

more than 15% of which are held by company officers and directors. The company also has some \$600 million in debt that a buyer would likely assume.

According to analyst Harold Vogel of Merrill Lynch, Warner is "just looking," and no deal with Lorimar is "imminent." But a joining of the two companies might make sense, he added, because it would allow Warner, which already has a substantial business in producing network TV shows and syndicating off-network fare, to estab-

lish a presence in the first-run TV syndication market, where Lorimar has extensive offerings.

Lorimar could expect to gain the expertise of the Warner movie distribution arm for its films and the strengths of its home video operation, as well as cash for future investments, another source said.

Analyst Richard Simon of Goldman, Sachs said that although the deal "is not written in stone," if Warner did make the move, the company would cut costs sub-

stantially at Lorimar, particularly in the theatrical and home video divisions. Losses in those operations have grown substantially, obscuring the stronger performance of the company's TV syndication business.

Lorimar's stock has risen on heavy trading in the last two weeks. After climbing more than \$1.50 on heavy trading the first week of March to close at \$12.50, the issue shot up to \$15 Monday, then was up another \$0.88 through last Friday, closing at \$15.88. □

Turner hoping to jolt cable world with TNT

TBS board gives nod to proposed basic cable service that would draw on company's sports and film libraries, including newly colorized titles; first-year budget set at \$30 million

The fuse has been lit on TNT.

Last Monday (March 7) the board of Turner Broadcasting System unanimously approved Ted Turner's plan for Turner Network Television—a new basic cable network featuring big-time sports, expensive original programming and a steady stream of motion pictures from TBS's extensive film libraries. The launch date: Monday, Oct. 3.

The following day, Turner was on the stump at a Southern California Cable Association luncheon in Los Angeles to begin the tasks of explaining what TNT is and selling it to the cable industry. And by week's end, TBS's affiliate marketing staffers were making the rounds of cable operators, and its programming executives were exploring programming possibilities.

Although the goal of Turner's network—250 nights a year of original programming/live sports in five years—is revolutionary for the cable industry, its growth will be evolutionary. "It's going to be a tremendous, tremendous challenge," Turner told the California cable operators. "There is not going to be a whole lot [of original programming] to start with. Hopefully, we'll have one program a month to start with and build from there."

The unrestrained enthusiasm of Turner and other TBS officials for TNT—the first mass-appeal cable service to try to make a go of it since The Entertainment Channel's aborted effort—was balanced last week by the skepticism of cable operators, program producers and security analysts, some of whose support will be needed to make TNT go.

The plan to phase in the high-priced programming over several years is a function of a pay-as-you-go budget. Turner said TNT's budget for original program production is \$30 million this year, \$40 million in 1989, \$90 million in 1990 and \$150 million in 1991.

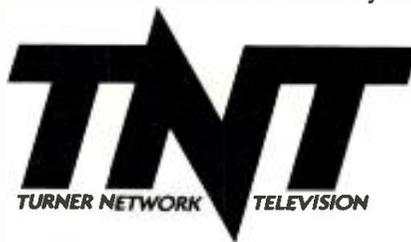
Turner's \$30-million budget for 1988 is based on the service's reaching 17 million subscribers. The six cable operators on TBS's board—Tele-Communications Inc., American Television & Communications, United Artists, United Cable, Warner Cable

and Continental Cablevision—have roughly 16 million subscribers. Those, combined with the subscriber counts of the other cable companies that poured money into Turner last year, would amount to 30 million subscribers.

"I hope that we launch on Oct. 3 with 30 million homes," Turner told the SCCA, "because if we do, WTBS's NBA package will be on TNT."

A 30-million reach figure would also help Turner convince the board to allow him to spend more money on original production. "I think I can get the board to move the budget up a year or two," said Turner, if TNT's subscriber counts are ahead of schedule. That would allow TNT to spend more money, more quickly, on original programming, he said.

Because of TNT's dual revenue stream—subscriber fees and advertising revenue—the programming can aim "for the highest common denominator," said Turner. "This network will be half underwritten by sub-



scriber fees, so we don't have to go to the last little inch in the way of ratings. We can go like HBO does for a satisfaction quotient."

The economics of TNT will give Turner his first dual revenue stream for a nonnews operation. TNT will be free to operators in 1988, but it will charge 15 cents per subscriber per month in 1989, 20 cents in 1990 and 25 cents in 1991. The relatively high cost to the cable operators for a basic service will be offset by double the number of local advertising availabilities they normally receive. TNT's split will be six minutes an hour for TBS and four minutes locally. Those advertising opportunities, said Greg Liptak, group vice president, operations, Jones Intercable, a TNT supporter, "would be very important to us." TNT's subscriber fees represent "a very expensive program product for basic cable," he said.

Another element that helped fuel the go-ahead for TNT, said Turner, was that the network could spend 80% of its budget on

programming, versus the 50% normally associated with a cable network. Turner already has the overhead in place—affiliate marketing and sales staffs, a product library and a satellite transponder (number 14 on Satcom III-R). "Everything will be reinvested in programming," said Turner.

TNT will premiere with a showing of the first half of MGM's "Gone with the Wind," to which Turner has the exclusive rights. (Turner said he turned down a multimillion-dollar offer from HBO for the rights to show the classic next summer.) Part two of "GWTW" will be shown on Tuesday, Oct. 4, followed the next night with an original, \$800,000 special on the making of the movie by the sons of the movie's producer, David Selznick.

"GWTW" made its television premiere on NBC-TV in November 1976, scoring a 47.6/65. CBS-TV then acquired the rights to the film, and during its five airings from 1979 to 1987, the overall ratings dropped, from 26.1/38 in 1979 to 14.2/22 in 1984, rising to 17.6/26 in 1987.)

Also in October, Turner said, TNT will premiere the colorized versions of "David Copperfield" and "Knut Rockne: All American." TNT's first multipart special will debut in November, a 10-hour series, *Story of Hollywood*, a co-production with the BBC. It will be hosted by Burt Reynolds and will run five consecutive nights. "Key Largo" and "Somebody Up There Likes Me" will make their colorized debuts on TNT in November, Turner announced. In December, the colorized version of "The Hunchback of Notre Dame" will premiere, along with an original, first-run project now in negotiation, said Turner.

"We're going to try and have a made-for-TV movie or mini-series every month of the very, very highest quality," said Turner. "I'd like our programming to be a little more prosocial and upbeat" than the networks', he said. "You will not see our productions go for a lot of T&A or gratuitous sex or violence."

Turner said he plans to meet with the major studios and independent program producers on March 29 to discuss programming for TNT.

From the ranks of those who could provide Turner programming, the reaction to TNT has been cautious. "The hardest thing in the world is to develop and produce a hit TV series," said John Pike, Paramount president of network television. "There's a