

TELEVISION DIGEST®

The Authoritative Service for Broadcasting, Cable, Consumer Electronics
and Allied Fields.

With Consumer Electronics

JULY 1, 1985

VOL. 25, NO. 26

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

TBS BID 'VIRTUALLY IMPOSSIBLE' under N.Y. antitakeover legislation passed overwhelmingly. CBS sees contradictions between Turner's FCC and SEC filings. (P. 1)

FCC'S MMDS LOTTERY HALTED by Court decision involving female applicant who contends women should receive diversity preferences. Commission speeds rulemaking. (P. 3)

CAPCITIES, ABC HOLDERS APPROVE \$3.5 billion merger. ABC votes to buy back its own shares; CapCities decides to issue 4 million shares of new preferred stock. (P. 5)

REHEARING OF PREFERRED DENIED by 9th Circuit Appeals Court, which edits its landmark cable franchising opinion. (P. 5)

TCI APPEALS ANTITRUST VERDICT to 8th Circuit, but attention centers on squabble with lower court judge. (P. 6)

CHRIS-CRAFT UPS ANTE in struggle with Warner by buying additional stock, seeking more seats on Warner board. (P. 7)

FT. WAYNE CABLE SYSTEM changes hands again. Six months after forcing out majority owner Cox, local group agrees to sell to Comcast. (P. 7)

TBS TAKEOVER OF CBS 'VIRTUALLY IMPOSSIBLE': TBS bid to acquire CBS ran aground in Albany, N.Y. last week with adoption by state legislature of bills that severely limit unsolicited, no-cash offers for corporations based in state. TBS said measures are "blatantly unconstitutional" and promised lawsuit if Gov. Mario Cuomo signs bill into law.

Meanwhile, CBS told FCC that "substantial and material questions of fact exist" requiring FCC to hold evidentiary hearing on TBS takeover attempt, cited "glaring contradictions" in TBS filings at FCC and SEC. Commission put entire matter under ex parte rules. CBS also charged that TBS had made "complete and sudden reversal" on basic factual issues -- "such as its new and incredible assertion that TBS does not consider itself a competitor of CBS, and hence the merger would have no effect on news diversity or economic competition... Under this analysis, there could be no FCC objection to a merger of ABC, CBS and NBC -- an obviously absurd result."

Consumer Electronics

GE WILL LAY OFF 295 at color TV plant, shut down for extra week to balance inventories. (P. 9)

SUPER-VHS ON HOLD as VHS group fields completely compatible 'high-quality' version of VCR. JVC promises tiny camcorder. (P. 9)

JAPAN'S VCR EXPORTS continue at high level; May shipments nearly triple U.S. sales to dealers. Color exports down in month. (P. 10)

CORNING SEES MAJOR GROWTH in color tubes, far beyond TV uses. Glass pioneer promises to play major role in future of TV. (P. 10)

VHD VIDEODISC SYSTEM on way to U.S. for industrial and educational uses, JVC says. 3D disc shown, 300,000 player sales seen. (P. 12)

GE LINE HAS 60 COLOR SETS, as company returns to suggested list prices, drops 3-line approach. Marantz video line. (P. 13)

VIDEO LEADS JVC to 17% sales increase in fiscal 1985. Matsushita also credits VCRs for rise in parent company sales. (P. 14)

COLOR TUBE IMPORTS UP 300% in first quarter to 391,000, with tube-inclusive kits added, account for 22% of U.S. OEM demand. (P. 15)

Turner appealed to N.Y. legislative leaders to adopt "fairness" amendment to legislation exempting TBS bid on grounds that it was well under way and had been cleared by SEC before N.Y. legislature got involved. SEC declared effective Turner's stock swap offer 10 days ago (TVD June 24 p3). Antitakeover bill passed in Assembly June 27 by 147-2; state Senate next day adopted identical measure 59-1. Turner strategists were conceding that Cuomo probably would sign legislation into law.

Turner's bid for CBS now is "virtually impossible" under terms of N.Y. legislation, said TBS counsel George Vandeman in N.Y. office of Latham & Watkins because it applies retroactively to Turner. Vandeman said it's "grossly unfair to adopt legislation which would change the rules midstream and disrupt an ongoing business transaction." CBS, which lobbied hard for bills along with Business Council, declined to comment.

Vandeman said TBS attorneys sent legal memorandum to Cuomo contending that antitakeover legislation "is blatantly unconstitutional." He said memo contends that legislation violates supremacy and commerce clauses of Constitution. "If this legislation is signed into law as presently written, we will mount a swift constitutional challenge on its face and as it applies to the TBS offer," Vandeman said. Similar Mo. law, designed to stop Carl Icahn takeover of Trans World Airlines, was struck down by federal court in that state June 25, TBS noted.

Measure outlaws cashless takeover bids for N.Y. corporations unless approved in advance by a majority of dirs. of targeted company who are not connected to takeover attempt or by holders of 2/3 of outstanding shares, plus a majority of all individual shareholders. Those approvals would be required before company attempting takeover could buy more than 20% of shares of targeted company. Law would apply to companies that are organized under N.Y. state laws, have their hq in state and transact "significant business activity" there. CBS meets those criteria.

FCC placed CBS-TBS fight under "restricted" category, meaning it will fall under Commission's ex parte rules, and all documents were placed in public file -- including June 7 letter from CBS protesting FCC plan to hold en banc oral argument in case (TVD June 10 p4) and several letters from members of Congress. Responding to CBS letter, FCC Exec. Dir. Edward Minkel told network June 28 that "oral presentations are not viewed as a substitute for a full evidentiary hearing" as sought by CBS, opposed by Turner. "Instead, the procedure is intended as an extra effort to assist the commissioners in determining whether substantial and material questions of fact exist, or whether there are other matters requiring an evidentiary hearing."

No date has been set for en banc argument -- which is expected to include CBS Chmn. Thomas Wyman and TBS Chmn.-Pres. Ted Turner -- but staff is working toward Aug. 1-2 dates.

Responding to Turner filing at FCC 2 weeks ago claiming that his proposed no-cash purchase of CBS with paper bonds is financially viable (TVD June 24 p3), CBS again argued in June 28 filing that Turner isn't financially qualified to take over network and submitted no evidence that it is except statement of its own chief financial officer. CBS also contended that merger would "severely diminish economic competition in advertising" and that TBS-projected earnings of CBS under Turner ownership "are highly unrealistic" because CBS would lose its "preeminent ratings position... Given the evidence submitted in support of CBS' positions, and the numerous factual issues... that are placed in dispute, the FCC is required to conduct an evidentiary hearing." Network argued Sec. 309(e) of Communications Act "gives the Commission no choice" but to hold hearing. CBS noted that of nearly 280 comments filed in proceeding, all but 5 support CBS position -- including more than 40 public interest groups.

CBS claims that TBS is making one argument to FCC (that it will have no trouble financing takeover), another to SEC, where TBS warned "that there are substantial risks that the merged entity would not be viable." CBS said: "Of course, TBS' representations to the SEC are entirely inconsistent with the unqualified conclusion [in FCC filing] that the offer is financially viable."

In accompanying affidavit, CBS Best. Group Pres. Gene Jankowski said Turner has written "a dream-like script of effortless success in a conveniently expanding industry to justify its position [and] the dissolution of CBS is the most likely outcome" if Turner is successful. Also, CBS charged, "TBS has used legal precedent and factual material in ways that are, at the very least, misleading... TBS' argument that the stock market should be relied upon to discipline 'broadcasters who perform poorly' and that the market would require TBS to 'hew to a much stricter path than the Commission could ever design' is ludicrous..."

"Finally, the TBS opposition [to hearing] includes a rambling, disconnected discourse on the need for government regulation of broadcasting to be content neutral... It is especially distasteful that such a lecture would be delivered by one who apparently applauds the system of media censorship used in the Soviet Union... Apart from the fact that the Commission hardly needs a lecture on First Amendment principles from TBS, this dissertation raises a classic red herring."

MMDS LOTTERY HALTED BY WOMEN'S PREFERENCE ISSUE: FCC won't hold lotteries to select licensees for 8-channel MMDS systems until it resolves whether women applicants should receive same preferences as blacks and other minority bidders participating in same lottery. Development is surprise victory for women's rights advocates and has implications for other mass media services, notably LPTV.

Commission's first MMDS lottery, to select winners for each of two 4-channel frequency blocks in 9 major markets (TVD June 3 p8), was scheduled for June 28. It was called off at last minute when U.S. Appeals Court, D.C., on June 27 granted stay sought by MMDS applicant Stella Pappas. She had argued that Congress, when it passed legislation authorizing Commission to hold lotteries, intended to include women as a group deserving lottery preferences to enhance diversity of media ownership.

Legislation adopted in 1982 lists blacks, Hispanics, American Indians, Alaskan natives and Asian and Pacific Islanders as groups deserving preferences because of their minority status. Legislation also gives preferences to other groups -- not necessarily minorities -- if they own 3 or fewer mass media outlets in order to enhance diversification of media ownership. Pappas contended women also should get diversification preferences.

Court didn't specifically say women are entitled by law to such preferences, but it did rule that Pappas would be harmed irreparably if MMDS lottery proceeded as scheduled and it was determined later that she was entitled to preference points. "Otherwise, we express no opinion on the merits of petitioner's position," order said.

Commission now has put on fast track rulemaking that has been pending nearly 5 years directed at question of preferences for women applicants in all mass media lotteries, issue pushed by Comr. Dawson and first given impetus by Anne Jones when she was a commissioner. FCC Gen. Counsel Jack Smith said it's hoped that rulemaking can be completed in time for consideration at Commission's Aug. 9 meeting, its last before summer recess.

Pappas is applicant in 105 MMDS markets and was a bidder in 5 of 9 that were to be decided in last week's lottery. Her husband is Harry Pappas, owner of Pappas Telecasting, licensee of WHNS (Ch. 21) Asheville, N.C., and KMPH (Ch. 26) Visalia-Fresno, Cal.

Appeals Court order directed FCC to either (1) "postpone the proposed lotteries pending further consideration of this matter" or (2) "modify the lottery procedures in such a way as to preserve the possibility of a preference for women applicants." It suggested Commission could proceed with lottery if it were held in 2 parts: (1) To proceed as normally, with no preference for Pappas and several other apparent women applicants; (2) to hold 2nd lottery with preference points for women applicants. If Pappas and other apparent women applicants lost in both lottery sessions, then there would be no showing of harm. But if she and other women won

in 2nd lottery, then those licenses apparently would be held in abeyance until issue were resolved.

FCC elected for postponement, officials said, because it was impossible on such short order to determine exactly which applicants are female since that information wasn't specifically collected.

"We think that the Court gave Mrs. Pappas a very fair chance to participate in the lottery," said her attorney, Virginia Carson. Court's "command is clear that they not award licenses before there is some resolution of this issue... If our view of the statute [authorizing lotteries] is correct, it will require a preference in other mass media lotteries."

FCC proceeded as scheduled June 28 with LPTV lottery, its 19th to date. Pappas wasn't applicant in any of those LPTV markets awarded. While there was some question whether LPTV lottery rules would be impacted, FCC officials said there was no way Commission could go back to beginning in LPTV and rehold all those lotteries with diversity preference points for female applicants.

Jones deplored underrepresentation of women in media ownership when she was on Commission and pushed for rulemaking on that issue launched by Commission in 1980. Reacting to Pappas case, Jones said: "I think it's terrific because the whole theory of preferences for women stemmed from their underrepresentation [in media ownership], and I think it's very clear women are underrepresented." She said case "will force the Commission to take a hard look at this underrepresentation and treat women the same way they treat other people who are similarly disadvantaged."

NCTA convention next year in Dallas will be merged with annual show put on by Tex. Cable TV Assn. Tex. show had been scheduled for May 21-23 in San Antonio, NCTA's for March 16-19 in Dallas. Dual gathering now is set for March 15-18 (Sat.-Tues.) in Dallas Convention Center, dates that will allow local cablers to attend without missing much time from office. "We are combining conventions in direct response to exhibitors' expressed concerns about the increasing number of cable shows and the increasing costs related to each show," said William Strange, Sammons vp who is NCTA vice chmn. and chmn. of 1986 national show.

Radio stations that don't specialize also don't have "greater programming obligations" under deregulation than before, FCC ruled June 18 in renewing licenses of WLVK-AM-FM Lexington, Ky. for 2nd time. At request of FCC, U.S. Appeals Court, D.C., had remanded case, which had been appealed by National Black Media Coalition. Commission said that NBMC had "misunderstood the import" of radio deregulation, that it "did not require more [program] specialization, a point which NBMC seems to overlook." Comr. Rivera didn't participate.

Concerned that TV stations may lose cable must-carry -- either in court or at FCC -- NAB has allocated up to \$45,500 to create information data base on issue from outside sources. Information will be used first for internal policymaking, according to John Abel, NAB senior vp-research and planning. "We'll look at all kinds of options," he said, and hire outside consultant, build data base by buying information externally. He expects data to be in place by mid-Aug.

Jury award of \$325,000 to former KMBC-TV Kansas City anchor Christine Craft was thrown out June 28 by 8th U.S. Appeals Court, St. Louis. Craft had sued station and then-owner Metromedia, claiming that she was demoted as anchor in Aug. 1981 after being told that she was "too old, too unattractive and not deferential enough to men." Craft had won 2 separate jury trials in lower courts. Commenting on decision, Metromedia official said: "Everybody at Metromedia is happier than hell." Craft's lawyer said she would seek rehearing before en banc court.

KTZZ (Ch. 22) Seattle went on air June 22, raising operating U.S. TV stations to 1,211 -- 895 commercial, 316 noncommercial. KTZZ is 80% owned by Alden TV (Michael Forman, pres.-100% owner), 20% by Seattle STV Inc. Alden also owns KTDZ (Ch. 24) Portland, Ore. Dean Woodring is KTZZ gen. mgr., Terri Hogue station mgr., William Birney program dir., Sandy DeLaunay sales mgr... **Noncommercial KLEP (Ch. 17) Newark, Ariz.**, went on air June 17. Station is licensed to public school system; Fred Ahlborne is gen. mgr.

FCC order giving daytimers preference in winning grants for new FM assignments under Doc. 80-90 "creates a welfare system for the rich -- plain and simple," according to reply comments by National Black Media Coalition. Proposal will make it impossible for minority to win comparative hearing against local daytime station and "has the effect of turning the Commission 180 degrees around from its long-standing commitment to diversification and to minority ownership," Coalition added.

CAPCITIES-ABC MERGER APPROVED: There were no surprises at separate stockholder meetings of Capital Cities Communications and ABC in N.Y. June 25 to approve CapCities' \$3.5 billion purchase of ABC. Chmn. Thomas Murphy said CapCities holders approved deal by "overwhelming margin," didn't give breakout; ABC holders voted 23.1 million to 105,000 for takeover. CapCities meeting lasted less than hour; ABC's took 2 hours and 20 min., with about hour taken up by Fairness In Media, another 30 min. by corporate gadfly Evelyn Davis.

CapCities authorized issuance of 4 million shares of new preferred stock, didn't say how proceeds would be used. ABC board, meeting after stockholder session, authorized company to buy back up to \$300 million worth of its own shares. CapCities offer is worth \$121 per share, and deal can be increased in value for stockholders by ABC's purchasing shares at figure below that price, ABC said. In deal with CapCities, ABC can buy back up to \$1.1 billion of its stock before acquisition is consummated.

ABC Chmn. Leonard Goldenson said company's stock has appreciated "just under 4,000%, exclusive of dividends" since he took over in 1953. That's a performance he said he "looks back upon with pride and satisfaction." He said acquisition by CapCities will keep ABC "independent and prosperous, within the tradition that has helped make us the great communications company we are today."

No additional details on assets to be spun off were disclosed at CapCities' meeting. Company already has said it would sell radio networks and stations plus several TV stations and cable division. Murphy said that applications for approval would be filed "soon" at FCC, that he hoped to close deal early in 1986.

— — — — —

M/A-Com said it began accepting orders June 18 for VideoCipher consumer descramblers and descrambler modules. Descramblers will be required by backyard dish owners who want to subscribe to HBO or Showtime/Movie Channel once they encode their signals. M/A-Com said it started taking orders for wholesale quantities of descramblers so production capacity can be scheduled. Company already has ordered 100,000 sets of parts for units, said it's committed to delivering first ones to "as broad as possible wholesale distribution channels by the fall." But M/A-Com statement also indicates HBO may not be able to go to full-time encryption until next summer. Pay TV company has said fulltime scrambling won't start until consumer units are readily available in marketplace. According to M/A-Com, "more than sufficient quantities of consumer units will be readily available for the summer of 1986." S/MC, meanwhile, has yet to say how it will handle marketing to dish owners. M/A-Com also reported that its production line for headend descramblers required by cable systems already has manufactured 25,000 such units.

REHEARING OF PREFERRED DENIED: Ninth U.S. Appeals Court, San Francisco, has rejected bid by L.A. and other Cal. cities for en banc rehearing of Court's landmark Preferred Communications decision (TVD March 4 p5). That decision essentially said cities cannot use franchise "auctions" to pick what they believe to be best of several bidders to provide cable service -- as long as public utility poles are capable of supporting more than one wire.

Court also slightly edited its prior opinion without any substantial impact on its meaning. But one change in order does stand out -- it seems to introduce a concern by Court that franchising is a form of content control. New passage inserted in opinion says picking single franchisee "creates a serious risk that city officials will discriminate among cable providers on the basis of the content of, or the views expressed in, their proposed programs. This risk can be reduced, if not eliminated, by means less destructive of First Amendment rights."

Another revision makes clear that Court isn't totally condemning municipal cable franchising. Added to a footnote discussing ramifications of Cable Act is this sentence: "Nothing in this opinion is inconsistent with a city-operated franchise system that respects First Amendment rights. Congress must be presumed to have envisioned such a system."

L.A. is left with 2 options -- it can proceed to trial on merits of case in U.S. Dist. Court, L.A., or ask U.S. Supreme Court for review of 9th Circuit's holding. Edward Perez, L.A. deputy city attorney who's handling case for city, said no decision had been made on how to proceed.

— — — — —

Two new audience research committees will be on scene soon to monitor local measurements, following recent action by NAB board. Formed will be COLRAM (Committee on Local Radio Audience Measurement) and COLTAM (Committee on Local TV Audience Measurement) under aegis of NAB Research and Planning Dept. NAB formerly operated COLTRAM, dealing with both TV and radio, but separate committees were formed after several months of study because "radio and television broadcasters have different needs," NAB said. NAB Research Committee Chmn. Peter Kizer, Evening News Assn., said stations now have no place to go when they think something is amiss in local reports, while networks do good job of policing national ratings. Fulltime staffer will be added at NAB to work with committees and serve as liaison with rating services. Exec. dir. of Electronic Media Rating Council (post from which ex-NABer John Dimling is leaving to join Nielsen in executive capacity) will serve ex officio on both committees, according to John Abel, NAB senior vp for research and planning.

Local radio billings for first quarter 1985 were up 19.3% over 1984, according to RAB. For same 3 months, national spot was up 17.4%, RAB said.

TCI APPEALS ANTITRUST JUDGMENT: TCI has asked 8th U.S. Appeals Court, St. Louis, to overturn \$10.8 million antitrust judgment against it (trebled to \$32.4 million under antitrust law) awarded by jury in U.S. Dist. Court, Kansas City. Case was brought by Jefferson City, Mo. firm that had competed with TCI for the cable franchise there. Judgment is among largest of its kind in cable industry and, attorneys say, may set precedent restricting cablers' ability to fight off competition during franchise renewal.

But substance of case is being overshadowed by unusual squabble that developed between TCI attorney Harold Farrow and judge who presided over trial, Scott Wright, chief judge of U.S. Dist. Court in Kansas City. Wright recently handed down order denying retrial of case sought by Farrow, and a good part of order is devoted to criticizing way Farrow handled defense.

TCI franchise in Jefferson City was to expire in April 1981. City, unhappy with TCI's performance, solicited bids to bring in another cable operator. TCI sued city, contending it had First Amendment and other rights to continue operating there. In 1982, City Council voted to award nonexclusive franchise to local company, Central Telecommunications, action that city's mayor blocked. Alleging it had wrongfully been denied franchise, Central sued TCI, claiming TCI had restrained trade, monopolized local cable market and interfered with its business. Most of Central's allegations were upheld by jury after long trial in which Farrow and Wright often sparred.

In Wright's June 5 order denying retrial, he accused Farrow of "childish antics" during trial, said he and other defense lawyers often reacted to rulings favoring plaintiff by "muttering to themselves, rolling their eyes, and hurling pens and legal pads at the counsel table with great force... as if defense counsel was attempting to communicate to the jury that their client was being 'railroaded'" by unfavorable bench rulings.

Judicial bias by Wright in favor of Central was one of several grounds Farrow alleged in moving for retrial, charges that Wright dismissed. Wright accused Farrow of "incompetence," and at one point during trial reprimanded him.

"It's my view that TCI did not have a fair trial and that the Court committed substantial and numerous errors in its handling of the case, and I'm satisfied that my view will be vindicated on appeal," Farrow said June 20.

N.Y. law firm Cravath, Swaine and Moore has been retained by TCI as lead counsel in appeal to 8th Circuit. Farrow said he wasn't sure to what extent he would participate in appeal.



Ad agencies D'Arcy MacManus Masius Worldwide (\$1.34 billion in 1984 billings) and Benton & Bowles (\$1.12 billion in billings) announced agreement June 24 to merge, subject to stockholders' approval. Merged agency would be 5th largest in U.S.

In 5-4 ruling described by First Amendment lawyers as "revolutionary" and "far-reaching," U.S. Supreme Court June 26 issued order that will make it easier for private citizens and companies to recover damages for libel. Case involved Dun & Bradstreet, which in 1974 had incorrectly informed several clients that Vt. building firm had gone bankrupt. D&B lost out in argument that it's entitled to same First Amendment protections as those granted press. In effect, Court ruled that First Amendment doesn't protect against punitive damages unless the libelous statements involve "matters of public concern," as opposed to "private concern." Lawyers predict decision will have impact on news media. First Amendment attorney Floyd Abrams said decision is "deeply troubling... [It] places the courts in the role of determining which speech is of public concern and importance and relegates all other speech to the nether land of virtually no constitutional protection at all." Supreme Court also agreed to hear appeal of Pa. law that says that defendant in libel case has burden of proving that story was factual. Case was brought by Philadelphia Inquirer, which linked Philadelphia man to underworld figures.

Rupert Murdoch asked FCC for 2-year waiver to sell N.Y. Post and Chicago Sun-Times after agency approves his \$2 billion purchase of Metromedia's TV stations. Meanwhile, Murdoch's partner in deal, Denver oilman Marvin Davis, said he is pulling out; Murdoch said he will proceed with purchase alone. Waiver is needed, he told Commission last week, to reduce "the prospects for a 'distress sale' atmosphere that could severely affect the continued competitive viability" of papers. Murdoch said he will have no problem financing purchase despite pullout of Davis; they are equal owners of 20th Century-Fox. New company, 20th Holdings Corp., is being set up by Murdoch as licensee of stations. Transaction will be financed with \$600,000 of Murdoch's cash, open credit lines from American, European and Australian banks and \$450 million from sale of Metromedia's WCVB-TV Boston to Hearst Corp. by Murdoch. Filing disclosed that Metromedia Chmn. John Kluge will receive additional \$200,000 for 5-year no-compete clause in Metromedia markets.

NAB board, acting on complaints of major market radio stations that they aren't represented adequately on radio board, added 2 seats to that board reserved for such stations. Exec. Committee will fill spots through appointment. Board also established ad hoc committee to evaluate structure of radio board and to "develop recommendations designed to assure proper representation of all constituent segments." Committee will report at Jan. board meeting. At recent meeting in Washington, radio board also discussed extending terms of dirs. from 2 to 3 years, took no action.

CBS settled out of court with Elissa Dorfsman, gen. sales mgr. of CBS-owned WCAU(FM) Philadelphia, who charged her supervisor (no longer with CBS) with sexual harassment at Sept. 1982 dinner in N.Y. Terms of settlement weren't released and Dorfsman said she planned to leave CBS.

C-C BUYS MORE WARNER SHARES: Chris-Craft Industries has informed SEC that it recently bought about 700,000 additional shares of Warner Communications, increasing its stake in Warner to 29.4%, and disclosed that it may seek additional seats on WC board through proxy contest. Document reiterated disclosure made in June 5 SEC filing that C-C and WC had discussed leveraged buyout of Warner by C-C and possibly other groups but that those talks had proved fruitless.

"In light of the termination of these [buyout] discussions," Chris-Craft told SEC June 25 in 13-D filing, it "may implement... other courses of action" to protect or enhance its Warner investment, including seeking additional seats on Warner board. C-C said it had attempted to negotiate for additional WC board seats, but those talks also failed. Spokesmen for Warner and Chris-Craft declined comment.

C-C already has 3 representatives on Warner's 14-person board as a result of stock swap last year between Warner and C-C TV subsidiary BHC Inc. when Warner was attempting to elude Rupert Murdoch's acquisition attempts. Those dirs. are C-C Chmn. Herbert Siegel, C-C Exec. Vp Lawrence Barnett and Abraham Ribicoff, a BHC dir. and former senator (D-Conn.). C-C apparently will attempt to gain more board seats through proxy contest or exchange offer, probably teaming with other WC holders or outside investors, analysts said.

Wall St. analysts say Siegel is intent on gaining control of Warner, that additional stock buys are step toward that end. "They're trying to increase their stake in Warner in anticipation of their takeover," said Anthony Hoffman, media analyst with Cralin & Co. He said offer probably would be made by C-C in conjunction with Denver oilman Marvin Davis. "So it would behoove Siegel to get as much of [WC] as he can before anything officially happens," probably later this summer, Hoffman said.

Because C-C hopes to acquire Warner, it opposes any move by WC Chmn. Steven Ross to buy half of Warner Amex Cable it doesn't already own from American Express. "They want some cash left in the company before they take it over," Hoffman said

SEC filing discloses that C-C bought 697,512 Warner shares on open market June 5, paying \$28.74-\$30.25 each. C-C now holds 4,154,200 shares of Warner common, plus 15.2 million of Warner Series B preferred and 7.1 million of Series C preferred. Both classes of preferred are convertible into Warner common.

U.S. Football League is pursuing its own TV syndication deal for fall 1986 using Hubbard Bestg. and space for which it has option on RCA K-2 satellite. League Comr. Harry Usher told team owners syndication would produce \$18 million, as much as they will get from ABC this spring.

CABLE PROFITS IN FT. WAYNE: Who says you can't make a fast buck in cable? In Ft. Wayne, a local group that became Cox Cable's 20% partner when MSO won franchise there, then forced Cox to sell out to it at a bargain-basement price, has agreed to sell that and nearby system to Comcast for about \$62 million. That's realizing estimated profit of more than \$30 million on Ft. Wayne system group owned for only 6 months.

Earning that handsome profit is Citizens Cable Communications, New Haven, Ind., group headed by local businessman John Bonsib. When Cox sought Ft. Wayne franchise about 6 years ago, it agreed to take in Citizens -- which owned cable system serving New Haven and other areas in county around Ft. Wayne -- as local partner. MSOs frequently take in such groups as minority partners to gain local expertise and to make franchise bids look more attractive to city councils.

Citizens ended up owning 20% of Ft. Wayne system and struck deal with Cox that it could buy out MSO in 5 years for essentially what Cox had invested. That 5-year period ended late last year, and -- after a nasty lawsuit that was settled out of court -- Cox agreed to sell its 80% to Citizens for just over \$9 million. Citizens officially took possession of Ft. Wayne system Feb. 1.

Comcast said June 25 it would pay \$16 a share for each of 2,885,276 shares of Citizens stock outstanding (about \$46.2 million) and assume about \$16 million in debt. Bonsib told us that he and his wife hold about 20% of Citizens shares, or about \$9 million worth. Citizens has 35 other shareholders, Bonsib said.

Comcast gets about 47,500 subscribers to 35-channel systems in Ft. Wayne and New Haven (about 17,500 in county, 30,000 in Ft. Wayne). That works out to paying about \$1,300 per subscriber, well above typical price of \$1,000-\$1,100 per subscriber. Systems altogether have about 1,100 miles of plant, pass about 100,000 homes. Comcast, nation's 16th largest MSO, said it hopes to close deal, brokered by Daniels & Assoc., on Dec. 31.

Bonsib said local management will remain in place. A Comcast spokesman said decision to buy Citizens came after "ongoing dialogue" in last few months. Asked to comment on fact he's made tidy profit in short period, Bonsib said: "This has been a very good business for us and our other shareholders. Cable is a good business."

Chris-Craft Industries and United TV have postponed "indefinitely" plans to merge their TV station groups -- in which there already is overlapping ownership. Merger first was announced last Nov., then postponed in April for 90 days. Companies said that they "still believe that the best interests of the shareholders of each would be served by such a combination," but that it will be "reexamined" and "may be restructured."

TELEVISION DIGEST

With Consumer Electronics
(ISSN 0497-1515)

PUBLISHED BY TELEVISION DIGEST, INC.

Television Digest, Inc. is publisher of *Communications Daily*, *Satellite Week*, *Television Digest with Consumer Electronics*, *Video Week*, *Common Carrier Week*, *Connections*, *World Communications Report* (with *The Economist of London*), *Public Broadcasting Report*, *Space Commerce Bulletin*, *Television and Cable Factbook*, *Telemarketing Factbook* and other special publications.

Copyright © 1985 by Television Digest, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

1836 Jefferson Place, N.W., Washington, D.C. 20036
Phone: 202-872-9200 Telex: 6502173616 (Via WUI)
MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435

This newsletter is available electronically via Newsnet

WASHINGTON HEADQUARTERS

Albert Warren Editor & Publisher
Paul L. Warren Assoc. Pub. & Sr. Ed.
Dawson B. Nail Executive Editor
Jonathan Miller Senior Editor
Daniel Warren News Editor
Steven Tuttle Managing Ed., Wash.
Mary Crowley Senior Editor
Mike Schwartz Associate Editor
Arthur Brodsky Associate Editor
Frances Seghers Associate Editor
Melinda Gibson Associate Editor
Theresa Foley Associate Editor
Deborah Jacobs Info. System Mgr.

Television and Cable Factbook
Michael Taliarferro Managing Editor
Mary Appel Editorial Director
Barbara E. Van Gorder Sr. Supv. Editor
Richard Koch Editorial Supv.
Melinda M. Lukasz Senior Editor

Factbook Research, Inc.

Lynn R. Levine Director

Business
Roy W. Easley III Controller
Gary Maderom Marketing Director
Glenn Brown Advertising Dir.
Betty Alvine Circulation Mgr.

NEW YORK BUREAU
475 Fifth Ave., N.Y. 10017
Phone: 212-686-5410

David Lachenbruch Editorial Dir.
Robert E. Gerson Managing Ed., N.Y.
Seth Goldstein Senior Editor
Rich Zahradnik Assistant Editor

JAPAN REPRESENTATIVE
(Editorial & Business)

Richard E. Varner
c/o Foreign Correspondents Club of Japan
Denki Bldg., 20th Floor 7-1
Yuraku-cho, Chiyoda-ku
Tokyo 100, Japan
Phone: 211-3161 Telex: J24600
MCI Mail: TVDTOKYO

John Cooke, ex-Times-Mirror, named Disney Channel pres., succeeding **James Jimirro**, resigned... **Matthew Miller** promoted to vp-science and technology, Viacom International, succeeding **Frank Bias**, who retired but remains consultant... **Chris Albrecht**, ex-International Creative Management, named HBO senior vp-original programming, West Coast, succeeding **Iris Dugow**; **Jeff Bricmont** and **Bill Sanders** become vps-original programming, West Coast... **Mike Tanner**, ex-Paramount TV, appointed dir.-mktg. and promotion, WJLA-TV Washington... **Sharon Weiler** advanced to asst. sales mgr., Avery-Knodel TV, L.A... **Julian Phillips**, ex-Phillips Communications, named community relations mgr., WNBC-TV N.Y... **Robbie Schindel**, ex-ABC, appointed sales planning dir., USA Network.

William McClenaghan, ABC Radio Network research services vp, elected pres., Radio-TV Research Council... **Alex Tovar**, ex-ABC, named controller, Republic Pictures... **Andrea Furman** promoted to vp-office management and personnel, Worldvision Enterprises; **Rita Scarfone**, ex-ABC, named dir.-ads and promotion... **Stuart Cobbett** advanced to pres., Astral Film Enterprises; **Gordon Guiry** promoted to pres., Astral Films... **Ira Rosenberg**, ex-Ironwood Assoc., named senior vp-development, Almi Group.

Mark Smith, ex-KLAS-TV Las Vegas and former NAB TV chmn., named exec. vp, Las Vegas Chamber of Commerce... **Kenneth Goldman**, ex-HBO, appointed client services vp, R.H. Bruskin Assoc... **Stephen Seymour**, ex-WBAL-TV Baltimore, and **Stephen Frankel** form S&F Communications Corp., Suite 201, 200 E. Joppa Rd., Baltimore 21204, 301-825-5400... **Lee deBoer** advanced to HBO senior vp-Cinemax and program planning; **Mack Perryman** promoted to new business development vp... **Ivan Fecan**, ex-CBC, named creative affairs vp, NBC Productions... **James Rosenfield**, CBS/Best. Group senior exec. vp, elected Ad Council chmn.

Curt Rosloff, ex-CBS, named operations mgr., Primetime Entertainment... **Larry Lytle** advanced to vp-series development, Warner Bros. TV; **Ron Taylor**, ex-Fries Entertainment, appointed drama vp; **Scott Kaufer**, ex-California magazine, named comedy development vp... **Alan Bell**, ex-KTVU Oakland-San Francisco, named a Lorimar senior vp, will be in charge of efforts to buy TV stations... **Michael Volpe**, ex-U.S. Dept. of Labor, named Gannett public affairs dir... **Gord Haines**, ex-City-TV Toronto, appointed vp-gen. mgr., First Choice pay-TV network.

ABC has been ordered by U.S. Dist. Court, D.C., jury to pay Washington freelance writer Peter Peckarsky \$200,000 for failure to give him on-air credit for TV broadcasts based on article he had written about ex-President Carter's personal and campaign finances, "The Buying of the President." ABC said it will ask judge to set aside jury verdict or grant new trial.

Consumer Electronics

A Section of *Television Digest* with *Consumer Electronics*

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 3rd statistical week of June and 1985's first 24 weeks:

	JUNE 8-14	1984 WEEK	% CHANGE	JUNE 1-7	24 WEEKS 1985	24 WEEKS 1984	% CHANGE
TOTAL TV.....	352,951	268,735	+31.3	258,247	8,160,988	8,657,670	- 5.7
TOTAL COLOR...	282,225*	220,843	+27.8	216,022	6,706,107*	6,649,816	+ 0.8
DIRECT-VIEW.	278,517*	218,115	+27.7	212,484	6,615,115*	6,578,913	+ 0.6
PROJECTION..	3,708*	2,728	+35.9	3,538*	90,992*	70,903	+28.3
MONOCHROME....	70,726	47,892	+47.7	42,225	1,454,881	2,007,854	-27.5
TV EXCL. PROJEC.	349,243	266,007	+31.3	254,709	8,069,996	8,586,767	- 6.0
HOME VCR#.....	169,047*	86,242	+96.0	130,275*	4,266,751*	2,574,182	+65.8
COLOR CAMERAS#..	8,911*	6,745	+32.1	4,793	186,112*	175,937	+ 5.8

Color TV (direct-view) 5-week moving average: 1985--260,354*; 1984--252,464 (up 3.1%).

Home VCR 5-week moving average: 1985--165,753*; 1984--104,127 (up 59.2%).

* Record for period. # Camcorders included in VCRs, not in cameras.

GE TV LAYS OFF 295, CLOSES EXTRA WEEK: In first major fallout from rising color TV inventories (TVD June 10 p11), GE is permanently laying off 295 workers July 11 at Portsmouth, Va., assembly plant, which will be largely shut down this week. Shutdown will be in addition to normal 2-week summer closing.

GE already had laid off 240 employees in Portsmouth and 250 at Syracuse picture tube plant since last Nov. 30 when it announced it was discontinuing production of 13" color sets to procure them from other sources (TVD Dec 3 p11). Since then it has arranged to sell its 13" tube production equipment to China. New layoff is in addition to previous ones. Last Nov. Portsmouth plant employed about 1,970 salaried and production workers, now has 1,630, by July 11 will be down to 1,335.

Portsmouth shutdown will affect all but one production line for the 4 working days this holiday week. Normal 2-week closing is scheduled to begin July 26 (date given in last week's issue was incorrect). New moves were made in attempt to balance heavy inventories with sales, according to GE.

GE said inventory problems at picture tube operation in Syracuse were taken into account and production adjustments made at time of elimination of 13" tubes and that no further layoffs are contemplated, although spokesman said company will continue to "look closely" at situation.

Meanwhile, Toshiba announced it was increasing color TV production by 50% at its Lebanon, Tenn. plant beginning this month.

SUPER-VHS ON HOLD--'HQ' COMES FIRST: VHS group has decided not to plunge into high-band super-VHS but instead to preserve compatibility of format by going to improved system that one manufacturer calls "HQ" (for "high quality"). Same manufacturer says super-VHS -- or "HD" (for "high definition") -- is in works for 1987, but with switch to guarantee compatibility with existing VHS machines.

In Japan we were told that Matsushita and JVC -- and presumably rest of VHS group -- plan shortly to add improvements that don't affect compatibility. "Compatibility is the key," said Yuma Shiraishi, JVC Video Products Div. gen. mgr. "We improved the picture by increasing the white clip level," crispening edges of images. Actually, he said, machines with these picture improvements were demonstrated at CES but without fanfare. "We are studying the need to come up with a specific name [for the picture improvements] and probably will because of market conditions," he said.

JVC currently calls system "VNR" for video noise reduction, but another maker says there has been some agreement on use of "HQ." Shiraishi added: "We have steadily improved the noise figure [of VHS] and hope to improve it further, but always in the framework of compatibility with the existing VHS system." Gradual program of VHS improvements confirms our reports of last April and June (TVD April 1 p10, June 17 p14).

Although Shiraishi didn't mention possible switch to high-band color on VHS -- which can't be done without some measure of incompatibility -- another Japanese manufacturer told us that super-VHS had merely been deferred until 1987, and that when machines are available on market they will be switchable to standard VHS to preserve at least one-way compatibility. Same manufacturer said 8mm was inevitable -- "we'll all go, eventually."

JVC, however, says VHS-C camcorder is gaining ground and new manufacturer will be announced soon (JVC currently is sole maker). Shiraishi said VHS-C camcorder is easier to make and to use than 8mm and JVC "has no intention of adding 8mm," but does plan to produce VHS-C noticeably smaller "within a year." As for extension of playing time, he said JVC's surveys show 20 min. is "more than enough for outdoor recording." However, he said, "we are considering including the EP mode," which would extend recording time to one hour, if picture quality proves good enough. He confirmed our report that JVC will make full-size VHS camcorder for Zenith (TVD May 20 p9) but that unit won't be sold under JVC name.

JAPAN'S VCR EXPORTS STILL AT HIGH LEVEL: VCR exports from Japan to U.S. in May were nearly three times higher than sales to dealers here in same month, according to Finance Ministry data. Total color TV exports were down slightly.

The 1.26 million VCRs shipped constituted 4th highest monthly total in history (record was 1.37 million last Oct.), increase of 42.3% over May 1984. For year's first 5 months, 5.76 million were shipped -- just 2 million more than 5-month sales in U.S. and 60.9% above figure for same 1984 period. May shipments, however, were down from the 1.29 million of April.

Total TV exports in May were 195,300 sets, down 7.9%, decline shared by both color (down 3.7% to 146,000) and monochrome (down 18.4% to 49,200). For year's first 5 months, total TV shipments were off 4.1% to 905,400, with color up 1.6% to 705,100, b&w down 20.1% to 200,300. Within color category, complete sets in May rose 6.3% to 116,400, offset by 37.1% drop to 29,700 in chassis and kits. For Jan.-May, complete color exports were up 15.6% to 524,100, while chassis and kits were off 25.3% to 177,000.

CORNING SEES COLOR TUBES IN MAJOR GROWTH: Future of picture tube business in U.S. is bright, and Corning Glass will continue to play major role here in industry it pioneered worldwide. This was view expressed repeatedly by Corning officials when we recently visited company hq in Corning, N.Y., and picture tube bulb plant in State College, Pa.

Despite worries over sharply increased imports of color tubes and sets and some minor concern about talk of picture tube substitutes (some of which Corning itself is helping to develop), company sees demand for cathode ray tubes mushrooming far beyond TV uses, tied not only to computers but to company's own development of fiber optics, which it forecasts will lead to broadband information pipes requiring CRT terminals throughout homes and offices in future.

Although unmentioned, it's obvious that an important concern of Corning has been defeatist rumors that it's no longer committed to low-profit U.S. tube glass industry which have been circulating since it closed Bluffton, Ind., plant in mid-1983 and was overtaken by Owens-Illinois as No. 1 U.S. tube bulb maker.

"We consider ourselves part of the TV industry," we were told by TV Products Business Mgr. Donald McConnell, and we were assured that color TV industry in U.S. is still strong and vigorous -- particularly as number of North American tube makers finally is on increase, with Mitsubishi now producing in Canada and Toshiba-Westinghouse preparing to start in Corning's neighboring town of Horseheads, N.Y. "The fact that Japanese tube makers are coming here is a very positive move for glass makers," said McConnell, who expects another firm to start manufacturing here. Japanese makers, he said, have higher quality standards than those elsewhere, and Corning now is easily producing glass to their standards.

On our recent tour of Corning's facilities, we met with most top officials of tube glass operations, including Electrical Products Div. Vp Norman Garrity, TV Products Sales Mgr. Richard Moss, State College TV Plant Mgr. Marvin Mitchell, International Vp Pierre-Louis Roederer, as well as McConnell. Here's further distillation of their comments and views:

Corning aims to be "most efficient [tube] glass manufacturer in the world," is now making as many bulbs as it did when it had 2 plants. At time Bluffton closed, each plant employed about 450; now State College has 747. Corning supplies or will supply all U.S. tube makers -- GE, Mitsubishi, Philips, RCA, Sony, Toshiba-Westinghouse, Zenith. Although it sees advent of new Japanese tube makers here as encouraging sign, it's still concerned about its "customers' survival" in view of escalation of tube imports this year. Corning research presentation noted that 6.9 million color tubes were imported last year either separately or in sets and kits (45-49% of sales to dealers) and projects figure will rise to 9.2 million (55% of sales) this year -- not only tiny tubes but large ones as well.

At same time, company people seek to dispel concerns that color tube (and set) manufacture here will go way of b&w. Situation is entirely different, they explain. Abandonment of b&w came only after color was well established. But there's nothing in sight to replace color TV.

Although Corning has been a leader in fighting imports, particularly through COMPACT organization, it also stands to benefit indirectly from them since it's global leader in turnkey color bulb plant sales, licensing and know-how contracts and joint ventures in this field and currently is building world's largest glass plant in expansion of Samsung-Corning venture in Korea (TVD June 17 p16). As a matter of fact, company's 2nd-quarter report, while noting that its electronics business declined, credited improvement in equity income to performance of Samsung-Corning.

Company is working on assumption U.S. color sales to dealers will plateau at about 16-16.5 million annually through 1987, then surge to 18.5 million in 1988. When we visited 320,000-sq. ft. State College plant, it was making 26" and 19" bulbs, is equipped to build 5 different sizes in 4 glass transparencies, 4 neck types. Even new 26" size already is being made in 5 different funnels, 3 different panels. Every new size requires \$750,000 in tooling, and Corning spends \$2-\$3 million annually for tooling plus \$6 million for capital improvements in increasingly automated plant. New 26" bulb uses 15% more glass than 25" and, like tube and set makers, Corning hopes more realistic pricing of new sizes will help improve profits.

Tube bulb manufacturers increasingly are becoming like short-order cooks. Changeovers are frequent and there's great incentive to make them quickly, since tube makers don't maintain bulb inventories. Nor do they have incoming inspection of glass -- yet their reject rate was placed at 0.2%, even though tube automation and current market require better and better glass. Big goal at Corning, according to Plant Mgr. Mitchell, is "to learn how to convert [production equipment] quickly -- products don't live that long any more; the runs are short

and how fast you can start and get running is important. We are a service business. An unexpectedly dynamic market catches us short."

Corning obviously was caught short when it closed Bluffton plant just about time of completely unexpected liftoff in color TV sales. State College has run at capacity ever since. Corning officials now concede that Bluffton shutdown may have been mistake.

Corning is working with several customers on various types of proprietary flat and thin tubes and is convinced that some will become production products. (It's also looking into giant 35" bulbs.) Although "the flat tube will happen," according to McConnell, "the CRT will stay with us and continue to be the large-volume display. Flat and specialty applications will be just that."

VHD ON WAY HERE? VHD disc may be finally making trip to U.S., according to Toshiya Inoue, R&D senior managing dir. for JVC, creator and leading proponent of format. Format, which never quite made it to American market as consumer product, may appear in industrial guise, similar to approach taken by Thorn EMI and JVC in U.K. "There is something going on in the U.S.," said Inoue. "It's going to start in the training area." Announcement is expected shortly.

JVC has been developing new capabilities, demonstrated 3D disc for first time in Japan. Playback requires special decoder and Polaroid glasses, presents image realistic enough to seemingly project into first 2 rows of audience. Disc also can be watched without decoder because screen shows just one picture, not 2 overlapping images typical of other 3D processes.

Company claims VHD is alive and thriving in Japan, with 6 companies marketing 9 player brands and Toshiba-EMI venture set to begin pressing discs. JVC said VHD accounted for 130,000 and Laservision 120,000 of 250,000 players sold last year, expects sales to jump to 300,000 and 200,000 respectively in 1985. Addition of 10 new presses will hike replication capacity from 15 to 23 million discs. Program catalog is scheduled to expand from 1,500 titles to more than 2,000 by Sept., offering 40% movies, 40% karaoke (sing-along) and 20% miscellaneous; karaoke is 65% of production and sales.

—

Dumping complaint, charging 64K D-RAM chips have been sold on U.S. market at less than fair value has been filed by Micron Technology, Boise, Ida. Accused firms are Fujitsu, Hitachi, Matsushita, Mitsubishi, NEC, Oki and Toshiba, all of which denied charges. Micron, not a member of Semiconductor Industries Assn. (SIA) which filed unfair import competition complaint against Japanese IC industry (TVD June 17 p15, June 24 p15), indicated it has been forced to dismiss half of its 1,200 employees. Meanwhile, Gould Inc. said it will take \$150 million writeoff in 2nd quarter to dispose of unprofitable part of its semiconductor operations, resulting in loss for quarter. Intel Corp. said it will lay off an additional 900 workers (4% of its employes) and close one wafer fabrication plant.

Compusonic has begun pilot production of digital audio floppy disc recording and playback system for radio stations, promises deliveries of consumer version in 4th quarter. First commercial deliveries will start this summer, according to Pres. David Schwartz. Commercial version has 10 min. recording and play time, but Schwartz said new drive should result in 45-min. version for consumer market, to be field-tested by end of summer. He said company has formed national sales organization of 12 reps, will have 75 high-end audio dealers in major markets. Schwartz also announced that Siemens plans to license system for Germany and Austria and AVM Ferrograph has agreed to make consumer version in U.K. Broadcast Electronics will make version for radio stations, according to Schwartz.

New Grundig distributor for autosound products, Chancellor (USA) Inc., will offer full Grundig line, including TVs and VCRs, in June 1986, according to Chancellor Pres. Joel Koenig. Grundig has tried repeatedly to crack U.S. TV and video market, last time being in 1983-84 when TV line was licensed to Display Devices Inc. (DDI), headed by Robert Moore (TVD Nov 7/83 p11 et seq.). Grundig-DDI deal fell apart after Grundig control passed to Philips. Chancellor will be U.S. distributor for Grundig autosound, will sell on 2-step basis through regional distributors.

Use of 8mm VCRs as digital audio-only recorders could lead to new standards battle. Hitachi presented paper at International Conference on Consumer Electronics (ICCE) in Chicago describing 6-track system in which cassette automatically reverses at end of each track and runs in opposite direction, eliminating interruptions. VCRs with audio-only option introduced so far by Eastman Kodak and Sony (TVD June 3 p11) record sound in one direction only; tape must be rewound after each pass.

Japan will cut or eliminate import duties on 2,400 items in 1986 and 1987. Those eliminated will include picture tubes, TV and radio parts, phone switching equipment. To be cut by 20% are duties on electronic calculators, record albums, recorded tapes.

Sears experiments with name-brand consumer electronics at retail stores, offering RCA video and Sony audio in Atlanta, Sony video and audio in San Francisco.

NEW GE LINE: After abandoning list prices last year, GE has picked them up again for 1986 model line (TVD June 3 p15) that includes 60 color TV models, up from 53, increase from 8 to 15 VCRs, plus 8mm Video and VHS camcorders and VHS player. Gone is formal good-better-best color line approach. Performance and Performance Plus designations used in last 2 years to designate leader and stepup series have been dropped, although Command Performance is still employed for limited number of high-tech models.

Line starts with mechanically tuned 10" trio at \$195 and \$200; 13" with mechanical tuning are \$220 and \$230, with cable remotes at \$325 and \$335; 17" opens at \$275 for mechanical tuning, steps to \$350 for cable remote, \$440 for remote with drop-down tambour door that hides screen when set isn't in use.

Mechanically tuned 19" are \$300, \$305 and \$330, last with SAP audio capability. Keypad 112-channel models are \$330 and \$350, with remotes at \$375, \$390, \$400 and \$405; stepups, all with channel blockout, are \$445 each for holdover 130-channel slimline monitor with VIR and new similarly designed nonmonitor; step with built-in FM-AM clock radio is \$455; high-end remote with MTS stereo, audio output jacks is \$510.

Big-screen table models, all cable-ready remotes, start with 25" at \$575, step to \$650 for MTS, \$700 for MTS monitor, \$910 for 26" MTS monitor. Standard consoles, all 25", open with mechanically tuned \$505 leader, move to electronic cable tuning groups at \$550 and \$585, remotes at \$595 and \$625. Double-sided stereo consoles start with nonremote MTS adaptable model at \$645, step to MTS-inclusive remote trio at \$770, space-saver versions on swivel bases at \$840.

Command Performance collection, all with VIR, starts with 19" MTS-adaptable monitor at \$400, with remote channel blockout version at \$610, moves to MTS unit with timer and on-screen programmability at \$645. Consoles, 6 models, all are 26" remotes with MTS at \$1,045 and \$1,100. Sole projection TV is 40" MTS-adaptable at \$2,549. Special 25" MTS-adaptable VIR remote table model monitor with built-in Home Minder computer for programmable control of lights and appliances is \$1,200.

VHS VCRs, all front load, start with 4-event 14-day programmable wired remote at \$370, step to \$390 for cable tuning; leader wireless remote is \$415, cable-ready stepup is \$430, 4-head remote is \$555. Stereo, all remotes, are \$550 for longitudinal only, \$710 for 2-head hi-fi, \$815 for 4-head hi-fi, \$1,080 for 4-head hi-fi with MTS. Portable leader with docking tuner-timer is \$580, and steps, all remote, are \$815 and \$1,044 with longitudinal stereo. New remote portables that dock by stacking rather than fitting side to side, are \$1,069 for longitudinal stereo, \$1,175 for hi-fi. Camcorders are \$1,240 for 8mm (\$325 for optional tuner-timer) and \$1,999 for VHS. VHS player is \$330.

Camera line includes palm-held at \$480, remote version at \$695; full-sized cameras start with 1/2" Newvicon 6:1 zoom autofocus at \$675, version with 2/3" Newvicon 8:1 zoom autofocus and titling keyboard at \$715, step to similar model with 1.5" high-resolution electronic color viewfinder at \$1,280.

* * * *

Sharp announced 2 "affordable" audio-video systems: 14" monitor receiver with dual cassette deck, 2-way speakers with 6.5" woofers is \$700; 20" unit with VHS Hi-Fi VCR, CD player, control center, 40 w per channel receiver, graphic equalizer, dual cassette deck at \$3,200.

Marantz's first VHS recorder line starts with 2-head Dolby stereo model with wireless remote at \$600, with 4-head VHS Hi-Fi models including built-in MTS at \$750 and \$950. Its first color TV -- 25" monitor receiver with 134 channels, built-in MTS, 2.5 w stereo amplifiers -- is \$900. Audio-video rack systems including monitor and VCR are \$2,500, \$3,000 and \$3,500.

—

FMX extended-range FM stereo system developed by CBS Technology Center and NAB got first exposure to receiver manufacturers at International Conference on Consumer Electronics in Chicago, where CBS put on simulated demonstrations. System is based loosely on TV's multichannel sound technology, adds new stereo subcarrier with compressed audio version of L-R difference signal. Result is greatly extended range of stereo broadcasting, carrying virtually same distance as mono FM signal. CBS's Emil Torick said 2-chip system is being developed for FMX receivers and company hopes to license manufacturers. He said no FCC permission is required for broadcasters to use system since signal isn't altered, but extra subcarrier is added.

Portavideo lowered prices on videocassette players. Three-speed unit with search, made by Korea's Gold Star, is now \$230 in lots of 4 or fewer (down \$30), \$225 for 5-49 units (down \$15), \$215 for larger quantities (down \$15); soft carrying case is \$20-\$30, depending on quantities ordered. New single-speed lightweight (12 lb.) made by Japan's Clarion is \$250 for 4 or fewer, \$240 for up to 49 and \$230 for 50 or more; hard case is \$20-\$30. Combination VCP and 12" color monitor is now \$825 for fewer than 5 (down \$75), \$810 for 6-19 units (down \$65), \$790 for 20 or more (down \$60). With auto rewind and replay, units cost \$50 more. Original Funai-made unit (at \$279-\$299) no longer is on price sheet.

Interactive video systems in health care market will be \$370 million hardware and software business by 1990, according to study by SK&A Research. Market, which could be dominated by pharmaceutical industry, is expected to attract 750 major corporations by 1990, according to study, available for \$650 from SK&A, 2102 Business Center Dr., Irvine, Cal. 92713.

VIDEO SPARKS JVC: Video products led JVC's consolidated sales to 17% increase to \$3.124 billion in year to March 20, while net income rose 1% to \$95.3 million. Export sales increased 13% to \$2 billion and home market sales rose 25.1% to \$1.126 billion -- all figures based on current yen value.

Fluctuating foreign exchange rates, distribution investment and videotape price competition were outweighed by "significant rise in video equipment sales, production rationalization and improved financial conditions." Video equipment sales rose 22% to \$2.056 billion, while audio equipment was up 2% to \$496.5 million, records and music tapes up 2% to \$122 million, TVs and other products up 17% to \$449.2 million. To meet "severe competition" in video, JVC said it will increase efficiency, stress new business areas such as VHD disc.

Matsushita earnings on parent-only basis rose 6.8% to \$220.4 million in half to May 20 on sales increase of 16% to \$6.72 billion. Sales of VCRs -- company's largest single line -- grew 20% to \$1.589 billion, bringing overall video equipment sales (including color TV) to \$2.219 billion, up 19%. Communication and industrial equipment sales gained 7% to \$1.28 billion. Appliance sales were up 7% to \$1.126 billion, electronic components up 6% to \$978.8 million, audio equipment sales down 3% to \$551.8 million, energy and kitchen products up 1% to \$349.8 million, other products up 11% to \$215.7 million.

Domestic sales increased 5% to \$4.2 billion, while exports went up 17% to \$2.52 billion. Matsushita credited gains to increase in efficiency, noted that domestic market was depressed and saw signs of slower growth rate for U.S. economy.

Corning reported its net increased by 21% on 4% sales rise in 2nd quarter while profits were up 11% on 1% lower sales in half (see financial table). Most major business categories except electronics and consumer products performed as well as or better than last year, company said, and Samsung-Corning joint venture in Korea was cited as improving company's equity income.

Crazy Eddie will split stock 2-for-1 if stockholders approve increase in shares July 16. N.Y. retailer, which went public last year, reported 112% increase in profit for first quarter ended June 2 on 48.7% hike in sales. Five additional stores made significant contribution, company said, adding that sales for stores already in operation were up 20.5%.

Tatung's exports rose 128.8% last year to \$211.4 million, to make it Taiwan's biggest exporter, edging out RCA, which had 12.3% rise to \$205.4 million, Economics Ministry reports. Among other electronics companies in top 10: Texas Instruments 5th at \$157.1 million, up 26.7%; General Instrument 6th at \$156.6 million, up 30.4%; Atari 8th at \$141.6 million, up 77%; Orion 9th at \$119.5 million, up 128.9%.

DUAL CASSETTE WHAMMY: British audio industry is reeling as result of strong ruling by High Court that double cassette decks infringe copyrights. Court obviously meant decision to set precedent, and record manufacturer suits against at least one tape deck marketer are pending.

In U.K., as in U.S., vast majority of audio decks now being offered are of dual cassette variety, although in 1982 British Phonographic Industries (BPI), record trade group, successfully persuaded Aiwa to withdraw quadruple-speed deck. Last year Amstrad, successful low-end rack system marketer, launched provocative campaign for high-speed double decks ("Tapes tapes tapes, twice the speed of sound and copies in half the time").

BPI complained to British ad standards group and wrote to dealers stating its opinion that Amstrad was acting illegally. Amstrad sued BPI, charging false accusation, while some BPI members sued Amstrad for infringement. High Court spent 5-1/2 days hearing Amstrad's complaint. Ruling last week by Justice Whitford, who is considered very knowledgeable in copyright cases, was devastating to Amstrad and audio industry.

Judge's decision took 2 hours to deliver, obviously was meant to stand as precedent. He ruled against Amstrad on every count, said infringement was intended purpose of company's product and Amstrad encouraged customers to infringe. As for copyright warnings in ads and instruction books, Whitford said they were phonies with no effect.

Although judge's decision referred specifically to high-speed decks promoted by flagrant ads, it puts into serious question legality in Britain of all double decks. High Court is subject to review by Appeals Court. Decision was specifically on suit filed by Amstrad; suits against Amstrad by CBS Records and others have yet to be heard.

Meanwhile, on Tottenham Court Rd., London's audio-video row, dual Sharp video decks designed for sale in Mideast are being widely offered.

Japan's **General** says it has received \$6-\$6.5 million order from Commodore for 40,000 13" color display monitors, with cables, to be delivered over next 4 months.

VCR sales in first 23 weeks of 1985 exceeded those of full year 1983 (4,097,704 vs. 4,091,321). Strong sales were registered in all video areas for 3rd week of 5-week June (see State of the Industry). Direct-view color sales were up 27.7%, enough to bring 5-week moving average and year-to-date (24 weeks) sales to new records. VCR sales for week rose 96%, projection TV 39%, color cameras 32.1%. Combined with big first week, figures brought June's first 3 weeks strongly into record column, with direct-view color up 18.7%, projection up 30.6%, VCR 77.7% and color cameras 17.5%.

COLOR TUBE IMPORT SURGE: After years of being minor annoyance to domestic manufacturers, color picture tube imports have blossomed this year into major competitive threat, according to Commerce Dept. figures, which show shipments jumped 4-fold in first quarter.

Imports of direct-view color tubes jumped 300% in Jan.-March to 391,100; addition of 244,200 tubes shipped in as part of color sets puts quarterly total at 635,300. U.S. factories turned out 2.89 million color sets in period (TVD June 17 p12), so imported tubes represented 21.9% of domestic OEM demand, up from just 9.4% in same 1984 quarter.

Nearly half of tube import rise came in jump from fewer than 12,000 to nearly 154,000 in 13" and 19" tubes from Korea -- exceeding 151,000 total from there in all of 1984. More than 80% of Korean shipments were 13", reflecting U.S. industry's dependence on imports as domestic tube makers GE, Philips and RCA are halting output in that size. Also contributing heavily to increase was Canada, with 56,300 19" and over-20" tubes, against essentially none in same 1984 quarter. Shipments presumably are from Mitsubishi plant there.

Along with rise in shipments came sharp declines in average import pricing: in 13" tubes, to \$36.19 from \$43.40 in Jan.-March 1984; 16-17", to \$59.13 from \$96.15; 18-19", to \$57.26 from \$84.34. Steep pricing falloff presumably marked gain in number of standard grade and reduced percentage of monitor quality tubes, in import mix. Down more modestly were prices on 20"-&-over, to \$70.26 from \$73.25,

Videotex has given up on American homes, at least temporarily -- and presumably is giving up the so-called "standard" NAPLPS system as well -- judging from Videotex '85 in N.Y. last week, 4th annual industry trade show. While previous events were dominated by home videotex and teletext systems, this year's show was geared almost entirely to computer networking (electronic banking, shopping, etc., mostly using ASCII computer presentations rather than NAPLPS graphics) and to point-of-purchase and public information kiosks. Among major exhibitors were AT&T, Digital, IBM, Sperry -- no NBC, no CBS, no Zenith. Many exhibitors, including Sony and Panasonic, showed various videotex-videodisc combinations, latter demonstrating prototype using its own read-write disc system. Sony and Panasonic teletext decoders weren't featured.

Electronic Accessories Show, scheduled for Atlantic City Oct. 10-11, has sold more than 40% of its exhibit space, according to Alfred Rosenthal, pres. of sponsor NTA Shows. Exhibitors already committed include Allsop, Alpha Entertainment, Amaray, Audio Technica, BASF, Electricord Innovative, Gemini, Joyce Molding, Maxell, NAP, NAPA Valley Box, Nortronics, Pickering, Recoton, Scotch, Sony, Swire Magnetics, TDK, TEAC.

and 14-15", to \$54.46 from \$55.93, while 12"-&-under tubes rose to \$71.13 from \$60.43.

Also rising sharply were tubes for projection TVs, up 137.6% to 122,500. Tube pricing average dipped slightly to \$46.05 from \$49.02. Imports of b&w tubes slipped 1.1% to 43,100. Average pricing was mixed, with 12-16" declining to \$12.91 from \$15.58, while all other sizes rose to \$17.98 from \$16.81.

Here's summary of picture tube imports:

**U.S. 1985 FIRST QUARTER
PICTURE TUBE IMPORTS**

Type	Units	% Chg.	\$ Value	% Chg.
Color				
12" & under	3,770	-68.7	268,153	-63.1
13"	170,579	+661.6	6,173,233	+643.4
14-15".....	50,311	+154.3	2,740,078	+147.7
16-17".....	7,052	+315.3	416,973	+155.4
18-19".....	71,922	+146.2	4,118,508	+67.2
20" & over.	87,472	+165.7	6,146,064	+154.8
w/TV kits..	244,200	+35.7	n.a.	--
Monochrome				
12-16"...	2,572	-78.9	33,203	-82.5
Other....	21,546	-31.3	387,537	-26.5
For Projection TV				
	122,536	+137.6	5,643,779	+123.3

Toll of slump in computers continued to increase as Data General laid off 1,300 employees in U.S. and overseas, more than 7% of work force, indicated it may report loss in quarter to June 29. In U.K., meanwhile, Acorn Computer, now 49.3% owned by Olivetti, halted trading in its stock while it seeks more cash. Apple Computer Pres. John Sculley revealed new sales strategy that will rely heavily on computer retailers, cut direct sales force and encourage outside accessory makers to design products for its computers.

Hitachi jumped from 5th place in fiscal 1983 to 2nd last year in list of Japan's 50 most profitable companies, compiled by Nihon Keizai Shimbun. Hitachi's pretax operating net of \$1.02 billion trailed only \$2.09 billion in earnings of leader Toyota Motors. Among other Japanese consumer electronics firms ranked (profits in millions): Matsushita 4th, \$940, Toshiba 10th, \$576, NEC 16th, \$503, Fuji Photo 18th, \$383, Mitsubishi 23rd, \$340, Sony 26th, \$322, Kyocera 32nd, \$289, Sharp 39th, \$253, TDK 41st, \$245, Sanyo 42nd, \$222.

Optical & Videodisc Systems conference is scheduled for July 28-30 in Monterey, Cal. Information: Institute for Graphic Communication, 375 Commonwealth Ave., Boston 02115.

Consumer Electronics Personals

William Byron rejoins Sanyo as pres. of Consumer Products Div., new post, following resignation of **Jeffrey Berkowitz**, sales and mktg. exec. vp, for personal reasons; Byron served at Sany 1971-81, leaving as senior vp-sales, to head rep firm CMA Sales; he most recently was a principal in Byron, Season & Co., Southern Cal. rep firm; **Paul Eibeler**, ex-Imagic and Wicat Systems, named Sanyo eastern region sales mgr., with hq in Little Ferry, N.

Thomas Collins, RCA Consumer Electronics consumer affairs vp, takes early retirement, continues as consultant... **George Hamilton** promoted to sales and operations vp, Zenith International Sales Corp., with responsibility for Canadian market as well as sales to domestic military and GSA; **Gregory Gronowski**, ex-Zenith Distributing Corp. of Ill., named Zenith video system product planning dir.; **Philip Holmes** promoted to Zenith accounting dir.

David Bearden appointed Quasar Video Recorder Div. national sales mgr., is succeeded as div. mktg. mgr. by **Mike Shoemaker**, ex-Platt Music; **Jan Lechowitz** promoted to asst. mktg. mgr.; **Mory Saigusa**, ex-Matsushita Hi-Fi Div., Japan, joins Video Recorder Div.; **Matt Omoto**, ex-Matsushita Japan, named TV Div. mktg. mgr.; in other Quasar marketing changes, **Neil Davis** becomes southwest general zone mgr., replaced as southeast zone mgr. by **Gabe Villani**; **Thomas Chadwick** succeeds Villani as Miami branch mgr., and **Pat Burke**, ex-northeast region sales mgr., takes over from Chadwick as sales mgr.-national groups; **David Isenberg**, ex-Hartford office, moves to Quasar N.Y. Metro Branch; new Quasar regional sales mgrs. handling sales to independent distributors: **Mike Conway**, upper midwest; **Ron Shorts**, south central; **Barrie Frees**, ex-CPT Corp., northeast.

Marvin Stern, ex-senior vp for hard lines merchandise, named Montgomery Ward exec. vp-mdsg. in reorganization that sees **John McGivern** become senior vp and gen. mdse. mgr. for major appliances and electronics... **Harris Feinstein**, ex-Machine Technology, named finance vp, Display Sciences Inc., N.Y. (projection TV)... **Angelo D'Amelio** joins Thorn EMI/HBO Video as vp-chief financial officer... **Maxime Sadowsky** resigns as pres. of Cine Club Video, N.Y. subsidiary of French superstore chain; Chmn. **Jacques-Henri Djian** takes pres. over duties.

La Rae Petrovich advanced to operations exec. dir., Paramount Home Video... **Marshall Forster** named gen. mgr., New World Video Canada... **Alison Ayers** advanced to contract administrator, Media Home Entertainment... **Claudia Flintermann** promoted to ancillary mktg. and distribution vp, **Lynn Edelstein** to administration dir., **Michael Klein** to film acquisitions vp, Playboy Video; **Jill Marti** named

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
AM Cable TV Industries 1985-year to March 28	26,923,000	(7,468,000)	—
1984-year to March 31	24,082,000	(6,249,000)	—
1985-13 wk. to March 28	4,596,000	(3,633,000)	—
1984-13 wk. to March 31	5,342,000	(3,460,000)	—
Corning Glass 1985-24 wk. to June 16	817,900,000	73,200,000	1.73*
1984-24 wk. to June 17	828,500,000	65,800,000	1.56*
1985-12 wk. to June 16	425,500,000	44,300,000	1.04*
1984-12 wk. to June 17	410,100,000	36,600,000	.87*
Crazy Eddie 1985-qtr. to June 2	45,800,000	1,140,000	.17
1984-qtr. to June 2	30,800,000	538,000	.11
General Instrument 1985-13 wk to June 2	218,659,000	(3,304,000)	—
1984-13 wk to May 27	238,705,000	9,251,000	.30

Notes: *Includes special credit. *Adjusted; includes special credit.

Playboy Programs development vp... **Soozy Sommers** joins Vidmark Entertainment as sales and mktg. dir... **Lois Sloane** named vp, MGM/UA Home Entertainment Group's Ancillary Rights Div... **Francesca Barra** advanced to acquisitions head, CBS/Fox Video International U.K.

Ron Marin resigns as vp of HWH Enterprises to form own PR agency, Ron Marin & Assoc., Newton, N.J., 201-579-3369... **Tom Cramer** appointed communications and membership development mgr., Society for Private and Commercial Earth Stations (SPACE), new post... **Martin Cohn**, ex-vp-sales mgr., named publisher-vp of Dealerscope, now owned by North American Publishing Co... **Stuart Horton** named pres.-CEO, Eastman Publishing Corp., Encino, Cal. (computer magazines), continuing in same post at CES Publishing; both are owned by International Thomson Business Press.

Stereo TV station count has now reached 70 with start of KTVY Oklahoma City (NBC), KPNX-TV Phoenix (NBC) and KUSA-TV Denver (ABC).

Ad notes: Sharp is 3rd-best-known Japanese consumer electronics brand in U.S., after Sony and Panasonic, is tied with Texas Instruments for 5th overall, behind RCA and Zenith, according to study by Chilton... **Popingo Video** appoints HWH for PR... **X-10 (USA) Inc.** (home control systems) names Daniel S. Roher Inc. for PR... **N.Y. Times** will carry full-page ad, Home Video Bulletin, in 50 issues of Sun. edition starting this summer paid for by distributor Metro Video, which expects to recoup \$1.3 million investment by selling space to software retailers and program suppliers. Times claims 721,000 of its readers own VCRs.

TELEVISION DIGEST®

The Authoritative Service for Broadcasting, Cable, Consumer Electronics and Allied Fields.

With Consumer Electronics

JULY 8, 1985

VOL. 25, NO. 27

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

BUSY 4 WEEKS COMING UP AT FCC in Mass Media area, starting with July 9 meeting on fairness inquiry, followed by July 12 dismissal of complaints against CBS and ABC. (P. 1)

CBS TO BUY BACK 21% OF SHARES in \$955 million recapitalization plan as major roadblock to TBS takeover bid and any others that don't use cash. Turner reacts. (P. 2)

MEDIA MERGER MANIA ISSUES to be examined by House panel and by FCC at special meeting. But Subcommittee hearing loses some glamor. (P. 5)

ABC SETTLES SEX HARASSMENT SUIT at start of trial of charges by ex-employe Cecily Coleman in Washington; terms not disclosed. (P. 5)

FCC CABLE EEO PROPOSALS encourage 'race-conscious' practices, Sen. Hatch tells Fowler in letter criticizing Commission's plan to rely on existing guidelines. (P. 6)

M/A-COM SIGNS ANIXTER as descrambler distributor, first step in making VideoCipher II box widely available. ESPN begins marketing to TVRO owners. (P. 7)

BMI, TV STATIONS RESUME TALKS: Settlement reached on rates but '2 sticky issues' remain. (P. 7)

BUSY 4 WEEKS AT FCC IN MASS MEDIA AREA: Starting with 2 meetings this week, several major Mass Media Bureau items will be on agendas of FCC meetings before annual summer hiatus starts Aug. 8. Many of them will deal with fairness doctrine issues -- and broadcasters are expected to win in each case. This week's activity gets under way July 9 when Commission is scheduled to put out inquiry on mergers and acquisitions (see separate story). Meeting was postponed from today (July 8), because Commission will be circulating item approving Jack Cooke's request for short-form transfer of Multimedia to proposed trustee, ex-Sen. Eugene McCarthy (D-Minn.).

At July 12 meeting, FCC is set to deny fairness doctrine complaints against ABC and CBS. ABC case involves FCC reconsideration of celebrated CIA complaint that network had violated doctrine (TVD Feb 25 p5). While Commission plans to dismiss case for 2nd time, underlying

Consumer Electronics

TANDY TO BECOME BIGGEST name brand consumer electronics retailer with acquisition of 207 Videoconcepts stores from Jack Eckerd. (P. 9)

VCRs IN 50% OF HOMES with color sets by 1987 seen in survey on scrappage, multi-VCR homes, reexports, nonhome sales. (P. 10)

WHERE'S THE DISASTER? Hitachi's O'Neil disagrees with RCA, calls color No. 1 problem, VCR inventories okay and sales hot. (P. 11)

WIS. VILLAGE BOARD BLOCKS sale of VCRs by local cable firm, cites franchise clause that bars sales and service of TVs, TV receivers. (P. 12)

GE LABOR CONTRACT agreement with IUE and UE calls for improved benefits but provides only 3% wage hike in each of next 3 years. (P. 12)

HOME DIGITAL VCR using 1/2" metal tape under development at Japan's NHK. It's seen as possible delivery system for HDTV. (P. 13)

FALL-WINTER CATALOGS: Sears opens 13" color at \$190. Penney prices level to down. (P. 14)

RAPID VCR GROWTH OVER, says study by Merrill Lynch Tokyo office. VCR shipments to U.S. seen 5 million more than sales in '85. (P. 15)

issue is whether govt. agencies should be permitted to file complaints under doctrine. Following lead of Chmn. Fowler, Commission is expected to rule that such complaints by govt. agencies are permissible, although many on staff are known to disagree strongly, feeling such complaints are misuse of govt. processes. There's also strong feeling at FCC that if CIA complaint gets to U.S. Appeals Court, D.C., it will be perfect vehicle that broadcasters -- and FCC Chmn. Fowler -- have been looking for to launch all-out frontal attack on constitutionality of doctrine.

CBS case involves complaint by American Legal Foundation against Our Times with Bill Moyers segment on Pentagon, claiming Moyers distorted suitability of 2 major weapons systems (TVD March 11 p4). Second issue in complaint involves alleged personal attack against Pentagon program managers, which FCC also will deny. At closing meeting Aug. 7, Commission will wrap up its overall fairness doctrine inquiry, rule that doctrine is mandated by Sec. 315 of Communications Act and that agency doesn't have authority on its own to repeal fairness mandate. There still remains question as to whether inquiry will be left open so that Commission can easily revisit issue.

In equal time case, at July 25 meeting FCC will consider complaint of newsman William Branch, KOVR-TV Stockton, Cal., who wanted to run for city council of Loomis, which was being incorporated (TVD Aug 20 p8). However, he was told by station that if he ran he would be suspended and taken off air. As in similar cases in past, Commission is expected to rule that under equal time, licensee was justified in its action. Branch subsequently didn't run for office, saying he would be deprived of livelihood. He also has filed suit in U.S. Dist. Court. Other major items at July 25 meeting will be proposed expansion of AM band above 1600 kHz (expected to be approved) and clearance of several Del. and Pa. licensees facing EEO complaints.

Commission is expected to clear its plate at July 12 meeting of all pending cable franchise fee disputes by dismissing several petitions, some by cable operators and some by cities. Cablers have several requests for rulings that they are being overcharged or are being forced to pay fees to support noncable functions. Involved are "millions of dollars" in disputed fees, FCC official said.

All those franchise fee disputes seemingly were made moot when agency adopted new rules to implement effective competition provisions of Cable Act (TVD April 15 p1). In that order, FCC said "any disputes involving the franchise fee are best resolved through the courts." NCTA, as late as July 5, filed statement in support of Miami Cablevision, which had asked FCC to reconsider its decision to remove itself from franchise fee disputes (see separate story).

At Aug. 7 meeting, Commission is expected to grant 2-year-old petition by Cox Cable for federal preemption of state and local laws making it difficult for cable operators to offer data transmission services in competition with local telephone companies. Petition arose from situation at Cox's Omaha system, which ran into telco opposition to planned Indax service for institutional network customers.

"The cable industry will be very gratified by the outcome" of FCC's ruling on Cox petition, Commission official said. Others have predicted FCC would grant Cox petition, citing as precedent its preemption of state and local zoning laws creating entry barriers to SMATV companies.

When Commission comes back after hiatus, major item at Sept. 18 meeting will be cable EEO rules (see separate story). Schedule for other major Mass Media items in fall will be set later this month, according to Bureau Chief James McKinney.

CBS TO BUY BACK 21% OF ITS SHARES: CBS announced a \$954.8 million recapitalization plan July 3 under which company plans to repurchase 21% of its outstanding common stock,

paying stockholders \$150 in cash and debt for each repurchased share. Billed by CBS executives as far better for shareholders than Turner Bestg. System's offer to exchange debt and equity for all of CBS shares, recapitalization plan contains "poison pill" provisions that could block Turner's bid for CBS, according to analysts.

TBS immediately opposed recapitalization plan, said in July 5 FCC filing that stock buyback plan should be halted pending Commission approval because it constitutes a transfer of control from stockholders to CBS board and a few select stockholders. Turner also asked FCC to accelerate approval of its takeover proposal to July 15 "so that CBS shareholders can consider our offer at the same time they are considering CBS's self tender," said TBS Chmn. Ted Turner.

Recapitalization plan had little immediate impact on price of CBS stock, however, as it closed July 3 at 118-1/4, up 3/4, although high of 1.54 million CBS shares were traded during day. It closed July 5 at 116-3/8, down 2-1/4 on 826,600 shares traded.

CBS also said it would sell \$300 million worth of assets in next 12 months and cut projected overhead \$20 million a year by 1987 to reduce debt of \$1.3 billion that will result from stock repurchase. CBS refused to elaborate on what assets would be sold.

For each share it purchases, CBS is offering \$40 in cash and a \$110 senior note paying 10-7/8% interest for 10 years. CBS board has endorsed offering as "preferable alternative to the TBS offer in view of the speculative character of the TBS securities." Purpose of offer "is to provide the company's shareholders with the opportunity to receive a substantial premium over recent market prices of the shares for a significant portion of their shares while retaining a substantial equity interest in the company," according to CBS's offering document.

Despite numerous references to TBS offer in document, CBS Chmn. Thomas Wyman refused to label recapitalization direct response to TBS bid. Event in past 6 months that brought company to point of major recapitalization, he said, was "the proposed and obviously in-process merger between ABC and CapCities." That is what raised expectations among shareholders that they should receive greater returns on their holdings in CBS and other media stocks, he indicated.

But deal does contain several key provisions that could block Turner's bid and any other that envisions use of large amounts of debt to take over CBS. Cash portion of repurchase offer is being financed with \$123 million from private placement of new Series B convertible preferred and \$137 million in short-term borrowings. Both preference stock and credit agreements contain restrictions on level of debt CBS can take on and on mergers and acquisitions company can enter into. Those restrictions, according to offering document, "may impede the consummation of the TBS offer and could also deter certain other persons from attempting to acquire control of [CBS], particularly persons who would finance a takeover" using CBS's own assets and cash flow.

At hastily called meeting with security analysts morning of July 3, Wyman admitted "it would be extremely difficult to imagine the present Turner offer being implemented if these [conditions] are in place." Wyman noted that current CBS board would have to approve increase in company's debt above 75% of capitalization. After company has completed asset sales and cost cutting, he noted, debt will be at about 50% of capital. In addition, senior notes issued to shareholders would automatically become "due and payable" if debt goes above 70%, he said.

Analysts agreed that those provisions effectively would block current Turner offer, requiring him to come up with good deal of cash if he wants to make another try for CBS. Turner's "got to find somebody else" to provide cash for 2nd offer, Richard MacDonald of First Boston said, adding that CBS moves had made it "very expensive" for Turner to pursue company.

Wyman refused to identify what parts of CBS would be sold off in next 12 months as company goes through its \$300 million in asset sales. Company has developed "fairly specific

list of possibilities to which we could turn" and divestitures could include sale of activities or facilities and sale-leaseback arrangements, Wyman said. Sales won't affect company's commitment to core businesses of broadcasting, records and publishing, he added, but that's "not to say" some sales might not come from within those segments.

Of commitment to reduce projected overhead costs by \$20 million per year, Wyman told analysts: "I don't think you'd characterize CBS as a lean and hungry skeleton crew corporate operation." Company will have to adjust how it operates and what it costs to operate, he said. Another component of plan is option beginning in 1988 that granted ex-Chmn. William Paley and his relatives right to sell to company 434,489 of total 1.91 million shares they hold at \$150 per share. In exchange, Paley has agreed not to tender any shares under repurchase offer. Wyman said Paley in part was taking step because tax laws would treat his sale of shares as dividend rather than capital gains. To Wyman's knowledge, no other shareholders, including dirs. and management, intend to hold back.

Revenues in 2nd quarter just ended will increase slightly while net income is expected to decline 20-25% from \$88.6 million earned in 1984's 2nd quarter, CBS said. Pro forma projections that take recapitalization into account show CBS expects net income per share to stand at same \$7.15 level at end of this year as in 1984. Net per share should increase by 25% in 1986, 20% in 1987, CBS said.

Before FCC filing, Turner said it would "vigorously challenge CBS' proposal in the courts and at the appropriate regulatory agencies... The financing arrangement proposed by CBS involves the granting of poison pill, voting and other rights which attempt to have the effect of frustrating the right of CBS shareholders to consider our offer... We intend to pursue our offer vigorously." Turner also said that CBS announcement "finally acknowledges that inherent values in the company exceed the recent market price for CBS shares." CBS offer "carries a significantly lower face value than our \$175 offer," Turner claimed.

TBS July 5 request asked Commission to rule that stock repurchase violates Communications Act. Filing said recapitalization plan "attempts to emulate TBS's offer by proposing to sell some CBS assets, reduce corporate overhead and increase the return to CBS shareholders." Turner also said: "However, CBS's offer takes away far more than it gives to CBS shareholders -- the poison pill provisions take away the shareholders' control over future CBS decisions. CBS's proposal involves a transfer of the major decision-making power of CBS from the shareholders to the CBS board and a new select group of preferred shareholders.

TBS earlier also had characterized statement filed at FCC by CBS June 28 (TVD July 1 p1) opposing TBS attempted takeover "as merely a repeat of the unfounded and erroneous assertions found in [CBS] original petition to deny." Said Turner: "We are confident that the FCC will conclude that there is no basis to deny our applications or to designate the matter for hearing." William Bevins, TBS chief financial officer, said CBS criticism of Turner plans to finance acquisition "was to be expected... CBS was forced to assume a precipitous decline in its ratings in order to support its tenuous position."

Mergers and acquisitions increased 38% among broadcast firms in 1984, but dollar volume dropped from \$3.7 billion in 1983 to \$1.9 billion last year, according to "1984 Mergerstat Review" compiled by W.T. Grimm & Co. However, 1985 dollar volume already is well in excess of last year, stimulated by FCC rule that became effective April 1 permitting licensees to own up to 12 TV stations.

ABC Video Enterprises will announce new joint venture with undisclosed partners at N.Y. news conference July 10. Although there was speculation last week that venture would involve pay-per-view service, we're told that's not the case.

Comcast is buying 2 Mich. cable systems from Maclean Hunter for undisclosed terms. Changing hands are Pontiac and Waterford Township systems that together pass more than 46,000 homes and have 19,700 subscribers. Price is thought to be in \$20-\$25 million range. Comcast recently bought system serving Ft. Wayne (TVD July 1 p7).

Success of French videotex has forced govt. to suspend until Sept. state-subsidized distribution and installation of Minitel terminals to prevent overloading of data transmission system. Transpac packet switching network reportedly can't keep up with expanded traffic in France.

HOUSE PANEL TO EYE MERGER MANIA: Some of expected excitement will be missing from this week's House Telecom Subcommittee hearing on broadcast industry acquisitions. Instead of once hoped-for star-studded cast including Rupert Murdoch, witness list has been whittled down to: FCC Chmn. Fowler, RCA Chmn. Thornton Bradshaw, Anthony Hoffman from N.Y. investment firm Craline & Co., Henry Geller of Washington Center for Public Policy and representative from N.Y. law firm Skadden, Arps, Slater, Meagher & Flom, which is representing CBS in Turner's takeover bid.

Ted Turner has been invited to testify but isn't expected to attend. Murdoch will be out of U.S., aide said. Hearing is July 10, 9:30 a.m., Rm. 2123 Rayburn Bldg.

Subcommittee spokesman said session will focus on 6 questions relating to Commission involvement in ownership changes, particularly mergers and hostile takeovers: (1) How should FCC structure review process so that it doesn't act as barrier to takeovers but still assures that proposed transfer is well scrutinized? (2) What procedures should FCC use in reviewing hostile takeover and when should review occur -- before, during or after takeover? (3) Who controls company, shareholders or management, and should FCC review of proxy contest differ from review of hostile tender offer?

(4) How do media mergers and takeovers affect broadcasters' financial resources available for public service programming and is it possible for FCC to evaluate such factors? (5) Should mergers and takeovers that involve broadcast network be held to higher standard of public interest scrutiny than other transfer applications? (6) Should consistent standard be developed with respect to divestiture of properties and waiver grants to ensure that there's uniform compliance with Commission's ownership rules?

FCC will address many of same questions at special meeting July 9, is expected to issue very broad inquiry into role it should play in mergers and takeovers through tender offers and proxy contests. (see story elsewhere in this issue.) In previous actions, such as Storer Communications fight against Coniston Partners (TVD May 13 p5), commissioners split 3-2 on when takeover actually occurs. Fowler has said Commission won't stand in way of attempted takeovers and mergers.

Multimedia has asked FCC to dismiss short-form application seeking assignment of Multimedia stations to Jack Cooke trustee Eugene McCarthy, ex-Democratic senator from Minn. "Cooke's vaguely stated intention to attempt to acquire control by a merger which he cannot by [S.C.] law accomplish, or by other unidentified methods, affords no basis for Commission action," Multimedia said. Grant of application "would permit the Commission's processes to be invoked... as a gambit to serve purely private purposes."

ABC SETTLES SEX HARASSMENT SUIT: Cecily Coleman, who was fired by ABC in May 1984 as consultant on voter registration, July 2 settled \$15 million sexual harassment suit against company just as her trial was beginning in U.S. Dist. Court, D.C.

Judge Barrington Parker, who had recessed trial July 1 before taking opening statements, dismissed 6-person jury next day, telling panel agreement had been reached. Terms were not disclosed, but AP said ABC paid Coleman about \$500,000. Formal joint statement was terse:

"The parties have agreed that no admission of liability may be construed from their settlement... The settlement incorporates among its various provisions a payment to Ms. Coleman by ABC... ABC also states that it does not condone sexual harassment or unlawful discrimination in any form. Finally, the parties have agreed that they will not comment upon or further discuss the litigation between them, or any aspect of it."

Coleman had sued ABC and her immediate supervisor Corp. Affairs Vp James Abernathy (since dismissed by ABC in action network says isn't related to Coleman suit). She alleged that she was fired after she complained to ABC's personnel officer that Abernathy had made repeated, unwanted sexual advances and implied that her career at ABC would be helped if she cooperated. She also charged ABC top management tacitly encouraged sexual harassment. ABC and Abernathy denied charges, said Coleman falsified educational and employment history and was frustrated at not obtaining permanent job at ABC.

According to published reports, ABC earlier had offered Coleman \$250,000 to settle out of court. ABC refused to comment on that, or whether it had been pressured to settle by Capital Cities Communications, which is acquiring ABC; CapCities executives were known to have expressed concern about outstanding suit. "It was ABC's decision to settle... Beyond that, no comment," ABC spokesperson said.

IRS ruling that TV variety and game shows aren't eligible for investment tax credits has been overturned by U.S. Claims Court Chief Judge Alex Kosinski. He said excluding programs is "inconsistent" with will of Congress. Shows involved were The Joker's Wild and 1972-73 series The New Bill Cosby Show. Decision is major victory for program producers, sets stage for suits by networks against govt.

Copyright Royalty Tribunal's recommended FY 1986 budget was cut by House Legislative Appropriations Subcommittee before being sent on to parent panel for approval. Subcommittee proposed \$156,000 budget to pay for 3 commissioners, gen. counsel and 3 assistants. Full committee is expected to take up proposal later this month.

FCC CABLE EEO PROPOSALS HIT: Controversial proposal by FCC to continue using processing guidelines to monitor cable operator's EEO performance has been criticized by Senate Labor Committee Chmn. Hatch (R-Utah). In letter to FCC Chmn. Fowler, he characterized processing guidelines as "arbitrary numerical tests." He said relying solely on guidelines is "bad public policy" that has "little in common with the language of the Cable Act."

Hatch also criticized FCC's proposed use of general labor market data to judge whether operator is hiring minorities and women at 50% of parity of their availability in that market. He said in June 28 letter that "no consideration is given to the actual number of skilled individuals available [in that labor market] for the position in question. Consequently, the test may be impossible to meet for highly skilled positions while, for other categories, it may be a rigid ceiling on minority employment opportunities."

Despite tough talk, Hatch letter reaches conclusion similar to that drawn by Reps. Dingell (D-Mich.), Leland (D-Tex.) and Wirth (D-Colo.) in recent letter to Fowler concerning cable EEO rulemaking. They asserted that Cable Act doesn't outlaw use of minimum hiring requirements as processing guidelines to monitor EEO compliance. "[We] understood and anticipated that the legislation would permit the Commission to continue to utilize processing guidelines," they wrote Fowler. Where 2 sides differ is in how far FCC can go in using specific numerical levels to cull out operators for further review. FCC cable EEO rulemaking (84-1296) must be completed by Sept. 28.

Justice Dept. and Civil Rights Commission have objected to FCC's proposed use of 50% of parity level as guideline to monitor industry's hiring of women and minorities. Hatch's comments track much of that argument, further contend that strict use of guidelines would "encourage race-conscious employment decisions." But he concedes that some "limited use" of processing guidelines may be acceptable.

Hatch letter said that "according to the Commission's staff," no cable operator would be found in violation of Cable Act's EEO rules "simply by virtue of the fact that it did not satisfy the arbitrary standard. Instead, the Commission will use the standard as a means of allocating resources": EEO filing by operator not meeting processing guidelines would be kicked out by computer and given staff review. But "if such a limited use of the test is intended, it is odd that the Commission has failed to include in [rulemaking] any explanation of the limited use of the percentages or their lack of evidentiary value," Hatch said.

NCTA has said it can accept use of processing guidelines if Commission states "with great clarity" that "guidelines in and of themselves do not determine compliance [with EEO rules] and that

cable systems that have EEO programs, but do not meet the numerical standards, will be certified" as having complied with rules.

No surprises were contained in applications by Capital Cities to acquire ABC, which were filed at FCC July 1. Meanwhile, CapCities said it would take sealed bids July 12 through investment banker Goldman Sachs for 4 TV stations to be sold, will take bids for 7 radio stations to be spun off later in month. Washington Post Co. reportedly is leading bidder for cable systems that must be sold; in addition, several newspapers owned by CapCities must be spun off because of FCC cross-ownership rules. CapCities is seeking permanent waiver to retain WPVI-TV Philadelphia, which has Grade B overlap with ABC's WABC-TV N.Y. If waiver is granted, 8 CapCities/ABC (as new company will be called) TV stations will cover 24.38% of U.S. TV households, CapCities said. ABC's WXYZ-TV Detroit will be retained -- and WPVI-TV sold -- if waiver is denied, CapCities said, giving it coverage of 23.35% of U.S. households. Also, CapCities said, if permanent waiver is denied, it will seek 18-month waiver to sell WPVI-TV; it also is seeking same-length waiver to sell newspaper properties.

House Republicans have found another reason to oppose significantly higher CPB authorizations, we've learned. In examining preliminary report based on annual financial survey of public broadcasting stations, GOP discovered overall public TV-radio station income was up 8% to \$971 million last year, despite reduced federal funding. Public broadcasters long have argued in Congress that federal funding acts as magnet necessary to attract private dollars -- but reverse appears to be true, GOP source said. CPB authorization for FY 1987-89 continues to remain stalled in House because of threat that measure will become carrier for variety of other measures that Democrats would prefer shelved, among them radio industry deregulation. Senate authorization (S-1084) also isn't moving, in part because of continuing threat of veto (President rejected 2 CPB bills last year).

Times Mirror is offering to buy back 10.4% of its stock (about 7.5 million shares) at \$60 per share -- about \$450 million. Company's stock recently closed at all-time high of \$53.75. Stock held by TM officers and dirs. (about 36%) won't be tendered, company said. Also, TM said it's considering reincorporating in Del. to take advantage of that state's laws allowing corporations to adopt antitakeover measures.

U.S. Dist. Court, Salt Lake City, has issued final judgment striking down Utah Cable TV Programming Decency Act (TVD April 15 p4). Court also granted motions awarding attorneys fees to plaintiffs that included HBO, 4 local cable systems and several individuals. Issuance of final judgment means state can file appeal to 10th U.S. Appeals Court, Denver, as it has said it will.

M/A-COM SHIPS DESCRAMBLERS: Anixter Communications has placed blanket order for M/A-Com VideoCipher II descramblers, becoming first known cable equipment distributor to widely stock units that cable operators will buy to descramble pay and basic networks. Open-ended order will start with shipment valued at \$2.5 million, M/A-Com said, indicating more than 12,000 units. Suggested retail price is \$399 each.

Anixter's decision to stock VideoCipher units "is a firm indication that the cable industry is preparing for wide-scale scrambling of programming services," said Frank Drendel, M/A-Com vice chmn. "Our selection of Anixter [as national distributor] is an important first step in delivering on M/A-Com's commitment to make descrambler hardware available to the industry as expeditiously as possible," he said. At NCTA convention in June, Drendel said M/A-Com hoped to manufacture 100,000 descramblers by Dec. 31.

Meanwhile, add ESPN to list of cable programmers that have at least interim plans for marketing to home earth station owners. ESPN announced program that closely resembles one disclosed earlier by Turner Bestg., which is proposing to charge single \$25 annual subscription fee to cover both its CNN and Headline News services while ESPN is asking \$19.95 yearly.

Like TBS, ESPN is putting dish owners on honor system -- they're expected to own up and pay if they're watching -- and has asked for scout-like promise they won't tune in games that are blacked out in their area.

Both ESPN and TBS are running spots telling dish owners that watching without paying is illegal.

—

Liquor ads prompt teenagers and young adults to drink significantly more, according to study by Charles Atkin of Mich. State U. He reached conclusion by measuring number of ads seen or heard by 1,200 persons ages 12-22. Atkin said study shows "there's no doubt that the ads contribute significantly to the amount of drinking [10-20% more] in this age group," causing them to believe that alcohol will make their lives more thrilling. "Advertisers are selling drinking, not their brand," he said -- charge disputed by advertisers. "Our ads are designed to sell our brands," according to John Brady of Seagrams. "We're not interested in some generic notion" and Seagrams is "absolutely not aiming at any youth market."

FCC Office of Minority Enterprise has published guidebook to help prospective applicants apply for 689 new FM allocations created in Doc. 80-90 proceeding. It lists all communities receiving assignments, summarizes Commission requirements for FM applications and describes process used by agency in granting applications. Copies are available (\$6 each) from International Transcription Service, 202-296-7322.

BMI, TV STATIONS TALKING AGAIN: In face of numerous court suits and much acrimony, BMI and All-Industry TV Music Licensing Committee are back at bargaining table -- and making progress, according to both sides. They met June 28 in Buffalo (where Les Arries, of WIVB-TV there and chmn. of Committee resides), hope to reach agreement in several days, we're told.

While neither side was giving specifics, they reportedly agreed on music licensing fees through 1987 but "2 sticky items remain," we were told. "We've had some meaningful discussions and we know just where our differences are," Arries said. BMI situation has been in limbo since July 1, when temporary licenses expired, and BMI since has mailed renewals to stations, seeking action on individual basis. Dissident BMI stockholders and Committee lost court bid to stop BMI from negotiating directly with stations.

In companion ruling, Judge Edward Weinfeld of U.S. Dist. Court, N.Y., also refused to block special meeting of BMI stockholders sought by dissidents (TVD June 17 p6). However, both sides said last week if negotiations are concluded successfully, such a meeting won't be necessary.

Still facing TV stations and Committee are tough negotiations with ASCAP -- plus fact SESAC (whose fees are much smaller than ASCAP or BMI) has sent notices of 115% increase to stations whose licenses are expiring this year.

—

Fairness In Media is "very much like a political campaign," Sen. Helms (R-N.C.) is telling potential supporters in latest mass mailing aimed at encouraging conservatives to try to take over CBS. "Instead of registering to vote -- you are eligible to vote by owning stock in CBS," Helms said in letter that also warns recipients that "liberal media" are destroying "values we hold so dear... our heritage for our children and grandchildren." Helms used letter to ask for \$100-\$150 contributions to FIM and to distribute "Rather Biased" bumper stickers. FIM also has taped reply for CBS Radio Network's "Letters to CBS News" responding to what it believed was biased analysis of group's efforts by Rather in May 24 TV commentary. FIM filed complaint with FCC asking Commission to order CBS to provide "more appropriate" response time, spokesman said.

FCC has struck down pole attachment rates charged by utilities in N.M. and S.C. in cases brought by cable companies operating in those states. Capital Cities Cable argued that \$3.40-per-pole rate it's being charged by Southwestern Public Service for attachments to 5,465 poles in Roswell, N.M. and vicinity should be reduced to \$2.04. Common Carrier Bureau Chief Albert Halprin vacated \$3.40 rate, substituted \$2.51 as just rate. Storer Cable of Carolina contested \$5-per-pole rate charged by S.C. Electric & Gas for 18,000 poles for numerous Storer systems in state. Halprin vacated \$5 rate, substituted \$3.09 as just rate.

Personals

FCC calendar -- July 8: Comr. **Dawson** takes part in panel on international communications competition between satellite and cables, ABA, Washington Hilton; July 10: Chmn. **Fowler** testifies at media merger acquisition hearing, House Telecom Subcommittee, Rayburn Bldg.; **Fowler** will kick off IRTS fall luncheons with Sept. 24 speech, Waldorf-Astoria Hotel, N.Y.; **Edward Bleier**, Warner Bros. TV, reelected IRTS pres.; elected vps: **Daniel Ritchie**, Westinghouse Bcstg. & Cable, and **Gordon Hastings**, pres. of IRT Foundation; elected dirs.: **Robert Butler**, NBC; **Terrence Elkes**, Viacom International; **Gerald Levin**, Time Inc.; **Martin Schmidt**, Botway/Libov Assoc.; **Walter Schwartz**, Blair TV; **Louis Weiss**, William Morris Agency.

Neil Braun advanced to senior vp-film programming, HBO, and exec. vp of home video acquisition unit... **Carol Olwert**, ex-St. Regis Corp., appointed information dir., ABC News; **Kristin McEvoy** advanced to general attorney for govt. regulation, ABC TV Network; **Jeffrey Rosen** promoted to vp-gen. attorney, ABC Employment Practices... **Laurie Fishman** promoted to corporate events mgr., NBC... **Steven Berman** advanced to senior vp-creative affairs, Columbia Pictures TV.

Pat Garvey advanced to vp-national sales mgr., Katz Independent TV; **Skip Vose** promoted to vp-sales mgr., Katz Continental TV San Francisco office; **Robert Swan** advanced to divisional vp... **Allan Lafferty**, ex-United Way of Southeastern Pa., named mgr.-mktg. and communications, KYW-TV Philadelphia... **Rebecca Rucker**, KZKC Kansas City program-promotion dir., and **Edward Perl**, sales mgr., named vps... **Robert Plonsky**, ex-Bristol-Babcock, appointed product mgr.-Mini-Hub II, Times Fiber Communications Systems Div... **Helen Britton**, ex-F. Eberstadt, appointed mktg. dir., WNET N.Y. National Div.

Lou Angone, ex-Jones Cable Security of Denver, named sales dir., EvenTeleVision... **Robert Frieden**, ex-Dow, Lohnes & Albertson, named an assoc. in Washington law firm Hogan & Hartson... **Barbara Lowe**, ex-Warner Amex Cable Communications, appointed new business development dir., Cable Networks Inc... **Leslie Lillien**, ex-March 5 Communications, appointed creative services dir., Blair Entertainment... **Stephen Walters**, ex-Jones Intercable, named Cable TV Div. vp, Henry Ansbacher Inc.

Jeffrey White advanced to CBS News vp-finance and planning... **Henry Maldonado** promoted to WDIV Detroit program mgr... **James Allen** appointed pres.-COO, Cencom Cable Assoc.; **Barry Babcock** named exec. vp... **Craig Snedeker** advanced to direct sales mgr., Media General Cable of Fairfax, Va... **Marya Doonan**, ex-MCA-TV, named dir.-sales and mktg., Worldvision Home Video... **Gerald Stevens-Kittner**, ex-Washington law firm Arent, Fox, Kintner, Plotkin & Kahn, named an assoc. with Washington law firm Fleischman & Walsh.

Fred Walker, ex-Broadstreet Communications, named owned and operated offices vp, Group W's Muzak... **Edward Jacobs** advanced to FCC foreign adviser, new post, in Office of Managing Dir... **Stephen Van Ophuijsen** advanced to ad sales dir., USA Network.

National Conservative Foundation (NCF) July 1 announced \$1 million campaign to alert public to what it sees as liberal bias in national news media. Terry Dolan, chmn. of NCF, which operates National Conservative Political Action Committee (NCPAC), said group will spend at least \$250,000 on ads as part of campaign. TV networks didn't cover news conference called by NCF to announce its plans. Two of 20-30 TV stations contacted have cleared carriage of ads -- KOSA-TV Odessa, Tex., a CBS affiliate, and independent KADN Lafayette, La., Dolan said, and 11 have ruled out running ads. "Hemorrhoids get better treatment than we get" in station carriage, he said. One of 2 ads features still of Ted Turner. Crawl under picture quotes him as saying that 3 commercial networks are "the greatest enemies that America has ever had" because they are "constantly tearing down everything that has made this country great."

Board for International Bcstg. (BIB) should tighten grip on programming by Radio Free Europe and Radio Liberty (RFE/RL), General Accounting Office (GAO) concluded in report that documents 18 incidents in first 8 months of 1984 involving what it termed anti-Semitic and antidemocratic programs on 2 services. Agency said incidents include using "anatomical obscenity" to describe Polish govt. official, comparing Soviets with Nazi war criminals. RL's Russian programs contained most of questionable programming, such as calling Soviet Foreign Minister (now President) Andrei Gromyko a bandit. GAO concluded oversight isn't adequate and that violations of RFE/RL program guidelines are continuing risk that threatens to "damage the U.S. image and the credibility of the radios."

Storer and Times Mirror July 1 completed swap of several cable systems with total of 446,000 subscribers. Under long-standing arrangement recently approved by Justice Dept., TM gets Storer systems in Phoenix, Mesa and Paradise Valley, Ariz., and around Laguna Beach in southern Orange County, Cal. Storer gets TM systems in N. Little Rock and Jacksonville, Ark., Pt. Pleasant Beach, N.J., and Louisville. Systems swapped have roughly equal number of subscribers.

FCC has fined WBSS(AM) Pompano Beach, Fla. \$10,000 for fraudulent billing. Station reportedly prepared invoices for \$33,000 in advertising for lawn-equipment supplier that actually was bought in tradeout for \$16,000 in "merchandise and services."

Citing provision in cable ordinance, Grafton, Wis. Village Board has ordered Jones Intercable to stop selling VCRs with cable service (details in Consumer Electronics section).

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th statistical week of June and 1985's first 25 weeks:

	JUNE 15-21	1984 WEEK	% CHANGE	JUNE 8-14	25 WEEKS 1985	25 WEEKS 1984	% CHANGE
TOTAL TV.....	382,362	330,478	+15.7	352,951	8,543,350	8,998,148	- 5.1
TOTAL COLOR...	313,451	277,416	+13.0	282,225*	7,019,558*	6,937,232	+ 1.2
DIRECT-VIEW.	309,480	274,337	+12.8	278,517*	6,924,595*	6,863,250	+ 1.0
PROJECTION..	3,971*	3,079	+29.0	3,708*	94,963*	73,982	+28.4
MONOCHROME....	68,911	53,062	+29.9	70,726	1,523,792	2,060,916	-26.1
TV EXCL. PROJEC.	378,391	327,399	+15.6	349,243	8,448,387	8,914,166	- 5.2
HOME VCR#.....	186,721*	102,796	+81.6	169,047*	4,453,472*	2,676,978	+66.4
COLOR CAMERAS#..	9,580*	6,511	+47.1	8,911*	195,692*	182,448	+ 7.3

Color TV (direct-view) 5-week moving average: 1985--275,497*; 1984--258,405 (up 6.6%).

Home VCR 5-week moving average: 1985--174,567*; 1984--104,286 (up 67.4%).

* Record for period. # Camcorders included in VCRs, not in cameras.

TANDY BUYING VIDEOCONCEPTS CHAIN: World's largest private-label consumer electronics retailer plans now to become biggest brand name dealer as well, in terms of outlets at least. That will be result if Radio Shack parent Tandy completes agreement to purchase American Home Video from Jack Eckerd Corp.

Under preliminary agreement announced last week, Tandy will acquire certain assets of AHV, including its 207 video hardware and software specialty stores, distribution and office centers and inventory for undisclosed cash sum. Sale is slated to be closed in Aug. Tandy said purchase price will be at least \$72 million less than audited book value of those assets, which one analyst estimated means price will be something less than \$25 million, possibly as low as \$15 million. However, Eckerd says it expects after-tax sales proceeds to be about \$100 million, although transaction also will result in after-tax inventory and good-will write-offs of about \$60 million.

Eckerd, whose primary business is chain of 1,500 drug stores, acquired AHV in 1981 stock swap for \$95 million. AHV, which then had only 61 outlets, had been preparing own stock offering but accepted Eckerd's offer instead.

AHV was money loser when Eckerd picked it up and has been in red ever since. Last year, it lost \$5.9 million on sales of \$155.9 million and had operating deficit in first 9 months (to April 27) of current fiscal year. Eckerd gradually became disenchanted with AHV, and at meeting with security analysts in N.Y. last March Chmn. Stewart Turley openly expressed disappointment with subsidiary's performance. He said AHV's budget for new store openings was being halved, acknowledged that disposition was being considered but said no such move would be made as long as AHV "has potential to pay a good and respectable return on investment."

While it appeared decision to sell was made quickly, Eckerd said in announcement that negotiations had been going on since Jan. That Eckerd's fiscal year ends this month certainly

had effect on timing. Loss from AHV operations and sale can be shown on books as coming from discontinued business, making profit from drug chain look that much better.

In AHV, Tandy gets collection of shopping mall outlets in 29 states, new private label -- stores handle own Videoconcepts brand as well as name brand electronics -- plus 250,000-member videocassette rental club, understood to be profitable segment of operation.

It's 2nd major move into name brand electronics retailing by Tandy this year. Earlier, it purchased privately held Scott Appliance Group, which runs 24 TV-audio-appliance outlets under Scott, Santa and McDuff names in Fla. and Tenn. Until now, Tandy's retail sales have been restricted to products sold under Realistic brand through worldwide network of 9,000 owned and franchised Radio Shack outlets. It does own some national brands, however. Subsidiaries O'Sullivan (electronic furniture) and Memtek (Memorex video and audio cassettes and accessories) market independently through non-Radio Shack outlets.

Commenting on planned acquisition, Tandy Chmn. John Roach said AHV will "have an expanded product line, additional name brands and an aggressive promotion program." As for profitability, he said chain is expected to have "margins commensurate with name brand electronics specialty retailing."

Radio Shack Pres. Bernie Appel told us that, like Scott acquisition, Tandy's buy of AHV will have no effect on his operation. "Radio Shack is doing its thing, running a private-label business -- we have no plans to sell name brands. This is a Tandy corporate move, not one by Radio Shack," he said.

Purchase "is another part of an overall plan to get Tandy into a part of the consumer electronics business we're not in -- name brand retailing." Tandy, Appel said, understands retailing, and though it's primarily private labeler, "that doesn't mean we can't put our plans into name brand retailing." Appel said he isn't particularly concerned that in 3 years highly successful drug retailer wasn't able to turn AHV's fortunes around. "Consumer electronics is a business unto itself, either name brand or private label -- you have to understand it," he said.

Proposed deal is viewed as a plus all around by outside observers. For Eckerd it means management will be able to concentrate on expanding its prime operation and end financial drain. Tandy, meanwhile, gets whole new and relatively low-cost opportunity for national sales expansion at time when sales of its core products -- audio components, computers and telephone equipment -- are sluggish and offering little in way of increased profitability.

VCRs IN 50% OF COLOR HOMES IN 1987: First truly detailed analysis of U.S. VCR market sales and penetration indicates end of 1987 will see half of nation's color TV homes equipped with VCRs, with 2.3 million homes having 2 or more VCRs. It also estimates that nearly million VCRs will be replaced this year.

These data emerge, almost as byproducts of study, "The Outlook for the Japanese VCR Industry," by Merrill Lynch International Research. Study was made by analyst Caryn Callahan in ML's Tokyo office and is first we've seen that attempts to define precisely such parameters as multi-VCR homes and scrappage, as well as sales of consumer VCRs for nonhome use.

Major conclusion of basic study is that Japanese VCR market "has completed its early and rapid growth phase" and slowdown should begin this year. It shows possibility of overcapacity and overexports to U.S., analyzes Japanese domestic and European markets as well as U.S. (see related report elsewhere in this issue).

We've adapted portion of significant table on U.S. market growth here, edited for space requirements (actual survey report uses 1975 as starting year). Report's sales data differ from EIA figures in that they are calculated by subtracting nonhome use VCRs and pipeline inventory

from "new VCR imports," corrected for reexports. "The [Japanese govt.] figure for Japanese shipments to the U.S. in 1984 included several million units which were diverted to 3rd markets after leaving Japan and never reached the U.S.," report notes.

Table shows VCR penetration totaling 28.1% of color homes (themselves 90% of total U.S. homes) at end of year, rising to 39.3% at end of 1983. Report predicts that VCR penetration will peak at around 75% because: (1) Some population segments, such as elderly and disadvantaged, are home much of time, don't need time-shifting. (2) Precedent shows radio-cassette recorder penetration peaked at far below penetration of radios and the 2 markets may be similar.

Among interesting figures shown in table: Home-type VCRs sold for nonhome use increased from 41,000 in 1980 to 455,000 this year. Unlike color, VCR market has seen multiunit homes right from start, 3% of sales being 2nd VCR in 1980, figure staying at 4% in 1981-83, rising to 5% last year, settling at 6% in 1985-87. Some 650,000 homes are expected to acquire 2nd VCR this year, bringing total multi-VCR homes to substantially over million by year's end -- increasing to 2.3 million, or 5% of total VCR homes by end of 1987.

What we label as scrappage -- called "obsolescence" in Merrill Lynch table -- grew rapidly from 4% of total VCR universe in 1980 to 10% in 1983 (year of major penetration of more versatile VCRs with special effects, etc.) declining to 6% this year. However, this year scrappage plus 2nd VCRs coming into homes will total more than 2 million sets -- sets that aren't added to VCR penetration. Here is table adapted from Merrill Lynch study (VCR figures in thousands):

	1980	1981	1982	1983	1984	1985E	1986E	1987E
VCRs in use..... (start of year)	1,395	2,131	3,417	4,942	8,456	15,668	25,470	36,268
Year % change.....	53%	53%	60%	45%	71%	85%	63%	42%
New VCR imports...	932	1,987	2,442	4,752	9,440	13,000	15,000	16,500
Nonhome use.....	41	79	93	176	340	455	510	544.5
Pipeline invent'y.	106	497	533	580	1,232	1,755	2,100	2,300
Sales to homes....	785	1,411	1,816	3,996	7,868	10,790	12,390	13,656
Year % change.....	56%	80%	29%	120%	97%	37%	15%	10%
VCRs scrapped.....	49	125	291	482	657	987	1,592	2,550
% of VCRs scrapped	4%	6%	9%	10%	8%	6%	6%	7%
1st VCR purchase..	765	1,361	1,736	3,836	7,468	10,140	11,590	12,806
2nd VCR purchase..	20	50	80	160	400	650	800	850
% 2nd VCR sales...	3%	4%	4%	4%	5%	6%	6%	6%
Multi-VCR homes...	36	83	154	291	643	1,186	1,789	2,342
% multi-VCR homes.	2%	2%	3%	4%	4%	5%	5%	5%
VCR homes.....	2,095	3,334	4,788	8,165	15,025	24,284	34,479	45,032
Color TV homes....	76,300	77,800	81,500	83,300	84,800	86,300	87,800	89,300
VCR % color homes.	2.7%	4.3%	5.9%	9.8%	17.7%	28.1%	39.3%	50.4%

E= Estimate.

WHERE'S THE DISASTER--VCR OR COLOR? Jack Sauter's blast at "dumping" of excess VCRs in U.S. market (TVD June 17 p10) continues to reverberate through industry -- and although some agree with the RCA group vp, there also are dissenters.

Hitachi Exec. Vp Robert O'Neil, who sounded alarm over color pricing at CES video seminar (TVD June 10 p13), called Sauter's concern over VCRs and his statement that color inventories were well in hand "amazing." He told us: "I get very confused looking at an industry with 4 million color sets [in inventory] -- a 16-week supply -- where the bottom has

dropped out of pricing and with a terrible mix structure. Then I look at VCR with a 9-week inventory -- a product running 66% ahead of last year -- and I'm told it's a disaster."

Both VCR and color prices have dipped 10% since last May, according to O'Neil. "I'm not minimizing the VCR price problem," he said. "I'm just saying the 2 problems aren't even comparable. The VCR going rate is about 12 million," far above earlier forecasts. "Looking at the [VCR] market, it wouldn't be surprising if we had inventories of at least 2.5 million," as opposed to current level of about 1.7 million. "I don't disagree with [Sauter's] concern, but color is a matter of survival today."

Besides being excessive, O'Neil said, color inventories are out of whack -- "13-inch isn't that bad, but we're talking about 16 weeks' console inventories -- we're not talking about dropping \$10 a unit but \$50." He thinks square-cornered 14" and 20" sets are piling up as well because "you can't step up to \$600 from \$149" price leader.

As for VCRs, he thinks widespread publicity about Sauter's statement and RCA's \$50 million VCR purchase deferment is "simply signaling the public to wait for prices to drop." However, public didn't seem to be waiting in June; when EIA reports figures next week they're expected to show up as 3rd best VCR sales month in history, with sharp recovery after relatively slow May.

WIS. VILLAGE BLOCKS VCR SALES: Newest problem for cable operator Jones Intercable in its effort to market VCRs with cable service is Grafton, Wis. Village Board that ordered company to stop packaged deals because they violate provision in franchise agreement that bars it from competing with retail stores.

Grafton is one of 4 test areas for JI's \$44.95 monthly offering. For that price, consumer gets GE \$430 list VCR, basic cable, plus 2 or 3 pay services, ends up owning VCR after 24 months (TVD June 17 p15). In vote, Village Board decided antimonopoly provision in cable ordinance that prohibits cable company from selling TVs or TV receivers also applies to VCRs, ordered JI to halt marketing program.

However, JI has decided to continue promotion in Grafton after legal counsel said Village actions could be restraint of trade, JI's Grafton Gen. Mgr. Rob Sadler told us. As result, village has threatened to delay approving JI request for \$2 per month increase in basic cable rates. Sadler said threat will fade because test is almost over. Even so, he said, he expects issue eventually will have to be settled in courts if test results prompt JI to roll out VCR sales as full-scale program. While declining to reveal figures, Sadler said his system has performed best of 4 around country involved in VCR program; others are in Jefferson County, Colo., Oxnard, Cal. and Waupaca, Wis.

Twist to story is that village officials in neighboring Cedarburg, which is served by same cable system and has identical wording in its cable ordinance, came to opposite conclusion, ruled provision doesn't apply to VCRs. NCTA doesn't keep files on particular types of franchise provisions, so it's hard to say how many other systems around country might be similarly affected as cable moves to be more VCR-friendly.

NEW GE LABOR CONTRACT: Job security, benefit improvements and union shop but only relatively small actual pay boost, are included in new 3-year agreement hammered out last week by GE and representatives from IUE and UE. Pact now goes to locals for July 9 ratification vote.

In contrast to contract signed in 1982, which called for 7% general wage hike in first year, smaller increases in following years, new agreement provides just 3% boosts each year, first to be paid in lump sum, averaging \$675 per worker. Some workers will get additional upward adjustments of as much as 35¢ per hour as result of job classification changes. Current semianual cost-of-living adjustment rate won't be increased until 1987.

There are major improvements in retirement benefits, including new special early retirement program, plus increase in medical and dental benefits. Preferential hiring arrangement has been established to help workers affected by plant closings transfer to other GE jobs and there are improvements in training and other assistance to employees affected by automation. Union shop provision requires all employees either to join union or pay dues equivalent in service fee.

Agreement covers 56,000 GE workers who are members of 2 involved unions -- down from 65,000 three years ago. It will serve as pattern for contracts still to be negotiated by GE with 10 other unions representing about 24,000. Traditionally, agreement also sets tone for contract talks coming up at other industry companies.

Samsung acquired license from Intel for production and marketing of MPUs and other computer-related ICs. Intel said that while Samsung is expected to concentrate its sales effort in Korea, license has no export restrictions.

NHK PLANS HDTV VCR: New 1/2" VCR standard to bring 1,125-line HDTV into homes is under development at Japan's NHK. VCR will use metal tape, could be either analog or digital, eventual choice dependent on recording time required by market, according to Kotaro Wakui, deputy dir.-gen. of network's engineering hq.

At meeting in Tokyo, he said tests indicate system would provide 2-hour recording time on VHS cassette in preferred digital mode, 4 hours if analog system is used. "Under the present circumstances we have to determine how long the consumer wants to record" before setting final course, Wakui said. He noted that neither VHS nor Beta is considered suitable for new system, while capabilities of 8mm Video "are too restricted at present" to make it candidate.

NHK doesn't envision HDTV replacing current 525-line TV broadcast standard, expects them to coexist "like AM and FM radio," with consumers owning dual-standard TV receivers to handle both. "The present TV system is going toward personal portable sets with flat-panel screens" in much same way audio growth has centered on headphone portables, he said. "HDTV will be used more as part of audio-video systems in the home," with delivery accomplished by special cable and DBS channels, as well as packaged systems.

Packaged systems, in form of videodiscs and recorded cassettes, will lead way and major inroads will be made first in nonconsumer applications, Wakui said. "HDTV's spread will be different from that of the present system. It went from broadcasting to many other uses. I feel HDTV will establish itself first in other applications," including movie theaters, libraries, museums and medicine, "before home use." He said HDTV development now is at stage where color TV was 25 years ago, "and it will take 10 years before it is in common use." In interim, he predicted, HDTV will be specialized medium.

He took exception to view that current effort to establish worldwide HDTV standard for program production won't necessarily affect home market. He said production and home video standards should be same.

Upcoming CCIR meeting in Geneva, where HDTV production standard will be considered (TVD June 24 p1), is critical because if one standard isn't selected issue will drift for another 4 years "and by then a lot of other standards will be produced," Wakui said. He acknowledged that while U.S. has joined with Japan in backing NHK-developed system, there is opposition from broadcasters in Western Europe as well as in Russia and other East Bloc countries. But, he said, "we hope for at least agreement on some basic standards," and despite "a lot of resistance," he feels there's "70% chance" of achieving that.

Part of resistance, he feels, stems from concern that Japanese manufacturers, being more advanced in

HDTV, will dominate future market. "We must create an environment for free competition with no one disadvantaged," Wakui said. To ease those fears, he said, Japanese are prepared to supply technology, manufacturing assistance and capital investment, where needed, to make sure manufacturers in other countries have opportunity to participate in HDTV.

—

Tandon dropped Sony from disc drive unfair import competition complaint and as defendant in patent infringement suit in wake of settlement that includes cross-licensing agreement. Tandon said Sony has agreed to make payments, including royalties on sale of double-sided disc drives, didn't specify amounts. In addition, Tandon gets option to use Sony 3.5" drive patents, and companies will cooperate on product, market development and manufacturing. Last year, Tandon named Sony, along with Mitsubishi and Teac, in complaint filed with International Trade Commission seeking ban on infringing imports, brought companion civil action now pending in L.A. federal court. In June, an ITC law judge ruled there were indications of infringement, and if ruling holds up under Commission review, importers will be required to post bonds on future shipments until case is settled (TVD June 10 p14). Sony becomes Tandon's 2nd licensee; other is Matsushita, which purchased license soon after it acquired Shugart's 5.25" disc drive business.

Audio-only royalty tax would be collected from marketers of recorders and cassettes under bill introduced by Rep. Morrison (D-Conn.). HR-2911 would require hardware and tape companies to obtain compulsory distribution license from Register of Copyrights, pay copyright royalty of 10% on wholesale price of standard recorders, 25% on dual-deck models, 1¢ per minute of recording time on blank tape. Equipment and tapes deemed unsuitable for in-home music taping would be exempted. Funds collected would go into pool for payment to copyright holders by Copyright Office. Proposal would leave it up to music industry to come up with equitable system for distributing money.

Nortronics has sold its Consumer Products Div. to Geneva Group, formed by private investors with Edward Griffin, former Nortronics CPD mgr., as pres-CEO, price undisclosed. Geneva has right to continue using Nortronics logo on product line -- primarily video, audio and computer disc drive head cleaners -- through 1989. Excluded from deal is Nortronics' audio recorder head replacement products, which now are responsibility of OEM Div. Nortronics Pres. John Yngve said CPD was sold so company could concentrate on production and sale of computer and audio recording heads to OEMs.

BASF cut 140 employees, or 9.6% of workforce, at Bedford, Mass., plant, citing significant decline in OEM orders for computer discs. Company said layoffs, first in 10 years, covered all areas of BASF, including management staff.

FALL-WINTER CATALOGS: Price cuts, stereo sound and square-cornered tubes mark fall-winter catalogs of Sears and J.C. Penney -- but not Montgomery Ward, which for first time in memory has no consumer electronic products in its catalog. Ward called move "change in strategy" and said it was "shifting exposure of electronics merchandise to other fall media, with especially strong representation in the Christmas catalog."

Sears now starts 13" color sets at \$190 and 19" at \$239, features 7 VHS recorders but only 2 Beta, starting at \$250. Price comparisons below are with spring-summer catalogs; where there is no comparison, same model was not shown in spring-summer book.

Sears has price reductions of up to \$80 on color TVs, \$170 on VCRs. Color line starts with 5" AC-DC at \$270 (unchanged), with 9" scan-tuned AC at \$260. Catalog now shows seven 13" sets at \$190-\$340 vs. 5 at \$270-\$370 six months ago. These start with mechanical set at \$190, 2 different scan-tuned sets at \$260, scan remote \$290, keypad remote \$315, remote monitor receiver \$340, deluxe remote with RGB, all-green display switch \$340.

Following 19" leader at \$239, Sears line steps up to ladder-tuned model at \$260 (down \$80), with keypad version at \$320 (down \$20), scan remote \$340, ladder-tuned set with scan remote \$390 (down \$50), keypad remote \$440 (down \$50), different version \$440, unit with stereo amplifier and built-in stereo \$490, same with remote \$540; 20" remotes are \$490, either with audio-video input jack or MTS adaptor jack, keypad remote monitor receiver with stereo amplifier, built-in MTS is \$590.

Table-model 26" set with keypad remote, stereo amplifier, built-in MTS is \$690. The 25" consoles, all remote, start at \$490 for ladder-tuned model with scan remote, keypad remote with MTS jack \$570, stereo adaptable keypad remote \$680, double-sided keypad remotes with stereo amps and built-in MTS are \$780 and \$1,180; 26" double-ended stereo monitor receiver with keypad remote and built-in MTS is \$880. One-piece 50" front projection system remains at \$1,980, but now with built-in MTS. Telecaption adaptor and telecaption set for hearing impaired have been dropped from catalog.

Sears' 2 Beta VCRs are \$250 and \$320 (down \$40 and \$170). Two VHS VCRs are \$390, two \$490, with other stepups at \$540 and \$590, VHS Hi-Fi \$840. Two-piece VHS portable is \$750 (down \$190). Palm-held camera is \$790, high-end unit \$890 (both unchanged). Sears devotes 4 pages to Commodore computers, peripherals and software, has no other brands.

Penney catalog shows prices same to down as compared with spring-summer version. For first time, Penney's book features new 14" and 20" color monitor receivers and console with multichannel TV sound (MTS).

Color TV line starts with 5" AC-DC with video input at \$280, followed by 9" AC-DC at \$300 (unchanged); 13" with mechanical tuning is \$270 (down \$30), keypad tuned version with scan remote \$350 (unchanged), 127-channel version with keypad remote \$370 (down \$10); 14" deluxe keypad remote monitor receiver \$470; 15" scan-tuned remote \$400.

Penney's low-end 19" color is \$340 (down \$10), with keypad remote at \$500, remote monitor receiver \$600 (unchanged); MTS adaptable 20" remote monitor receiver \$700; 25" keypad remote table model \$680 (down \$20), MTS adaptable monitor receiver \$900 (unchanged); scan remote 25" swivel console \$600 (down \$100), double-ended stereo console with MTS adaptor \$950 (up \$50 from adaptable version). Telecaption adaptor for hearing impaired is \$300 (up \$20).

Penney VCR line is completely updated, all VHS, with lowest-priced unit \$430 (down \$70 from spring-summer start), others at \$470, \$500, 3 heads at \$550, 4 heads \$650, first VHS Hi-Fi \$800, top-of-line VHS Hi-Fi with built-in MTS \$1,300; convertible portable with linear Dolby stereo is \$1,200 (down \$200). Deluxe camera with character generator, 8x power zoom, autofocus, f1.4 lens, 2/3" Newvicon pickup is \$1,100 (down \$100).

Videocassette vending machines pose no significant threat to video software retailers, in opinion of American Video Assn. AVA said it contacted 25 dealers in Phoenix area, asked about effect on their business of Creditron machines installed in convenience stores. Of those, 17 said they had lost 3% or less of their rental business to machines, and only 2 lost more than 10%. While machines offer 24-hour access, they have very limited title selection and charge about same for rental as retail store, so dealers should have no problem competing, AVA said.

Sales of consumer electronic products soared in June, recovering ground lost in May, on basis of first 4 weeks of 5-week month. With VCR sales to dealers running nearly 79% ahead of year ago, June almost certainly will be 3rd best VCR month in history and could be 3rd to record more than million unit sales. Color sales for 4-week period were up 17%, and year-to-date (25-week) sales ran at record, 1% above same 1984 period. Projection TV and color cameras also were running at record pace for month. Full details on June and first half business next week.

CB transceiver imports from eligible less-developed countries are now duty free, under change to preferential tariff list adopted by U.S. Trade Representative. Addition of CBs to list was made at request of GE. It's first time CBs have gotten duty-free treatment since 1978, when International Trade Commission ruled domestic producers were being injured by excessive import competition and ex-President Carter ordered temporary relief in form of 4-year hike in duty rate.

'RAPID VCR GROWTH OVER': VCR shipments to U.S. this year will total 15.6 million units, almost 5 million more than total consumer sales here, according to new study by Merrill Lynch. Compiled by Tokyo-based analyst Caryn Callahan, study sees VCR's major growth period ending this year, with Japanese industry sales increasing only 14%, compared with 43% in 1984, while revenues grow only 6%, down from 27% as prices continue to dip.

Detailed report, "The Outlook for the Japanese VCR Industry," sees Japanese shipments to U.S. continuing to rise through 1987 while shipments to Europe (EC) drop by 69% and those in Japan remain level. Japanese shipments to U.S. are estimated at 14.8 million units this year (plus another 800,000 from Korea), rising to 15.8 million in 1986, 16.3 million in 1987 (no Korean estimates are given for those years). At same time, U.S. consumer VCR sales are seen rising from 10.79 million this year to 12.39 million in 1986, 13.66 million in 1987.

Average value of VCR exported from Japan to U.S. dipped 23.8% in 1983 from 1982, dropped another 12.1% in 1984 and will fall by 11.5% this year, 9.1% in 1986 and 3.4% in 1987, report estimates. Referring to manufacturers, study says: "Companies with VCR as a high percentage of sales are likely to report sharply lower earnings growth in 1985." Survey doesn't see significant inroads by 8mm format in next 2 years.

As for U.S. market, report says unit growth should slow to about 37% this year from 97% in 1984. Deducting for scrappage and multi-VCR homes, report sees VCR penetration of U.S. color TV households rising from 17.7% at end of 1984 to 28.1% at end of 1985, 39.3% in 1986, 50.4% in 1987. Some 4% of VCR households already have more than one, and figure should rise to 5% this year, remain at that level through 1987. Numerically, Merrill Lynch study sees 15.1 million VCR homes at end of 1984, rising to 24.3 million this year, 34.5 and 45 million in 1986 and 1987, respectively.

In U.S., sales growth will slow to about 15% in 1986, with sales remaining in 10-13 million area over next few years as prices continue to decline and consumer spending grows. Merrill Lynch says Matsushita-made machines had about 42% of U.S. market last year, followed by Hitachi with 22%.

Japanese will ship 29.8 million sets this year out of capacity of 35.1 million, report says. Other capacities: Offshore Japanese (European and other joint ventures) 2.5 million, Europeans 1.3 million, Koreans 1.15 million; total (including Japan) 40.05 million. World capacity, according to report, will rise to 45.7 million in 1988.

Study gives these shares for the 15 Japanese VCR manufacturers last year (in percentage of total Japanese VCR production): VHS -- Matsushita 24.5%, JVC 17.2%, Hitachi 14.5%, Sharp 9.1%, Tokyo Sanyo 4.6%, Mitsubishi 4.3%, Orion 2.6%, Akai 2%,

NEC 0.7%, Funai 0.4%, Toshiba 0.3%. Beta -- Sony 9.2%, Sanyo 5.5%, Toshiba 3.3%, NEC 0.9%, Aiwa 0.4%, General 0.4%.

NBC stereo programs will be identified visually, not aurally. Network spokesman told us shows will be preceded by on-screen message that "this program is brought to you in stereo," or similar wording, probably using network's peacock symbol. Spokesman denied peacock would be wearing headphones. Network currently plans no other publicity about stereo originations, which formally start with July 16 All-Star Game, NBC said in denying our report of last month that it planned "appropriate fanfare" for stereo. NBC presumably is soft-pedaling its entry into stereo at request of affiliates, most of which aren't yet equipped for multichannel sound broadcasting. Note: Our current count indicates that about 80 stations are equipped to broadcast stereo, including 16 NBC affiliates.

Japanese will sell VCR production technology to China, but only on selective basis and with blessing of COCOM, multinational group that passes on sales of high-tech products and know-how to Communist countries. Under guidance of Ministry of International Trade & Industry (MITI), Japanese producers will transfer integrated VCR manufacturing capability over 5-year period but will hold back on such items as head drums and ICs that have military applications. Those and other components would be shipped from Japan to China instead of being produced locally. MITI said it expects to get approval from COCOM this fall, clearing way for Japanese to start selling manufacturing equipment.

Rental transactions provide 84.3% of video software retail revenue, according to survey of members by Video Software Dealers Assn. Average rental brings in \$6.90, average software sale is \$42.66. By product line, recorded software, accounts for 57.1% of store dollar volume, with VHS format representing 76.1% of that, Beta 14.5%, LV disc 4.9%, CED disc 4.5%. However, stores get 30.2% of total revenue from sale and rental of hardware, with most of rest coming from sales of blank tape (5.5%) and accessories (4.3%). VSDA said typical member operates 4.6 stores, stocks 1,578 titles (2,321 total copies) in each.

Pioneer plans to build 2nd optical videodisc pressing plant in Japan and is increasing capacity at Carson, Cal. facility to more than 200,000 per month. U.S. expansion, to be completed soon, "finally takes us out of the back-order situation" of last several months, allows company to take "very, very aggressive" marketing stance, according to Pioneer Video Pres. Ken Kai.

May shipments of microwave ovens by U.S. producers and importers rose 49.5% to 1.06 million, AHAM reports. Through first 5 months shipments were up 39.5% to 4.46 million.

Consumer Electronics Personals

Dan Peterson, Kenwood Car Audio Div. vp, adds responsibility for Home Audio and Satellite Divs. in consolidation of marketing operations; **Sam Rosenzweig** has resigned as Home Audio Div. vp... **William Pritchard** rejoins Panasonic as senior PR mgr... **Tom DeVesto**, ex-Kloss senior exec. vp, forms Tivoli Consultants (Box 1149, Cambridge, Mass. 02142, 617-492-3211), with Kloss and Display Sciences Inc. as first clients... **Nobuyuki Sugano** named asst. gen. mgr., Sharp (U.S.) Business Administration Dept... **Tom Frisina**, ex-Androbot, and former Activision staffers **Alan Miller** and **Robert Whitehead**, form Accolade, San Francisco-based developer and marketer of home computer entertainment software.

Carl Lindholm advanced at Motorola to new post of international operations exec. vp with overall coordinating responsibility for non-U.S. activities; **Gerhard Schulmeyer** promoted at Automotive and Industrial Electronics Group from vp-asst. gen. mgr. to senior vp-gen. mgr., succeeding Lindholm... **Norman Neumann**, North American Philips vp-group exec., named pres. of N.V. Philips's U.S. IC manufacturing subsidiary Signetics; he has held post on acting basis since resignation of **Charles Harwood** last March... **John Ehrisman** shifts at Dynascan Cobra Consumer Electronics Group from telecommunications product dir. to gen. mkt. mgr. in restructuring; **Jerry Falasz**, former personal communications products dir., named product development dir.; both report to Vp-Gen. Mgr. **Dennis Burke**, as does **Vince Martin**, who continues as gen. sales mgr.

Jack Kanne advanced at Paramount Home Video to sales dir... **Martin Weinstein**, ex-Janus Films mktg. vp, joins Embassy Home Entertainment as east region mgr... **Sal Alba** promoted to vp-gen. mgr., VCA/Technicolor's Huntington Beach, Cal. plant; **Michael Pelech**, VCA photography dir., assumes additional duties as product account exec., VCA/Teletronics... **Ann Fonfa**, former Konica Tape eastern regional sales mgr., joins duplicator GML Video as sales vp... **Steven Ades**, ex-Price Stern Sloan Publishers, joins Prism Entertainment as national accounts mgr.; **Sidney Plavin** appointed controller; both new posts... **Janet Muir**, ex-New Yorker magazine, named mktg. exec. vp of new Esquire video and book product development unit.

Bob Kuczak advanced at Fuji Photo to Magnetic Product Div. national sales mgr.; **Joe Vissiavilli** promoted to northeast region sales mgr., replacing Kuczak... **Vic Orler** advanced at Sparkomatic from midwest region sales mgr. to mktg. dir., new post... **Robert Birenbach** resigns as sales and mktg. vp for First Alert and parent BRK Electronics to enter rep field; duties assumed by **Jerry Carrino**, First Alert mktg. vp... **Ira Tabankin** appointed Sharp Electronic Typewriter Div. national sales mgr., succeeding **Rick Zochowski**, resigned... **Edward Nargi** appointed pres. of rechargeable

Published Weekly Since 1946

TELEVISION DIGEST.

With Consumer Electronics
(ISSN 0497-1515)

PUBLISHED BY TELEVISION DIGEST, INC.

Television Digest, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Connections: World Communications Report (with The Economist of London), Public Broadcasting Report, Space Commerce Bulletin, Television and Cable Factbook, Telecom Factbook and other special publications.

Copyright © 1985 by Television Digest, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS
1836 Jefferson Place, N.W., Washington, D.C. 20036
Phone: 202-872-9200 Telex: 6502173616 (via WUI)
MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435
This newsletter is available electronically via Newsnet

WASHINGTON HEADQUARTERS
Albert Warren Editor & Publisher
Paul L. Warren .. Assoc. Pub. & Sr. Ed.
Dawson B. Nail Executive Editor
Jonathan Miller Senior Editor
Daniel Warren News Editor
Steven Tuttle Managing Ed., Wash.
Mary Crowley Senior Editor
Mike Schwartz Associate Editor
Arthur Brodsky Associate Editor
Frances Seghers Associate Editor
Melinda Gipson Associate Editor
Theresa Foley Associate Editor
Deborah Jacobs ... Info. System Mgr.

NEW YORK BUREAU
475 Fifth Ave., N.Y. 10017
Phone: 212-686-5410

Business
Roy W. Easley III Controller
Gary Madderom .. Marketing Director
Glenn Brown Advertising Dir.
Betty Alvine Circulation Mgr.

DAVID LACHENBRUCH Editorial Dir.
Robert E. Gerson .. Managing Ed., N.Y.
Seth Goldstein Senior Editor
Rich Zahradnik Assistant Editor

JAPAN REPRESENTATIVE
(Editorial & Business)
Richard E. Varner

c/o Foreign Correspondents Club of Japan
Denki Bldg., 20th Floor 1-7-1
Yuraku-cho, Chiyoda-ku
Tokyo 100, Japan
Phone: 211-3161 Telex: J24600
MCI Mail: TVDTOKYO

TELEVISION AND CABLE FACTBOOK
Michael Taliroff Managing Editor
Mary Appel Editorial Director
Barbara E. Van Gorder Sr. Supv. Editor
Richard Koch Editorial Supv.
Melinda M. Lukasz Senior Editor

FACTBOOK RESEARCH, INC.
Lynn R. Levine Director

battery marketer SAFT America, succeeding Edward Mulvey, resigned.

Kodak continued expansion of electronic recording capability through acquisition of most assets of Garlic Technology, Morgan Hill, Cal. specialist in design and development of digital magnetic recording heads. Terms weren't disclosed. Kodak is acquiring some manufacturing equipment, rights to pending patents and technology relating to advanced digital recording heads. Unit is being renamed Garlic Development and will serve as digital head development center of Kodak Mass Memory Products Div.

APRO '85, convention for nation's rent-to-own dealers, runs July 18-22 at Orlando's Wyndham Hotel under sponsorship of Assn. of Progressive Rental Organizations. Event will feature panels on regulation of RTO industry, federal legislation, video cassette rentals, plus usual number of social events. Among consumer electronics exhibitors: Akai, GE, Hitachi, Marantz, Philco Div. of NAPCE, Quasar, RCA, Samsung, Sanyo, Teknika, Thomas, Zenith.

Korea's Daewoo has been licensed by JVC to make VHS recorders, will start production this year. Company has been Beta licensee.

TELEVISION DIGEST®

The Authoritative Service for Broadcasting, Cable, Consumer Electronics and Allied Fields.

With Consumer Electronics

JULY 15, 1985

VOL. 25, NO. 29

28

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

MERGER MANIA FILLS WEEK with many actions at FCC and Congress. Cooke gains in Multimedia; TBS-CBS en banc schedule set; expedited TBS request denied. (P. 1)

SEPT. ACTION ON TURNER BID seen by Fowler, who testifies on Hill day after FCC launches mergers inquiry. (P. 3)

CBS NET DROPS FOR QUARTER, HALF on slight gain in revenues. Best. Group profits up 14% for quarter to record \$181.1 million. (P. 5)

ABC MOVES INTO DATA TRANSMISSION in venture with Epson, others. Will use satellites and 1,800 radio affiliates to move data. (P. 5)

6-8 SATELLITE APPLICATIONS will be thrown out by FCC later this month. (P. 6)

ABC WILL DROP 300-350 EMPLOYEES, about 2.5-3% of work force. (P. 6)

FCC CLEARS CBS AND ABC in fairness complaints, but finds complaints by govt. agencies are proper. Quello attacks 'shoddy journalism.' (P. 7)

TURNER HANGS IN THERE, says he's 'looking at all possible options' in wake of CBS recapitalization plan. (P. 7)

HECTIC WEEK IN WASHINGTON ON MERGERS: Pressed on several fronts to rule on various media takeovers, FCC took number of actions last week to resolve some pending questions while attempting to formulate long-range policies. There were these developments, treated separately below: (1) Jack Cooke's short-form (316) application for Multimedia was approved by Commission, which accepted his trustee plan. (2) Ground rules were set for Aug. 1-2 en banc argument in Turner's attempt to take over CBS. (3) Commission said it couldn't speedily grant Turner long-form CBS transfer application and couldn't grant short-form proposal by July 15. (4) Kohlberg, Kravis, Roberts & Co. said it's arranging financing for Storer merger.

Also, FCC Chmn. Fowler and NBC Chmn. Thorton Bradshaw testified about mergers before House panel, and Commission launched broad inquiry seeking comment on policies it should adopt to guide it in resolving merger disputes (see separate story).

Consumer Electronics

COLOR SALES RECOVER in June, hit first-half record. VCR sales also hot. Inventories continue climb, but at lower rate. (P. 10) First half at a glance. (P. 14)

100 STATIONS IN STEREO, 30 of them NBC affiliates, as first commercial network stereocasts start; 250 by year's end? (P. 11)

VIDEO AND AUDIO TAPE factory sales topped \$1 billion for first time in 1984, ITA reports. Videocassette pricing continues drop. (P. 12)

JVC WILL INTRODUCE VHD in U.S. on its own if it can't find launch partners, Pres. Shinji says. Nonconsumer sales to come first. (P. 12)

AT&T PHASING OUT home phone production in U.S. at cost of 745 jobs. (P. 14)

GE CONSUMER PRODUCTS earnings declined in 2nd quarter on increased loss from video products. (P. 15)

SIA CHARGE OF UNFAIR Japanese IC trade practices accepted for investigation by Special Trade Representative. (P. 15)

BILL TO HIKE DUTY on color tubes imported with kits draws support from U.S. makers and unions, fire from Japanese assemblers. (P. 16)

Cooke Wins Round in Multimedia Bid

Jack Cooke won round one at FCC July 12 in his effort to engineer unfriendly takeover of Multimedia. Agency approved his request for short-form transfer of Multimedia to trustee -- former Democratic senator from Minn. Eugene McCarthy -- as "interim caretaker" while Commission considers long-form transfer application filed by Cooke. Trusteeship (on which Comr. Quello dissented and Comr. Patrick withheld his vote until order is released, expected today) will become effective as soon as McCarthy starts soliciting Multimedia shareholders on behalf of Cooke. It's good for 180 days, can be extended for another 180.

Commission ordered Cooke to place his 9.75% of Multimedia shares into newly approved trust, established several conditions to insulate trustee and to govern his actions: (1) Cooke can't nominate any directors to trusteeship (he had sought to name 2-3). (2) He may not exert any control, "directly or indirectly," over trustee and can't become involved in management or operation. (3) Reports between Cooke and trustee must be in writing. FCC also will specify that trustee's expenses will be paid by Cooke.

Commission majority seemed to agree with Cooke's argument that delay in approving trusteeship "would give [Multimedia] management an unfair advantage" when agency said that "a delay, such as that involved in... long-form procedures would decide the contest for control of Multimedia." It said other parties "will have a full opportunity to participate... should the tender offer be successful" when FCC considers long-form application.

Quello hit majority decision that "extraordinary procedures are necessary" in Cooke-Multimedia case. "In my view, the public is not well served by authorizing the ouster of a qualified licensee prior to determining that the successor is fully qualified... Clearly, ownership of Multimedia would be transferred if the tender offer is successful... I see the majority's attempt to accomplish a half-way transfer without full procedural requirements as akin to an attempt to accomplish a half-way pregnancy. Before you know it, you are already all the way there."

Multimedia plans stockholder meeting in Aug. (date not announced) to vote on its own recapitalization plan, announced before Cooke made his bid but later sweetened. Licensee also has raised questions about Cooke's character, said he "seeks to avoid the expected consequences of his violations of FCC rules and policies by characterizing them as ancient peccadilloes. His conduct in connection with [KRLA(AM) L.A. license revocation in 1962 and Teleprompter case in 1973] can hardly be dismissed as inconsequential." FCC revoked KRLA's licensee, ruling that Cooke was actual owner (although license was in his brother's name) while a Canadian citizen and that station ran fraudulent contests.

En Banc Ground Rules Set

TBS attempt at unfriendly takeover of CBS will be considered at en banc argument before commissioners Aug. 1-2, agency announced July 11. Commission stressed that argument "will neither constitute nor substitute for an evidentiary hearing to the extent one might be required by the Communications Act." Commission asked parties to give "particular attention" to 6 disputed issues:

(1) Is TBS financially qualified? (2) What "substantial and material facts" are in dispute as to Turner's financial showings? (3) "What Commission rules or policies as to diversity of news sources or other related policies are affected" in takeover attempt? This deals with Turner's announced intention to continue to operate CNN if he's successful in acquiring CBS. (4) "What, if any, substantial and material facts are disputed... as to the issues raised in question No. 3?" (5) What FCC rules on economic competition are affected? (6) What material facts in dispute are raised by questions raised in 5?

On opening morning, CBS and TBS each will have hour -- including commissioners' questions. CBS affiliates and those supporting Turner each will have hour in afternoon. Next

day, non-CBS affiliates (including many public interest groups) supporting network will have hour. Argument then will be closed by joint CBS-TBS panel of 1 hour and 45 min., with each having 20 min. for opening arguments, 10 min. for closing arguments.

Parties filing comments wishing to participate must notify FCC Secy. William Tricarico in writing by July 22; summaries of formal statements must be submitted to him by July 30. Questions about argument will be handled by Roy Stewart, chief of Video Services Div.

FCC Receives TBS Trustee Plan

Same day FCC acted on Cooke trusteeship, Turner Bestg. asked agency to approve ex-Democratic Sen. William Hathaway of Me. as trustee in TBS fight to acquire CBS. FCC Mass Media Bureau Chief James McKinney told reporters that he expects many similar applications.

But Turner was told FCC won't grant expedited approval of his long-form transfer application. McKinney in letter informed Turner that Commission was directing CBS to file comments by July 17 responding to TBS's proposed trust arrangement. He told reporters that Commission "will address [trustee plan] very promptly," perhaps as early as July 18.

TBS actually proposes 2 trust arrangements, first of which would exist only on day of CBS stockholders' meeting. Under Hathaway's stewardship, first trust would receive CBS shares tendered to TBS, vote those shares for TBS nominees to CBS board, then direct new CBS board to establish subsidiary to which all regulated assets would be transferred -- assuming Turner is successful. That subsidiary would be controlled by 2nd trust -- Licensed Properties Voting Trust (LPVT).

Following consummation of those events, first trust would expire and LPVT -- with Hathaway as sole dir. -- would assume control of management and operation of CBS broadcast stations. He would operate TV and radio stations "in a manner consistent with statutory and regulatory requirements" pending FCC action on TBS long-form (Sec. 315) transfer-of-control applications.

Upon final FCC approval of TBS Sec. 315 application, LPVT would terminate and shares in subsidiary controlling CBS broadcast stations would revert to CBS control. If Commission denies 315 application, Hathaway would sell subsidiary or its assets, as appropriate, subject to prior FCC approval.

Kohlberg-Kravis Lines Up Storer Financing

KKR, through subsidiary SCI Holdings, filed registration with SEC to offer \$1.2 billion in securities and has received commitments for another \$740 million through syndicate of banks headed by Citibank N.A. Securities will be handled by Drexel Burnham Lambert, consist of \$600 million senior notes that mature 5-10 years after buyout, \$500 million in 12-year subordinated debentures and \$100 million in 15-year debentures in KKR limited partnership. KKR stepped in with its proposal to Storer last spring during attempt by Coniston Partners to take over Storer; Coniston won 4 of 9 seats on Storer board at June stockholders' meeting.

Meanwhile, Comcast Inc. refused to confirm or deny rumors that it plans to make bid for Storer. Storer official said it had "received nothing from Comcast and knows nothing about an offer."

HOUSE PANEL DEBATES MEDIA TAKEOVERS: Fastest Ted Turner can expect FCC to act on his CBS takeover bid is Sept., Chmn. Fowler told House Telecom Subcommittee at July 10 hearing, day after Commission launched inquiry into policies it should adopt governing tender offers, proxy contests and hostile takeovers such as TBS's. Fowler told House panel that while

he hoped Commission would act on TBS bid in "expedited" manner, decision on long-form transfer of control application wouldn't be possible before end of month and certainly not before CBS makes tender offer July 17.

Fowler reasserted that FCC intends to remain "neutral" and rejected arguments of some on Subcommittee that slow Commission decision-making inherently favors incumbent licensees in any takeover effort. He gave strong hints that he favored 2-step process involving trustee; FCC accepted such arrangement in Multimedia-Cooke case 2 days later (see story above).

Commission said at July 9 meeting that inquiry into mergers seeks to achieve 4 goals: (1) Carry out FCC "statutory mandate fully" under Sec. 310 of Communications Act. (2) Assure that procedures and policies adopted are "neutral." (3) Provide for expedited procedures in any cases requiring prior FCC approval. (4) Accommodate "to the fullest extent possible" state and other federal laws governing corporations.

Commission also said "it viewed favorably at this time" process in some tender offers whereby outside trustee (in Cooke's case ex-Minn. Democratic Sen. Eugene McCarthy) would be used to collect tendered stock, followed up July 12 by approving Cooke's short-form application and transfer plan. Such trustee would be approved on short form and permitted to take control of licensee temporarily until FCC could make final ruling on qualifications of actual buyer. Commission asked for comments on insulation of trustee from buyer and what powers trustee should have during interim operation, at July 12 meeting established some rules.

At FCC meeting, Fowler said that inquiry should make sure that road to FCC approvals isn't booby-trapped or blocked. "The standards for opening it should not be based on who is standing before that door... We are attempting to devise procedures which are fair to all the parties, but do not unwittingly permit management to become entrenched" -- because stockholders, not management, own publicly held corporations.

While inquiry is pending, FCC will continue handling takeovers, friendly and otherwise, on "a case-by-case... first-come, first-served basis," said Mass Media Bureau Chief James McKinney. When requests for expedited handling are received, he said they'll be granted whenever possible. Final order can be expected by end of year, McKinney said, but he refused to predict form it would take. It could be final policy statement, or decision by Commission to take further action, although he steered away from saying rulemaking would be issued.

Some lawmakers apparently didn't like news that FCC merger inquiry might not be finished until after pending ownership transfer cases are largely settled, with parent Commerce Committee Chmn. Dingell (D-Mich.) likening inquiry to "autopsy." Subcommittee Chmn. Wirth (D-Mich.) led other members in expressing concern over impact of revenue drain from hostile takeovers on network program quality, particularly on children's TV.

At House hearing, RCA Chmn. Thornton Bradshaw argued against "force leveraged... to satisfy greedy raiders and give quick, easy gratification to market manipulators." He expressed concern over long-term financial viability of takeover targets in broadcasting, said corporate fiscal policy of "pay now, regret later" imposes debilitating debt burden on targets. Bradshaw said hostile takeovers can drain broadcaster's revenues and erode program quality, lessen competition and diversity and "turn off" viewers.

Ex-FCC Comr. Steven Sharp of law firm Skadden, Arps, Slate, Meagher & Flom, where he represented Coniston Partners in attempt to gain control of Storer (firm also is involved on CBS side in Turner effort), said Commission must exercise "common sense" in handling ownership transfers. Emphasizing that opinions were his own, he said key factors warranting filing of transfer applications requiring FCC approval should be "magnitude of the change and the rapidity with which it takes place." On question of who controls company (issue was key in Storer case), Sharp argued it's actual owners -- shareholders -- and that officers and directors are "secondary."

Henry Geller of Washington Center for Public Policy, objected to FCC's handling of Storer: "Any time one group succeeds in wresting control of the governing board... there is a substantial de facto transfer of control" and not unsubstantial changeover, as Commission ruled. He urged Congress to revise Communications Act to make clear in Sec. 309 that any "abrupt" and "hostile" change in control of licensee's board should be subject to notice and comment at FCC.

Media consultant-analyst Anthony Hoffman said that flurry of media mergers has put companies on defensive and that "nearly every such company has taken steps to erect barriers" to takeovers. "Rest assured that, if the current wave of offers sails through the various government regulatory bodies with little or no problems, there will be a 2nd wave of deals with even more bizarre financing schemes."

Absence of some prospective witnesses was result of Subcommittee decision, we learned. Turner was said to be "more than willing" to testify, as Subcommittee first planned. Panel reconsidered idea because of possibility that hearing would interfere in takeover process, creating legal entanglements for CBS and TBS, we're told. Turner people made up large part of audience and CBS had session transmitted live to N.Y. hq.

Senate Commerce Committee will hold July 18 hearing on takeovers, focusing on legislation protecting networks (S-1312) introduced by Sens. Eagleton (D-Mo.) and Pressler (R-S.D.). Companion measure (HR-2904) has been introduced in House by Rep. Gephardt (D-Mo.).

CBS PROFIT SLIDES 12%: Despite record increase by Best. Group in net income for 2nd quarter, CBS profit on continuing operations for 3 months dropped 12% to \$78.1 million, compared with \$88.4 million in 1984; earnings per share were \$2.63, down from \$2.98. Factoring in discontinued operations (CBS musical instruments), net income for quarter was off 22% -- from \$88.6 million to \$69.3 million. Revenues for quarter rose 4% to \$1.23 billion from \$1.19 billion.

For first half, net income on continuing operations of \$94.9 million was down 27% from \$129.4 million; total net income dropped 32% from \$127.5 million in 1974 to \$86.1 million. "More than half of the decline in 2nd-quarter net income reflected one-time-only charges," CBS Chmn. Thomas Wyman said. "On the plus side, we are particularly pleased with the performance of the CBS Broadcast Group, which not only set a record in operating profits for any quarter in its history, but has also reported the largest quarterly operating profit of any broadcasting entity ever." Income decline for continuing businesses was result of "ongoing softness" in recorded music business, anticipated effect of acquisition of Ziff-Davis magazines, disappointing toy sales and interest expenses, he said.

Best. Group had 2nd-quarter net income of \$181.1 million, up from \$159.4 million in 1984, first-half net income of \$237.7 million, up from \$211.2 million. Revenues for quarter totaled \$737.2 million, gain from \$672.5 million; revenues for 6 months were \$1.3984 billion, increase from \$1.3133 billion. Records Group 2nd-quarter income was \$18.2 million, down from \$30.5 million; Publishing Group income was \$2.3 million, vs. \$6.3 million last year.

ABC MOVES INTO DATA TRANSMISSION: ABC will use its satellite capacity and FM subcarriers of 1,800 affiliates to move data around country for businesses in "Indesys" venture with Epson America, Hillman Co. and several ex-Atari executives. At ABC, venture will be under Video Enterprises Div.

Indesys, announced in N.Y. July 10, will begin Oct. 1 in Chicago, Dallas, L.A., N.Y. and San Francisco. Company executives said they plan to expand. Indesys will provide 3 levels of service: (1) Maxmail, one-hour delivery of documents at 20¢ per page. (2) Digitext, same-day delivery, usually within 4 hours, at 15¢ per page. (3) Nitetext, overnight delivery by 8 a.m. next day at 10¢ per page.

Customers, which already include Avon, Businessland, Peat Marwick Mitchell and Telerate, will send messages from their computers to Indesys central office, where data and address codes of recipients will be encoded and uplinked to ABC satellite. Satellite transmission will be received by FM stations and data will be rebroadcast on subcarrier. At receiving end, either IBM PC and PC-compatible computers or Epson-built "smart" printers will be used to receive data at 38,400 baud.

Pres.-CEO Michael Moone said service will be ideal for companies that send great deal of time-sensitive data to scattered locations, such as retail outlets. Venture could easily break even by early next year if company didn't expand beyond first 5 markets, according to ABC Video Enterprises Vp Bruce Maggin, but expansion means it will take longer to reach profitability. They declined to provide revenue or earnings projections.

Times Fiber has received \$10 million contract from United Cable TV to supply coaxial cable for Baltimore system.

FCC MAY THROW OUT SATELLITE BIDS: FCC on July 25 is likely to throw out at least 6 domestic satellite applications, possibly could toss out 2 more, and will give several other applicants less than they asked for, sources tell us.

Commission is expected to reject applications from Advanced Business Communications, Columbia, Digital Telesat, Rainbow and U.S. Satellite Systems, sources said. This is considered virtually certain, given Commission's May notice of proposed rulemaking with its tough new financial qualification standards.

Equatorial Communications and National Exchange applications are "borderline," sources said. It's expected that Equatorial, which recently got \$50 million investment from Martin Marietta, will be approved. It's possible National Exchange could get more leeway to bring its application into conformity with FCC's financial qualification standard or perhaps could be granted single orbital location.

FCC is expected to grant applications of 4 new operators: Federal Express, Ford, Martin Marietta and Comsat. Each will get 2 slots. But Commission is likely to limit grants of new capacity of all existing operators to no more than one satellite in each band (C and Ku), we're told.

Commission hasn't decided whether to put international satellites on July 25 agenda, may be waiting for signal from Congress. If it does, it's expected to grant all pending applications from companies seeking to provide alternatives to Intelsat.

Unresolved question: What will FCC do about SBS's pending applications for SBS 5 and 6? IBM has said it will take over these and SBS-4, but FCC hasn't received transfer application, and status of SBS itself is unclear since announcement that it would be merged with MCI.

(For details of FCC plans for all applications, ask for copy of our Satellite Week, phone 202-872-9200.)

Some legal advertising is "sheer shysterism," according to U.S. Supreme Court Chief Justice Warren Burger. In unscheduled appearance at Commission on Professionalism July 7 at ABA convention in Washington, he said: "I will never -- my advice to the public is -- never, never, never, under any circumstances engage the services of a lawyer who advertises." Bar officials generally defended lawyer ads, said type that Burger criticized are only tiny portion of those placed. According to ABA poll, about 13% of law firms advertise. For first time in several years, no communications-related matters were before ABA's 422-member House of Delegates during convention.

Continuing its upsurge, NBC said its TV Network reached \$1 billion in up-front sales for fall season -- first network ever to attain that figure.

ABC TO LAY OFF UP TO 350: ABC will lay off 300-350 employees (2.5-3% of work force) as major element of continuing effort to cut costs, Pres. Frederick Pierce said in confirming report in Wall St. Journal. He said move was "totally unrelated" to pending acquisition of ABC by Capital Cities, which has reputation for tightly gripping purse strings.

Major ABC executives were told of pending layoffs July 9, were asked to have recommendations -- by position and name, we're told -- by Aug. 1. Cuts will be made before Oct. in order to avoid impact on performance for 4th quarter. ABC official told us that "a fairly generous severance package... more so than the norm" will be provided for those cut and that they'll be offered job counseling in landing new positions. Cuts are expected across board in all ABC operations, will include some high-level executives.

"This will give us an efficient operating organization [and] it also sets a tone for what we're trying to accomplish in terms of maintaining our own profit goals," Pierce said. In recent months, ABC has taken lead among TV networks in trying to reduce program costs and has cut about 300 employees in last 18 months, mostly through attrition. ABC will release its 2nd-quarter earnings this week; its net income fell 19% in first quarter.

Tribune Co. said it may sell cable unit, possibly in leveraged buyout led by Douglas Dittrick, Tribune Cable pres., to focus on TV stations. As result of acquisition of KTLA L.A. for \$510 million (TVD May 20 pl), Tribune must divest other media properties in L.A. market, including Daily News and 2 cable systems with 39,000 subscribers. Tribune on July 8 disclosed financing plans for acquisition of TV station, its 6th, said it would raise \$340 million by offering \$100 million in 10-year Euronotes, \$240 million from privately placed commercial paper, assume \$170 million of KTLA debt. Tribune said it hopes to swap Daily News for another paper to avoid taxes. It said it's "giving consideration to the sale of additional cable systems or its entire cable operations." Dittrick told us he's "looking at various ways such a thing might be put together. I've been encouraged by Tribune to do this." He said he plans to structure deal so that all systems are retained. Tribune Cable is 34th largest MSO with roughly 200,000 subscribers in 15 systems. Cable unit, which posted \$5.8 million pretax loss in 1984, is expected to bring about \$205 million. Cable losses are attributed to newbuilds in Montgomery County, Md., and Tampa.

Dow Jones and Okla. Publishing, parent of Gaylord Bstg., are paying \$460 million in cash for combined 52% controlling interest in Telerate, data base supplier of international business information. Seller is Exco International, leading U.K. brokerage firm. Dow Jones gains 32% stake by paying \$283.3 million for 14.1 million Telerate shares at \$20 each; Okla. Publishing gains 20% stake by paying \$177.5 million for 8.9 million shares.

CBS AND ABC CLEARED: FCC July 12 denied fairness doctrine complaints against ABC and CBS News segments and at same time ruled it was proper for CIA to file complaint under doctrine. Action on CIA was in form of refusal to reconsider earlier dismissal of complaint against ABC.

American Legal Foundation (ALF) also had complained about CIA segment on ABC and had asked Commission to prohibit "government agencies" from filing complaints against stations -- because they are licensed by govt. -- under doctrine. At same meeting, FCC denied complaint against CBS filed by ALF.

CIA had complained about Sept. 19 broadcast on ABC World News Tonight that contained segment on alleged CIA participation in schemes to assassinate Americans and involvement in other illegal activities. Mass Media Bureau had denied CIA complaint Jan. 10. In upholding Bureau action, Commission said it would "initiate action on news distortion complaints only when furnished with direct extrinsic evidence that a broadcaster deliberately intended to distort the news." Moreover, FCC said, ABC had "retracted the most significant allegation -- that the CIA had been involved in an assassination plot."

CBS case dealt with ALF complaint charging distortion of reports on weapons systems on "Pentagon/Underground" segment of Our Times with Bill Moyers. FCC said ALF presented "no extrinsic evidence to support its claim" that CBS "knowingly" distorted any information.

Comr. Quello said he agreed that FCC shouldn't substitute its news judgment for that of a licensee, but he stressed that he's "concerned with shoddy journalism, which this is." Mentioning ABC's CIA stories and CBS-Westmoreland case, he said: "The First Amendment gives broadcasters the right to be wrong, but they shouldn't be so wrong that they're an embarrassment to the profession. It's reporting like this that makes it difficult for us who want to get full First Amendment rights for broadcasters to get it."

In other Mass Media items, Commission as expected dismissed several petitions for reconsideration or review of various cable franchise fee decisions (TVD July 8 p1). It ruled that because of limitations in Cable Act, it can't address such questions.

Commission also eliminated requirement that radio stations affiliated with networks file contracts with agency, kept requirement in force for TV networks because of "higher level of interest in the national TV networks" by Congress and public, according to Bureau Chief James McKinney.

WRAL-TV Raleigh-Durham will switch affiliation next month from ABC to CBS -- with CBS moving to Capital Cities' WTVD there.

TURNER 'LOOKING AT ALL OPTIONS': Ted Turner said he's looking "at all possible options" for continuing his hostile takeover bid for CBS. He conceded that network's nearly \$1 billion recapitalization plan (TVD July 8 p2) makes his cashless offer "very, very difficult."

In first public remarks on subject since his stock registration statement was approved by SEC (TVD June 24 p3), Turner told packed audience at Washington's National Press Club July 9 that "there is no corporation in America as arrogant as CBS" and charged that its management is attempting to "unlawfully entrench themselves" through plan to repurchase 21% of shares.

Asked if his options now include seeking cash partner, Turner responded, "no comment." He said he has spent "around \$15 million" so far in quest for control of CBS.

Humorous and well-received speech disparaged comments of Gene Jankowski, CBS Bestg. Group pres. Turner quoted Jankowski as saying in recent magazine article that ABC's drop in ratings is his No. 1 concern ("I thought he got paid to worry about CBS's ratings"), and that CBS for years has been looking for other profitable TV stations to buy without finding any ("I think the Tribune Co. [which is buying KTLA L.A.] and Mr. Murdoch [who's buying Metromedia stations] could teach him a lesson or two").

Turner criticized CBS for characterizing as unworkable his plan to raise network debt and sell off some assets to fund his takeover plan, then proposing similar tactics in its recapitalization plan.

Asked why he chose CBS as takeover target and not either of 2 other networks, Turner said: "ABC saw this thing coming and ran to CapCities. CBS, because of their general arrogance, seemed the most vulnerable."

Turner said TBS will file suit in U.S. Dist. Court, Atlanta, July 24 seeking to halt CBS recapitalization plan. He also said TBS will "file additional information" with Justice Dept. this week relating to takeover plan. DoJ on 3 prior occasions has asked TBS for more data as part of its antitrust review.

Hoping to goad networks to action, 7 House Telecom Subcommittee members said they should develop voluntary guidelines to prohibit commentators, anchors and others from becoming involved with terrorists when reporting hostage situations. Congressmen said they wanted to dissuade future kidnapers from seeking sympathetic exposure. Rep. Luken (D-O.) said there won't be legislation because "we're not in the business of censorship" or of "trying to control networks." Making statement in addition to Luken were Reps. Waxman (D-Cal.), Brodyhill (R-N.C.), Bryant (D-Tex.), Bates (D-Cal.), Biley (R-Va.), Moorhead (R-Cal.), Slattery (D-Kan.).

CRT 'CORRUPTION' CHARGED: Copyright Royalty Tribunal's ex-Chmn. Marianne Hall has recommended to Congress that agency be "eliminated immediately," charging in letter to Congress released last week that agency "is effectively paralyzed. Its 7-year precedents for incompetence, ineffectiveness, apathy and apparent corruption have rendered it totally useless and totally unjust."

Accusations came in memo Hall wrote to CRT commissioners and sent to Congress shortly before she resigned under pressure (TVD May 13 p6). Memo was released at July 11 CRT oversight hearing by House Copyright Subcommittee. Hall said "disorganized and inadequate" CRT records could contribute to court invalidation of 4 years of cable copyright royalty distributions if challenged. Memo listed missing documents related to 1982 cable distribution and records on 1979-83 PBS rate adjustments.

Hall said she found CRT had no record of how agency had handled \$120 million of cable royalties disbursed 1979-82. Jukebox royalties actually may have been disbursed inequitably, she claimed.

It's unclear whether Hall's claims constitute criminal allegations, House aides said. Subcommittee has launched probe, aide confirmed, but he noted there have been other accusations. Charges may fuel call in Congress for elimination of CRT, aides said; already Subcommittee Chmn. Kastenmeier (D-Wis.) has decided to delay action on proposed legislative reforms (HR-2752 and HR-2784) for more hearings, perhaps in Sept.

Testifying at hearing, Acting CRT Chmn. Edward Ray tried to cast doubt on Hall's charges, saying it was "strange" how memo first surfaced shortly before controversy broke that forced her resignation. Ray also hinted her efforts unilaterally to "reform" CRT had generated hard feelings among commissioners.

Ray denied CRT was "broken beyond repair" as some lawmakers have suggested, said that with "restructuring," particularly more staff, agency could be "viable." He recommended slimmed-down CRT with rotating chairmanship and 3 commissioners instead of 5.

Kastenmeier questioned impact of fewer commissioners on workload, noting that agency has only 2 sitting commissioners and one of those -- Mario Aguero -- is ill with acute diverticulitis, which forced cancellation of agency hearing July 12 in disputed 1983 cable royalty distribution and kept Aguero from appearing before Subcommittee.

CBS Bcst. Group will hold cost increases to 6% in 1986, Group Pres. Gene Jankowski told some 100 executives of his division (including gen. mgrs. of owned stations) last week. A few top managers were called back from vacation for meeting on next year's budget. We're told there was no talk of staff cutbacks.

CBS began new activity last week -- and made some progress -- on syndication financial interest front in meeting with representatives of 3 major Hollywood producers, we're told. On hold at FCC is rulemaking that would permit networks to own and syndicate programming -- and 2-year moratorium Congress imposed on FCC relaxation of rules is about to expire. Networks also are operating under Justice Dept. consent decree that limits their ownership of prime-time shows to 2-1/2 hours a week, will reach 5 hours before decree expires in 1990. Producers reportedly agreed to permit CBS to own and syndicate domestically up to 3-1/2 hours of prime-time programming a week. Neither ABC nor NBC as yet is party to agreement, we're told. Said CBS: "There's nothing new to report" on network's having financial interest in syndicated programming, area they were thrown out of in 1970 when FCC adopted prime-time access rule. Commission rulemaking was major issue in Washington couple of years ago, even attracting interest of President Reagan.

FCC Comr. Patrick's nomination to full 7-year term is expected to be reported favorably this week by Senate Commerce Committee. Patrick had no trouble in hearing July 11, and nomination is expected to win full Senate approval this month. Patrick's term expired June 30, although he continues to serve. Committee focused on media merger issue at hearing, expressing concern that public input wouldn't get adequate airing in Turner-CBS takeover case (see separate story). But Patrick said that en banc Commission hearing next month wouldn't be used as substitute for evidentiary hearing and that if substantial and material questions of fact are raised, FCC is required by law to hold such a hearing. Patrick also was questioned on FCC monitoring of telephone rate requests. He warned of indiscriminate deregulation: "I don't hesitate to support regulatory intervention where the public will not be protected by the market alone." Patrick said this means that, among other things, Commission must ease transition in post-AT&T era.

ABC asked U.S. Dist. Judge Barrington Parker to issue legal sanctions against those responsible for disclosing amount it paid -- reported as \$500,000 (TVD July 8 p5) -- in settling \$15 million sexual harassment suit brought by Cecily Coleman. Court has authority to fine lawyers and/or hold them in contempt for violating agreement -- which specified that amount wouldn't be disclosed. Judge has permitted ABC attorney Stuart Gerson to question several involved in settlement in closed sessions. Mark Lane, attorney for Coleman, objected to closing of hearings July 8 and 9, accused "[National Organization for Women] and counsel for NOW" of leaking information.

U.S. Appeals Court, D.C., has officially consolidated Turner Bcstg. System and Quincy Cable challenges to FCC cable must-carry rules, leading some attorneys to predict Court will soon hand down order in which it will address constitutional issue that cases raise.

Personals

FCC calendar -- July 15: Comr. **Patrick** speaks at GTE Telephone Operating Group President's Conference, Hot Springs, W.Va. July 16: Patrick addresses Great Lakes Conference of Regulatory Utilities Comrs., White Sulphur Springs, W.Va. July 18: Chmn. **Fowler** testifies at Senate Commerce Committee takeover hearing, Rm. 253 Russell Bldg., 2:30; Comr. **Quello** speaks at U.K. Radio Festival, U. of Bristol, Bristol, England.

Charles Wilkins, ex-Hollingsworth & Vose, appointed employee relations dir., WNEV-TV Boston... **Charles Curran**, ex-Charles Curran Co., named domestic sales mgr., BlairSpan, new post... **Jerry Braet**, ex-KCOP L.A., appointed gen. mgr. KUTP Phoenix (to be on air in early 1986) and a vp, parent United TV... Mutual Network Best. & Communications Service Dept. reorganized: **Peggy Solomon** named operations vp; **Michael Hrinko** advanced to engineering vp; **David Wilcox** promoted to telecommunications services dir., new post; **Bernie Kvale** named midwest sales mgr.

Deborah Enix, ex-MFY Legal Services, N.Y., appointed ad review specialist, Better Business Bureau... **James Casserly** promoted to partner in Washington office of law firm Squire, Sanders & Dempsey... **Joseph Loiacono** named mgr., NBC program research.

Sam Thurm, ANA senior vp and head of Washington office, retires... **James Corboy**, ex-Eisaman, Johns & Laws Adv., appointed mgr.-ads and promotion, WMAQ-TV Chicago... **Skip Paul**, ex-Atari, named MCA Enterprises pres... **Jon Esther**, ex-WCPO-TV Cincinnati, appointed news dir., WEHT Evansville... **Cindy Haas** advanced at WJXT Jacksonville to operations mgr... **Nicholas van Hoogstraten**, ex-WKBD-TV Detroit, named dir.-ads and promotion, KTLA L.A... **Ernesto Betancourt** named acting dir., Radio Marti.

N.Y. Gov. **Mario Cuomo** addresses N.Y. State Bestrs. Assn. convention dinner July 16, White Plains... **Charles Marinaccio**, SEC commissioner, resigns, will join new Washington office of N.Y. law firm Kelly, Drye & Warren at end of summer.

Charles Shackleton advanced to west coast vp-human resources, Columbia Pictures Filmed Entertainment... **Chip James**, ex-Rainbow Programming Services, appointed vp-mergers and acquisitions, Daniels & Assoc... **Robert Blackmore**, NBC senior vp-sales, elected chmn., Sales Executives Club of N.Y... **Virgil Dominic** advanced to vp-corporate news dir., Storer TV Station Div.

Richard Heller promoted to senior vp-comedy development, Columbia Pictures TV... **Regina Harrison**, ex-N.Y. law firm of Finley, Kumble, Wagner, Heine, Underberg, Manley & Casey, becomes associate in Washington law firm Goldberg & Spector.

TELEVISION DIGEST

Published Weekly Since 1946

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY TELEVISION DIGEST, INC.

Television Digest, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Connections: World Communications Report (with The Economist of London), Public Broadcasting Report, Space Commerce Bulletin, Television and Cable Factbook, Telecom Factbook and other special publications.

Copyright © 1985 by Television Digest, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

1836 Jefferson Place, N.W., Washington, D.C. 20036
Phone: 202-872-9200 Telex: 6502173616 (Via WUI)
MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435
This newsletter is available electronically via Newsnet

WASHINGTON HEADQUARTERS

Albert Warren Editor & Publisher
Paul L. Warren . . . Assoc. Pub. & Sr. Ed.
Dawson B Nail Executive Editor
Jonathan Miller Senior Editor
Daniel Warren News Editor
Steven Tuttle . . . Managing Ed., Wash.
Mary Crowley Senior Editor
Mike Schwartz Associate Editor
Arthur Brodsky Associate Editor
Frances Seghers Associate Editor
Melinda Gipson Associate Editor
Theresa Foley Associate Editor
Deborah Jacobs Info. System Mgr.

Television and Cable Factbook
Michael Taliadoro . . . Managing Editor
Mary Appel Editorial Director
Barbara E. Van Gorder Sr. Supv. Editor
Richard Koch Editorial Supv.
Melinda M. Lukasz Senior Editor

Facbook Research, Inc.
Lynn R. Levine Director

Roy W. Easley III Controller
Gary Maderon Marketing Director
Glenn Brown Advertising Dir.
Betty Alvine Circulation Mgr.

NEW YORK BUREAU
475 Fifth Ave., N.Y. 10017
Phone: 212-686-5410

David Lachenbruch Editorial Dir.
Robert E. Gerson . . . Managing Ed., N.Y.
Seth Goldstein Senior Editor
Rich Zahradnik Assistant Editor

JAPAN REPRESENTATIVE
(Editorial & Business)

Richard E. Varner
c/o Foreign Correspondents Club of Japan
Denki Bldg., 20th Floor I-7-1
Yuraku-cho, Chiyoda-ku
Tokyo 100, Japan
Phone: 211-3161 Telex: J24600
MCI Mail: TVDTOKYO

Joseph Weber, ex-WOFL Orlando, named dir.-acquisitions and scheduling, USA Network... **John Lorenz** promoted to dir., PBS program business affairs; **Robin Breed** advanced to program acquisition dir.; **Stephen McGowan**, ex-NAB, named senior research assoc... **Benny Chee-Hon Chan**, ex-Timex, named to head new Far Eastern office of Times Fiber Communications Systems Div... **Jerry Kaufer**, ex-Viacom International, appointed creative services vp, Worldvision Enterprises.

Warner Communications has postponed stockholder meeting again, signal that Warner Chmn. Steven Ross and Chris-Craft (C-C) Chmn. Herbert Siegel haven't settled differences (TVD July 1 p7). Annual meeting had been reset for Aug. 9, after being postponed from June 27. No new date has been set. C-C meanwhile announced it had bought additional 116,900 Warner shares (less than 1/2% of outstanding), raising its stake to just over 29.5%. C-C also said it has lined up \$175 million in bank credit lines to finance new stock purchases, amount that would buy another 6% of Warner shares. C-C moves put added pressure on Warner to agree to sale of Warner Amex Cable.

KTCT (Ch. 47) Tulsa has gone on air, raising operating U.S. TV stations to 1,212 -- 896 commercial, 316 noncommercial. Jack Rehburg purchased construction permit for \$410,000 in Sept. 1984 from Oral Roberts U.; Randy Clark is gen. mgr.

Consumer Electronics

A Section of *Television Digest* with *Consumer Electronics*

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 5th statistical week of June and 1985's first 6 months:

	JUNE 22-28	1984 WEEK	% CHANGE	JUNE 15-21	1ST HALF 1985	1ST HALF 1984	% CHANGE
TOTAL TV.....	596,968	578,620	+ 3.2	382,362	9,140,318	9,566,768	- 4.5
TOTAL COLOR...	479,156*	451,122	+ 6.2	313,451	7,498,714*	7,378,354	+ 1.6
DIRECT-VIEW..	473,508*	447,031	+ 5.9	309,480	7,398,103*	7,300,281	+ 1.3
PROJECTION..	5,648*	4,091	+38.1	3,971*	100,611*	78,073	+28.9
MONOCHROME....	117,812	127,498	- 7.6	68,911	1,641,604	2,188,414	-25.0
TV EXCL. PROJEC.	591,320	574,529	+ 2.9	378,391	9,039,707	9,488,695	- 4.7
HOME VCR#.....	280,855*	233,945	+20.1	186,721*	4,734,327*	2,910,913	+62.6
COLOR CAMERAS#..	16,299*	9,733	+67.5	9,580*	211,991*	192,181	+10.3

Color TV (direct-view) 5-week moving average: 1985--314,946*; 1984--277,636 (up 13.4%).

Home VCR 5-week moving average: 1985--196,044*; 1984--125,048 (up 56.8%).

* Record for period. # Camcorders included in VCRs, not in cameras.

COLOR RECOVERS, PUSHES TO 6-MO. RECORD: Color TV sales surged forward in June after disappointing May, making this year's first half best in history in unit sales. In 1985's first 6 months, color sales to dealers -- direct-view plus projection -- totaled just under 7.5 million sets, about a million more than were sold in full year of 1975.

June sales easily beat previous record for that month -- by 13.4%, color's biggest margin of increase this year -- to account for almost 1,575,000 sets, making it 4th best month in history. In June, color ran at seasonally adjusted annual sales rate of nearly 17.4 million, vs. 15.5 million in May, making month 2nd only to March (18 million) in annual rate. For first half, sales rate was 16.4 million, for first quarter 16.3 million, 2nd quarter rising to 16.6 million.

Although first-half color sales (direct-view) were up only 1.3% from same 1984 period, 2nd-quarter sales (3.6 million) edged up 4% increase after 1% dip in first quarter. Of year's first 26 weeks, 12 set records for those weeks. Sales in June's final week -- 473,500 sets -- were highest of any week this year.

VCR sales also made up for lost time in June, which was 3rd best month in history (after Dec. 1984 and March 1985). Month's sales of 980,221 were up 56.8% from June 1984, representing annualized rate of more than 12.2 million after mini-slump to less than 9.8 million in May. Annual sales rate for first half was 12.4 million, for 2nd quarter 11.5 million, down from first quarter's almost 13.5 million.

Difficulty of perpetuating high percentage increases is demonstrated in quarterly comparisons. While first-quarter VCR sales (2.47 million) were up 91.1% from last year, 2nd quarter (2.26 million) registered only 49.1% increase. First-half sales -- totaling 4,734,327, higher than any full year except 1984 -- gained 62.6%. VCR sales set record in each of year's 26 weeks to date. Final week of first half saw sales of 280,855 VCRs, highest of year and 3rd highest for any week in history.

Although inventories continued to rise in both color TV and VCR, rate of increases lessened in June. In color (including projection), pipeline stocks edged past 4 million at end of June to

record 4,051,200, up 14.8% from year earlier but only 2% from end of May. Factory color inventories, 2.69 million, were 30% ahead of year earlier, while distributor inventories at 1,357,000 were down 6.8%. In June, factory stocks moved up 2.4%, distributor 1.3%.

VCR inventories rose 157% from year earlier to 1,768,200, gain of 8.7% in June. Factory inventories at 1.1 million were almost exactly triple those of year earlier and up 2.9% from end of May, while distributors held 665,600, up 107.4% in year and 19.6% in month. VCR inventories total 9 weeks' supply, color 12 weeks, if June's rate of sales increases continue.

First half and June also set records in projection TV and color camera sales, cameras registering their best increase of year in June at 36.5%, after 29.5% decline in May. Projection TV sales set records 23 of first 26 weeks this year, and each of first 6 months, ending ahead by 28.9% in half. Black-&-white, being replaced by low-end color, was down from last year in 21 out of 26 weeks, sales declining by exactly 25% in first half. For first-half sales, see State of the Industry. Here are EIA's results for June:

Product	JUNE 1985	JUNE 1984	% change	JUNE 1983
Total TV.....	1,968,978	1,848,598	+ 6.5	1,964,994
Total color...	1,595,236*	1,403,682	+13.6	1,319,336
Direct-view.	1,574,730*	1,388,178	+13.4	1,310,665
Projection..	20,506*	15,504	+32.3	8,671
Monochrome....	373,742	444,916	-16.0	645,658
TV excl. projec.	1,948,472	1,833,094	+ 6.3	1,956,323
Home VCR.....	980,221*	625,238	+56.8	348,414
Color cameras...	48,787*	35,734	+36.5	40,509

*Record for any June.

100 STATIONS NOW BROADCASTING IN STEREO: When NBC begins regular network TV stereocasting Tues. with baseball's All-Star Game, there will be at least 100 U.S. stations airing programs in stereo. Of these, 30 are expected to carry NBC's lineup of stereo programs, which will be virtually daily, starting next week.

Our continuing survey of TV stations reveals not only that magic 100 number has been reached -- or will be Tues. when KING-TV Seattle turns on audio subcarrier for All-Star Game -- but that conversions to stereo will come at faster pace now, with station equipment logjam virtually ended. Last Dec., we forecast 100 stations would be stereocasting by this year's end, in April we doubled that prediction and now we're confident there'll be more than 250 before Jan. -- more than 20% of all TV stations -- covering virtually 100% of U.S. population, with 2-3 million homes capable of actually receiving stereo by means of stereo TV sets, MTS stereo VCRs and stand-alone stereo adapters and tuners.

Big recent surge in stereo starts was by NBC affiliates in anticipation of network's formal inauguration of stereo sound. As of July 9, NBC said, 26 stations covering 1/3 of U.S. population would carry All-Star Game in stereo; our later count found 30 NBC affiliates ready, far outdistancing other networks. As opposed to NBC's 30, PBS has 21 affiliates broadcasting in stereo, ABC 13, CBS 12, with 24 independents. PBS has been networking in stereo for years; affiliates may use programs for simulcast, stereo TV or both.

Stereo signals from the 100 outlets cover well over half of U.S. population -- perhaps 65-70%. Stereo TV stations are on air in all of top 10 markets, 23 of top 25, 36 of top 50. On Tues., Seattle market is expected to have 4 operating stereo stations. Six markets have 3 stations each on air -- Boston, Cleveland, Denver, Hartford, N.Y.C., Sacramento.

After All-Star Game start, NBC will offer Fri. Night Videos in stereo starting July 19, Johnny Carson and David Letterman shows starting July 23, adding Sat. Night Live and

prime-time shows including movies in fall. Because it's only commercial network feeding majority of its affiliates by satellite, NBC currently is only one that can supply stereo programs.

Since our last report on stereo stations, we identify 31 new outlets broadcasting in stereo -- or to be in stereo by Tues. -- for total of at least 101. These include PBS flagship WNET N.Y.; CBS-owned WCAU-TV and NBC affiliate KYW-TV, both in Philadelphia, plus these NBC affiliates: WXIA-TV Atlanta; WBZ-TV Boston; WCMH-TV Columbus, O.; KRIS-TV Corpus Christi; WKJG-TV Ft. Wayne; KPRC-TV Houston; WLEX-TV Lexington, Ky.; WTMJ-TV Milwaukee; WPTF-TV Raleigh-Durham; WWBT Richmond; WSJU San Juan, P.R.; WHIZ-TV Zanesville, O. Others: KFDA-TV Amarillo (CBS), KIVI Boise-Nampa, Ida. (ABC); WOIO Cleveland (ind.); KRMA-TV Denver (PBS); WDSE-TV Duluth (PBS); WPDS-TV Indianapolis (ind.); WISC-TV Madison (CBS); WMVS Milwaukee (PBS); WCCO-TV Minneapolis (CBS); KWTV Oklahoma City (CBS); WOWT Omaha (CBS); KTZZ Seattle (ind.); WFSU-TV Tallahassee (PBS); KWCH-TV Wichita (CBS). We'll be happy to send you a copy of our complete list of stereo stations if you call or write our N.Y. office.

1984 FACTORY TAPE SALES TOPPED \$1 BILLION: U.S. market for video and audio cassettes exceeded \$1 billion at factory level for first time ever last year, growth needed to pass that milestone all coming from video, according to ITA's annual compilation. ITA figures represent sales of reporting members plus average of member estimates of sales by companies not participating in statistical program. They include shipments of finished cassettes to retailers, industrial customers and duplicators, but exclude cassettes loaded by duplicators.

Total tape factory sales rose 27.7% last year to \$1.18 billion, as 40.2% gain for videocassettes to just under \$913.7 million more than overcame 2.1% drop in audio cassette value to \$268.3 million. That gave video 77.3% share of industry dollar volume last year, up from 70.4% in 1983. Combined total value last year was \$925.8 million.

Videocassette unit sales of 157.9 million were up 81.5%, with growth pace set by 85.3% rise for VHS to 122 million. Beta cassettes, however, posted healthy 69.8% increase to 35.9 million. As result, figures show, VHS modestly increased its share of market mix, accounting for 77.3% of total 1984 videocassette units, up from 75.7% in 1983, and 78.2% of video dollars, up from 76.8%.

Other side of 1984's booming videocassette sales picture was continuation of severe price erosion. ITA figures indicate average factory price of videocassette fell 22.8% last year to \$5.78 from \$7.49 in 1983. Impact hit slightly harder on VHS, where price dropped 22.9% to \$5.86 from \$7.60, with Beta pricing off 22.6% to \$5.55 from \$7.16. In the 5 years since ITA's first compilation (1980), factory price of average videocassette has fallen 52.6% from \$12.20 indicated for that year. VHS is down 55.2% from \$13.07 average of 1980, while Beta, which started at significantly lower price, is off 46% from \$10.37.

ITA 1984 VIDEO & AUDIO FACTORY TAPE SALES ESTIMATES (add 000)

	Units		% change	Value		% change
	1984	1983		1984	1983	
Videocassettes....	157,943	87,013	+81.5	\$913,686	\$651,831	+40.2
VHS.....	122,012	65,857	+85.3	714,405	500,341	+42.8
Beta.....	35,931	21,156	+69.8	199,281	151,490	+31.5
Audio cassettes...	243,061	239,960	+ 1.3	268,287	273,976	- 2.1

JVC COMMITTED TO VHD SALES AND EXPANSION: VHD is one videodisc format that not only isn't going to go away but is due for expansion, including limited introduction in U.S.

according to JVC Pres. Ichiro Shinji. But in recent interview at company's Tokyo hq, he acknowledged that getting new disc format off ground in U.S. isn't going to be easy.

"We would like to take VHD to the U.S.; the question is, will it sell," Shinji said. "This is a tricky field. RCA tried and left the market. There is still a VCR boom, so whether a product that just reproduces images will be good is difficult to say."

JVC's 2-year effort to market system in Japan is beginning to pay off. "We are starting to make a profit" on VHD, Shinji said, noting that sales growth "is a matter of how we promote." Consumers, he said, "view the videodisc in a very simplistic manner; they say 'it can't record,' and so prefer VCRs. But they come to realize the convenience and features," of VHD, particularly its random access capability: "In a world of images, the VCR is a very good product and can produce its own software, but if it is just a matter of viewing images, VHD is a much better product."

JVC launched VHD as consumer product in Japan but will follow different route in U.S. "In a market where it has already been tried, I think the professional field is where to start." JVC isn't planning to go it alone here. "It is not our policy to launch a product in a new market by ourselves; we ask others to join," Shinji said. But "if they don't, we might decide to go in by ourselves." That JVC is close to deal for partner on professional side was indicated here earlier this month (TVD July 1 p12). However, JVC won't be getting any help from VHD Group, formed with GE and Thorn EMI to back then-planned 1983 U.S. kickoff, as it has been disbanded, Shinji said.

For consumer sales, it's understood, JVC is considering market-by-market rollout here rather than national effort. That would reduce software supply problem, make it easier for company to market against competing Laservision format. VHD is outselling LV in Japan by charging LV isn't complete system, Shinji told us. "We sell against LV on the basis of our higher recording density and technological capability."

One technology edge JVC hopes to capitalize on is VHD's computer interactive capability, and first game and educational discs are on market already. Another is AHD format, formerly called Audio High Density, now renamed Advanced High Density to reflect new applications. Disc, which is played on adapted VHD player, can hold up to 2 hours of digital audio, plus 3,000 standard or 480 high-definition TV frames, along with 21 megabits of computer data, making it suitable for variety of new applications.

JVC's U.S. video market growth hopes, of course, aren't restricted to VHD, but company isn't rushing into anything. "We are concerned" with current depressed business conditions "and have to increase profits," Shinji said. "We are not interested in market share as such" but are looking to expand in areas "where we have technology and can make a contribution." For just that reason JVC has stayed away from telephone and satellite equipment, for example, and is stressing home and professional video equipment: "The industry is still young and there are opportunities."

"Color TV is a very passive product, so what a manufacturer can do is very limited, but when it comes to color displays, this is different," he said. In computer displays, image sharpness is very important, and JVC has 60% of world market for high-resolution deflection yokes "even though we don't make tubes." This, Shinji said, "is an indication of the reason for the existence of our company."

* * * * *

Meanwhile, we've learned JVC is taking 2-step approach to improving performance of VHS VCR format. As noted here earlier, company is increasing white clip level of recorded signal to enhance edge sharpness. Sources say additional performance increase through new picture noise reduction method will be announced soon. JVC officials declined specifics, but it's believed to involve use of backward signal emphasis circuit described by JVC engineers in paper delivered at International Conference on Consumer Electronics in Chicago last month.

AT&T TO SINGAPORE: AT&T is quitting U.S. production of home telephones, will shift output and jobs to plant it's equipping in Singapore, its first such overseas manufacturing operation.

Company said it will phase out home phone production at Shreveport, La. plant over next 18 months. Move will eliminate about 750 jobs, though only about 100 workers actually will be dismissed, and plant will continue to produce commercial phone equipment. AT&T said it was shifting production to Far East because lower wage costs will help it be more competitive in market here. AT&T attempted to meet import competition by modernizing Shreveport plant and consolidating all production there, but that didn't work out. Company said it expects to invest about \$30 million in Singapore plant over next 5 years, begin mass production of phones there in Jan., have about 1,000 workers by end of 1986.

While it's AT&T's first foreign manufacturing operation, phones won't be first imports in AT&T's line. It has been sourcing cordless phones, answerers and some specialty phones from independent manufacturers in Far East for some time.

Tough times for phone industry are reflected in first-quarter import figures showing shipments dropped 27.3% to 5.08 million, with value down 19.4% to \$167.7 million. Cordless phones were big loser, units down 73.1% to 569,200, value off 65.4% to \$32.5 million. Although shipments of wired instruments were off 7.3% to 4.51 million, value rose 18.7% to \$135.1 million, reflecting shift in mix away from cheap one-piece electronics. Average value of wired phone imported in quarter was \$29.98, up from \$23.41 in same 1984 months, while average for cordless phone rose to \$57.18 from \$44.56.

Toshiba and Siemens are expected to announce this week Siemens purchase from Toshiba of 1 MB CMOS dynamic RAM production technology. It's first such transfer of high-density RAM know-how from Japan to Europe. Toshiba is currently only IC maker supplying customers with MB RAM samples, is expected to be in production early next year. Siemens and Philips have joint MB RAM development project, with Philips working on 1 MB RAM, Siemens concentrating on advanced 4 MB version. Technology of European IC makers currently lags far behind that of U.S. and Japanese counterparts, and many are in crash catch-up programs to avoid being shut out when now sluggish worldwide demand for RAMs recovers. Observers say decision to get help from Toshiba indicates Siemens feels effort with Philips isn't progressing fast enough.

Thorn EMI last week formally announced it's converting part of VHD videodisc plant to production of CD digital audio discs, which it will turn out at rate of 8-10 million annually starting next year. It will continue videodisc production, mainly for video jukeboxes and some industrial uses.

FIRST HALF AT-A-GLANCE: Here's summary of EIA monthly video sales-to-dealer figures for first half 1985, with 1984 comparisons:

TELEVISION SALES TO DEALERS
Direct-View

Month	Total		Color		Monochrome	
	1985	1984	1985	1984	1985	1984
January	1,082,003	1,512,066	914,124	1,116,649*	167,879	395,417
February	1,478,872	1,502,185	1,224,564*	1,168,092	254,308	334,093
March (5 wks.)	2,057,575	1,997,478	1,659,511*	1,553,618	398,064	443,860
April	1,273,727	1,311,816	1,051,356*	1,004,499	222,371	307,317
May	1,199,058	1,332,056	973,818	1,069,245*	225,240	262,811
June (5 wks.)	1,948,472	1,833,094	1,574,730*	1,388,178	373,742	444,916
TOTAL	9,039,707	9,488,695	7,398,103*	7,300,281	1,641,604	2,188,414

PROJECTION TV SALES TO DEALERS

Month	1985		1984		Month	1985		1984			
	1985	1984	1985	1984		1985	1984	1985	1984		
January	13,861*	12,275	April	14,864*	11,882	May	13,828*	12,151	June (5 weeks)	20,506	15,504
February	16,454*	12,292									
March (5 weeks)	21,098*	13,969									
TOTAL	100,611*	78,073									

HOME VCR AND COLOR CAMERA SALES TO DEALERS**

Month	Home VCRs		Color Cameras	
	1985	1984	1985	1984
January	638,013*	388,318	32,992*	28,812
February	750,773*	435,586	31,253	31,952*
March (5 weeks)	1,081,117*	568,387	46,979*	37,445
April	685,910*	432,596	29,202*	25,938
May	598,293*	460,788	22,778	32,300*
June (5 weeks)	980,221*	625,238	48,787*	35,734
TOTAL	4,734,327*	2,910,913	211,991*	192,181

*Record. **Camcorders are included in VCRs, not in cameras.

Zenith China sale: In what Exec. Vp Robert Hansen called "first U.S. shipment of consumer electronic products to Shanghai," company will sell about \$3 million worth of its projection TV monitors to Shanghai Instrumentation & Electronics Corp. Monitors, which sell for about \$1,895 in U.S., can throw 8-ft. picture on flat wall or screen (TVD Dec 31 p12). They'll be shipped semiassembled; agreement includes technical training and production and test equipment for final assembly. Projectors, made in Springfield, Mo., will be adapted in Chicago for mainland China's TV transmission standard. Meanwhile, in N.Y., Display Sciences Inc. is expected to announce this week that it has become a U.S. distributor of Zenith's system, as reported here earlier (TVD Jan 7 p13). Zenith monitor is byproduct of its work on one-piece home projection systems.

World VCR population will reach 100 million some time next year, according to forecast by Screen Digest, London newsletter. Publication estimates that world total by end of 1985 will be 94.3 million, growth of 42.8% during year. By year's end, SD predicts Japan and U.S. alone will account for nearly half of world's VCR population, with 28.4 million in U.S., in about 1/3 of homes, 8.65 million units in U.K. -- more than 45% penetration.

Korea moves into 8mm Video age at end of this month, when Samsung is slated to begin domestic market shipments of portable decks. Company showed deck at last Winter and Summer Consumer Electronics Shows but made no specific export promises. In Japan, Sanyo has begun marketing 8mm Video camcorders that it's sourcing from Sony, reportedly at rate of 2,000 a month.

GE VIDEO LOSS INCREASES: GE's consumer electronics business made no contribution to company's 2nd-quarter earnings gain (see financial table). While overall corporate operating profit margin rose to 11.6% of sales, compared with 10.5% in same 1984 period, high inventories and lower selling prices of video equipment resulted in revenues and earnings "considerably below those of 1984's strong 2nd quarter," GE said.

Chmn. Jack Welch said "the extremely competitive conditions in the color TV market resulted in a much larger loss for our consumer electronics business compared with a year ago." Competition, he said, stemmed "from product oversupply of color TV sets and VCRs."

Thorn EMI of U.K. blamed TV and IC operations for 62% profit drop to \$44.5 million in year to March 31, already has begun taking corrective action, including naming Sir Graham Wilkins as chmn.-CEO, replacing Peter Laister, who had held post just 14 months.

Thorn said it planned to lay off 1,000 at subsidiary Ferguson, U.K.'s last domestically owned major color TV producer, revamp its 2 TV plants to concentrate subassembly work at one, final assembly at other. Also, management and product line changes, as well as layoffs, have begun at Inmos, memory IC maker acquired from U.K. govt. last year.

Sanyo reported parent-only sales gained 14.3% to \$2.2 billion in first half to May 31, but net rose just 10% to \$59.8 million because of higher marketing costs. Company said sales boost was paced by increased exports of color TVs and VCRs to U.S. and China. For year, Sanyo says it expects to show net of \$119 million on sales of \$4 billion.

Emerson says it expects to report 46% jump in net to \$3 million in opening quarter to June 30 on 58% sales rise to more than \$97 million.

General Instrument could show 2nd straight year of losses if semiconductor market doesn't bounce back, Chmn. Frank Hickey said at annual meeting. He said he expects cable TV equipment business to recover, but profitability for GI as whole hangs on its other major business segment, semiconductors.



First CD ROM announced for commercial sale is 9-million-word Academic American Encyclopedia due for introduction in Oct. at \$199 by Grolier. CD ROM is optical read-only computer data disc developed from digital audio disc format by Sony and Philips. Grolier says disc offers 3-5 sec. access to any word or word group, also has interactive capabilities. While no drives are yet on market, units from Hitachi, Philips, Sony and others are expected this fall.

Kodak increases commitment to electronics with formation of new Lamdek Fiber Optics Div.

U.S. OPENS JAPAN IC PROBE: Petition charging Japanese are engaging in unfair competition in international IC trade, filed last month by Semiconductor Industry Assn., has been accepted by Reagan Administration (TVD June 24 p15). Probe will be handled by Office of Special Trade Representative, which has year to come up with ruling.

In petition, SIA alleges Japanese have nontariff barriers that restrain sales of imported ICs and that they target segments of U.S. IC market for excessive, low-priced competition. Filing asks that U.S. take action to correct such abuses, retaliate against imports from Japan only if that effort fails.

In response to investigation's opening, EIA-Japan Chmn. Akio Morita said that SIA petition "skews reality to serve but one segment of semiconductor manufacturing in the U.S.," and, because it cites no "existing policy or practice" of Japanese govt. on IC trade, fails to meet Trade Act requirements. EIA-J, he said, will be filing response with STR, expressed view probe will confirm there are no Japanese govt. or industry practices that deny "U.S. manufacturers reasonable access to the Japanese semiconductor market."

Also on import front, IC dumping complaint filed against group of Japanese memory chip manufacturers last month by Micron Technology has been accepted for investigation by International Trade Commission (TVD July 1 p12). ITC will conduct preliminary probe to determine whether there's likelihood domestic industry is being injured by low-priced imports, is slated to announce result Aug. 8. Current round of layoffs and reports of declining profitability by U.S. producers almost guarantees positive finding. Tentative positive injury determination will be signal for International Trade Administration to launch preliminary investigation into unfair pricing allegation.

In another action, ITC has set Sept. 5 for hearing in final investigation of whether dumped Japanese mobile cellular telephones and subassemblies have injured U.S. producers. Last month, in preliminary ruling, ITC said it found 6 Japanese companies were selling equipment here for less than fair value (TVD June 10 p15).



VCR import duty rate boost to 14% from present 8% has been proposed by EC Commission to Europe's Council of Ministers. Increase had been sought by Dutch Philips and France's Thomson as way to prevent domestic industry from being overrun by imports. Same companies are seeking similar increases for other high-tech electronics. In letter of protest to ECC last week, EIA-Japan Chmn. Akio Morita said Europe was "backing away" from free trade economy, warned increase will act "against consumer interests and reduce demand." He noted that Japanese have voluntarily curbed VCR exports to EC since 1983, expressed regret "that such efforts on our side are met with increased protectionism on your side."

COLOR TUBE TARIFF SPLIT: Industry has split along predictable lines in backing or opposing bill to require payment of full 15% duty on color tubes imported as part of TV kits. Standard rate on tubes is 15%, but rate on kits is just 5%, same as complete sets, and U.S. producers feel kit "loophole" will lead to massive tube import influx and damage domestic industry. Measure was introduced by House Ways & Means Committee Chmn. Rostenkowski (D-Ill.) last month (TVD May 27 p16). Companion bill in Senate was sponsored by Finance Committee Chmn. Danforth (R-Mo.).

Briefs supporting passage have been filed with House Trade Subcommittee by tube makers Philips ECG, RCA and Zenith, plus IBEW and labor-industry group COMPACT. COMPACT tried to have Customs change tariff treatment administratively, and when that failed lobbied for legislative action. Submitting briefs backing status quo were Matsushita, Sanyo and Toshiba, all Japanese TV makers with U.S. assembly plants, plus Nintendo, which assembles coin-op videogames here. Matsushita, which has chassis plant in Mexico and TV assembly in Franklin Park, Ill., was first to start importing tube-inclusive color kits in quantity by combining Mexican-made chassis with Japanese-made tubes.

In its filing, Zenith says kit imports cost it orders for some 200,000 tubes from Matsushita in 1983-84 and earlier this year another, unidentified, Japanese assembler here canceled 100,000-tube order. Zenith says Philips, Matsushita's largest supplier, has been similarly hurt. It said lost orders have been mainly for 19" tubes, but it expects 25" and new 26" sizes to be involved next.

If this "latest Japanese artifice to evade the 15% duty on tubes" is allowed to continue, Zenith says, "it will be widely exploited by all Far East manufacturers" with set plants here. "The manufacturer of color tubes in the U.S. may not survive the assault" and domestic TV industry "will be destroyed or its remnants driven offshore."

But changing tariff rules could have exactly that effect, according to Matsushita submission. Effective tripling of duty on tubes would put company at "competitive disadvantage" and, if "forced to assess its competitive options" it would be "compelled to seriously consider transferring part or all" of its U.S. TV operation to Mexico at "a considerable loss of American jobs." That would eliminate virtually all its purchases of U.S.-made tubes and would "alter procurement patterns for other parts" now sourced here.

In addition to violating GATT agreements against tariff increases and "well-established principles of tariff classification," change also would be unfair, Matsushita says. It notes that it obtained clearance for its kit imports from Customs well before gearing up for shipments. Passage of bill would mean that "despite substantial investments made in the U.S., and despite reliance" on tariff structure, Customs rulings and congressional policy

statements "the law and rules can at any time be changed," causing "substantial injury to the U.S.-located manufacturer which imports" components and subassemblies. This, Matsushita says, would hamper efforts to attract more foreign-owned plant investment here and "discourage the creation of more American jobs."

Trade Subcommittee staffer told us hearing on bill was planned originally for July, but schedule has slipped. Outlook now is for oral testimony to be heard in Oct.

DAT STANDARD POSTPONED: Disagreement among members of Digital Audio Tape Standardization Conference has resulted in postponement of agreement on Japanese standards from originally scheduled July to at least Oct., as we forecast last March (TVD March 25 p11). DATSC last week deferred scheduled July 20 formal meeting of all 80 members to Oct., hoping to reach agreement in meantime.

Majority of group is believed to lean toward rotary head approach, but fixed-head proponents are said to have spent nearly million dollars on research on system. There have been suggestions that DATSC might approve rotary head system for audio and recommend fixed head for data recording. It's still not inconceivable that group will find itself deadlocked and end up recommending 2 systems. Third system, already commercialized -- use of 8mm videocassette for multichannel audio recording -- is not under DATSC consideration.

Acceptance of Tandy and consideration of inviting new retailers to join will be major topics at NATM Buying Group meeting in Chicago this week. Up for vote will be question of allowing Scott Appliance chain to continue as member since it's now subsidiary of Radio Shack parent Tandy. While Scott issue was subject of some dispute, Tandy acceptance was considered near certainty. However, mood may have been changed by Tandy's agreement to broaden involvement with name-brand electronic retailing through acquisition of 207-store Videoconcepts chain (TVD July 8 p9). NATM is likely to seek replacements for 4 of its largest dealer members -- Circuit City, Highland, Silo and Audio/Video Affiliates -- which have said they'll leave at year's end, may form buying group of their own.

First dedicated home word processor is \$500 electronic typewriter add-on due from Smith Corona in Oct. Processor comes with software and 64K (32-page) memory built-in, 12" monochrome 80-column 24-line display monitor, 64K wafer tape drive for document storage, separate keypad for function control. Unit offers all basic editing functions, connects to any SC computer-compatible Messenger or Spell-Right typewriter -- when hooked to latter it alerts user to spelling errors. Complete package would list for \$800-\$1,000, depending on typewriter model.

NIELSEN VCR SURVEY: Price cuts haven't done much to turn video software renters into buyers, according to latest Nielsen Home Video Index survey, conducted Oct.-Dec. 1984. HVI quarterly study of 997 diaries of VCR owners shows that at \$30 suggested list, 45.1% of sample were "very unlikely" to purchase major movies. "Very likely" percentage was 18.7%.

Of respondents, 57% decided to remain renters despite increased awareness of availability of under-\$40 programs, up from 52% during July-Sept. measurements. Oct.-Dec. was period of Paramount's 25-for-\$25 promotion, among other offers, ought to have whetted consumers' appetite for budget titles. Instead, HVI numbers weren't much different from previous quarter when 10.7% were prospects to buy features and 8.4% how-to tapes. Lackadaisical interest also was reflected at lower price points -- only 9.2% of sample wanted \$15 children's shows and 8% wanted \$15 music programs, vs. 65.8% and 58.5% in "very unlikely" categories.

Meanwhile, 21% said they had purchased recorded cassette within last year, about same as last survey. Reasons for not buying: 65.4% thought price was too high, 53.1% preferred to rent or borrow, 45.1% didn't expect to watch tape more than once or twice. Significantly, used tapes aren't factor in business, bought by only 5% of those who've ever made purchase.

Rentals remain key to market, with 74% renting at least once in last year, 72.4% in last 6 months, 40% in last month, figures that haven't changed much from survey to survey. Level of rentals within last year was highest, at 78%, among 2-year VCR owners, dropped to 66.4% at 2-3 year level and 61.8% at 3 years-plus. Households with children did best of all, at 79.9%. Average of 5.5 tapes were rented a month, each for 1.5 days.

Rental resistance continues to fade. Of holdouts, 25.8% said it was too expensive, vs. 38% in last survey, and 53.2% expected to catch favorite titles on cable, down from 59.3%. Most HVI respondents judged rental value greater than pay TV (61.6%), moviegoing (70.3%) and cassette purchase (74.2%). Biggest concern is depth of retail inventory. More than 81% said title of their choice "frequently or occasionally" wasn't available. Video dealers remain best source -- 74.3% -- for club rentals, accounted for 19.9% of nonclub transactions, followed by grocery and drug stores (6.6%), libraries (4.4%) and record outlets (3%); mail-order, department and discount outlets didn't register.

On VCR side, 21% had owned machine for less than year, 33% for 1-2 years, 15% for 2-3%, 25% for 3 or more years. RCA remains favorite brand but lead has shrunk considerably. Here's HVI breakdown for overall sample and for owners of longest standing: RCA, 21.1% and 34.5%; Panasonic, 14.2% and 21.4%; Sony, 7.4% and 10.5%; Quasar, 6.3% and 9.7%; Sears, 6% and 2.9%; Magnavox, 5.9% and

8.8%; Sanyo, 5.7% and 5%; JVC, 5.3% and 3.4%; GE, 4.9% and 5.5%; Fisher, 4.3% and 2.1%; Sharp, 3.2% and 1.3%; Zenith 3.2% and 5.9%; Hitachi, 2.8% and 2.9%; Toshiba, 2.2% and 1.7%; Sylvania, 2% and 3.4%; Montgomery Ward, 1.8%, no comparison; Matsushita, 1.5% and 1.3%.

About 63.5% of sample paid \$300-\$699, 30% more than \$700, with 8.5% now owning 2 or more VCRs. Only 7.1% said they would buy \$99 play-only machine if it were available, while 92.9% would stick with original purchase. Nearly 30% had bought at least 11 blank tapes in last year (spread almost evenly among new and older users), 28.8% 6-10, 30.6% 2-5. Sample was about equally split between those paying under and over \$6 for 2-hour blank; 19.5% paid under \$5.

First Atari 520ST computers were shipped to dealers last week, should be showing up in computer stores this week, company said. Atari said it expects to have 25,000 out by month's end. Units, not compatible with any earlier Atari models, will retail for \$800, including 3.5" disc drive and monochrome monitor. With color monitor, package price goes to \$1,000. Atari has said it plans to ship unbundled system to mass merchandisers and toy outlets. ST is first new model from Atari since company was acquired from Warner Communications last summer by Jack Tramiel. It was displayed first at last Winter Consumer Electronics Show and promised for April delivery, but company later said it was pushing debut back to this summer. Meanwhile, former parent reportedly is preparing to cut its last link to computer business by shutting down Warner Software. Unit was formed several years ago as independent software organization to give Warner foot in market segments not covered by Atari.

Japan's Matsushita has launched import sales drive to help meet govt. call for more sales there of foreign goods to aid in trimming nation's trade surplus. Company will hold import fair in Tokyo to display computer equipment, measuring instruments, liquor and cosmetics it imports for own use and resale from 29 foreign countries. Matsushita said it imported \$288 million of foreign goods last year, has \$329 million target for 1985. Subsidiary JVC has established own import distribution program under Shigeru Shibuya, senior managing dir. and international mktg. chief. But going is slow. Shibuya says there's "lack of interest on the part of foreign companies" when it comes to selling in Japan. When JVC finds company with appropriate product, "sometimes they won't even send us catalog sheets."

Worldwide CD pressing capacity is 65 million in 11 plants -- at least theoretically -- according to Polygram. German firm's Hanover factory expects to produce 25 million this year, 36 million in 1986. New production methods have increased daily output to 100,000. Plant runs 7 days a week, producing 4,000 titles on about 120 labels, adding 100 titles monthly. Company says faulty disc returns from its customers total less than 0.2%.

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
CBS			
1985-6 mo. to June 30	2,354,900,000	86,100,000	2.89*
1984-6 mo. to June 30	2,336,900,000	127,500,000	4.29*
1985-qtr. to June 30	1,231,600,000	69,300,000	2.33*
1984-qtr. to June 30	1,188,400,000	88,600,000	2.98*
General Electric			
1985-6 mo. to June 30	13,039,000,000	1,101,000,000	2.42
1984-6 mo. to June 30	13,247,000,000	1,064,000,000	2.35
1985-qtr. to June 30	6,843,000,000	590,000,000	1.30
1984-qtr. to June 30	6,664,000,000	579,000,000	1.28
MGM/UA Entertainment			
1985-9 mo. to May 31	477,955,000	(66,240,000)	--
1984-9 mo. to May 31	568,525,000	32,558,000	.65
1985-qtr. to May 31	145,031,000	14,257,000	.29
1984-qtr. to May 31	162,073,000	5,582,000	.11
Nippon Electric Co. ^c			
1985-year to March 31	9,110,000,000	270,900,000	--
1984-year to March 31	7,110,000,000	179,800,000	--
Orion Pictures			
1985-qtr. to May 31	64,992,000	2,644,000	.08
1984-qtr. to May 31	51,000,000	522,000	.04
Owens-Illinois			
1985-6 mo. to June 30	1,811,500,000	66,600,000	2.23
1984-6 mo. to June 30	1,751,100,000	59,600,000	2.12
1985-qtr. to June 30	953,100,000	45,400,000	1.52
1984-qtr. to June 30	908,500,000	40,800,000	1.45
Raytheon			
1985-6 mo. to June 30	3,131,990,000	181,836,000	2.18
1984-6 mo. to July 1	3,016,969,000	67,718,000	.80*
1985-qtr. to June 30	1,602,296,000	94,076,000	1.14
1984-qtr. to July 1	1,522,222,000	(11,445,000)	--*
Westinghouse			
1985-6 mo. to June 30	4,871,600,000	273,600,000	1.55
1984-6 mo. to June 30	4,829,500,000	244,700,000	1.38
1985-qtr. to June 30	2,557,500,000	143,900,000	.81
1984-qtr. to June 30	2,559,600,000	128,100,000	.72

Notes: *After special charge. ^bIncludes special credit.

^cAt yen's current rate.

Consumer Electronics Personals

David Ruby promoted at RCA Sales Corp. to sales planning and administration vp... **Sam Rosenzweig**, ex-Kenwood, joins Marantz as sales vp... **Donald Thorkelson**, ex-VCA Duplicating, named CCTV product sales mgr., **JVC Professional Video Communications Div.** **Daniel Marich**, ex-Panasonic, joins Thomson Consumer Products as national accounts mgr. responsible for establishing distributor and dealer network for firm's line of monitors... **Sharyl Juhlin**, former Pioneer Electronics mktg. communications vp, now mktg. and sales vp for CL9 (Cloud 9), consumer electronics firm launched last year by Apple Computer cofounder **Stephen Wozniak**; Juhlin's Pioneer duties assumed by Mktg. Vp **Chris Byrne**.

Michael Wilke promoted at Ampex Magnetic Tape Div. to videotape products mktg. mgr... **Jeff Ash** advanced at BASF Systems to computer disc product mgr., succeeding **Terence O'Kelly**, now responsible for audio and video tape sales to

duplicators and studios... **Charles (Skip) Paul**, ex-Atari, joins MCA as pres. of MCA Enterprises, with responsibility for development and expansion of foreign business activities... **Michael Moone**, former Atari Consumer Electronics pres., named pres. of Indesys, joint venture of ABC, Epson and Hillman Co., formed to deliver satellite-relayed messages to computers over FM station subcarrier (see story in Broadcast-Cable section).

Alan Benjamin named business and legal affairs senior vp and **Jeffrey Ivers** financial planning and operations vp, MGM/UA Home Video... **Ian Robertson** named to head Canadian office of Karl-Lorimar Home Video, first K-L expansion outside U.S... **Karen Fox** promoted to contract administration mgr., Embassy Home Entertainment... **David Butler** advanced to western region district sales mgr. and **Mitchell Randall** to southwestern sales rep, Media Home Entertainment; **Pamela Tourangeau** becomes publicity dir., replacing Vicki Geenleaf now at 20th Century-Fox... **Monica Heath** appointed advertising mgr., International Video Entertainment... **Mark Seiler** advanced from pres. of RKO Film Group to pres., RKO Pictures, responsible for home video and blank tape units as well as Film Group and worldwide TV sales, succeeding **Robert Manby**, now chmn... **Carol McElwain** named Ingram Distribution Group telephone mktg. and sales vp, **Lavona Russell** appointed corporate and customer services vp.

Richard Schaak reassumes Shaak Electronics post of chmn.-CEO, succeeding **Larry Welch**, resigned at request of board; Welch, who acquired 24% interest in retailer from Schaak in May, says he may wage proxy fight to regain management control... **Gayle Halperin** appointed Highland Superstores mktg. dir... **Neil Spann**, former Sight & Sound exec. editor, named Dealerscope editor... **Marjorie Costello** resigns as Videography editor-in-chief to establish consulting firm for consumer and professional video industries, including program development and production (Box 385 A, Planetarium Sta., N.Y. 10024, 212-724-0930); she retains title of consulting editor of Videography... **Beverly Knudsen**, ex-HFD Electronics Retailing managing editor, joins researcher Cores Corp. as analyst.

Edmund Carpenter appointed ITT pres., succeeding **Rand Araskog**, who continues as chmn.-CEO. Carpenter also adds new post of COO... **James Owens** promoted at National Semiconductor to technology vp responsible for worldwide R&D activities... **Dennis Reed** named human resources dir. in management structuring of GTE Precision Materials' Electronic Components & Materials Div. Other appointments: **James Lawson**, research development and engineering dir.; **Francis Piscitelli**, mktg. dir.; **Robert Koebley**, controller; **Howard Whidden**, strategic planning and business development dir.; **Robert Wayne**, plastics gen. mgr.; **Laurens Beyland**, metals gen. mgr.; **Asahel Parmelee**, electronic components gen. mgr.; **Robert Walker**, European operations and technical services gen. mgr.; **James Howell**, quality assurance dir.

TELEVISION DIGEST®

The Authoritative Service for Broadcasting, Cable, Consumer Electronics
and Allied Fields.

With Consumer Electronics

JULY 22, 1985

VOL. 25, NO. 29

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

MUST-CARRY OBITUARY is written by unanimous U.S. Appeals Court, which invites FCC to 'recraft' new regulations 'more sensitive' to First Amendment concerns. (P. 1)

COOKE ABANDONS MULTIMEDIA QUEST, clearing \$25 million profit. Greenmail denied. (P. 4)

CBS AGREEMENT WITH 3 PROGRAMMERS on financial interest concerns INTV. (P. 5)

COMCAST UPS ANTE IN BID FOR STORER: Offers \$82 per share in bid worth \$2 billion, plans to keep cable, sell off TVs. (P. 6)

BMI, TV STATIONS AGREE ON FEES pegged on what stations eventually will pay ASCAP. BMI shareholders meeting set July 25. (P. 6)

NCTA DRAFTS SCRAMBLING PLAN: 2 nonprofit entities proposed to speed scrambling, assure access to backyard earth stations. (P. 7)

CBS CLAIMS FCC BIAS in Turner takeover bid; Fowler replies. Battle goes to Senate in hearing on network takeovers. (P. 8)

ABC BROADCAST EARNINGS FLAT, contrasting with improved performances by CBS and NBC. Other earnings reports. (P. 9)

U.S. APPEALS COURT THROWS OUT CABLE MUST-CARRY RULES: Cable industry got all that it hoped for -- and then some -- in unanimous decision July 19 from U.S. Appeals Court, D.C., which ruled that FCC cable must-carry rules are unconstitutional as drafted and applied. However, Court left window open to FCC and broadcasters, stating: "Should the Commission wish to recraft the rules in a manner more sensitive to the First Amendment concerns we outline today, it is, of course, free to do so. We would consider the constitutionality of the product of that effort at the appropriate time... We stress that we have not found it necessary to decide whether any version of the mandatory carriage rules would contravene the First Amendment. We hold only that in their current form they can no longer stand."

Three-judge Court was unanimous, included Skelly Wright, liberal who wrote decision, conservative Robert Bork and moderate Ruth Ginsburg. Even though broadcasters are sure to

Consumer Electronics

MATSUSHITA TO MAKE VCRs HERE to help reduce trade friction, Pres. Yamashita says. Source says investment will be \$400 million. (P. 11)

SALES AND EARNINGS DECLINE from TVs and VCRs reported for 2nd quarter by NAP, RCA and Zenith, which blame price competition. (P. 12)

VCR IMPORTS ROSE 76.9% in May to 1.27 million, according to Commerce figures; still show no evidence of flood from Koreans. (P. 13)

1985 MODEL YEAR sets sales records -- 16.4 million color sets, 9.4 million VCRs. Nearly half of homes added TV sets in 2 years. (P. 14)

COMMODORE UNVEILS Amiga computer this week. Nintendo to launch new game in fall. Apple posts loss. IBM denies new PC on way. (P. 15)

ONE-TUBE PROJECTORS return in portable VCR combos. DSI Lightbeam in production, follows Sony Videomagic. DSI eyes 8mm version. (P. 15)

APRIL IMPORT RISE for color chassis and kits offset decline posted by complete sets. (P. 16)

HIGH-FLYING RETAILERS will fall in consumer electronics' boom-bust cycle, investment firm says in 'sell' recommendation. (P. 16)

appeal (NAB, Assn. of MST and INTV all have made retention of must-carry No. 1 priority), we're told, lineup of judges and strength of decision make it highly unlikely that reconsideration by Appeals Court or review by U.S. Supreme Court will be granted. On that, broadcasters, cable people and FCC all agree.

Two cases -- upon which separate arguments were held same day (TVD April 22 p5) -- were involved in decision, in which Court gave long history (decision is 59 pages with 55 footnotes) of FCC regulation of cable. After hearing argument, Court combined appeals by (1) Turner Bestg. System, of Commission refusal to reconsider must-carry and (2) Quincy (Wash.) Cable TV Inc., which operates small system equidistant (125 miles) from Seattle and Spokane and had been ordered by FCC to carry 3 network affiliates from both Seattle and Spokane stations and had been fined \$5,000 for dropping 2 of Spokane stations. Said Court:

"With respect to petitioner Quincy, we vacate the order requiring compliance with the must-carry rules and imposing a fine for its failure to do so. With respect to petitioner TBS, we vacate the [FCC] order that affirmed the constitutional validity of the rules." Court said that TBS petition to repeal must-carry, filed in 1980, fell into "something of a black hole" at FCC. In March 1983, Turner asked Commission for expedited consideration, then went to Appeals Court "when that petition too elicited no response," Court said. In March 1984, at Commission's request, Court remanded case and 2 weeks later FCC denied Turner's request -- and Turner went back to Court. Broadcasters and FCC have 14 days to ask for en banc rehearing by Appeals Court; in that case, decision is automatically stayed until Court rules on request. Broadcasters and Commission also can ask Supreme Court for stay. Those on winning side predict Court decision will become effective in Sept. or Oct. -- meaning must-carry rules will be gone. Appeals Court will recess in Aug.

Noting that FCC adopted first must-carry rule in 1962 (in granting application to construct microwave system in Carter Mountain case; in 1966, Commission expanded must-carry requirement to cover all cable systems) to protect local TV stations from cable competition, Court said that "at some point the goal of preserving localism becomes undifferentiated protectionism. Until the Commission makes some effort to demonstrate the contrary, the blunderbuss approach of the rules in their current form makes inescapable the conclusion that that point has been passed." In footnote, Court said: "Especially troubling is that the rules apply with equal force regardless of intrusion on First Amendment freedoms. They draw no distinction between cable systems that carry 100 signals and those that carry 12. Nor do they distinguish between cable systems that are saturated with must-carry signals and those that are not [and] the waiver procedure has been demonstrably insensitive to these concerns."

When govt. infringes on First Amendment rights, it must demonstrate that such regulation "is narrowly tailored to serve a substantial interest. After examination of the purposes and effects of the must-carry rules, we have concluded that the Commission has failed to carry this heavy burden," Court said. "After the passage of nearly 2 decades, and despite its demonstrated capacity to do so, the Commission has failed entirely to determine whether the evil the rules seek to correct is a real or merely a fanciful threat. Moreover, because the must-carry rules indiscriminately sweep into their protective gambit, each and every broadcaster, whether or not that protection in fact serves the asserted interest of assuring an adequate amount of local broadcasting in the community, the rules are insufficiently tailored to justify their substantial interference with First Amendment rights."

Court was critical of Commission for requiring carriage of every "local or significantly viewed signal irrespective of the number of must-carry channels already being transmitted, the degree of programming duplication, or the channel capacity of the system." Court also said that Commission has never revisited purpose and need for must-carry, even though it has very heavily deregulated both broadcasting and cable, in what Court called "a burst of deregulatory activity unparalleled in [FCC's] history -- including doing away with syndicated exclusivity and distant signal restrictions." "The Commission has repeatedly repromulgated and fine-tuned the must-carry rules," Court said. "It has, however, never reconsidered or seriously questioned the

elaborate and concededly speculative premises on which its economic defense of the rule rests. This approach is in sharp contrast to the Commission's treatment of several other components of the regulatory framework imposed in the early years of its regulation of cable television."

Accepting premise that "scarcity rationale" of spectrum space is legitimate in regulation of broadcasting -- and in some cases infringement on First Amendment guarantees -- Court said such rationale "has no place in evaluating government regulation of cable television... Economic scarcity argument" in efforts to regulate cable "rests on the entirely unproven -- and doubtful -- assumption that cable operators are in a position to exact monopolistic charges." Tendency toward "monopoly, if present at all, may well be attributable more to governmental action -- particularly the municipal franchising process -- than to any natural phenomenon." However, Court said that stringing of coaxial cables above city streets "may well warrant some governmental regulation... but hardly does it follow that such regulation could extend to controlling the nature of the programming that is conveyed... In light of cable's virtually unlimited channel capacity, the standard for First Amendment review reserved for occupants of the physically scarce airwaves is plainly inapplicable."

Must-carry rules "coerce speech; they require the operator to carry the signals of local broadcasters regardless of their content and irrespective of whether the operator considers them appropriate... Injury stems from the substantial limitations the rules work on the operator's otherwise broad discretion to select the programming it offers its subscribers... Although the goal of the rules -- preserving local broadcasting -- can be viewed as unrelated to the suppression or protection of any particular set of ideas, the rules nonetheless profoundly affect values that lie near the heart of the First Amendment. They favor one group of speakers over another. They severely infringe on editorial discretion. And, most importantly, if a system's channel capacity is substantially or completely occupied by mandatory signals, the rules prevent cable programmers from reaching their intended audience even if that result directly contravenes the preference of cable subscribers... The Commission considers the desires of cable subscribers to be irrelevant to the application of the rules... This conscious disregard of subscribers' viewing preferences is difficult, if not impossible, to reconcile with the Supreme Court's [several Supreme Court cases were cited in footnotes] repeated admonition that the interests of viewers should be considered 'paramount.'"

Court also rejected broadcasters' contention that must-carry rules are "an integral part" of cable copyright, said must-carry has nothing to do with compulsory licensing. Court said cable systems' obligation to pay royalties arises only in carriage of nonnetwork distant signals and that "neither the Commission or intervenors [broadcasters] direct our attention to any suggestion in the [Cable] Act or elsewhere that the must-carry rules serve as anything more than a convenient reference point for determining where a local signal ends and a distant signal begins." FCC, Court said, may continue that function of must-carry as reference point for copyright liability.

Industry Reaction

In statement, TBS Pres.-Chmn. Ted Turner said "principal beneficiaries" of ruling will be viewers who will have "significantly expanded opportunity to receive original and nonduplicated programming." One of those programmers expecting greater access to homes is C-SPAN. Pres. Brian Lamb said decision will "erase an excuse" of operators that there's no channel available for C-SPAN.

TBS Vp-Gen. Counsel Bob Ross said case pulls together 10 years of legal precedent on cable's First Amendment rights "and weaves them into a comprehensive, philosophical whole in which the Court comes very close to saying cable is an independent communications medium" with constitutional rights analogous to newspapers. Case will prove underpinning for subsequent court tests involving cable industry, he predicted. Although FCC apparently could rewrite rules, Ross said case makes "quick fix difficult" and makes any effort by Congress to legislate rules "substantially vulnerable" to court challenge.

Decision won't result in "bloodletting" by operators, said CATA Exec. Dir. Steve Effros in predicting cablers will "selectively" drop duplicated signals. "I don't think there'll be a wholesale dropping of network affiliate signals, because they're a part of our services to customers," Effros said.

Industry hit "grand slam" with ruling, said NCTA Pres. James Mooney. "The must-carry rules operate directly against the consumer interest by forcing our industry to deny cable programming that our subscribers want in order to duplicate network affiliates and off-air broadcasting stations in which they have little or no interest," he said. NCTA's public policy planning committee will meet soon to discuss decision, and item is expected to be on agenda of NCTA board's Sept. meeting.

Washington lawyer for Quincy, Jack Cole of Cole, Raywid and Braverman, said decision represents "outstanding victory for the cable industry and goes a long way to establishing full First Amendment rights for cable media." He's confident decision will withstand appeal but conceded that Court left door open to further FCC action on must-carry. However, it would be "difficult or impossible" for FCC to avoid intruding on cabler's editorial discretion in trying to rewrite rules, he said.

Jay Ricks, attorney with Hogan & Hartson, said decision represents "another strong statement by the courts that content control is unconstitutional." He predicted it would be nearly impossible for Commission to come up with new must-carry rules that would withstand First Amendment test.

NAB predictably criticized decision and expects to "pursue all legal options," said Pres. Edward Fritts. He called decision "blow to the localized system of broadcasting" that "changes the entire nature of cable, which, with no real obligation to the public, enjoys preferential copyright status" that should get "serious look" from Congress.

Thomas Rogers, senior counsel of House Telecom Subcommittee, said Court decisions tracks with 1982 effort in House to scale back must-carry rules, recognizes First Amendment rights of cablers and distinguishes between access rules and must-carry requirements. "Congress is on record as saying that if people other than the cable operator want to get onto the cable system, they should pay the fair market value to do so," Rogers said. "Why shouldn't broadcasters do the same?" He said Court clearly invited FCC to come up with new rules "narrowly tailored to ensure that the goal of localism is what's achieved and not merely the carriage of broadcast signals because they're broadcast signals. There's a difference between assuring access to local broadcasting and assuring access to local broadcasters."

PBS, whose stations could be greatly affected by Court decision, had no immediate comment. FCC Gen. Counsel Jack Smith said "we're never pleased when we lose a case." FCC Chmn. Fowler was out of office and had no comment, nor did other Commission officials.

Erwin Krasnow, Washington lawyer and ex-NAB gen. counsel, said "real losers are religious, foreign language and fledgling UHF stations" because they rely on cable to provide quality UHF signal. "This is going to have a definite depressing effect on UHF viability," Krasnow said. As for public TV, some duplicate stations can expect to be dropped but, overall, cablers need to keep PTV on to ensure program diversity, he said. INTV Pres. Preston Padden, strong supporter of must-carry, said he hadn't read decision and had no comment.

Krasnow said broadcasters have nothing to gain by leaving decision as is, will certainly seek rehearing and appeal to Supreme Court, if necessary. "It defies logic not to do it," he said. "Whether they skip the en banc and go directly to the Supreme Court is strategy. It's beyond question they will appeal the case."

COOKE ABANDONS QUEST FOR MULTIMEDIA: Washington Redskins owner Jack Cooke passed for a \$25 million profit last week, abandoning his quest for Multimedia after reaching

financial settlement with its management and founders. Cooke agreed to sell his 1,626,500 shares of Multimedia (9.75% of those outstanding), acquired at average price of \$54.95, to MM Acquiring Corp. for \$70 per share "plus reimbursement of certain expenses." Move follows last week's sweetening of his original offer from \$63 to \$70.01 per share in cash and securities and FCC approval of Cooke's trusteeship proposal (TVD July 15 p1).

Cooke agreed not to make any further proposals with respect to Multimedia, not to purchase shares in company for 5 years, and to end his lawsuit against company. Multimedia had rejected 2 previous Cooke offers. It also had rejected takeover bids by Wesray (headed by ex-Treas. Secy. William Simon) and Lorimar Productions. In Feb., Multimedia announced plans to go private, amended that in April to recapitalize company with shareholders having option of retaining stock. MM Acquiring Corp. was established to effect Multimedia's proposed recapitalization plan.

Cooke said "prospect of protracted litigation is unacceptable to me. Rather than continue it, I have decided it is better for all concerned to allow the... recapitalization plan to become effective." In statement, he said he was disappointed that he had been unable to persuade Multimedia management and family founders to sell to him, thus "concluded that the wise course of action is to respect their decision for them to retain control of the company." He said he had "earlier been led to believe that some part of the family founders would be willing to sell their stock to me. Obviously, this was not the case." He also will drop lawsuit in Greenville, S.C. court seeking to stop Multimedia recapitalization.

Cooke's withdrawal came just one week after FCC cleared way for his unfriendly takeover of Multimedia and 4 days after he announced he would begin stock tender offer. On July 12, Commission approved his request for short-form transfer of control of company to a trustee, former Minn. Democratic Sen. Eugene McCarthy, as "interim caretaker" while Commission considered long-form transfer application (TVD July 15 p2).

Andrew Schwartzman, exec. dir. of Media Access Project, said FCC may have been used: "I would suppose that [Chmn.] Mark Fowler would consider extortion to be merely the effective use of marketplace forces. The FCC has transformed itself from providing too much assistance to incumbents to providing too much to insurgents." No one at FCC we contacted would comment on Cooke's withdrawal.

Cooke spokesman told FCC officials that Cooke still was eager to acquire TV stations, that this had always been his intention in his bid for Multimedia and that he hadn't sought to "greenmail" anybody.

INTV is concerned, to say the least, about reports 3 major program producers have reached agreement with CBS to permit network to own and syndicate 3-1/2 hours of prime-time programming weekly. Assn. Pres. Preston Padden wrote MPAA Pres. Jack Valenti July 19 citing our report on agreement (TVD July 15 p8) -- to which ABC and NBC aren't parties and which would take action by FCC and Justice Dept. to effectuate -- saying: "INTV and its independent station members have a most critical interest in curbing the ability of the networks to discriminate against independent stations in the syndication marketplace... I am writing to express my sincere hope that no agreement between the Hollywood production community and any of the networks will be considered or negotiated without full consultation with INTV and its members... I am deeply concerned that the reported agreement in principle, if correct, would have a profound and injurious impact on the availability to independent stations of off-network syndicated programs."

White House has sent to Senate nominations for 3 vacancies on Copyright Royalty Tribunal: Rose Marie Monk, currently asst. to Lyn Nofziger, former White House aide; J.C. Argetsinger, gen. counsel of Action, and William White, now at Justice Dept. Senate Judiciary Committee hasn't yet scheduled hearing on nominations and there's considerable opposition to choice of Monk.

WOLF-TV (Ch. 38) Scranton, Pa., has gone on air, raising operating U.S. TV stations to 1,213 -- 897 commercial, 316 noncommercial. Station is licensed to TV Partners Ltd.; George Kimble is principal owner. Gene Malone is gen. mgr., Ronald Evans gen. sales mgr., Peter Rydell programming and operations dir.

President Reagan's son Ron Jr. will work on-camera for ABC Entertainment, he told Good Morning America. ABC said contract with young Reagan was "in talking stage."

COMCAST UPS STORER ANTE: Raising already high stakes play for Storer Communications, Comcast last week made what it said is more than \$2 billion merger acquisition bid for Miami-based broadcast and cable TV company. Bid is direct competition to leveraged buyout offer from N.Y. investment banking firm Kohlberg, Kravis, Roberts & Co., which Storer board approved in April (TVD April 29 p1). Storer shareholders will vote on KKR offer at special shareholder meeting in fall, no date set. Storer said only that it was studying offer new offer from Comcast.

Storer is 5th largest cable TV company with 1.5 million subscribers, owns 7 TV stations. Comcast, based in suburban Philadelphia, wants cable systems, will sell TV stations, officials said. Storer response was short: Board and financial advisers will consider offer "as soon as is practicable" and "appropriate response will be made." Comcast offered \$82 cash per share for 21.2 million shares of common stock, along with 1.2 shares of preferred stock with liquidation value of \$25 per share, and 1.2 warrants in resulting corporation. It values deal at \$95 per share.

KKR valued its offer at about \$87.50 per share based on \$75 cash and \$25 in new stock and warrants. KKR has applied to FCC to transfer control of Storer's TV stations to SCI Holdings, new company formed by KKR to effect acquisition. Comcast Pres. Ralph Roberts said his offer is in best interests of Storer and is increase over KKR buyout by \$7 per share cash and 20% in preferred stock and warrants. Analysts we talked with agreed. If Storer backs away from KKR buyout, terms require Storer to pay KKR \$21.2 million fee -- \$1 for each share of Storer's fully diluted common shares.

Proceeds from sale of TV stations -- VHF's in Atlanta, Cleveland, Detroit, Milwaukee and Toledo and UHF's in Boston and San Diego -- will help pay for transaction. If merger is completed, surviving corporation would rank as 4th largest cable operator, with 1.98 million subscribers. Comcast, which has \$162 million debt now, created \$2.3 billion package: It will supply \$200 million in cash, borrow \$900 million from syndicate of banks led by Bank of Montreal, get \$1.2 billion to be supplied by Merrill Lynch, which will underwrite sale of TV stations and issue subordinated debt in Storer, which will operate as Comcast subsidiary.

Stuart Crane, of Fahnestock & Co., said offer from Comcast, which is only 20% the size of Storer, is similar to individual borrowing "to the eyeballs, not to buy a house, but to buy a silver commodity. If the time is right, you're all right." But if conditions soften in cable industry, "they [Comcast] have very little margin of protection." Barbara Russell of Prudential Bache sounded more positive, said offer isn't dissimilar from Capital Cities purchase of ABC, where company with high standards and good operating history is acquiring company that wasn't used to such a lean operation and such higher profit margins. Excluding \$900 million value of TV stations,

deal is about 10 times Storer's \$150 million cash flow, she said.

Storer had 1984 net loss of \$16.7 million on \$536.8 million revenues. Comcast had \$12.2 million net income on \$103 million revenues in same period.

BMI, TV STATIONS AGREE ON FEES: Ending 7-year dispute, BMI and All-Industry TV Music Licensing Committee reached agreement on music license fees to be paid by TV stations through 1987. BMI payments will be pegged to ASCAP fees, still to be decided. Agreement also ends long-standing litigation between 2 sides and sets stage for special BMI (which is nonprofit corporation owned by broadcasters) stockholders meeting in N.Y. July 25 (TVD June 17 p6).

Under agreement, BMI has rescinded new contracts it mailed to stations in June to replace interim license fees that expired July 1. It calls for stations to pay BMI 58% of ASCAP rate for 1983-84, 61.5% in 1985, 65-67% in 1986, 68-70% in 1987 -- last year of contract.

ASCAP and Committee still are disputing music fees, and case now is before rate court and U.S. Magistrate Michael Dolinger. At present, TV stations are paying interim fees based on 1980 rates. Dolinger is expected to set new interim rates in fall. Under pact with Committee, BMI also has agreed to establish rate court to moderate future disputes, which will require Justice Dept. approval to amend consent decree, and to drop court suit against Committee.

At BMI shareholder meeting, only 2 items will be on agenda: (1) To reduce board from 16 members to 12. (2) To prohibit BMI from issuing additional shares without approval of stockholders; BMI management said it has no plans to issue any more shares.

Leslie Arries, WIVB-TV Buffalo and chmn. of Committee, said he was sure group "is extremely pleased" by agreement -- sentiment echoed by BMI Pres. Edward Cramer, who said it is good for both sides. Arries and Committee sued BMI in 1978 and fight over music fees has continued ever since, along with several additional court actions. Stations will get new contracts in mail in 2-4 weeks, according to Jack Zwaska, administrative dir. of TV music committee. Still outstanding is BMI dispute with radio stations over fees they should pay for music.

—

NBC sales set record and net rose 43% to quarterly record in 2nd quarter, RCA said in reporting all-time 3-month corporate earnings high. RCA credited TV network for most of NBC's improvement, but noted that owned TV stations posted record combined 2nd-quarter earnings. RCA said communications business had record revenues but earnings declined slightly. (For RCA results, see Consumer Electronics section.)

SCRAMBLING PLAN EYED: Cable industry is considering plan that could lead to creation of 2 nonprofit organizations to guarantee satellite TV services to owners of backyard earth stations. Plan, which has been sent to NCTA board, is titled "talking paper." "Comments, criticisms and suggestions for improvements are urgently solicited," said "confidential" document obtained by our sister publication Communications Daily.

Core of plan is nonprofit scrambling consortium, with membership open to any cable operator. Consortium would make its services available on nondiscriminatory, nonexclusive basis to all programmers and would provide facility to activate and deactivate decoders. Consortium wouldn't represent programmers, package program services or bill consumers. These tasks would be handled by cable operators.

At same time, NCTA staff contemplates creation of "lifeline" service, provided by 2nd nonprofit entity, through which backyard dish owners who don't live close to cable operators that are consortium members could order programming. NCTA staff suggests that this service be transitional, closing down when conventional entrepreneurial arrangements are in place to provide services. Lifeline entity would sell program services "a la carte" -- not in packages -- and could provide billing services, charging cost-plus fee to program providers. Lifeline would use facilities of scrambling consortium on fee basis.

Scrambling consortium concept has been designed to avoid legal and congressional entanglements. There have been threats from some in home earth station business to sue cable industry on antitrust grounds if it attempts to monopolize backyard program provision. Some in Congress are threatening to introduce legislation to halt scrambling unless backyard earth station owners are guaranteed access to programming.

NCTA staff believes its document provides solutions to both these problems. In view of NCTA lawyers, in addition to being legally bulletproof, plan represents cunning political solution. If backyard earth station industry objects to lifeline concept, cable industry can go to Hill claiming that it has made good-faith effort to maintain program supply. Having made this effort, NCTA reasons, it wouldn't be reasonable for industry to suffer burden of congressionally mandated delay in scrambling.

While decoding services offered by consortium would be available only to its members, they wouldn't be barred from using consortium to serve backyard earth stations within their own or other franchise areas or in areas not served by cable, talking paper said. Equipment used by consortium would be selected on "impartial" basis and would "seek to have such technology made widely available to manufacturers through reasonable licensing arrangements."

NCTA's role in consortium apparently would be limited to acting as its creator, for which Assn. expects consortium to reimburse it. NCTA does, however, contemplate performing "management services" for lifeline entity.

HILL POOL COVERAGE DISPUTED: C-SPAN took its case that networks charge exorbitant rates for pool coverage to Senate Rules Committee July 18, asking legislators to intervene. Exec. Vp Michael Michaelson urged senators to set minimum standards for pooled coverage of Congress that would guarantee other news organizations access to network pool feeds. Also protesting at hearing were Independent Network News, Washington Electronic News Media Assn. and Fisher Bestg. ABC, CBS, CNN and NBC rejected charges.

Hearing arose out of dispute between C-SPAN and networks over price of pool feed for President's inaugural in Jan. Michaelson said networks, which take turns handling coverage of major events in Congress such as State of Union address by President, aren't cooperative and charge other news outfits too much for feeds. He described C-SPAN problems with NBC, pool manager for inaugural, which he said prompted C-SPAN to abandon plans to carry event live. Pool arrangements favor networks and fail to recognize emergence of smaller news operations as players in Hill coverage, Michaelson said.

Networks said they don't overcharge others for pool feed, that rate is based on potential audience (for C-SPAN, 21.5 million homes). Robert MacFarland, NBC Washington bureau chief, said networks paid 92% of pool costs for inauguration while subscribers picked up 8%. ABC Washington Bureau Chief George Watson estimated split at 98%/2% when it last handled inaugural pool. When networks have pool coverage of congressional hearings, feed is free to others, said CBS Washington Bureau Chief Jack Smith. Networks don't try to make profit on feeds, they claimed.

But CNN Washington Bureau Chief William Headline agreed with protesters that pool arrangements, which are sanctioned by Rules Committee, should be reevaluated in light of emergence of smaller news organizations. He said that should come in negotiations among broadcasters and not through congressional intervention, as Michaelson urged. Michaelson asked Senate to set guidelines for Hill coverage that would guarantee newcomers chance to participate in decisions on pool arrangements when event requires Rules Committee to limit number of cameras, access to pool feed and equal chance for newcomers to have as good camera angles as networks. He also suggested that in-house system be built in Senate chamber (if and when Senate okays floor coverage) that would allow any news outlet, networks included, to pick up feed from floor, for fee set by Rules Committee. He said that since Congress provides galleries for public to watch events, it should underwrite costs of building system. Congress also could create formal dispute mechanism to resolve questions over pool coverage, he said.

CBS ACCUSES FCC OF BIAS: CBS cried foul last week, charging FCC with favoritism in behalf of TBS in its unfriendly takeover attempt. Network, in letter to FCC Chmn. Fowler from Vp-Gen. Counsel George Vradenburg, complained bitterly about leaks to press and demanded investigation.

Fowler disputed charges July 18 in letter to CBS and said at Senate Commerce Committee hearing same day: "I find that in every case, he is factually wrong." CBS responded to Fowler testimony and letter day later, listing each alleged improper statement by Commission officials and submitting copies of publications in which statements appeared.

CBS charged in July 15 letter to FCC that "calculated leaks" to news media by "someone" within FCC show Commission "appears to be acting with favoritism toward the TBS proposal, not as a neutral decision-making body." He said those staffers should recuse themselves or be disqualified, or there "can be no confidence in the overall fairness of this proceeding."

Vradenburg said "it seems there may be a 'behind-the-scenes' plan by some to rush the TBS proposal to approval" through leaks. CBS Chmn. Thomas Wyman said at Senate hearing that articles are evidence FCC has "drifted from its historic role" of protecting public's interest in ownership transfers "to providing the construction of a level playing field for the adjudication and facilitation of [competing] business interests." Effect on CBS, he said, has been to make it "impossible to tell" how Commission will handle takeover bid because precedent appears to have been abandoned, so Congress should step in to ensure network its rights.

Fowler, in rebuttal, said stories cited by Vradenburg don't necessarily show FCC as source. In letter to CBS, Fowler said that he nonetheless has ordered agency staff not to make any comments about case, "on or off the record," and that "employees violating this order will be subject to Commission discipline." Fowler said staffers "have an open mind and will consider the case on its merits based on the pleadings and evidence placed before us." CBS responded next day with letter to Commerce Committee showing 10 instances that it said indicated Commission officials were sources for stories.

Issue came up during Committee consideration of S-1312 by panel member Sen. Pressler (R-S.D.) that would require FCC to hold evidentiary hearing in hostile network takeover attempts and set standards for Commission to meet in reviewing applications (TVD June 24 p7). Wyman supported measure, arguing that Congress empowered FCC to protect public's interest and that CBS wants precedent followed.

TBS Chmn.-Pres. Ted Turner opposed bill, said FCC should have discretion in deciding on holding hearings. He called S-1312 "discriminatory" against TBS because it applies only to hostile takeovers and

doesn't interfere with other pending management changes, such as ABC-Capital Cities. He avoided addressing Commission bias issue, focused on his bid for CBS. "The main reason I want the network is to do creative and decent programming," he said, decrying "hatchet jobs" by 60 Minutes and frequent reruns. Asked if Turner-managed CBS could survive, Turner said "absolutely." He said CBS would be leaner operation; for example, he said, CNN has \$100 million news budget, CBS News \$250 million: "CBS just throws money away."

Fowler also opposed bill, said it would "place the government's thumb on the scale in favor of existing management." He said he saw "no public interest reason" for FCC "to distinguish between cases in which the debt load is incurred in the course of an unfriendly takeover, leveraged buyout or merely because a licensee chooses to take on high amounts of debt." He also criticized bill for proposing that Commission examine issues in hearing that it's long considered outside its purview.

Meanwhile, in surprise move July 16, TBS withdrew its short-form 316 transfer application. Left pending is long-form 315 application, filed April 18; short-form application was filed July 5 and Turner had asked Commission July 13 to name former Me. Democratic Sen. William Hathaway as trustee to acquire CBS stock for Turner. TBS said it withdrew short-form application because: (1) FCC plans to hold en banc argument Aug. 1-2. (2) Statement by Fowler in testimony to Congress week earlier that Commission expects to act on long-form 315 application (TVD July 15 p1) by mid-Sept. "substantially reduces the benefits from short-form approval for TBS." (3) Turner has challenged legality of CBS self-tender offer in U.S. Dist. Court, Atlanta, and "fully expects to prevail in this litigation and obtain preliminary injunctive relief." July 24 hearing is scheduled by Atlanta court.

Washington Post also reported last week that Turner has been talking with "wealthy investors," including Saudi Arabian businessman Adnan Khashoggi in effort to raise money to sweeten his bid for CBS stock with up-front cash. Turner told reporters Khashoggi wants to represent Cable News Network in its expansion to Middle East. Turner reportedly has offered wealthy investors 15% notes in return for cash, warrants to purchase up to 40% of CBS and right of first refusal on CBS properties. Turner plans to spin off if bid for CBS is successful.

In comments at FCC, INTV said it "strongly opposes" that part of Turner plan that would permit him to keep WTBS Atlanta and retain CBS affiliation with WAGA-TV there, saying it was inconsistent with Commission's rules and policies limiting network power and promoting program diversity and competition. If takeover is approved, Turner should be required to divest WTBS or CBS affiliate, Assn. said. INTV also hit "thinly veiled suggestion" by CBS in reply comments that Commission should eliminate prohibition against network ownership of independent stations.

ABC BROADCAST EARNINGS FLAT: In contrast to improved 2nd-quarter performances turned in by NBC (see below) and CBS broadcasting operations (TVD July 15 p5), ABC reported flat earnings from broadcasting in period on slightly lower revenue. ABC said total net for quarter edged up 0.9% to \$73.1 million (\$2.51 per share), from \$72.4 million (\$2.49) on 0.2% revenue rise to \$856.2 million from \$854.1 million.

For first half, ABC net was down 4% to \$92.5 million (\$3.18) from \$96.3 million (\$3.30) on 5.5% revenue decline to \$1.42 billion from \$1.51 billion. Pretax net from broadcast operations was virtually unchanged at \$162.1 million as sales slipped 2.8% to \$738.7 million. For half, earnings inched up 0.1% to \$218.9 million on 5.5% sales decline to \$1.42 billion.

ABC said TV network sales and profits were down in 2nd quarter, while owned TV stations had reduced earnings on higher revenues. ABC Radio, however, turned in record sales and earnings for period. ABC's slight improvement in 2nd-quarter earnings stemmed primarily from reducing Video Enterprises loss by \$11.8 million to \$12.2 million. Same 1984 period included \$15 million writeoff of TeleFirst, so VE's indicated operating loss actually was up by \$3.2 million. ABC said that it trimmed deficits at cable programming ventures Arts & Entertainment Network and Lifetime, and that rise in operating loss stemmed from ESPN, which became wholly owned subsidiary in late June 1984. VE's loss for half was \$19.7 million, down from \$33.5 million but up from \$18.5 million on operating basis. VE revenue more than tripled to nearly \$30 million for quarter, rose 600% to \$58.1 million for half.

NBC, through parent RCA, reported record sales for 2nd quarter, 43% rise in earnings to new quarterly record. RCA credited TV network with most improvement, which it said also helped owned stations post record 2nd-quarter earnings.

Gannett Inc. net earnings for 2nd quarter gained 20% to \$71.8 million (90¢ per share), compared with \$59.7 million (75¢) for same period in 1984. Revenue rose to \$557 million, up 13% from \$491.6 million. Advertising revenue of USA Today increased 106% for first 6 months, Gannett said, with newspaper averaging 12.5 pages of paid ads daily, compared with 6.8 pages in 1984.

Dun & Bradstreet reported 14.6% profit rise for 2nd quarter to record \$77 million (\$1.01 per share), up from \$67.2 million (88¢) in 1984. Revenue increased 12.7% to \$661.2 million from \$586.8 million last year. Earnings for first half fell from \$391.8 million (\$5.15) to \$145.3 million (\$3.49); D&B said 1984 earnings benefited from one-time gain of \$265.7 million by redeploying assets.

Time Inc. 2nd-quarter profit rose 1.7% on revenue increase of 12% compared with same quarter last year. Time's 2nd-quarter net income was \$60.2 million (94¢ per share) vs. year-ago \$60.1 million (92¢). Revenue was \$864.1 million vs. \$771.5

million. Time said HBO and ATC registered higher pretax profits, "despite flat subscriber totals so far this year." Video operations pretax income was \$58.7 million on revenues of \$338 million for quarter.

Media General reported 10% drop in net income in quarter to \$9.9 million (\$1.39 per share) on total revenues of \$147.4 million compared with \$11 million (\$1.54) on \$141.2 million revenues in same quarter 1984. Net income for first 6 months was \$16.7 million (\$2.36) on \$287.3 million revenues compared with \$20.4 million (\$2.88) on \$271.5 million.

Knight-Ridder reported 2% drop in net income for quarter, to \$36.8 million on \$445.4 million revenue, compared with \$37.6 million net income on \$419.3 million revenues in same quarter of 1984. For 6 months, net income was \$65.8 million on \$867.1 million revenues, compared with \$64.5 million net on \$809.8 million revenues in same period of 1984. In broadcast operations, K-R reported 8.4% increase in revenue to \$17.8 million from \$16.4 million for 2nd quarter; broadcast revenue for 6 months was up about 6% to \$31.5 million from \$29.7 million.

Lin Bcstg. reported 46% increase in net income for quarter to \$11.4 million (46¢ per primary share) on \$47 million revenues, compared with \$7.8 million net income (35¢) on \$41.6 million revenues in same quarter of 1984. For 6 months, net income rose 35% to \$16.7 million (71¢) on \$82.4 million revenues compared with \$12.4 million (56¢) on \$69.5 million revenues. Results included operations of WISH-TV Indianapolis and WANE-TV Ft. Wayne, Ind., purchased by Lin in Feb. 1984, company said, noting that after consideration of interest on acquisition costs and amortization of intangible assets, purchases reduced net income by about \$1 million for first 6 months of 1985, without affecting comparability of 2nd-quarter results. Second-quarter net income includes gain of about \$1.3 million from sale of minority interest in Hartford and Bridgeport, Conn., cellular telephone markets.

—

American Express has presented formal offer to buy Warner Communications' half share in Warner Amex Cable for \$450 million, starting 20-day clock provided for in buy-sell provision of partnership agreement. AE agreed in June to sell WA to Time Inc. and TCI for \$850 million in cash, assumption of \$500 million in debt plus share of profits from sale of WA's equity in programming ventures. That agreement was good for 90 days, and it was assumed Warner Chmn. Steven Ross would take as much time as he could to figure out how to hold onto No. 5 MSO. At least, WC never had official reaction to Time-TCI bid. AE has turned up heat with newest move, which gives WA 20 days either to agree to sell out to AE or to offer to buy WA itself. AE move also represents increase in price for WA, 2nd such boost since Time-TCI started bidding.

FCC Comr. Patrick was confirmed by Senate July 19 to full 7-year term. Action follows favorable recommendation by Senate Commerce Committee day earlier.

Personals

FCC calendar -- July 25: Chmn. **Fowler** is interviewed on Larry King Show, CNN, 9 p.m.; Comr. **Rivera** participates in Space WARC delegation at State Dept... **Irving Goldstein** advanced at Comsat from pres. to chmn.-CEO, replacing **Joseph Charyk**, who retires after 23 years at helm; **Marcel Joseph** advanced from exec. vp to pres.-COO... **Bill Nelson** promoted to vp-controller, HBO... **Tim Flack**, ex-NBC, appointed vp-talent and casting, Columbia Pictures TV; **Michael Blaha** promoted to asst. gen. counsel, parent Columbia Pictures.

Maurice Greenfield, ex-Paine Webber, appointed vp-management information systems, NBC; **Edward Reitkopp**, ex-Lockheed, named labor attorney-west coast litigation and arbitration... **Clare Mannion** promoted to vp-mktg. and development, WTTW Chicago, succeeding **John Wilson**, who is forming Jack Wilson & Assoc., marketing and communications firm... **Norb Ryan** advanced to gen. sales mgr., WTMJ-TV Milwaukee; **Mark Le Grand** promoted to local sales mgr.

Kim Price promoted to AP gen. broadcast exec.-western U.S... **Bob Price**, ex-United Video, forms Eagle Cable to purchase systems, Tulsa, 918-744-6653; **Roger Miller**, onetime ATC, named vp... **Richard Winters**, ex-Paramount TV, named vp, Mahoney/Wasserman & Assoc... Elected officer of Bcst. Promotion & Mktg. Execs.: Pres. **Beryl Spector**, WMHT-TV-FM Schenectady; Pres.-Elect **Judith Horan**, WOWT Omaha; Vp **Joseph Logsdon**, WFTS Tampa-St. Petersburg; Treas. **Al Batten**, WSOC-TV Charlotte; Secy. **Linda Nix**, WYES-TV New Orleans.

Diane Ching, ex-CBS Washington, will head new Washington office of Madison, Wis.-based Colorgraphics Systems... **Neil Quam** promoted to vp-quality assurance mgr., Nielsen Mktg. Research Group USA... **Rhonda Rigdon**, ex-Discovery Best. System, named posttheatrical sales and administration mgr., Paramount Video Distribution... **J.B. Eckert**, ex-KSTP-TV St. Paul-Minneapolis, appointed managing editor, Hubbard's Conus Communications; **Tom Kidd**, ex-Microdyne, named mktg. mgr., Hubbard Communications... **Stephen Cassidy** advanced to CNN N.Y. bureau chief... **Cheryl Wolfe**, ex-Rockwell International, appointed sales administrator, Times Fiber Communication Systems Div... **Lia Riger** promoted to ad and promotion mgr., WTMJ-TV Milwaukee... **Edward Sause** advanced to vp and controller-motion pictures, Filmed Entertainment, Columbia Pictures; **Adene Walters** promoted to vp-controller, TV... **Lou Conover**, ex-Seltel, appointed Dallas office mgr., Avery-Knodel TV... **Pat Faulstich**, ex-ICM, appointed miniseries dir., CBS Entertainment... **Thomas Hart**, ex-Collier, Shannon, Rill & Scott, Washington law firm, joins Washington office of Baker & Hostetler as partner.

Don Carmichael promoted to WJXT Jacksonville gen. sales mgr... **Herman Ramsey**, WGNX Atlanta

Published Weekly Since 1946
TELEVISION DIGEST.
With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY TELEVISION DIGEST, INC.

Television Digest, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Connections: World Communications Report (with The Economist of London), Public Broadcasting Report, Space Commerce Bulletin, Television and Cable Factbook, Telecom Factbook and other special publications.

Copyright © 1985 by Television Digest, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

1836 Jefferson Place, N.W., Washington, D.C. 20036
Phone: 202-872-9200 Telex: 6502173616 (Via WUI)
MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435

This newsletter is available electronically via Newsnet

WASHINGTON HEADQUARTERS

Albert Warren	Editor & Publisher	Roy W. Easley III	Controller
Paul L. Warren	Assoc. Pub. & Sr. Ed.	Gary Maderom	Marketing Director
Dawson B Nail	Executive Editor	Glenn Brown	Advertising Dir.
Jonathan Miller	Senior Editor	Betty Alvine	Circulation Mgr.
Daniel Warren	News Editor	Business	
Steven Tuttle	Managing Ed., Wash.	Roy W. Easley III	Controller
Mary Crowley	Senior Editor	Gary Maderom	Marketing Director
Mike Schwartz	Associate Editor	Glenn Brown	Advertising Dir.
Arthur Brodsky	Associate Editor	Betty Alvine	Circulation Mgr.
Frances Seghers	Associate Editor	NEW YORK BUREAU	
Melinda Gipson	Associate Editor	475 Fifth Ave., N.Y. 10017	Phone: 212-686-5410
Theresa Foley	Associate Editor	David Lachenbruch	
Deborah Jacobs	Info. System Mgr.	Editorial Dir.	Richard E. Varner

Television and Cable Factbook	Editorial & Business
Michael Taliroff	Managing Editor
Mary Appel	Editorial Director
Barbara E. Van Gorder	Sr. Supv. Editor
Richard Koch	Editorial Supv.
Melinda M. Lukasz	Senior Editor
Factbook Research, Inc.	
Lynn R. Levine	Director

475 Fifth Ave., N.Y. 10017	Phone: 212-686-5410
David Lachenbruch	
Editorial Dir.	Richard E. Varner
Robert E. Gerson	Managing Ed., N.Y.
Seth Goldstein	Senior Editor
Rich Zahradnik	Assistant Editor
JAPAN REPRESENTATIVE	
(Editorial & Business)	
Richard E. Varner	
c/o Foreign Correspondents Club of Japan	
Denki Bldg., 20th Floor 1-7-1	Yuraku-cho, Chiyoda-ku
Tokyo 100, Japan	Phone: 211-3161 Telex: J24600
MCI Mail: TVDTOKYO	

gen. mgr., named a vp... **Mark Feldman** advanced to corporate communications dir., Mutual Bestg. System, new unit composed of PR, ad and promotion departments.

Camellia City Bcstrs., owner of KDVR Denver, which has filed antitrust suit against Tribune Co. (owner of KWGN-TV Denver), has asked FCC to reject Tribune's purchase of KTLA L.A. for \$510 million. Camellia told FCC that Tribune "has misused its existing market power by pursuing anticompetitive program acquisition practices" and has prevented Camellia "in many instances from being able to bid on programming that is highly rated... for Camellia's Denver station." This power comes because Tribune owns WGN-TV Chicago and WPIX N.Y. and syndicators are "fearful of being able to license their programs on the best terms in New York or Chicago," Camellia claimed. "Granting Tribune's application to own another major independent nonnetwork television station in L.A. would substantially increase both Tribune's market power and its ability to use that power in an anticompetitive fashion."

NAB's free employment workshop July 24 in Washington will focus on nuts and bolts of broadcast production and engineering, with panelists drawn from D.C.-area broadcasters. Contact: Claryce Handy or Lorraine Elkins, at NAB, 202-429-5497.

Consumer Electronics

A Section of *Television Digest* with *Consumer Electronics*

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for first statistical week of July and 1985's first 27 weeks:

	JUNE 29- JULY 5	1984 WEEK	% CHANGE	JUNE 22-28	27 WEEKS 1985	27 WEEKS 1984	% CHANGE
TOTAL TV.....	272,729	230,999	+18.1	596,968	9,140,318	9,566,768	- 4.5
TOTAL COLOR...	229,430*	198,876	+15.4	479,156*	7,498,714*	7,378,354	+ 1.6
DIRECT-VIEW.	226,591*	195,937	+15.6	473,508*	7,624,694*	7,496,218	+ 1.7
PROJECTION..	2,839	2,939*	- 3.4	5,648*	103,450*	81,012	+27.7
MONOCHROME....	43,299	32,123	+34.8	117,812	1,684,903	2,220,537	-24.1
TV EXCL. PROJEC.	269,890	228,060	+18.3	591,320	9,309,597	9,716,755	- 4.2
HOME VCR#.....	140,848*	99,787	+41.1	280,855*	4,875,175*	3,010,700	+61.9
COLOR CAMERAS#..	3,831	5,814	-34.1	16,299*	215,822*	197,995	+ 9.0

Color TV (direct-view) 5-week moving average: 1985--300,116*; 1984--269,940 (up 11.2%).

Home VCR 5-week moving average: 1985--181,549*; 1984--124,307 (up 46.0%).

* Record for period. # Camcorders included in VCRs, not in cameras.

MATSUSHITA TO PRODUCE VCRs IN U.S.: Matsushita Electric, world's largest producer of VCRs, will manufacture them in U.S. Plan was revealed last week by Pres. Toshihiko Yamashita at Matsushita import exhibition in Japan in response to press question about trade friction with U.S. caused by large exports of VCRs. His simple answer was that Matsushita had decided to start producing them here.

Yamashita didn't elaborate on statement, which took Matsushita representatives in U.S. by surprise. Company spokesman in Japan said decision resulted from feasibility study conducted by Matsushita to determine what products could be made overseas to help minimize trade friction. "We are still studying the details," spokesman said, adding that timing and location of plant haven't been decided and that one of problems is component procurement. He added that no action is planned this year.

While there were no further details from Matsushita, usually reliable Nihon Keizai Shinbun (daily Japan Economic Journal) said company planned investment of 100 billion yen -- well over \$400 million -- for plant to make about 50% of its U.S. requirements here, starting with strictly assembly operation but gradually increasing U.S. content to 50%. Matsushita spokesman in Japan called newspaper's report premature. As reported by Japanese paper, Matsushita's investment would just about equal what it's invested in color TV manufacturing here, including \$100 million acquisition in 1974 and later modernization of former Motorola plant in Franklin Park, Ill., and construction of chassis plant in Tijuana.

Matsushita supplies nearly 50% of all VCRs sold in U.S., including its own Panasonic and Quasar brands, North American Philips (Magnavox, Sylvania and Phileco), GE, Curtis Mathes, J.C. Penney and others. It's estimated company exported more than 3.5 million to this country last year, could supply more than 5 million this year. Move to establish plant here is part of major campaign by Matsushita to cooperate with Tokyo govt. effort to trim Japan's trade surplus (TVD July 15 p17). Company's total output of all products is 50% for domestic consumption, 36% export, with 14% made overseas. By 1990, its goal is 50-25-25. Matsushita's

move to produce here could be followed by other VCR manufacturers. Most of major VCR makers now either produce or assemble in Europe.

When faced with charges of uncontrolled shipping of VCRs to U.S., Japanese have always argued that there was no domestic VCR industry here to protect. However, video boom has pushed VCR imports so high that their very visibility gives rise to trade friction. Last year, VCR exports from Japan to U.S. were valued at \$3.32 billion, dwarfing 2nd biggest consumer electronics export, color TV, at \$289.8 million. As recently at last April, Chmn. M. Matsushita said at news conference at Panasonic convention in Las Vegas: "We have no plans to produce VCRs in the United States."

* * * * *

Korea has joined Japan in protesting European Community's planned hike in VCR import duty to 14% from current 8% (TVD July 15 p15). In letters to European trade officials, Korean Trade & Industry Minister Kum Jin-ho said increase will be especially harmful to Korean producers because they have no established marketing base or manufacturing operations in Europe. Meanwhile, N.V. Philips has cut prices on its V2000 format home VCRs 20-25% in move many see as prelude to discontinuation of that system. Philips and affiliate Grundig of Germany stopped producing V2000 units last fall, and have been selling from their bloated inventory. Both now manufacture VHS VCRs on relatively integrated basis under license from Japan's Matsushita.

INDUSTRY PROFITS TUMBLED IN 2ND QUARTER: Severity of industry's intense price competition was in spotlight again last week as RCA and North American Philips reported significantly depressed results from consumer electronics operations and Zenith indicated situation was major contributor to its first loss since final quarter of 1982. Other member of domestic Big 4, GE earlier reported increased losses from its video operation (TVD July 15 p15).

Although color TV prices have fallen this year, it's near-collapse of VCR pricing structure that seems to have pulled financial rug out from under marketers. Color has been no more than marginally profitable business for domestic manufacturers over last decade and sales and earnings gains they've shown in video in recent years have come mainly from marketing of VCR gear imported from Japan. While VCR pricing has eroded steadily since product was introduced in 1975, pace has accelerated and, based on current retail levels, we estimate they've fallen 20-25% since Jan. -- and it's doubtful bottom has been reached. Impact of Korean entry into market here hasn't hit yet, nor has entry of whole group of hi-fi brands. That, along with inventory buildup, could well be setting stage for another wave of price cuts this fall.

RCA said that though it posted corporate quarterly earnings record (see financial table), it had lower sales and earnings from consumer electronics. It said industrywide VCR inventory rise resulted in lower prices and margins while price competition "continued to depress profits in color TV." Solid State Div. was hurt by reduced demand and price erosion, had loss for period. Improved sales and earnings were reported for RCA Records and company's joint home video software venture with Columbia Pictures (for NBC results, see Broadcast section).

Zenith said consumer electronics sales were off 11.2% to \$221 million in quarter and segment had lower earnings though sales for half were up 6.5% to \$506 million. It said lower color prices depressed volume by about \$15 million in quarter and \$27 million in first half, and it charged "color TV dumping actions by Far East manufacturers [were] major contributing factor to the continuing price reductions." While Zenith's sales of computer systems and components rose 10.1% in quarter to \$120 million, improvement all came in computer products as sales of parts for computer OEMs declined. First-half volume was up 15.9% to \$233 million. Biggest sales declines came in cable TV products, off 75.8% to \$16 million for quarter and 66.9% to \$40 million for half.

NAP, in reporting 59.3% earnings drop on slightly lower sales in quarter, said "consumer electronics continued to suffer the effects of severe industrywide price competition resulting largely from Far Eastern imports and inventory imbalances." NAP said it was taking steps "to

better align our inventories" and improve manufacturing efficiencies. Company didn't break out results for consumer electronics, but operation lost \$6.6 million in opening quarter and there was no indication deficit had eased in most recent period.

N.V. Philips of Holland said it will be reporting significant decline in 2nd-quarter net as result of NAP's earnings dip as well as continued slump at U.S. IC manufacturing subsidiary Signetics. Philips said improvement in results for rest of company won't be enough to offset drop in income from U.S. Philips Trust, which owns 58% of NAP. Philips can expect little in way of financial help from its other consumer electronics manufacturing affiliate, Grundig. Hermanus Koning, Grundig's Philips-appointed top exec., said company will be reporting loss of about \$64 million for fiscal 1985 and while professional product sales and exports are good for first months of current fiscal year, home market demand continues sluggish.

VCR, TV CHASSIS IMPORTS UP AGAIN IN MAY: Following now familiar pattern, VCR and color TV chassis and kits set growth pace for video equipment imports in May, according to Commerce figures, which show slight dip in complete color shipments, growth slowdown for color cameras.

Month's VCR imports of 1.27 million were up 76.9% from same month last year, but well below all-time monthly record of 1.62 million set in April. Nevertheless, they were more than double domestic sales to dealers here (598,293) during same month. That put 5-month total at 6.63 million, up 110.3% -- in period when 3.75 million units were sold to dealers, increase of 64.2%.

Observers looking for signs of Korean VCR flood are still waiting. Only 39,100 entered from there in month, to bring cumulative shipments to 121,100, or less than 2% of what's come in from Japan. Although May's total TV camera imports rose 22.3% to 70,700, bulk of gain was represented by 118% jump for b&w to 21,100, while color edged up just 3.1% to 49,600. For 5 months, total camera imports were up 80.6% to 408,200, with color up 47.1% to 325,100, b&w up 84.8% to 83,100.

Also in video, May imports of videodisc players more than doubled to 16,200, highest since Dec. '81, and steepness of rise was enough to erase cumulative deficit of year's earlier months and put 5-month total up 5.5% to 56,200. Videotape player imports jumped 11-fold in May to 11,100, were up 315.6% to 46,700 for 5 months. Imports of projection TVs slipped 6.7% in month to 3,700, but 5-month total of 29,100 was still ahead 20.3%.

Total TV imports logged 30.7% rise in month to 1.59 million, mainly on strength of color's 51.6% gain to 1.06 million, as b&w edged up 2.6% to 532,500. For year through May, total TV imports were up 19% to 7.37 million, color up 19.3% to 4.33 million, b&w up 18.5% to 3.05 million.

In color, month's imports of complete sets slipped 3.9% to 416,400, as only Canada, Japan and Singapore improved on performance of same month last year. Five-month total of 2.05 million was off 9.3%. Color chassis and kit imports jumped 142.4% in month to 641,300, ended full period at 2.28 million, up 66.3%. Incidentally, our figures for month's imports of incomplete color won't match those you may see elsewhere. We felt official May chassis figure of 930,400 was way too high, asked for check, were told imports from Japan had been overstated by some 375,000.

In month's b&w imports, gain all came from 101.1% rise in 10"-&-under sizes to 318,000, as larger models posted collective 40.5% drop to 214,500. For 5 months, imports of tinyvisions advanced 79.7% to 1.54 million, bigger ones were off 12% to 1.5 million, marking first time minimportables have accounted for more than 50% of import mix on cumulative basis.

* * * * *

Legislative war being waged to force cut in U.S. trade deficit took new twist last week with introduction of bill by House Ways & Means Committee Chmn. Rostenkowski (D-Ill.) to

impose 25% surcharge on imports from countries with "excessive" surplus in trade with U.S. That's defined as imbalance of 65% or more. It would exclude countries that have no "unfair" barriers to imports or have 2-way annual trade with U.S. of less than \$7 billion. Currently only Brazil, Korea, Japan and Taiwan would qualify for inclusion. While bill is given no chance of enactment, it heavily underscores Congressional dissatisfaction with trade situation and increases pressure on Administration for corrective action.

1985 MODEL YEAR SETS NEW SALES RECORDS: The 1985 model year, just ended, was 2nd in row in which industry sold more than 20 million TV sets. This means that in last 2 years close to half of all American families bought new TVs. In 1985 model year (July 1984-June 1985), new records were set for sales to dealers of total TV, color TV and projection TV, as well as VCRs and color cameras.

Our data, derived from EIA figures, show that total TV sales squeaked out record model year on strength of color (up 6.7%, including projection), despite 17% dip in monochrome sales. VCR sales were up big 74.1%. Although model year may be mythical, it provides interesting benchmark for comparison; here are figures on sales to dealers for last 3:

MODEL-YEAR SALES, 1983-1985

Product	1985 models	1984 models	% change	1983 models
Total TV.....	20,760,476*	20,618,708	+ 0.7	18,096,785
Total color..	16,398,134*	15,362,075	+ 6.7	12,367,449
Direct view	16,180,402*	15,196,870	+ 6.5	12,232,935
Projection.	217,732*	165,205	+31.8	134,514
Monochrome...	4,362,342	5,256,633	-17.0	7,729,336
TV excl. proj..	20,542,744*	20,453,503	+ 0.4	17,962,271
Home VCR.....	9,442,205*	5,423,816	+74.1	2,872,278
Color cameras..	508,579*	442,371	+15.0	325,169

* Record.

Following is historical table of sales to dealers (excluding projection) for model-years 1970-1985. Monochrome sales record was 8,068,000, set in 1966 model year.

Year	Total TV	Color	B&W	VCR
1985.....	20,542,744*	16,180,402*	4,362,342	9,442,205*
1984.....	20,453,503	15,196,870	5,256,633	5,423,816
1983.....	17,962,271	12,232,935	5,729,336	2,872,278
1982.....	16,670,187	11,236,621	5,433,566	1,558,452
1981.....	17,804,406	11,193,119	6,611,287	1,061,535
1980.....	16,000,493	10,065,718	5,934,775	581,553
1979.....	16,521,179	10,286,351	6,233,828	439,434
1978.....	15,634,264	9,816,841	5,817,423	n.a.
1977.....	13,761,837	8,374,830	5,387,007	n.a.
1976.....	11,834,174	6,840,443	4,993,731	n.a.
1975.....	12,308,649	6,917,192	5,391,457	--
1974.....	15,770,254	9,061,922	6,708,332	--
1973.....	16,626,541	8,995,693	7,630,848	--
1972.....	11,775,000	6,704,000	5,072,000	--
1971.....	10,048,000	5,324,000	4,724,000	--
1970.....	9,595,000	4,961,000	4,634,000	--

*Record

COMPUTER AND GAME LAUNCHES: This is turning into year of attempted resurrection -- probably last ditch -- of personal computer and home videogame business. Atari and Commodore have started shipping new home computers and this week Commodore will formally launch its long-awaited semipro Amiga computer, while Nintendo is gearing up for fall marketing start of first major new programmable home videogame since 1981, when Coleco started shipping Colecovision.

Amiga will have 256K internal memory, expandable to 512K, offer high-resolution graphics, come with mouse, built-in 3.5" disc drive, can accept 2nd drive; due later is module that will adapt unit to run IBM PC software. Console will list at about \$1,500, have optional color monitor at \$450. Unit will be marketed primarily through computer specialty outlets.

Computer, originally called Lorraine, was engineered by independent Amiga, company acquired by Commodore last year. That purchase is focus of \$100-million fraud suit filed in Cal. by Atari. Atari claims it funded Amiga's computer chip development and that Amiga later returned payments, saying effort was unsuccessful. Atari alleges that it has rights to chips in new Commodore computer (TVD Aug 27 p18).

Nintendo's stab at reviving home videogame market will start in Oct., but on significantly smaller scale than company envisioned when it first took wraps off its programmable system last Dec. (TVD Dec 31 p11). Company still hasn't come up with official name for product, which sells in different form as Family Computer System in Japan and has been called Advanced Video System and Entertainment System here.

Instead of national rollout, 1985 sales will be limited to test in N.Y. metropolitan area, and company will try to reawaken consumer interest in videogames by backing introduction with \$2.5 million ad campaign. Game console, with interactive game-playing robot, will sell for \$100.

* * * *

With Amiga, Commodore is aiming assault on market segment now controlled by Apple and IBM, but that area isn't doing all that well either. Apple said operating net fell 87.6% to \$3.5 million in fiscal 3rd quarter to June 28 on 11.2% sales decline to \$374.9 million. Company posted net loss of \$17.2 million for period after inclusion of \$40.3 million charge for restructuring.

IBM, which also had soft quarter, departed from traditional closed-mouth stance last week to disclose it has no current plan to introduce new personal computer. Company had reduced some prices on its PC AT products, leading to renewal of new model speculation that flared up earlier this year when it discontinued PCjr. IBM Entry Systems Div. Pres. William Lowe said company was breaking with policy of not commenting on product plans because rumors appear to have caused some buyers to hold back. IBM, he said, won't have any new PCs this year.

ONE-TUBE PROJECTORS RETURN: Single-tube projection TV sets are coming back, this time in nonconsumer portable combinations with built-in VCRs. Sony's Videomagic was followed by Display Sciences Inc. (DSI) Lightbeam "portable presentation theater" (TVD Jan 7 p13), now in production.

DSI Chmn. Vincent Donohoe and Pres.-CEO Peter Sprague, ex-Advent, last week held first public demonstration of Lightbeam, which incorporates projection TV, VHS VCR, audio cassette deck and 30-w PR system in one 36-lb. package, requiring only table and electrical outlet to set up. First 100 units are now being shipped. DSI has no manufacturing facilities, its products being made under contract by Electronics Assoc. Inc.

Sprague said DSI's goal is \$25 million sales in first year of shipping, which will end next June 31. This would mean delivery of about 7,200 Lightbeams, which sell at \$3,295 for basic unit, \$3,995 including folding screen. Picture source is 5" Sony Trinitron tube with f0.95 lens. VCR section is JVC-made unit procured from Zenith with wired remote control combined with microphone. DSI Vp David Parse, ex-Quasar, said company will sell to dealers through reps.

Donohoe and Sprague displayed prototypes of possible future products. One is 16-lb. combination VCR and 13" color display -- light weight made possible by fact display is tiny rear-projection unit rather than direct-view tube. They also talked of \$1,000-\$1,200 portable consumer projector with docking 8mm deck or camcorder but said they hadn't yet decided whether to enter consumer market, but if they did so it would be with "marketing partner." Definitely scheduled for production is computer monitor version of Lightbeam system.

Single-tube projection systems are being maligned, Donohoe said, forecasting that it will be possible to build single-tube systems with as bright a usable picture as 3-tube types. He pointed out that much faster lenses can be used with one-tube than with 3-tube systems.

* * * *

Portable light valve projector is planned by Display International, Titusville, Fla. Pres. of DI is Arthur Tucker, ex-chmn. of Electronic Systems Products. He said DI also will offer 1,200-lumen theater projector and high-resolution projector monitor for images of up to 1,229 noninterlaced lines, 65 Hz. Meanwhile, DI is offering "redesigned and remanufactured" projection systems.

IBM is seeking Foreign Trade Zone designation for electronic printer plant in N.C. In application, company says that imported motors, power supplies and other parts represent 5% of value of printers it makes there, and that it pays 4-11% duty on them. If plant gets FTZ status it would pay 4-4.3% rate on foreign content of finished printers made for sale in U.S. -- same rate levied on imported printers. IBM says change would make factory's output more competitive with imports, help preserve 5,000 jobs.

APRIL TV IMPORTS: Although imports of complete color TVs declined in April, loss was more than offset by surge in incomplete sets, as Korean and Taiwanese producers stepped up flow of chassis to U.S. assembly plants. Result was record total color import inflow (TVD June 24 p10).

Not all source countries joined in month's drop in complete color shipments. Singapore, where Mitsubishi and Toshiba have plants, and Malaysia (Sharp) had triple digit increases, as did Canada. More than half of April imports from Canada, and bulk of increase, came in form of first commercial shipments of 13" sets, presumably indicating start of RCA's imports from subsidiary there (TVD April 29 p9).

Following are TV import totals by country for April and first 4 months of 1985. No color set vs. chassis and kit breakdown is given for countries supplying negligible quantities of incomplete receivers for either period.

Total TV

	Month	%chg.	4 Months	%chg.
Japan				
total...	294,200	- 2.0	1,033,900	+16.2
color...	212,800	+ 4.7	815,600	+24.3
b&w.....	81,400	-16.2	218,400	- 6.6
Taiwan				
total...	460,500	+19.8	1,517,500	+25.3
color...	228,300	+34.9	742,000	+41.8
b&w.....	232,200	+ 8.0	775,500	+12.7
Korea				
total...	590,200	-18.2	2,113,500	+13.9
color...	174,400	-13.8	606,600	-20.3
b&w.....	415,800	-20.0	1,506,900	+37.8
Singapore				
color...	137,400	+94.2	323,800	+14.6
Malaysia				
color...	33,300	+335.3	115,600	+138.7
Hong Kong				
total...	9,500	-33.7	39,200	+45.8
color...	1,200	-91.6	28,000	+ 4.4
b&w.....	8,300	*	11,200	*
Canada				
color...	23,500	+219.2	57,200	+112.5

Complete Color

Japan....	95,400	-35.6	479,500	+ 3.9
Taiwan....	117,500	-24.0	530,800	+13.9
Korea....	79,000	-56.7	278,300	-59.6
Singapore	74,200	+290.1	136,100	+48.7
Malaysia.	32,000	+318.0	100,400	+107.4
Hong Kong	1,000	-93.1	18,300	-31.9

Color Chassis & Kits

Japan....	117,400	+112.8	336,100	+72.4
Taiwan...	110,800	+660.5	211,200	+268.5
Korea....	95,400	+385.5	328,300	+351.2
Singapore	63,300	+22.2	187,700	- 1.7
Malaysia.	1,300	*	15,300	*
Hong Kong	200	*	9,700	*
Mexico...	242,000	+21.2	549,700	- 7.1

*No significant shipments in 1984.

Note: Some totals may not add due to rounding.

RETAIL BUST FORECAST: High-flying consumer electronics retailers are due for fall -- their "profit growth will end before Christmas" as result of "vicious price war [which] will be under way within months." So says research bulletin of The Teller Group, investment firm, that urges investors owning those stocks to sell them, even recommends short sales for risk-takers.

Stocks mentioned are Audio/Video Affiliates, Circuit City, Crazy Eddie, Federated Group, Highland, Luskin's, Stereo Village. Report cites traditional consumer electronics cycle of boom, glut, losses and shakeout and says this is now starting to happen in VCR.

"With an enthusiasm unseen since home computer stocks peaked in 1983, the equity markets have been throwing money at these companies," report notes, adding that slowdown in profitable demand is coming as VCRs reach 30% penetration. Other points made: There's no hot new product on horizon to take over from VCR. Store chains are expanding rapidly into each other's territories. Federated is "probably the most vulnerable, with Circuit City planning 16 superstores in its home base of Los Angeles, and Highland attacking its Texas markets. Circuit City is more than doubling its Lafayette chain to 25 stores, which will affect Crazy Eddie in New York City, as will the rapid expansion of such home-grown chains as The Wiz, Grand Central, Newmark & Lewis and the announced entrance of Price Co. into the market."

Also, most general retailers are giving more space to electronics -- K mart is cited, along with membership warehouse clubs and department stores. "Sharply expanded competition and inventories will combine with slowing demand to produce a price war both in TVs and VCRs that will slash profits throughout the industry... Before year end, conditions will worsen further as unsuccessful vendors dump product in preparation for leaving the market."

In event of recession, "it would not be surprising to see some of these chains experience heavy losses as early as 1986." Report warns investors not to "underestimate the downside potential. In every one of the previous boom-bust cycles in consumer electronics, at least some of the competitors' stocks fell to less than 20% of their highest values within 2 years of that peak."

"Consumer Electronics Retailers and the Boom-Bust Cycle" is available from The Teller Group, 109 State St., Boston 02109, 617-367-9400.

GE laid off 80 production workers, or just under 10% of force, at Syracuse, N.Y., color TV plant. Company said dismissals represented streamlining needed to remain competitive in OEM color tube business and were unrelated to recent layoff of 295 at GE's Portsmouth, Va., color TV operation (TVD July 1 p9). GE cut 250 from Syracuse rolls late last year following decision to discontinue production of 13"-&-under color TV sets and tubes.

Consumer Electronics Personals

Ryoji Suzuki, former North American Operations senior mgr. for Toshiba International Operations Consumer Products, one-time Toshiba Canada pres., named Toshiba America chmn., succeeding **Mikio Kurashima**, who returns to parent in Japan as IOCP asst. gen. mgr... **Enrico (Rich) Policicchio** advanced at North American Philips Consumer Electronics to Sylvania-Philco vp-brand mgr., assuming some former duties of Vp **Henry (Gary) Thorne**, who will concentrate on role of Magnavox brand mgr.; Policicchio's former responsibility for Technical Products (OEM manufacturing activity) assigned to staff of Operations Senior Vp-Gen. Mgr. **Robert Lukingbeal**... **Robert Whitehouse**, ex-Federated, one-time Sharp, joins Sanyo Business Systems as sales and mktg. vp for Telecommunications and Small Business Equipment Divs., new post... **George Kuhnreich**, Tandy Corp. planning dir., named vp with added responsibility for govt. affairs.

Charles Ruder advanced at Sears from Washington, D.C. retail store group gen. mgr. to corp. public affairs vp, succeeding **Gene Harmon**, retiring July 31 after 37 years with company... **James Kershaw**, ex-Canon, named Display Sciences SE region sales mgr... **James Geheran** appointed Bose special mktgs. mgr... **Gary Wolfson** named Proton ad mgr.

Kenneth Wiedeman, ex-Agfa Gevaert, named Sony Tape Sales national sales mgr. for industrial tape; **Toshiro Tanaka** advanced at Sony Magnetic Products from mgr. to dir., tape engineering... **Hugh Rees-Parnall**, ex-RCA/Columbia Pictures Video U.K., joins Activision Sept. 1 as mktg. dir... **Mike Beccs** advanced at RCA Records to national promotion dir.; **Bonnie Goldner** named promotion and trade relations dir.

Lawrence Hilford resigns as pres.-CEO, CBS/Fox Video, will remain until successor is named... **Paul Brownstein**, ex-Video Assoc., joins Dick Clark Co. as video programs and sales vp... **Rhonda Rigdon** named Paramount Video Distribution post-theatrical sales and administration mgr... **Angela Schapiro** appointed International Video Entertainment programming and business affairs vp... **Ron Levanson**, pres. of Active Home Video, forms Above Board Productions to produce original programming... **Russell Oken** joins Embassy Home Entertainment as eastern mktg. rep; **Catherine Whidby**, ex-National Video, named for Southwest... **Wendy Marino**, ex-Dreamland Home Video, rejoins Video Gems as operations dir... **Arthur White** named senior vp, Broadway Video... **Peter Johnson** advanced to sales dir., Guild Home Video in U.K.

Robert Dilworth, ex-Morrow Designs, named Zenith Data Systems pres., succeeding **Carl Michelotti**, who held post on interim basis and continues as corp. senior vp-group exec... **Terry Ellis**, ex-Universal Semiconductor, joins

Commodore as gen. mgr. of Costa Mesa, Cal., semiconductor plant... **James Simpson**, ITT Quim pres., assumes interim duties as Printer Products Div. pres., succeeding **Philip Shires**, resigned... **Joseph Santoro**, ex-Murata-Erie, named CTS national sales mgr., replacing **J.C. Wells**, now sales administration mgr... **David Deardorf**, Raytheon Semiconductor Div. gen. mgr., named corp. vp.

Use of patents to hold down imports of DBS receivers apparently is planned in Europe. France and Germany plan to start DBS next year using MAC system developed by Britain's Independent Bestg. Authority (IBA). One of decisive factors in choice of MAC is understood to be fact that IBA has 23 patents on system in all major European countries. It's expected that French and German govt. and electronics manufacturers there will make deal with IBA to use its patents to limit imports of DBS receivers and converters, much as Telefunken's PAL patents were used to hold down color TV imports to Europe before late 1982, when last patent expired.

Samsung purchased 3-year VCR head production technology license from Japan's Akai, which has been its head supplier. Samsung has been manufacturing its own VCR head drums, but not heads themselves. Samsung expects to start head output later this year at 30,000-40,000 monthly, or about 25% of its current needs, raise that later to meet all its requirements. Samsung says it's currently making about 65,000 VCRs monthly, plans increase to 100,000 next year.

Sanyo Spain has begun assembling Beta VCRs at 3,000 monthly rate using parts imported from Japan. Units will be sold locally, exported elsewhere in Europe next year after Spain's scheduled Jan. 1 entry into Common Market. It's Sanyo's 3rd VCR facility in Europe. Company is assembling Betas at TV plant in U.K. and Fisher-brand VHS VCRs at Fisher Industry, venture of subsidiaries Sanyo Electric Trading and Tokyo Sanyo, in Germany.

Sony has agreed to cooperative IC manufacturing venture with San Jose, Cal., memory chip producer Vitelic. Under terms, Vitelic will supply VLIS CMOS designs and processes to Sony, in return get use of Sony's manufacturing lines for production of ICs in Japan. Vitelic already has manufacturing operation in Taiwan.

Sansui and Alpine are expected to make entry into U.S. optical videodisc player market next month, both offering combination video LV-audio CD players sourced from Pioneer. Sansui has begun exports at 1,000 monthly, while Alpine, under its Luxman brand, is shipping 2,000 a month.

Sales data on TV receivers with multichannel sound (MTS) will be compiled by EIA starting in 1986. Consumer Electronics Div. plans to issue estimate of sales for 1985 -- first full year of sales -- and consensus forecast for 1986 at Winter CES next Jan. in Las Vegas.

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
American Bcstg. Cos.			
1985-26 wk. to June 29	1,654,059,000	92,483,000	3.18
1984-26 wk. to June 30	1,690,716,000	96,288,000	3.30
1985-13 wk. to June 29	856,246,000	73,062,000	2.51
1984-13 wk. to June 30	854,057,000	72,426,000	2.49
AT&T*			
1985-6 mo. to June 30	16,856,000,000	815,000,000	.72
1984-6 mo. to June 30	16,766,000,000	682,000,000	.63*
1985-qtr. to June 30	8,554,000,000	461,000,000	.41
1984-qtr. to June 30	8,579,000,000	455,000,000	.43*
Arvin Industries			
1985-26 wk. to June 30	398,598,000	15,947,000	1.34
1984-26 wk. to July 1	368,187,000	14,601,000	1.25*
1985-13 wk. to June 30	201,896,000	9,450,000	.79
1984-13 wk. to July 1	191,772,000	8,938,000	.77*
Comsat			
1985-6 mo. to June 30	252,103,000	32,121,000	1.77
1984-6 mo. to June 30	212,118,000	24,069,000	1.33
1985-qtr. to June 30	130,204,000	16,182,000	.89
1984-qtr. to June 30	106,919,000	11,710,000	.65
Gannett			
1985-26 wk. to June 30	1,039,616,000	113,131,000	1.41
1984-26 wk. to June 24	916,886,000	94,522,000	1.18
1985-13 wk. to June 30	556,928,000	71,803,000	.90
1984-13 wk. to June 24	491,682,000	59,685,000	.75
GTE			
1985-6 mo. to June 30	7,557,786,000	558,213,000	2.62
1984-6 mo. to June 30	7,074,509,000	594,902,000	3.00*
1985-qtr. to June 30	3,906,232,000	285,043,000	1.33
1984-qtr. to June 30	3,625,446,000	283,023,000	1.41
LIN Bcstg.			
1985-6 mo. to June 30	82,417,000	16,702,000	.71*
1984-6 mo. to June 30	69,518,000	12,358,000	.56
1985-qtr. to June 30	46,996,000	11,408,000	.46*
1984-qtr. to June 30	41,538,000	7,802,000	.35
Motorola			
1985-6 mo. to June 30	2,694,000,000	67,000,000	.56
1984-6 mo. to June 30	2,672,000,000	176,000,000	1.49
1985-qtr. to June 30	1,372,000,000	26,000,000	.22
1984-qtr. to June 30	1,416,000,000	98,000,000	.83
North American Philips			
1985-6 mo. to June 30	2,031,300,000	41,400,000	1.43*
1984-6 mo. to June 30	2,009,500,000	56,300,000	1.96
1985-qtr. to June 30	1,016,800,000	13,700,000	.47
1984-qtr. to June 30	1,033,800,000	33,300,000	1.16
Park Communications			
1985-6 mo. to June 30	53,935,000	6,820,000	.74
1984-6 mo. to June 30	50,680,000	6,019,000	.65
1985-qtr. to June 30	29,047,000	4,195,000	.46
1984-qtr. to June 30	27,408,000	3,738,000	.41
RCA			
1985-6 mo. to June 30	4,942,100,000	180,800,000	1.94
1984-6 mo. to June 30	4,846,600,000	160,200,000	1.53*
1985-qtr. to June 30	2,544,500,000	115,800,000	1.36
1984-qtr. to June 30	2,482,900,000	109,900,000	1.13
Scripps-Howard Bcstg.			
1985-6 mo. to June 30	65,464,000	7,158,000	.69
1984-6 mo. to June 30	57,113,000	8,121,000	.79
1985-qtr. to June 30	36,931,000	5,123,000	.49
1984-qtr. to June 30	31,674,000	5,450,000	.53
Tektronix			
1985-year to May 25	1,438,082,000	90,181,000	4.41
1984-year to May 26	1,332,958,000	112,054,000	5.74*
1985-12 wk. to May 25	373,737,000	29,892,000	1.45
1984-12 wk. to May 26	378,855,000	64,027,000	3.28*

Company & Period	Revenues	Net Earnings	Per Share
Time			
1985-6 mo. to June 30	1,611,482,000	104,256,000	1.64
1984-6 mo. to June 30	1,465,305,000	103,674,000	1.59
1985-qtr. to June 30	864,090,000	60,218,000	.94
1984-qtr. to June 30	771,549,000	60,137,000	.92
TRW			
1985-6 mo. to June 30	3,325,300,000	132,000,000	3.54
1984-6 mo. to June 30	2,977,300,000	128,800,000	3.45
1985-qtr. to June 30	1,726,700,000	75,400,000	2.03
1984-qtr. to June 30	1,513,000,000	68,800,000	1.84
Zenith			
1985-6 mo. to June 30	778,800,000	3,500,000	.15
1984-6 mo. to June 30	796,700,000	30,400,000	1.38
1985-qtr. to June 30	356,500,000	(4,500,000)	--
1984-qtr. to June 30	424,000,000	16,400,000	.74

Notes: *Preliminary; Excluding access charges. ^aAfter special charge. ^bAdjusted. ^cIncludes special credit. ^dRestated.

New import tax has been imposed by China on VCRs, color TV, projection TV, small computers, cars and other products. Levy of unannounced size, which will be addition to regular tariff, is designed to curb what State Council termed "blind purchases" and to help conserve foreign currency reserves. Chinese are holding off on signing new contracts with Japanese manufacturers for TVs, VCRs and other products. Impact isn't expected to be felt in Japan until 4th quarter. Last May, Chinese officials let out word there was growing concern with increasing number of regional govt. deals to purchase finished products, indicated emphasis in future would be on attracting foreign investment in production ventures and on technology and equipment purchases that could be paid for at least in part with completed products (TVD May 27 p17).

"**There may be industries** in this country which legitimately need and deserve a federal safety net, but the recording industry simply is not one of them," said Audio Recording Rights Coalition in commenting on House bill (HR-2911) to levy license fees on audio tape and recorder sales (TVD July 8 p13). ARRC, dominated by EIA, noted that record industry profits reached all-time high last year. It also cited evidence that taping of prerecorded music accounts for less than half of all audio taping, so fees would "penalize millions of Americans" who don't tape such music. ARRC expressed confidence widespread opposition would thwart "record industry's annual plea for a public subsidy." No hearings are scheduled on bill.

Obituary

Ken Winslow, 58, head of Winslow Information Service, consultant, writer, lecturer and videotex information provider, died of heart attack July 5 in Washington. Prolific writer on home and institutional video, he was publisher and editor of Videoplay Report newsletter and regular contributor to Video, Photo Methods and International TV magazines. He previously had worked for PBS, Ampex, U. of Cal. Wife, 3 daughters survive.

TELEVISION DIGEST®

The Authoritative Service for Broadcasting, Cable, Consumer Electronics and Allied Fields.

With Consumer Electronics

JULY 29, 1985

VOL. 25, NO. 30

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

BROADCASTERS TO APPEAL, seek legislation banning mandatory licenses in wake of Court ruling that must-carry is unconstitutional. FCC studying next move. (P. 1)

RCA PUSHES IMPROVED NTSC as future standard for DBS, broadcast and cable in corporate drive, claiming superiority to MAC. (P. 3)

CBS STOCK BUYBACK DEFENDED by outside directors, who said it wasn't designed solely to stop TBS takeover bid. Turner unsuccessful in acquiring cash for his offer. (P. 4)

DINGELL CONCERNED about 'greenmail' in Cooke-Multimedia case and inequity in Cox Cable case, sends FCC letters. (P. 5)

FCC CLEARS NEW SATELLITES: Domestic satellite capacity more than doubled. 3 companies approved to compete with Intelsat on international level. (P. 5)

CHINESE ABORT DBS SCHEME: RCA, Matra and MBB are left high and dry. Decision to defer came from officials at levels higher than Chinese Bestg. Satellite Corp. (P. 6)

NETS ANSWER HOSTAGE SUBPOENA: TV networks and CNN provide Justice Dept. material on Flight 847 hijacking. (P. 6)

BROADCASTERS TO FIGHT MUST-CARRY: With NAB in lead, several broadcast groups have decided to ask U.S. Supreme Court to overturn July 19 ruling of U.S. Appeals Court, D.C., that cable must-carry rules as currently drafted and enforced are unconstitutional (TVD July 22 p1). NAB and INTV also plan immediate push for legislation doing away with compulsory licenses for cable systems, now required by Copyright Act. Of TV networks, ABC and NBC have declared support for industry effort while CBS is devoting most of its time to fighting off TBS takeover (see separate story).

FCC still is in process of determining its next step. Gen. Counsel Jack Smith said staff is preparing position paper outlining options, making recommendations. He said it will be ready in time for Commission action before summer recess (Aug. 7 is last FCC meeting until Sept.), but it could lay over until Sept. since FCC has 45 calendar days from July 19 to act. However,

Consumer Electronics

N.V. PHILIPS TO BUILD NTSC standard VHS VCRs in Korea for local and export sale. Hitachi, Sharp, Sony, Toshiba eye U.S. assembly. (P. 9)

DBS RECEIVER, DIGITAL TV previewed by RCA. DBS set, due soon, is Dimensia component. Progressive scan digital set by 1990. (P. 10)

RENT-TO-OWN DEALERS see major expansion this year from current 4,000-5,000 stores, which are estimated to handle 12% of all TVs. (P. 11)

HOME DISH RECEIVER MAKERS hit technical, legal and cost snags in building scrambling decoders into their systems. (P. 12)

MATSUSHITA SAYS RESULTS in 2nd quarter were hampered by slowdowns in U.S. and Japan. TDK results up, Bush Industries net slips. (P. 13)

SANYO DROPS PORTABLE 8mm Video deck from line, will continue with camcorder. (P. 13)

JVC DEBUTS 'HQ' VHS, with picture improvements through noise reduction and white clip system. Exports to start in Oct. (P. 14)

NBC STEREO LEAP will see 9 prime-time shows in stereo this fall, plus late-night schedule. 101 stations stereocasting. (P. 14)

we're told, "the commissioners would rather act sooner than later" and must-carry item could either be circulated for action or added to agenda for Aug. meeting. One commissioner noted there are many different directions FCC could go even under 3 options presented -- appeal, don't appeal, or try to draft new must-carry rules that would meet Court's constitutional requirement.

NAB has been lobbying commissioners hard (and has been getting support from members of Congress) to get FCC to go along with appeal to Supreme Court. "Nobody has committed, one way or another," we're told. "Nobody has even said how they're leaning." Commented commissioner: "Such lobbying is to be expected [but] we're looking at must-carry at a broader perspective than the broadcasters." We're told chances of Commission's joining in appeal "are about 50-50". NAB is going directly to Supreme Court because it feels it would be "useless" to seek reconsideration by Appeals Court, Assn. official said.

NAB has hosted several meetings with intervenors and lawyers to discuss strategy. NAB Exec. Vp John Summers said: "We intend to have legislation introduced very shortly doing away with compulsory licensing." He said he didn't expect NCTA to be in compromising mood since cable systems had scored "grand slam" in Appeals Court, added: "But they have made themselves extremely vulnerable on compulsory licenses and we're going to take advantage of that vulnerability. We have a terribly unbalanced situation at this point between direct competitors" -- with must-carry out and compulsory licenses remaining a requirement on broadcasters. Legislation is expected to be introduced first in House, then Senate.

INTV held "emergency" board meeting in Chicago July 25, voted "unanimously" to do whatever is necessary to obtain repeal of compulsory licensing requirement, according to Pres. Preston Padden. Board also voted special assessment on membership to "pay whatever it takes," scheduled special membership meeting Aug. 15 at O'Hare (Chicago) Westin Hotel. Padden said INTV will work under umbrella of NAB "while looking out for the special interests of independent stations."

All cable systems are entitled to compulsory licenses from program copyright owners simply by filing request with Copyright Royalty Tribunal. Fees are paid every 6 months, are based on system's gross revenues. Broadcasters maintain fees are much too low, citing as example fact that small systems pay only \$20 monthly.

NAB Chmn. Ted Snider, who came to Washington last week from Little Rock for meetings on must-carry and led NAB delegation calling on FCC Chmn. Fowler and Comr. Dawson, said: "Cable people cannot expect to keep compulsory licenses if we lose must-carry... They've been very, very intricately linked, no matter what the Court says... We're going to go after that."

Broadcasters also are working hard to get support on must-carry from program producers and syndicators, believe they will be generally successful. However, NAB won't be going to Supreme Court with fully united industry. Group W Bctg. & Cable (a leader in both industries) said that, while recognizing tensions created, "the decision eliminating must-carry is one with which Group W can live." Group W said it agreed with emphasis by Court that choice of programming should be left up to viewing public. Other major TV-cable combines (and there are many that belong to both NAB and NCTA) so far haven't made public statements on issue.

Meanwhile, Quincy (Wash.) Cable TV (one of winners in Court on must-carry; other was Turner Bctg. System) isn't letting issue lie. Quincy asked Appeals Court for "expedited issuance of the mandate" to make decision effective. Failing to do so "may act to stay the effectiveness of the Court's order... for as long as 2 months or more." Quincy attorney Jack Cole said "I'm sure there will be procedural delays" brought on by broadcasters. Both NAB and FCC will oppose Quincy motion.

First definitive move by cable operators as result of court decision came from Jefferson County Cable Co., which has hq in Centralia, Kan., and owns 10 small systems (none with more

than 36 channels) in that state. It notified Kan. TV stations that henceforth it would lease channels on its systems for \$1 a year, added: "We would expect you [TV stations] to purchase the equipment we were forced to buy under the now-defunct must-carry rules." Cost would be \$800 per head-end, meaning station on all 10 systems would be expected to pay \$8,000.

In remarks prepared for delivery at Cal. Bestrs. Assn. convention July 30, NAB Pres. Edward Fritts will say Assn. is "prepared to exhaust all legal appeals" to overturn decision. "We urge [FCC] Chmn. Mark Fowler and the FCC to join in... We hope they [FCC] will not abandon the effort until all legal remedies are exhausted." CTAM has added session on must-carry Aug. 5 at its convention in San Francisco that will feature Robert Ross, vp-gen. counsel of TBS. "The implications [of court decision] on all our members... are potentially far-reaching," according to CTAM Exec. Dir. Victor Parra.

RCA PUSHES IMPROVED NTSC AS FUTURE STANDARD: RCA has started major corporate effort to convince industry that NTSC (National TV System Committee) standard has inherent advantages over MAC (multiple analog component) systems for DBS as well as cable, broadcast and microwave TV systems of future. In last 2 weeks, company has made presentation and demonstrations to more than 100 broadcast, cable and satellite industry representatives plus industry press at RCA Labs in Princeton.

Allied with RCA campaign are HBO and M/A-Com, cable equipment manufacturer whose scrambling system HBO is using. At RCA, corporate campaign to keep NTSC as standard has been fronted jointly by RCA Americom, Labs and Consumer Electronics. Many companies have demonstrated various MAC systems as candidates for DBS and other uses in U.S., with Scientific-Atlanta and CBS among strong advocates. Europe already has settled on 625-line MAC systems for DBS (not compatible with U.S. 525-line MAC systems).

One of major advantages usually cited and demonstrated for MAC systems is better separation of chrominance and luminance (color and brightness) signals. In comprehensive demonstrations and presentations, RCA said it found NTSC to be slightly better than MAC in video transmission quality, including color-brightness separation. MAC's major disadvantage is incompatibility with the 180 million TV sets currently in use. MAC system requires either linear RGB inputs (not to be confused with computer RGB inputs and currently found on very few sets) or special converter to be used with existing TV sets.

In various demonstrations of MAC vs. existing NTSC (B-type system without subcarriers), it was nearly impossible for us to determine which was better. Demonstration also featured prototype of RCA progressive scan digital TV set and "improved NTSC" transmission system compatible with existing receivers, but resulting in high-resolution display on special sets. RCA Consumer Electronics demonstrated prototype of home satellite receiver that will work on both C- and Ku-bands, with built-in M/A-Com descrambler, and revealed it will be heavily in that market. (Complete details in Consumer Electronics section.)

"There is a lot left in the NTSC standard that hasn't been taken advantage of yet," said Edward Horowitz, HBO senior vp-technology and operations, urging industry not to "throw out TV sets, cable and converters" by adopting new system.

RCA's big push for NTSC comes as it prepares to launch 2 DBS Ku-band satellites in Nov. and Dec. Paul Wright, RCA senior vp-corporate planning and development, said campaign for NTSC was "timely for our own product development" -- both transmission and reception of DBS. "Looking to the future," he added, NTSC "offers the easiest and most economical transition to the introduction of advanced TV and satellite delivery technologies... All the technical elements are now available for the U.S. TV industry to provide enhanced TV reception to every American home, [and] RCA has made the commitment to lead the TV industry toward that worthwhile goal."

CBS OUTSIDE DIRS. DEFEND STOCK BUYBACK PLAN: CBS recapitalization plan -- under which it hopes to buy back 21% of its stock and which restricts amount of debt company can acquire and assets that can be sold off -- wasn't designed solely as measure to stop unfriendly takeover of CBS by Turner Bcstg. System. That was claim of 2 outside directors -- Harold Brown, Secy. of Defense in Carter Administration, and Chicago attorney Newton Minow, chmn. of FCC in Kennedy Administration, in testimony during 3-day hearing in U.S. Dist. Court, Atlanta, last week. "I regarded the TBS offer as... dead on arrival," Minow testified.

Turner is seeking court injunction to stop CBS recapitalization. TBS Chief Financial Officer William Bevins said that if Turner fails in that move, he plans to launch proxy fight to gain control of company. Bevins estimated that TBS had one-in-3 chance to succeed in its no-cash, junk-bond offer for CBS, said TBS Chmn. Ted Turner regarded chances as no more than one in 10. However, in deposition, Turner said it would be worth effort because "we would be perceived as a more major player on Madison Ave." and by major advertisers.

In testimony before Judge Robert Vining, Bevins and E.F. Hutton Vp Peter Chiapetta described unsuccessful attempts by Turner to obtain up to \$2.6 billion in cash to sweeten offer for CBS. Companies solicited weren't identified in court but Turner used code word "David vs. Goliath" in seeking support. Chiapetta said that if CBS buyback of stock and proposed restrictions on debt and selling of assets are in place, it "will kill the TBS offer... It is coercive."

Not so, countered Brown and Minow. Brown testified CBS offer to stockholders doesn't preclude company's acquisition by outsider. It "would make a variety of other offers for CBS infeasible and make a variety of other offers completely feasible," he said without explanation. Minow said stock repurchase plan had been considered for more than year, wasn't related to Turner bid for network and was motivated by disparity between market values of network's shares and value of its assets. Restrictions on sale of assets and amount of debt were necessary to get good credit rating because CBS had been placed on "credit watch" by Wall St. after Turner began takeover attempt in April, Minow said. CBS stock buyback offer expires Wed. (July 31), and network is refusing to say what response has been. However, institutional investors are said to be enthusiastic and it's indicated CBS will have no problem acquiring desired number of shares. Judge Vining is expected to rule early this week on Turner request for injunction to stop CBS.

When Minow was asked by TBS attorney Jeremy Epstein if he was familiar with attacks made by CBS Chmn. Thomas Wyman on character of Turner, judge wouldn't let witness answer. Vining said that topic "was not a matter for Mr. Wyman or this court to decide." Turner didn't attend hearing; Wyman was scheduled to testify late Fri.

In developments outside Atlanta courtroom: (1) TBS filed amended statement at SEC to clarify press reports on Turner's July 9 speech at National Press Club (CD July 10 p5). He said several articles misconstrued his comments in light of CBS stock plan. (2) Loews Corp. was reported to have purchased more than 5% of CBS's outstanding shares for tax purposes, reportedly plans arbitrage move to profit on buyback. Purchases reportedly have no connection with Turner's bid or efforts of Fairness In Media to induce conservatives to buy CBS stock. Loews also has bought large block of ABC stock, which is being acquired in friendly takeover by Capital Cities Communications. (3) Gannett Co. has had talks with both CBS and Time Inc. about mergers. Gannett official refused to comment on Time talks, said "we are now talking with CBS" and company "is interested in acquiring media properties." CBS's Wyman reportedly has rejected overtures of Gannett Chmn. Allen Neuharth.

Taft Bcstg. "is determined to remain an independent, public media company... Any activity designed to alter this status will be vigorously and aggressively opposed." That was statement from Taft after filing at SEC disclosing that investment group headed by William Bass had acquired 722,000 Taft common shares (about 8%). Group said it bought

stock for investment purpose but it "intends to evaluate the business and prospects" of Taft and might present its views to management. Bass group bought stock in \$72.06-\$82.75 range June 3-July 19. Taft said it issued statement in response to "questions in some corners as to whether Taft is for sale. The answer is a firm no."

DINGELL WORRIED ABOUT 'GREENMAIL': House Commerce Committee Chmn. Dingell (D-Mich.) is preparing letter to send to FCC this week questioning trusteeship mechanism approved for Jack Cooke's takeover bid of Multimedia and possibility that "greenmail" was involved (TVD July 22 p4), aide confirmed. Dingell is concerned that FCC may be "greasing the skids for greenmail artists," aide said, and that precedent may have been set in Cooke-Multimedia case that policymakers will regret.

Dingell raised concerns about Cooke case at hearing July 10 (TVD July 15 p3) when he promised letter to FCC Chmn. Fowler. Dingell expressed concern then over lack of full review by Commission of takeover bids. He believes FCC should analyze trustee idea more closely before it's used further.

Dingell letter will include list of specific questions on how trusteeship mechanism will work and Commission's decision in Cooke-Multimedia case. Fowler told us last week that Commission didn't suspect that Cooke wouldn't go through with takeover bid for Multimedia but in answer to question whether experience would prompt FCC to be more cautious in future ownership transfer reviews, Fowler said extent of inquiry would be determined on case-by-case basis.

In separate letter to Fowler last week citing our report on FCC's plans for handling Cox Cable petition (TVD July 8 p1), Dingell and Rep. Swift (D-Wash.) expressed concern about agency's apparent "prejudgment" of case. Lawmakers said they were "disturbed by the prejudgment clearly expressed" in story by unnamed FCC official "and by the apparent intention of the Commission to create a new federal policy... without the usual procedural protections afforded to the public." Commission is expected to grant Cox's petition for federal preemption of state and local laws that make it difficult for cable operators to offer data transmission in competition with local telephone companies. Legislators reminded FCC that Congress rejected that policy course as "grossly unfair" in consideration of Cable Act last year. They warned against creating "unequal playing field" between cablers and telcos.

Commission official said Dingell could accept strong procompetition statement by FCC to states encouraging cable's entry into data market where competition would be feasible, but that it would oppose fundamental altering of balance of power between federal and state regulators laid out in Act that decision favoring preemption would entail. Swift is gathering signatures for separate letter from others on Commerce Committee to underscore that concern is spreading in panel. His letter charges cable industry with seeking govt. protection to enter data market, which he said would give industry unfair advantage in competition with local telephone companies and could lead to higher local telephone rates.

U.S. Telephone Assn. also wrote FCC last week to ask that docket be reopened, arguing that evidence on record is stale. USTA said that in deciding whether to preempt states, FCC "should balance the interests of the states in regulating intrastate services with the strength of its own policy prerogatives and the degree of state interference with them." As record now stands, "the Commission does not have adequate information to address any of these concerns," USTA said.

FCC OKAYS NEW SATELLITES: FCC moved to break logjam of satellite applications last week with decision authorizing new domestic and international systems and setting tough new financial qualification standards.

In decision to more than double U.S. domestic satellite capacity, FCC authorized 4 new domestic satellite operators and allowed 6 existing ones to expand. At same time, Commission rejected applications from 8 prospective operators, including Equatorial Communications and Clay Whitehead's National Exchange. Decision clears way for construction of 23 satellites, launch of 25 (some already built) into 23 orbital locations. Commission said that to accommodate all satellites, it would extend uniform 2° spacing policy to C-band (Ku-band already is covered).

Martin Marietta, Comsat, Federal Express (all proposing Ku-band service) and Ford Aerospace Satellite Services (proposing hybrid C/Ku services) each got 2 orbital slots. Existing operators Alascom, American Satellite, GTE Satellite and GTE Spacenet, Hughes Communications Galaxy, RCA Americom and SBS received expansion locations; Hughes and Western Union were authorized to launch 2 Ku-band satellites in addition to its existing C-band system.

Showing a less than united front, Commissioners also authorized 3 companies to provide alternatives to Intelsat, told 2 others to amend their applications to bring them into technical conformity and squabbled over whether Common Carrier Bureau staff had devised adequate enforcement procedures to prevent use of alternative systems for public switched message services.

More surprising than authorization of RCA Americom, International Satellite (ISI) and PanAmSat was FCC's deferral of action on applications from Orion Satellite and Cygnus Satellite. Last 2 were given 45 days to satisfy Commission "concerns about their technical submissions" and were warned that if they failed to do so, applications would be dismissed. FCC staff said later that Orion and Cygnus must modify proposals to ensure more efficient use of spectrum.

Full detail on new satellite allocations is in today's edition of our sister publication, *Satellite Week*. Copies are available from our Circulation Dept., 202-872-9200.

CHINESE ABORT DBS SCHEME: Chinese govt. abruptly called off procurement of high-power DBS satellites last week and will reconsider satellite strategy, we're told. Decision is major disappointment for American and European satellite manufacturers who have spent 2 years and several million dollars developing highly detailed proposals. Notification that China won't be buying DBS system came in telex messages to RCA Astro-Electronics, France's Matra and Messerschmitt-Bölkow-Blohm of W. Germany. Telex was shocking for all 3 firms, we gather.

Chinese officials throughout this year have insisted that they were in final stages of selecting prime contractor for 2-satellite system to provide direct TV services to small-dish antennas. Decision to "defer" consideration of proposals came after officials at level higher than those in Chinese Bctg. Satellite Corp. became aware that high-power DBS couldn't satisfy broad communications needs of China's economy, according to source who has consulted with Chinese officials and who played role in persuading them to abort DBS procurement.

Although Chinese haven't formally stated that they have abandoned DBS plan, this is conclusion drawn by all concerned from text of telex message, which stated bluntly that authority for satellite procurement had been removed from CBSC, an administrative adjunct of China's broadcasting ministry, and placed under direct authority of China's State Council. In any event, China's decision leaves prospective satellite suppliers high and dry. Each is thought to have invested more than \$1 million in quest for China's business.

Environmental Protection Agency and Centers for Disease Control are investigating charges by citizens group in Vernon, N.J., that concentration of satellite earth stations there is tied to abnormally high level of birth defects and miscarriages. RCA, Western Union and American Satellite operate earth stations there, each of which transmits with 200-300-w, which companies say is safe. RCA consultant reported that 0.0202 microwatts was measured at border of 125-acre RCA site. N.Y. state has adopted safety standard of 5,000 microwatts as safe exposure level for general population, as recommended by American National Standards Institute. Citizens Against Towers (CAT) went door to door in Vernon Township, community of 20,000, and found 76 cases of Down's syndrome, miscarriages, stillborn or underdeveloped fetuses or birth defects. Down's syndrome rate was found to be 2.5 times that expected.

N.Y.C. Mayor Edward Koch has signed legislation establishing 4 "radio free zones" where playing of radios and tape players in outside areas is prohibited except through use of earphones. Areas covered are Central Park and beaches in Brooklyn, Queens and Staten Island. Violation calls for \$50 fine and impoundment of radio until fine is paid.

NETS ANSWER HOSTAGE SUBPOENA: TV networks and CNN have complied with subpoena issued July 23 by Justice Dept. to provide all material, aired and unaired, on June 14 hijacking of TWA flight 847 and 17-day ordeal that followed. ABC and CBS said they were told Justice wants to use material in federal grand jury investigation, and NBC quoted sources as saying FBI wants to show tapes to TWA crew to help identify one of hijackers.

Networks said DoJ officials would be permitted to view outtakes in their studios. CBS, which usually resists such requests, said it was acceding because of "unique circumstances" involving threats to human life. It said it will continue to resist in future "except in the most compelling circumstances." NBC News Pres. Lawrence Grossman said network will conduct its own internal review of video and audio of outtakes "for material bearing on the identity of the terrorists" and make it available to Justice. He said NBC has examined "our own practices and guidelines in light of... our own experience in covering that recent long-running crisis," issued list of "most frequently asked questions" about NBC's coverage "for future guidance."

Hearing on media coverage and terrorism is planned for July 30 by House Mideast Subcommittee, 10 a.m. and 1:30 p.m., 2172 Rayburn Bldg. Witnesses include: Fred Friendly, ex-CBS, NBC; Ben Bagdikian, media critic and journalism prof.; CNN correspondent Jeremy Levin, who was hostage in Lebanon; ABC correspondent William Blakemore; NBC's Grossman; Robert Siegenthaler, vp-news practices at ABC; Ed Turner, exec. vp, CNN; representative from CBS.

Highlight of Radio '85 programming conference in Dallas Sept. 11-15 will be joint session via satellite with RTNDA convention at same time in Nashville. RTNDA became more than a little upset last fall when dates of radio conference -- sponsored jointly by NAB and NRBA -- were changed and caused conflict. In past, many radio news directors have attended both, so joint satellite session was added. Radio '85, to be held in Loews Anatole Hotel and Dallas Convention Center, will feature 23 sessions on such subjects as programming, sales, promotion and news. Some 84 exhibitors have reserved 16,000 sq. ft. in Center, and there will be 87 hospitality suites in Anatole.

Private line rates for audio circuits under AT&T's reconstructed service are "unreasonably high," lack "adequate cost justification" and are threatening "continued viability" of small radio stations, according to NAB. In comments filed with FCC, Assn. said 241 letters submitted to trade group by radio broadcasters showed rate increases averaging 390%. As result, NAB said, small radio stations have "been required as a matter of economic necessity to eliminate or cut back on local or public service programming," including weather and news, religion, local sports.

TELEVISION DIGEST

With Consumer Electronics
(ISSN 0497-1515)

PUBLISHED BY TELEVISION DIGEST, INC.

Television Digest, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Connections: World Communications Report (with The Economist of London), Public Broadcasting Report, Space Commerce Bulletin, Television and Cable Factbook, Telecom Factbook and other special publications.

Copyright © 1985 by Television Digest, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

1836 Jefferson Place, N.W., Washington, D.C. 20036

Phone: 202-872-9200 Telex: 6502173616 (Via WUI)

MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435

This newsletter is available electronically via Newsnet

WASHINGTON HEADQUARTERS

Business

Albert Warren Editor & Publisher
Paul L. Warren .. Assoc. Pub. & Sr. Ed.
Dawson B Nail Executive Editor
Jonathan Miller Senior Editor
Daniel Warren News Editor
Steven Tuttle Managing Ed., Wash.
Mary Crowley Senior Editor
Mike Schwartz Associate Editor
Arthur Brodsky Associate Editor
Frances Seghers Associate Editor
Melinda Gipson Associate Editor
Theresa Foley Associate Editor
Deborah Jacobs Info. System Mgr.

Roy W. Easley III Controller
Gary Maderom Marketing Director
Glenn Brown Advertising Dir.
Betty Alvine Circulation Mgr.

NEW YORK BUREAU

475 Fifth Ave., N.Y. 10017
Phone: 212-686-5410

David Lachenbruch Editorial Dir.
Robert E. Gerson .. Managing Ed., N.Y.
Seth Goldstein Senior Editor
Rich Zahradnik Assistant Editor

JAPAN REPRESENTATIVE (Editorial & Business)

Richard E. Varner

c/o Foreign Correspondents Club of Japan
Denki Bldg., 20th Floor 1-7-1
Yuraku-cho, Chiyoda-ku
Tokyo 100, Japan
Phone: 211-3161 Telex: J24600
MCI Mail: TVDTOKYO

Television and Cable Factbook
Michael Taliroff Managing Editor
Mary Appel Editorial Director
Barbara E. Van Gorder Sr. Supv. Editor
Richard Koch Editorial Supv.
Melinda M. Lukasz Senior Editor

Factbook Research, Inc.
Lynn R. Levine Director

Nearly 1,000 Christian leaders "have pledged themselves to help promote a boycott of offending sponsors unless [TV] networks change the moral content of their programming, beginning this fall," according to National Federation for Decency. Statement, signed by heads of 67 denominations, expressed concern with "immoral sex, gratuitous violence and profanity of network programs and the anti-Christian bias in many." If networks refuse to change programming, coalition said, it's prepared to boycott products of advertisers involved. Statement was sent to networks month ago and they haven't responded, according to Donald Wildmon, head of Federation. "This is what we expected," he said. "The networks have indicated, by their programming and their attitude, a contempt for the concerns of the Christian community."

Cable Guide, published by TVSM Inc., and On Cable Publications, owned by Cox Cable, plan to merge. Cable Guide started in 1980, has 5.5 million subscribers; Cox acquired On Cable, with 1.5 million subscribers, in April 1984. Both are monthly, publish editions tailored to specific cable systems.

FCC has extended deadline for comments and replies on DBS technical standards by 6 months from June 30 and July 15, respectively, to Dec. 6 and Jan. 10. DBS Assn. had sought extension to allow testing of systems, expects to submit analysis to FCC by early Dec.

CAPCITIES-ABC SPINOFF TVs: Scripps-Howard will pick up 2 TV stations in spinoff necessitated by Capital Cities Communications acquisition of ABC -- network's WXYZ-TV Detroit and CapCities' independent WFTS Tampa -- for \$246 million. WXYZ-TV accounted for more than \$200 million of purchase price.

Group of blacks, led by Essence Communications CEO Edward Lewis, is acquiring WKBW-TV Buffalo from CapCities for about \$75 million, and Whitcom Investment, along with Alaskan-based Cook Inlet Region Inc., is buying WTNH-TV New Haven for about \$170 million. Ex-CBS Chmn. William Paley is principal in Whitcom.

Sale of WXYZ-TV is contingent on CapCities' obtaining waiver of FCC cross-ownership rules to retain WPVI-TV Philadelphia, which has Grade B overlap with ABC's WABC-TV N.Y. Public interest groups are expected to oppose that waiver, which could delay FCC approval. "We're taking a very close look at Philadelphia... We're concerned about the precedent it sets," according to Andrew Schwartzman of Media Access Project.

ABC-CapCities combine still has to spin off several radio stations to comply with FCC rules.

At ABC, "the morale is just terrible" following announcement that company would cut 300-350 employees by end of 3rd quarter (TVD July 15 p6), according to ABC insider. "Everybody feels the [cuts] are just the first phase" of many more to come after Capital Cities takes over, source said. "An awful lot of people, including top executives, are uneasy." ABC executives were told of planned layoffs July 9, were asked to present recommendations to Pres. Frederick Pierce by Aug. 1. Some entire departments are said to be under close scrutiny for possible elimination.

Resignation of NATPE International Pres.

Robert Jones as program dir. of KING-TV Seattle "in no way affects his presidency of NATPE," Assn. said last week. "He will continue to discharge all his NATPE duties until his term expires Jan. 21, 1986." In memo to station staff, KING-TV Gen. Mgr. Sturges Dorrance said that resignation will be effective Oct. 1, that Jones "cannot make public his future plans at this time."

FCC Chmn. Fowler is subject of Aug. 5 Business Week cover story titled "Has the FCC Gone Too Far." Cover pictures him as lion-tamer preparing to uncage broadcast tiger and telephone lion.

Correction

July 15 issue of Television Digest should be identified on page one as Vol. 25, No. 28.

Personals

FCC Comr. **Patrick** was sworn in July 25 by Chmn. **Fowler** for new 7-year term... FCC calendar -- July 29: Comr. **Rivera** will be honored at reception sponsored by NAB and Bost. Capital Fund during minority management and ownership seminar, Sheraton U. Inn, Syracuse. July 31: Gen. Counsel **Jack Smith** testifies before Senate Criminal Law Subcommittee on Cable Pornography and Dial-A-Porn Control Act, Rm. 226 Dirksen, 10 a.m... Network Entertainment Presidents **Brandon Tartikoff**, NBC, **Lewis Erlicht**, ABC, and **Donald Grant**, CBS, discuss new fall schedules at Sept. 10 HRTS luncheon, Beverly Hilton, L.A.

Tom Pettit, NBC exec. vp-news, named to newly created post of chief national affairs correspondent, N.Y... **Sandra Baron** promoted to managing gen. attorney, NBC Law Dept... **Michael Lang** promoted to senior gen. attorney, east coast labor relations, ABC... **William Herlihy** advanced to dir.-east coast tape production, ABC Entertainment.

Daniel Warren, Television Digest Inc. news editor, elected a vp... **Cliff Abromats**, WABC-TV N.Y. news dir., is replaced by **Bill Applegate**, counterpart at WLS-TV Chicago, who also is named WABC-TV station mgr... **Lawrence Greenberg**, ex-ATC, named gen. mgr., Cablevision of Chicago, succeeding **Thomas Baxter**, resigned... **John Florescu**, ex-PBS series Great Confrontations, named communications dir., Democratic National Committee... **Richard Perry**, ex-Firstel Information Systems, appointed C-COR pres.-CEO (latter is new post), succeeding **James Palmer**.

Scheduled to speak at Cal. Bestrs. Assn. convention July 29, Hyatt Regency, Monterey: NBC's **Tartikoff**; producer **Stan Freberg**; WVCB-TV Boston reporter **Susan Wornick**; NAB Pres. **Edward Fritts**; NAB TV Chmn. **William Turner**, KCAU-TV Sioux City, Ia... **Dennis FitzSimmons**, ex-vp-gen. mgr. of WGNO-TV New Orleans, promoted to vp-operations of parent Tribune Bestg., new post created in consolidation of staff functions.

FTC Chmn. **James Miller** nominated by President to be OMB dir., succeeding **David Stockman**... **James Lee**, Goldcrest Films and TV CEO, resigns... **Robin Duval** named chief asst.-TV, U.K. Independent Bestg. Authority... **Martin Owens**, L.A. mgr., and **Robert Bee**, Atlanta mgr., named vps, Independent TV Sales... **Michael Eckert** advanced to pres., Weather Channel, succeeding **John Janas**, resigned; Eckert is succeeded as vp-ad sales by **Edward Peters**... **Arthur Goldblatt** advanced to vp, Columbia Pictures Pay Cable and Home Entertainment Group, succeeding **Chase Carey**... **Sal Sardo**, ex-KRLD-TV Dallas, named creative services dir., Metromedia Dodgervision.

Glen Shipley, ex-Producer Sales Organization, named finance vp-chief financial officer, Lionheart TV... **Robert Johnston**, ex-KRON-TV San Francisco,

appointed controller, KQED San Francisco... **Jeff Oshen**, ex-Tim Flack & Assoc., named talent and casting dir., Columbia Pictures TV... **Susan Neal**, ex-Comsat, named media relations mgr., Pittelli & Price Inc.

Frank Shakespeare, member of Board for International Bestg. and former USIA dir., nominated by President as ambassador to Portugal... **Bud Getzler** promoted to chmn., Viacom Entertainment Group, is succeeded as pres. by **Jules Haimovitz**; both will be co-CEOs... **Donald Kummerfeld**, pres.-COO of News America Publishing, American holding company of **Rupert Murdoch**, and a dir. with parent News Corp. Ltd., resigns... **Sue Cunneff** promoted to asst. dir. for administration, AP Bost. Services, new post... **Preston Brown** advanced to northwestern regional sales mgr., RCA Americom, succeeding **Robert Wahner**, named northeastern regional sales mgr.

Richard Askoff, attorney in FCC Office of Gen. Counsel, leaves Aug. 2 to join Chicago office of law firm Skadden, Arps, Slate, Meagher & Flom... Elected NRBA regional dirs.: Region 1, **Scott Knight**, Knight Quality Stations, Boston; 3, **Larry Keene**, WWOC(FM) Avalon, N.J.; 5, **Mike Osterhout**, WRBQ(FM) Tampa; 7, **Don Newberg**, WGOW(AM)/WSKZ(FM) Chattanooga; 9, **Jerrell Shepherd**, KWIX(AM) Moberly, Mo.; 11, **Jim Van Sickle**, KBEZ(FM) Tulsa; 13, **Gary Grossman**, KRKT(AM) Albany, Ore.; 15, **Bill Clark**, KABL(AM) Oakland. Elected at-large dirs.: **Joseph Dorton**, Gannett Radio; **Martin Greenburg**, Duffy Bestg.; **Carl Hirsch**, Malrite Communications; **Nick Verbitsky**, United Stations; **Norman Wain**, Metroplex Communications.

—————

Detroit-based Evening News Assn. has retained Salomon Bros. as adviser for taking company public and to help counter proposals by some minority shareholders (heirs of James Scripps) who want to sell out. "This company isn't for sale," according to Pres. Peter Clark, great-grandson of founder of family-owned corporation. Assn. owns Detroit News, several smaller dailies and weeklies, 5 TV stations, 2 radios.

KCAU-TV Sioux City, Ia. is being sold by Forward Communications to Citadel Communications (headed by former Corinthian Bestg. Pres. Philip Lombardo) for about \$14 million. KCAU-TV Gen. Mgr. **William Turner**, current NAB TV chmn., is expected to remain with station under new owner.

Obituary

Thomas J. White, 66, CBS-TV district mgr. for affiliate relations until he retired in 1983, died July 16 of cancer at University Hospital, Stony Brook, N.Y. He began broadcast career in 1948 at Avery-Knodel rep firm. In 1968, he joined NBC affiliate relations, moving to CBS in 1972. He was Army Air Force officer in World War II. Wife, 6 children survive.

Consumer Electronics

A Section of *Television Digest* with *Consumer Electronics*

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 2nd statistical week of July and 1985's first 28 weeks:

	JULY 6-12	1984 WEEK	% CHANGE	JUNE 29- JULY 5	28 WEEKS 1985	28 WEEKS 1984	% CHANGE
TOTAL TV.....	250,568	356,385	-29.7	272,729	9,663,615	10,154,152	- 4.8
TOTAL COLOR...	199,410	213,442	- 6.6	229,430*	7,927,554*	7,790,672	+ 1.7
DIRECT-VIEW..	196,341	210,341	- 6.7	226,591*	7,821,035*	7,706,559	+ 1.5
PROJECTION..	3,069	3,101*	- 1.0	2,839	106,519*	84,113	+26.6
MONOCHROME....	51,158	142,943	-64.8	43,299	1,736,061	2,363,480	-26.5
TV EXCL. PROJEC.	247,499	353,284	-29.9	269,890	9,557,096	10,070,039	- 5.1
HOME VCR#.....	163,330*	103,619	+57.6	140,848*	5,038,505*	3,114,319	+61.8
COLOR CAMERAS#..	5,506	6,653	-17.2	3,831	221,328*	204,648	+ 8.2

Color TV (direct-view) 5-week moving average: 1985--296,886*; 1984--269,152 (up 10.3%).

Home VCR 5-week moving average: 1985--188,160*; 1984--125,276 (up 50.2%).

* Record for period. # Camcorders included in VCRs, not in cameras.

PHILIPS TO BUILD NTSC VCRs IN KOREA: While Japanese manufacturers develop plans to assemble VCRs in U.S. for sale here, Holland's N.V. Philips is ready to go ahead with venture to produce NTSC standard VHS VCRs in Korea for domestic and export markets, including U.S.

Philips, which started assembling VHS VCRs in Europe last year under license from Matsushita, says it will be 70% partner with audio manufacturer Dongwon Electronics in Korea's 4th VCR plant -- Gold Star, Samsung and Daewoo already are in production there. New company, tentatively being called Video Corp. of Korea, will be capitalized at \$19 million, spend \$50 million for plant to be located near Seoul. Pending clearance by Korean govt., Philips says venture should be in production at 500,000 annual rate by Sept. 1986, turning out million yearly by 1989.

Production will be sold in both foreign NTSC markets and Korea, according to Philips spokesman, who said company determined it wouldn't be practical to make NTSC standard VCRs in its European plants. Exports to U.S. are on agenda, which presumably means Japan's Matsushita will lose at least some of its private label business with North American Philips (Magnavox, Philco, Sylvania). And that loss essentially will be total. Philips now is integrated VHS manufacturer in Europe, expects to be supplying most key components to venture from there, so project won't be dependent on Japan for parts. Startup of NTSC VCR production marks first major video step in Philips's effort at global integration of its consumer electronics manufacturing and marketing operations (TVD Feb 18 p11).

Matsushita's decision to build VCR plant in U.S. (TVD July 22 p11) continued to reverberate last week. Hitachi said production here was under study, but no decision had been made as to when or where, despite published reports that it was considering conversion of one production line in its Cal. color TV plant to VCR assembly. Toshiba said U.S. manufacture is long-term possibility. In U.S., Sharp said it's looking at VCRs among other possible products to increase its manufacturing base here and Sony said assembly here is always under consideration.

It's widely speculated in Japan that govt.'s Ministry of International Trade & Industry is major force behind moves of manufacturers to shift some VCR production here. MITI is taking

very seriously evidence of congressional sentiment toward some kind of overall restriction on imports from Japan.

In Europe, meanwhile, Philips and France's Thomson came away winners in fight to boost EC duty rate on VCR imports (TVD July 15 p15). Rate goes to 14% from current 8% at end of this year, which also will mark expiration of Japan's 3-year agreement to impose voluntary quota on complete VCR exports to Europe. Companies had contended increase was necessary to keep domestic producers from being overwhelmed by flood of low-priced VCR imports from Korea as well as Japan. Measure had run into opposition from Ireland and Italy, which objected to offset provision for cut to 12% from 17% in duty on semiconductor imports, but they changed position when EC ministers agreed to set new rate at 12% instead. Other offsets, yet to be finalized, also will be granted. However, proposal to include lower duty on magnetic tape is being opposed by Germany.

RCA PREVIEWS DBS RECEIVER, DIGITAL TV: RCA intends to go heavily into home satellite receivers, starting with component for its Dimensia audio-video system, followed by lower-cost DBS converter and later by TV set with built-in satellite reception. For longer term, company is working on digital TV set with 3 basic VLSI chips that doubles number of scanning lines per sec.

RCA demonstrated its first home satellite receiver at Princeton labs to engineering representatives of broadcasting, cable and satellite industries in launch of major corporate campaign pushing NTSC as standard for DBS and all other broadcast and cable applications (see report in Broadcast and Cable section, this issue).

New satellite component for Dimensia, as shown in Princeton by RCA Consumer Electronics' Ted Allen, was forecast here last month (TVD June 10 p19). It's high-end unit, can receive both C- and Ku-bands and contains M/A-Com descrambler for encrypted transmissions (HBO and affiliate Cinemax plan to scramble all programs using system). Although it's assumed RCA will take out M/A-Com license, company spokesman said it's still in negotiations.

Allen said RCA hopes to have it on market "as soon as possible -- the business is there now." It probably will be followed by "basic, low-cost Ku-band-only receiver;" RCA is pushing Ku-band DBS and RCA Americom is scheduled to launch high-powered Ku-band satellites in Nov. and Dec. To come later will be "cost-effective color set" with satellite receiver and descrambler built in.

As demonstrated, Dimensia component made heavy use of on-screen prompts characteristic of that RCA system. It asked viewer to give "rating password" so receiver could be set up to show only G and PG movies, for example, rejecting anything racier. Screen also could display viewer's pay-per-view or per-channel "purchase password," "purchase history," credit, etc., as well as technical aspects of dish and receiver setup (proper audio subcarrier, dish orientation, etc.).

RCA also gave first glimpse of its digital TV set as part of pitch to show improvements that can be made in display of existing NTSC system. Set was composed of 3 basic VLSI chips, of which one will be ready next year. Limiting factor in availability is low-cost frame store, which RCA says will be available by end of decade. Termed TV's "next generation," set uses frame comb system with motion adaptive processor to get progressively scanned (noninterlaced) picture with 60 complete 525-line frames per sec., vs. normal 262.5-line fields, or half-frames, per sec.

System in demonstration completely eliminated cross-color, interline flicker, line crawl, glimmer, jitter and sparkle, providing what RCA engineers called "painted-on" look. They said 45% of digital circuitry in digital IC package is 85% complete.

With advent of low-cost frame and field memories, compatible improvements also can be undertaken in NTSC system itself. High-resolution system with "cooperative" digital improvement in both transmitter and receiver could come in early 1990s, they said. RCA demonstrated such an "improved NTSC" system that is compatible with existing sets but provides high-resolution picture on improved sets. HDTV and widescreen pictures will come later "when the technology and the marketplace are ready," just as color came to TV and stereo to FM without sacrificing compatibility, RCA said.

Note: In Japan, where NHK has developed radically different 1,125-line "MUSE" HDTV system for the future, industry, govt. and commercial broadcasters also are working through special committee on variety of systems to improve NTSC picture without making existing sets obsolete. July 22 Electronics magazine reviews systems being developed by Asahi Bctg. and Hitachi. Similar systems are being explored in U.S. under aegis of Advanced TV Systems Committee's Improved NTSC Subgroup, headed by RCA Labs' Kerns Powers, which is looking at both high-performance receivers for existing NTSC system and compatible improvements in system itself. Enhanced 525-Line Subgroup, under STC's Dan Wells, is looking at MAC among other incompatible 525-line systems.

RENT-TO-OWN DEALERS SEE MAJOR EXPANSION: In spite of some bad press and nagging image problems, rental-purchase dealers are very upbeat about their special corner of consumer electronics retailing. As dealers gathered in Orlando last week for annual convention of Assn. of Progressive Rental Organizations (APRO), picture emerged of an industry moving aggressively to open new outlets and expand geographic reach.

Manufacturers are taking rent-to-own (RTO) business seriously. RCA showed up with new exhibit booth to replace curtain & rod affair it has used at show for past couple of years -- just one sign of importance it assigns to business, company official said. Seventy-two exhibiting companies represented decline from last year's show, but APRO officials insisted that's because Orlando's Wyndham Hotel doesn't have as much exhibit space as Caesar's Palace in Las Vegas, site of 1984 and 1986 meetings. Most major consumer electronics companies were on hand along with top white goods and furniture firms.

As RTO industry grows, its distribution is becoming more sophisticated. Exhibiting at show was TRIB Group (The Rental Industry Buying Group), seeking RTO stores as members to consolidate their clout with manufacturers. TRIB claims it already has signed dealers with total of 200 stores. Another company at show could have big impact on traditional electronics retailers -- Consumer Lease Network is trying to bring RTO to conventional electronics stores by setting up and running leasing program for dealers. While program may not offer full servicing or return options of RTO outlets, Pres. Thomas Anderson told us, it does let retailers get piece of rental-purchase action.

Convention, particularly closing session on business outlook, focused on scarcity of accurate data on size of RTO business. Zenith Rental Markets Mgr. Norman Smith estimated RTO stores account for 12% of TVs sold in U.S., 3-4% of VCRs. He thinks by 1990 they'll represent 20% of U.S. TV market. APRO Pres.-Chmn. Barry Gambini figures number more likely will be in 17-18% range by end of decade.

There's also confusion over just how many RTO outlets there are. Panelists offered totals that fell into broad 4,000-5,000 store range. But whatever number is now, by this time next year there almost certainly will be more. Dealers we talked with confirmed industry will continue strong growth of last 2 years, many saying they personally planned to open additional outlets.

While business may be booming, there were words of warning. Speakers focused on possibility that RTO dealers might go way of traditional retailers and turn business into one of intense price competition and little profit. "A number of people who are retailers forgot the

importance of making a profit," said Smith. "I hope this never happens in the rental business." At least for now, though, dealers seem happy with fat margins available in rental-purchase trade.

As always, legal and legislative outlook was hot topic, as dealers could be run out of business in a hurry by wrong piece of state legislation. Strongest opponents of industry have been legal aid attorneys who keep pushing for regulation under state installment credit and usury laws. RTO firms insist that nature of service they provide and fact that hardware can always be returned makes rental-purchase different from ordinary credit sale.

Last year, industry backed federal legislation that would have legitimized business while requiring additional disclosure in RTO agreements (TV Aug 6 p12). Bill died but was reintroduced this year (HR-2322) by Rep. Bernard (D-Ga.). He told convention Banking Consumer Affairs Subcommittee will hold hearings in Sept., and House could pass measure by year's end. Fly in ointment is another bill (HR-2730), sponsored by Rep. Morrison (D-Conn.), to require RTO agreement to disclose annual percentage rate. Industry opposes this because it then would become credit business subject to state regulation, we were told by APRO Exec. Dir. Edward Winn.

Winn predicted legislation recently enacted by several states actually may protect business from detrimental price competition because of special disclosure requirements on ads that list prices. Great deal of action has occurred on state level in last 6 months. Four states -- Mich., Ga., S.C. and Tex. -- have passed bills industry says it can live with. Reason is that in return for recognition as legitimate business, industry has agreed to certain disclosures and in some cases controls on prices. Winn expects more such state action.

DISH DECODER WOES: Producing combination home satellite signal receiver-descrambler could become major headache for home earth station manufacturers, and particularly for those turning out equipment overseas. Such integrated units aren't expected to be in widespread production until most cable networks are scrambled; until then, consumers will have to use stand-alone decoders.

But once manufacturers begin building dual-purpose units, warns TVRO veteran Bob Cooper in column in Radio-Electronics magazine, they'll hit difficulties because of size of M/A-Com's decoder circuitry. It's larger than many receivers. Also, inclusion will mean building in bigger and more expensive power supplies as decoder alone draws far more power than receivers do now.

Henry Hammerstein, mgr. of Panasonic Industrial New Technology Products Group, told us Cooper is right about size and power. He also said foreign manufacturers will face another problem: M/A-Com scrambling system was developed originally for U.S. govt., and federal regulations bar export of technology or circuits. So receivers made offshore will have to have decoders installed here, further increasing costs.

Hammerstein is even more critical of M/A-Com's pricing. He said company is asking \$1 million plus 6% royalty for decoder production license, complained high fees will kill interest. Hammerstein said he also thinks M/A-Com has set decoder prices too high so it can realize quick return on investment. M/A-Com has put \$395 retail list on

complete decoder, is offering circuit boards to OEMs for \$150 each. Hammerstein said \$150 for decoder, \$75 for receiver component would be more in line.

Meanwhile, M/A-Com announced Channel Master is first home satellite hardware maker to place order for decoder boards. It said Channel Master will start producing receivers with built-in descramblers early next year.

RCA, which demonstrated receiver with built-in decoder, says it will get into production as soon as possible. RCA's unit is much bigger than some minireceivers -- about size of a large VHS recorder (see report elsewhere in this issue).

—

Ad notes: Walt Disney Home Video appoints Young & Rubicam Entertainment as first outside agency... Esquire Video names HWH Enterprises for PR... Concord Systems names John Pearson Adv. for car stereo line... Tomy consolidates ad account at Keye Donna Pearlstein... Mindscape names BBDO Chicago for computer software... CBS Software discount coupons good for \$3-\$5 off selected titles are being packed in with Dennison Elephant floppy discs in joint promotion.

Toshiba and Mitsubishi jointly won \$25.2 million contract to supply India with nation's first color picture tube plant, plus technical assistance. Facility, to be built near New Delhi for Up Electronics, is slated to go on stream in 1987, have capacity of 500,000 tubes annually by 1990. Color TV sales are expected to reach 500,000 in India this year, grow to 2 million annually by end of decade.

MATSUSHITA SLOWDOWN: Reduced consumer spending in Japan and economic slowdown in U.S. held down improvement in 2nd quarter consolidated results, Matsushita reported last week. It said net for period was up 12.8% on 7.7% sales rise, while for half-earnings rose 17.8% on 11.4% sales increase (see financial table).

VCR slowdown was indicated in quarter. Matsushita said that for full first half VCR sales were up 20% to \$2.87 billion, just keeping pace with 20.3% increase in overall video equipment volume to \$3.87 billion. In first quarter, Matsushita's VCR sales were up 26%, and figures indicate 2nd quarter rise was held to about 15%.

First-half results (in millions) for other segments: Audio \$900.9, down 2.5%; communications and industrial \$1,310, up 7.2%; electronic components \$1,113.6, up 6.8%; appliances \$1,306, up 7.2%; energy and kitchen products \$375.7, unchanged. Matsushita said sales in Japan rose 6.4% for half to \$4.98 billion but were up only 4.5% to \$2.56 billion for quarter. Overseas sales jumped 16.9% to \$5.03 billion for half; however 2nd-quarter volume of \$2.42 billion was up only 11.4%.

TDK consolidated net rose just 3.2% to \$35 million in quarter to May 31 on 8.8% sales rise to \$432.2 million, and was up 9.5% for first half to \$65.5 million as sales rose 8.6% to \$840.6 million. Slowdown in quarter stemmed from reduced demand for electronic materials and components, particularly heads for computer disc recorders, TDK said.

First-half sales of magnetic tape gained only 1.3%. TDK said that while unit videotape sales rose considerably, dollar volume was up only slightly as prices dropped 15% from same 1984 period. Total tape sales were up 6.9% to \$192.2 million for quarter. TDK said its overseas sales were up 9.2% to \$402.4 million, sales in Japan 8.2% to \$438.2 million.

Bush Industries blamed softness at retail for 13.8% 2nd-quarter sales decline to \$8.14 million. Electronic furniture maker's net for period was down 12.7% to \$254,000, after charge of \$54,000 for closing of 2 plants and consolidation of production at 376,000 sq. ft. facility in Jamestown, N.Y.

TIE Communications posted \$40.1 million 2nd-quarter loss after \$40 million pretax writedown on home telephone inventory of subsidiary Technicom. Company said swelling industry inventories have cut market value of some phones 30-40% over last 9 months.

Apple expects personal computer sales to be down in 4th quarter this year, and "tough times will last well into 1986," Pres. John Sculley told security analysts in Cal. last week. In keeping with those expectations, he said, company will be holding down inventory and overhead to maximize profitability, and that extensive ad campaign of 1984 Christmas season won't be repeated this year.

SANYO DUMPS 8mm DECK: First blot on 8mm Video escutcheon came last week with Sanyo's announcement it was halting production of 8mm portable deck because of poor sales. But it isn't dropping out of 8mm camp. It will continue marketing Sony-supplied camcorder it introduced in Japan earlier this month and will begin selling it in U.S. in late fall.

Deck was first shown at 1984 Winter Consumer Electronics Show in Las Vegas in 2 versions. Sanyo displayed model with separate tuner-timer, while affiliate Fisher had Tokyo Sanyo deck with tuner-timer built in. Tokyo Sanyo-Fisher unit was scrubbed later in year, but Sanyo started selling here in Dec. Sanyo never pushed deck, shipped no more than 3,000 worldwide, only about 300 to U.S.

Sony shrugged off Sanyo move, pointed out that sales of its 8mm camcorder in U.S. "are continuing to skyrocket -- we're selling everything we can get." Spokesman said Sony recently received approval from Japan for increase in original allocation, and company is flying shipments in to help meet demand. Plan for fall sale of Mini 8 record-only camcorder and companion portable deck, as well as home 8mm deck with digital audio is unchanged, we're told (TVD June 3 p11).

At Canon, only company other than Sanyo with portable 8mm deck on market, spokesman told us "sales are in keeping with what we expected. We're not setting the world on fire, but we're doing okay." Deck is expected to be continued in line this fall after company introduces camcorder.

In Europe, Philips says it's still sitting on 8mm fence. Company has "developed a new prototype, a 2nd generation" camcorder, but won't be demonstrating it, adds: "There's no use to keep showing things we have not launched." Philips says it will be ready to sell 8mm when market is there.

U.S. electronics indexes, to provide same kind of performance yardsticks as Dow Jones averages do for stock market, are in works by EIA Mktg. Services Dept. EIA now is asking manufacturers and importers to help it collect monthly data on shipments, incoming orders and unfilled orders for major industry segments -- consumer electronics, components, information and telecommunications, industrial electronics, govt. products and services. EIA MSD Staff Vp Clinton Lee said aim is to come up with overall index, plus indexes for individual segments, but end result will depend on degree of cooperation achieved. He said non-EIA members as well as members are being invited to contribute, added hope that involvement in this project will interest more companies in participating in established EIA statistical programs. There's no specific timetable for launch but, Lee said, MSD could start compiling data before year's end. He said he expected monthly index figures would be released publicly.

JVC DEBUTS 'HQ' VHS: VHS group's answer to Superbeta -- compatible "High Quality" system -- was premiered in Japan last week, and the improved machines will be exported starting in Oct. HQ system was described here a month ago (TVD July 1 p9) and, like Superbeta, results in picture improvements that fall short of quantum leap.

First HQ model will be VHS Hi-Fi version priced at less than \$800 in Japan, presumably somewhat higher here. HQ system, developed by JVC, has been made available to VHS group members, according to Video Products Div. Gen. Mgr. Yuma Shiraishi, who declined to put overall numerical value on improvements.

Picture enhancements include "video noise reduction," made possible by recursive comb filtering, plus increase in white clip level. Improvements result in sharper image edges, elimination of jitter and picture noise. Asked about high-band color, which is used in Superbeta, Shiraishi said JVC would adopt it only if it could maintain complete compatibility with present VHS -- which it obviously thinks can't be done. Some other VHS manufacturers, however, already are talking of following HQ with HD (for "high-definition" high-band system) in about 2 years.

NATM rejected membership bid by Radio Shack parent Tandy. Earlier this year, Tandy acquired Scott Appliance, an NATM member, and was seeking to continue relationship with buying group. Several NATM members had indicated to us they would be willing to let Tandy in on interim basis and see how things worked out. Whether Tandy's recently announced plan to acquire Videoconcepts chain affected final vote couldn't be determined. Meanwhile, group elected George Scala, Lechmere, as new pres., replacing Barry Feinberg of Silo, one of 4 member chains planning to leave NATM at end of year. Macy Block, Sun TV, was named vp, succeeding Scala. Newly named to exec. committee were Richard Lewis, Newmark & Lewis, and Syl Kaplan, Tipton Electric. They replace David Mondry, Highland Appliance, and Stuart Rose, Audio/Video Affiliates, whose companies also are leaving group.

Japanese dumping is holding down growth in Korea's exports, EIA-Korea complained last week. It blamed low-priced sales of VCRs and ICs by unspecified Japanese producers for minimal 3.1% rise in Korea's first-half electronics exports to \$2.18 billion. In recent years, EIA-K said, growth has averaged 25% annually. Group reported that Korea's color TV exports were down 17.6% in Jan.-June, semiconductor shipments were off 14.8% and microwave ovens were down 8.8%. As result, it said Korean electronics industry should fall well short of 1985 export target of \$5.95 billion.

AOC International is constructing new 30,000 sq.-ft. hq and warehouse in Kansas City., expects occupancy early next year. Company is U.S. sales arm of Taiwanese color TV manufacturer.

NBC'S STEREO LEAP: NBC will transmit 9 prime-time programs weekly to affiliates in stereo in new program season, plus some movies, sports and specials, in addition to much of its late-night programming -- Johnny Carson, David Letterman, Friday Night Videos and Saturday Night Live. Network obviously is aiming to be all stereo or at least mostly stereo before its commercial competitors are able to send any stereo to their affiliates. NBC and PBS are only networks currently sending programs to affiliates via satellite. ABC and CBS are equipping themselves for satellite interconnection. Land-line interconnections aren't equipped for stereo sound.

To our list of stations broadcasting in stereo, add one and take one off. Notre Dame's WNDU-TV South Bend (NBC) has started regular stereocasting. KING-TV Seattle (NBC), which went stereo for July 15 All-Star Game using prototype equipment, is now all-mono, hopes to resume stereo in Sept. after regular stereo gear is installed. Total of known stereocasting stations thus remains at 101, of which 30 are NBC affiliates.

Funai's slot-load videocassette player (VCP) will be on market in Oct. at \$175 wholesale and \$199 suggested retail, "but that doesn't mean it's going to sell," said Harvey Urman of Harjoy, which markets VCP line in U.S. Even with heavy dealer discounts, Urman doubts strong consumer interest, believes "there's no market for a lot of units" at current prices except for stores buying VCPs to rent with recorded cassettes. Evidence supports his belief that other suppliers are "bailing out." Gold Star has dropped VCP from its own-brand line because price is noncompetitive with recorders, has stopped accepting OEM orders. Spokesman for Korean manufacturer said company has only one major private label customer for its VCP -- understood to be Portavideo -- and will meet its current contractual commitment.

Finalization of Japanese mobile cellular telephone dumping case has been pushed back 2 months. International Trade Administration said it granted extension requests by Matsushita, Mitsubishi and Toshiba, pushed its deadline for issuing final determination of whether phones and subassemblies are being sold here at less than fair value to Oct. 24 from Aug. 19. Similarly rescheduled is public hearing, now set for Sept. 9. As result of ITA action, International Trade Commission pushed deadline for final decision on whether low-priced imports have injured domestic cellular phone industry to Dec. 9 from Oct. 9. ITC hearing, originally planned for Sept. 5, is now on for Oct. 30.

Year's VCR sales to dealers passed 5 million in 28th week, 2nd week in July, according to EIA figures. Otherwise, week was total washout, color sales dipping below 200,000 for 4th time this year, projection TV running behind last year for 2nd consecutive week (albeit by only 32 units), color cameras down sharply for 2nd consecutive week (see State of the Industry).

Consumer Electronics Personals

Anthony Mirabelli promoted at Quasar from TV Div. gen. mgr. to Consumer Electronics Group gen. mgr., with responsibility for TV, video and audio marketing; **Thomas Lauterback**, PR mgr., adds responsibility for customer relations... **Einar Kloster**, former Philips Brazil CEO, joins North American Philips as exec. vp responsible for consumer electronics and electrical products groups, succeeding **Kenneth Meinken**, retiring Sept. 1... **Hiro Fukuda** promoted at Pioneer Video from consumer mktg. dir. to sales vp, succeeding **Whit Smith**, resigned... **Richard Pope**, pres. of ALCOA subsidiary Stolle Corp., adds duties as chmn. of DBS receiver venture ALCOA-NEC; **Ryoji Tamura**, NEC America Radio & Transmission Group exec. vp, named pres.; appointed exec. vps: **Motoyuki Tajima**, engineering and **Robert Morrell**, finance & administration.

Fred Fischer advanced at NAPCE from sales mgr. to gen. mgr., Magnavox SE Div.; **George Tremblay** promoted to NE Div. gen. mgr.; **Andrew Vanover** named national coordinator for Magnavox Home Entertainment Centers, new post... **William Kranzush** promoted at Unitech from national service mgr. to gen. mgr., responsible for service operations and physical plant and warehousing facilities... **Seth Hochman**, ex-Nagatronics, joins tape storage cabinet maker Fisher as mktg. services dir... **John Kitzmiller** advanced at EIA Mktg. Services Dept. from Consumer Electronics Group mktg. services coordinator to CEG member services dir.; **Stephen Chappell** promoted to MSD operations dir... **Marty Blanchard**, Ampex, named ITA Audio-Video Statistics Committee chmn., succeeding Ampex's **Paul Weber**, retired.

Janice Whiffen, Vestron Video national sales dir., and **Sharon Streger**, creative services dir., named vps... **Malcolm Reeve** advanced to finance vp, Embassy Home Entertainment International... **Vallery Kountze** advanced at RCA/Columbia Pictures Home Video to mktg. vp, new post... **Don Edward** promoted at Thorn EMI/HBO Video to controller... **Laura Rose** named international licensing dir., MGM/UA Home Entertainment Group... **Larry Brieloff** named Movielab Video sales and client services vp... **Stephanie Murray** named gen. mgr., Pacific Arts Video Records... **Diana Tunney** joins Guild Home Video in U.K. as mktg. head... **Tony Wells**, ex-WEA International, named to new post of Australia and New Zealand managing dir., Warner Home Video.

—
Japanese IC makers have cut back capital expansion plans, according to MITI. Govt. agency said its survey shows industry there will spend \$2.42 billion on new plants and equipment this year, down by \$1.2 billion, or 20.6%, from 1984. Because of worldwide IC market slump, MITI said, many Japanese manufacturers have deferred previously announced production expansion programs by year or more.

Free scrambling decoder is come-on Satellite Bestg. Corp. plans to use to attract home satellite dish owners to programming service it hopes to start offering next year. Pres. Holmes Harden said company will supply decoders without charge when subscribers sign on for his \$20-monthly service. SBC hopes to have as many as 30 channels, though customers will be required to pay extra for some of them. Also in works is incentive deal with satellite retailers, who will get unspecified piece of action in return for selling service to new buyers. By giving decoders away, SBC will be "able to remove a substantial economic barrier" to continuation of satellite delivered programming "after the onset of scrambling," Harden said. Harden told us SBC hasn't decided which scrambling system to use, also hasn't lined up decoder supplier.

Commodore unveiled new 256K Amiga computer last week to somewhat mixed reaction. Unit, priced at \$1,295 with built-in disc drive, but excluding color monitor, won praise for color graphics and audio capabilities, but there was uncertainty over whether it was too much of a consumer machine for business users, too professional for consumers. Commodore said it would sell Amiga through computer specialty stores, have 20 software titles of its own at launch this fall, 50 by Jan., with additional programs to come from independent software houses. Commodore said it has capability of turning out up to 200,000 Amigas this year, but gave no sales forecast. Amiga's introduction will be backed by \$25-\$50 million ad campaign, Commodore said.

Home Interactive Systems Div., created some 16 months ago by North American Philips (TV March 5 p15), and kept under wraps ever since, is slated to surface with first products this fall. What will be shown still isn't known, but clue comes from joint venture, New Media Systems, being launched in Japan by N.V. Philips and Kyocera. NMS will develop and produce variety of computer and related communications products, including CRT terminals for videotex and data base access, and is expected to supply NAP's HISD.

German car audio manufacturing venture, capitalized at \$810,000, is being launched by Matsushita Electric and subsidiary Matsushita Communications. It's to begin in Oct. with radio and stereo capacity of 80,000.

Consumer Electronics is now available electronically via Newsnet!!!!!!

**FOR MORE INFORMATION
CONTACT TELEVISION
DIGEST, INC. OR CALL
NEWSNET TOLL FREE AT
(800) 345-1301
IN PENNSYLVANIA, CALL
(215) 527-8030**

Financial Reports of TV-Electronics Companies

These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Bell & Howell			
1985-26 wk. to June 29	354,700,000	13,200,000	1.26
1984-26 wk. to June 30	342,100,000	12,700,000	1.13
1985-13 wk. to June 29	187,500,000	8,800,000	.84
1984-13 wk. to June 30	176,400,000	7,700,000	.69
A. H. Belo			
1985-6 mo. to June 30	186,642,000	10,517,000	.90
1984-6 mo. to June 30	170,953,000	38,580,000	3.33*
1985-qtr. to June 30	100,990,000	8,132,000	.70
1984-qtr. to June 30	95,531,000	15,770,000	1.36*
Capital Cities Communications			
1985-6 mo. to June 30	501,170,000	68,966,000	5.28
1984-6 mo. to June 30	450,386,000	66,449,000	5.10
1985-qtr. to June 30	267,065,000	41,226,000	3.15
1984-qtr. to June 30	243,568,000	39,355,000	3.03
Chris-Craft Industries			
1985-6 mo. to June 30	89,573,000	3,853,000	.52
1984-6 mo. to June 30	80,621,000	(15,757,000)	---*
1985-qtr. to June 30	51,217,000	5,330,000	.75*
1984-qtr. to June 30	46,875,000	(16,974,000)	---*
Cohu			
1985-6 mo. to June 30	15,236,058	840,505	.47
1984-6 mo. to June 30	11,405,519	683,255	.39
1985-qtr. to June 30	7,786,579	454,939	.25
1984-qtr. to June 30	5,965,345	374,077	.21
Conrac			
1985-6 mo. to June 30	73,526,000	2,966,000	.49
1984-6 mo. to June 30	75,963,000	2,729,000	.44
1985-qtr. to June 30	37,522,000	1,526,000	.25
1984-qtr. to June 30	40,646,000	1,553,000	.25
Cox Communications			
1985-6 mo. to June 30	391,035,000	51,522,000	1.83
1984-6 mo. to June 30	353,966,000	40,006,000	1.41*
1985-qtr. to June 30	210,241,000	32,033,000	1.14
1984-qtr. to June 30	193,711,000	23,781,000	.84
CTS			
1985-26 wk. to June 30	165,243,000	9,637,000	1.67
1984-26 wk. to July 1	163,343,000	8,074,000	1.41*
1985-13 wk. to June 30	80,105,000	3,770,000	.65
1984-13 wk. to July 1	85,015,000	4,357,000	.76*
Heritage Communications			
1985-6 mo. to June 30	75,009,000	4,349,000	.27
1984-6 mo. to June 30	56,620,000	2,878,000	.19*
1985-qtr. to June 30	40,671,000	2,967,000	.19
1984-qtr. to June 30	30,682,000	2,142,000	.16*
Knight-Ridder Newspapers			
1985-6 mo. to June 30	867,129,000	65,761,000	1.03
1984-6 mo. to June 30	809,833,000	64,544,000	.99*
1985-qtr. to June 30	445,369,000	36,835,000	.59
1984-qtr. to June 30	419,267,000	37,608,000	.58*
Lee Enterprises			
1985-9 mo. to June 30	154,313,000	18,698,000	1.37
1984-9 mo. to June 30	141,820,000	16,096,000	1.17
1985-qtr. to June 30	53,754,000	7,339,000	.54
1984-qtr. to June 30	49,996,000	6,597,000	.48
Matsushita Electric*			
1985-6 mo. to May 20	10,430,000,000	535,100,000	2.93*
1984-6 mo. to May 20	9,361,500,000	455,100,000	2.61*
1985-qtr. to May 20	5,192,800,000	268,000,000	1.45*
1984-qtr. to May 20	4,820,200,000	237,400,000	1.36*
Media General			
1985-6 mo. to June 30	287,299,000	16,744,000	2.36*
1984-6 mo. to June 30	271,516,000	20,423,000	2.88*
1985-qtr. to June 30	147,367,000	9,852,000	1.39
1984-qtr. to June 30	141,219,000	10,934,000	1.54

Company & Period	Revenues	Net Earnings	Per Share
3M			
1985-6 mo. to June 30	3,860,000,000	332,000,000	2.88
1984-6 mo. to June 30	3,834,000,000	368,000,000	3.14
1985-qtr. to June 30	1,954,000,000	168,000,000	1.46
1984-qtr. to June 30	1,959,000,000	193,000,000	1.64
New York Times			
1985-6 mo. to June 30	674,321,000	63,544,000	1.59*
1984-6 mo. to June 30	603,904,000	52,233,000	1.32
1985-qtr. to June 30	346,405,000	31,288,000	.78
1984-qtr. to June 30	306,611,000	27,727,000	.70
Rogers Cablesystems*			
1985-9 mo. to May 31	262,800,000	(17,600,000)	--
1984-9 mo. to May 31	218,400,000	(19,900,000)	--*
Rollins Communications			
1985-year to June 30	99,953,442	12,014,256	.82
1984-year to June 30	85,374,456	9,933,590	.68*
1985-qtr. to June 30	26,771,593	3,679,217	.25
1984-qtr. to June 30	23,115,976	2,230,316	.15*
Taft Bcstg.			
1985-qtr. to June 30	94,900,000	11,757,000	1.28
1984-qtr. to June 30	88,766,000	14,811,000	1.58*
Times Mirror			
1985-6 mo. to June 30	1,441,772,000	114,789,000	1.63*
1984-6 mo. to July 1	1,375,521,000	102,171,000	1.49
1985-qtr. to June 30	746,752,000	70,554,000	.99
1984-qtr. to July 1	705,912,000	58,906,000	.86
Tribune Co.			
1985-26 wk. to June 30	955,627,000	51,129,000	1.26
1984-26 wk. to June 30	860,722,000	39,137,000	.97
1985-qtr. to June 30	506,193,000	34,549,000	.85
1984-qtr. to June 30	466,333,000	29,171,000	.72
United Artists Communications*			
1985-40 wk. to June 6	337,651,000	7,741,000	.38
1984-40 wk. to June 7	279,892,000	7,753,000	.37*
1985-14 wk. to June 6	125,556,000	3,158,000	.16
1984-14 wk. to June 7	110,238,000	5,147,000	.25*
Viacom International			
1985-6 mo. to June 30	172,953,000	15,657,000	1.04
1984-6 mo. to June 30	152,707,000	13,986,000	1.05
1985-qtr. to June 30	90,840,000	9,469,000	.59
1984-qtr. to June 30	79,133,000	8,398,000	.62
Walt Disney Productions			
1985-9 mo. to June 30	1,424,908,000	119,721,000	3.55
1984-9 mo. to June 30	1,192,779,000	161,851,000	4.43*
1985-qtr. to June 30	546,909,000	52,567,000	1.56
1984-qtr. to June 30	483,319,000	45,436,000	1.23
Warner Communications			
1985-6 mo. to June 30	1,030,326,000	50,008,000	.72
1984-6 mo. to June 30	947,286,000	(406,759,000)	--*
1985-qtr. to June 30	467,429,000	28,557,000	.41
1984-qtr. to June 30	475,558,000	(437,620,000)	--*
Washington Post			
1985-26 wk. to June 30	527,892,000	59,023,000	4.36*
1984-26 wk. to July 1	475,648,000	36,205,000	2.57
1985-13 wk. to June 30	284,302,000	34,096,000	2.61
1984-13 wk. to July 1	256,109,000	27,154,000	1.94
Wells-Gardner			
1985-6 mo. to June 30	9,640,000	(253,000)	--
1984-6 mo. to June 30	11,428,000	(218,000)	--
1985-qtr. to June 30	5,816,000	79,000	.02
1984-qtr. to June 30	6,065,000	---	--
Western Union			
1985-6 mo. to June 30	562,798,000	(25,046,000)	--
1984-6 mo. to June 30	545,258,000	(19,357,000)	--*
1985-qtr. to June 30	278,790,000	(9,723,000)	--
1984-qtr. to June 30	284,382,000	5,298,000	.08

Notes: *Includes special credit. ^bRestated. ^aAdjusted.

^aAt yen's current rate. ^bPer ADR. ^cIn Canadian dollars. ^dAfter special charge.