but we still don’t have the green light on it.”


Turner was buoyed by the news that Tele-

Communications Inc. President John Ma-

lone, the most powerful cable operator on

the TBS board, had told securities analysts

in New York a day earlier that TCI would

give TNT its “total support” (see below).

And Turner agreed with Malone that July 1

would be a good date to launch the service.

Cable systems could substitute TNT for a

distant broadcast signal (other than Turner’s

WRTS, of course) on that date and not incur

any copyright liabilities for the distant signal

for the second half of the year.

Despite the news, Turner was not ready to

give odds on TNT’s making its debut this

year since he has yet to hear from American

Television & Communications or other ca-

ble operators represented on the TBS board.

“TUI could very soon be a ‘go,’” he said. “But

it could be delayed again. In selling board

members on the project, 

Continues on page 96

Top cable operators go before analysts

Goldman Sachs seminar draws top

names; Viacom announces

financial results

Tele-Communications Inc. President John

Malone held court with nearly 300 securities

analysts in New York last Wednesday at the

cable MSO’s annual briefing of the group,

and fielded queries ranging from company

views on the cable acquisition market to the

industry’s programming potential. TCI’s

meeting preceded a two-day conference by

Goldman Sachs on cable television (see below).

Also during the three-hour meeting, fi-

cance vice president, Bernard Schotters, re-

ported on the company’s fiscal state (TCI

released preliminary 1987 results last week,

see below).

Of the merger talks between United Cable

and United Artists (TCI owns 65% of UA

and 23.4% of UC), Malone said, “I would

like to see them reach some resolution for

the destiny of their company they are happy

with.” But he added that TCI was only

interested in a tax-free transaction. Last

month, as part of an agreement with United

Cable for future stock purchases, TCI filed

for regulatory clearance to buy up to 49% of

United Cable. United Cable cancelled its

Thursday session with analysts, and United

Artists Chief Executive Officer Stewart

Blair, who was scheduled to appear, was not

at his company’s Friday presentation indi-

cating further activity on that front.

Regarding Turner Broadcasting System’s

handling of its $1.4-billion debt, Malone,

who sits on the TBS board as the leading

equity holder in a cable consortium which

has 10% of the programming company, said

corporation members will likely take com-

mon equity in the company in lieu of $38

million in cash dividends due before Oct.

30.

Malone, who said the company’s “move

into programming is a critical part of its long-

term” progress, said TCI is “strongly sup-

portive of [Ted Turner’s proposed Turner

Network Television] concept and we’re en-

couraging Ted to come forward. But it’s his

decision. I don’t know if he’s made the
decision to come forward or not…. We will

give it total support” (see story, page 40).

Trygve Myhren, chairman of American

Television & Communications, said the idea

of a broad-based, basic channel “is very

appealing to us” and indicated that other

operators were responding positively to

Turner’s plan.

Malone said the potential general enter-

tainment channel’s advantages would

include its cable exclusivity, its substantial

advertising availabilities and the potential

for its high-appeal programming to compete

with the big three broadcast networks.

He added that if TNT is launched, it

would be as an exclusive cable service in

each market in return for MSOs’ long-term

financial commitment.

Of other exclusive program deals be-

tween the MSO and cable programmers, Ma-

lone said such exclusivity is “protected by

present law and in the public interest.” He

added, however, that the company will limit

exclusive agreements so as not to foreclose

the possibility of competition.

Malone also said there were “no con-

crete” discussions between TCI and Viacom

regarding the latter’s effort to sell an equity

share of the pay movie channel. Although

he did not dismiss the possibility of a future

agreement, Malone said discussions had

never passed the “philosophical” stage be-

cause of disagreement over pricing. (Via-

com Chief Executive Officer Frank Biondi,

at his company’s presentation [see below],

said “there are some legitimate conversa-

tions” taking place, both with domestic and

foreign companies. In apparent response to

Malone’s comment, Biondi said he “had

never seen so many reluctant brides in

public.”

In response to a question on his view of

broadcasters owning cable systems, Malone

said: “I think it’s great. They ought to own,

understand our business. They should be

allowed and encouraged to come into mar-

kets outside their O&O markets.”

On hold? SCI Holdings said last Friday

that it had terminated a letter of intent

signed by Taft Cable Partners (Tele-

Communications Inc. and the Bass

Group), American Television & Commu-

nunications and Comcast to purchase

Storer Cable in a deal with a total con-

sideration of $2.8 billion. The agree-

ment carried with it complex tax and

structural problems: negotiations since

the signing of the letter of intent, on

Dec. 24, 1987, seemed to have pro-

gressed slowly.

The deal would have been the largest

cable transaction in history (Broadcas-

ting, Jan. 4), with the partners putting up

roughly $1.7 billion for the stock and

another $1.1 billion in assets in ex-

change for the company’s so-called “re-

stricted cash.” Due to tax consider-

ations, it was expected that Storer would

have continued operating as a separate

cable company under the ownership of Taft,

ATC and Comcast. Storer has 1.45 mil-

lion subscribers in 12 states.

TCI, the industry’s largest cable system

operator, last week released preliminary re-

sults from its 1987 fiscal year. The company

reported total cash flow of $650 million

on revenue of $1.709 billion, with $354 million

in operating income for the year. Revenue

from cable operations alone (not count-

ing the United Artists Communications movie

theater operation) showed revenue doubled

over 1986 to $1.232 billion for the year,

while cable cash flow was up 46% to $572

million. TCI cash flow before UACI was

$471 million, while revenue was $1.032 bil-

lion.

On a pro forma basis for systems held in

both 1986 and 1987 by TCI, revenue rose

from $645 million to $943 million while pro

forma cash flow grew from $270 million to

$430 million.

Among other companies that made pre-

sentations at the Goldman Sachs seminar

last week were:

Viacom International—Viacom Chair-

man Sumner Redstone said that “accelerated

intensive discussions” with several com-

panies are taking place about acquiring an

ownership interest in Showtime/The Movie

Channel (valued by the company at $700

million to $800 million), but that a deal was

not a fait accompli. Given the company’s

escalating internal growth, falling interest

rates and a reevaluation of the company’s

assets, he said “maybe weren’t going to sell

anything.” Redstone said the company was

also exploring opportunities that involve

recapitalizing its debt with longer maturities

and better interest rates. Biondi, in discus-

sing the possibilities of an outside deal, said

that if a transaction were made, it would

probably be done in the next 90 to 120 days.

Viacom’s first debt payments are due Dec.

31 ($200 million) and June 1989 ($250

million).

The company announced its fourth-quar-

ter and full-year financial results last week,

with expenses relating to the leveraged

buyout pushing both numbers into the red.

The company reported net losses in the

fourth quarter of $48.9 million on revenue

of $265.8 million, compared with year earli-

er earnings of $695,000 on revenue of

$246.3 million. Operating income (earnings

plus depreciation and amortization) for the

quarter was $67.7 million, up from the year

earlier’s $44.5 million.

For the full year, the company reported a

net loss of $154.4 million on revenue of

$1.01 billion. In 1986 Viacom lost $9.8

million on revenue of $919 million. The

company said operating cash flow increased

from $199 million in 1986 to $263 million

last year. When merger related amortization

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