any of our sponsors, especially the networks, will subscribe to our vision in a wholesale way," admits Negroponte, revealing the realist in the futurist. "The networks, among others who participate, are in some ways simply hedging their bets."

Perhaps in part because of a hangover from pioneers' ill-fated interactive television experiments, there's little patience in the industry at large for the kind of 21st-century vision proposed by the Media Lab. The networks are in a period of retrenchment, shedding seemingly peripheral businesses, including the RCA and CBS research labs.

Outside the networks, there's not a lot of patience for long-term speculation either. A "show me" mentality dominates. "I operate in the real world," says Stanley Hubbard, president and CEO of Hubbard Broadcasting. The Japanese HDTV system is operating already in the real world, and he plans to use it in his direct-broadcast satellite operation. "A lot of the stuff those guys are talking about at the Media Lab is pure Buck Rogers," he adds with some exasperation. "It's not stuff we're going to see in my lifetime."



The Media Lab gives Mona Lisa a 21st century video make-over.

What will work in the real world today is not the core of the Media Lab's charter, and that makes it vulnerable to critics who call the place a technological playpen. Indeed, to a certain degree, those affiliated with the Lab don't deny the charge. "The Lab is driven by the process of technology," says Russell Neuman, an associate professor of political science at MIT. Neuman runs Audience Research, a testing facility associated with the Lab and located in a nearby shopping mall. "My colleagues invent these wonderful gizmos and use themselves as guinea pigs. In some ways it's a terrific toy house."

A senior product developer at Trintex, Robert Gehorsam, gives high marks to people who have come to work at his company from the Lab, though he still harbors doubts about the place. "They look at hardware—all that a system can do—but they still don't know what people want," says Gehorsam. "When I went up there, Negroponte discouraged me from talking to the Audience Research people. 'You don't want to talk to them,' he said. 'They're tainted by the marketplace.' "

Andy Lippman waves away criticism. A "face it Professor, television is for couch potatoes" argument doesn't wash with him. Like most of his Media Lab colleagues, he's a true child of McLuhan: he believes the medium is the message and that its future achievements will be too amazing for viewers to dismiss. "We want to bring TV to the point where you not only could decide who shot J.R., you could *be* J.R.," says Lippman. "Imagine shopping for a suit through your television. Pop in a videocassette of you walking down the street and then there you are, *wearing* the suit you're thinking of buying. Now *that* would be home shopping."

And when will all this happen?

"It's hard to say," admits Lippman. "If you just have your eyes on the immediate future, it all seems pie-in-the-sky. But before, it was never viable to have a television that knew what it was playing. With computers, that knowledge can take hold. That represents a radical and violent change from the way things are. To say that none of these things will happen—or that nobody wants them—is wrong." ●

Shandling's Foxy Deal

by J. Max Robins

Can Viacom, Showtime and Fox do a 'syndication' dance and not step on toes?

It's *Garry Shandling's Show* has a reputation for stretching the sitcom envelope, breaking through "the fourth wall." With its move from Showtime to the Fox network, the program crashes through another wall, creating an important door from pay cable on to broadcast TV. If Shandling works for Fox, cable demonstrates it can be a fertile New Haven for broadcast, where everybody in the equation wins.

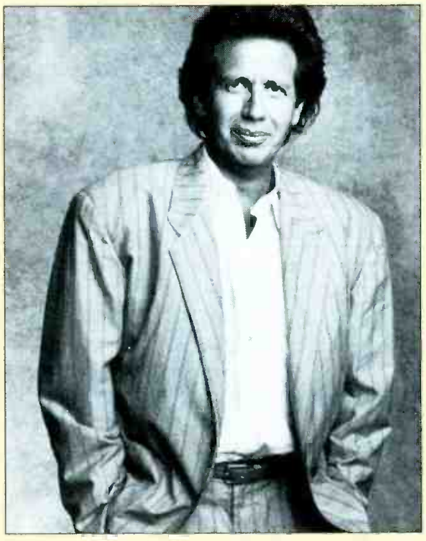
The deal was instigated from on high, but there is some vagueness as to who asked whom to dance first. "The genesis of the deal came from Bernie Brillstein [an executive producer of the program]. He came to us in September and suggested we talk to Barry Diller [Fox Inc. chairman and CEO]," says Henry Schleiff, chairman of Viacom's broadcast and entertainment group (Viacom is Showtime's parent company). "It was no secret Garry felt it was too bad he had a show with all this critical acclaim that couldn't be seen by more people." Indeed, in the program's "show within a show" format, a running gag has Shandling in a state of shock and disbelief whenever anyone says they've seen it. It was clear to the folks at Showtime that Shandling was getting restless and something had to be done to appease him.

Still, Brad Grey, an executive producer of the show, claims Shandling was more than happy on Showtime and it was Fox that put the moves on first. "Sumner Redstone [Viacom's chairman], Frank Biondi [Viacom's president] and Barry Diller were having drinks and Barry indicated he'd be interested in having the show on Fox," says Grey.

Interest in *Shandling* didn't stop with Fox. According to Schleiff, once word leaked out that Fox and Shandling were courting, two of the three networks—he's not saying which two—came calling. But Fox was the most ardent suitor, spurred on by the spotty performance of its weekend lineup.

Negotiations dragged on over several months. Shandling's staff was adamant about keeping the artistic control they enjoyed on cable. This made the folks at Fox nervous, but finally, with one eye on Sunday night ratings, they relented.

Money, big surprise, also slowed things down. The principals won't say how much Fox is paying for the show, but Viacom and Shandling are divvying up the proceeds. Grey does confirm that Showtime has been paying in the neighborhood of $350,000 an episode. A decent guesstimate, given that this is not a first-run show, is that Fox is paying somewhere in the neighborhood of $150,000 to $250,000 an episode. One source says the deal was cut so the ultimate dollar figure will be predicated on how well the program performs on Fox.


Garry Shandling: He has good reason to smile.

There's talk that this is part of a package deal between Viacom and Fox involving commitments for other programs down the road. When the deal for *Shandling* was announced, Diller said it was the first of many to come. "We'd love to do more in conjunction with pay cable," says Garth Ancier, programming president of Fox Broadcasting Co. "Not just series, but specials too." Fox TV Stations Inc. has already picked up *Double Dare*, from Viacom-owned Nickelodeon, although Schleiff claims the two deals were unrelated.

If there's anyone who feels burned, it's the cable operators who carry Showtime. The deal calls for 30 days between an episode's cable premiere and its broadcast on Fox. The MSOs are screaming that the window makes their claim of exclusive programming a joke.

But the folks at Showtime argue that it's a deal where everybody wins. "We concluded the deal with Fox for three reasons," explains Schleiff. "It puts Shandling in a bigger universe and works as a bit of a tease or calling card for Showtime. The second reason is to take the dollars out and invest it in more breakthrough programming. Finally it will help us attract more innovative talent like Shandling who will see we can do the same for them."

Still, one of the few selling points pay cable has is exclusive programming, and Showtime can no longer claim that about *Shandling*, reportedly the second-most-popular series on the service.

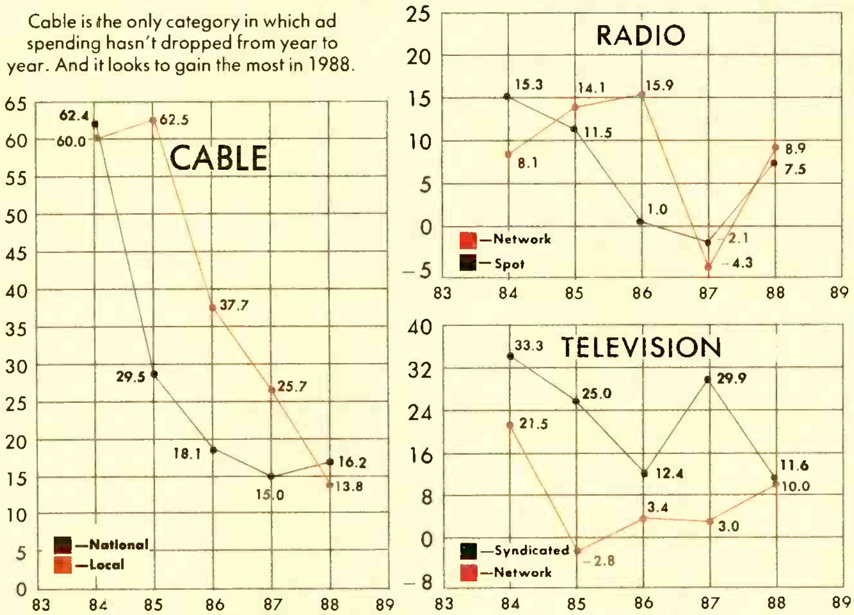
So far there's only one clear winner in the deal. It's Shandling and company, who take home extra revenue from Fox. Wider exposure now for the program means a more lucrative syndication deal for Shandling when the time comes, than if it went directly from Showtime into strip. The bottom line on this deal in the short term? It's Garry Shandling's show. ●

A powerful for mergers &

ADVERTISING

Percent Change in Ad Spending

Cable is the only category in which ad spending hasn't dropped from year to year. And it looks to gain the most in 1988.



Sources: Robert J. Coen and McCann-Erickson; PaineWebber.

CABLE

Pay-Per-View Networks

In the highly competitive world of pay-per-view, accurate sub counts are hard to find. Yet counts seem to be on the rise. The current difficulty is getting the studios to provide programming.

Network/ Launch Date	Subscribers (in thousands) 12/85	12/86	12/87	Present
Request Television Nov. 27, 1985	110	1,700	2,600	2,600
Home Premiere Network Dec. 4, 1987	N/A	N/A	240	1,000
Zap! Movies June 1, 1986	N/A	14	47	64
Playboy "On Demand" Sept. 1, 1987	N/A*	N/A*	1,000	1,000
Viewer's Choice I Nov. 27, 1985	530	1,600	2,500	2,500
Viewer's Choice II June 25, 1986	N/A	538	900	900
Jerrold's Cable Video Store/ April 1, 1986	N/A	2.5	60	100

*Since July '85, Playboy has also operated its "Private Ticket" PPV service, which is now being fazed out. Sub figures were not available.
Source: Subscriber numbers provided by services, compiled by *Channels*.

★ RATINGS ★

TOP NETWORK SERIES

First 20 weeks of season, Sept. 20, 1987, through Feb. 7, 1988

SERIES/NETWORK	RATING/SHARE
1 **The Cosby Show**/NBC	**28.5**/45
2 **A Different World**/NBC	**25.5**/41
3 **Cheers**/NBC	**24.1**/38
4 **Night Court**/NBC	**23.0**/36
5 **Growing Pains**/ABC	**22.7**/34
6 **Golden Girls**/NBC	**22.5**/39
7 **Who's The Boss?**/ABC	**21.6**/33
8 **60 Minutes**/CBS	**21.1**/34
9 **Murder, She Wrote**/CBS	**20.5**/30
10 **Moonlighting**/ABC	**19.3**/30

TOP BARTER SERIES

First 21 weeks of season, Sept. 6, 1987, through Jan. 31, 1988

SERIES/SYNDICATOR	RATING
1 **Wheel of Fortune**/ King World	**17.5**
2 **Jeopardy!**/King World	**13.9**
3 **National Baseball Network**/ Stuart Broadcasting	**10.7#**
3 **Universal Pictures Debut Network** (movies)/MCA-TV	**10.7#**
5 **World Wrestling Federation**/ Titan Sports/WWF	**10.3#**
6 **Star Trek: The Next Generation**/Paramount	**10.0#**
7 **The Oprah Winfrey Show**/ King World	**9.3**
8 **Columbia Night at the Movies**/Columbia	**9.0#**
9 **TV Net III** (movie package)/ Viacom	**8.1#**
9 **People's Court**/ Lorimar Telepictures	**8.1#**

TOP CABLE NETWORKS

Average ratings/projected households, January 1988

NETWORK	7 A.M. TO 1 A.M.	PRIME TIME
1 **WTBS**	2.4/1,050,000	3.2/1,400,000
2 **USA**	1.3/ 546,000	1.9/ 798,000
3 **ESPN**	0.9/ 409,000	1.9/ 864,000
4 **CNN**	.8/ 353,000	1.2/ 529,000
5 **Nashville Network**	.6/ 245,000*	1.3/ 513,000
6 **MTV**	.6/ 238,000	.7/ 278,000
7 **CBN**	.6/ 234,000	.5/ 195,000
8 **Lifetime**	.5/ 181,000	.8/ 290,000
9 **Headline News**	.5/ 149,000	.4/ 119,000
10 **Discovery**	.5/ 141,000*	1.0/ 283,000

#Includes multiple exposures. *9 A.M. to 3 A.M.
Note: cable ratings are percentages within the varying populations that can receive each network. Networks are ranked by projected number of households rather than ratings.
Source: Nielsen Media Research data

HOME VIDEO

Top Videocassettes/Rentals
January 1988

TITLE/PUBLISHER	% TOP 50*
1 **Dirty Dancing**/Vestron	6.6
2 **Secret of My Success**/MCA	5.8
3 **Roxanne**/RCA/Columbia	5.3
4 **Lethal Weapon**/Warner	4.8
5 **Outrageous Fortune**/Touchstone	4.4
6 **Summer School**/Paramount	3.6
7 **Dragnet**/MCA	3.6
8 **Predator**/CBS/Fox	3.2
9 **Believers**/HBO	3.1
10 **Tin Men**/Touchstone	3.1
11 **Harry and the Hendersons**/MCA	2.7
12 **Fourth Protocol**/Lorimar	2.7
13 **Platoon**/HBO	2.6
14 **Crocodile Dundee**/Paramount	2.5
15 **Raising Arizona**/CBS/Fox	2.4
16 **La Bamba**/RCA/Columbia	2.3
17 **Extreme Prejudice**/IVE	2.0
18 **Blind Date**/RCA/Columbia	1.9
19 **Angel Heart**/IVE	1.9
20 **Hoosiers**/HBO	1.9

Top Videocassettes/Sales
January 1988

TITLE/PUBLISHER	% TOP 50*
1 **Lady and the Tramp**/Disney	9.2
2 **Star Trek IV**/Paramount	5.4
3 **Callanetics**/MCA	4.6
4 **Jane Fonda's Low-Impact Aerobics**/Lorimar	4.4
5 **Jane Fonda's New Workout**/Lorimar	3.6
6 **An American Tail**/MCA	3.4
7 **Crocodile Dundee**/Paramount	2.6
8 **Wizard of Oz**/MGM/UA	2.6
9 **Top Gun**/Paramount	2.4
10 **Raiders of the Lost Ark**/Paramount	2.3
11 **Beverly Hills Cop**/Paramount	2.3
12 **Ghostbusters**/RCA/Columbia	2.1
13 **Automatic Golf**/Video Reel	2.1
14 **Pink Floyd: The Wall**/MGM/UA	2.1
15 **Godfather**/Paramount	2.1
16 **Sleeping Beauty**/Disney	2.0
17 **Dirty Dancing**/Vestron	2.0
18 **Sound of Music**/CBS/Fox	2.0
19 **Mary Poppins**/Disney	1.7
20 **Sing Along Songs: Bare Necessities**/Disney	1.7

Source: Videodome Enterprises, Dallas. Charts appear weekly in *TWICE* magazine. *Title as percentage of top-50 tapes total volume.

THE MAGID NUGGET

TV and Viewer Participation

Has the quality of television programming improved, and are viewers being more selective toward the programs they watch? A recent Frank N. Magid Associates Inc. national survey of 1,000 households found out the answers to these and other questions. The results:

- Forty percent of people surveyed agree or strongly agree that over the last few years, TV programs have improved. Twenty-eight percent have no opinion or are neutral, and 32 percent disagree or strongly disagree.
- Close to half (44 percent) find themselves becoming bored with TV, while 32 percent say the opposite. Twenty-four percent have no opinion either way.
- Twenty-eight percent agree that TV is a form of escapism. But over half the sample (52 percent) disagree or strongly disagree, leaving about 20 percent with no opinion.
- A hefty 84 percent maintain that instead of just watching whatever is on TV (passively viewing), they make a point to select the programs they watch. Nine percent are neutral, and 7 percent say they *do* engage in passive viewing.

DEALS

The Deals of GE Capital

Before January, GE Capital was known as GE Credit Corp. The chart below reflects the scope of recent deals by the media and communications section of the Corporate Finance Group.

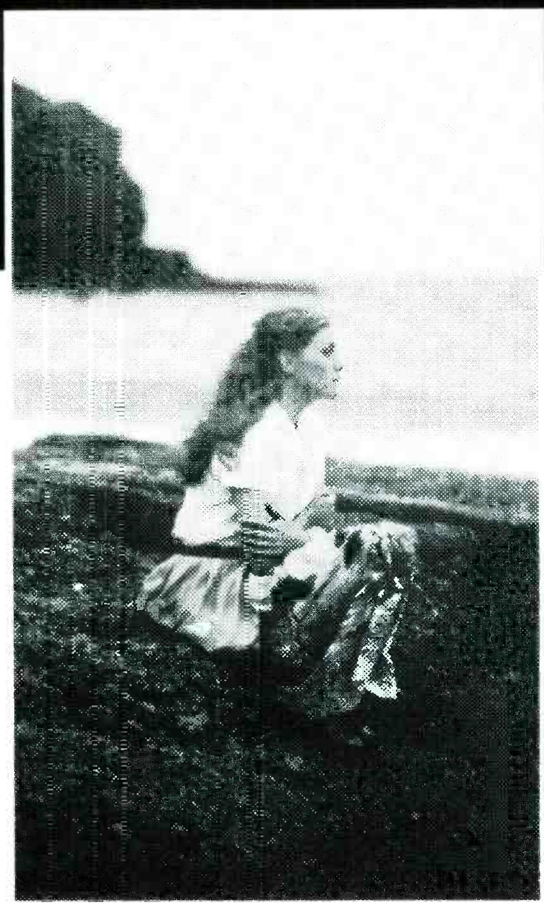
DATE	COMPANY FINANCED	REASON FOR FINANCING	AMOUNT (MILLIONS)
11/86	Adams Communications	Purchase of KOOL AM/FM, Phoenix, Ariz.	$15
12/86	BT Acquisition Corp.*	Acquisition of Wometco Cable TV	375
4/87	Anchor Media Ltd.	Purchase of WLOS-TV, Asheville, N.C.	57
6/87	MC Cable	Acquisition of cable assets in Columbia, S.C.	35
7/87	National Amusements Int'l	Acquisition of Viacom Int'l	200
10/87	Crump Communications	Purchase of WCSC-TV, Charleston, S.C.	71
11/87	CEA Acquisition Corp.	Acquisition of Consolidated Theatres	19.8
12/87	Northeastern Cable Limited Partnership (affiliate of Bass Group)	Acquisition of 50% interest in Taft Cable Partners	87
1/88	Cablevision Systems Corp.	Acquisition of Adams-Russell Co.	330
2/88	Georgia Cable Holdings**	Acquisition of cable assets from Prime Cable	255
2/88	U.S. Cable Television Group Inc.	Acquisition of cable assets from C4 Media	125

*Consists of the Robert M. Bass Group and Taft Broadcasting Co. Source: GE Capital
**Consists of a partnership between Prime Cable and the Robert M. Bass Group.

CHANNEL 4 INTERNATIONAL

At MIP TV Stand 03.34/05.33 Contact: Jane Small

Echoes

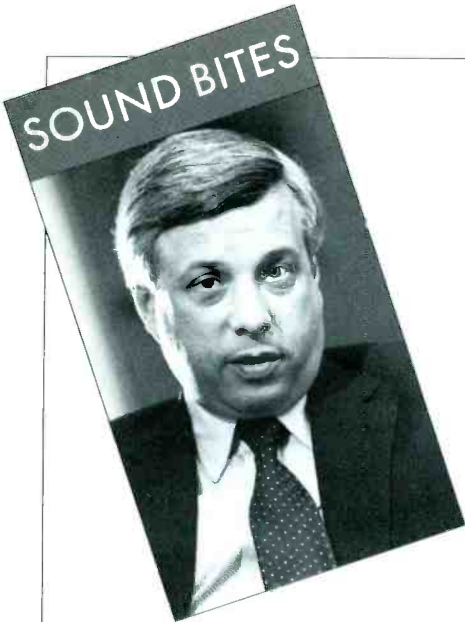


Echoes (4x52') Drama

A VERY BRITISH COUP

A Very British Coup (3x52') Drama

Channel 4 International · 60 Charlotte Street · London WIP 2AX, UK · Tel: 01-631 4444 · Telex: 892355



Jim Mooney: Reaching Out To Cable's Foes

The cable industry, though growing rapidly, is under mounting attack. And the spotlight is on the NCTA.

At a time of dramatic growth for cable and a time of increasing flak about the industry's power, James P. Mooney, president of the National Cable Television Association, has a full agenda. But as broadcasters and producers have stepped up attacks on cable, Mooney has adopted a peacemaker role and is trying to build bridges to cable's foes. Mooney spent 12 years in government, serving as chief of staff to the majority whip of the House before joining NCTA in 1981. He became president four years ago this month. With Mooney's bridge-building underway and with April designated National Cable Month, a major industry campaign, Mooney recently assessed cable's prospects with Channels *editor Merrill Brown.*

The NCTA Political Agenda

In the short term, our top priority is to resist the efforts of people who, for competitive reasons, would like to throw a regulatory wrench into our machinery. I think there is some feeling in Hollywood that they'd like to apply to us the same kind of restraints that they have succeeded in applying to the broadcast networks. And there are parts of broadcasting that resent the fact that we exist, and those people see cable as threatening their ways of doing business and would like to see us slowed down, so we'd have to go around filling out a lot of little cards all the time. The question ought to be: What is cable bringing to the table that is socially beneficial? To what degree has cable's growth broadened the way this society uses the medium? Those are questions around which inquiries should start. The complaints aren't surprising since nobody ever likes new competition. It's politics' background noise.

NCTA's 'Olive Branch' to Hollywood

Industries as highly visible and politically sensitive as these two are ill-advised to be fighting in such a public way, if they can resolve their differences peaceably. I do not know whether they can, but you never find out until you go through that process of figuring out what the interests are.

Programming for Cable

We have shown that television doesn't have to be broken up into neat one-hour or half-hour pieces, but that you can use the medium in other ways. A lot of the traditional production community isn't comfortable with that and finds it puzzling. They're going to get used to making programs for cable and get that established as a revenue stream. They'll become, by and large, fond of cable. Then, to the degree that there are public-policy issues that divide the two industries, they'll mainly be about money, which in the end is all that any of this stuff is about anyway.

Issues on the Table

There needs to be resolution of the distant-signal controversy. It is the source of a great deal of continuing irritation, not only between these two industries, but to some degree between cable and broadcasting as well. Some of that irritation is systemic. The system we have in place now for calculating royalties proportionally leads to endless copyright controversies.

Syndicated Exclusivity

The FCC is offended by the entire compulsory-license system and is searching around for ways to assert jurisdiction—the syndex proceeding. We obviously disagree with many views the chairman has expressed on the subject. I would feel much better about the intellectual integrity of the proceeding if it were a broad inquiry into the legitimacy of exclusivity as a strategy for all these industries. But to pick out only exclusivity vis-à-vis cable's importation of distant signals seems to me to be a little shy of the mark.

Cable Concentration

I hear lots of talk about concentration, but nobody has said how concentration manifests itself in ways that are injurious to the public. By every conventional measurement standard, the cable industry is not that highly concentrated. In the end, this isn't necessarily an industry issue, but may be a company issue. People want to hold up the bare fact that TCI has X percent of subscribers and ATC has Y percent and then invite a reaction of horror.

Must-Carry Compromise Prospects

Each time the court throws out the must-carry rules, it is careful to say that it does not intend to rule that no must-carry rule could be constitutional. What the broadcasters are going to have to decide is what kind of price they are willing to pay, probably not to us but to Congress in return for Congress making the rule stick. We have sent a signal to broadcasters that we would like not to have a war about this.

National Cable Month

In my eyes, the main thrust of Cable Month is to add more impetus to the burgeoning public consciousness of cable as a medium. More and more people are aware, either through their own experience as subscribers or because they heard about it, of what is on cable and that cable has a lot of attractive programming. The function of Cable Month is to spur that consciousness. It's done in a cross-promotional way that is cooperative among programmers and operators. Last year's exceeded expectations, measured by newspaper inches and by awareness on the part of the public at large and cable subscribers.

The Future of the ACE Awards

I think the ACE program is gaining importance, and will gain importance no matter what other people decide to do. I keep hearing that the Emmy people are going to let cable programming compete for Emmys. But I don't see that they can develop a procedure in which we're going to be able to compete fairly and effectively. Cable programming in terms of quality is easily in the same ballpark as broadcast programming, but we are only in 50 percent of American households. Because of the delays in building the Los Angeles area, we're probably in an even smaller proportion of households there. So how can we win if they're not able to see the programs?

Telephone Competition

The social contract says that phone companies have statutory, legally enforceable monopolies for the provision of a necessity service. And the quid pro quo for that is that they are subject to rate-of-return regulation and line-of-business restrictions. Phone companies are trying to hold those monopolies, but get rid of regulation. This is enormously threatening not only to cable but to broadcasting as well, and to other industries. It isn't as if the phone companies have singled out cable as something they want to take over. If the phone companies lay video equipment in everybody's house, you may not need broadcasters either. We have to urge Congress, the FCC and the public-policy community not to abandon a social contract which has long been in place and which is premised not only on concepts of fair competition but also on concepts of diversity in the nation and in a democratic society.

Re-regulation

I've heard about it more in terms of broadcasting than in terms of cable, and we have not yet reached the end of the backlash against telephone deregulation. Cable is not altogether deregulated. We continue, under the Cable Act, to be subject to substantial local regulation of our physical plant, with respect to access channels and access studios—a form of regulation that is nowhere applied to any other video industry that I'm aware of. And we are not proposing that these things be repealed.

> *'Parts of the broadcasting industry resent the fact that we exist. They'd like to see us slowed down, so we'd have to fill out little cards all the time.'*

STANLEY TRETICK

MSO Investments in Program Services

It will continue and it is a good thing. We have to come up with better programming to attract households that have chosen not to hook up. At bottom, one of the reasons for MSO investments in programming is the belief that if we don't make the investment, nobody else will. The creative community is not beating down our door to make equity investments. A lot of the investments have been made to shore up programmers. If the four MSOs that put $40 million into The Discovery Channel hadn't done so, Discovery could have gone under. There was also some concern as to the economic health of CNN, which, in part, led to that investment. And there is the most obvious, long-standing example of vertical integration—the creation by operators of C-SPAN. When we talk about vertical integration it helps to go to specifics. C-SPAN, Discovery and CNN are bringing something new and valuable to television.

System Service Problems

There has been some improvement, but I don't think it would do any good to deny that the cable industry has a customer-service problem and that there are problems answering the phones quickly. Part of those problems arise from the difficulties that service industries have. But it is essential to our penetration goals that we do something in a more effective way than we have. The only way we'll get service problems fixed is as a consequence of market pressure—operators seeing that their penetration goals are being frustrated by persistent customer-service problems.

Cable's Lagging Penetration

We may be seeing that flat number move. According to early indications, in 1987 internal penetration, growth not the result of either new builds or acquisitions, was pretty strong. You may be starting to see penetration levels move up somewhat. As the consciousness of what is on cable rises within the population, you gain a momentum that is a force itself. Marketing is important. But there is something else, composed of everything from chatting across backyard fences to casual conversations people have with each other at work. ●

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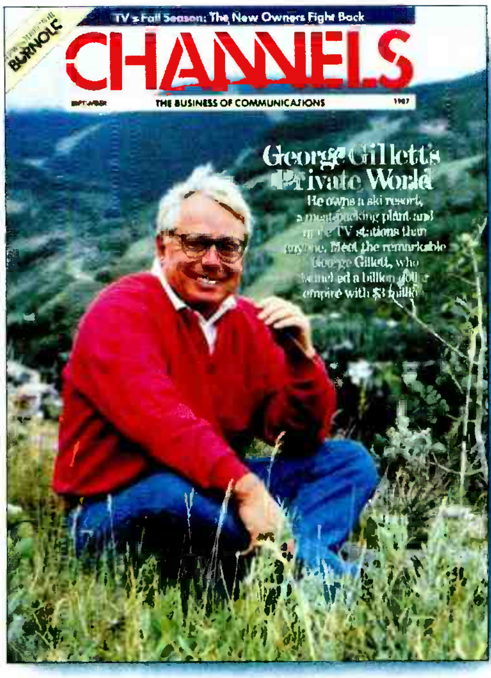

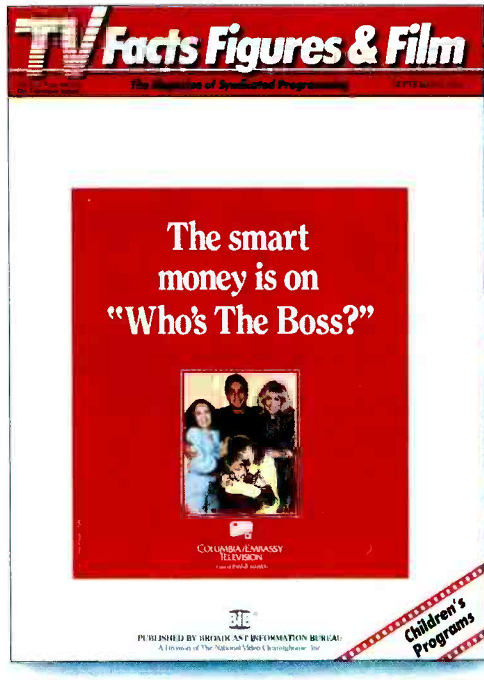

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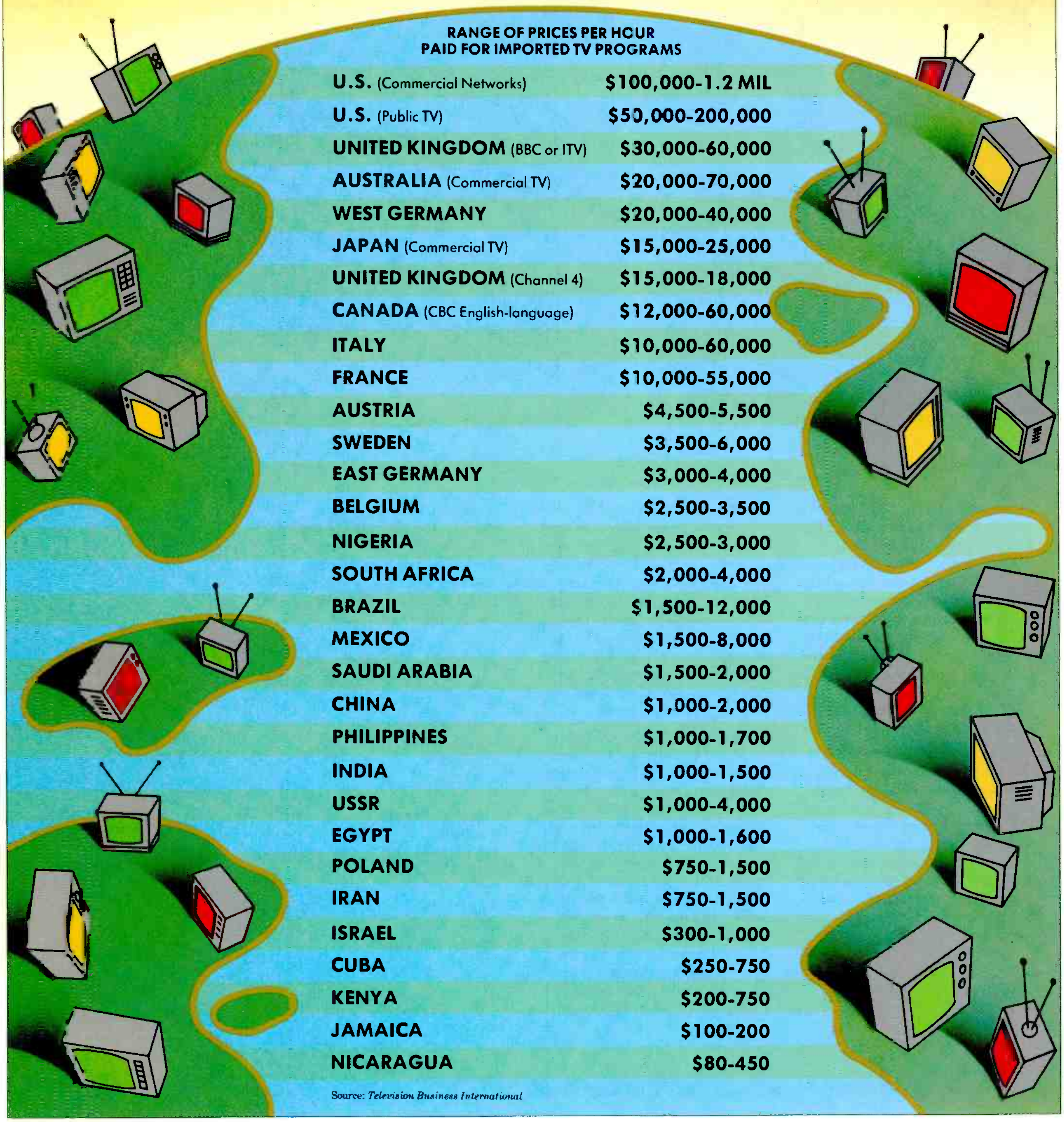
RUNNING THE NUMBERS

Foreign Exchange

Frequent sales trips to the Caribbean may appeal to syndicators, but not for the revenue they generate. The island countries pay mere hundreds of dollars per hour of imported TV programming, compared with thousands per hour that broadcasters pay in Western Europe, Canada, Japan and Australia. These price estimates were compiled by *Television Business International*, a new industry magazine affiliated with *Channels*. The range of prices paid by broadcasters in a single country is also quite broad. At the top end are the higher-quality shows and the co-productions in which the buyers influence production decisions. Nonfiction programs tend to rank toward the bottom. The table doesn't take into account movie prices; for the biggest imported hit movies, foreign broadcasters often pay much more than for other programs.



RANGE OF PRICES PER HOUR PAID FOR IMPORTED TV PROGRAMS

U.S. (Commercial Networks)	$100,000-1.2 MIL
U.S. (Public TV)	$50,000-200,000
UNITED KINGDOM (BBC or ITV)	$30,000-60,000
AUSTRALIA (Commercial TV)	$20,000-70,000
WEST GERMANY	$20,000-40,000
JAPAN (Commercial TV)	$15,000-25,000
UNITED KINGDOM (Channel 4)	$15,000-18,000
CANADA (CBC English-language)	$12,000-60,000
ITALY	$10,000-60,000
FRANCE	$10,000-55,000
AUSTRIA	$4,500-5,500
SWEDEN	$3,500-6,000
EAST GERMANY	$3,000-4,000
BELGIUM	$2,500-3,500
NIGERIA	$2,500-3,000
SOUTH AFRICA	$2,000-4,000
BRAZIL	$1,500-12,000
MEXICO	$1,500-8,000
SAUDI ARABIA	$1,500-2,000
CHINA	$1,000-2,000
PHILIPPINES	$1,000-1,700
INDIA	$1,000-1,500
USSR	$1,000-4,000
EGYPT	$1,000-1,600
POLAND	$750-1,500
IRAN	$750-1,500
ISRAEL	$300-1,000
CUBA	$250-750
KENYA	$200-750
JAMAICA	$100-200
NICARAGUA	$80-450

Source: *Television Business International*

DAVID HERBICK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