profit that ABC would get from buying shares below the $118 price would be added to the kitty to be distributed to shareholders, as would extra warrants the company would pick up.

Despite these extra possibilities, there were clearly many people who decided to cash in last week. After closing at 74½ on Friday, March 15, trading in ABC shares was delayed Monday pending the midday announcement (as was trading in Capcities). When trading began in the afternoon, ABC rose to 115, and finished the day at 105⅞, where it remained, give or take a point, for the rest of the week. The trading was up to 10 times higher than usual and the impression seemed to be that the professional investors were buying to wait out the deal, a $15 spread (the minimum $121 offer minus the current trading price of $106) over nine months works out to 19% on an annualized basis—not bad for those who were willing to take the chance that the deal might run into trouble. On the other hand, they would be the ones who would benefit if a counteroffer is made. No signs of such a possibility had surfaced by the end of last week. □

FCC approval of Capcities/ABC deal likely

But companies would have to sell a number of media properties, totaling upwards of $1 billion, to comply with various FCC duopoly and crossownership rules

If Capital Cities Communications Inc. and ABC get stockholder approval to realize their planned merger into Capital Cities/ABC Inc., they will face regulatory obstacles at the FCC.

In fact, they may have to divest themselves of more than a billion dollars worth of communications properties to bring themselves into compliance with a variety of FCC ownership rules.

But, judging from interviews with commissioners and key staffers, no unnecessary roadblocks will be erected in their way.

Chairman Mark Fowler said he didn't think it would be "appropriate" to comment on specifics. But he made his general stance clear. "There is no need to erect artificial regulatory hoops when parties get together and decide they want to negotiate and consummate a business transaction," Fowler said. "My view is that we should be, as always, the neutral umpire applying our rules and processes without fear or favor. This means, too, that we will neither be encouraging nor discouraging any party in the proceeding, neither artificially delaying nor expediting our processes."

Commissioner James Quello added that he didn't see anything that would stand in the way of the merger. "These are both very reputable companies," Quello said. Quello can speak with some authority, having managed Capcities' WJR(AM) Detroit.

To realize their ambitions, however, Capcities and ABC will have to divest a substantial amount of property.

Under the proposed merger, the companies would run afoul of the FCC's 12-12-12 multiple ownership rule, which restricts ownership to a maximum of 12 AM's, 12 FM's and 12 TV's. Under that rule, broadcasters also are limited to reaching 25% of the nation's television households with their TV's, with UHF's counting for only half of the households in a market. As it stands, Capcities has six AM's and six FM's. Together with ABC's five AM's and seven FM's, Capcities/ABC would still only have have 11 AM's and 12 FM's. Capcities/ABC's 12 TV's would meet the FCC's numerical limits but not the reach requirements. ABC's five VHF TV's have a total reach of 20.76%, while Capcities' TV's, including UHF discounts, have a total reach of 7.83%. Under the proposed merger, Capcities/ABC would have a total television reach of 28.59%, which is 3.59% more than permissible under the 25% cap.

On another FCC front, all ABC's TV stations are parts of combinations with radio stations and are grandfathered under the commission's one-to-a-market rule that essentially says the same entity can't own a TV and a radio station in the same market. (AM-FM combinations are permitted.) TV-radio combinations lose their grandfathered protection when their ownership changes. So unless Capcities/ABC can get a waiver from the commission, all the ABC radio stations co-located with the network's TV stations—WABC(AM)-WPLJ(FM) New York, WLS-AM-FM Chicago, WRIF-FM Detroit, KABC(AM)-KLOS(FM) Los Angeles and KGO-AM San Francisco—would have to be sold if the television stations were retained.

The merger would lead to conflicts under the same rule unless Capcities divests itself of KLAC(AM)-KZLA(FM) Los Angeles, WPAT-AM-FM Paterson, N.J. (New York), and WJR(AM)-WHYT(FM) Detroit. The same would arise unless ABC divests itself of KSRR-FM Houston, where Capcities owns KTRK-TV.

Touching base. Goldenson and Murphy with FCC Commissioners Mimi Dawson and James Quello during a courtesy call last week. The aspirant partners met with all five FCC members.

Under the commission's duopoly rule, a broadcaster is limited to owning one station in the same service in the same area (the signals of two commonly owned stations aren't supposed to overlap). Under that rule, Capcities' WPVI-TV Philadelphia and WTNH-TV New Haven-Hartford, Conn., may be considered to be in the same area as ABC's WABC-TV New York. It remains to be seen whether the FCC will find the overlap significant enough to require divestiture of any of the three properties. Commissioner Quello told BROADCASTING he thought the commission should require divestiture only where there is "very serious overlap."

FCC rules also prohibit the crossownerships of daily newspapers and broadcast stations in the same market. Assuming no waivers, Capcities would appear to have to divest itself of *The Oakland Press*, which is in Pontiac, Mich., a suburb of Detroit, and *The Daily Register*, which is published in Red Bank, N.J., a suburb of New York, if broadcast properties are retained in those markets.

Assuming that the FCC will read the proposed transfer as Capcities buying ABC, Capcities' own grandfathered combination of the *Fort Worth (Tex.) Star-Telegram* and WBAP(AM)-KSCS(FM) Dallas-Fort Worth apparently would be permitted to survive. ABC's KTKS-FM Dallas-Fort Worth, however, would have to go.

Capcities/ABC may also have to divest itself of the cable systems it owns in 55 communities, since FCC rules prohibit companies that own television networks from owning cable systems, although CBS several years ago obtained a waiver permitting it to acquire cable systems with subscribers totaling 90,000 or one-half of one percent of total U.S. cable subscribers, whichever is lower.

A long-pending rulemaking at the FCC would eliminate the network-cable crossownership prohibition. But the commission, reluctant to take on another issue that might generate congressional opposition, is said to be unlikely to move on that proposal in the foreseeable future.

Chairman Fowler told BROADCASTING last week that he had no plans to bring up the network-cable proceeding any time soon. "There are so many other issues I have to prioritize, and that [the network-cable rulemaking] is not a priority," Fowler said.

Commissioner Quello added that even if the FCC were to address the network-cable proceeding, there was a "question" whether the proposal would be approved. Quello said he had heard that Hollywood interests, the networks' nemesis on Capitol Hill, might oppose the FCC's elimination of the crossownership bar in Congress. "It makes it tougher, considering the networks' lack of success on the Hill, if it gets to be a Hill issue," Quello said.

The rulemaking already appeared to have become an issue for some in Congress—even before the proposed Capcities/ABC merger was announced. Ira Goldman, a spokesman for Senator Pete Wilson (R-Calif.), a leader of congressional opposition to the FCC's proposed liberalization of its anti-network financial interest and multiple ownership rules, told BROADCASTING last week