

# WGN-TV moving toward basic

*Superstation is discussing plan that would have TCI owning 50%*

By Price Colman

## DENVER

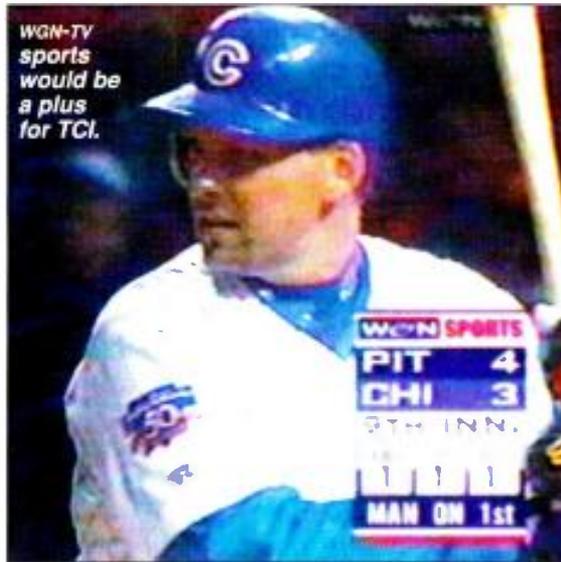
**T**ele-Communications Inc. and Tribune Broadcasting have been talking quietly for at least a year about converting superstation WGN-TV Chicago to a basic cable network, with TCI taking as much as a 50% stake in that operation.

"There have been some conversations that have been wide ranging, that have dealt with all sorts of possibilities, depending on what happens in the markets," said a source familiar with the talks. "The conversations have been somewhat sporadic recently. But there are some real good business reasons for something like this."

Current law restricts TCI from owning a television station in a market it serves, but does not prohibit it from owning cable networks. Thus, any deal between TCI and WGN-TV would encompass only the programming that WGN-TV offers to cable and DBS operators.

TCI and WGN-TV officials declined to comment, although TCI spokesman Bob Thomson did acknowledge that a deal with WGN-TV offers TCI certain benefits.

"Generally, the company obviously has an interest in superstations transitioning where possible into cable net-



work status," said Thomson. "It reduces our copyright payments substantially."

Under current copyright law, a cable operator must pay a certain percentage of basic cable revenue to the U.S. Copyright Office for distributing a broadcaster's signal outside that broadcaster's designated market area (DMA).

Chuck Kersch of Neidiger Tucker Bruner, a Denver financial services firm, sees additional benefits for TCI and WGN-TV. "TCI would bring to the table access to additional programming, including programming that they may have in one of the libraries from one of

the companies they've invested in," Kersch said. "TCI would also get revenue from all WGN subscribers, whether they're on DBS or cable. And by contributing programming, TCI can make it that much more attractive a service—exactly what Time Warner will do with WTBS."

In addition, teaming with a WGN-TV cable channel would enhance TCI's sports program offerings—WGN-TV carries numerous Chicago Cubs and White Sox baseball games and Bulls basketball games. Finally, such an arrangement would enable TCI to blunt widespread subscriber criticism that arose when the MSO dropped WGN-TV from many systems at the beginning of the year.

For WGN-TV, a deal with TCI would mean a substantial increase in distribution and a second revenue stream as copyright royalties are converted to affiliate fees. According to the Cable-television Advertising Bureau's "1997 Cable TV Facts" book, WGN-TV has about 49 million subscribers on cable and satellite.

"The deal makes sense from a number of angles," said Rick Westerman of UBS Securities. "But it may cause some interesting decisions with respect to allocations of assets in TCI Communications versus Liberty."

TCI subsidiary Liberty Media Corp. has been TCI's programming arm since Liberty was founded in 1990. But with TCI's recent decision to postpone plans for spinning Liberty into a separate publicly held company, it's unclear where an ownership stake in WGN-TV would go, should the deal happen.

A number of factors affect whether such a deal materializes. Time Warner Chairman Gerald Levin has vowed to make WTBS(TV) Atlanta a basic cable network on Jan. 1, 1998, even if ESPN and Liberty/Fox Sports—which own the basic cable rights to Major League Baseball—refuse to let WTBS air Atlanta Braves games. If WTBS converts first, it would open one distant-signal slot, allowing TCI to plug in WGN-TV for essentially no additional cost.

"What happens with WTBS is important," acknowledged a source familiar with the TCI/WGN-TV discussions. ■

## McCain bill would end crossownership ban

**WASHINGTON**—Senate Commerce Committee Chairman John McCain (R-Ariz.) has introduced legislation that would lift the ban on ownership of a newspaper and either a radio or a TV station in the same market.

McCain called the crossownership rule "one of the most archaic provisions remaining in telecommunications law," saying it "dates from a day when there was a realistic fear that common control of both media in the same locale could result in the public's receiving only one point of view on important issues." But today, he contends, media diversity abounds.

Tribune Co. stands to reap major benefits from the legislation. The FCC last month denied Tribune's request for a permanent waiver of the crossownership rule to allow it to own both WFLA(TV) Miami and the *Fort Lauderdale Sun-Sentinel* as part of the commission's review of Tribune's acquisition of Renaissance.

Still, the bill faces a major obstacle: Senator Ernest Hollings (D-S.C.). He successfully led the battle against further relaxation of media ownership rules in the debate over the Telecommunications Act of 1996 and is sure to pitch a similar fight this time around.

—HF