

Redstone says that Viacom is currently holding "very active discussions" with two telephone companies interested in Viacom's 1.1 million cable subscribers. Redstone turned down a Southwestern Bell-backed partnership bid of \$2.4 billion for the systems several weeks ago. "That indicates that there is a price above that is attainable," he says.

Speculation is that Ameritech is one of the suitors. Having no territorial overlap with any of Viacom's cable system concentrations, the telco's ownership of all or part of the Viacom systems would not run afoul of FCC ownership restrictions.

Make no mistake, Redstone and Paramount Chairman Martin Davis also talk synergy.

"Look what Ted Turner did with a library that didn't even begin to touch this," Redstone says.

At the very least, Paramount's film library will strengthen Viacom's cable network, especially its three movie networks, Showtime, The Movie Channel and FLIX.

Those three are facing increasing competition. Last month Turner bought Castle Rock and New Line, which have been steady sources of films for Showtime.

Although Paramount currently has longterm commitments to Time Warner's Home Box Office and Liberty Media's Encore, the studio could eventually keep its product in-house helping Showtime pursue its strategy of exclusivity and product differentiation.

A Paramount Viacom television library would have more than 14,000 hours of material, which could provide the critical mass with which to start themed basic networks.

"One of the first big moves we will do" is put together a management team to oversee new technologies. At Viacom, new technologies became a priority a year ago when the company named Neil S. Braun as head of the entertainment division. Braun, formerly a senior vice president, corporate development, is at home using phrases such as "interactive platform."

Paramount's own literature is sprinkled with "multimedia products" and "interactive computer learning," largely on the publishing side of the company.

New cable networks and multimedia interactive services could find their

first trial at Viacom's high-capacity rebuild at Castro Valley, Calif. An important aspect of the company's agreement with technology partner AT&T is that Viacom can have a piece of any programming that emerges out of the experiment. "It was a hard negotiation," Redstone says.

There are endless smaller tie-ins and synergies between the various businesses. Among them:

- Sci-Fi (50% owned by Paramount), which plans to launch abroad in early 1994, might find its travel easier on the backs of already worldly MTV and Nickelodeon.

- Paramount's four regional theme parks could build attractions based around popular shows or characters on Nickelodeon, according to Viacom President Frank Biondi.

- Paramount's home video division could likewise use that medium to further leverage Viacom's cable network franchises.

- MTV might use Paramount-

owned Madison Square Garden as the venue for its televised concerts. Many of these tie-ins fit with Viacom's recent emphasis on "brand extension," taking highly visible television properties and distributing them through other media.

There are also areas where the Paramount-Viacom fit is less obvious. The former's stations are all independents and Fox affiliates; the latter's, NBC and CBS affiliates. Paramount still ranks among the top-10 producers of network prime time shows. Viacom has almost sworn off the business, and Redstone may try to influence Paramount to do the same.

"The risk reward is negative," he says. "Even Paramount would say we have to keep looking at that business to make sure it makes economic sense."

Redstone and Davis refused to feed speculation about executive-level changes in the merged company, particularly in the case of Biondi and

Malone circles Paramount Viacom

Asked about talk of a counter offer for Paramount from John Malone at last Monday's press conference heralding the Viacom Paramount merger, Viacom Chairman Sumner Redstone said, "I respect him, but I do not fear him." By the end of the week, Redstone's assessment of Malone seemed like it might be put to the test.

Late Friday rumors were building to fever pitch that Malone and others might spoil Viacom's Paramount bid in one of two ways. One was that Barry Diller would make a bid through QVC, of which he is chairman and in which Malone's Liberty Media holds a substantial stake. Another bid could come from Turner Broadcasting System, in which Malone's Liberty Media also has a large stake.

There was even talk that Diller and Turner may make a joint bid, perhaps splitting up Paramount between them. Paramount closed Friday at 68½, up almost five percent from its opening that day.

Even before Friday Paramount's stock price edged up slightly, despite the fact that the Viacom shares offered in exchange for it under the merger proposal had declined in value. Some of that decline was probably due to arbitrage investors selling Viacom short, while buying Paramount in order to lock in their return.

There is a plausible synergistic fit between Paramount and QVC. The latter could use its home shopping clout to plug Paramount books and home video products, while taking advantage of Paramount's production expertise. Turner could use Paramount's library, production and sports teams to further fuel his cable network ambitions.

There are also some plausible complications, one of which is that QVC is still mid-way through a merger with HSN. Securities analyst Mark Riely said QVC stock began declining last week on rumors of the bid. A Turner bid might run afoul of antitrust laws on the filmed entertainment side.

Viacom and Paramount have tried to discourage hostile bidders. Paramount has agreed to pay Viacom \$100 million if their deal falls through. The deal also includes a standard "poison pill" designed to insure that no bid succeeds without approval of Paramount's board. Viacom may also have an option to acquire 20% of Paramount's stock at \$69.14.—GF