

# TELEVISION DIGEST®

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

With Consumer Electronics

MARCH 6, 1989

VOL. 29, NO. 10

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**SENATE PANEL SETS COMMUNICATIONS POLICY GOALS:** Senate Commerce Committee anticipates heavy communications agenda for 101st Congress that emphasizes mass media issues, according to report on Committee goals released last week. Extensive media ownership review and must-carry legislation are among top priorities, report said. Also high on list: Decision on whether to make permanent ban on UHF-VHF swaps, reinstatement of fairness doctrine, lowest unit rate reform for TV-radio campaign ads. Report is first formal review of Senate policy agenda and gives insight into Committee sentiments on range of policy matters.

Report described issues pending before panel's Communications Subcommittee and rehashed many of goals and questions before last Congress. But it made clear that unlike in 100th Congress, this year Committee doesn't expect time to stand still while fairness doctrine dispute is argued. Congress last year refused to advance other mass media legislation -- or consider pending FCC appointments -- before bill to return fairness doctrine was completed (it then was vetoed by President Reagan). Situation this year will be similar, except that Committee leaders expect to be able to move on to other legislation soon -- perhaps in summer, aides said.

### Consumer Electronics

**ZENITH AND AT&T** form first HDTV consortium, seek Pentagon grant to design receiver, expect Commerce Dept. funds. Eighty-plus applicants include Sony, Philips. (P. 10)

**SAMSUNG AGREES** to make dual-deck VCR for Go-Video as part of settlement of antitrust suit. First products expected before year end. (P. 11)

**TINY 'PRIVATE EYE'** monitor uses vibrating mirror, row of LEDs to produce high-resolution image. Developer proposes 3 rows of LEDs for color TV model. (P. 12)

**U.S. COLOR TV PRODUCTION** up 8% to record 11.94 million in 1988. Total color TV supply up 1.5% to 20.15 million despite decrease in imports. (P. 13)

**CANON'S FIRST Hi8** camcorder reinforces new system's place at high end. Unique 1- or 2-hand model at \$2,299 is first 8mm with AFM hi-fi stereo sound. (P. 13)

**MATSUSHITA NET UP 20%** in 3rd quarter as sales rise 8.3%. Company cites 'solid' overseas demand, strong home economy. Nokia profit down in 1988. (P. 14)

**VCR PRICE FLOORS** from Korea accepted by European Community as substitute for dumping duties. (P. 14)

**\$1 BILLION FOR HDTV** in govt.-private money proposed in comprehensive House bill by Rep. Ritter. Measure guarantees market to U.S. (P. 15)



Mass media issues will dominate in early months, aides said, and report indicated that senators are determined to consider both whether to return cable must-carry rules for broadcasters as law and whether rules can be fashioned to withstand court scrutiny since carriage requirements have been struck down twice. Panel is described in report as supportive of reinstituting "reasonable" rules, "particularly the signals of public broadcasters and independent operators." Statement represented new emphasis for panel.

Action on must-carry would follow committee consideration of fairness doctrine and children's TV legislation. Hearings apparently aren't expected on fairness; however, report said kidvid hearings will be held and hinted at new direction for Committee's legislation. Key Senate concern with kidvid will be how TV stations are meeting educational and informational needs of youngsters and "how television can help reduce illiteracy in the U.S.," report said.

Report also expressed Senate's uneasiness with series of FCC deregulatory actions in mass media. Lawmakers are characterized as "troubled" by "dramatic" changes in financial structure of broadcasting, especially debt financing of station transactions. Report claimed changes have resulted in decreased news and information programming on radio, with trend now reaching TV. "While most broadcast licensees continued to take their public trustee responsibilities seriously, there are some who consider the license to be just another commodity to be traded for quick profit," report lamented. Changing stature of broadcasting holds implications for Committee's planned reconsideration of license reform legislation from 100th Congress (S-1277), report indicated.

Extensive exploration of media ownership is promised, as Committee considers license reforms and other issues. Lawmakers apparently are especially interested in ownership concentration, and review can be expected to include broadcasting and cable, report said. Review will look particularly at programming issues, including: (1) Impact of network financial interest and syndication rules on networks. (2) Implications for consumers of vertical integration of cable programmers and operators. (3) Significance of foreign ownership or programming.

There also will be consideration of legislation to enact into law minority and women's preferences in comparative licensing and distress sale and tax certificate policies. Several days of hearings are planned, aides said, although report didn't give timetables. In addition to ownership proceedings, Subcommittee plans to hold oversight hearings later in year to explore other cable issues, including rate deregulation, use of public and leased access channels, franchise fees, franchise process. Few expect review to lead to legislation, despite pressure from municipalities for rollback of 1984 Cable Act. HDTV, which is high priority in House, doesn't figure prominently in Senate's plans, report indicated.

Report left open possibility that Committee will do nothing on proposal to alter telephone industry oversight through Modified Final Judgment. Issue was examined in 3 hearings in 100th Congress, but Committee didn't act, report noted. Cable industry fears matter will become vehicle for consideration of legislation to allow telcos into cable. However, report said nothing about pursuing legislation again in this Congress, or even on holding hearings. Sources have said Senate plans to wait for House to act before becoming entangled in what's likely to be complicated and highly controversial legislation.

Also expected to be on Committee's plate in first session of 101st Congress: (1) Nominations for 2 (or 3 and possibly 4) vacancies at FCC, 2 vacancies on Comsat board, 3 vacancies at CPB (terms of 2 CPB board members expired last week). (2) FCC budget authorization for FY 1990-1991. (3) NTIA budget for same period and funding for its Public Telecommunications Facilities Program.

**DINGELL RAPS BUSH BUDGET:** House Commerce Committee Chmn. Dingell (D-Mich.) has told congressional budget leaders that proposed Bush Administration funding for communications program is inadequate. Spending plan would leave FCC short, degrade NTIA and CPB and cause public broadcasting to falter, he said.

Dingell's views were expressed as Committee's report assessing FY 1991 White House budget package for House Budget Committee. Chmn. kept cards close to vest in report, declining to specify preferred spending targets and leaving door open to negotiations. But he left no doubt that Committee would propose alternative.

Administration's scheme calls for 10.3% increase in FCC funding to \$109,831,000 in coming fiscal year (agency's current appropriation is \$99,613,000 and it had sought \$11,934,000 increase.) But Dingell said plan falls short of mark, in part because of burdens of HDTV policy development. Committee in next few months



must set FCC budget authority for FY 1991 and 1992. FCC Chmn. Patrick is due to appear before House Commerce Appropriations Subcommittee March 7 to defend budget request.

**Administration plan to hold line on CPB spending** at FY 1991 level of \$242 million also amounts to freeze that after inflation will result in funding cuts in real terms, report said. "Cuts... ultimately will lead to a degradation of existing service and threaten production of new, American-produced radio and television programs," report warned. Bush plan to withhold satellite replacement funding until CPB completes options study due in March 1990 "would likely result in increased costs over the long run," it added. Proposed elimination of NTIA's Public Telecommunications Facilities Program similarly would "degrade" public broadcasting system by making "unreachable the goal of assuring the availability of quality public broadcast programming to all Americans," report said.

**Commerce Dept. reorganization also was scored in report.** Bush plan would set aside \$4.1 million for new Technology Administration, which now includes NTIA. Agency head no longer reports directly to Commerce Secy., which Dingell hit as "downgrading" NTIA's "independent status" within Dept. and as "inconsistent" with congressional intent and U.S. policy objectives of promoting competitiveness in international telecommunications markets and encouraging development of new technologies. Dingell has said he wants to undo Commerce changes, could use budget process to accomplish goal.

**Rep. Schumer (D-N.Y.) and N.Y. State Consumer Protection Board (CPB) plan to join forces today (March 6) in holding public meeting to review N.Y. cable rates, service quality and other issues, 10 a.m., Rm. 305, 26 Federal Plaza, N.Y.C.** Session is being billed as "federal-state hearing," will look at N.Y. cable in wake of deregulation and alternative services. Schumer has scheduled series of panels, with statements from: Richard Alteri, N.Y. State Cable TV Assn.; Richard Aurelio, BQ Cable; William Finneran, chmn., N.Y. State Commission on Cable TV; Mark Foster, Microband; Fred Goldberg, CPB cable consultant; Carol Greitzer, chmn., N.Y.C. City Council Committee on Cable; Bob Gutkowski, Madison Sq. Garden Cable; John Hanks, N.Y.C. Bureau of Franchises; Lisa Hooks, FCC; Norm Kellogg, gen. mgr., Cablevision of N.Y.; Preston Padden, pres., INTV; Samuel Simon, National Assn. of Cable Subscribers; Romy Tomlinson, Nynex. CPB Exec. Dir. Richard Kessel said comprehensive study of N.Y. cable rates will be released at session. He said CPB has received "many complaints" from consumers, largely on cable programming, and blamed Congress for deregulating industry through 1984 Cable Act, creating "media monopoly [that] has left the consumer powerless." Schumer is well-known cable foe, plans this week to reintroduce his bill from 100th Congress (HR-4865) setting cable rate disclosure requirements. "The only check on cable prices is competition," Schumer said. "The latest developments in microwave and fiber optic technology now can make competition a reality. But the question remains: Is cable competing fairly?"

**Board of National Assn. of Secondary School Principals (NASSP) has urged members to oppose proposed commercially sponsored newscast for high schools that enters test phase today (March 6).** Plan, developed by Whittle Communications, calls for 12-min. daily newscast, with 2 min. reserved for commercials. Whittle would provide TV monitors and satellite dishes for schools to receive service. NASSP board, meeting last week at group's annual convention in New Orleans, said it's "opposing the introduction of commercial advertising into the classroom setting, resulting in the forced attention of students or replacing instructional time." Whittle is 50% owned by Time Inc.

**Knight-Ridder (K-R) has sold 6th of its 8 TV stations -- KTVY (Ch. 4, NBC) Okla. City to Palmer Bestg. for about \$50 million.** K-R, which announced plans last fall to sell stations, earlier closed deals for 5 others (TVD Feb 27 p7), hasn't yet announced sales of WTEN (Ch. 10, ABC) Albany, and WJRT-TV (Ch. 12, ABC) Flint.

**USTA released survey indicating that Americans favor having telcos compete with local cable operators to provide cable service.** Survey of 6,435 persons in Nov. found 57% favor competition, 28% opposed. Polling firm, Kennan Research & Consulting, also did follow-up of 600 last month. Study also found that phone customers who have cable believe they receive better service from local telco, with 55% of respondents able to reach cable operator to register complaint and 87% to reach telco. Asked whether cable service was restored promptly, 71% said yes in Nov. survey, 63% in Feb. For telephone service, in Nov. 87% said it was restored promptly, 89% in Feb. USTA said 53% of those surveyed said they would be either "much better off" or "slightly better off" if there were 2 competing cable companies. USTA Pres. John Sodolski said survey was one "building block" of effort to push cable-telco issue. NCTA Pres. James Mooney commented: "This doesn't seem to be a very serious survey by normally accepted professional standards." Cable observers also said survey may be misleading because consumers may spend 7 hours daily watching cable, but are on phone only 30 min. daily. Keenan piggy-backed Nov. survey onto telephone presidential tracking poll it did for CNN.

**Two months after sale of Tempo Enterprises to TCI, Tempo Chmn. Edward Taylor and Exec. Vp Selman Kremer have resigned to form Taylor Communications, venture capital firm.** Taylor said his parting from TCI was amicable. He said he always has been interested in starting new ventures and watching them blossom. With personal wealth from TCI purchase, Taylor said he intends to start companies and retain 20-25% stakes in them, along with some seats on boards, while helping them find 2nd-year financing. If idea fails, Taylor said, he will be stuck with 100% of company and try to sell it. Among ideas is targeting home videos of some of programming that had been carried on Tempo TV before TCI acquisition, such as fishing shows. Taylor also was bullish on DBS, saying he wants to "get on with the show" while cable industry seems bent on talking "for years" and he isn't sure it's willing to put up half-billion dollars needed to make DBS viable.

**Hotel Hershey, Hershey, Pa., again will host Federal Communications Bar Assn. spring seminar May 19-21.** Opening panel will feature 2 ex-FCC chmn. -- Dean Burch (now dir. gen. of Intelsat) and attorney Richard Wiley -- reflecting on Reagan years, predictions on Bush Administration. Next day, panel will discuss sexually explicit broadcasting and telephone services.



**NTIA SHARPENS HDTV DEBATE:** U.S. industry remains divided on HDTV production standards, according to comments filed in response to NTIA notice of inquiry (TVD Dec 19 p7). Some said it's "inappropriate and irresponsible" for NTIA to become involved in standard-setting process at this late date, but others said approving 1,125/60 worldwide standard would virtually close U.S. manufacturers out of HDTV business.

NTIA staff is "trying to rewrite history" by implying in notice that 1,125/60 is Japanese standard, PBS said in its filing. It said 1,125/60 actually was proposed by U.S. at International Radio Consultative Committee (CCIR), even though basic format comes from Japan's NHK. Final U.S. proposals were "substantially different" from Japanese plan, PBS said, and Tokyo at first opposed them. PBS said U.S. plan included different aspect ratio, progressive scan option, colorimetry that's consistent with U.S. market.

CBS agreed that "the mere fact that this inquiry is being conducted has the potential to jeopardize" process of winning international approval of single HDTV standard at CCIR. CBS said U.S. support of 1,125/60 is result of "long period of cooperation and intensive effort" by broadly based industry group and there's no evidence it will change view. IBEW said inquiry could be "totally destructive to the U.S. position on the worldwide HDTV production standard." Single worldwide production standard is necessary to help U.S. maintain current \$2.8 billion in annual program exports, AFL-CIO said, and "any hint of a change" in stance "could destroy any chance of obtaining a single worldwide HDTV production standard. Some countries would like to assure that there is no worldwide HDTV standard in hopes that they would cut into some of the U.S. export market."

Several others supported 1,125/60, or at least some type of worldwide standard. NBC acknowledged problems, but said they were "necessary price to pay in order to gain the advantages of a single worldwide standard." If such a standard can't be adopted, NBC said, there should be "family" of standards related as closely as possible to reduce cost and difficulty of conversion among formats. NCTA said it was premature to concede worldwide standard is impossible. It pointed out 1,126/60 is only format that has been "scrutinized and tested" and U.S. should continue to support it until others are proved.

Govt. should select HDTV transmission standard before it settles on production standard, NAB said. Technical constraints on terrestrial transmission probably are tighter than on production standards, NAB said, so selecting latter first could put unnecessary constraints on flexibility of transmission format. Broadcasters also suggested that NTIA use its influence to push for antitrust exemptions, grants and tax incentives to encourage HDTV development.

NHK and Toshiba America in separate filings said U.S. "will be the biggest casualty if a single worldwide production standard is not established" and current 1,125/60 plan is "radically different" from NHK's original. Japanese would be biggest beneficiaries if 1,125/60 were adopted, several commenters said. William Schreiber of MIT Media Lab said adoption of Japanese standard would mean U.S. manufacturing role "will be foreclosed. Both the patent situation and the head start of Japanese-owned companies down the learning curve would prevent U.S. companies from catching up." Cap/ABC agreed production standard resembling NHK's would give major advantage to companies already manufacturing HDTV products based on that standard.

Proposal for 1,125/60 isn't adequate, several filings said. Cap/ABC said U.S. should withdraw support at least until after transmission standard is decided. It indicated 1,125/60 probably wouldn't ever be best because of cost and quality loss of conversion process and because nobody has successfully demonstrated feasibility of converting live programming. Zenith said any interlaced source, particularly 1,125/60, would "compromise motion rendition." Del Rey Group said 1,125/60 has "several substantial technical shortcomings" and "isn't good enough for Hollywood." Del Rey said only 1,500/24 standard would deliver quality identical to movie film.

N. American Philips agreed production decision should wait until transmission standard is set. It said single worldwide standard isn't likely, and 1,125/60 is "no longer appropriate" anyway. Philips said production standard should use progressive scanning and multiple of U.S. 525-line scanning system. Warner Bros. raised question on wide aspect ratio, saying it could make libraries of already produced TV programming obsolete.

At NAB state leadership conference Fri., Commerce Secy. Mosbacher said his Dept. will emphasize technology in Bush Administration and one of "hot spots on the front burner" is HDTV. He said "strong consensus" of Administration, Congress and others is that HDTV will be more than just consumer project and "perhaps, the most important electronic step in the last decade." U.S. manufacturers must be able to compete with Japanese and Europeans, he said, but that at present time it's "premature" to try to set standards. He suggested relief from antitrust laws so that American companies can compete, and that specific recommendations will go to Congress "in a very short period." Agreeing with industry's Advanced TV Test Center, Mosbacher said U.S. isn't as far behind Japanese in development of HDTV "as I had first feared."

Time Inc.'s view of future, as expressed by Chmn. Richard Munro and Pres. Nicholas Nicholas in Feb. 26 N.Y. Times Magazine, is upsetting to INTV Pres. Preston Padden. Nicholas's view is that "within 5 years... a major reshuffling of the deck" will result from further deregulation. Within year, he said, cable-teleco-broadcasting cross-ownership restrictions will fall. "Probably a year after that, relationships will change between broadcasting networks and production companies in television and movies. They will be permitted to own each other" -- meaning end of financial interest and syndication (syndex) rules. Added Munro: "Every player in the media business will be trying to do the same thing -- to build enterprises that can lay off the risk of increased production costs over as many worldwide distribution systems as possible." Nicholas predicted 6-8 companies will emerge on worldwide basis "and we think Time Inc. is going to be one." Comments prompted Padden to write FCC commissioners and congressional leaders: "Consumers are better served by competition and diversity. For that reason, we urgently restate our opposition to the repeal of the network/cable cross-ownership rules and the other deregulatory steps that would unleash Mr. Nicholas's view of the future."

Walt Disney Pres. Frank Wells made more than \$52 million, on paper, through stock options in compensation package that allowed him to buy 850,000 shares on Jan. 19 for \$14.36 a share. At close of business March 3, Disney stock closed at 76-3/8, up 1-3/8. Under SEC rules, Wells must hold onto shares for 6 months before he can sell them. In June, he sold 580,000 shares of Disney stock at average \$63.17 for \$36.6 million.



**FAIRNESS VETO SEEN UNLIKELY:** President Bush is much less likely to veto fairness doctrine or children's TV legislation than President Reagan, who did kill bills, Sen. Gorton (R-Wash.) said in luncheon speech to NAB annual state leadership conference last week in Washington. Saying he expected both measures to pass Congress easily, Gorton said pro-broadcaster congressional sympathy on doctrine declined somewhat as result of on-air blitzes conducted by some disc jockeys to oppose congressional pay raises. He predicted once doctrine and kidvid are passed, telco legislation will dominate communications agenda in Congress this year.

Senator and congressional staffers on earlier panel suggested in separate appearances that nominees to vacant FCC slots could come this month. Gorton said FCC vacancies aren't highest priority at White House and he was "as impatient as you are" to get names. Senate Communications Subcommittee Majority Counsel Thomas Cohen said members will act quickly when nominations are sent up, but said Subcommittee wants full list at one time and wants to know who will be designated as next chmn.

Congressional-FCC panel was sparked by differences between David Donovan, legal asst. to Comr. Quello, and Felker on way FCC is approaching spectrum management and on cable-telco. Donovan said FCC is moving toward considering spectrum to be a property right, citing recent proposal that would allow buying and selling AM licenses (TVD Feb 27 p6). He said FCC is relying too heavily on market forces to regulate spectrum use. Felker said market alone was never relied upon to handle problems.

On cable-telco, Donovan said Quello has questions about freeing telcos to enter cable, focusing on potential for replacing one monopoly with another, also on Commission's lack of consideration of impact of telco entry on broadcasters. Felker said FCC is focusing on consumer side of question and is considering whether safeguards on nonstructural and accounting practices of telcos will guarantee whatever public benefit could accrue from having telcos compete with cable. That could take some time, he said.

In discussing chances for broadcast bills in Congress, fairness doctrine cropped up early and often. House Telecom Subcommittee Minority Counsel Terry Haines said "political differences" derailed comparative renewal legislation in House last year. He said that Rep. Rinaldo (R-N.J.), who offered new bill last week (see separate story), felt that in that context, radio-only was more doable. But Cohen said TV renewals often are lumped into radio-only bills, resulting in defeat. He said first communications move by Subcommittee Chmn. Hollings (D-S.C.) will be to reenact fairness doctrine and, if it's not vetoed, "that will make other [bills] less difficult to deal with."

Senate apparently will take up kidvid shortly thereafter, with hearing in 6-8 weeks, he said. But first, Cohen said, wide latitude will be given to players in last year's kidvid process who now are negotiating new bill. Parallel to that is newly resurrected concept involving endowment that would be used to fund children's educational programming that may not attract advertisers. Programming would be available for broadcasters to carry shows without having to worry about ad support.

Haines and Cohen said cable-telco is on back burner. Former said FCC failed to back up its tentative conclusion that telcos ought to be allowed to compete by failing to prove that they would choose to do so. Cohen said there's

some Hill sentiment for approach recommended by NTIA to allow telcos in as common carriers. On must-carry, Cohen said issue will be handled later this year. Haines criticized linking must-carry to compulsory license, as would occur in HR-109, introduced by Rep. Bryant (D-Tex.). He also predicted Congress wouldn't "rubber stamp" any industry compromise on must-carry. Cohen said that Senate Committee doesn't contemplate approving transfer fee, but that it's a possible outcome if panel is ordered to raise revenue as part of budget process.

**TV REVENUE FIGURES RELEASED:** While double-digit growth, common in all TV ad categories before 1987, wasn't reached, TvB announced that advertising in TV in 1988 totaled \$24.9 billion -- 7.1% over \$23.3 billion in 1987. Billings last year were buoyed by Winter and Summer Olympics, presidential election, campaigns for Congress and state offices. Auto advertisers showed largest increase, jumping 19% to \$2.6 billion, just behind No. 1, food products, which inched ahead 2% to \$2.84 billion.

Local advertising on TV rose to \$7.3 billion, 4.4% over \$6.8 billion in 1977, TvB said. National and regional spot ads were up 4.4%, to \$7.1 billion from \$6.8 billion. National syndication revenues jumped 19.1% to \$900 million from \$762 million.

Three TV networks' revenues gained 8.7% to \$9.6 billion from \$8.8 billion in 1987 -- although CBS has said its revenues increased only 1% in 1988 (TVD Feb 13 p5) and ABC reported "slight loss" for its TV network. Just as in 1987, NBC led in 1988 billings with \$3.82 billion, up from \$3.31 billion. ABC replaced CBS in 2nd place with \$3.02 billion, up from \$2.67 billion. CBS 1988 billings totaled \$2.73 billion, according to TvB.

CapCities/ABC and NABET began negotiations in San Diego last week on new contract to replace one that expires March 31. NABET official said union expects network to take hard line in attempt to cut costs. Cap/ABC isn't talking but is expected to seek reforms in such areas as work rules, seniority, jurisdiction. Both sides say they want to avoid strike, but company has been preparing for that possibility by training management personnel to take over in technical jobs handled by union members. NABET, which represents about 2,000 Cap/ABC employees, staged costly 16-week strike against NBC in spring 1987. CBS technical employees are represented by IBEW. Wertheim Schroder & Co. report estimates that 30% of ABC TV Network's annual expenses of \$2.1 billion are labor-related.

MPAA is backing off from earlier endorsement of 1,125/60 standard for HDTV production. Pres. Jack Valenti issued statement March 1 saying that MPAA still supports worldwide production standard and considers 1,125/60 to be "a possible worldwide system," but that whole issue has become more "politicized" and it's less likely that worldwide standard will emerge. Valenti said motion picture industry also has realized its own "parochial decisions" on HDTV could have detrimental effect on range of industries, including signal processing, semiconductor production, computer production.

NCTA Vice Chmn. Robert Miron is unopposed to date in seeking chmn. slot, now held by John Goddard, Viacom Cable pres. Miron is pres. of Newhouse Bestg. Others seeking board offices: Vice chmn., Prime Cable Senior Vp Jerry Lindauer, now secy.; secy., Cox Cable Pres. James Robbins, now treas.; treas., ATC Chmn. Joseph Collins.



**NARUC TABLES CABLE-TELCO:** Communications Committee of National Assn. of Regulatory Utility Comrs. (NARUC) last week set aside controversial resolution on cable-telco cross-ownership after hearing debate by industry leaders. Resolution had been compromise reached by staff subcommittee, which itself was split on issue. Ronald Choura of Mich. PSC has long favored telco entry, while Ernest Heller of Wash. Utilities & Transportation Commission has had substantial doubts. Compromise resolution they produced for committee of regulators said that independent cable operators, which are capable of serving 80% of households in country, haven't been able to satisfy public demand for more reliable service.

Resolution listed several principles that states could follow in recommending policy to Congress: (1) States should be able to regulate intrastate telecommunications services provided by telcos or by cable operators. (2) Ratepayers shouldn't have to subsidize cable entities set up by telcos. (3) Any relaxation of ownership rule should be contingent on repeal of part of 1984 Cable Act that bars state and local govts. from regulating cable rates and service.

Resolution was opposed by Cal. PUC Pres. Mitchell Wilk, who said industry debate before committee took up resolution raised "more questions than answers." He suggested resolution be delayed until July NARUC meeting. Committee Chmn. Sharon Nelson, chmn. of Wash. UTC, agreed issues hadn't been defined properly, particularly since FCC Comrs. Quello and Dennis appeared to distance themselves from agency's conclusions on cable-telco. Fla. PSC Comr. Thomas Beard said he had "a notorious lack of faith in both sides."

Wyo. PUC Comr. Nels Smith said several issues weren't covered, including common carriage and cable entry into switched services. He called resolution "premature, if its time ever comes." Committee has tabled other cable-telco resolutions in past.

NCTA Pres. James Mooney said in response to NARUC vote: "The more people learn about this issue, the less sure they are that the telephone companies have a valid case for entry into the TV business. If you get this thing into an objective forum with people who know something about the subject matter, they see a lot of risk but little public benefit." U.S. Telephone Assn. (USTA) Vp Ward White said: "We're disappointed but will continue to work with the Communications Committee. We have substantial support on the Committee, and it's clear we have the overwhelming support of the subcommittee staff for proceeding."

Other participants in debate were USTA Pres. John Sodolski, Consumer Federation of America Legislative Dir. Gene Kimmelman, National League of Cities Legislative Counsel Cynthia Pols. In 90-min. debate, Mooney argued that real issue was whether telcos should be allowed into programming business because they currently can provide other types of involvement in cable business. He called benefits to public of telco entry "at best obscure," saying there were many risks to entry.

Sodolski defined issue in terms of transmissions technology for next century. He said telcos could best provide service, blasted cable as legally unregulated monopoly produced by what he called "Cable Protection Act." Kimmelman disagreed with method of awarding franchises, which he said was "system based on bribery." Pols supported entry of telcos as those best able to modernize system.

**SAMMONS TEAMS WITH TELCO:** Sammons Communications and Southwestern Bell (SWB) have signed letter of intent to test simultaneous transport of voice and cable signal via single mode fiber optics to homes in Ft. Worth development. Arrangement is 2nd such venture between a cable operator and a Regional Holding Co. (RHC) in testing fiber to home -- Helicon Cablevision is allowing Bell Atlantic (BA) to test cable distribution to home via fiber optics (TVD July 18 p6) in Perryopolis, Pa.

SWB is installing fiber to 80-100 customers in Mira Vista subdivision and expects test will start in 3rd quarter 1989 and run 1-2 years. SWB said it's negotiating with several vendors for cable.

System will use optical network interface (ONI) located outside customers' homes and coaxial cable inside homes. Four signals will be accessible at any one time inside home, with total of 61 channels to be offered, said SWB Area Mgr.-Loop Technology Planning John Coleman.

"Our goal is to position our network to deliver enhanced services in the future when they are requested by our customers," said SWB Asst. Vp-Distribution Services Joe Walkowiak. Company said its economic studies indicate fiber-to-the-home may be cost effective in early 1990s.

**NAB is attempting to change dates of 1989 winter board meetings and legislative forum, set for Naples, Fla., Jan. 12-18, to avoid conflict with Jan. 16-19 NATPE convention in New Orleans. If there's to be change, decision is expected this week, NAB Senior Vp-Conventions & Meetings Henry Roeder said after Exec. Committee session in Washington March 1. NAB meetings were scheduled first, but NATPE later moved planned dates without consulting NAB. Most NAB TV dirs. and several staffers customarily attend NATPE. Another problem has arisen for syndicators, who show at both NATPE and INTV -- since there will be only 10 days between their conventions next year, with INTV meeting in L.A. INTV had negative response to NATPE suggestion that independent TV stations move to Dec. At last week's meeting, NAB Exec. Committee: (1) Allocated \$50,000 over 2 years for project to research and design new personal diaries for ratings research. (2) Scheduled March 21-22 retreat on future of AM, with focus on technical issues. (3) Was told that ground will be broken around time of NAB convention (April 28-May 2) to install and test experimental AM antenna, designed by engineer Ogden Prestholdt.**

**Pappas Telecasting plan to reduce number of independent TVs in Okla. City from 3 to one (TVD Sept 5 p6) has fallen through, with Busse Bestg. unit terminating agreement to sell its KOKH-TV to Pappas. Rest of plan, which involved Pappas acquisition of KAUT and division of KGMC assets between Pappas and Okla. Educational TV, was conditioned on KOKH-TV transaction, we're told. Pappas planned to arrange sale of KAUT to undisclosed religious network. KGMC license had been set for FCC hearing because of alleged unauthorized transfer of control by Ivan Boesky to his wife in what Commission said was attempt to shelter his assets from SEC and court investigation. Station has been under FCC's distress sales policy.**

**Chmn. of Postal Rate Commission apparently is at head of line to become next FTC chmn. Janet Steiger, widow of Rep. Steiger (R-Wis.), is reported leading candidate to succeed Daniel Oliver, conservative Republican whose FTC term expired in Sept. Steiger, political moderate, is close friend of President Bush.**



**MULTIVISION OVERBUILDS SOUGHT:** Several Fla., Kan. and Mo. municipalities are following lead of Tenn. communities in considering overbuild options in order to develop competition to incumbent operator MultiVision Cable TV Corp. after seeing cabler raise rates sharply in last year. Some 20 mayors from towns in Tenn., many served by MultiVision, already are pursuing idea in wake of several meetings with Sen. Gore (D-Tenn.) (TVD Feb 13 p8).

NCTA has called for moderation in rate increases by member cable companies because that's one area that may ignite constituents into complaining en masse to Congress. Consequently, cable insiders wince at MultiVision rate boosts, which last year ranged 27-36.9% in Southeast, Multivision Regional Vp Thomas Hopping said. One NCTA official told us board members have "talked with" MultiVision executives, but discussions appear to have been unsuccessful. MultiVision is cable management company formed to manage systems held by ML Media Partners and U.S. Cable TV Group LP that serve total of 500,000 subscribers. Principals are Elton Rule, Martin Pompadur, Christopher Conley and Merrill Lynch (only in ML Media) and GE Capital Credit (only in U.S. Cable TV Group).

Fla. regulatory affairs consultant Thomas Alexander described MultiVision in state as taking "a very obnoxious stand" in number of 22 small franchises it has acquired in Panhandle. Company "has become the front-runner but there are others that aren't helping things," he said.

Pres. Christopher Conley said MultiVision is decentralized and rate increases are set at regional level. Hopping said rates for Tenn. systems were raised last summer to \$17.95-\$19.95 per month for 22-24 channels. At meeting with Gore, Hopping offered senior citizens rollback to \$13.95-\$14.95 per month for 12 channels. Penetration in Tenn. markets is 57-73%, Hopping said.

In Fla., city of Gulf Breeze is investigating offering cable franchise to another operator that would overbuild MultiVision. City has retained local company to conduct subscriber survey. Cox Cable is interested in overbuild, we're told; it has franchise in adjacent Pensacola. Gulf Breeze Mayor Ed Gray said previous cable operator, Essex Communications, boosted rates to \$14.70 from \$11 per month before selling. MultiVision representative then told Gulf Breeze he didn't see increase in foreseeable future, Gray said, only to have it raise rates to \$17.95 from \$14.70 only 2 weeks after assuming franchise. Also in Fla., local news items said Mexico Beach has granted another franchise to ACT of Mexico Beach Inc.

In Milton, City Mgr. Russell Harber said another cable company is being sought but Cox so far has passed up opportunity because it interpreted cable franchise as being exclusive. He said MultiVision paid too high a price and increased rates to pay that premium. Rates in Milton under MultiVision climbed to \$17.95 from \$11, at same time number of channels was increased to 27 from 13.

Osage City, Kan., has set April 4 referendum on whether to overbuild MultiVision with municipally owned system. City already operates power and water utilities. Cable penetration is 70-75%. Mayor Dwight Thompson said city feels MultiVision has "shafted" it and subscribers are paying too much: "It has become quite obvious to us that they're trying to recover a lot of money too quickly and we're not going to tolerate it." Thompson said his cable bill for basic rose from \$11.95 in June 1987 to \$22.05 in Feb. 1989: Galena, Kan., City Clerk Jeanie Holstrom said rates there have risen to \$18.02 from \$16.29. Mt. Vernon, Mo.,

also is considering seeking competition to MultiVision, which boosted rates to \$15 from \$11, City Clerk Mary Walker said.

MultiVision Mid-America Regional Vp Larry Scudder said difficulties his company is experiencing are no different from those of some other operators, specifying Cencom in Hopkinsville, Tenn., McDonald Group, Galaxy Communications. In Mid-America region, Scudder said, there was nothing "terribly unique" about MultiVision practices. "What I see is a reaction on the part of these small municipalities that had mom-and-pop cable operators for a number of years" and now face new way of doing business under 1984 Cable Act, he said.

Nor-West Cable Communications Partnership's motions for new trial and judgment notwithstanding jury verdict in cable First Amendment case have been denied by Judge Donald Alsop in U.S. Dist. Court, St. Paul. Nor-West was unsuccessful bidder for city cable franchise, losing to Continental Cablevision. Nor-West sued city, claiming it violated First Amendment by refusing to grant it franchise. City, backed by Continental, won jury verdict that found in part that Nor-West lacked adequate finances to build system. Alsop issued 15-page decision Feb. 27 upholding jury and denying motions filed by Nor-West counsel, Harold Farrow. Sol Schildhause, Farrow partner, said case would be appealed to 8th U.S. Appeals Court, St. Louis. Meanwhile, lone other First Amendment franchise case -- Preferred Communications vs. L.A. -- continues to move slowly through U.S. Dist. Court, L.A. Judge Consuelo Marshall has set 5-6 dates for hearing on 7 summary judgment motions -- 4 by city -- and has cancelled each. Order is expected soon setting date for hearing, as well as new date for trial, which had been expected to start April 4.

FCC Comr. Quello is using speech before N.Y. Chapter of FCBA March 6 to repeat his views on cable-telco, to express his anger at media over rejection of congressional pay raise and his hope that new Commission in Bush Administration will be more moderate and have less ideological approach. In prepared text, Quello said FCC cable-telco proceeding must take into consideration impact on broadcasters and must not allow one monopoly to be replaced by another. He said that to preserve broadcasting, FCC may have to require that any fiber video transmission system provide basic antenna service to transmit local broadcast signals free. On pay raise, Quello said: "I find it the ultimate in unconscionable self-appreciation and insensitivity for TV and cable personalities, news anchors and talk show hosts, many of whom make 10 to 25 times more than a senator or congressman, to indulge in a messianic binge against a salary adjustment to keep pace with inflation for congressmen, key government officials and judges." Quello said that with his moderate life-style, he has no problem living well on govt. salary.

CapCities/ABC has bought indirect minority interest in Tele 5, W. German satellite-delivered cable network, officials confirmed. Cap/ABC Video Enterprises purchased share of Tele-Munchen, Munich-based production and distribution company that owns portion of Tele 5, ABC spokeswoman said. Money-losing Tele 5 is 3rd largest German language cable service, reaching 8 million homes and 4 million more through terrestrial broadcasts. Tele 5 will relay Intelsat feed of Academy Awards to viewers March 29.

Average household watched TV (including cable channels) 49 hours, 20 min., per week in 1988, Nielsen Media Research reported. Jan. was highest viewing month with 54 hours, 11 min., weekly; June was lowest at 45 hours, 13 min.



**FOREIGN HDTV THREAT SEEN EASING:** Foreign HDTV threat is "not as pressing" as it once was because U.S. has become active HDTV player, said Joel Chaseman, chmn. of Post-Newsweek Stations and of Advanced TV Test Center (ATTC). Chaseman also told us ATTC probably isn't interested in receiving federal funding, but Congress should consider supporting HDTV Task Force at FCC.

"Everyone is now waiting to see which way [U.S.] will go," Chaseman said of potential foreign HDTV competitors. "If we take another 6 months or a year, no one is going to jump in." Everyone, including Japanese, Europeans and Soviets, is taking 2nd look at their HDTV technology as result of "ferment" in U.S., Chaseman said.

U.S. headed off worst of foreign threat when FCC set up Advanced TV Advisory Committee, Chaseman said. Committee made "everyone realize that the U.S. was serious about HDTV and that we weren't going to be passive." However, he warned, threat could come back. "If it has abated, it's only because America is in action," he said. "If we let up, the threat will reappear." Right now, he said, "everyone is working as hard as they can" to speed process of developing HDTV technology and standards.

There's some breathing room in HDTV process now, he said. It could be 1991 before test center completes its work and HDTV standards are adopted, he acknowledged, but "that certainly isn't too late and it may even be too early." He said Japanese are "looking at 1995" for their HDTV system and there has been no agreement on production or propagation standards.

Federal funding of test center isn't needed, Chaseman said. Networks, NAB and MST/INTV, which are largely paying center's way, prefer to keep it under private control, he said, and "all the checks are in" from planned supporters -- although more will be expected soon. Test center is significantly more expensive than original \$3.5 million estimate, he said, and there has been "robust debate" over how cost should be divided. But he said test center board members have agreed to continue sharing costs equally. Issue of additional financing for center will be raised at June board meeting, NAB Exec. Vp John Abel said, but he predicted there "won't be a problem." Center still isn't sure exactly how much money will be needed, Abel indicated. That's likely to depend on how many HDTV systems are tested because each series of tests probably will take month, he said: "There could be 15 systems, there could be 6."

Govt. funding of HDTV Task Force within FCC "would be very helpful," Chaseman said. MST proposed task force be added to FCC staff to beef up technical capabilities and "overcome the budget constraints that have prevented the Commission from devoting the resources necessary to meet the HDTV challenge". Chaseman said task force would provide full-time "backstop" for everyone working in HDTV and give FCC "full-time focus it needs." Next Week: HDTV testing start is likely to be late.

INTV hosted meeting of cable's opponents last month -- and filled its conference room with representatives from CBS, MPAA, NAB and National League of Cities, to name a few. They were attempting to find common ground in approach to resolving problems with cable. Groups were trying to define situation for legislative purposes, and then in 2nd step to find legislative solution. Since that meeting, there have been "rump" sessions of smaller numbers of representatives, but we're told no further gatherings of aggregate group have been set.

**RADIO REFORMS OFFERED:** Radio-only license reform legislation that would give industry greater renewal expectancy and improve complaints procedures was offered in House Feb. 28 by Rep. Rinaldo (R-N.J.), ranking Republican on House Telecom Subcommittee. He was joined by Subcommittee members Boucher (D-Va.), Tauke (R-Ia.), Tauzin (D-La.). NAB praised introduction of bill, although it doesn't give industry all it wants, and said it will seek similar measure in Senate.

Bill is similar to TV-radio reforms offered in 100th Congress by Tauke and Tauzin (HR-1140) in that it contains same 2-step license renewal process. However, new measure would apply only to radio, which Rinaldo indicated was "uniquely diverse, [more] locally oriented and universally available" than TV. He noted that there are more than 10,000 radio stations in U.S. and that typical household has 5.6 receivers. "The success of a radio station is deeply rooted in the public's recognition that the station provides locally based services," Rinaldo said.

Sponsors say bill would make stations eligible for automatic license renewal if they can show at review time that they have: (1) Broadcast material responsive to issues of local concern. (2) Avoided serious violations of 1934 Communications Act and FCC regulations. (3) Engaged in no pattern of abuse of Act or agency rules. If station falls short on any of 3 prerequisites, license would become subject to competing applications. Payoffs to competing applicants to withdraw would be prohibited. License term would remain 7 years.

Informal complaints process at FCC also would be formalized into law for first time. Agency could consider public complaints on station's performance at any time during license term. However, once dispensed with satisfactorily, those same complaints couldn't be used against licensee again at renewal time, aide said. Rinaldo indicated he would have another proposal later in year dealing with medium's technical problems. Last year, he urged FCC action on AM signal quality improvements.

NAB Pres. Edward Fritts said "broadcasters congratulate" congressmen for recognizing importance of "locally based radio broadcasting and helping to assure licensees' continued service to the American public."

Withdrawal of several major advertisers from Fox TV's Married... With Children series because of complaints of one person has prompted protest against advertisers' actions by People for the American Way. Mich. homemaker Terry Rakolta had written to 45 advertisers on program complaining of what she termed its "blatant exploitation of women, sex and antifamily attitudes." In withdrawing ads, Coca-Cola USA Pres. Ira Herbert wrote Rakolta that he was "corporately, professionally and personally embarrassed" that company had advertised on show. Other advertisers to withdraw included Procter & Gamble, McDonald's, Tambrands, Kimberly-Clark.

Broadcast news salaries outpaced 4% increase in Consumer Price Index for July 1987-July 1988, according to study for RTNDA conducted by Prof. Vernon Stone, U. of Mo. Survey found radio news salaries rose 5% and TV 6% in 12 months. Typical TV anchor's salary was up 15% to \$30,000 -- although it was \$88,700 in top 25 markets. Top salary for TV anchor at 319 responding stations was \$1.56 million, \$98,000 for highest paid radio anchor. Typical TV news dir. made \$39,000, radio news dir. \$17,700. Major-market TV and small-market radio reporters showed highest percentage increases, RTNDA said.



## Personals

John McCrory resigns as pres., Times Mirror Bestg... Steve Antoniotti advanced to pres.-gen. mgr., WJBK-TV Detroit... Larry Shrum promoted to vp-station mgr., WCSC-TV Charleston, S.C... Sandy DiPasquale, ex-WGRZ-TV Buffalo, appointed pres.-gen. mgr., KWCH-TV Hutchinson-Wichita... John Sloan advanced to station mgr., KWQC-TV Davenport, Ia... Paul Horrigan, ex-WFXT Boston, joins WFLD Chicago as vp-finance and administration... Mark Jollie, ex-KWKT Waco, appointed vp-gen. mgr., KDTU-TV Tucson... Ron Olsen moves from program dir., KULR-TV Billings, Mont., to station mgr... John Rogers, gen. mgr., WKAB-TV Montgomery, joins WABG-TV Greenwood-Greenville, Miss., in same post... Patricia Allen named business mgr., WOGX Ocala, Fla.

FCC calendar -- March 6: Lisa Hook, legal adviser to Chmn. Patrick, participates at N.Y. public hearing on state's cable TV, 10 a.m., Federal Plaza. Meeting is to be convened by Rep. Schumer (D-N.Y.) and N.Y. State Consumer Protection Board. Comr. Quello speaks at lunch of N.Y. chapter, Federal Communications Bar Assn., 12:30 p.m., Harmonie Club. March 7: Chmn. Patrick testifies on FCC appropriations before House Commerce Appropriations Subcommittee, 10:30 a.m., Rm. H310 of Capitol. March 8: Patrick testifies on HDTV before House Telecom Subcommittee, 9:30 a.m., Rayburn Bldg., Rm. 2123.

Kathy Levitz moves from FCC Office of Plans & Policy to special adviser to Mass Media Bureau Chief Alex Felker. Retirements at FCC: George Enuton, asst. chief, FM Branch, after 28 years; William Meintel, engineer, Policy & Rules Div., after nearly 20 years; Raymond Seddon, senior Emergency Best. System electronics engineer, after 29 years... Robert Kaplan advanced to dir.-comedy development, GTG Entertainment... Daniel Villanueva, gen. mgr., KMEX-TV L.A., retires after 18 years... Ray Nelson joins WEYI-TV Saginaw as local/regional sales mgr... Rackeline Hoff named special events mgr., WTVS Detroit... Wendell Woody, ex-Catel, joins Anixter Cable TV as fiber optic applications mgr.

Ted Turner, chmn., Turner Bestg. System, speaks at March 8 lunch of Washington Metropolitan Cable Club, noon, Quality Inn Capitol Hill; Turner appears March 16 before ATAS Activities Committee, 7:30 p.m., Beverly Hilton Hotel, L.A... Howard Stringer, CBS/Best. Group pres., is luncheon speaker at Best. Financial Management Assn. conference, April 9-12, Dallas... Jane Blaney promoted to mgr.-program scheduling and administration, USA Network, new post... Elisabeth Robinson, ex-Sundance Productions and United Artists, joins Lee Rich Productions as vp-creative affairs-motion picture and TV units... Rod Murray, ex-research dir., MMT Sales, joins D.L. Taffner in same post... Carol Robinson moves from national broadcast exec., AP Best. Services, to exec.-Wash., Md., Va., W.Va.

Ashley Hill, ex-secy., ITV Assn., joins British Satellite Bestg. as head of program scheduling... Robert Deigh, assoc. editor, US News & World Report, becomes PBS dir.-corporate information March 13, succeeding Mary Jane McKinven... Menahem Golan resigns as senior exec. vp, Cannon Group, and chmn., company's Cannon Entertainment, to form new production firm Cannon will help finance... Promotions at Movietime: Rick Portin to vp-production, Andrew Epstein to dir.-programming planning and development... Susan Scott, ex-Turner Bestg., joins Comcast Cable as programming mgr... Leslie Read, dir.-affiliate special projects, HBO, joins board of National Cable TV Center & Museum, Pa. State U.

# TELEVISION DIGEST

Published Weekly Since 1948  
With Consumer Electronics  
(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

Warren Publishing, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Public Broadcasting Report, Space Commerce Bulletin, Television & Cable Factbook and other special publications.

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This newsletter is available electronically via Newsnet and may also be received through facsimile service.

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National Cable TV Cooperative (NCTC) has broken with cable industry and voted unanimously to support cable program access bill (S-168) introduced by Sen. Pressler (D-S.D.). NCTC Exec. Dir. Michael Pandzick said bill fits with NCTC's long-standing desire to do away with unwarranted volume discounts on cable programming because key programmers aren't offering co-op members same type of discounts. Second half of bill, which would eliminate cable exclusive programming, is less appetizing to NCTC, and Pandzick said group will seek to modify it. But he said that except for a few services -- Turner Network TV and NFL portion of ESPN -- there's little cable-exclusive program product available and that cable programmer could provide overbuilder with such product. He labeled as "preposterous" statement by NCTA Pres. James Mooney that Pressler bill would nationalize cable programming industry. Pandzick said he agrees with Wireless Cable Assn. Pres. Robert Schmidt that cable needs to change its ways or it will face reregulatory backlash.

Radio Ventures is being formed by RKO Radio Pres. Jerry Lyman, 3 partners in Dow, Lohnes & Albertson law firm -- Ralph Hardy, William Perry and Leonard Baxt -- along with Carlyle Group. Lyman, ex-NAB radio chmn., will be pres.-CEO of Radio Ventures, which plans to acquire stations. Hq: 1001 Pa. Ave. NW, Washington 20004, 202-347-2626.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 3rd statistical week of Feb. and year to date:

	FEB. 11-17	1988 WEEK	% CHANGE	FEB. 4-10	7 WEEKS 1989	7 WEEKS 1988	% CHANGE
TOTAL COLOR.....	412,954*	317,555	+30.0	319,870	2,580,002*	2,131,714	+21.0
DIRECT-VIEW...	407,590*	314,383	+29.6	317,239	2,552,749*	2,099,854	+21.6
PROJECTION....	5,364*	3,172	+69.1	2,631	27,253	31,860	-14.5
TOTAL VCR.....	154,201	180,428	-14.5	104,676	1,034,733	1,310,592	-21.0
DECKS.....	132,762	166,860	-20.4	90,513	880,593	1,182,915	-25.6
CAMCORDERS....	21,439	13,568	+58.0	14,163	154,140*	127,677	+20.7

Color TV 5-week moving average: 1989--408,069\*; 1988--335,665 (up 21.6%).

VCR deck 5-week moving average: 1989--138,959; 1988--185,448 (down 25.1%).

Camcorder 5-week moving average: 1989--25,740\*; 1988--21,837 (up 17.9%).

\* Record for period.

**'FIRST HDTV CONSORTIUM'--ZENITH AND AT&T:** Seeking Pentagon money for joint development of HDTV receiver, Zenith and AT&T became what Zenith Chmn.-CEO Jerry Pearlman called "first HDTV consortium." He said he hoped his company would be involved in others, including one he expects to be developed and funded through Commerce Dept.

Among more than 80 proposals for grants filed with Defense Advanced Research Projects Agency (DARPA) at deadline last week were 2 each from Sony America (Sonam) and N. American Philips for display and processor or receiver. Applications by these and other Japanese and European manufacturers are expected to touch off controversy, but Pentagon had stated specifically that "all valid responses will be considered," regardless of source or nationality (TVD Jan 9 p14). Sonam official pointed out Sony was only company now making complete line of HDTV equipment and said work under any grant would be conducted in U.S. "in association with R&D operations in Japan."

DARPA has indicated it will award up to \$30 million each for display and receiver projects (TVD Jan 2 p9). Spokeswoman said names of applicants will be announced, possibly this week. Japanese and European applications are expected to hit particularly sensitive spot on Capitol Hill, where issue of HDTV is being identified with America's technology lag. First HDTV legislation -- providing for up to \$500 million in matching grants -- was introduced in House last week (details in separate report in this issue). Zenith's 2 applications, including one with AT&T, are regarded as having inside track, since it was unsolicited Zenith application for funds that apparently touched off DARPA project in first place (TVD Oct 31 p11).

Receiver proposal with AT&T was one of 2 requests Zenith submitted to DARPA, as expected (TVD Feb 27 p9), and although it was known that receiver plan would be joint one, presence of AT&T was surprise. Zenith and AT&T are seeking \$13 million from DARPA to help fund \$24 million project, and Zenith alone asks \$10 million funding for \$21.5 million R&D study that could lead to production of large-screen HDTV version of Zenith's Flat Tension Mask (FTM) tube, which Zenith earlier told DARPA would cost \$58 million through prototype production (TVD Dec 26 p9, Oct 31 p11).

AT&T's primary role in project, which would be supervised by Zenith, would be to develop chips for receiver, but also is "particularly suited because of its data compression skills." Receiver would be designed for Zenith's proposed Spectrum Compatible HDTV transmission system (TVD Sept 5 p1), and proposal cleverly helps advance that system by tying it to possible govt.-sponsored receiver development. However, Pearlman told us part of receiver design probably would be applicable to other systems as well.



"We obviously think that this [consumer TV] is an important market because it is a driver of so many other areas," AT&T Microelectronics Div. Market Development Vp Dan Lankford said. "The United States," he added, "is not nearly as far behind foreign competitors as most people think, and we are setting out to prove it." In addition to Microelectronics Div., AT&T's Bell Labs will contribute to any research. Bell Labs' name conjures up mighty images to electronics and TV veterans -- it was locale of invention of transistor and much research that led to current U.S. TV system. While Pearlman says Zenith plans to go ahead with receiver design even if DARPA doesn't come through with funding, AT&T isn't necessarily committed.

Zenith and AT&T already have held meetings to map strategy, and Pearlman says aim is "chips designed in silicon in 28 months, with stuff in the marketplace in volume 6 to 12 months later -- total time of 3-1/2 years," with receivers on market in late 1992 to mid-1993. Referring to our recent report that Japanese HDTV sets still may cost \$4,000 in late 1990s (TVD Feb 20 p9), Pearlman said goal is 31" widescreen HDTV set in "low \$1,000s" in first year, but if 4x3 aspect ratio is maintained as opposed to 16x9 widescreen, "we can have a 27-inch [HDTV] under \$1,000."

Key to reducing costliest part of TV, Pearlman believes, is development of FTM tube (now used for computer monitors) to make possible simple printing method of applying phosphors to flat faceplate, which he said would cut capital cost tenfold for mask and face of tube and 50% for entire tube. "First we'll try with 14-inch glass," he said, "then 20 to 30 inches." Tube development would be applicable to any HDTV system.

Pearlman personally opposes idea of widescreen (16x9 ratio) tube as not adding enough to justify its extremely high cost, but he says company's Spectrum Compatible HDTV system is "by far the best for widescreen because it involves 2 independent transmissions," on NTSC and HDTV simultaneously.

Asked about recent proposals to "wait for digital transmission" of HDTV (TVD Feb 20 p5), Pearlman called them "nonsense," noting that some proponents say that will cost delay of 15 years. "What do we do for the next 15 years," he asked, "ignore it?" As for forecasts that computer and TV will merge in home, he said they "believe the fact that nobody wants to watch TV on the same size screen as the computer -- if one box has 2 screens it may as well be 2 boxes."

Although Zenith endorses idea of several consortia, Pearlman reiterated that best way to get started is with more money. "DARPA and Commerce [Dept.] are working together," he said, indicating he expects more federal grants to be offered. "Any consortium must have both R&D and production, with government funding the R&D," he said. "We are actively working with a number of groups to develop a consortium proposal which would get support from big players in industry and government, to present to the Secretary of Commerce... Something will come [of this] long before AEA comes across," he added, referring to American Electronics Assn.'s 36-company consortium study program, of which AT&T is member but Zenith isn't. AEA Vp Pat Hubbard hailed Zenith-AT&T announcement as "exciting," but, referring to Sony application, said she would be "very concerned" if govt. funded research in Japanese labs.

Thomson Consumer Electronics responded to news of Zenith-AT&T partnership by saying project "supports a theoretical HDTV system that will require major resources and funding to prove out in the 1990s. While that embryonic process is taking place, [Thomson's RCA] will be moving rapidly to help complete the development of the existing Advanced Compatible TV system now under way..." Thomson said ACTV hardware will be tested in first half this year.

**SAMSUNG AGREES TO MAKE GO-VIDEO DUAL VCR:** Go-Video is moving ahead with plan to market its dual-deck VCR-2 in U.S. by year end. Ironically, Samsung -- which 3 years ago attempted but quickly abandoned introduction of its own 2-deck VCR 3 (TVD Aug 11/86 p14) -- has agreed to make VCR-2 for Go-Video, which in turn dismissed Korean manufacturer from its \$4.5 billion antitrust lawsuit. Case still is pending against JVC, Matsushita, NEC, Sanyo, Sharp, and Sony of Japan and Daewoo of Korea.

Under settlement, Samsung receives nonexclusive license to make and sell product, called VCR-2, worldwide. Go-Video will have product first, followed by Samsung version, Go-Video Chmn. Terren Dunlap said. Both will be labeled VCR-2 and will cost under \$1,000, he said. Dunlap said high-end desktop editing version will be introduced later. Go-Video also plans another model that will connect to personal computer to provide interactive functions. Interactive VCR, called VCR-2i, will be made by Go-Video subsidiary Interactive Media Technologies, Scottsdale, Ariz., Dunlap said.

Dual-deck machine allows consumer to record 2 programs at once, or watch rented videotape while recording program, and to edit home tapes, Dunlap said. Go-Video has agreed to include anticopy circuitry



in VCR-2 to prevent illegal copying of videotapes, as part of legal settlement with MPAA (TVD Oct 3 p16). But Dunlap estimated consumers have access to "300 million tapes" that don't use Macrovision or other anticopy technology, and will be able to copy those tapes with dual-deck VCR. Major industrial and educational uses will be tape editing and combined use with computer.

Demand for doubledecker VCR exceeds 500,000 in U.S., Dunlap said, and first production probably won't meet demand. He said Go-Video and Samsung engineers are completing production standards for products, and prototype is expected to be ready for Summer Consumer Electronics Show in Chicago in June. Capitalizing on current made-in-U.S. fervor, Dunlap said semiconductors for dual-deck VCR will be made at plant in Phoenix and shipped to Samsung in Korea. He wouldn't say how many VCRs will be made at outset.

Go-Video is continuing its suit against other companies "to get every penny we've been damaged," Dunlap said. "We're going to break the Japanese cartel. If Zenith didn't have the guts to do it, we have." Suit, filed in June 1987 in U.S. Dist. Court, Ariz. (TVD June 29/87 p26), is scheduled to go to trial in fall.

Controversy over dual-deck VCR provided diversion in spring-summer 1986, after MPAA assailed Samsung's plan to build VHS/8mm deck as product with no purpose other than piracy (TVD July 7/1986 p11). When it dropped plan, Samsung insisted MPAA pressure had nothing to do with move, saying it wanted to concentrate on "mainstream" VCR products. Go-Video has had no argument with MPAA since it agreed to incorporate Macrovision anticopy technology.

**HOW 'PRIVATE EYE' VIEWER WORKS:** It works with vibrating mirror and LEDs, as we speculated at time we described tiny high-resolution monitor that can be mounted on pair of glasses to show image that appears to be 12" floating in space about 2 ft. away (TVD Dec 19 p10). Workings of unique "Private Eye" monitor in 2-oz. package -- seen as potential low-cost portable TV display -- are described in patent application filed in 13 European countries by developer Reflection Technology Inc. (RTI). Patent applications are published in Europe, but not U.S.

Developers claim system can be built from readily available off-the-shelf parts. Summary of application for patent on "miniature video display system" notes that it "mounts at least one row of [LEDs], a collimating lens and a vibrating mirror in a light-tight box through which the mirror may be viewed. The LEDs are selectively illuminated at points in the travel of the vibrating mirror, resulting in rows of pixels being projected at selected points on the mirror to provide a 2-dimensional image. Two or more rows of [LEDs], each of a different color, may be adjacently mounted and selectively illuminated... resulting in a color image."

One suggested model, using 1x3x1.2" light-tight viewing box, application indicates, could use Telefunken printing module containing 256 LEDs in line (about 1/2" long), mounted horizontally, to provide 256x256 pixel square display (although demonstrated model had rectangular image and claimed 720x280 pixels). Light from LED module is focused and aligned by lens whose output is applied to vibrating mirror mounted diagonally. Combination of lens and angle of mirror as described in application gives virtual image that appears to be floating in space directly ahead of viewer's eye. Optical scanners suitable for oscillating mirror (50 Hz in demonstration sample) are reported to be available from General Scanning Inc., Watertown, Mass.

Information to be displayed is stored in data storage device, "which may be a ROM, a PROM, an EPROM or a RAM." Device is expected to be marketed at outset as computer display.

Patent application covers TV as well as computer uses, noting it's possible to eliminate data storage device "and to control the LEDs directly from a data or video input signal... [with device] connected through suitable circuitry to a TV antenna or other video receiver, permitting the device to be used as a miniature TV monitor." In case of color TV, system could use 3 rows of LEDs, one each of red, blue and green for full-color image. Actually, however, company official indicated that computerized digital signal probably would be used for TV as well as data display.

Even in TV with full motion, mirror wouldn't have to vibrate faster than 50 Hz, RTI official said, since viewer itself uses digital signal that needn't bear any relationship to TV's line, field or frame rate. Viewer would be fed by display memory whose output is digital signal, he said, and vibration need only be fast enough to eliminate flicker. Memory eventually might be built into viewing box or could be outboarded. As for LEDs required for color TV, he conceded that while red and green versions are readily available, those that glow blue are difficult and expensive, but "many companies are working on them."



European patent application is No. 88306856.1. RTI is preparing for prototype production in new facility at 240 Bear Hill Rd., Waltham, Mass. 02154 (617-890-5905).

**U.S. COLOR OUTPUT SET RECORD IN '88:** Who says there's no color TV production in U.S.? Sets coming off lines in U.S. assembly plants set record of 11.94 million in 1988, up 8% from 1987, while imports declined 6.6% to 8.21 million. Total supply of color sets to U.S. market also hit all-time high -- 20.15 million.

Increase in domestic assembly vs. imports continued trend that began in 4th quarter of 1987 (TVD March 14 p11). In 1988's final quarter, U.S. production outpaced imports, but total color TV supply decreased slightly. Year's total exceeded full-year record of 11.83 million sets made here in 1984.

Imports' share of total supply fell to 40.7% from 44.3% in 1987. U.S. production total includes sets assembled here from imported chassis & kits. If these were counted as imports and subtracted from domestic production, imports would have much larger share (64.8%) of total. Total TV supply in year fell 7.2% to 23.26 million, as b&w TVs-- supplied exclusively by imports -- dropped 40.4%.

In 4th quarter, total color supply fell 0.6% to 5.52 million from quarterly record 5.56 million in same 1987 quarter. Domestic production rose 1.4% to 3.26 million, record for any quarter, while imports decreased 3.4% to 2.26 million and accounted for 40.9% of total. Total TV supply was off 5.9% to 6.36 million in period. Here's breakdown of TV set supply in full year and 4th quarter, as derived from EIA data (its "production" or total supply figures) and Commerce Dept. (imports):

#### TOTAL TV SUPPLY, 1988 vs. 1987

		U.S.- Produced*	% Change	% of Total	Imports	% Change	% of Total	Total Supply	% Change
Total TV	1988...	11,938,000	+ 8.0	51.3	11,320,000	-19.2	48.7	23,258,000	- 7.2
	1987....	11,058,000	+ 1.3	44.1	14,011,000	- 4.5	55.9	25,069,000	- 2.4
Color TV	1988....	11,938,000	+ 8.0	59.3	8,209,000	- 6.6	40.7	20,147,000	+ 1.5
	1987....	11,058,000	+ 1.3	55.7	8,789,000	+ 8.6	44.3	19,847,000	+ 4.4
B&W TV	1988....	--	--	--	3,111,000	-40.4	100.0	3,111,000	-40.4
	1987....	--	--	--	5,222,000	-20.6	100.0	5,222,000	-20.6

#### THIRD QUARTER

Total TV	1988....	3,263,000	+ 1.4	51.3	3,098,000	-12.5	48.7	6,361,000	- 5.9
	1987....	3,218,000	+ 7.3	47.6	3,541,000	-25.5	52.4	6,759,000	-12.8
Color TV	1988....	3,263,000	+ 1.4	59.1	2,257,000	- 3.4	40.9	5,520,000	- 0.6
	1987....	3,218,000	+ 7.3	57.9	2,337,000	- 7.9	42.1	5,555,000	+ 0.4
B&W TV	1988....	--	--	--	841,000	-30.1	100.0	841,000	-30.1
	1987....	--	--	--	1,204,000	-45.6	100.0	1,204,000	-45.6

\* U.S. production includes sets assembled from imported chassis & kits; imports are complete sets only.

**CANON REINFORCES HIGH-END STATUS OF Hi8:** The "hi" in Hi8 may stand for high-band, but it also means high end. Canon made that absolutely clear last week in introducing 2nd 8mm high-band super-camcorder -- after Sony (Kyocera, Nikon and Ricoh have also shown Hi8 camcorders, but they're made by Sony and appear identical).

Canon's A1 camcorder is landmark in at least 2 ways: (1) It's first 8mm device introduced with AFM stereo. Standard 8mm format offers option of analog AFM hi-fi mono or digital PCM stereo sound. There's been agitation among some 8mm hardware makers for AFM stereo (similar to hi-fi sound of VHS and Beta recorders), and Canon officials said they expect their formulation to be approved by Beta group. (2) It's designed like 35mm film camera in back and standard camcorder in front, with duplicate controls so user can choose 2- or 1-hand operation.



Canon's first Hi8 is definitely pro or semipro model at \$2,299, topping Sony's \$2,200 (TVD Feb 13 p11). Canon says it will start deliveries here in April, as compared with Sony's May target date. Company plans to introduce 2 lower priced Hi8 camcorders later this year, making total of eight 8mm different units in line -- probably record for any company.

Entry into Hi8 by only film camera company actually manufacturing 8mm camcorders was heralded in news conferences last week in U.S., Japan and Europe. At N.Y. event, Hideharu Takemoto, new pres. of Canon U.S.A., said "question is no longer whether 8mm will succeed but how soon it will dominate the [camcorder] market." Video Vp Sparky Wren stressed that Hi8 is "not intended to obsolete regular 8mm, [but to] appeal to the advanced video movie-maker," including industrial and perhaps even some broadcast users.

New camcorder is loaded with features, including 10:1 zoom, wireless remote to control both recording and playback (zoom, titling and date included), 20-field exposure metering system, 360,000-pixel CCD sensor, 4 high-speed shutter settings, self-timer and interval timer for time-lapse photography and system to set camcorder to start recording unattended over 24-hour period. Canon plans to introduce Hi8 editing system by year-end, will offer special Hi8 cassettes in both evaporated metal and metal particle formulations.

**MATSUSHITA NET UP 20%:** Matsushita consolidated net income rose 20.1% in 3rd quarter ended Dec. 31 on 8.3% higher sales (see financial table). In first 9 months of fiscal year, net increased 27.7% on 8.7% higher sales.

Results were attributed to "solid overseas demand" and growing Japanese economy. Matsushita said cost cutting, further expansion of overseas production to counter effects of higher yen and increased activity in information systems markets also boosted profits. Company also cited strong overseas sales of camcorders and higher Japanese demand for Compact Disc player combinations with other audio equipment.

Overseas sales rose 9.4% to \$5.03 billion in quarter, while Japan sales increased 7.5% to \$7 billion (126 yen = \$1). Sales by product segment: Video equipment up 7.1% to \$3.69 billion, audio equipment up 0.8% to \$1.2 billion, home appliances up 3.1% to \$1.6 billion, communications and industrial equipment up 13.2% to \$2.25 billion, energy and kitchen-related products up 9.8% to \$641 million, electronic components up 16.7% to \$1.6 billion, other products up 7.5% to \$1.03 billion.

**Nokia**, Europe's 3rd biggest TV maker, reported pretax profits fell 9.8% to \$259 million in 1988 on 56% higher sales. It blamed poor performance of Electronics Div., which had 91.7% drop in operating profits. Nokia also was hurt by acquisition of ITT's Standard Elektrik Lorenz consumer electronics business.

**Dual-deck VCR** resurfaced in U.K. during raids stemming from investigations by Federation Against Copyright Theft (FACT), which represents movie studios. While MPAA has been able to restrain U.S. hardware producers and distributors from marketing dual-deck VCRs without circuitry to protect prerecorded tapes encoded with anticopying process, no restrictions exist in U.K., spokesman told us. Two Sharp PAL twin VHS decks were confiscated in sweep of U.K. video stores and private locations. Sharp briefly marketed PAL-SECAM dual-deck VCR in Middle East 4 years ago (TVD Jan 28/85 p15). Since then, however, it has shown up on U.K. market. (See related report on Go-Video in this issue.)

Line of hand-held electronic linguistics products for European market was introduced by SelecTronics Inc. Products include European language versions of WordFinder thesaurus/spell checker, language translators.

**VCR PRICE FLOORS:** Korea's 3 VCR manufacturers have agreed to raise prices of recorders shipped to Europe to avoid paying dumping duties. European Community has accepted promises by Daewoo, Goldstar and Samsung to set new price floors, but Japan's Orion elected instead to pay 13% dumping duty.

Amounts of price increases on Korean VCRs were undisclosed at press time, but presumably were at least as great as dumping duties. Korea's 3 makers and 2 Japanese manufacturers were found to be dumping last fall by EC, which tentatively set extra duties of 18-29.2% (TVD Sept 5 p17). Continuing investigation resulted in lowering punitive duties to 23.7% for Korean companies, 13% for Orion; duties for Funai, if any, weren't disclosed. Korean manufacturers last year increased basic floor price on VCRs exported to U.S. on 2 occasions, last being Sept. 1 when minimum price of 2-head VCR was raised to equivalent of \$159 from \$152 (TVD Sept 19 p10).

**Mergers & Acquisitions:** Philips subsidiary Consolidated Electronics Industries is considering sale of Magnavox Govt. and Industrial Electronics Co., said it has retained Merrill Lynch Capital Markets to evaluate "various structural and financial options"... Semi-Tech Microelectronics of Hong Kong increased its bid for SSMC to \$34 per share (\$248 million) from earlier offer of \$30 per share (\$220 million) (TVD Feb 6 p13). New bid follows \$33-per-share offer for owner of Singer brand by Malaysian group headed by investor Vincent Tan (TVD Feb 27 p16). Malaysian group is attempting to buy 90.1% of SSMC it doesn't already control.

**Electronic fourflusher:** Toto, Japan's biggest plumbing company, has introduced wall-hung gadget that imitates sound of toilet flushing when button is pressed. Device, according to Japan Economic Journal, is designed to conserve water in public washrooms, where "many women, to disguise the sound of their using the facilities, flush the toilet 2 to 5 times a visit." Fake flusher can save up to \$9,500 a year in water bills for public facility used 100 times a day, Toto claims.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 128 yen = \$1, except where noted.



**\$1 BILLION FOR HDTV:** Up to \$500 million in matching grants -- to provide \$1 billion war chest for HDTV development -- plus antitrust exemptions and other incentives would be available as part of comprehensive package provided in first legislation directly targeting HDTV, introduced in House last week by Rep. Ritter (R-Pa.). Bill also would provide guaranteed market to fledgling U.S. HDTV industry through govt. procurement. Measure is co-sponsored by Rep. Levine (D-Cal.); they are co-chmn. of new House HDTV Caucus.

Measure follows by week "competitiveness" bill proposed by Reps. Boucher (D-Va.) and Campbell (R-Cal.) designed to support high-technology development generally, potentially including HDTV, they said (TVD Feb 27 p4). Ritter's measure appears to cover every base sought in action memo filings to House Telecom Subcommittee (TVD Feb 6 p11).

Ritter bill would apply to domestic firms only. It also would: (1) Make expiring R&D tax credit permanent to "stimulate HDTV research, development and pilot manufacturing," he said. (2) Grant antitrust immunity for cooperative ventures on HDTV-related R&D and manufacturing. (3) Provide up to \$100 million annually for 5 years to help fund cooperative ventures, but govt. aid would have to be matched with identical amount of private funding. (4) Provide funds to support pilot manufacturing projects and experimental community demonstrations, showing applications of HDTV technology in home and office. (5) Amend National Cooperative Research Act to include manufacturing among sanctioned elements.

(6) Guarantee HDTV market with govt. by requiring federal procurement. Commerce Secy. would investigate potential govt. uses for HDTV and related technology and recommend mechanism for mass federal purchasing. (7) Add \$500,000 in FY 1989 to FCC budget to speed adoption of transmission standard. (8) Require number of govt. reports to President and Congress on research progress and use of federal funds.

Comprehensive report assessing industry's impact on U.S. trade competitiveness, effect of HDTV technology on commercial broadcasting and programming industries and potential uses of HDTV-related technologies also would be required in 4 years. Commerce Secy. also would be directed to report on how U.S. can use its trade laws to promote domestic HDTV production, but Ritter didn't spell out whether he had protectionist policies in mind.

Bill also contains series of findings that HDTV is "a bellwether technology" and "critical" to future economy and security of U.S. "By itself and combined with computer technology, it can change the way we all live and work," Ritter said. He sees applications in commercial, educational, health and defense areas. "If we are to regain our leadership position, it is vital that we have a domestic HDTV industry," he said.

Next on congressional HDTV agenda are 2 days of hearings by House Telecom Subcommittee March 8-9 to review action memo recommendations. Both sessions are set to start 9:30 a.m., Rm. 2123 Rayburn Bldg., Washington. Key witnesses scheduled are: Commerce Secy. Robert Mosbacher; FCC Chmn. Patrick; Sonia Landau, dir. of State Dept. Bureau of International Communications & Information Policy; Craig Fields, Defense Dept. deputy. dir. for research, Dept. of Advanced Research Project Agency (DARPA); Robert Shafer, dir., NASA's TV Development Div.

**NEW LINE CALENDAR:** Thomson Consumer Electronics is missing ingredient of our annual new-line calendar. Since it cut back to only 10 distributors (TVD Feb 13 p11), its normal high-visibility distributor meetings to show RCA (and recently GE) products appear to be thing of past. At our deadline, TCE hadn't decided when or how its new products would make their debut.

This year, for most part, companies are showing new lines to dealers later in spring than in previous years (TVD Feb 29/88 p15).

Summer Consumer Electronics Show in Chicago will be site of new line showings for several companies, including Emerson, Goldstar, Hitachi, Mitsubishi. Hitachi last year had shown its line to dealers at earlier meeting. Philips, which chose CES to introduce new products last year, this year will hold earlier meeting in Knoxville, which also is site of Magnavox, Sylvania and Philco sessions.

Sony will show products at open house in Teaneck, N.J., followed by regional meetings. Sharp is planning meeting during first 2 weeks of May at undetermined site. Sanyo spokesman said company had no plans for national or regional sales meetings. Warm-weather locations will host those of other companies, including Aiwa (Ft. Lauderdale), NEC (Phoenix), Panasonic and Technics (Kona, Hawaii), Toshiba (Tampa), Zenith (Las Vegas). Calendar below shows starting dates for national meetings or first regional meetings:

COMPANY	DATE	LOCATION
Aiwa	April 7	Ft. Lauderdale
Emerson	June 3 (CES)	Chicago
Goldstar	June 3	Chicago
Hitachi	June 3	Chicago
Magnavox	April 24	Knoxville
Mitsubishi	June 3	Chicago
NEC	March 31	Phoenix
Panasonic	April 12	Kona, Hawaii
Philco	May 5	Knoxville
Philips	May 22	Knoxville
Quasar	May 3	Chicago
Sharp	May	undecided
Sony	April 25	Teaneck, N.J.
Sylvania	April 29	Knoxville
Technics	April 12	Kona, Hawaii
Toshiba	April 5	Tampa
Zenith	May 5	Las Vegas

Consumer electronics will get greater stress from Citizen Watch's CBM America Corp. with establishment of Consumer Electronics Div., to merge marketing of its lines of LCD TV, audio products and home video security systems under Mgr. Miho Suda, who formerly headed Audio Products Div. CBM, which originally specialized in business equipment, has moved hq to 2020 Santa Monica Blvd., Suite 410, Santa Monica, Cal. 90404 (213-828-6516).

China produced 24.7 million TV sets last year, according to official govt. figures, probably more than any other country. Of these, 10.2 million were color, up 53% from 1987, 14.5 million monochrome, up 14.8%. Radio-cassette recorder production was 23.4 million, up 25.8%. Despite soaring output, color TVs have large foreign content, estimated to be as much as \$200 per set.

Philips has developed 6-chip set it says can reduce chip count in cellular phones about 60%.



**25% OF U.S. COLOR FROM MEXICO:** Mexico was source of one of every 4 color TV sets sold in U.S. last year, according to Commerce Dept. import figures and EIA data. Mexico led all countries in color TV shipments to U.S. in every month of year, Commerce Dept. statistics showed. While Mexico was increasing its share of imports, major Far Eastern suppliers showed huge decreases in color shipments, despite strong finish in Dec.

Mexico shipped nearly 5 million total color sets here in 1988, up 48.3% from 1987 imports and equal to 24.6% of last year's U.S. sales (EIA factory plus import sales) of 20,076,000. Next biggest supplier was Taiwan, with about half as many, then Korea, Japan, Singapore. In complete color sets, Mexico led Taiwan, Korea, Malaysia, Singapore, Japan. Mexico's shipments of color chassis & kits exceeded by more than one million Japan's 2nd-place total. Korea was easily top source of b&w TVs.

Japan, Taiwan and Korea posted increases in total color shipments in Dec. after showing decrease for most of year. Every major source country except Malaysia had increase in complete color TV imports.

Following are VCR and TV import totals by country for Dec. and full-year 1988. No color set vs. chassis & kit breakdown is given for countries supplying negligible quantities of incomplete receivers for either period.

	Dec.	% Chg.	12 Months	% Chg.
<b>VCR</b>				
Japan...	775,500	- 4.4	8,813,200	-21.5
Korea...	276,100	+90.2	2,340,900	+49.0
Taiwan...	76,200	-20.9	780,000	+56.4
<b>Total TV</b>				
Japan				
total...	178,500	+ 0.1	1,403,400	-38.5
color...	173,500	+46.1	1,270,500	-26.5
b&w.....	5,000	-91.3	132,900	-75.9
Taiwan				
total...	333,000	+14.8	2,918,200	-29.3
color...	293,100	+42.5	2,544,800	-23.5
b&w.....	39,900	-52.7	373,500	-53.5

Dec. % Chg. 12 Months % Chg.

#### Total TV (cont'd)

<b>Korea</b>				
total...	389,900	- 7.5	4,376,800	-36.5
color...	207,500	+ 5.5	2,124,600	-35.7
b&w.....	182,500	-18.9	2,252,100	-37.2
<b>Mexico</b>				
color...	436,600	+65.2	4,934,600	+48.3
<b>Singapore</b>				
total...	99,700	-22.8	1,139,400	-19.8
color...	99,300	-23.0	1,134,300	-18.5
b&w.....	400	- 7.0	5,100	-83.3
<b>Malaysia</b>				
total...	66,100	+ 0.1	793,800	-12.0
color...	65,400	- 0.9	780,300	-13.5
b&w.....	700	*	13,400	*
<b>Hong Kong</b>				
total...	23,800	+15.0	286,300	-30.7
color...	12,200	+44.1	111,900	-48.5
b&w.....	11,600	- 5.2	174,300	-10.8
<b>Canada</b>				
color...	10,300	+91.0	98,000	+ 2.7
<b>China</b>				
total...	42,900	*	233,600	+112.7
color...	22,800	*	86,800	+13.1
b&w.....	20,100	*	146,800	+343.4

#### Complete Color

Japan...	27,700	+18.8	196,000	-66.4
Taiwan...	205,400	+15.3	1,949,000	-31.8
Korea...	163,700	+11.5	1,586,900	-18.1
Singapore	58,200	+33.3	609,800	+22.3
Hong Kong	12,200	+44.1	111,900	-47.5
Mexico...	245,900	+41.1	2,777,000	+16.9
Malaysia...	65,400	- 0.9	780,300	-13.5
Canada...	10,300	+91.0	98,000	+ 6.1
China....	22,800	*	85,800	+11.8

#### Color Chassis & Kits

Japan...	145,800	+52.7	1,074,500	- 6.2
Taiwan...	87,700	+218.5	595,800	+28.3
Korea...	43,800	-12.1	537,700	-60.6
Singapore	41,100	-51.7	524,500	-41.2
Mexico...	190,700	+111.8	2,157,600	+27.7

\* No significant shipments in 1987.

Note: Some totals may not add due to rounding.

**Compact Disc shipments to U.S., Japan and Europe** totaled 390 million in 1988, up 56% from 1987 shipments, study by BIS Mackintosh of U.K. found. Value was \$6.02 billion. Shipments this year are expected to rise 38% to 540 million, accounting for about 83% of worldwide sales of 650 million. CD players are in fewer than 15% of U.S. and European households, but penetration rate in Japan exceeds 20%, BIS Mackintosh said. CD sales are forecast to rise to 870 million by 1992, while cassettes and vinyl records decline. Released excerpts from study gave no breakdown of shipments by country.

Feb. is looking like strong sales month, following huge gains by direct-view color TV, projection TV and camcorders in month's 3rd week (see State of the Industry). Direct-view color TV sales were up 33.3% in first 3 weeks of Feb., projection TV rose 31.8% and camcorders were up 28.5% from same 1988 period, EIA reported. Total VCR sales were down in week and off 9.9% in month-to-date and 21% in year's first 7 weeks.

**China's "Big 5" Hong-Kong controlled color TV manufacturers** in Shenzhen economic zone, as reported by China Newsletter, Electronics: Century Electronics (Hong Kong partner, Hanwah Electronics, with 51% interest); Guanming Overseas Electronic Co.; Huaqing-Sanyo; Huafa Electronics (Hong Kong's Luks); Huali Electronics (Hong Kong's Solid Trading).

**Magnavox introduces 2 players** that play all sizes of CDs and videodiscs. Model with 37-button remote is \$749; version with Favorite Track Selection feature for preprogramming up to 785 tracks from different CDs, 38-button remote and headphone jacks is \$799... Hitachi adds fully automatic Home Bakery bread maker at \$330.

**MTS stereo TV sales** rose 35.1% in Jan. 1989 from year earlier, EIA reported last week. The 378,217 stereo TVs sold represented 27.4% of 1,381,992 direct-view color TVs sold in month, vs. 279,852 (22.9%) of 1,221,726 sets in Jan. 1988.



**SEARS' NEW PRICES:** Sears' "everyday low prices" on video and hi-fi audio products (TVD Feb 27 p13) are contained in "special edition" of Style catalog, good through July 31. Catalog shows mainly Sears' own brand video products, but also has some RCA, Magnavox, Panasonic and Goldstar items. In audio, Sony, Marantz, Pioneer and Soundesign also are featured. Where comparable items were in previous catalogs (fall or spring), reductions vary widely, generally in 6-20% range. In summary below, numbers in parentheses are amount of reduction from previous catalog; if no reduction appears, item is new. Prices are rounded to nearest dollar.

Small-screen TVs start with 5" monitor receiver with FM-AM at \$200; 9" monitor is \$231 (down \$24); basic 13" rotary tuned set is \$170, ladder tuned remote \$210 (\$55), keypad tuned model with on-screen display \$251, RCA with on-screen menus \$271, Sears brand with MTS stereo \$300 (\$65), high-resolution monitor receiver with RGB input \$330 (\$20).

Midsize sets feature basic rotary 19" at \$219, keypad remote \$257 (\$23), quartz tuned cable channel set with one-year warranty \$290; 20" remote with off timer \$321, version with time and channel display \$322, MTS stereo monitor \$341 (\$79), RCA mono model with 147 channels \$371, MTS stereo monitor with on-screen display \$390 (\$100), similar model with unified remote due March 17 \$390, high-resolution MTS stereo monitor with unified remote \$490 (comparable model was \$150 more).

Large-screen table models begin with 25" keypad remote at \$390, MTS stereo monitor \$490 (\$100), same with unified remote \$524; Magnavox monitor with universal remote \$500, 26" high-resolution monitor with S-VHS input \$590 (\$150), 27" Magnavox universal remote monitor \$641; RCA Colortrak 2000 \$700, top-end MTS stereo with 6 speakers, unified 61-key remote \$1,800 (\$180). First console is 25" remote at \$480, with Magnavox on-screen display monitors in 3 different cabinets also at \$480; 26" comb filter stereo model \$530 (\$50), RCA Colortrak \$580 with 5-w amplifier, VCR compartment, unified remote \$780; 31" with Dolby surround, 2-year warranty, \$2,000.

Projection TVs, all with screen-covering doors: 46" with 10 w, surround sound \$2,179 (\$320); 50" in wood veneer cabinet \$2,399; 52" Magnavox \$2,800. Magnavox security system with camera, 12" b&w monitor is \$300 (\$50). Catalog offers universal remotes by Zenith at \$49.50 and Memorex at \$100. Telecaption adaptor is \$181.

Video line begins with Goldstar VCP at \$180; Goldstar 14-day VCR is \$220, Sears model with 27-function remote \$236, with on-screen programming \$256, with one-year timer \$256 (\$19), with MTS and linear stereo \$295 (\$55), similar model in smaller cabinet \$295, Panasonic mono \$295; Sears 4-head model \$300; RCA 2-head with unified remote that "controls most RCA and Sears TVs" \$316; 4-head model with on-screen trouble-shooting menu, linear stereo \$348, Panasonic with double-fine slo-mo \$376, RCA 4-head \$395 (\$95); Sears MTS hi-fi model \$400; digital linear stereo with PIP, strobe, channel scan, etc., \$630 (\$160).

All camcorders in catalog are full-sized VHS. "America's best-selling camcorder outfit" is Sears brand Hitachi-made model with telephoto and wide-angle lens included at \$995 (\$295); RCA camcorder with high-speed shutter \$1,149 (\$241); Magnavox with high-speed shutter, self-timer, 8:1 zoom \$1,345; RCA with 5-lux sensitivity, 8:1 zoom \$1,397 (\$93). All VCRs carry one-year parts and labor warranty.

Commenting on Sears' new policy, Montgomery Ward Chmn.-CEO Bernard Brennan noted that his company extended "brand name low prices every day strategy" throughout lines in 1988, "with specific emphasis on Electric Ave." retail stores, expanding to all brand name merchandise Feb. 17.

What happened to Polaroid self-destructing videocassette? Company officials wouldn't comment, but project Managing Dir. Albert Conti has left company and apparently hasn't been replaced. Polaroid introduced idea of cassette that could erase automatically after predetermined number of plays at 1988 American Film Market. At that time, Conti told us company also might limit technology to built-in counter to track rental transactions or tape plays (TVD March 14 p15). Latter idea is similar to Playcount system, whose planned launches in New Zealand in Jan. and in U.S. in April have been postponed indefinitely.

Nearly 1,000 exhibitors have signed up for June 3-6 Summer Consumer Electronics Show, with more than 610,000 sq. ft. requested, CES Vp Dennis Corcoran said. Thomas Friel, vp of sponsor EIA Consumer Electronics Group, noted that participants may enter products for awards in Design & Engineering Exhibition (hardware) and CES Software Showcase (computer, game, videocassette, videodisc programs) until April 21. Competition entry forms are available from CEG Special Projects Mgr. Susie Wade, 202-457-8700.

Panasonic has shipped 5,000 big-screen TV consoles from U.S. to Japan, parent Matsushita notes in 2-page ad in March 6 Business Week, calling attention to its subsidiary AMAC that's helping American companies export "everything from computers to cosmetics" to Japan.

Trans-Pacific debate on trade issues is scheduled via 2-way videoconference March 9 under U.S. Chamber sponsorship, with Sony Chmn. Akio Morita and Mitsui Chmn. Toshikuni Yahiro participating from Japan. U.S. participants weren't named. Details: Biznet, 202-463-5690.

#### OBITUARIES

Joseph Roizen, 66, video recording pioneer, writer, consultant, lecturer and industry gadfly, died of heart attack March 1 in Paris where he was attending International Electrotechnical Commission (IEC) meeting. Roizen was member of engineering team at Ampex that developed first VTR, eventually became video products mgr. for Ampex International. He spent 12 years with Ampex after 5 years at Paramount's KTLA L.A.; at his death, he was pres. of Telegen, consulting firm he founded. He had been active in technical and professional societies, served 2 terms on SMPTE board of governors, was SMPTE and Royal TV Society Fellow, ITA/Time Magazine Man of the Year, wrote more than 400 articles for trade journals and magazines, served as consultant to various govts., technical consultant to 10 sets of Olympic Games, averaged quarter-million miles annually of international and domestic travel, was frequent speaker at many industry events. He's survived by wife, Donna Foster-Roizen, business partner and collaborator, 2 sons, daughter.

Byron Boothe, 49, founder of Poppingo Video franchise, died Feb. 27 of cerebral hemorrhage. He had worked as disc jockey, furniture salesman and National Baseball Congress chmn. before founding drugstore chain in 1968. He started Poppingo in 1984 and sold 300 franchises before selling it to National Video in 1986.



## Consumer Electronics Personals

Marc Ross, vp-gen. mgr. of Northeast Group, expected to be promoted to Panasonic senior vp, sales, effective April 1, in realignment that will see Senior Vp Ralph Wolfe move to special project post... Kell Benson, Zenith controller, elected vp... Arthur Levis, exec. vp-editorial dir. of Consumer Electronics Group, International Thomson Retail Press, since 1984, becomes editor-at-large, writing regular columns in Consumer Electronics Monthly and Audio Times and serving as consultant, in addition to pursuing opportunities outside company.

Miho Suda, former Audio Products Div. mgr., heads CBM America's newly formed Consumer Electronics Div., which markets complete line of Citizen consumer products (see separate report)... Marshall Kass named Certron chmn.-CEO, succeeding Edwin Gamson, who becomes consultant... Richard Bergel, exec. vp-operations, advanced to Montgomery Ward pres.-store operations, new post... Stephen Pease, ex-Blaupunkt, joins Aiwa as car audio product mgr... Lindsay Allen promoted to Ampex professional audio tape products mgr., from industrial audio products mgr., succeeding Warren Simmons, retired... Cathy Derechailo advanced to asst. PR mgr., Toshiba Consumer Products.

Norio Ohga, Sony pres., named vice chmn., Tokyo Chamber of Commerce & Industry, succeeding Hisashi Shinto, NT&T, who resigned as result of involvement in Recruit scandal... Isabelle Hupperts, pres. of Societe Generale de Belgique, Belgian holding company, named first non-Japanese to serve on Kenwood board... Timothy Hill, ex-Polaroid, joins Gates Energy Products as consumer retail operations dir.; Carol Ebert named mktg. communications mgr... John Sheehan appointed field operations group senior vp, Ricoh Office Products Business; Neil O'Callaghan named customer services group senior vp... Thomas John named Oki Telecom direct markets national sales mgr.

CBS/Fox Nontheatrical Programming Dir. Ken Ross resigns to become video vp of partner CBS... David Bixler resigns as Virgin Vision sales and mktg. vp to become Vidmark senior vp in charge of acquisitions and productions... James Tauber advanced to RCA/Columbia exec. vp-worldwide business, legal affairs and acquisitions... Amy Sexauer Prism PR and ad dir., resigns to become Hemdale publicity dir... Laura Cohen promoted to creative affairs vp, American Interactive Media... John Bohnet advanced to Motion Picture Export Assn. of America international security and technology gen. mgr., based in London... Moving from Intersound to Pickwick Entertainment: Martin Basart as sales vp, Ray Buck regional sales mgr.

Japan will modify its procedure of monitoring overseas semiconductor prices to accommodate rules of General Agreement on Tariffs & Trade (GATT). Japan had been monitoring chip prices in 3rd countries as part of 1986 trade agreement with U.S., but it will change agreement following complaint by European Commission (EC) that action violates GATT rules. Japanese Ministry of International Trade & Industry (MITI) official was to meet with U.S. trade officials to discuss change.

Recoton board authorized purchase of up to 150,000 additional shares of its common stock on open market. Recoton has bought 600,000 shares since June 1987.

## 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
<b>Cablevision Systems</b>			
1988-year to Dec. 31	493,462,000	(159,359,000)	--
1987-year to Dec. 31	299,537,000	(73,971,000)	-- <sup>a</sup>
1988-qtr. to Dec. 31	130,395,000	(41,881,000)	--
1987-qtr. to Dec. 31	89,992,000	(42,372,000)	-- <sup>a</sup>
<b>CTS</b>			
1989-year to Jan. 1	275,588,000	(3,920,000)	-- <sup>a</sup>
1988-year to Jan. 3	261,083,000	11,480,000	2.03 <sup>b</sup>
1989-13 wk. to Jan. 1	65,147,000	(13,616,000)	-- <sup>a</sup>
1988-13 wk. to Jan. 3	70,824,000	3,306,000	.59 <sup>b</sup>
<b>Esquire Radio &amp; Electronics</b>			
1988-year to Dec. 31	65,547,000	1,856,000	3.84
1987-year to Dec. 31	65,455,000	4,119,000	8.53 <sup>b</sup>
1988-qtr. to Dec. 31	12,151,000	193,000	.39
1987-qtr. to Dec. 31	19,302,000	341,000	.70
<b>Matsushita Electric<sup>c</sup></b>			
1988-9 mo. to Dec. 31	33,313,500,000	1,339,000,000	6.58 <sup>d</sup>
1987-9 mo. to Dec. 31	30,655,600,000	1,048,400,000	5.37 <sup>d</sup>
1988-qtr. to Dec. 31	11,990,400,000	510,800,000	2.51 <sup>d</sup>
1987-qtr. to Dec. 31	11,690,500,000	425,400,000	2.18 <sup>d</sup>
<b>Microdyne</b>			
1989-13 wk. to Jan. 29	4,407,000	51,000	.01 <sup>b</sup>
1988-13 wk. to Jan. 31	4,632,000	(287,000)	--
<b>Oak Industries</b>			
1988-year to Dec. 31	197,812,000	12,864,000	.17
1987-year to Dec. 31	182,210,000	8,226,000	.11 <sup>b</sup>
1988-qtr. to Dec. 31	49,918,000	5,094,000	.07
1987-qtr. to Dec. 31	46,498,000	(4,226,000)	-- <sup>b</sup>
<b>Vestron Inc.</b>			
1988-year to Dec. 31	334,893,000	20,590,000	.55 <sup>b</sup>
1987-year to Dec. 31	217,545,000	(32,706,000)	--
1988-qtr. to Dec. 31	99,718,000	1,707,000	.05
1987-qtr. to Dec. 31	75,011,000	(14,376,000)	--
<b>Western Union</b>			
1988-year to Dec. 31	875,894,000	(1,081,507,000)	-- <sup>a</sup>
1987-year to Dec. 31	801,851,000	88,059,000	2.58 <sup>b</sup>
1988-qtr. to Dec. 31	186,484,000	(244,230,000)	-- <sup>a</sup>
1987-qtr. to Dec. 31	190,904,000	105,308,000	3.99 <sup>b</sup>

Notes: <sup>a</sup>After special charge. <sup>b</sup>Includes special credit.

<sup>c</sup>At rate of \$1=126 yen. <sup>d</sup>Per ADR.

**VIDEOGAMES AND VIOLENCE:** National Coalition on TV Violence (NCTV) is taking on videogames as well as TV programs. NCTV content analysis of 95 most popular Nintendo games found that "85% of all the games featured themes of violence," and "fully 77% of the games were high in violence, 58%... featured war themes, with explicit modern warfare the most common, making up 17% of all the games."

NCTV said it found 11 studies on videogame violence and completed one of its own last year. "Nine of the 12 studies," it said, "have documented harmful increases in attitudes favorable to violence and war," while some reportedly led to aggressive behavior and isolated reports of stealing, temper tantrums and even "gaining weight from obsessive videogame play." Report on videogame studies is available for \$2 from National Coalition on TV Violence, Box 2157, Champaign, Ill. 61825.

Pioneer has developed audio speaker diaphragm that uses diamond crystals, reportedly first of its kind. Speaker diaphragm was developed jointly with Showa Denko, Japanese chemical company.



# TELEVISION DIGEST®

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

With Consumer Electronics

MARCH 13, 1989

VOL. 29, NO. 11

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**TIME-WARNER MERGER ROCKS INDUSTRIES:** Both sides of Congress use it as basis for hearings. Networks say it will help in continuing fight with Hollywood. \$1.6 billion in 1989 TWI operating profits projected. (P. 1)

**HDTV POLICY TAKING FORM:** House lawmakers and key Administration officials see consensus emerging on policy course. Foreign role, production standard, Soviet testing seen major concerns. (P. 4)

**FOREIGN OWNERSHIP LIMITS** to be proposed for cable by Markey. Bill would broaden Communications Act curbs on stations and phone companies. (P. 6)

**HDTV TESTING PROBABLE** in Dec. because proponents aren't ready, officials say. Chaseman and Abel say delay may produce better result. (P. 6)

**FCC FACES FURLOUGH:** 3-1/2 days likely this year because of cuts in FY 1989 budget forcing staff shrinkage and slowdown in applications processing. Hopes dim for supplemental funding. (P. 7)

**COURT APPEARS UNWILLING** to tackle cable-telco constitutionality issue as panel shows signs of stopping short of key question. (P. 7)

**TV BROADCASTERS UPSET** by Continental Cablevision. MSO offers Fla. stations preferred channel positions in return for no syndex protection. (P. 8)

**TIME-WARNER MERGER ROCKS INDUSTRIES:** Week after Time Inc. and Warner Communications (WCI) announced intention to create world's largest entertainment concern -- Time Warner Inc. (TWI) -- ended much as it began, with members of Congress announcing intention to probe antitrust aspects of deal. Hearing is set before House Subcommittee on Economic & Commercial Law March 14 and April 4 or 6 before Senate Antitrust Subcommittee. There also were more rumors of hostile bidders about to pounce on either company, although none had emerged at our deadline. Some shareholders of both companies were miffed by merger terms; 4 groups either from Warner or Time filed suits against merger in Del. Chancery Court.

At week's end, Time stock closed at \$115.75, up \$6.63 for week; WCI closed at \$49, up \$3.12 for week. Time share price had jumped \$9.25 March 7 on rumors of new bid. Time Warner Inc. would have \$10 billion annual revenues at start and would be most vertically integrated entity in entertainment field. It's also seen by networks as wedge they need to help eliminate rules limiting their productions and program ownership -- financial interest and syndication (finsyn) rules.

Executives of 3 TV networks met in Washington March 9 to discuss strategy to be followed in continued talks with Hollywood on removing finsyn restrictions. No joint agreement was reached on how to proceed

### Consumer Electronics

**'DUMPING WATCH'** on TV imports from Mexico and Malaysia started by Commerce Dept., which says it suspects subterfuge by Asian manufacturers. (P. 11)

**COLOR BOOMED IN FEB.** at 22.7 million annual rate, enjoying biggest monthly increase in 4 years despite shortages. Camcorders at record, VCR decks off. (P. 11)

**U.S. TO BAR HDTV AID** to foreign companies, Defense and Commerce Dept. officials say. DARPA may seek more grant money. (P. 12) Eighty-seven applicants are listed. (P. 15)

**PROJECTION TV SALES** last year kept from record by shortages, USPL says, forecasting 335,000 sales this year, with 50-60" comprising 25% of total mix. (P. 13)

**U.S. COLOR TV EXPORTS UP** 127.2% to 974,800 in 1988, value up 121.6% to \$301 million. Incomplete color set, b&w TV, picture tube shipments also rise. (P. 14)

**CD SALES OF \$3.1 BILLION** in 1988 to be topped this year, Finer tells ITA, with 5.3 million players. (P. 16)

**JAPAN PRODUCED** \$31.5 billion worth of consumer electronics last year, including 13.4 million color sets, 31.5 million VCRs, 6.5 million camcorders. (P. 16)

**JVC WILL CHECK VIDEOTAPES** bought at retail here for compliance with its licensing and specs. (P. 17)



but official of one of networks told us: "The talks [with Hollywood] aren't going anywhere... We're tired of talking about peripheral issues" while studios avoid discussion of finsyn. Networks are expected to demand that these "substantive" issues be included in next meeting, scheduled in N.Y. April 4.

Network representatives in finsyn talks see a plus for their side in merger. Studios so far have rejected NBC's proposal to let networks produce and own 50% of their prime time programming. Networks reason that merger focuses attention on what's happening worldwide with media companies and fact that networks aren't permitted to compete on level playing field because of finsyn -- put in place by Commission in Aug. 1972. "I think it has to help" networks' case, NBC Exec. Vp-Gen. Counsel Corydon Dunham told us. Citing "dramatic changes" taking place in industry, he said it's now more vital than ever to change rules that prohibit networks from owning most of their own programming or engaging in domestic syndication. Stephen Weiswasser, Cap/ABC senior vp-gen. counsel, said he thought merger would help networks but it was too early to tell outcome, while CBS Senior Vp-Best. Group George Schweitzer said: "It's another glaring example of how our competitors can build giant media complexes while the networks are handcuffed by outmoded and unfair competition."

To be successful in long run, networks must be free to compete worldwide in all areas -- and they can't now, Weiswasser said. He said deal is good for Time and Warner just as it would be great if networks were permitted to make similar deals. However, he disputed statement by Time Pres. N.J. Nicholas that within few years only 6-8 media companies will dominate worldwide (TVD March 6 p4).

Said MPAA Pres. Jack Valenti: "This merger does not dilute the power of the networks one iota," because they continue to control access of programming to prime-time national audiences. Time Inc. owns no TV stations and produces no programming for prime-time national networks and Warner Bros. would gain no new power to contend with networks, which retain influence over any programmer getting national prime-time exposure, Valenti said. Networks have the power, he said, and as of Nov. 1, 1990 (when consent decrees expire), each will be granted new "bundle of power" to own and produce 22 hours of prime-time programming.

Networks say that none of them owns anywhere near 5 hours of prime-time programming each is allowed under consent decrees and they have indicated they are willing to continue to accept some limits on ownership in exchange for pieces of some programming and for stake in syndication profits. Said Valenti: Time Warner, by comparison, would combine cable systems to become merely 2nd place MSO to TCI. Together, he said, Time and Warner control only 12.7% of cable subscribers while TCI controls directly or indirectly 27.45%. "Even when combined, they're still kind of pygmies compared to TCI," he said.

#### **\$1.6 Billion Operating Profits Projected In 1989**

TWI would have 5.5 million subscribers, could produce programming and distribute it via virtually any system from cable to broadcast to home video. It probably would have seats on NCTA and MPAA boards and post on NCTA Exec. Committee. On international level, TWI's latest annual revenues of \$8.7 billion would surpass Sony's \$7.6 billion, Bertelsmann's \$6.6 billion, Gulf & Western's \$5.1 billion, Cap/ABC's \$4.8 billion, News Corp.'s \$4.4 billion, Hachette's \$4.1 billion. Many of foreign companies on that list have been buying U.S. companies recently in acquisition frenzy. Talks between Time and WCI executives started 2 years ago and ran steadily except for several-month break when WCI was distracted by \$1.2 billion acquisition of Lorimar-Telepictures, completed Jan. 11 (TVD Jan 16 p8).

Besides cable operations, movie studio and cable programming, TWI would include magazine and book publishing and highly profitable music company. Estimates show TWI would have nearly \$1.6 billion operating profits in 1989, led by records (\$395 million) and cable (\$323 million from operations, \$176 million from programming). Terms of deal call for Time shareholders to receive one share in TWI for each Time share and for each Warner share to fetch 0.465 share of TWI. At that pace, WCI shareholders would hold about 59.3% of TWI. Cashless tax-free transaction would leave TWI with capacity to raise large sums for additional acquisitions.

Some were speculating that if FCC eliminates network-cable cross-ownership, TWI would buy a network. WCI has broadcast experience through 42.5% interest in BHC Inc., which operates 7 TV stations in major markets. Networks could benefit from merger as well, some analysts say. Nancy Peretsman of Salomon Bros. said merger would give them more ammunition to fight extension of finsyn. But biggest question raised by merger, Peretsman said, is what a media business needs, from distribution to supply, to compete in future domestic and international markets. "Not surprisingly, \$17 billion has been spent in this country over the last few years by offshore entities" on U.S. media buy-ups, as foreign companies grew beyond U.S. companies, she said. "This changes that."



Cable system operations is area with most overlap and it's only operating unit that would report to both Co-Chmn. Steven Ross (WCI chmn.) and Richard Munro (Time Inc. chmn.). Other units would report either to Ross -- movies and records; or Munro -- HBO and publishing. There's room for ventures and development among many of companies' units. For instance, HBO could gain expertise from Warner Bros. TV production units for new cable program service that HBO is considering. Time Inc. background in book clubs and direct marketing could help Warner Bros. Records create record club similar to Sony's CBS Records club. Heading cable unit once merger is settled would be ATC Chmn. Joseph Collins, we're told. Warner Cable Pres. James Gray and ATC COO James Doolittle would report to Collins.

Ross and Munro would share top posts for next 18-24 months, after which Munro plans to retire. Ross then would become sole chmn. and share CEO title with Nicholas for several years, with latter eventually taking charge. Gerald Levin, Time vice chmn., and Martin Payson, WCI gen. counsel and member of WCI Office of Pres., would become vice chmn. of TWI; WCI Chief Financial Officer Bert Wasserman would be TWI chief financial officer and Time Chief Financial Officer Glenn Britt would be senior vp-treas. of TWI.

But some analysts note that Ross has spotty record in media mergers, pointing to results of 1983 deal using Chris-Craft as white knight to save Warner from Murdoch takeover (Chris-Craft now holds 17% of Warner, which would be diluted to 10% after deal closed). Since then, Ross and Chris-Craft Chmn. Herbert Siegel, described as Ross's longtime friend at time of deal, have become determined antagonists. Siegel reportedly is excluded from access to 12 members of WCI who would become TWI dirs. He also cast lone abstention to merger at WCI board meeting week ago, reportedly contending that deal was undervalued for WCI shareholders. Siegel remained silent last week as questions built on whether he would seek to derail deal by contending that Warner was breaking 1984 agreement with Chris-Craft that prevents Warner from owning a TV station while it holds more than 25% of BHC. Merged Time Warner would hold 9.2% of Turner Bestg. System, which owns WTBS Atlanta.

Justice Dept. Antitrust Div. will look at merger and had begun preliminary antitrust review by week end, spokeswoman Amy Brown said. Meanwhile, Henry Geller, of Duke U. Washington Center for Public Policy Research, predicted that Congress would focus on merger since it would greatly increase problem of vertical and horizontal concentrations. Media Action Project's Andrew Schwartzman disagreed. He said merger would be "uniquely good fit" that would be less worrisome than some other mergers. Neither Congress nor DoJ will show much interest, he predicted. Very few people expect FCC to question merger seriously.

#### Preliminary Stock Swap

Time and WCI already have entered definitive agreement calling for Time to exchange 12.5% of its outstanding common stock (7.1 million shares) for 12% of WCI's outstanding common (17.3 million shares).

Standard & Poor's in mid-week report raised rating on WCI \$395 million subordinated debt and \$500 million liquidation value preferred stock to A from A-, and on Lorimar Telepictures' \$250 million subordinated debt to A from A-. S&P reaffirmed ratings on Time Inc. debt: A-1 on commercial paper, A+ on \$560 million senior debt and ATC's A-2 commercial paper, A- on \$300 million of senior debt. S&P said that combined, Time Warner would hold enhanced long-term competition position through diversification and new business opportunities. But Time Warner's size and decentralization will pose challenges for integration and collaboration, S&P said.

Sen. Metzenbaum (D-O.) said in 5-page letter that Justice should conduct thorough investigation of proposed merger "with a particular focus on the steady trend toward harmful monopoly power by cable television at the local level." He singled out cable as chief area of concern and said merger should be examined against local concentration guideline. "While the Time-Warner merger would not appear to raise substantial horizontal concentration concerns" under standard DoJ guidelines, Metzenbaum said those guides clearly are inadequate for complete evaluation of this deal because most relevant market is local cable market.

Metzenbaum noted that Time adamantly has refused to make programming available to MDS operators competing with its cable systems. Now, he said, there's even more incentive for TWI to deny access with acquisition of Warner Cable systems. TWI merger would harm diversity, Metzenbaum declared, questioning whether TWI cable systems would carry only HBO or Cinemax rather than Showtime and Movie Channel, and whether HBO would have exclusive right to exhibit Warner films. (HBO and Warner have such a deal now.)

Merger also is more fodder for Sen. Gore (D-Tenn.), said top aide, Roy Neel. Gore believes industry already is too integrated and has revised his legislation (S-889) from 100th Congress to include new concern.



Aide wouldn't give details, but said of merger: "This is just more dramatic evidence of the accelerated concentration in this industry. If this merger makes more cable programming available for consumers at competitive terms, then it will be a productive development." Gore plans to offer measure by early April at latest. Co-sponsors again will be Sens. Bumpers (D-Ark.) and Ford (D-Ky.), sources said.

First effort by congressional Democrats to challenge Bush Administration to improve antitrust law enforcement will come this week with newly renamed House Economic & Commercial Law Subcommittee hearing March 14. It's expected that Munro and Ross will testify. Democrats see arrival of new Administration as chance to win improvements over antitrust efforts by Reagan Administration, sources said.

Subcommittee Chmn. Brooks (D-Tex.) stressed that hearing wasn't intended to "prejudice the competitive aspects" of merger. He also said he wants Executive Branch antitrust policy that reflects U.S. business competitiveness internationally. His plans may set stage for conflict with House Commerce Committee Chmn. Dingell (D-Mich.), who sees competitiveness issue as largely under his panel's jurisdiction.

**GOVT. POSITION ON HDTV POLICY NEAR:** White House and congressional leaders last week gave assurances that consensus HDTV policy would be forthcoming very soon, with Commerce Dept. recommendations likely inside month and House action on legislation possible by fall. Everyone appeared to agree at 2 days of largely congenial hearings by House Telecom Subcommittee that policy will be coordinated by Commerce Secy. Robert Mosbacher under directive from President Bush and reflect input from Congress, FCC, NTIA and Defense and State Depts., among other agencies. Sole discord emerged late in week when key lawmakers challenged State Dept. role in international HDTV production standards talks.

Congress and Executive Branch demonstrated they were on same wavelength on many of main policy issues, such as encouraging industry to participate in R&D and manufacturing consortia or joint ventures, naming single agency to promote HDTV and coordinate policy, providing govt. funding in some form, limiting foreign participation in govt.-backed ventures. Fine points of likely policy still aren't defined, officials admitted. But lawmakers and Administration officials indicated they finally had idea of possible parameters, and it appeared much of what hearings indicated needs to be done is proposed in bill (HR-1267) by Rep. Ritter (R-Pa.) (TVD March 6 p15).

Foreign question was high among legislators' concerns, prompting Administration officials to declare that govt.-backed HDTV ventures probably would be limited to domestic companies. However, Commerce's Mosbacher and Defense Dept.'s Craig Fields, deputy dir. for research at Defense Advanced Research Projects Agency (DARPA), admitted to difficulties in winnowing out foreign entities in today's multinational environment. They also agreed that there's enough evidence to suggest American companies don't yet have know-how to go ahead without some reliance on foreign technologies. Comments came against backdrop of announcement by DARPA during hearings that 87 funding proposals had been made for promised HDTV federal matching grants, among them some foreign firms. (For details, see report in Consumer Electronics.)

Fields detailed parameters that DARPA expects to use in funding HDTV projects, including that foreign subsidiaries of U.S. firms wouldn't be excluded for using technology developed by parent. However, "All-American solutions" will be stressed, he told lawmakers, and eventual transition of technologies to American-based entities will be required. He also revealed privately to members that \$30 million already pledged by DARPA for projects would be only a start, that agency is canvassing Defense Dept. for commitments of more funding, sources said.

Assurances on foreign company role were welcomed by lawmakers, who raised many fears during hearing that transfer of technology to other countries -- particularly Eastern Bloc -- would further derail U.S. efforts to gain toehold in HDTV marketplace worldwide. Concerns were set against backdrop of news reports of Soviet Union's planned tests of HDTV production standard at exposition, first reported here in Jan. (TVD Jan 23 p9). Lawmakers railed against State Dept. for failing to block exposition, being conducted under auspices of International Radio Consultative Committee (CCIR) of which U.S. is member. Sonia Landau, head of State's Bureau of Information & Communication Policy (BCIP), sought to quiet fears, saying no sensitive technology was involved.

Legislators also raised concerns about State's role in formulating U.S. position on world production standard, saying in letter to Secy. of State James Baker after hearings that Dept. appeared to have exceeded its policy authority. They charged State with fixing U.S. position without guidance of Commerce Dept., which they contended was proper policy-making authority. U.S. has been pressing for CCIR acceptance of 1,125/60 standard. CCIR meets in May. Subcommittee Chmn. Markey (D-Mass.) and parent Commerce



Committee Chmn. Dingell (D-Mich.) asked State to suspend further activities on matter until authority issue is settled. Commerce closed comment period March 1 for its HDTV policy inquiry, which included production standard question. CCIR seeks to promote program exports, needs consensus on common standard to achieve aim, and as member, U.S. would be bound by decision, sources said.

Amid hubbub on production standard, lawmakers appeared to extract promise from Mosbacher that HDTV transmission equipment exports would be limited to avoid passage of sensitive technology to Eastern Bloc. But that's decision that can be made only by 16-nation Coordinating Committee on Multilateral Export Controls (COCOM), sources reminded us.

Mosbacher also reiterated Commerce's intention take lead role in HDTV policy coordination, said Dept. has mandate from President Bush. Secy. said working group of Economic Policy Council already is in place and reviewing options with eye toward producing recommendations within month. Interagency group has representatives from Commerce, State and Treasury Depts., NASA, Offices of Management & Budget and of Science & Technology Policy, he said. Markey asked Commerce Dept. to supply quarterly progress reports to Congress on HDTV policy development and industry activities, with first due July 1.

Mosbacher stressed that Dept. didn't want to make recommendations until it was clear what industry wants. He said Dept.'s first responsibility would be "to find and remove barriers to U.S. industry's competitiveness in HDTV... Then, I believe it is up to private U.S. firms to assess their situation, chart their course, and identify what, if anything further, government needs to do... Our aim is to reduce business uncertainty..." That view was criticized by some members, who suggested that govt. may need to prod industry to make major commitment to HDTV by setting policy course first.

State Dept.'s continued support for production standard of 1,125/60 also was questioned by Ritter and others, who said it failed to take into account new technologies. Landau indicated reassessment was possible, and said State Dept. was aware of technological developments. Mosbacher, Fields, FCC Chmn. Patrick and NASA's Robert Schafer, head of TV Development Div., agreed U.S. should review position.

Economic and security concerns were stressed at hearings, fueled by new report from NTIA that concluded U.S. national security requires some federal involvement. It recommended policy course "carefully targeted to the specific barriers to furthering our national interests." Policies should be narrowly "tailored to specific needs arising from specific private sector initiatives," NTIA contended. "The expenditure of federal tax dollars in support of vaguely conceived or poorly designed individual or joint private sector ventures would be... ill advised [and] counterproductive."

More than 90% of U.S. households may buy HDTV receivers within 20 years of production, generating potential market of more than \$100 billion, NTIA said in report to House Telecom Subcommittee. NTIA said sheer volume of U.S. market will shape world market, giving U.S. "unique position" in establishment of world HDTV transmission standards. Report reemphasizes that private sector has main responsibility to develop specific HDTV business plans and recommendations for govt. action. Report criticized those who believe U.S. already has lost HDTV race to Japanese and Europeans, pointing out that about dozen firms already are producing flat panel displays for military and commercial applications, but none intends to develop them for consumer HDTV market "because of the perception that Japanese companies had already tied up the end-user market." Same concern prompted economists who appeared at hearing to urge Congress to toughen trade laws to ensure that American companies don't run up against same anticompetitive predatory pricing, dumping and other barriers that existed during TV set marketing wars.

NTIA and economists also agreed that consumer market was needed to drive HDTV development and ensure restructuring of more competitive U.S. industrial sector generally. It cited HDTV's ties to semiconductor and other industries and pointed to applications for computer work stations, satellite photography, remote sensing and monitoring, command and control displays, surveillance and security, medical diagnostics.

Markey said Subcommittee will hold more HDTV hearings in spring before beginning legislative effort. Also planned is hearing March 22 by House Science Subcommittee under Rep. Walgren (D-Pa.) on govt. role in helping consortia. It's set for 9:30 a.m., Rm. 2318, Rayburn Bldg., with testimony expected from representatives of AEA, Bellcore, Commerce Dept., Cornell U., DARPA, Fiberview Electronics, MIT, Zenith.

MST membership meeting April 29 during NAB convention in Las Vegas will focus on HDTV and cable-telco cross-ownership. Speakers include Commerce Secy. Robert Mosbacher and NAB Exec. Vp John Abel.

Jerrold Perenchio has purchased 270,000 shares of Cablevision Systems for \$10.3 million in private transaction believed involving Cablevision Pres. John Tatta. Perenchio is a Cablevision dir.



**MARKEY EYEING CABLE BILL:** Foreign ownership in cable industry would be capped under legislation planned by House Telecom Subcommittee Chmn. Markey (D-Mass.). Measure, expected to be offered later this month, would extend to cable the 20% foreign ownership cap for broadcasting and common carriers. Chmn. announced proposal March 6 at Fordham U. Markey also stressed again that he intended to seek consensus on govt. role in HDTV development before moving legislation.

"It makes little or no sense to me to preclude foreign ownership of broadcast properties but allow foreign ownership of the conduit through which the majority of Americans receive broadcast television signals," he said in Donald McGannon Lecture on Communications Policies & Ethics. He said current law contains "giant loophole through which foreign competitors could leap to control a critical segment of our telecommunications network." Bill apparently would apply to systems and programmers. Sec. 310 of Communications Act limits foreign ownership of broadcast stations and telcos, including cap at 20% on foreign-held stock and ban on alien officers.

Foreign investors currently in American industry include Maclean Hunter, which has 83,000 subscribers in Mich., and Selkirk with 70,000 in Fla.

In lecture, Markey also raised concerns about Time Inc.-Warner Communications Inc. merger (see separate story in this issue). He wondered whether such "increased concentration and vertical integration [is] the price we will have to pay to be competitive internationally." Chmn. said he didn't have answers but indicated issues will be reviewed by his Subcommittee, which plans additional cable hearings later this year. Review of similar questions also has been promised by Senate Commerce Committee. Markey didn't directly criticize merger; in fact, he appeared pleased that it was friendly, didn't increase corporate debt and "was arranged with a wary eye on predatory foreign competitors."

On HDTV, Markey said: "Unless we move very quickly, and with uncommon cooperation and cohesiveness, the trade tragedies of the automobiles in the '70s and the VCRs in the '80s will be reenacted with HDTV in the '90s. I find this an intolerable prospect."

TBS reported \$18.1 million net loss (-64¢ per share) on \$224.8 million revenues in quarter ended Dec. 31, compared with \$27.2 million net loss (-88¢) on \$193.1 million revenues in same 1987 period. For year, TBS said it had \$94.5 million net loss (-\$3.18) on \$806.6 million revenues, vs. \$131.2 million net loss (-\$4.40) on \$652.4 million revenues in 1987. For year, operating profit rose 42% to \$119.7 million from \$84.3 million year earlier. Net loss was diminished for year despite \$14.7 million startup costs associated with launch of TNT channel in early Oct., company said. TNT generated \$3.7 million ad revenues in 4th quarter. TBS listed following performances by unit for year: Entertainment, \$53.4 million vs. \$61.8 million in 1987; News, \$85.5 million vs. \$55.3 million; Syndication and Licensing, \$1.6 million vs. \$10 million loss; Real Estate, \$2.2 million vs. \$1.6 million.

FCC gave experimental authority to Advanced TV Test Center (ATTC) to conduct propagation tests in Washington area on 2467-2483 GHz. ATTC said it ordered transmitter March 9 and will begin tests when equipment is installed, completing them in June, well before Oct. 19 expiration of authority. It expects to do final over-air testing in future on HDTV systems that pass lab tests, but will use regular broadcast bands.

**HDTV TESTING DELAY LIKELY:** HDTV equipment testing isn't likely to begin until Dec., or even later, because not enough equipment manufacturers will be ready, Advanced TV Test Center (ATTC) said. But Post-Newsweek Stations and ATTC Chmn. Joel Chaseman and NAB Exec. Vp John Abel said delay won't cause any serious problems and eventually may result in better system.

ATTC originally hoped to start testing as early as Oct. Center hasn't given up completely on Oct. or Nov. startup because handful of proposed HDTV systems could be ready for testing almost immediately and test center itself will be ready on time, officials said, but they fear there almost certainly would be gap between time testing of first few is finished and rest are ready. Gap could cause problems for test center, and for process itself, Abel said. Some manufacturers may want to delay their test date as long as possible to have most time to develop their technology, Chaseman said, and others are likely to want to retest equipment after they develop it further.

Most test guidelines are "basically done" and are expected to be finalized by FCC Systems Subcommittee before NAB meeting in late April, Abel said. Key exception is question of what picture material will be used for testing at center. System proponents are concerned that different types of material would favor specific systems. Abel said committee may have to virtually invent new technology to assure test material is fair to all. He said timing of decision on material is important because ATTC can't order some test equipment until determination is made.

Systems Subcommittee plans another "hell week" in May or June, Abel said. In first such week last fall, all system proponents made detailed presentations and faced difficult technical questioning from committee members. Abel said he expects some proponents to either combine with others before next "hell week" or just not show up.

General Instrument sent cease-and-desist notification to United TV Viewers Rights Organization (United TVRO), demanding that it stop what GI called "false, deceptive and misleading representations and statements" that new VideoCipher Plus satellite TV descrambler will make all existing descramblers obsolete. Notification could be prelude to further legal action against United TVRO, GI official said. GI spokesman said United TVRO's direct mail and ads are confusing satellite receiver industry and hurting sales. GI has denied repeatedly that existing VideoCiphers will be made obsolete by VideoCipher Plus. As part of notification sent March 6 to United TVRO Exec. Dir. Alvin Burcham, GI demanded that United publish at its own cost copy of GI report declaring that "current owners of VideoCipher II descramblers will not be abandoned." Burcham characterized GI as attempting to intimidate Assn. At week end, Satellite Bestg. & Communications Assn. (SBCA) had joined fray, taking GI's side and writing House and Senate communications policy-makers to say that VC II owners will suffer no inconvenience with introduction of VC Plus.

Although TV network profits were "flat," NBC profitability as whole rose 8% to \$540 million in 1988 from \$500 million year earlier and \$240 million in 1986, GE said in annual report. NBC 1988 revenues of \$3.63 billion were up 12% over 1987's \$3.24 billion, with 1986 revenues at \$1.88 billion. GE, which said TV stations' profits rose in 1988, attributed discrepancy in NBC revenues and profits increases to "cost impact and lost advertising volume" from coverage of political conventions.



**FCC FACES 3-1/2 DAY FURLOUGH:** Prospect of 3-1/2 days of furloughs for FCC employees before end of fiscal year (Oct. 1) loomed after House Commerce Appropriations Subcommittee indicated last week it's unlikely to grant agency request for \$1.4 million in supplemental funding for FY 1989 (TVD Jan 16 p1). Agency says it needs money to cover payroll gap created by congressional budget cuts last year. Without supplemental, "I am not sure where else I can cut," FCC Chmn. Patrick testified March 7. Applications processing already has slowed to crawl in some bureaus, FCC figures indicate. But new money would have to come from Commerce Dept. budget, which Subcommittee said it couldn't approve.

News on supplemental came as surprise announcement by Subcommittee Chmn. Smith (D-Ia.) in what was largely sympathetic reception by lawmakers to FCC budget plea. Members appeared generally inclined to fund agency fully. Patrick was on Hill to defend FY 1990 budget request for \$109.8 million, up from \$99.6 million appropriated for current fiscal year that ends Sept. 30. Proposed budget would support 1,889 fulltime-equivalent positions, Patrick said; FCC currently has 1,715, expects to be down to 1,620 by end of current fiscal year.

Commission entered fiscal year with \$5 million budget shortfall, Patrick told Subcommittee. Gap was caused by mandatory employee compensation increases coupled with appropriation below agency's request. FCC has managed to recoup some lost ground through hiring freeze and reduction in staff using "early-out" retirements. It has slashed spending 100% for all technical equipment and vehicle purchases, 75% for data processing equipment, 60% for training, 46% for travel, 39% for library, 24% for supplies, 14% for printing. Moves cut shortfall to \$890,000, with \$500,000 coming via surprisingly high staff interest in early-out program, he said.

Application backlogs are taking serious toll on revenues that FCC generates, Patrick contended. "The speed and efficiency with which we license new and existing services has a direct impact on the American economy," he said. "Delays in licensing caused by staff shortages or lack of automation affect not only applicants, but adversely impact the GNP [gross national product] and reduce tax revenues." Mass Media Bureau backlog has grown 20% in fiscal year -- from 3,894 to 4,979, he said.

As more and more applications are held up in system, potential tax revenue from company profits will fall, FCC research showed. Biggest potential losses would be in TV-radio license processing. Mass Media Bureau estimated budget cuts in current year would slow processing of 15 UHF and 224 FM licenses at least one year. Documents put present value of those stations at \$129 million, for potential revenue loss of \$17 million and reducing federal tax revenues more than \$40 million. FCC continues to collect "cost-of-regulation" fees from all applicants and has received \$90 million, with nearly half from rural cellular applicants, Patrick said. Processing delays don't affect most of those fees directly.

Patrick saw way out in proposed spectrum auctions, which he argued would speed processing and provide direct revenues for Treasury. He found some interest among members, although concept has been opposed strongly by others in Congress, notably on Commerce Committees that set FCC's annual spending ceilings. Rep. Carr (D-Mich.) suggested spectrum fees or royalties might be in order. Lawmakers also questioned Patrick on state of satellite broadcasting, home dish market, HDTV, LPTV, fairness doctrine, children's TV.

**COURT AVOIDS CABLE-TELCO:** Chances are slim that U.S. Appeals Court, D.C., will strike down constitutionality of cable-telco cross-ownership rule, as sought by U.S. Telephone Assn. (USTA) and Bell Atlantic in Northwestern Ind. Telephone Co. (NITCO) and Northwest Ind. CATV vs. FCC. Panel of Chief Judge Patricia Wald and Judges Spottswood Robinson and Kenneth Starr raised several questions in March 6 argument that led some observers to conclude Court wouldn't reach constitutional question. Among judges' questions were some dealing with "ripeness" of issues, since FCC has rulemaking and inquiry in progress and hasn't notified Court of its final view.

Cable and telco industries are watching case for sign as to how Court may deal with cable-telco cross-ownership as well as FCC ruling on GTE Sec. 214 grant in Cerritos, Cal., now under reconsideration at agency. Some observers considered case time bomb that could eliminate cable-telco cross-ownership ban.

"The parties are at war," FCC lawyer Daniel Armstrong said in commenting on Commission's further notice and rulemaking: "There's no preliminary consensus, if there ever was consensus, among the 3 [FCC] commissioners. If we're going... full speed ahead, in all candor we have to know where we're going, and that's difficult at the moment." John Thorne, attorney for USTA and Bell Atlantic, argued that cross-ownership is unconstitutional and that Appeals Court has authority to grant complete relief. Govt. has failed to meet burden of proof for continuing unconstitutional ban, he said. But Judge Robinson noted USTA and Bell Atlantic were presenting issues and "we are not the Court of original jurisdiction."

NCTA argued telco First Amendment rights aren't being violated. Lawyer Bartow Farr also contended FCC rules that predated cable aren't inconsistent with Cable Act because Congress merely codified FCC rules in Act. Farr focused on Note 1 of FCC rules that laid out affiliation requirements, said it was codified along with rest of rules in Act. Agency said in legal brief that it's not required to keep Note 1 on books, is proposing some affiliation changes in rulemaking.

NITCO case involves affiliation of telco, owned by Robert Mussman, and cable company, owned by his son Rhys. Case is on 2nd go-around -- Court remanded it to FCC in 1987 for better explanation of how NITCO differed from other cases in which telcos were allowed to build cable systems with some of same interrelationships. FCC ruled Mussmans' relationship violates cable-telco cross-ownership rule and ordered them to divest. Similar NITCO case is pending in U.S. Dist. Court, Hammond, Ind.

Senate Antitrust Subcommittee tentatively has set April 4 or 6 for cable hearing that aides expect to focus on implications of Time-Warner merger and integration generally in industry. Subcommittee is headed by Sen. Metzenbaum (D-O.), who has expressed strong misgivings about ownership concentration in cable and vertical integration in program production and distribution, and particularly to Time-Warner deal (see separate story, this issue).

Transmission towers of 4 Santa Maria, Cal., radio stations were felled March 3 when guy wires were cut. KSNi and KSMA were off air until temporary towers were rigged on telephone poles. KUHL and KGDP were able to remain on air because only one tower of directional arrays was toppled. Two teenagers -- one of whom had applied for job at all 4 stations -- were arrested for vandalism.



**TV BROADCASTERS UPSET:** Eight Hill leaders on both sides of aisle received letter March 6 from 9 broadcast groups protesting offer of Continental Cablevision to Fla. TV stations of preferential channel treatment in return for no syndicated exclusivity or network nonduplication. Letter said it was "a matter of immediate concern to members of the public and all broadcasters," asked Hill leaders "to express your disapproval of such practices as contrary to the public interest."

Letter -- signed by 3 TV networks, NAB, INTV, TV Operators Caucus and 3 network TV affiliates' associations -- charged that Continental is "asking local broadcasters [to] renounce their syndicated exclusivity and network nonduplication rights in order to assure continued cable carriage and/or channel position."

INTV Pres. Preston Padden said only one word can describe Continental offer: "Shakedown. INTV has received reports of similar demands by other cable operators seeking to abuse their monopolistic position." By contrast, he said, largest MSO TCI has offered to work with INTV on standardized syndex notification form to be used by stations seeking exclusivity "and appears to be making a good-faith effort to make the new rules a success."

"Outrageous accusation," replied Robert Sachs, Continental senior vp-corporate and legal. "None of them [protesting broadcast groups] bothered to call anybody at Continental Cablevision." He said MSO has good relations with Fla. stations -- hasn't dropped any station it was required to carry under old must-carry rules and hasn't threatened to do so. "We haven't presented anybody with a take-it-or-leave-it proposition," Sachs said. He said same offer of nonexclusivity -- now limited to Fla. stations -- will be offered soon to stations carried on Continental systems elsewhere. In follow-up letter to Hill, Continental said Padden misrepresented situation in Fla. Company said it felt tradeoff would benefit consumers by leaving distant signals intact while raising local broadcasters' visibility in markets. It also said FCC has raised specter that broadcasters could negotiate with cable to give up syndex.

**Cable transactions:** King Bestg. has agreed to buy Hauser Communications Brooklyn Park, Minn., system serving 46,000 subscribers, for \$131 million cash, \$2,848 per subscriber. Hauser Chmn. Gustave Hauser said N. Central Cable, partnership with Hauser as managing partner and Continental Cablevision as passive investor, has been pulled off market. System has 80,000 subscribers in Minneapolis suburbs. Broker: Waller Capital... Mission Cable Co. has acquired cable systems serving Hammond and Canute, Okla., and Bucklin and Coldwater, Kan., from Bucklin Community TV and Coldwater Community TV. Systems serve 1,050. Broker: Hardesty, Puckett... Enstar Cable of Cumberland Valley has purchased systems with 700 subscribers in Polk and Hickory Counties, Mo., from First Cable & Land Corp. Broker: Hardesty, Puckett.

**Fine of \$35,000** has been levied by N.Y. State Commission on Cable against Cable TV of Central N.Y. for alleged failure to ground wiring properly against electrical shock. Cable operator had asked for approval to sell system to First Americable and alleged violations were discovered when Commission staff conducted series of inspections before sale. It's 2nd such fine for Cable TV of Central N.Y.; in 1987, FCC imposed \$2,500 fine and ordered cabler to make corrections. System serves Camden, Hastings, Mexico, Parish, Pulaski, Richland and Sandy Creek in Oswego County; Vienna and Sydan Beach in Oneida County.

Hearing on fairness doctrine has been set by Senate Communications Subcommittee for March 15, 9 a.m., Rm. 253, Russell Bldg. Move means Senate introduction of expected legislation is imminent. Measure will be same as last year's (S-742), probably will be introduced in Senate same day as hearing by parent Commerce Committee Chmn. Hollings (D-S.C.). Witnesses include: Jerome Baron, prof., George Washington U. National Law Center; Scott Denman of Safe Energy Communications Council consumer advocacy group, which recently published report on alleged station practices since end of fairness doctrine; Anna Goldoff, prof., John Jay College; Thomas Krattenmaker, assoc. dean, Georgetown U. Law Center. Hearings already have been held by House Telecom Subcommittee (TVD Feb 13 p4) on companion bill (HR-315). Meanwhile, Senate unit tentatively has set April 12 for hearing on commercialization of children's TV. Kidvid bill is expected to be introduced by Hollings and others soon and largely reflect aborted measure (HR-3966) passed by last Congress but pocket-vetoed by President Reagan. However, new bill apparently will have new element emphasizing educational value of TV.

**TV station sales:** San Antonio-based Clear Channel Communications is buying KOKI-TV (Ch. 23 independent) Tulsa for \$6 million from Tulsa 23 Limited Partnership, headed by James Lavenstein (10% gen. mgr.). Broker: Kalil & Co. Clear Channel Pres.-CEO Lowry Mays is current NAB radio chmn., is expected to become joint board chmn. in June. Clear Channel owns 16 radios, recently acquired independents WPML-TV Mobile and KDTU-TV Tucson. Krypton Bestg. is buying independents WVFT (Ch. 27) Roanoke, WLAX (Ch. 25) La Crosse and CP for WEUX Chippewa Falls, Wis. (which plans summer start), from Family Group for \$10.5 million. Krypton, headed by C.E. Feltner, has no other broadcast interests. Independent WJWT (Ch. 16) Jackson, Tenn., has been sold for \$1.4 million by Golden Circle Bestg. to Jackson Investment Corp. Jackson is owned principally by Michael Thompson, who also is purchasing WMKW-TV (Ch. 30) Memphis and has interest in WCAY-TV (Ch. 30) Nashville... Home Shopping Network (HSN) has agreed to buy WVEU (Ch. 69) Atlanta from Best. Corp. of Ga. If transaction is completed, it will be 12th station for HSN's Silver King Bestg. unit. Terms weren't disclosed.

"Advertising in a New Political Era" is subject of March 21 conference sponsored by AAF, Willard Inter-Continental Hotel, Washington. Rep. Tauke (R-Ia.) will discuss movement in Congress to censor and/or ban certain types of advertising; Rep. Lent (R-N.Y.) takes on House ad agenda and fairness doctrine; Rep. Downey (D-N.Y.) will cover tax issues facing advertisers; Sen. Lott (R-Miss.) is assigned impact of new Congress on business and advertising. FTC Comr. Terry Calvani and N.Y. State Attorney Gen. Robert Abrams, pres. of National Assn. of Attorneys General, will debate state regulation of national advertising. Details: 202-898-0159.

**TCI has signed long-term agreement** to carry Madison Sq. Garden Network (MSGN) on systems serving 550,000 subscribers in N.Y.C. area. TCI said move would result in only modest increase in basic rates in systems. MSGN has been in battle over carriage with another N.Y. cable operator, Cablevision Systems, and TCI action is expected to increase pressure on Cablevision to carry sports service. Cablevision has said it wants to sell MSGN as premium service because it doesn't want to impose high-priced MSGN on basic subscribers. TCI Pres. John Malone said in Dec. he would like to tier high-priced channels rather than blend them into basic.



**RHC AND NCTA SLUGFEST:** Debate on whether RHCs should be allowed to expand into new lines of service, such as cable, quickly turned into name-calling battle between NCTA and Bell Atlantic last week during panel session at Consumer Federation of America (CFA) Consumer Assembly in Washington. NCTA used occasion to release position paper reviewing what it charged was telco's "anticonsumer and anticompetitive" behavior. Bell Atlantic Asst. Vp Dan Behuniak focused on cable rate increases of last 2 years, saying they were outrageous and disgrace, and accused cable of engaging in "corporate rape" of subscribers with huge rate boosts that he said range up to 200%. Behuniak was applauded after calling cable service "horrible."

Besides NCTA Exec. Vp Decker Anstrom, other panelists -- AT&T Public Affairs Vp Michael Baudhuin and Comptel Exec. Dir. Jerry McAndrews -- opposed RHC expansion. Anstrom's arguments centered on contention that telcos now can build fiber optic transmission systems and serve as video transmission system providers. What telcos can't do is control content, he said, and that barrier should be kept because otherwise local phone rates would rise sharply and hurt consumers. Anstrom said local rates are up 60% since divestiture, citing CFA data. He charged that while USTA has been saying FCC joint cost rules are sufficient to prevent cross-subsidization, 5 of 7 RHCs are contesting constitutionality of parts of those rules in U.S. Appeals Court, D.C.

Behuniak said customers should have choice, indicating telcos need same "seed" as cable had to show -- ability to provide video entertainment. He implied that U.S. is falling behind rest of world in deploying new telecommunications technology and switched broadband network and said that if telcos don't win incentive to use fiber, nation could lose information race to Japanese and Germans. Among prospective services he cited was videophone. Behuniak boasted that Bell Atlantic hasn't filed rate case in 4-5 years, contrasting that with boosts he said cable has been imposing.

NCTA paper reviewed what it termed telco cross-subsidization abuses and failure of regulation to prevent it, "general anticonsumer behavior," discrimination by telcos on access to poles and conduits.

Good PR at system level is important to cable's winning public policy battles in Washington, NCTA Pres. James Mooney told Cable TV Public Affairs Assn. luncheon in Washington March 6. "To the degree that you're able to communicate the positives, the smoke will remain smoke," Mooney said. "To the degree that you're not, there could be real fire." Members of Congress care about what's going on in their districts and what cable systems are doing with specific consumers, Mooney said. "So what you do to explain your system's policies and aspirations to your subscribers and to the public in your area has a direct affect on what happens here on Capitol Hill," he said. Mooney also spent time on telco issue, casting it as attempt by carriers to enter video content arena rather than as distributors of others' programming.

Only 3 items are on agenda for FCC meeting March 16 -- 2 mass media and one common carrier, last dealing with caps on rate of return for dominant carriers' interstate service, which has provoked much controversy in Congress. On broadcast side: (1) Commission will delete its rule limiting network TV contracts with affiliates to 2 years. It issued rulemaking on its own motion last year. (2) Commission will address proposed guidelines for determining when transfer of control of nonstock licensees has occurred.

TBS Chmn. Ted Turner blasted NBC and its corporate parent GE March 8, calling GE "most corrupt" company in America because of its role in defense contracting scandals and saying NBC intended to stifle competition when it was trying to buy TBS in 1987. Responded GE spokesman: "Mr. Turner is well known for his outrageous remarks about almost everything, including his competitors. It would serve no purpose to respond further to his self-serving and self-promoting statements." Some observers indicated Turner's speech, to Washington Cable Club luncheon, contained points similar to those he raised at NCTA briefing of congressmen in L.A. in Jan. Turner said GE has paid \$40 million in fines for defense contracting violations while TBS hasn't paid a nickel in fines. GE spokesman said he could recall company paying no more than \$1 million penalties for defense violations. Now, Turner said, NBC is admitting that its Consumer News & Business Channel (CNBC) is intended to compete with CNN and is complaining about size of proposed merger of Time and Warner, neither of which separately has agreed to carry CNBC on its cable systems. Turner recalled NBC efforts to buy CNN, said it envisioned control of CNN as way out of \$100 million losses on network news operation. He said that even after he chose to sell part of company to cable -- "the devil you know is better than the devil you don't" -- NBC still wanted piece of TBS, so he offered 20% at \$20 per share. "Those bozos said \$20 was too much one year ago," but now TBS stock is trading in \$27 range, he said. In other points, Turner said: (1) He favors Time-Warner deal, noting that companies have significant stake in TBS (combined 9.2% on fully diluted, voting interest basis; Turner holds 51%). (2) Concentration in cable industry has created competition in entertainment business by developing many program networks where once there were only 3 broadcast nets. (3) He sought MGM from investor Kirk Kerkorian 5 years before he actually bought it and before he tried to take over CBS. (4) Golden age of cable is just beginning, cable assets are 2-3 times more valuable than broadcast and "sun is setting" on cable competitors, such as broadcasting. He said broadcasting won't disappear but will be "eclipsed." (5) Cable industry must improve its programming and promotion. NBC Pres. Robert Wright is Cable Club speaker in April.

TV network affiliate boards and govt. relations committees meet in Washington March 15-16 in first such joint session of all 3 networks. Sessions begin with briefing at White House (to which President Bush hasn't committed). Appearing before group at closed meeting next day: House Telecom Subcommittee Chmn. Markey (D-Mass.), Sen. Danforth (R-Mo.), Reps. Brooks (D-Tex.) and Rostenkowski (D-Ill.). Sessions are scheduled for Washington Court Hotel (formerly Sheraton Grand).

Startup of satellite HDTV tests to be conducted jointly by Hughes and N. American Philips now is set for midyear, Hughes Senior Vp Robert Waldron said. He said process was delayed month while companies awaited hardware, but equipment is being assembled now. Companies are confident there won't be difficulty using satellite to deliver HDTV, Waldron said. Main goal is to optimize system by determining maximum amount of bandwidth that can be used without causing interference, he said.

Most of main HDTV proponents will be back at NAB's special exhibit at Las Vegas convention April 29-May 2, Assn. said. NAB said advanced TV display will total more than 22,000 sq. ft., more than double last year. Preliminary exhibitor list includes A-Vision, Compatible Video Consortium, Faroudja, Intelvideo, N.Y. Institute of Technology, NHK, Nippon TV, N. American Philips, David Sarnoff Research Center, Scientific-Atlanta, Zenith.



## Personals

Betty Hudson, NBC vp-corporate and media relations, promoted to senior vp-corporate communications, becoming NBC's highest ranking female exec... Josie Thomas, ex-International Management Group, rejoins CBS as dir.-business affairs... William Turner, KCAU-TV Sioux City, former NAB TV chmn. and onetime head of political arm TARPAC, will receive NAB Grover C. Cobb Award at April 30 dinner at NAB convention for "unusual dedication toward preserving... the institution of free broadcasting."

Nonlawyer Mimi Dawson, ex-deputy Secy. of Transportation and former FCC member, joins Washington law firm Wiley, Rein & Fielding today as govt. affairs specialist; Sherrie Marshall, who had been on loan from FCC working for John Tower's confirmation as Secy. of Defense, will return to Wiley firm as partner specializing in election law (Marshall also is prominently mentioned as possible appointee to FCC)... Lydia Hofer, former exec. dir., NAB political action fund TARPAC, appointed deputy dir. of congressional and legislative affairs-House, Dept. of Interior.

David Whitaker, pres.-gen. mgr., WJW-TV Cleveland, named vp-gen. mgr., WTVT Tampa, effective in April, succeeding Harry Apel, who retires at end of year; Virgil Dominic, WJW-TV news dir., will succeed Whitaker... William Service, ex-vp-gen. mgr., WTVQ-TV Lexington, joins WRDW-TV Augusta in same post... James Briggs, ex-WKRN-TV Nashville, joins WBTW Florence, S.C., as operations mgr... Rick Jordon promoted to operations mgr., WDSI-TV Chattanooga... Harry Remboldt, ex-WHEC-TV Rochester, N.Y., joins WDIV Detroit as national sales mgr.

Diane Killory, FCC gen. counsel, speaks on "New Ways to Decide Comparative Cases" at symposium co-sponsored by FCBA and ABA Forum on Communications Law, 9 a.m., March 18, Washington Marriott Hotel.

WETA-TV-FM Washington Pres. Ward Chamberlin plans to relinquish CEO post after search committee finds successor; Chamberlin, 13-year head of stations, would take on more "limited role" in new post of vice chmn.; Exec. Vp Gerald Slater plans to remain for transition before resigning to pursue "entrepreneurial ventures"; Donald Quayle, vp-planning and administration, retires at end of month; he was first NPR pres.

Kenneth Scott, ex-CBS/Fox Video, appointed vp-video, CBS Best. Group, new post... Elected to board of National Cable TV Center & Museum: Michael Rigas, Adelphia Communications; Gary Blount, Mid-South Communications... Promotions at Turner Bestg. System: MaryAnn Pasante to vp-international sales-Latin America; Betty Cohen to vp-creative dir., TNT... Advanced to vps, General Instrument: Anthony Aukstikalnis, gen. mgr., Jerrold Subscriber Systems unit; Richard Smith, dir.-taxes; Lemuel Tarshis, gen. mgr., Jerrold Distribution Systems... Theresa Barrett, ex-law firm O'Sullivan, Graev & Karabell, joins HBO as assoc. gen. counsel.

Appointments at NBC's CNBC: Annette Leiderman, ex-MBS International buying service, as vp-eastern sales (excluding N.Y.C.); Marie Skelly, ex-MTV, vp-sales, N.Y.C. area... Lee Peterson, ex-TRW, appointed asst. vp-new business development, General Instrument VideoCipher Div... Thomas McCarthy promoted to gen. mgr., JVC professional products.

William Freiberger, ex-ABC TV Network, named vp-engineering dir., VTE Mobile TV Productions... Thomas

# TELEVISION DIGEST

Published Weekly Since 1945

With Consumer Electronics  
(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

Warren Publishing, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Public Broadcasting Report, Space Commerce Bulletin, Television & Cable Factbook and other special publications.

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Burke, pres., M/A-Com, adds post of chmn... Ruth Milkman appointed special asst. to FCC gen. counsel for common carrier matters, succeeding Anne Siegel, who resigns March 17... Alex Swann advanced to vp-communications, Turner Cable Network Sales, new post.

Gene Robinson named exec. vp-national accounts, Anixter Cable TV, new post... Advanced to principals, lobbying firm Wexler, Reynolds, Harrison & Schule: Joseph Waz, Bruce Wolpe, Terry Bevels... Tina Hester, ex-Dukakis presidential campaign, joins NCTA Assn. Affairs Dept. as dir.-state outreach.

Don DeMesquita advanced to senior vp-corporate communications/publicity, Columbia Pictures TV... Lawrence Kupp and Harry Sloan, co-chmn., New World Entertainment, plan to resign after acquisition of company by Italian financier Giancarlo Piretti; Co-chmn. Robert Rehme will remain... Charles Stackhouse, ex-Dun & Bradstreet, joins United Media as senior vp-planning and development.

Cable operators paid \$70.6 million in copyright royalties for 2nd half of 1988 as of March 8, U.S. Copyright Office said. That's below \$76.8 million paid for 1987 2nd half and \$73.5 million for first half of 1988. Payments were due March 1.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th and final statistical week of Feb. and year's first 2 months:

	FEB. 18-24	1988 WEEK	% CHANGE	FEB. 10-17	2 MO. 1989	2 MO. 1988	% CHANGE
TOTAL COLOR.....	448,513	465,528	- 3.7	412,954*	3,028,515*	2,597,242	+16.6
DIRECT-VIEW...	443,908	458,659	- 3.2	407,590*	2,996,657*	2,558,513	+17.1
PROJECTION....	4,605	6,869*	-33.0	5,364*	31,858	38,729	-17.7
TOTAL VCR.....	215,369	337,135	-36.1	154,201	1,250,102	1,647,727	-24.1
DECKS.....	172,369	296,138	-41.8	132,762	1,052,990	1,479,503	-28.8
CAMCORDERS....	42,972*	40,997	+ 4.8	21,439	197,112*	168,674	+16.9

Color TV 5-week moving average: 1989--423,100\*; 1988--363,573 (up 16.4%).

VCR deck 5-week moving average: 1989--149,181; 1988--206,900 (down 27.9%).

Camcorder 5-week moving average: 1989--29,775\*; 1988--22,893 (up 30.1%).

\* Record for period.

**U.S. OPENS MEXICO, MALAYSIA TV DUMPING WATCH:** Commerce Dept. has begun monitoring TV imports from Mexico and Malaysia for possible dumping, following request by Zenith, which charged Asian manufacturers are using those countries to evade dumping penalties (TVD Jan 2 p12).

Monitoring of imports by Commerce for one-year period is allowed in instances in which there's "extraordinary pattern" of persistent sale of products at less than home-market prices, under provision of 1984 trade law. Commerce letter responding to Zenith request said there's "reason to believe or suspect that imports of complete and incomplete TV receivers from Mexico and Malaysia constitute an extraordinary pattern of persistent injurious dumping that causes a serious commercial problem for the domestic industry." If dumping is determined during monitoring period by Commerce's International Trade Administration (ITA), Commerce can launch antidumping actions without need for formal complaint.

Zenith has accused Far Eastern TV producers of circumventing U.S. dumping penalties by assembling products in China, Hong Kong, Malaysia, Mexico, Philippines, Singapore and Thailand for shipment to U.S. Japan, Korea and Taiwan have "largely evaded antidumping penalties by establishing assembly operations in other countries, such as Mexico and Malaysia," and monitoring should help curb "evasion schemes," Zenith said. Requests for monitoring of other countries in addition to Mexico and Malaysia don't yet meet "statutory threshold for establishing a monitoring program," Commerce said. Zenith vowed to provide more evidence of dumping by those countries.

Mexico was easily dominant source country for complete color TVs and color TV chassis & kits in 1988, shipping nearly 5 million total color TVs in year, Commerce import figures showed (TVD March 6 p16). Malaysia's color TV shipments actually declined from 1987, but percentage decrease was much smaller than for Hong Kong, Japan, Korea, Taiwan.

**COLOR BOOMS IN FEB. AT 22.7 MILLION RATE:** Color TV is on a roll and after a strong Jan. (TVD Feb 13 p10) Feb. chalked up the kind of sales figures normally seen in 2nd half -- more than 1.6 million sold. That was increase of 20.8% over Feb. 1987, biggest month-to-month increase in nearly 4 years (May 1985).

Direct-view color's annualized sales rate in Feb. was 22.7 million, compared with Jan. rate of 20 million and with sales of 20.2 million in calendar 1988. For year to date -- Jan. plus Feb. -- sales were running at rate of nearly 21.4 million and cumulatively were 17.1% ahead of last year. Feb. was 6th consecutive record month in direct-view color.



Soaring color TV sales figure for Feb. is particularly puzzling in light of some dealer complaints of inability to receive full orders of color sets as shortages continue, even intensify. "Who's getting those sets?" asked one disgruntled dealer -- "it's sure as hell not me." Five-week strike at RCA Scranton tube plant (TVD Feb 27 p9) is said by one source to have eliminated 250,000 tubes from marketplace, shutting down at least one setmaker's large-screen production line.

Industry was operating hand-to-mouth even before RCA strike. Pipeline color TV inventories at end of 1988 were down nearly 27% from level at close of 1987. Industry went into year with less than 7 weeks' supply -- which would be less than 6 weeks' supply at current high sales levels.

Projection TV ended month 5.5% ahead of last Feb., without setting record for month. For year to date, it ran 17.7% behind 1988. Feb. projection sales were at annual rate of 260,000 -- no great shakes, and below 1988's 301,784 -- while year-to-date sales were at even poorer 227,000.

Camcorders set another record, with Feb. sales up 17.4% from year earlier at annual rate of 2.5 million, vs. Jan.'s 2.15 million. For year's first 2 months, sales were at rate of 2.24 million, compared with 2.04 million last year. VCR deck sales still were in Doldrumsville, down more than 20%. But even in decks, things were looking up -- Feb.'s annual rate, 8 million, was full million higher than Jan.'s. Year-to-date sales ran at annual pace of just under 7.5 million, still well below 1988 total of 10,748,000. Here are EIA's figures on Feb. sales to dealers:

Product	Feb. 1989	Feb. 1988	% Change	Feb. 1987
Total color.....	1,632,492*	1,353,686	+20.6	1,446,933
Direct-view...	1,614,665*	1,336,787	+20.8	1,424,569
Projection....	17,827	16,889	+ 5.5	22,364
Total home VCR..	657,153	827,664	-20.6	979,271*
Decks.....	554,564	740,284	-25.1	913,271*
Camcorders....	102,589*	87,380	+17.4	66,000

\* Record for any Feb.

**GOVT. TO BAR HDTV AID TO FOREIGN COMPANIES:** Defense and Commerce Depts., seemingly in competition to back HDTV research with funds and govt. aid, assured Congress last week that foreign companies wouldn't get any, although they conceded it would be difficult to winnow out foreign entities in today's multinational corporate environment.

Two days of hearings last week by House Telecom Subcommittee bordered on xenophobic, as lawmakers even sought to bar cooperation with Soviet Union on HDTV production standards as being militarily strategic (see report in Best./Cable Section). Assurances of all-American R&D policy came from Commerce Secy. Robert Mosbacher and Defense Dept.'s Craig Fields, deputy dir. for research at Defense Advanced Research Projects Agency (DARPA).

Fields released list of 87 companies that had submitted proposals for HDTV display and receiver R&D, commenting informally after hearing that plans showed such high degree of merit that DARPA may seek funds to make more grants than its originally proposed \$30 million (TVD Jan 2 p9).

List of companies seeking DARPA funding includes few identifiable foreign entities -- Philips Labs had 2 proposals, Sony America 3 and Thomson Consumer Electronics was listed as subcontractor for Sarnoff Labs proposal. Only other company that appeared to be foreign was Amerasia Technology Inc., West Lakes Village, Cal. About 1/3 of proposals were from well-known major companies and institutions, rest from smaller or lesser known organizations.

Among prominent companies submitting proposals or mentioned as subcontractors were AT&T (on own and as Zenith subcontractor), Corning (subcontractor), GE, GTE (subcontractor), Honeywell, Hughes Aircraft (3 proposals, one subcontract), IBM, ITT Semiconductors, Tandy, 3M, Westinghouse, Xerox (subcontractor). Company with most participation was Sarnoff Research Center, submitting 3 proposals on its own and listed as subcontractor on 5 others. Many of those submitting plans were same as those proposing transmission systems to FCC -- Del Rey Group, High Resolution Sciences, MIT, Philips Labs, Sarnoff, Zenith. (Full list of applicants and subcontractors appears elsewhere in this issue.)

Fields shed light on DARPA's approach, clarifying guidelines his agency will use in awarding grants, which could come as early as April: (1) None of work will be classified. (2) Products will be subject to usual



U.S. export controls for sensitive technology transfers to Communist countries. (3) Civilian and military applications will be included. (4) Data and patent rights will be assigned to companies involved. (5) Selections will be made after consultation with FCC, NASA, Commerce, other agencies. (6) Foreign subsidiaries of U.S. companies won't be excluded from using technology that may have been developed by parent, "All-American solutions" will be stressed and eventual transition of technologies involved to U.S.-based entities will be required. (7) Funding will be limited to seed grants -- "this is not a govt. bailout." (8) Industry groups will be consulted closely throughout project, Fields said, naming American Electronics Assn. (AEA).

Commerce's Mosbacher said no exports of HDTV equipment were likely to be allowed to Communist countries -- because of national security concerns -- leaving implication that at least for foreseeable future, large potential market for HDTV receivers and other equipment will be closed to American companies. His comments conflict directly with AEA's position that U.S. must control 50% of HDTV receiver market to keep American semiconductor industry afloat (TVD Jan 16 p10).

Mosbacher also reiterated Commerce's intention of taking lead role in HDTV policy coordination, saying Dept. has mandate from President Bush. Secy. said working group of Economic Policy Council already is in place and reviewing options with eye toward producing recommendations for White House and Congress within month. Interagency group should take position on question of govt. support for industry consortium, Mosbacher said. Administration already believes: (1) Such consortia should be established. (2) White House proposals to increase federal research funding and extension of R&D tax credit should be first steps. But Bush Administration hasn't set position yet on consortia, although Justice Dept. has paved way by announcing its tentative support for easing antitrust rules to permit joint manufacturing ventures by small firms.

U.S. needs to toughen trade policy to ensure American companies don't run up against same kinds of barriers that hit TV industry 20 years ago, said Clyde Prestowitz, former Reagan Administration trade negotiator now senior assoc. at Carnegie Endowment for International Peace. "It's unlikely American companies would get into this business if they are up against the same kinds of [practices] and companies that drove them out of the TV business" in first place, he said, pointing to Japanese barriers to U.S. TV trade in 1960s-1970s. Same point was made by Pat Choate of TRW, who accused U.S. govt. of failing to provide legal safeguards due American companies and workers.

House Telecom Subcommittee Chmn. Markey (D-Mass.) said his panel plans more hearings in spring. Meanwhile, House Science, Research & Technology Subcommittee under Rep. Walgren (D-Pa.) has scheduled its own hearing for March 22 on govt. role in helping consortia. Testimony is expected from representatives of AEA, Bellcore, Commerce Dept., Cornell U., DARPA, Fiberview Electronics, MIT, Zenith.

Warning against "technological protectionism," Thomson Consumer Electronics Vp Joseph Donahue told ITA seminar last week that govt. "should encourage companies to make R&D and manufacturing investments in the United States," and that any consortium should include multinationals that make major investments here. He said HDTV shouldn't be seen as "quick fix for deeply rooted economic ills," but federal policies should be directed to restoring U.S. competitiveness generally.

Japanese industry was in state of shock, meanwhile, after 16-nation Coordinating Committee on Multilateral Export Controls (COCOM) rejected Hitachi plans to provide consumer VCR know-how to China on ground that VCR cylinder technology could be used for military purposes. U.S. was reported in Japanese press to be leading opposition to VCR technology transfer, and Japanese manufacturers expressed fears that U.S. would push COCOM to act against other international consumer electronics ventures. (See related reports elsewhere in this issue.)

**SHORTAGES BLOCK PROJECTION RECORD--USPL:** Projection TV sales would have set record easily last year if it hadn't been for product shortages. Although supply will continue to be limited by component scarcities, sales this year should hit 335,000 sets, 10% above previous record set in 1986. So said Corning Glass subsidiary U.S. Precision Lens (USPL) in annual review-forecast.

USPL, which manufactures lenses for most projection sets, believed EIA's reported 1988 sales-to-dealers total of 301,784 actually was too low, its own survey of manufacturers indicating actual market was more than 313,000 sets; USPL had challenged EIA projection figures for 1987 as well (TVD March 7/88 p13). Report said discrepancy may result from "timing differences and small errors in estimates for those companies that do not report to EIA."



Even using EIA figures, USPL said it believes demand for projection TV last year was "substantially larger" than actual sales and that "as many as 325,000-330,000 sets could have been sold had they been available," citing: (1) Reported "shortages of screens, CRTs and cabinets" prevented manufacturers from shipping ordered product. (2) Year-end inventory was low and "most models were in a sold-out condition." (3) "Several makers underestimated the demand for 50-inch and larger screen sizes and did not plan adequate production. We believe more 50-60-inch product could have been sold without an offsetting reduction in sales of smaller screen sizes." (4) "A number of models were late in production startup and were back-ordered at year end."

Growth of projection TV is "back on track after a year of confusion in 1987, caused principally by the introduction of 35-inch direct-view sets," USPL said, and its forecast of 335,000 sets this year is "considerably lower than what our friends in the business are collectively telling us they could sell in the absence of component shortages." (Sales to dealers in this year's first 2 months were down 17.7% from same 1988 period.)

USPL saw continuing trend toward larger screen sizes, predicting 50-60" will represent 25% this year (up from 20% last year), 45-49" 42% (unchanged), 40-44" 33% (from 36%) and 36-37" less than 1% (from 2%). As for commercial and industrial sales, report estimated market above 30,000 sets and growing, while European and Japanese markets each absorbed 10,000-12,000 last year and "will grow 50-100% in 1989."

Projection TV inventory levels last year "decreased significantly" in successive quarters since 4th quarter 1987, from about 75,000 to end 1988 at 46,493 sets, representing about 7.5 weeks of industrywide sales. Seasonal patterns last year were virtually unchanged from 1987 -- 20% sold in first quarter, 18% in 2nd, 27% in 3rd, 34% in 4th.

Among factors influencing 1989 sales, USPL listed: (1) Increasing consumer interest in better pictures though S-VHS and publicity about advanced TV systems. (2) Stepup features such as surround sound and picture in picture. (3) Projection's home penetration, now at high enough level to influence sales.

Discussing LCD video projectors, USPL saw technological problems -- in brightness, power consumption, pixel density and motion resolution -- that must be overcome before technology is adequate for consumer products. Long-term use of LCD projection, report said, probably will be in "niche markets," and without technological breakthroughs "we doubt that it will extensively replace the current CRT projection technology."

**U.S. TV EXPORTS UP SHARPLY IN 1988:** U.S. exports of complete color TV sets jumped 127.2% to 974,800 in 1988 and value of shipments rose 121.6% to \$301 million, Commerce Dept. trade figures showed. Shipments of incomplete color TVs, b&w TVs and TV picture tubes to foreign markets also increased in year. However, figures don't necessarily indicate contribution to improving electronics balance of trade, since most incomplete color set exports are shipped across Mexican border for processing and return as complete sets.

Mexico and Canada were leading importers of U.S.-made sets last year, receiving 66.7% of total, Commerce said. It also said Mexico was largest exporter of color TVs to U.S. in 1988 (TVD March 6 p16). Taiwan and Hong Kong were other major importers of U.S. TVs. Shipments to Mexico, listed as both complete and incomplete TV sets, are believed to be largely TV chassis & kits imported or made in U.S., transported to Mexico for final assembly.

Total TV shipments from U.S. to other countries in 1988 more than doubled to 1.1 million, as b&w exports rose 41.3% to 120,600. Dollar value of total TV exports increased 113.7% to \$313.8 million and of monochrome shipments 16.4% to \$12.8 million. U.S. also exported 3.42 million unfinished or unassembled TVs in year, up 38.5% from 1987. Mexico received 68.7% of incomplete TVs, which had value of \$110.3 million, up 50.3%.

Commerce figures indicate average complete color TV set exported from U.S. in 1988 was priced at \$308.73, down \$7.89 from \$316.62 in 1987. Average b&w set cost \$106.30, down \$22.63 from \$128.93 year earlier.

U.S. exported 1.56 million color TV picture tubes, up 235.5% from in year earlier. Value of color tube exports rose 185.4% to \$127.3 million, indicating decline in prices. Of total, 1.2 million tubes were 22"-&-under screen size, and 349,000 were 23"-&-over. Mexico received majority of smaller tube shipments and Canada was biggest importer of larger ones. B&w tube exports increased 34.9% to 87,100, with value up 60.2%.



**HDTV GRANT SEEKERS:** Companies seeking grants from Defense Advanced Research Projects Agency (DARPA), for development of HDTV displays or processors (receivers), along with any subcontractors listed (see separate report, this issue):

(1) 3M Ceramic Tech Center. (2) Adams-Russell Electronic Communications Programs Div.; subcontractors MIT-RLE, Datacom Co. (3) Advanced Display Technologies Inc. (4) Alphasil Inc. (5) Amerasia Technology Inc. (6) American Semiconductor Equipment Technologies. (7) Ampro Corp. (8) AT&T Technologies Inc.; subcontractor AT&T Bell Labs. (9) CAE-Link Corp., Link Flight Simulation Div. (10, 11) Cardinal Technologies Inc. (2 proposals).

(12) Chromachron Technologies Corp. (13) Claxton, John C. (14) Colimated Displays Inc. (15) CommTech International; subcontractors, David Sarnoff Research Center, Telicon Inc. (16) David Sarnoff Research Center; subcontractors Texas Instruments, Sun Microsystems Federal Inc. (17) David Sarnoff Research Center; subcontractors Thomson Consumer Electronics, Corning Glass Works. (18) David Sarnoff Research Center; subcontractors PPG Industries, ASET, GTE, Corning Glass, MRS Technology Inc. (19) Digipro Inc. (20) Display Technologies. (21, 22) Ear Three Systems Mfg. (2 proposals).

(23) Electronic Image Systems Inc.; subcontractors Imaging & Sensing Technology Corp., Syntronic Inst. Inc., Monotronix Corp., Teledyne Philbrick. (24) Electronic Systems Products. (25) FAI; subcontractors ANBC, Aydin Corp., Energy Conversion Devices, C MAX Co., General Research Corp., Paragon Optical, GTRI, Sarnoff Center, Thomas Electronics, LZR Elec. Inc. (26) Fiberview Corp.; subcontractors Unisys, SKA. (27) GE. (28) Harris Corp. Semiconductor Sector; subcontractor N.Y. Institute of Technology. (29) High Resolution Sciences Inc.

(30, 31) Honeywell Inc. (2 proposals). (32) Hound Magnetics. (33) Hughes Aircraft Research Labs. (34) Hughes Aircraft Industrial Products Div. (35) Hughes Aircraft Ground Systems Group. (36) IBM Systems Integration Div.; subcontractor MIT. (37) Innovative Solutions & Support. (38) Interstate Electronics Corp. (39) ITT Semiconductors. (40) Jupiter Technologies. (41) KLA Instruments Corp. (42) Magnascreen Corp.; subcontractor Conac. (43) MIT Research Lab of Electronics. (44) Micrion Corp.

(45) Microelectronics & Computer Technology Corp.; subcontractors Texas A&M, CTI consultants. (46) Microelectronics & Computer Technology Corp.; subcontractors Harris, Fiberview Corp., Symbolics, Hughes, National Semiconductor, TCRD, LTV Missiles & Electronics Group, Sanders. (47) MRS Technology Inc. (48) New Co.; subcontractor Spectra Physics Inc. (49) N.Y. Institute of Technology; subcontractors Grumman, Commodore. (50) Nilford Labs Inc. (51) Norden Systems Inc.; subcontractor Sigmatron Nova Inc. (52) O'Ryan Industries. (53) Optics 1 Inc. (54) Ore Inc. (55) Osborne Assoc. (56) Ovonix Imaging Systems Inc.

(57) PCO Inc. (58) Peak Systems Inc.; subcontractor Pa. State Center for Elec. Materials & Processing Facilities. (59) Pentastar Electronics Inc. (60, 61) Philips Labs (2 proposals). (62) Photonics Technology Inc.; subcontractors Texas Instruments TX Photonics Systems Inc., U. of Mich. (63) Planar Systems Inc.; subcontractors Sarnoff Center, Texas Instruments. (64) Projectavision Inc. (65) Qualcomm Inc. (66) Raychem Corp.; subcontractor Xerox Corp. (67) SAIC--CSM Div.; subcontractors Cimflex

Teknowledge, Brooktree Corp., Compression Labs Inc. (68) Selsys Corp.

(69) Solarex Corp. Thin Film Div.; subcontractor Amoco Research Center. (70) Sony Corp. of America; subcontractor Sony Corp., Tokyo. (71) Sony Corp. of America; subcontractor Sony TV Group, Osaka, Japan; Sony Mfg. Co., San Diego. (72) Spire Corp.; subcontractor Hycorn Inc. (73) Staplevision Inc. (74) Symbolics. (75) Tandy Corp.; subcontractor Chips & Technologies. (76-78) Tektronix Inc. (3 proposals). (79) Texas Instruments Inc.; subcontractor Sarnoff Center. (80) Del Rey Group. (81) TransEra Corp. (82) Trident International Inc. (83) Ultratech Stepper. (84, 85) Westinghouse (2 proposals). (86) Zenith; subcontractor AT&T. (87) Zenith.

\* \* \* \*

Among companies supplying details on their proposals, in addition to others reported here in past: Tektronix asked support for 3 projects -- (1) Projection system that would use thin film transistors and liquid crystal technology to project picture onto very large screen. (2) TekVision flat direct-view screen permitting higher resolution than HDTV standards. (3) Open architecture processor to drive either system. Staplevision (Barbara and John Stapleton) for screen with 2,000 x 1,125 "polymer electroluminescent" pixels, activated by thin film transistors, with 15 times more detail but compatible with NTSC, PAL, SECAM.

Price confusion in Japan with imposition of 3% national consumption (sales) tax April 1 is compounded by fact that many consumer electronics prices are going down, not up, because commodity taxes are being eliminated at same time. As manufacturers begin to announce new suggested retail prices, these trends emerge: Average decline for VCR deck or color TV will be 6-8%. Commodity tax on over-30" color was 20%, and prices will be down about 9%. VCR decks, audio products and microwave ovens, which had 15% tax, will decline around 7%. Radio cassettes and TV-cassette recorders had 10% tax, will drop about 5%. Examples of new prices: Mitsubishi 35" color, down 9% to 457,000 yen (\$3,570) from 498,000 (\$3,890); Panasonic VHS Hi-Fi deck, down 7.2% to 97,500 yen (\$760) from 105,000 (\$820). Many manufacturers had held up introduction of new products until April 1 price changes.

Sega expects to sign licensing agreements with about 20 software developers to produce games for new 16-bit videogame system in Japan. It already has signed up 14 to provide software for system, named Mega Drive. Sega forecasts annual sales of million hardware units, which have been available in Japan since fall but haven't been shipped to U.S.

Zenith stock has been upgraded by Standard & Poor's Outlook investment advisory newsletter from 4 to 5 stars, highest rating. Newsletter noted that "recent hike in prices of TV sets [is] sticking." Ratings vary from one star ("sell") to 5 stars ("buy").

Matsushita Electric Corp. of America (MECA) is expected to announce major reorganization this week.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 129 yen = \$1, except where noted.



**CD '\$3.1 BILLION, GROWING':** CD hardware and software represented \$3.1 billion retail business in U.S. last year, but its best days still are ahead, consultant-audio industry veteran Marc Finer told ITA seminar in Palm Beach Gardens, Fla. last week.

Finer, dir. of Communications Research Inc., quoted Sony estimates that 4.4 million CD players were sold here last year and its forecast of 5.3 million this year. These include 3.6 million component players in 1988, 4.2 million in 1989; 140,000 car players in 1988, 200,000 in 1989; 700,000 portables in 1988, 900,000 in 1989. Some 35% of players sold last year were changer models, but this should increase to 50%, forecast said.

CD player penetration is only 13%, Finer noted, but they're in nearly 30% of all hi-fi homes. Lower disc prices -- to \$10-\$12 in 1988-89 from \$12-\$15 in 1987 -- are drawing younger consumers, he said. CD boombox is major growth area, increasing to 1.2 million this year from 540,000 in 1988, according to Sony projections. Sales of 3" CD (CD-3) in 1988 totaled 26 million in Japan, but only 1.5 million in U.S.

CD must be recordable and erasable to bring it into 1990s, Tandy Electronics Mktg. Dir. Mike Grubbs told seminar, and also must be high-volume product with low production costs. Targets for Tandy's THOR CD-R, are home, educational and professional markets, he said, reiterating that low-end version will be \$500, with introduction still due in time for Christmas 1990. Tandy will make and license others to make recorders and discs. Accelerated life test shows disc will last as long as 10 years, he said. Tandy will offer product under its own brand for its stores and to OEMs, Grubbs said.

Hitachi's plan to give VCR manufacturing technology to China was rejected by 16-nation Coordinating Committee on Multilateral Export Controls (COCOM) on ground that VCR cylinder technology could be used for military purposes. U.S. was reported in Japanese press to be leading opposition to technology transfer. Japan's Ministry of International Trade & Industry (MITI), which submitted application to COCOM in Jan. on Hitachi's behalf, immediately asked group to reconsider its decision. MITI will argue that VCR is simply consumer product. Matsushita and Dutch Philips, among others, also are attempting to form VCR technology joint ventures with China. Japanese manufacturers fear COCOM could put more restrictions on consumer electronics technology exchange.

First 'consumer' DAT recorder will be delivered by Nakamichi in U.S. in 30-60 days, Nakamichi America Sales Vp Jett Logan told ITA seminar in Palm Beach Gardens, Fla. last week. Recorder is "not a mass item" at \$10,000 list, he said -- "we're not looking to sell thousands" -- but company will come out with lower priced versions later. To be consumer item, \$1,500 DAT recorder must become a reality and there must be software availability, Warner Bros. Records Vp-Quality Assurance Ed Outwater said, pointing out that consumer DAT is on hold until issues with recording industry are resolved.

Columbia 49% owner Coca-Cola has denied possibility of sale of studio to Sony or any other foreign company, Japanese newspaper said. Officials of Sony, which has expressed strong interest in buying a studio and made unsuccessful attempt to acquire MGM/UA last fall, declined to comment on Columbia rumor, which has surfaced several times in last few months.

**JAPAN'S 1988 PRODUCTION:** Japanese production of consumer electronics last year totaled 4,032,600 million yen, according to EIAJ, which at current exchange rate equals about \$31.5 billion. In U.S., EIA has estimated total 1988 consumer electronics factory plus import sales at \$30.13 billion (TVD Jan 9 p10). Highlights of EIAJ report:

Color TV production totaled 13,390,000 units, down 6.3% from 1987, at about \$6.43 billion, up 7.5%. VCR production, including chassis & kits, was up 3.1% to 31,490,000, but value declined 2.8% to \$9.44 billion. Camcorder output totaled 6,540,000, up 45.7%, at \$4.96 billion, up 35.9%. Videodisc player production jumped 42.6% to 720,000 at \$614 million, up 62.8%.

EIAJ forecast that production of VCRs in 1989 would total 31,430,000, color TV 12,850,000.

Major blank videotape contract was reported by Shape, tape and Compact Disc manufacturer. Company's Video Products Div. says it has \$6 million annual contract from unidentified "large videotape manufacturer" to make wound and packaged videocassettes for retail blank sales, effective Jan. 1, with automatic annual renewal. Shape said it has hired 40 additional employees in Kennebunk, Me., to handle 10-15% increase in business, which it says is about million videocassettes per week. Contract thus would represent at least 5 million cassettes annually. Shape's Video Products Div., in operation since 1980, is claimed to be largest domestic independent videocassette manufacturer, supplies Allied Film & Video, Eastman Kodak, High Speed Video, Rank Video and Technicolor with blank cassettes for duplication.

Latest development in seemingly endless dispute on semiconductor trade has U.S. threatening further trade sanctions if Japanese don't improve market access for U.S. chip firms. Administration officials say Japan isn't complying with promises to give U.S. companies 20% of market there by 1991. Previously undisclosed promise was made when nations signed chip agreement in 1986, but presumably isn't officially part of pact. U.S. still is imposing penalty tariffs on \$165 million of imports from Japan in retaliation for alleged dumping of semiconductors.

Color TV buying plans of U.S. consumers rose slightly in Feb. after sharp decrease in Jan., Conference Board reported. Preliminary Feb. survey showed 5.8% of U.S. households planned to buy color TV set within 6 months, up from revised 5.7% in Jan. but down from 8.2% in Feb. 1988. Board's overall consumer confidence index was 122, up from 115.8 in Jan. and 114.9 in Feb. 1988.

Polly Peck, U.K. trading and manufacturing company with major consumer electronics interests, has bought 21% of Hong Kong's Shell Electric for \$12 million through Far Eastern subsidiary. Shell makes microwave ovens, keyboards, telephones and electrical products at facilities in China, shipping to more than 30 countries, reportedly including major U.S. retail chains.

Certron net fell 36.2% in first quarter ended Jan. 31 on 6.4% higher sales. Blank videocassette sales rose in quarter but pricing was "extremely competitive," company said. Audiocassette sales and contract manufacturing sales dropped in year.

Nintendo stock trading in U.S. is planned starting this summer when company will issue American depositary receipts (ADRs).



**JVC TO CHECK TAPES HERE:** JVC has retained Advanced Product Evaluation Labs (APEL) to make spot checks on blank and recorded cassettes purchased at retail to assure their adherence to VHS specs.

Move is part of JVC's drive against unauthorized users of VHS logo as well as licensed manufacturers and duplicators that don't meet VHS standards. Industry consultant Larry Finley, who's running U.S. licensing enforcement program for JVC (TVD May 30 p10), told us APEL will test tapes bought at outlets on both coasts. "We're checking the tapes for quality, but it's up to JVC to decide whether or not to enforce the copyright," Finley said, although no unlicensed manufacturers have been prosecuted yet.

JVC is running ad campaign telling consumers to buy through legitimate outlets rather than at flea markets and from street vendors. "You can buy tapes for \$1.99 that aren't even worth that," Finley commented. "They gum up the machines and a lot of hardware manufacturers are taking the heat for it. We want the logo to mark it as a good product."

JVC has provided APEL with reference standard tape, dropout counter and special equipment for testing physical measurements of cassette shell. Cassettes will be tested for electromagnetic characteristics such as RF record current, RF playback output, luminance and chrominance signal-to-noise ratio, chrominance signal output, leader and trailer tape length, outer shell dimensions, reference hole size. APEL is headed by Frank Barr.

U.S. could face annual deficit of more than \$225 billion in electronics trade and lose more than 2 million jobs by 2010 if country fails to develop strong HDTV and flat-display screen industries, economist Robert Cohen told House Telecom Subcommittee at HDTV hearings last week. He said trade deficit could reach \$227 billion alone for HDTV receivers, VCRs, personal computers (PCs), semiconductors and automated manufacturing equipment if U.S. takes only 10% share of world HDTV market. Conclusions are from study Cohen is preparing for Economic Policy Institute, based on figures in controversial study by American Electronics Assn. He said main contributors to trade deficit would be PCs and semiconductors, industries that he estimated would suffer \$114 billion and \$76 billion deficits, respectively.

**Feb. Retail Report:** Tandy sales in month were \$290.7 million, up 9.2% in year. Same-store sales rose 1%... Circuit City posted record sales of \$113.9 million in month, up 24.6% from Feb. 1988. Same-store sales increased 8%. In full year to Feb. 28, sales rose 27.4% to \$1.72 billion, same-store sales 7%... Highland Superstores had sales of \$63.6 million in Feb., up 13.6% in year. Same-store sales declined 1%... Best Buy sales fell 3.1% to \$31 million, with same-store sales off 5%... Montgomery Ward, which had 5.2% increase in Feb. sales, cited strong sales by its Electric Ave. stores... K mart said home electronics sales were particularly strong.

Semiconductor business improved for 2nd straight month in Feb., after dropping slightly in Dec., Semiconductor Industry Assn. (SIA) reported. SIA's book-to-bill ratio in Feb. was 1.07 (\$107 in new orders for every \$100 of products shipped), up from 1.00 in Jan. and 0.93 in Dec., but down from 1.17 in Feb. 1988. Average monthly bookings for 3 months through Feb. were \$1.24 billion, up 10.6% from 3 months through Dec.

**NINTENDO LEGAL BATTLES:** It wasn't best possible week for Nintendo in its legal challenges to game patent holders and unlicensed programmers, videogame giant losing 2 court skirmishes -- although big battles still are ahead.

U.S. Dist. Court, N.Y., denied Nintendo's claim that videogame technology patent held by Magnavox and Sanders Assoc. is unenforceable because of alleged fraudulent conduct before U.S. Patent Office. Court still must rule on whether patent is valid or if Nintendo infringed on it.

Nintendo's 1986 suit against Magnavox (N. American Philips) and Sanders claims companies withheld information on early Nintendo computer game when they applied for patent for certain types of movement on screen used in videogames. Magnavox and Sanders countersued for patent infringement. Magnavox has exclusive licensing rights to Sanders' videogame patent.

Meanwhile, preliminary injunction by U.S. Dist. Court, San Francisco, bars Nintendo from suing retailers that sell products made by Atari Games and its Tengen subsidiary until patent infringement disputes between companies are settled (TVD Dec 19 p15). Injunction also imposes similar restrictions on Atari Games. Nintendo legal battles were subject of front page story in March 9 N.Y. Times.

**ATARI TO SELL FEDERATED:** Atari said it will spin off or sell its troubled Federated Group retail operations, resulting in writeoff of more than \$100 million. Because of move, company said it will post \$97 million loss for 4th quarter and \$84.8 million loss for full year ended Dec. 31.

Without Federated results, Atari's earnings dropped 56.1% in 4th quarter, on 4.2% higher sales (see financial table). In full year, net fell 15.5% as sales rose 24.6%. Atari said it has begun treating Federated, which it bought in 1987, as discontinued operation. Videogame maker attributed poor results to semiconductor shortage as well as Federated problems.

Recoton posted profit in year ended Dec. 31, compared with loss year earlier, on 28.6% higher sales. In 4th quarter, net rose 63.5% on 39.5% higher sales. Recoton cited strong demand for its consumer electronics, phone and home office accessories and video and audio tape and growth in wireless stereo speaker system.

Wells-Gardner net income rose 10.3% in year ended Dec. 31, on 22% higher sales. Company had \$73,000 loss in 4th quarter. W-G said earnings in year were below projections.

Dutch Philips will seek shareholder approval to establish takeover defense at April 12 annual meeting in Eindhoven. Company will consider 2-step process allowing management to dilute voting power of common shares outstanding to less than a majority. Under plan, in event of hostile takeover attempt, management would have authority to issue preferred shares up to number of ordinary shares. Foundation would be established to hold preferred shares. Philips said action wasn't brought on by any particular takeover attempts.

GE color tube plant, originally in Syracuse, finally has shown up in China, as we forecast last summer (TVD July 18 p11). It's at Shanghai Electron Tube Factory, is scheduled to produce 400,000 tubes this year, 500,000 in 1990. GE's equipment for smaller tubes, sold in 1985, now is in Tianjin (TVD May 25/85 p17).



## Consumer Electronics Personals

Ralph Wolfe, Panasonic senior vp (TVD March 6 p18), assumes responsibilities for new Office of External Affairs, representing company in contacts with trade associations, dealers and community affairs; managing major conferences and meetings, coordinating human resource development and training, reporting to Exec. Vp Kirk Nakamura and continuing as chmn. of Management Committee and member of board of Matsushita Electric Corp. of America (MECA); **Marc Ross** promoted to vp in charge of new Sales & Mktg. Group, also reporting to Nakamura; **Tony Cianco** succeeds Ross as gen. mgr. of Northeast Group, while **Jeff Belson**, ex-home appliances sales mgr., is promoted to Cianco's former post of N.Y. metro region mgr... **Mark Johnson**, ex-Greycom, joins Panasonic as PR mgr., succeeding **Gerry Eramo**, now ad dir.

**Brian Klosterman**, ex-RCA mkt. planning mgr. at Thomson Consumer Electronics, joins Sony Consumer Display Products as TV mktg. dir.; **Robert Trenchard**, ex-Warner Communications, appointed Sony America senior vp, MIS; **Norio Nakanishi** advanced to Sony Logistics Services Co. vp-div. mgr.; **Russ Siegel**, former dir., promoted to Sony National Parts Center vp... **Joshua Denham**, former Mattell Electronics pres., named chmn.-CEO, Worlds of Wonder, in reorganization, succeeding **Stephen Hopkins**, who returns to Nightingale Assoc. management consulting firm... **Michael Skarzynski**, ex-Motorola business development dir., appointed to Commerce Dept. as asst. secy., trade development, succeeding **James Moore**.

**Robert Sandell**, ex-Kurzweil Music Systems, named University Sound pres... **Frank Applestein** resigns as home audio component national sales mgr., Nakamichi... **Robert (Chip) Leiher**, ex-JVC, named Aiwa America asst. comptroller-MIS mgr., new posts... **Richard Montpetit** appointed head of new Audiovox Mobile Video Div... **Henri Rubin**, exec. vp-COO, named to Commodore board... **Stuart Kallman**, ex-Luskin's and Circuit City, named Erol's hardware sales and service vp.

**Chris Deering** promoted to RCA/Columbia Pictures International Div. exec. vp, heading programming and mktg. groups at N.Y. hq and responsible for Far East operations... **Vincent DiGiulio**, ex-Lorimar Home Video, joins Magnum Entertainment as market development dir., replacing **Joanne Held**, who moves to Pacific Arts Video... **Vickie Barber** promoted to Virgin Vision sales vp, succeeding **Dave Bixler**, resigned to join Vidmark; **Beth Berry** advanced to national sales mgr.; **Ray Sohl** promoted to national accounts dir.; **John Butler**, ex-Paramount TV Group, joins as controller... **Stuart Karl**, founder of Lorimar Home Video predecessor Karl Home Video, named pres.-CEO, joins Burbank-based Creative Film Promotions... **Suzanne Bard** advanced to acquisitions vp, Legacy Home Video... **Rick Buehler**, ex-United Entertainment and CBS/Fox Video, named LaserDisc Corp. of America sales dir.

Recordable Compact Discs (CD-R) as well as digital audio tape (DAT) recorders are on agenda of meeting this week of Japanese-European Consumer Electronics Roundtable group in Tokyo.

China imported 11 million TV picture tubes last year, up 139% from 1987, according to customs figures released in Beijing.

Corning Inc. will be new name for Corning Glass Works, subject to vote at April 27 annual meeting.

## 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
<b>Atari Corp.</b>			
1988-year to Dec. 31	452,200,000	(84,800,000)	--
1987-year to Dec. 31	362,600,000	57,400,000	.99 <sup>a</sup>
1988-qtr. to Dec. 31	152,600,000	(97,000,000)	--
1987-qtr. to Dec. 31	146,400,000	18,700,000	.32 <sup>a</sup>
<b>Dynascan</b>			
1988-year to Dec. 31	213,821,000	7,247,000	1.04
1987-year to Dec. 31	191,569,000	8,067,000	1.13 <sup>b</sup>
1988-qtr. to Dec. 31	60,437,000	2,691,000	.40
1987-qtr. to Dec. 31	55,584,000	3,791,000	.54 <sup>b</sup>
<b>Recoton</b>			
1988-year to Dec. 31	39,709,000	861,000	.40
1987-year to Dec. 31	30,871,000	(217,000)	-- <sup>b</sup>
1988-qtr. to Dec. 31	13,958,000	453,000	.21
1987-qtr. to Dec. 31	10,005,000	277,000	.11 <sup>b</sup>
<b>Turner Bcstg.</b>			
1988-year to Dec. 31	806,626,000	(94,541,000)	--
1987-year to Dec. 31	652,419,000	(131,208,000)	--
1988-qtr. to Dec. 31	224,794,000	(18,097,000)	--
1987-qtr. to Dec. 31	193,108,000	(27,202,000)	--
<b>Wells-Gardner</b>			
1988-year to Dec. 31	35,687,000	878,000	.23
1987-year to Dec. 31	29,304,000	796,000	.22
1988-qtr. to Dec. 31	9,891,000	(73,000)	--
1987-qtr. to Dec. 31	7,430,000	18,000	--
<b>Westmarc Communications</b>			
1988-year to Dec. 31	118,357,000	(11,916,000)	-- <sup>b</sup>
1987-year to Dec. 31	101,702,000	9,009,000	1.09 <sup>b</sup>

Notes: <sup>a</sup>Restated; includes special credit. <sup>b</sup>Includes special credit.

Hitachi is shifting color TV kit production from Taiwan to Malaysia because of increasing wages and costs in Taiwan. Hitachi Electronic Products will begin production of color TV kits for U.S. market at Malaysia plant in June. It plans annual production of 150,000 kits at start, expanding to 400,000 by spring 1990. Taiwan factory, now making 360,000 kits annually, will manufacture high-end color TVs when Malaysian plant goes on stream. Hitachi tube plant in Shenzhen, China (TVD Jan 16 p15), will be 75% owned by Beijing govt., 25% by Hitachi, is scheduled to open at end of 1990, with capacity of 1.6 million 20" tubes annually, of which Hitachi will export 30%, rest staying in China. Total investment reportedly is \$140 million.

Cordless headphone will be introduced by Sony in Japan later this month. Product, at about \$117, consists of headphone and transmitter that connects to sound source such as TV, VCR or audio system. It uses infrared transmissions up to distance of 23 ft. Sony forecasts monthly sales of 5,000 in Japan, didn't disclose export plans.

VCR households are "larger, younger and more upscale," Nielsen Media Research reported. It found 84% of homes had more than \$40,000 annual income, 76% at least 4 persons, 74% children aged 6-17, 66% lived in Pacific region, 64% in metropolitan areas. About 73% of owners had at least 4 years of college.

Nintendo and Atari may be fighting legal battles, but same Chinese company made games for both last year. Huaming Electronics Enterprise Co. in Shenzhen special enterprise zone reportedly assembled 140,000 games for Atari and 5,000 for Nintendo last year.



# TELEVISION DIGEST®

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With Consumer Electronics

MARCH 20, 1989

VOL. 29, NO. 12

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**BROADCASTERS CAN'T AGREE** on world HDTV standard. 13-hour debate at world broadcasting conference yields little progress. Group still hopes for single standard when digital HDTV arrives. (P. 1)

**TIME-WARNER WORLD VIEW** stressed at House hearing. First congressional session on proposed merger to create company generating \$10 billion in revenues goes well for firms. INTV, wireless industry express concerns. (P. 2)

**NEW TV AFFILIATES GROUP:** Initiative of Local Network Affiliates is new organization formed following Washington meetings. Objectives set. (P. 4)

**FAIRNESS BILL OFFERED:** New Hollings effort supported by all Senate Commerce Committee Democrats, plus others. Pro forma hearing held. (P. 4)

**TV VIOLENCE BILL BACK:** Judiciary Committee chmn. seen as more willing to consider legislation granting antitrust immunity to industry to cooperate in drafting voluntary guidelines. (P. 5)

**TELCOS MUST MAKE CASE** for entry into cable, not just bash MSOs, congressional staffers tell USTA seminar for telco lobbyists. Broadcasters explain positions. (P. 6)

**CABLE CLAIMS COUP** in hiring GTE Cerritos dir. Executive in charge of Cal. cable test for telco moves to Cable TV Labs. (P. 6)

**BROADCASTERS THWARTED ON HDTV STANDARDS:** World broadcasters failed to agree on HDTV production standards, ending possibility they could serve as spur to agreement among world regulatory bodies. Delegates to 6th World Conference of Bestg. Unions in Washington "agreed to disagree" on standards after 13-hour closed-door debate March 15, officials said, but pinned hopes on eventually migrating to single standard after digital HDTV is introduced in future.

Heated debate founded on "insurmountable differences" on HDTV frame rates (50 Hz vs. 60 Hz) and number of lines, said John Colson of Canada, chmn. of HDTV working group. Conference adopted draft recommendation that omitted specific standards but encouraged 2-step process toward common HDTV production standard. It supported as much commonality as possible between maximum of 2 standards in first step (analog HDTV) and accelerating studies toward single digital system. Colson said specifying single digital standard is important because, unless goal is set, separate HDTV standards could become permanent, even after digital arrives.

Agreement on single standard always was considered long shot, officials said. Colson said it often was difficult even getting agreement within single broadcasting union. "The best goal we could ever foresee was

### Consumer Electronics

**SONY GOING ALL-DIRECT**, dropping distributors, attributes move to changing retail patterns, unstable exchange, competitive pressures. (P. 10)

**KRAFT NAMED FIRST AMERICAN** pres. of Matsushita Electric Corp. of America in continuing 'localization.' He pledges more U.S. R&D and production. (P. 11)

**BIG SCREENS, BIG GROWTH** in 1988 -- over-25" table model sales rose 20% and all new square-cornered tube models 29.5%, although consoles dipped. (P. 12)

**JAPANESE EXPORTS TO U.S.** up in Jan., with first year-to-year monthly increases for color TV and VCR in more than 2 years. Average VCR deck price down. (P. 13)

**VCR MANUFACTURERS** urged by software panelists at ITA seminar to subsidize S-VHS programming. (P. 13)

**HDTV PRICING PLANS** by Japanese manufacturers difficult to get, but they indicate there are no major barriers to mass production of Hi-Vision. (P. 15)

**GO-VIDEO SUFFERS** setback as court drops some charges against Sharp. Samsung says it hasn't yet made plans to introduce dual-deck VCR in U.S. (P. 15)

**SONY PRESSING LASERDISCS** at Terre Haute CD plant in 5-year agreement with Image Entertainment. Sony enters personal office equipment market. (P. 17)



to find something for everyone," he said. Conference Chmn. Donald Wear of CBS said reaching agreement would have been "a very meaningful achievement... but it doesn't appear that the technical differences can be resolved to the satisfaction of all the unions."

Some delegates were very displeased. "I fear we are losing the last opportunity we have to achieve a single worldwide standard," said Henrikas Yushkiavitshus, deputy chmn. of Soviet State TV Commission. "Until now, TV technology has been destroying all obstacles to the free flow of information. Now we are building new obstacles." He said no converter was available now to translate HDTV material produced under one standard into another, and even if it became available, it would be expensive. Expense will be special burden for 3rd World, Yushkiavitshus said. He blamed manufacturers for failure, saying broadcasters are following lead of national industries. Solution, he said, is to organize public opinion in support of single standard. He said Soviets are willing to accept any worldwide standard, meanwhile plan to begin test HDTV transmissions by 1995.

Broadcasters did agree on proposed frequencies for both HDTV and satellite audio to mobile receivers. Group adopted recommendation for 0.5-3.0 GHz for satellite audio and 20-23 GHz for HDTV. Officials said they don't see immediate demand for satellite-delivered audio to mobile receivers, but as technology develops it could become more attractive.

They also launched study on global satellite network to be used to exchange news programming. Study will look at possibility of acquiring permanently leased transponders on Intelsat or other satellite systems to be used to relay programming, similar to European Eurovision. Mary Frost of ABC, chmn. of Inter-Union Satellite Operations Group, said study is to determine whether Global News Exchange is "a pipe dream or practical." She said totally digital network could relay all types of programming, HDTV or standard, in various formats among countries. "The deregulatory trends and rapidly developing technology could make it real," she said. "When? We'll start work and let you know."

Broadcasters should participate directly in satellite systems to assure they will get adequate service and prices, speakers at closed sessions said. They said broadcasters around world should consider investing in their own satellites and operating their own earth stations. There was no discussion, however, of broadcasters' operating own remote sensing satellites for newsgathering, officials said.

Broadcasting conference is only meeting that brings together representatives of all world broadcasting organizations, Wear said. Group includes Asia-Pacific Bestg. Union, Asociacion Internacional de Radiodifusion, Arab States Bestg. Union, Caribbean Bestg. Union, European Bestg. Union, International Radio & TV Organization, N. America's NAB.

**TIME-WARNER STRESS GLOBAL ROLE TO HOUSE:** Chairmen of Time Inc. and Warner Communications Inc. (WCI), would-be creators of world's largest media company, fielded some polite questions from House Commercial Law Subcommittee last week. They stressed advantages merger would give new company internationally, while contending that increased horizontal and vertical integration in domestic markets wouldn't hurt consumers.

Three-hour session was friendly. Afterward, Subcommittee Chmn. Brooks (D-Tex.), who also chairs parent Judiciary Committee, said that his intention is to continue monitoring merger -- possibly with more hearings -- but that it was obvious to him that with WCI gaining 40% of revenue from foreign markets, such companies as new Time Warner Inc. (TWI) are needed to help turn around \$130-\$140 billion trade imbalance. Time and WCI have said they're seeking to compete internationally with entities now buying up U.S. companies and have no intention of selling new company.

But megamerger stirred vocal opposition from INTV and Wireless Cable Assn. (WCA). INTV Pres. Preston Padden wrote companies March 13 saying Assn. has "honest and sincere concerns" but doesn't have enough information to take position. Padden also wrote Brooks stressing that Time-Warner deal "illustrates the importance of retaining" FCC financial interest and syndication rules (finsyn). WCA, on other hand, adopted resolution contending merger would frustrate its growth and urging Justice Dept. to block move.

Brooks and ranking Subcommittee Republican, Rep. Fish (R-N.Y.), noted absence of networks, which had been invited to appear. Networks have contended that mergers such as this would help them in their bid to gain better positions in program production and syndication. Fish said he believes finsyn rules should be reconsidered. Merger is expected to be centerpiece of Senate Antitrust Subcommittee hearing April 12.



Time Chmn. Richard Munro and WCI Chmn. Steven Ross said foreign companies have raided U.S. entertainment, listing 20 recent acquisitions, while U.S. companies are hamstrung in same acquisitions by different rules of accounting. By contrast, Time Inc. cited HBO's failure to gain foothold in Europe and said WCI film library would give HBO better shot. Ross said merger would be in "perfect concert" with U.S. govt. objectives of strengthening entertainment industry, now nation's 2nd largest net export business. Acknowledging that company, no matter its size, would face barriers in some foreign markets, Ross said TWI must be large enough to overcome those barriers. He said WCI now gets 40% of its revenue from foreign markets and has international expertise that Time Inc. lacks. On domestic front, Ross said there's relatively little overlap in companies' "core" businesses and that only 3 areas may be problems -- cable, where there's greatest horizontal concentration; videocassette; magazines.

In cable, Ross said, Time-Warner combined have 11-12% of market, vs. TCI's 25%. He said plan is to use bulk of cable cash flow to increase channel capacity. Asked if Warner Bros., which has deal with HBO now, would refuse to license movies to competitors of HBO, Ross said that decision was made by HBO's competitor, Showtime, and that Warner would prefer to license films to all on nonexclusive basis. In response to question from Fish on TWI using its proposed vertically integrated business structure to squeeze out competition, Ross said there would be "no concentration whatsoever" in joint company and there was no area in which it could stifle competition.

Reps. Synar (D-Okla.) and DeWine (R-O.) asked most pointed questions. Synar asked Munro whether companies would be willing to divest cable systems if Justice Dept. raised questions. Munro said yes, but Ross said company would have to know what DoJ wanted. DeWine questioned Munro on HBO's unwillingness to do business with wireless cable operators, quoting from testimony by Cleveland MetroTen wireless system operator James Theroux. Munro said multipoint distribution service (MDS) wasn't secure, its technology wasn't as good as cable's (cable industry concedes \$1.4 billion annual theft of service) and Time feared one million persons were stealing HBO off MDS. Munro also criticized Zenith distribution system that Theroux uses. Theroux said cable operators in Cleveland area use same technology.

WCA Pres. Robert Schmidt and Theroux pointed to what they charged were anticompetitive practices by HBO, which refuses to license Theroux to carry its programming. Theroux offered details on his willingness to pay a year in advance for HBO and said HBO has refused to consider proposal. Schmidt said mergers such as Time-Warner would create even larger monopoly and shouldn't be approved unless Time and WCI give assurances that HBO, Cinemax and other programming they control will be available to wireless operators. If not, merger shouldn't be permitted unless companies are required to divest either cable systems or programming, he said. Catholic U. law prof. George Garvey said Time-Warner deal involves all concerns of traditional antitrust analysis -- increased concentration in some markets, foreclosing some markets to competition, closing off some potential competitors, further entrenching market positions. There's also evidence, he said, that Time-Warner deal would set off merger frenzy in media and entertainment business.

In letters to Time and Warner, Padden said that Warner systems have dropped or refused to carry signals of independent stations. ATC, in which Time holds 82% stake, has required one of INTV's members to pay \$2,000 monthly to be carried, he said. Padden also noted that Time has option to acquire management control of CNN. Questions he raised include: (1) Will local stations be dropped or refused carriage in favor of Time-Warner cable? (2) Will local stations have channels shifted in preference for Time-Warner services? (3) Will stations be afforded same technical specifications as Time-Warner? (4) Will stations be able to obtain exclusive rights (under new must-carry rules) on programming purchased from Time-Warner or will they be required to surrender such rights? (5) Will there be "as yet unknown discrimination or disadvantage(s)" against stations?

Meanwhile, Warner Chmn. Ross would receive \$50 million cash shortly after TWI is created under his existing employment contract, companies said in filings at SEC. That includes \$19 million in stock appreciation rights from 1988 and 1989. In addition, \$54 million of such rights that were to vest in next decade would be put into trust payable in installments through 1997. Finally, Ross could exercise about 1.15 million bonus units he was awarded 7 years ago at \$22.50 per share for about \$50 per share at merger exchange price. WCI and Time spokesmen stressed these provisions are part of Ross's existing contract.

Neither Time's Munro nor Pres. Nicholas has such terms in their contracts. Munro would receive minimum salary of \$650,000 and \$812,000 bonus annually. If he retires before May 1990, he would receive \$4.3 million deferred compensation and could draw base salary of \$750,000 annually as chmn. of TWI Exec. Committee. Nicholas would receive minimum \$575,000 salary and \$718,000 bonus. At end of his term as CEO, Nicholas would get \$750,000 annually for 5 years. Ross's salary at TWI would be \$800,000, with bonus of 0.4% of combined TWI pretax income that exceeds \$75 million.



**NEW TV AFFILIATES GROUPS:** Following first-ever joint meeting of TV network affiliates boards, along with their govt. relations committees, groups March 17 formed organization, Initiative of Local Network Affiliates (ILNA), with 3 main goals: (1) Preserve and protect network-affiliate system of terrestrial broadcasting. (2) Work through affiliate associations and networks. (3) Develop information for elected officials.

Also last week, meeting day before affiliates' boards, 8 group owners formed TV Affiliates Group. They pledged to work generally within framework of NAB and affiliates' boards, going outside only when their "unique interests" don't coincide with NAB and networks. Organizers: Allbritton Communications, Anchor Bestg., Cosmos Bestg., Gillett, H & C Communications, King Bestg., McGraw-Hill, Times Mirror.

Finalization of ILNA is subject to ratification by affiliate groups of ABC, CBS and NBC, considered pro forma after discussions in Washington. Chmn. of ILNA will rotate among 3 boards, with first head yet to be picked. Among major issues at outset will be financial and syndication rules, must-carry, network nonduplication. Organizers said there also are some areas in which NAB can't get involved (such as financial interest) in which affiliates have common interests. ILNA discussed possible budget, reached no conclusion, said it doesn't plan permanent staff or Washington office. Leaders also say no antitrust problems are anticipated.

ILNA was described as "not just another group" but realization of need to be filled, and affiliate associations must become more involved in Washington activities. It also is "not a splinter group," we were told. "We've got enough splinters in this industry."

Affiliates heard from several members of Congress at closed sessions, many of whom were critical of media coverage, particularly Rep. Rostenkowski (D-Ill.), participants said. House Telecom Subcommittee Chmn. Markey (D-Mass.) specifically cited media opposition to ill-fated pay raise. There also was general feeling, expressed by House Speaker Wright (D-Tex.) and others, that radio talk show hosts treat Congress with contempt.

Sen. Danforth (R-Mo.) told group that he and Senate Commerce Committee Chmn. Hollings (D-S.C.) plan to reoffer soon legislation from 100th Congress (S-2657) that would reaffirm lowest unit rate requirement for TV-radio campaign ads. Bill also would bar stations from bumping political ads for other advertising. Proposal is top priority with Committee and Hollings has promised early action. It also is included in Senate majority's omnibus campaign reform package (S-7). Danforth is ranking Republican on panel's Communications Subcommittee. Senate majority is committed to moving comprehensive campaign reform legislation in this Congress. Danforth acknowledged to TV executives that cheap political ads might hurt station profits. But he said impact is small because campaign ads account for only 0.75-4% of station revenues, depending on size of market, and stations' "sacrifice" would be marginal. "Candidates deserve a fair shake," he said. "While individual candidates will come and go, political speech should be treated as favorably as ads for Big Macs."

Cable-telco dispute moving to Las Vegas: NAB has added TCI Pres.-CEO John Malone and Bell Atlantic Pres. Raymond Smith to program May 1. They will appear back-to-back, aren't scheduled to "debate," although NAB official said some interplay "wouldn't be surprising."

**FAIRNESS DOCTRINE BILL BACK:** Key senators, led by Commerce Committee Chmn. Hollings (D-S.C.), have mounted new effort for reinstatement of fairness doctrine, reintroducing bill from 100th Congress (S-742) and holding another hearing March 15. Every Committee Democrat and 2 Republicans co-sponsored new bill.

Measure is largely unchanged from last year. However, authors added 9th finding that "because the fairness doctrine only requires more speech, it has no chilling effect." That represents conclusion senators drew from hearings and debate in last Congress, we're told. No date has been set yet for markup, but expeditious action has been promised.

Bill is expected to be first major mass media legislation to advance this year in either house, clearing way for action on other initiatives. Besides Committee Democrats, co-sponsors include panel's ranking Republican, Sen. Danforth (Mo.) and returnee to panel this year, Sen. Gorton (R-Wash.). Also co-sponsors are former Committee member, Sen. Lautenberg (D-N.J.), and Sen. Wirth (D-Colo.), who was chmn. of House Telecom Subcommittee while House member. Continuing in role as key opponent is Sen. Packwood (R-Ore.).

Academics predominated at hearing by panel's Communications Subcommittee, with case against doctrine presented by Thomas Krattenmaker, assoc. dean, Georgetown U. Law Center. Usual media diversity and First Amendment arguments were debated. Krattenmaker also sought to debunk proponents' contentions that pervasive influence of TV-radio in society justifies content controls.

Krattenmaker said neither TV nor radio "monopolizes the transmission of public affairs information" and, if they did, appropriate govt. role would be antitrust law enforcement and not what he saw as doctrine's censorship. He likened it to "user tax," and insisted policy was creature of FCC, which meant agency had every right to abolish it. Proper alternative, he said, would be to expand media ownership opportunities, citing "roadblocks" in communities to new cable systems and limited LPTV growth in larger communities.

Witnesses generally agreed with hypothetical proposition from Subcommittee Chmn. Inouye (D-Hawaii) that stations could be granted license to broadcast only 23 hours daily, leaving last hour open for use of public. But witnesses said move would be poor policy.

Supporting arguments were made by Jerome Barron, prof. at George Washington U. National Law Center who represented plaintiff in *Tornillo v. Miami Herald* case. Barron disputed Krattenmaker, saying FCC exceeded its authority in dropping doctrine. He said Sec. 315 of Communications Act gave underlying policy "force of statutory law" that he said wasn't questioned in subsequent court challenge. Survey of N.Y.C. TV-radio station executives was presented by Anna Goldoff, assoc. prof., John Jay College of Criminal Justice. Separate report on public advocacy groups' difficulties in buying air time during last election cycle was presented by Scott Denman of Safe Energy Communication Council.

National Assn. of Black Owned Bestrs. 13th annual spring management conference is scheduled for April 5-9, Saddlebrook Resort Hotel, Tampa. Details: 202-463-8970.

Cable penetration in Feb. totaled 54.8% of U.S. TV households -- about 49.5 million homes -- Nielsen reported.



**TV VIOLENCE BILL OFFERED:** Prospects may have improved for House passage this year of legislation designed to curb violence in TV programming, authors said at March 14 news conference. Bills (S-844, HR-3848) from 100th Congress were reintroduced last week by Sen. Simon (D-Ill.) and Reps. Glickman (D-Kan.) and Feighan (D-O.).

House sources said new Judiciary Committee Chmn. Brooks (D-Tex.) hasn't committed panel yet to hearings or to moving bill. However, he apparently has indicated greater willingness to consider legislation than previous chmn., retired Rep. Rodino (D-N.J.), sources said. We're told Glickman and Feighan are under impression from conversations with Brooks that bill has good chance of gaining Committee attention in 101st Congress. In last Congress, it passed Senate twice unanimously but fell short in House because Rodino was hard-liner on antitrust. Senate measure has enjoyed broad support and is expected to bypass hearing process.

Proposal calls for granting TV networks and affiliates, stations and industry groups, cable industry and programmers antitrust immunity for 36 months to craft voluntary guidelines on violence in programs. Guidelines wouldn't have to focus on TV depictions of sex, or on children's TV as proposed by Rep. Tauke (R-Ia.) (HR-823). Court threw out last industry guidelines under aegis of NAB. Legislators emphasized guidelines would be voluntary. They also said they believed measure skirts First Amendment problems because it doesn't impose congressional requirements for guidelines or mandate content controls.

House bill was reoffered with 34 co-sponsors; last year it had 26. Senate version was proposed with support of Senate Antitrust Subcommittee Chmn. Metzenbaum (D-O.) and panel's ranking Republican, Sen. Thurmond (R-S.C.). Senate measure also has same 3 original co-sponsors as in last Congress, plus Sens. Kohl (D-Wis.) and Gore (D-Tenn.). It has been opposed by NAB and networks.

If no agreement has been reached with Hollywood programmers on financial syndication (finsyn) with TV networks by end of 3rd quarter, networks will go in another direction to seek solution to FCC restrictions that they contend hamstring them in marketplace. That's word from NBC Pres. Robert Wright at Washington news conference March 16. Networks and Hollywood recently resumed talks, with next session scheduled in N.Y. April 4. Wright said networks have put another proposal on table, refused to elaborate. Current rules, he said, really "hamstring" networks in video market. "I have to remain as optimistic as possible," Wright said, but if negotiations remain stalled networks must find new approach. He didn't elaborate on what that would be, but others expect new network offensive in FCC and Congress. He said Sept. or Oct. is time networks will move beyond Hollywood negotiations if no agreement has been reached. Wright issued statement next day to clarify NBC position: "Nothing has changed. I have every hope that the negotiations will be fruitful. We intend to continue our good-faith efforts to resolve this at the negotiating table in accordance with the wishes of Congress. Furthermore, whatever steps are taken will be agreed upon by all 3 networks."

Southern Cable TV Assn. has decided to hold 1990 Eastern Cable Show in Washington. NCTA convention in 1990 is in Atlanta, where Eastern Show traditionally has been located. Southern Assn. voted at recent meeting to move out of Atlanta for that year only. Eastern Show is held in Sept.

**FCC ACTS ON AFFILIATE CONTRACTS:** Acting on its own motion March 16, FCC deleted as "obsolete" its rule that limited TV network contracts with affiliates to maximum of 2 years. None of networks sought rulemaking, but say it will help them reward with longer contracts those affiliates that make firm commitments to networks. NBC Pres. Robert Wright said "it's definitely a step in the right direction" and can give nets and affiliates "a certain amount of security and comfort."

Rule was adopted in 1945 when TV was just coming on commercial scene and before simultaneous hookups of stations were commonplace. It was patterned after similar rule for radio (repealed in 1977) and designed, FCC said, to prevent networks from hindering formation of alternative "network-type systems." However, agency said video marketplace has grown to such extent that elimination of rule could facilitate new entry, enhance competition, provide greater diversity. It also could make it easier for stations to attract capital with long-term guarantee of stable program supply, FCC said.

In other action, FCC started inquiry seeking comments on guidelines to determine when transfer of control of nonstock entities that are licensees actually has taken place. Inquiry deals generally with public and religious stations directed by governing board. Commission currently doesn't have policy covering such situations. It has proposed to apply to nonstock transfers same principles applying now to licensees controlled by stockholders.

Soviets "never" will use western nation boosters to launch communications satellites, even if their Proton is allowed to start launching western birds, Intersputnik Dir. Gen. Boris Chirkov said. Economics, rather than politics, is main reason, Chirkov told us. He said Proton is cheaper, and Soviets and allies don't have to use hard currency to pay for it. First of new generation of Soviet satellites is expected to be launched in 1991 or 1992, Chirkov said. It will be direct broadcast bird operating in 12-GHz band that sounds similar to TV-Sat and TDF birds launched by France and W. Germany. Soviet DBS will have 4-6 transponders, with global beam transponders of at least 200 w, he said. There also will be narrower spot beams focused on single country that will operate at lower power level. Soviets have nearly finished designing new version of Gorizont geostationary communications satellite, Chirkov said. Satellites, to be ready in 1994-1995, will have more than 20 C- and Ku-band transponders at about same power levels as Gorizont (31 dBw on global beam, about 45 dBw on spot beams). Current Gorizonts have 6 transponders. Intersputnik would like to sell complete satellites, he said, particularly to 3rd World. Soviets still are relaying TV programming on Molniya elliptical orbit satellites, but Chirkov said that will end this year unless someone -- either Soviet govt. or U.S. users -- comes up with money. Soviets have transferred all program delivery to Gorizonts, but were induced to keep relaying it on Molniya because that's used by U.S. educators.

Annenberg Washington Program will sponsor HDTV forum March 30-31 in Washington offices. Speakers will include Rep. Ritter (R-Pa.), NAB Exec. Vp John Abel, State Dept.'s Parker Borg, Defense Advanced Research Projects Agency Deputy Dir. Craig Fields, Zenith Consumer Products Pres. Robert Hanson, American Electronics Assn. Vp Patricia Hubbard, Canadian Bestg. Corp. Chmn. Pierre Juneau, Asst. U.S. Trade Representative James Murphy, FCC Advisory Committee Chmn. Richard Wiley, Japanese PTT Deputy Dir. Shigeo Shishido. Details: 202-393-7100.



**MORE ON CABLE-TELCO DEBATE:** Any changes in cable-telco cross-ownership scheme are far in future, congressional staffers said at U.S. Telephone Assn. (USTA) Govt. Relations Seminar in Washington last week. Staffers said telcos must go beyond bashing cable and make specific, compelling argument showing that telco entry into cable will benefit public. House Telecom Subcommittee Chief Counsel and Staff Dir. Lawrence Sidman said that while cable-telco issue is gaining more attention in Congress, it has far less than "critical mass" of support needed to move significant bill. Sen. Dole (R-Kan.) told group he supports telco entry into cable.

On another panel, U.S. Conference of Mayors Gen. Counsel Gerard Lederer said his group favors telco entry with safeguards, including protection of local control of cable franchising. But he said while USTA is sending positive signals, BellSouth and Southwestern Bell are saying that they don't think they should have to pay franchise fee or comply with local franchises.

Sidman and Roy Neel, top aide to Senate Communications Subcommittee member Gore (D-Tenn.), agreed telcos must make compelling case. Sidman said telcos are at disadvantage because 1984 Cable Act, which codified cross-ownership restrictions, still is relatively new and telcos have burden of proving change in law is needed. Issues on which cable may be vulnerable are rate increases and service quality, he said. General Accounting Office (GAO) study of rates will be completed in April or May, he said. Sources tell us that Subcommittee Chmn. Markey (D-Mass.) has been pressing GAO to have something ready for NCTA convention in May. In terms of service, cable has shown willingness to resolve problems when Congress brings them to operator's attention, Sidman said. Issues raised by Time Warner deal include cable concentration and need to be competitive internationally. Sidman said price to be paid for being competitive may be greater vertical integration and concentration vs. more diversity.

Sidman said Markey intends to consider cable-telco issue as part of larger equation that includes Modified Final Judgment and cable-network cross-ownership (now being considered by FCC). But Markey stopped short of saying that in his own address later, in which he stressed need to guard against adverse impact of any policy change on consumers. Neel said major legislative initiative will come later this spring on (1) concentration of cable, (2) vertical integration, (3) cable treatment of competing technologies. Effort won't be on fast track this year, he said.

NAB Exec. Vp-Operations John Abel and INTV Vp-Govt. Relations James Hedlund stopped short of embracing telco entry at another session, with Hedlund calling for more dialog with telcos. Fox Vp-Corporate & Legal Affairs Thomas Herwitz said Fox wants telcos in cable so there will be competition because cable has "screwed" Fox. Abel said broadcasters already are being pushed around by cable, a small industry compared with telcos. "We think we'd be pushed around even more by telcos," he said. While they said they were upset with way cable has treated them, broadcast representatives expressed similar concerns about how they would be treated in event competing broadcaster were allowed to own cable.

Abel said he didn't believe telcos when they said they're interested only in distributing programming. He said he thinks they want to be programmers, basing view on cable, home video and direct broadcast satellite industries, all of which at first said they wanted only to distribute programming. Abel said NAB would be interested in joining

with telcos to get structural changes in cable industry, such as limits on horizontal and vertical integration.

**CABLE LABS HIRES GTE OFFICIAL:** In what cable industry is billing as coup, Cable TV Labs has hired Thomas Gillett, executive in charge of GTE cable test facility in Cerritos, Cal., as vp-business development and technology transfer. Labs also announced it has formed Fiber Optics Subcommittee, and subcommittee met earlier this month in Stamford, Conn., to discuss implementation of fiber technology.

NCTA has opposed Cerritos project, charging that relationship between GTE and cable operator Apollo Cablevision violates 1984 Cable Act cable-telco cross-ownership provisions. GTE has termed Cerritos one of most advanced communications projects in world. At GTE, Gillett held title of dir.-advanced operations testing. GTE spokeswoman Carol Huff said no successor has been named; Don Bache remains day-to-day manager of Cerritos facility.

GTE has constructed 68 of 170 miles envisioned and has 1,800 subscribers. Bureau action is on reconsideration before full FCC. Meanwhile, agency staff is weighing separate Sec. 214 application from GTE to build fiber optic test system in Cerritos.

Cable industry has been attempting to rebut telcos' argument that only phone companies will implement fiber optics and that to do so they need revenue generated in cable. Companies represented included ATC, Cablevision Systems, Comcast, Cox, Jones, Prime, Rogers, TCI, U.A. Columbia, United Cable, Warner.

Meanwhile, FCC gave quick approval to Southern Bell's Sec. 214 application to extend Hunter's Creek, Fla., cable delivery trial.

**Ex-ATC Chmn. Trygve Myhren seeks to rejoin NCTA board,** this time representing small operators. Myhren, who 3 years ago was NCTA chmn., left cable briefly last year when he resigned ATC chmn. post rather than move to Stamford, Conn., from Denver. Now he's head of Myhren Media, has purchased system serving 930 subscribers in Ajo, Ariz., and is building new system in upstate N.Y., we're told. Seat had been held by Jerry Craft, who has sold all his cable properties. In elections for district seats, candidates are unopposed: Dist. 2 (Ariz., Cal., Colo, Guam, Hawaii, Nev., N.M., P.R., Utah and Wyo.) -- incumbent Edward Allen, InterMedia Partners; Dist. 3 (Ark., La., Okla., Tex.) -- incumbent Clive Runnels, MidCoast Cable; Dist. 4 (Ia., Kan., Minn., Mo., Neb., N.D., S.D.) -- Donald Sbarra, Multimedia. Incumbent James Cownie isn't seeking reelection to district seat. Dist. 5 (Ala., Fla., Ga., Miss., N.C., S.C., V.I.) -- incumbent Henry Harris, Metrovision. He was named to board as midterm replacement for David Hamilton, Summit Communications; Dist. 9 (Conn., Me., Mass., N.H., N.Y., R.I., Vt.) -- incumbent Jack Clifford, Colony Communications. He replaced Charles Townsend in midterm.

**Tutorial on digital TV** will be hosted by FCC Office of Engineering & Technology at 1:30 p.m. March 22, Rm. 856. John Henderson of Sarnoff Research Center will describe theory and method of manipulating information contained in normal and augmented NTSC color systems to increase picture quality, reduce interference. Session is open to public.



**NONBROADCAST EQUIPMENT USE:** TV stations in top 10 markets have found lucrative sideline by leasing space on their transmission towers, bringing in average of \$2,733 monthly. For 64% of TV stations that lease space on towers, according to NAB survey of usage of technical facilities not involved in broadcasting, average monthly income from leasing is \$685. Land mobile users are largest lessees, using 82% of TV towers leased, while 52% of stations also lease to other broadcasters. Only 20% of radio stations lease tower space, averaging \$397 monthly. Of stations responding (NAB surveyed 809 radios, 417 TVs, with 61% response), towers are owned by 98% of AMs, 61% of FMs, 87% of TVs.

Another source of extra income, particularly for FMs, is leasing of subcarriers, which brings in average of \$2,141 monthly for 35% of FMs that lease equipment. Only 5% of TVs reported they lease subcarriers to outsiders.

As for most important developments ahead for TV, 53% cited advanced TV, 22% digital TV. Asked when transmission system would be adopted, 39% said within 5 years, 75% in 10 years, with enhanced National TV Systems Committee system as first step. On radio side, 53% said digital audio is most important future development, 13% said AM improvements, 12% said spread of AM stereo; 16% of AMs said they broadcast stereo, another 19% plan to add it. Of those in stereo, 69% use Motorola, 13% Kahn, 18% another system; of those planning to add it, 43% will buy Motorola, 15% Kahn, 45% others. Some 40% of TVs were broadcasting stereo in 1988, same as in 1987, but up from 30% in 1986; another 18% of TVs plan to add it this year.

All but one of TV stations surveyed have satellite dishes, averaging 3.9 each -- 2.6 C-band, 1.3 Ku. On radio side, 92% have satellite dishes, averaging 1.9. Of TVs, 13% have satellite newsgathering vehicles and 7% plan to add them. Only 14% of radios said they plan to upgrade equipment this year, while 26% of TVs have such plans. Of AM-FM combos, 37% simulcast and 32% of AMs have adopted National Radio System Committee voluntary technical standards as recommended by NAB. Another 32% plan to adopt same standards.

Studio-transmitter links (STLs) are used by 77% of TVs, 69% of FMs, 26% of AMs. Remote pickups are used by 53% of TVs, ENG microwaves by 64% (85% by affiliates, 30% by independents); 61% of TV affiliates use intercity relays, 26% of independents. Remote pickups are used by 64% of radio stations. On TV side, 65% (down from 72% in 1987) lease private phone lines, paying average of \$7,967 monthly; 67% of radios lease private lines, paying \$536 monthly. TV long distance charges averaged \$8,851 monthly, only \$709 for radio. AT&T has 60% of TV stations' business, Sprint 15%, MCI 10%. Cellular phones are used by 41% of TVs, 34% of radio stations; almost 2/3 of stations put cellular conversations directly on air; most common usage is for news. Pagers are used by 55% of radio stations, 87% of TVs, with engineers most often using devices. Survey is available to NAB members for \$20, \$40 for nonmembers: 800-368-5644.

**Govt. role in HDTV** will be debated March 22 by Richard Elkus, Prometrix CEO, and George Gilder, author of forthcoming book *Microcosm*. Debate, at noon in U.S. Capitol, is sponsored by industry group Rebuild America. Elkus supports active federal role in encouraging HDTV; Gilder said U.S. should concentrate on fiber optic delivery systems rather than only HDTV, and private sector should lead move without govt. involvement. Details: 202-547-1212.

**CABLE PROGRAMMERS ON GE BIRD:** Viacom-led group has bought 18 transponders on GE Americom's planned C3 and C4 satellites in deal likely to be valued at more than \$200 million. Agreement, concluded some time ago but not announced until March 17, confirms GE will operate 2nd major system of cable distribution satellites and birds actually will be launched. Earlier, Hughes' role in cable distribution was established when HBO and Turner bought undisclosed number of transponders on Hughes Galaxy 1R and Galaxy 5.

Group includes C-SPAN, MTV Networks, Showtime Networks, Weather Channel. Showtime Chmn. Winston (Tony) Cox said there was "little qualitative difference in technology" between GE and Hughes proposals, but group was slightly more pleased with terms GE offered. Cox wouldn't disclose price, but indicated group probably got better deal as anchor tenant. Teaming is outgrowth of success of similar group in negotiating for 11 transponders on Hughes Galaxy 3, C-SPAN Chmn. Brian Lamb said. He said grouping is "very positive thing" because it gives added negotiating weight to smaller programmers and creates better overall package. Negotiations with GE were conducted for group by Clay Whitehead.

Showtime announced deal to head off speculation it might switch to another vendor and GE might not launch C3 and C4, Cox told us. He said other cable programmers have been fed "inaccuracies," possibly in effort to entice them onto competing birds: "We just wanted to square the record." Deal is agreement in principle; Cox said lawyers are going over final draft and should complete it in 30-60 days. Users for only 12 of 18 transponders have been identified. He also said 1992 launch date for C3 and C4 satellites is "eternity" away and deal assumes Showtime or others will launch additional services by then. Movie Channel, MTV, Nickelodeon and Showtime will use 2 transponders each for east and west feeds; C-SPAN 2, Weather Channel and VH-1 one each.

GE will provide in-orbit backup for satellites, Cox said. GE announced earlier it would launch bird as backup for Alascom and cable birds. C3 and C4 are replacements for Satcom 3R and 4. Each will carry 24 C-band transponders operating at 16-w levels. Satellites are to be launched in late 1992 and be operational in 1993.

IRS has told Congress that several TV ministries whose finances are being audited are in danger of losing federal tax exemptions. In report to Rep. Pickle (D-Tex.), chmn. of House Ways & Means Oversight Subcommittee, IRS said it investigated 23 ministries in last quarter of 1988 and "the Service is continuing to devote significant... resources to media evangelist cases." Robert Brauer, asst. IRS dir. for exempt organizations, said 6 of cases involve prominent TV evangelists (none identified). "We anticipate that several... cases involving prominent media evangelists will move to the final stages of the examination process this year," he said. "We also anticipate that some of these cases will present serious issues relating to continued federal income tax exemption."

**Washington 90-lawyer firm** (with several communications clients) Verner, Lipfert, Bernhard, McPherson & Hand announced agreement with N.Y. firm Hughes, Hubbard & Reed (230 lawyers) to refer business to each other, share clients and marketing. Law firms will retain identities and billings and will keep profits separate. Agreement is effective immediately. Officials at both denied accord is prelude to merger.



**TCI Pres.-CEO John Malone** will be "pushing up daisies before we see telcos taking over cable on any scale," he said in N.Y. speech to IRTS March 15. He said cable can outpace telcos in installing fiber optics and dismissed predictions that telcos will replace cable operators as "overblown" because "no one has a cost-effective system to get fiber optics into the home." He also said he hopes any action allowing telco entry into cable would allow cable companies to buy telcos. "We don't want a situation where they can bomb us but we can't bomb them," he said. "Some of those Bell Operating Companies' stocks look very cheap to me." TCI had 1.4% gain in base subscribership in Jan. and Feb. and will have more than 11 million clients by end of year, Malone said, with nearly \$1.4 billion in operating cash flow. It plans to offer religious programming and high-quality audio presentations. Malone estimated TCI stock, now selling around \$28, is 40% undervalued. "Analysts say our liquidation value is between \$50 and \$60" per share, he said. "You know anyone who wants to take us over? It would drive our stock price up." Addressing other oft-discussed industry concerns, he said he prefers limited vertical integration. "I'd love to control programming rights if it meant I didn't have to be in the business," he commented. "We don't pretend to be creative geniuses and we think a competitive creative atmosphere is best. It would be terrible to have a movie chain forced to carry movies just because top executives thought they were great." Commenting on Madison Sq. Garden Network dispute, Malone said his company's contract with programmer allows TCI to elevate service to premium if rates continue to rise. "You can't, however, make a smooth transition from a 10¢ service that everyone takes to a higher pay service that 10% of your subscribers take because of administrative costs," he said. TCI is experimenting with pay-per-view (PPV), but is waiting for technology with long life span. "We believe it has great potential," he said, "but I'm told pioneers get arrows in their backs, particularly when investing in technology that becomes obsolete."

**Richard Moore**, counsel to Washington law firm Wilner & Scheiner, shortly will be named ambassador to Ireland. Long prominent in broadcasting and cable, Moore, 75, was active in Bush campaign, has known Bush family since 1930s, served as special counsel to President Nixon 1971-1974. Late brother John Moore was ambassador to Ireland 1969-1975; this may be first time brothers will have served as U.S. ambassador to same country; John Moore is buried in Ireland. Richard Moore's background: Yale College & Law School; joined ABC in 1946 as business mgr. and attorney for TV, placed network's 5 TV stations on air; directed ABC west coast activities, shifting to Times Mirror (TM) after it bought KTTV L.A., was pres. of station and on TM board 1951-1962; was co-founder of TvB with Claire McCollough, served as chmn.; entered cable as partner in Storer Bestg., began San Diego system as 40% owner (with oilman Edwin Pauley), sold it to Time Inc. in 1968; served as vice chmn. of NCTA; was partner with Bob Hope in application for KTLA L.A. license; joined Wilner & Scheiner in 1974; active in formation of McLaughlin Group, is program's managing producer; owned and sold small piece of KOKI-TV Tulsa (just sold by current owner to Clear Channel Communications). His first wife died several years ago; he has remarried. Has 4 sons, one daughter. Daughter Kate serves in White House Office of Policy Development.

Newspaper advertising increased 6.1% to \$31.2 billion in 1988, smallest percentage gain since recession year of 1975, Newspaper Ad Bureau reported. This compares with total TV billings of \$24.9 billion last year, up 7.1%, according to TvB.

**Cable transactions:** Houston Industries (HI) KBLCOM unit closed March 14 on acquisition of 558,000 subscribers from Rogers for \$1.4 billion (nearly \$2,342 per subscriber), Rogers reported. HI has other cable holdings through 50% interest in Paragon Cable, which controls 735,000 subscribers; ATC has other half of Paragon... Mission Cable L.P. purchased Cablevision of Tex. I and II L.P. that serves 17,324 subscribers in Tex. and Okla. Broker: Cable Investments (CI)... Galaxy Cablevision signed letter of intent to sell 23 systems in central Tex. to Douglas Communications for \$25.6 million. Systems serve 10,500 in 2 clusters, one serving 15 communities in Ellis, Johnson and Hill counties south of Dallas, other reaching 20 communities in Bell, Falls, Hayes, McLennan, Milam, Robertson and Williamson counties, around Austin... ATC said it reached definitive agreement to acquire systems with 6,500 subscribers in Creedmore/Butner, Franklinton, Knightdale/Zebulon and Stem, N.C., from Channel Master Satellite Systems, for \$16.7 million... Weststar I bought systems serving 3,443 in Kellogg, Pinehurst, Smelterville and St. Maries, Ida., from Clearwater Communications. Broker: CI... Cablevision of Tex. III L.P. purchased Cable Services of Dierks, Dierks TV Cable and Pike County Cablevision serving 1,550 in Daisy, Dierks, Fulton and Saratoga, Ark. Broker: CI... River Communications Limited Partnership I bought American Broadband Communications, which holds unbuilt franchises in Lovelady, Riverside and Riverside Harbor, Tex. Broker: CEA... Mission Cable L.P. purchased systems serving 812 in Chouteau and Inola, Okla., from Atra Cablevision Inc. Broker: Communications Resources Unlimited... Taft Cable Partners acquired Edgewater Cable with 500 subscribers in Austin and Morton Townships, Mich.

**Cablevision Systems** reported \$41.9 million net loss (-\$1.95 per share) on \$130.4 million revenues in quarter ended Dec. 31, compared with \$42.4 million net loss (-\$2.04) on \$90 million revenues in same 1987 period. For 1988, Cablevision said it had \$159.4 million net loss (-\$7.44) on \$493.4 million revenues, vs. \$74 million net loss (-\$3.61) on \$299.6 million revenues in 1987. Company said cash flow for quarter rose 48.5% to \$31.1 million, from \$20.9 million. For year, cash flow jumped 52.6% to \$140.1 million from \$91.8 million. Gains in revenue and to lesser extent cash flow resulted from acquisition of Adams-Russell Cable, SportsChannel and lesser purchases, company said. On cable operations side, Cablevision said it had \$42.9 million cash flow on \$102.4 million revenues in quarter and \$157.7 million on \$390.5 million revenues for year. On programming side, it had \$32.8 million revenues in quarter and \$123.8 million for year, vs. \$22.3 million revenues in same 1987 quarter and \$47.6 million for year. For 1988, Cablevision listed \$13.1 million paid out to settle copyright payments for prior years, but couldn't confirm that this was amount of settlement in MPAA case. As result of case, cable operators are paying about double in copyright fees and Cablevision had to make back payments for years in which it hadn't paid them.

**NBC received high praise** from dozen members of Congress March 16 for launch of 3-year "The More You Know" campaign against drugs and to keep young persons in school. "'The More You Know' is a slogan -- it's also a fact" in finding and keeping jobs, Senate Majority Leader Mitchell (D-Me.) said at news conference in Capitol. Also appearing were Sens. Thurmond (R-S.C.) and Hatch (R-Utah) and Reps. Rinaldo (R-N.J.), Rangel (D-N.Y.), who said he was high school dropout, and Goodling (R-Pa.). NBC Pres. Robert Wright said NBC parent GE has committed more than \$35 million to education-awareness projects and campaign will cost NBC "millions of dollars," with affiliates contributing much more in time, production, effort. Campaign features public service announcements by network's stars.



## Personals

Advancements at NBC: Randel Falco, vp-finance and administration, adds post of senior vp, Olympics; John Miller, vp-ads and promotion, to senior vp; James Grenier, shifts from NBC to pres., Rainbow SportsChannel America, in which NBC is in process of buying co-management position; Donald Carswell replaces Grenier as NBC vp-financial planning and administration... John Shanley promoted to vp-daytime sales, ABC TV Network Group... A.C. (Sam) Belanger advanced to exec. vp, United Artists Cablesystems... Promotions at IRTS: Marilyn Ellis to dir.-special projects, Maria De Leon to mgr.-programs and services.

Kim Koontz advanced to legislative dir. for House Telecom Subcommittee member Synar (D-Okla.), replacing John Hollar, who joins Cutler & Stanfield law firm... Elizabeth Frazee, ex-Republican press secy., House Commerce Committee, takes same position with Telecom Subcommittee member Rep. Bliley (R-Va.)... Franklin Getchell advanced to vp-production, Children's TV Workshop... Jeff Krolik promoted to vp-affiliate operations, HBO, Ft. Lauderdale... William Phillips, ex-gen. mgr., cable network Bravo, joins Video Bestg. as senior vp-sales and mktg., Medialink and ProgramLink units... Changes at Disney Channel: Diane Hawley promoted to dir.-sales strategy; Diana Ritchie, ex-20th Century-Fox Film, named dir.-sales analysis; Kevin McGuire advanced to regional dir.-southern Cal., Hawaii, Guam; Joe Cantwell promoted to senior affiliate mktg. rep.

Changes at KTTV L.A.: Bill McGowan promoted to vp-station mgr., John McCormick to vp-gen. sales mgr.; Augie Martinez, vp-finance and administration, adds responsibilities for operations and traffic unit... William Peterson, pres.-gen. mgr., WTKR-TV Norfolk, joins WPEC W. Palm Beach in same post... Gary Nielsen, ex-vp-station mgr., KPTM Omaha, joins WIVB-TV Buffalo as vp-gen. mgr... James Warner, exec. vp-broadcast operations, promoted to gen. mgr., WCAY-TV Nashville; Deborah Taylor advanced to vp-chief financial officer, parent M.T. Communications... William Service, vp-gen. mgr., WTVQ-TV Lexington, Ky., joins WRDW-TV Augusta, Ga., in same post... Bill Franks promoted to station mgr., KRBK-TV Sacramento... Dave Porepp advanced to gen. sales mgr., KCCI-TV Des Moines.

Pamela Turner, deputy asst.-legislative affairs-Senate in Reagan White House, joins NCTA as vp-govt. affairs; Kathleen Ireland, ex-staff of L.A. County Supervisor Michael Antonovich, named dir.-state govt. relations, NCTA Assn. Affairs Dept... Claudia Harris promoted to PR mgr., TBS N.Y.; John Prentz, ex-NBC Sports, joins as PR mgr... Daniel Mannino, ex-Vision Cable, appointed controller, Insight Communications... Joseph Pedri moves from gen. mgr., Seltel Philadelphia office, to gen. mgr., San Francisco office.

Karl Kensinger, Mass Media Bureau Policy & Rules Div. Allocations Branch chief, speaks on spectrum allocation at March 20 brown-bag luncheon sponsored by FCC Office of Consumer Assistance & Small Business Div., Rm. 856... Peg Sandgren, ex-Employe Benefits Administrators, appointed dir.-employe benefits, Viacom... Dick Hammer advanced to vp-ad sales, CBN Family Channel... Edward Markey and Mary Neagoy move temporarily from NBC Media Relations Dept. to similar posts at Consumer News & Business Channel... Edward Atorino, ex-Smith Barney, Harris Upham, named senior media analyst in Salomon Bros. Stock Research

# TELEVISION DIGEST

With Consumer Electronics  
(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

Warren Publishing, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Public Broadcasting Report, Space Commerce Bulletin, Television & Cable Factbook and other special publications.

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Dept... Louis Sherman moves from vice chmn. to acting chmn., CRTC, succeeding Andres Bureau, resigned.

Michael Morris resigns as vp-congressional and regulatory affairs, Cal. Cable TV Assn., to join Continental Cablevision of Sierra Valleys as corporate counsel and govt. relations dir., May 1... Robert Branson promoted to asst. gen. counsel, NAB... Promotions at Jerrold: James Barthold to PR mgr., new post; Kurtis Whitt to national sales account mgr., responsible for Cox Cable... Cynthia Wick advanced to exec. vp-mktg., 20th Century Fox Motion Picture Div.

Warner Cable of Milwaukee has had to write off \$2.6 million in bad debt from 20,000 uncollectible customer accounts in 1988, more than twice 1987 figure, company said in filings with city. Warner also had nearly 26% increase in disconnections in 1988 to 39,000 from 31,000 year earlier, filing indicated. Of 233,000 households in city, Warner has 36% penetration (84,000 subscribers), short of 45% penetration operator had projected for 1988. City officials are concerned about performance by cable operator, which received 15-year franchise in 1983. In particular, they focused on customer service. While conceding some service problems, Warner Pres. Ron McMillan blamed marketing campaign that attracted high-risk customers with discount packages and staffing change that delayed disconnection of delinquent clients.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for first statistical week of March and year to date:

	FEB. 25- MARCH 3	1988 WEEK	% CHANGE	FEB. 18-24	9 WEEKS 1989	9 WEEKS 1988	% CHANGE
TOTAL COLOR.....	418,650*	326,683	+28.2	448,513	3,447,165*	2,923,925	+17.9
DIRECT-VIEW...	413,854*	322,506	+28.3	443,908	3,410,511*	2,881,019	+18.4
PROJECTION....	4,796*	4,177	+14.8	4,605	36,654	42,906	-14.6
TOTAL VCR.....	230,270*	173,155	+33.0	215,369	1,480,372	1,820,882	-18.7
DECKS.....	192,546	151,263	+27.3	172,397	1,245,536	1,630,316	-23.6
CAMCORDERS....	37,724*	21,892	+72.3	42,972*	234,836*	190,566	+23.2

Color TV 5-week moving average: 1989--405,704\*; 1988--331,859 (up 22.3%).

VCR deck 5-week moving average: 1989--149,422; 1988--178,309 (down 16.2%).

Camcorder 5-week moving average: 1989--28,063\*; 1988--21,854 (up 28.4%).

\* Record for period.

**SONY GOING ALL-DIRECT, DROPS DISTRIBUTORS:** Moving to all-direct national sales, Sony last week notified all its distributors they will be terminated by Sept. 1. Sony's action follows major trimming of independent distributors by Thomson, Toshiba, others (TVD Feb 6 p11). Sony says fewer than 30 distributors are involved, and one distributor put number at 24.

Sony has been operating both direct and through distributors, and in 1987 moved to "account management" basis, Sony America Pres. Neil Vander Dussen said, "to most effectively deal with the changing patterns of retail distribution... with major multistore accounts now increasing their penetration into many secondary markets." Vander Dussen said those accounts are served more effectively directly than "through the purely local efforts of distributors." He gave these other reasons:

(1) Sony's innovative product approach "requires an unusually high investment -- of money, people and other resources" -- in technology and marketing, and direct sales approach provides efficiency.

(2) Economic pressures, including "unstable yen/dollar exchange rate" plus increases in interest rates, "have squeezed profits dramatically, compelling us to drastically reduce operating expenses in order to remain competitive."

(3) Sony's heavy investment in distribution and logistics network for both consumer and nonconsumer businesses "has rendered the maintenance of 2 distribution approaches impractical and inefficient."

(4) "Many of our competitors have restructured their sales operations to establish a direct selling environment for their products in a majority of their markets. This change will provide them with a competitive advantage and may result in Sony products becoming less competitive. We must take action to ensure that our products remain competitive in all categories."

One distributor told us that 24 distributors have been doing about \$400 million Sony business annually. He estimated 15-35% of Sony business is done through distributors, varying according to product line. "Distributors were instrumental in putting across unique Sony products, such as Betamax and later Video 8," he added.

Move by Sony caught distributors completely off guard. "The decision was reached in the last 10 days," distributor told us early last week after receiving termination letter from Sony Consumer Sales Div. Pres. John Briesch. "Sony indicated it was willing to forgo up to 20% of its current distributor business by dropping the small accounts that distributors have relationships with -- I mean dealers who do \$30,000-\$35,000 business, who won't be able to buy Sony any more."



Although official termination date is Sept. 1, "the deal has been structured so distributors will want to get out by July 1 if not sooner," one told us. All distributor contracts expire at end of Sony's fiscal year March 31. Same distributor told us Sony in past had urged distributors to handle Sony products only, but in last 9 months had been urging them to expand into noncompeting lines.

"Some distributors will have to close their doors -- maybe 8 to 12 of them," distributor said, and some had been with Sony as long as 30 years. He added that some had contemplated lawsuits, but were dissuaded by Sony's inventory repurchase plan, which he described as "generous, beyond the call of the contract." Sony officials couldn't be reached for comment on distributor's statements.

Sony announced 2 product expansion moves in U.S., meanwhile: Its Digital Audio Disc Co. will start pressing consumer videodiscs and its Consumer Audio Products Co. is branching out into "personal automation" products. Reports on these activities appear elsewhere in this issue.

**MECA NAMES KRAFT AS FIRST AMERICAN PRES.:** Richard Kraft will become first American pres. of big Matsushita Electric Corp. of America (MECA) April 1 as part of continuing reorganization to "localize" management and operations and expand activities in U.S., company announced last week.

Kraft, 60, is well known in industry, has strong technical and operational background, having worked at same Franklin Park, Ill., facility since 1951 when it was Motorola's TV operation before it was purchased in 1974 by Matsushita. He served as Motorola engineering vp, and in 1979 was named pres.-COO of Matsushita Industrial Co. (MIC), which operates Franklin Park plant, as well as member of MECA board and management committee. He holds 134 patents, has background in product planning and marketing as well as manufacturing.

Akiya (Andy) Imura, current MECA pres.-CEO, will become chmn.-CEO when Kraft assumes duties as COO. Last Oct., Imura was named dir. of Matsushita corporate management hq for Americas. Under reorganization, he also will head exec. committee for N. America, with Kraft and MECA Vp-Treas. Takamichi Hanaki as other members. It's indicated more appointments in MECA reorganization will be announced by start of new fiscal year April 1. Matsushita organization in some ways parallels that of Sony America, which has American pres. (Neil Vander Dussen) and Japanese chmn. (Masaaki Morita).

MECA 1988 sales totaled \$4.3 billion, and it has 9,200 employes and 21 U.S. operations. Appointment of Kraft is another of series of moves toward greater autonomy of U.S. operation and higher production here. Earlier steps were reorganization of MIC into new N. American TV Div. -- first Matsushita unit with hq outside Japan -- and Business Development Group (TVD April 4 p11), as well as decision to establish first overseas institute for basic and applied R&D in U.S. (TVD April 25 p13). At N.Y. news conference last week, Kraft forecast significant increase in R&D capability in U.S., increased manufacturing here and more exports from company's American plants. In addition to 9 plants in U.S., he said 2 more are under construction and he revealed that 2nd Mexican plant is being built.

We have learned that new plant in Mexico will be major component facility to feed chassis plant there. Two plants being built in U.S. are Matsushita Electronics picture tube factory in Troy, O., scheduled to go into operation this spring (TVD March 14/88 p10), and joint alkaline battery venture with Eastman Kodak in Columbus, Ga. (TVD April 25 p13). We understand MECA also is considering several sites in Ky.-Ohio area for new \$150 million plant to employ about 500. Matsushita officials declined to comment, but it's believed to be industrial equipment facility -- one Ky. newspaper identified it as refrigerator compressor plant.

Kraft said one of his major tasks will be significantly increasing U.S. content -- components and materials -- in end-products made here. "We hope that by bringing more early development engineering here, we can engineer our products around local parts," he said. In answer to question he said average U.S. content of Matsushita's American-made products is about 40%, but "our target is as high as 70% over the next 3 to 5 years."

Imura revealed that MECA is "in serious discussion with Japan" hq about increasing U.S. production and content of VCRs assembled by its American Kotobuki facility in Vancouver, Wash., which currently relies almost exclusively on Japanese parts. "There is a scarcity of components" for VCRs in U.S., Imura pointed out, "and that's the major reason we can't have genuine manufacturing in the United States" so far.

Kraft forecast "significant shortages" of color sets and VCRs throughout this year's first half. In color TV, "every screen size category is limited by the availability of picture tubes." Shortages have been caused



primarily by expansion of receiver manufacturing here, virtual end of tube imports and increased exports of tubes to Europe and other countries, he said. Over last few years, he said, demand for tubes has increased 40%, but tube industry has added no new facilities. Also continuing, he forecast, will be VCR shortages, "particularly in low-end merchandise."

Asked about HDTV, Kraft said: "We're on record as supporting any compatible system approved in the United States. We hope we'll be able to make a contribution [on the basis of] our technical expertise." He indicated company hoped its HDTV activities can add to U.S. economy.

**BIG-SCREEN TABLE MODEL SALES UP 20% IN 1988:** Square-cornered picture tubes continued to show strong growth in 1988 -- sales of new 20" and 26"-and-over sizes rose 29.5% in year when total direct-view color sales were up only 4.5%. All of growth was in table models, as consoles continued gradual decline that has been almost continuous since color's early days.

All of growth wasn't in new square-cornered sizes, however. Big-screen table-model fever rubbed off on old 25" size, which showed 16.6% increase. Together with 21.6% rise in larger sizes, that brought total big-screen (25"-and-over) table sales gain to 20%. However, except for 25", all "old" picture tube sizes declined in sales.

Biggest-selling screen size still is 19", representing 26.1% of all color TV sales. Although 20" is gaining ground -- it now has 20.4% share -- its gains aren't coming entirely at expense of 19". Combined 19-20" sizes were in 9,431,300 sets sold in 1988, up more than 2 million or 28% from 7,370,300 in 1987 -- indicating that midsizes are gaining share at expense of smaller ones, all of which showed declines in both sales and percentage share in 1988.

With continuing declines in console sales more than offset by increases in table models, here's how big-screen sales looked in last 3 years:

#### COLOR SETS 25" & UP

Year	Consoles	% Chg.	% Share	Table Models	% Chg.	% Share	Total	% Chg.	% Share
1988	2,448,200	- 3.1	12.1	3,213,700	+20.0	15.9	5,661,900	+ 8.8	28.0
1987	2,525,500	-10.0	13.1	2,678,600	+16.7	13.9	5,204,100	+ 2.1	26.4
1986	2,804,800	- 6.6	15.4	2,294,400	+20.3	12.6	5,099,200	+ 3.8	28.0
1985	3,002,300	+ 0.4	17.7	1,907,900	+92.0	11.2	4,910,200	+23.2	28.9

Console sales probably hit all-time low of 12.1% of total mix in 1988. Here's pattern of last 12 years:

1977.. 27.2%	1979.. 23.9%	1981.. 21.1%	1983.. 20.1%	1985.. 17.7%	1987.. 13.1%
1978.. 25.4%	1980.. 21.6%	1982.. 21.3%	1984.. 18.6%	1986.. 15.4%	1988.. 12.1%

In last year's color product mix, EIA introduced new categories -- 26" and over has been replaced by 27"-and-over (but we also have included 26" and over in this year's tabulation for comparison purposes). Also new is 30"-and-over in console category, totaling 109,000. Here are EIA figures on 1988 color TV sales to dealers by screen size, as compared with 1987:

#### COLOR TV PRODUCT MIX, SALES TO DEALERS 1988 vs. 1987

	1988 Sales	1987 Sales	% Change	1988* % Share	1987* % Share
Portable-Table Models	17,768,200	16,804,800	+ 5.7	87.9	86.9
8" and under....	418,300	426,100	- 1.8	2.1	2.2
9-12".....	573,600	827,500	-30.7	2.8	4.3
13-14".....	4,164,300	4,290,700	- 2.9	20.6	22.2
15-19".....	5,267,000	5,502,300	- 4.3	26.1	28.5
20-24".....	4,131,200	3,079,600	+34.1	20.4	15.9

(cont'd)



	1988 Sales	1987 Sales	% Change	1988* % Share	1987* % Share
<b>Portable-Table Models</b>					
25".....	1,009,300	865,700	+16.6	5.0	4.5
26".....	1,188,500	n.a.	n.a.	5.9	n.a.
[26" and over...	2,204,400	1,812,900	+21.6	10.9	9.4]
27" and over....	1,015,900	n.a.	n.a.	5.0	n.a.
<b>Consoles.....</b>	<b>2,448,200</b>	<b>2,525,500</b>	<b>- 3.1</b>	<b>12.1</b>	<b>13.1</b>
25" & under.....	1,165,300	1,252,300	- 6.9	5.8	6.5
26".....	689,400	n.a.	n.a.	3.4	n.a.
[26" & over.....	1,282,900	1,273,200	+ 0.7	6.3	6.6]
27-29".....	484,500	n.a.	n.a.	2.4	n.a.
30" and over....	109,000	n.a.	n.a.	0.5	n.a.
<b>TOTAL DIRECT-VIEW</b>	<b>20,216,400</b>	<b>19,330,400</b>	<b>+ 4.5</b>	<b>100.0</b>	<b>100.0</b>
<b>Projection. . . . .</b>	<b>301,800</b>	<b>293,100</b>	<b>+ 3.0</b>	<b>1.5**</b>	<b>1.5**</b>
44" and under...	108,000	n.a.	n.a.	35.8#	n.a.
45" and over....	193,800	n.a.	n.a.	64.2#	n.a.
<b>GRAND TOTAL. . . . .</b>	<b>20,518,100</b>	<b>19,623,500</b>	<b>+ 4.6</b>	<b>100.0</b>	<b>100.0</b>

\* Excluding projection except where noted.

\*\* Percentage of grand total, including projection.

# Percentage of projection TV only.

Brackets [] indicate 1987 categories included in other categories in 1988; bracketed 1988 figures given for comparison only, not included in 1988 totals.

**JAPANESE VIDEO EXPORTS TO U.S. RISE IN JAN.:** Japanese color TV and VCR deck exports to U.S. in Jan. rose from same year-earlier month for first time in more than 2 years, Japan Finance Ministry statistics showed. While VCR deck shipments were up from Jan. 1988, average price in yen dropped for 4th straight month and dollar price hit lowest point since Feb. 1988.

Exports of complete color TV sets from Japan totaled 16,023, up 3.5% from 15,486 in Jan. This was first year-to-year increase since March 1986, breaking string of 33 consecutive monthly declines. Total actually was lowest in several months, off 20.5% from 20,150 in Dec. and down 39.1% from Nov. exports. Japanese exports of color chassis & kits fell 74.2% to 418, putting color TV total at 16,441, down 3.9%. B&W TV shipments were negligible.

VCR deck shipments to U.S. from Japan rose 4% to 620,848, from 596,691 in Jan. 1988. This was first monthly increase since Oct. 1986. Total for Jan. still was lowest of any month since April 1988. Camcorder exports from Japan to U.S. in Jan. increased 20.8% to 156,322.

Average price of VCR deck shipped to U.S. in Jan. was \$229.20, based on average 126 yen-to-dollar rate in effect that month, down \$8 from \$237.20 in Dec. and down \$13.02 from \$247.22 in Jan. 1988, when yen rate was 127 to dollar. Jan. 1989 price was lowest since \$226.78 in Feb. 1988, and marks 2nd straight monthly decline. Average yen price continued gradual downward trend that began in 1986. In Jan. it was 28,879, down 1% from Dec. and 6.1% from Jan. 1988. Average camcorder price, based on Finance Ministry figures and yen rate, was \$642.57, down from \$694.83 in Dec.

Japanese exports of Compact Disc players declined 15.9% to 184,199 in Jan., 7th straight monthly decrease.

VCR shipments to Canada from Japan fell 38.7% to 35,006 in Jan., and camcorder shipments fell 54% to 5,125. Exports of complete color TVs dropped 9.7% to 2,196. There were no color chassis & kit or monochrome TV exports to Canada reported.

**SUBSIDIZE S-VHS RELEASES, VCR MAKERS URGED:** It's up to VCR manufacturers -- not software suppliers or duplicators -- to "break the stalemate" and establish Super VHS format in U.S., VTR Productions Pres. Hugh Coppen told ITA seminar in Palm Beach Gardens, Fla. Hardware companies stand to gain most



from new format, he said, while studios, video retailers, blank tape companies and duplicators have little reason to push new format. VTR, Don Mills, Ont., which duplicates for studios in Canada, is particularly disappointed in new format, having received no orders for S-VHS since installing 275 slaves last summer, Coppen said.

Other panelists admitted format hasn't taken off, particularly on prerecorded software side. "It's no secret that sales of S-VHS slaves to duplicators have been slow," Panasonic Audio/Video Group Vp Steve Yuhas said. "The [consumer] machine population is only 1.5 million." Michael Capko, pres. of S-VHS duplicator Video Mktg. Services of Orlando, said "deeply rooted conflicts between software suppliers and hardware manufacturers" must be resolved to satisfy "hungry" S-VHS VCR owners "waving their gold cards, willing to pay more" for recorded software. However, Super Source Video Pres. Hamilton Bryan believes industry is "well on the way to breaking the impasse" -- San Francisco-based S-VHS software distributor is offering 25 Nelson and Orion feature films and expects to add 20 more this year. "Studios won't release major movies [on S-VHS] through normal distribution channels," he said. "And who can blame them?"

If S-VHS doesn't catch on soon, Coppen warned, consumers may overlook it entirely in favor of other advanced formats such as videodiscs. He urged VCR companies to offer these inducements: (1) Subsidize tape costs for duplicators so they can charge studios only "reasonable premium" for S-VHS. (2) Support studios on repackaging costs. (3) Provide retailers with "bonus" for dual inventories. (4) Promote "value-priced" decks, rather than "Cadillac models." (5) Provide tapes with decks. As we reported, Mitsubishi has offered free copies of Robocop and On Golden Pond with purchase of \$899 S-VHS deck, and Hitachi gives buyers of its S-VHS VCRs and camcorders choice of one of 23 Orion and Nelson titles for \$39.98.

For duplicators, S-VHS offers "low demand, low margins, low return on investment," with slaves' ability to duplicate on standard as well as S-VHS as only redeeming feature to date. Studios and dealers understandably are "unenthusiastic" about adding new format -- "especially in the lower margin sellthrough market" -- just when industry adopted "single market standard -- VHS," Coppen said. Costs are "prohibitively high" for S-VHS tape, he added, so even blank tape manufacturers have only "limited interest."

Taking more optimistic view was JVC Senior Sales & Mktg. Vp Harry Elias. While 66 titles already are available for 1.5-million S-VHS VCR base, he said "no big software appeared in standard VHS" until machine population hit 4 million. Cumulative S-VHS VCR sales have hit 210 million worldwide, he said. He estimated S-VHS shipments last year comprised 3% of total sales worldwide and projected 9% share this year, 18% in 1991, 30% in 1993. In U.S., format had 4% market share in 1988, with projected 10% share in 1989, 40% in 1993. S-VHS consumer and industrial blank tape sales will quadruple to 2.5 million this year from 650,000 in 1988, he said.

Giant-screen LCD display is proposed by Raychem Corp. and Xerox in joint submission to Defense Advanced Research Projects Agency (DARPA) for funding (TVD March 13 p15). Proposal would combine Xerox expertise in amorphous silicon thin film transistors with Raychem's know-how in application of liquid crystals to large area displays. Xerox technology permits construction of electronic devices on large glass surfaces, while Raychem has patent on encapsulated liquid crystal technology. Proposal is one of 87 being considered by DARPA for funding grants. DARPA official said last week proposals it's considering are "company confidential" and therefore wouldn't be available for public inspection, although proposers are "free to release details" of their applications.

Commtron video software sales increased 19% to about \$94 million in 2nd quarter ended Feb. 28 from year-earlier \$79 million "due primarily to an improved new release schedule," company said. Category was slightly ahead of overall revenues, which rose 17% (see financial table). Consumer electronics sales were up 8% to \$30 million as result of growth in home office equipment such as fax machines, Commtron proprietary Colt line, cellular phones. Net earnings were nearly triple year-earlier figure, company crediting improvement to "increased operating efficiencies and improved asset management" as well as higher sales.

All 49 states affected, plus D.C., have accepted N.Y. state's settlement of price-fixing charges against Panasonic under which company will provide refunds of \$17-\$48 on 16 products (TVD Jan 23 p11), N.Y. Attorney Gen. Robert Abrams said last week. Hawaii, which deals with different Matsushita subsidiary, isn't involved. Panasonic insists its pricing policies have been completely legal but it agreed to settlement to avoid prolonged litigation.

Electroluminescent TV screen measuring 12" diagonally and just over 2" thick, including driving circuitry, reportedly will be put into production this year by Finland's Lohja Corp. B&w screen has resolution of 200x384 pixels, consumes 12 w, runs on 12 v DC. Company aims at color version next year.

FTC issued consent order prohibiting Montgomery Ward from making false claims on service contracts of some consumer products, finalizing settlement announced last fall (TVD Sept 5 p14).

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 131 yen = \$1, except where noted.



**JAPANESE SHY ABOUT HDTV:** Although NHK next week will be broadcasting experimentally in Hi-Vision -- Japan's HDTV system -- and plans to start daily over-air test some time after June, TV manufacturers there still are vague about production plans and costs of receivers. NHK plans to broadcast high school basketball tournament live daily in Hi-Vision March 26-April 4, with receivers in 50 public places.

Japanese manufacturers are very reluctant to be quoted on record, but say informally there are no technological problems in mass production of Hi-Vision receivers; one said that after effective ICs have been developed, 30" monitor should cost around 300,000 yen (about \$2,350).

As result of widespread interest in our recent report of Toshiba estimate that HDTV receiver would cost about \$4,000 in late 1990s in mass production (TVD Feb 20 p9), we asked our Tokyo bureau to check other manufacturers on prices of currently available products and anticipated consumer prices.

Japanese manufacturers, however, appear to be sensitive about whole HDTV issue, and although they have invested heavily in development of Hi-Vision products they're reluctant to make comments or forecasts, presumably because of "confrontation" between U.S. and Japan on HDTV broadcast standards.

Manufacturers appear to be considerably worried about future of Hi-Vision system in Japan, even though they're promoting concept aggressively. Among broadcasters, only NHK appears enthusiastic about it, and there apparently are no plans for terrestrial HDTV broadcasting. Commercial broadcasters, with NHK participating, plan to air NTSC compatible Clearvision extended-definition (EDTV) system later this year.

Wide variety of hand-made HDTV equipment currently is available, but manufacturers are reluctant to quote prices. Only current prices we were able to obtain in Japan were these (U.S. prices based on current exchange rate): Sanyo, videodisc player, \$23,000; Toshiba, 55" projection system, \$155,000; Ikegami, 60" projection system, \$93,000-\$100,000, 110" at \$232,500. Hitachi has announced it will sell HDTV VCRs beginning in Oct. at 50 million yen (\$387,600). Available products include direct-view monitors from Fujitsu, JVC, Sanyo, Sharp, Matsushita, Mitsubishi, NEC, Sony and Toshiba; projection systems from Hitachi, Ikegami, Matsushita, Mitsubishi, NEC, Sanyo, Sharp and Toshiba; VCRs from Sharp, Sony, Toshiba.

Japanese TV manufacturers have agreed to describe screen sizes in viewable diagonal as well as overall diagonal in their literature, using either inches or metric measurement. In U.S., picture tube sizes have been measured on basis of viewable diagonal since Jan. 1, 1967, as result of order by Federal Trade Commission (FTC), which found overall diagonal system deceptive (TVD Dec 12/66 p7). Rest of world uses overall diagonal, which sometimes results in tube size diagonal measurement one or 2 inches larger because it includes part of tube face with no picture on it.

New Toshiba plant will be constructed in W. Germany to produce laptop personal computers for growing European market. W. German subsidiary Toshiba Europa will build plant at site near its Duesseldorf hq and begin production of 5,000 computers per month in April 1990. R&D center will be added later, Toshiba said.

**GO-VIDEO SETBACK:** Go-Video suffered setback in its antitrust suit against Japanese and Korean hardware manufacturers when U.S. Dist. Court, Phoenix, granted partial summary judgment in favor of Sharp on ground of insufficient evidence that Go-Video made specific demand to do business with Sharp. Meanwhile, Samsung official in U.S. appeared to cast doubt on Go-Video's statement that Samsung will offer double-deck VCR here (TVD March 6 p12).

Go-Video counsel Joseph Alioto said company tried to deal with Sharp but efforts coincided with U.S. and Japanese newspaper reports that Sharp had "joined a 'gentleman's agreement' with the other Japanese firms not to make nor supply parts for manufacture nor license for manufacture a dual-deck VCR in the U.S., Europe or Japan."

Go-Video will seek reconsideration of decision, which it said "contradicts the U.S. Supreme Court, which has 3 times rejected the requirement of a specific demand in an antitrust case." While company also has option to appeal, Dist. Court has set rehearing date, Go-Video said. Company said it's continuing suit against Sharp on 2nd claim -- that it "interfered with the business opportunities of Go-Video." As we reported, court dropped Sony Corp. of America as defendant, saying it proved it acted for "independent business purposes" rather than as part of conspiracy alleged by Go-Video (VW Jan 16 p2).

Samsung hasn't decided whether it will market dual-deck VCR -- which it has agreed to make for Go-Video in OEM arrangement -- here under its own label, spokesman at U.S. affiliate said. Samsung of Korea, in settlement of antitrust suit by Go-Video, agreed to make VCR-2 for Go-Video in OEM arrangement and has option to sell product worldwide under its own label (TVD March 6 p11). But Samsung spokesman in U.S. said: "There's been no decision from our point of view to carry or not to carry [product] under the Samsung brand name."

Spokesman said all decisions on dual-deck VCR production and marketing are being handled out of Korean hq. Firm hasn't made official announcement of settlement with Go-Video or dual-deck VCR plans.

Trade deficit in U.S. electronics decreased 24.4% to \$9.6 billion in 1988 from \$12.7 billion in 1987, American Electronics Assn. (AEA) reported. Electronics deficit with Japan increased 2% to \$20.5 billion. U.S. exports overall in 1988 rose 28.3% to \$58 billion and imports 16.6% to \$67.6 billion. Shipments to Japan totaled \$6.3 billion, up 43.2%, and imports from Japan rose 9.4% to \$26.8 billion. In 4th quarter, U.S. electronics deficit with world dropped 18.9% to \$3 billion and with Japan increased 1.5% to \$5.6 billion.

BASF and Fuji have formed joint venture to manufacture and market 3.5" micro floppy discs for N. American market. New B & F Microdisks will construct \$48-million, 75,000-sq.-ft. plant in Bedford, Mass., to make discs. BASF and Fuji each will own half of firm. Plant is expected to begin in fall with 230 employees, producing 90 million discs annually. BASF spokesman said there are no plans to expand to videotape or other products.

HDTV didn't make list of technologies critical to national security compiled by Depts. of Defense and Energy at direction of Congress as areas meriting special consideration in federal spending. Among technologies included: Microelectronic circuits, gallium arsenide and other compound semiconductors, robotics, fiber optics, integrated optics (optoelectronics), high-power microwaves.



**ANOTHER DAT MEETING:** Issue of digital audio tape (DAT) recording was discussed at high-level meeting of Japan-EC Business Round Table on Consumer Electronics in Tokyo last week, but major talks will take place in new working group on DAT composed of representatives of hardware and software manufacturers. Although idea of working group was proposed at meeting late last year (TVD Dec 5 p15), first session actually will be next month in Europe.

Major proposal before working group is understood to be plan that originated with Philips for DAT circuitry that makes it possible to produce only one copy of a Compact Disc, although it's understood there also may be discussions of imposing tax or fee on DAT players or tapes.

After Roundtable meeting headed by Philips Pres.-Chmn. Cor van der Klugt and Sony Chmn. Akio Morita, group issued statement on DAT saying working group would be composed of Japanese and European hardware manufacturers and European and American software associations (IFPI and RIAA). In what appeared to be masterpiece of understatement, DAT memorandum concluded: "The Roundtable expressed its appreciation of the fact that the discussions on DAT will take place in the working group."

According to joint press release issued by Roundtable, purpose of meeting was "to have common orientations and technological market developments in consumer electronics by means of an informal exchange of views." Discussions on standardization "have taken place about digital audio recording, high-definition TV, home automation, parts and components, optical memory and erasable discs." In Nov. 1987, Roundtable established DAT Panel chaired by Hitachi Managing Dir. S. Hata and Philips Consumer Electronics Chmn. Jan Timmer, which has passed buck to new working group.

Roundtable participants officially listed included top executives of Bosch (Germany), Ferguson (U.K.), Grundig (Germany), Nokia (Finland), Philips (Netherlands), Seleco (Italy) and Thomson (France), and of Japanese companies Hitachi, JVC, Matsushita, Mitsubishi, NEC, Pioneer, Sanyo, Sharp, Sony, Toshiba. European observers included officials of EC, while Japanese observers were from Ministry of Foreign Affairs, Ministry of International Trade & Industry (MITI), EIAJ.

Imports of 3.5" microdiscs from Japan will be hit with antidumping duties following final ruling by U.S. International Trade Commission that Japanese imports are injuring domestic industry. Commerce Dept. earlier had determined that Japanese-made microdiscs were being sold here at less than home market prices. Commerce assessed dumping margins of 28-51% for companies including Sony and Hitachi.

U.S.-made home electronic products provided "booming business" in Taiwan in 1988, govt. report said. U.S.-made TV sets accounted for 52% of Taiwan market last year. Meanwhile, Taiwan Ministry of Economic Affairs' Commodity Price Supervisory Board proposed tariff cuts on 400 import items, including home electric appliances.

U.K.'s Hinari, which claims to sell 10% of all 13" sets there, says it will start assembling them in Scotland in April. Hinari, which has been importing all its consumer electronics from Far East, actually is Scottish company, took Japanese sounding name to appeal to consumers.

**PANASONIC PAL-NTSC VCR:** Problem of playing U.S.-standard NTSC videotapes in Europe will be eased by unique VCR introduced in England by Panasonic that converts signal from NTSC tape into PAL color, playable on many European PAL color sets. VCR also will play PAL tapes. Unit is high-end digital effects VCR, will be available in June at about \$775.

However, recorder can't convert NTSC's 525 lines into 625-line pictures used in Europe, nor can it convert NTSC's 30 frames per sec. to Europe's 25. But because of little-known characteristic of many modern color TV sets, receiver itself may do the converting. It's not generally realized that many worldwide TV set makers use same chips for PAL and NTSC sets. Thus, when these sets are confronted with color signal containing 525 lines and 30 frames, they automatically adjust to that incoming signal. Many other sets that can't compensate for change in line structure still will produce picture, although somewhat squashed by presence of 100 fewer lines. Because of variation in TV sets, Panasonic will sell recorder with warning that it won't play back NTSC tapes on all TV sets.

MPAA spokesman, told of new PAL-NTSC VCR, expressed concern because "studios have staggered distribution based on the idea that there are 2 TV standards." Foreign theatrical distribution of film frequently occurs about 6 months after domestic theatrical -- and about same time as domestic cassette release, he said. If dual-standard VCR becomes widespread, he said, "we may have to look at our release schedules." Machine also could encourage parallel imports of prerecorded cassettes, which are illegal in Europe and most other countries, spokesman said.

Also in U.K., Panasonic scored coup for its barcode programmer when BBC's Radio Times agreed to start publishing barcode listings for about 20 selected broadcast movies weekly for year's trial period starting in May, making it easy to program barcode sets to record those shows. Meanwhile, Amstrad made deal with Rupert Murdoch's newspaper Today to print several barcodes daily in ad feature for Amstrad's Fidelity VCRs, which also use barcode programming. (Murdoch owns TV Guide in U.S.) Panasonic says it soon will include barcode program scanners in all of its VCRs offered in U.K.

Consumer Electronics Show program for June 3-6 event in Chicago again will devote 3 sessions to HDTV: "What Will it Look Like?" chaired by FCC HDTV Committee Chmn. Richard Wiley; "Who's Doing What?" EIA Pres. Peter McCloskey; Congressional panel chaired by EIA Counsel Gary Shapiro. In addition to addresses by Tandy Chmn. John Roach, EIA Vp Frank Myers and RIAA Pres. Jason Berman, previously announced, program will include panels on recordable CDs, tomorrow's video store, home office, home satellite, video software, home automation, car audio, legislative update, digital video, home theater, mobile electronics.

New brand name in Japan is "Addzest," for high-end audio products by Clarion. While company's ads will say Addzest products were developed in consultation with Sigma Sound Studio in N.Y., new name won't be used in overseas market, at least for 2-3 years.

JVC reorganizes Japanese VCR production, will shift camcorder production to Yokohama factory from Irie and deck production to Yokosuka. JVC is said to plan to make 5.7 million VCR decks and camcorders this year.



**SONY PRESSING LASERDISCS:** Sony is adding videodisc manufacturing capacity to its Digital Audio Disc Corp. (DADC) CD plant in Terre Haute. Company, which introduced its first CD-laserdisc player last spring and has been making laserdiscs in Japan, has closed on 5-year manufacturing agreement with Image Entertainment, which expects to "lock up most or all of their production," Image Pres. Martin Greenwald told us. Value of deal wasn't disclosed, but Sony spokesman said it was "in the millions of dollars."

DADC will begin manufacturing videodiscs immediately, with first hitting stores within 60 days. Company aims for startup production capacity of 100,000 monthly, spokesman said, although it ultimately hopes to expand to "several million" annually. While Sony wanted to enter laserdisc manufacturing business in U.S. to support sales of its combi player, spokesman acknowledged Image deal "made it worthwhile in terms of commitment."

Sony move into laserdisc manufacturing indicates stronger commitment to format, Greenwald said. While he expects Sony to be "main supplier," he added that Image will continue to use other replicators, including facility owned by Pioneer parent of rival distributor LaserDisc Corp. of America. He wouldn't comment on disc pressing prices but said DADC's are "very competitive." He believes deal eventually will cause Image prices to drop because of volume discounts and increased competition among manufacturers. However, Image just last month raised list price of its A titles to \$39.95 from \$36.95 "to bring prices more in line with current manufacturing costs" and to help bring company into profitability, Greenwald said.

Manufacturing deal is latest facet of Image-Sony relationship. Disc distributor already markets CBS Music Video and SVS (Sony Video Software) titles, Greenwald said. While he expects Image to report loss for year ending March 31, he sees 4th quarter as profitable. He expects sales to triple to \$20 million from \$6.5 million in fiscal 1988, with 4th-quarter revenues roughly equal to previous fiscal year's.

\* \* \* \*

Sony entered home office business in U.S. last week with 5 portable products designed for "personal automation" market. U.S.-designed "Personals" will be marketed by Sony Consumer Audio Co., consist of pocket copier that uses any plain paper surface, version of product Sony sells in Japan under "Repri" name, at \$160; "intelligent" cassette recorder with LCD readout giving date, title and time of recording, with quick indexing feature and alarm clock, \$160; tiny full-featured microcassette recorder with tie clip mike and combination earphone and microphone, \$190; microcassette dictation machine with foot pedal control, \$275; "digital message center," combining microcassette phone answerer and voice recording IC with conference recording and remote security monitoring feature, \$130.

President Bush, calling electronics "America's newest industrial revolution," told EIA Govt.-Industry Dinner in Washington last week he favors increasing budgets for scientific research to help develop superconducting super collider and "expand the work which will leverage America's technological prowess in such areas as microcomputers, automotive electronics, bioprocessing and high-definition TV."

Sonopress, formerly RCA/QTI, expands into audio cassette shell production with \$6 million addition to plant in Weaverville, N.C. Owned by Germany's Bertelsmann, Atlanta-based Sonopress is a leading audio cassette duplicator.

**EIAJ FORECASTS CHIP GROWTH:** EIAJ presented outlook for semiconductor market in Japan over next several years to U.S. chip suppliers, in latest attempt to resolve chip trade dispute. Japanese user group, which gave forecasts at seminar for Silicon Valley firms, estimates chip demand in Japan will grow to \$7.87 billion in 1990 (127 yen = \$1), from \$4.72 billion in 1985.

Total value of consumer electronic goods using semiconductors in 1990 in Japan is expected to top \$66.9 billion, up from \$59.1 billion in 1985. EIAJ said consumer electronics accounts for much greater percentage of chip use in Japan than in N. America, although share is declining in Japan.

Consumer electronic products accounted for some 41% of semiconductor end use in 1987, down from 51% in 1978. Breakdown by product segment in 1987: TV 6%, VCR 15%, audio 9%, other consumer electronics 11%. Personal computers accounted for 9% of chip use and office equipment 8%; by contrast, N. American consumer electronics products, only 6%.

Chips will play increasing role in enhancement of TV receivers, especially when HDTV arrives, EIAJ said. Chips will be used for improvement of picture and audio quality, larger screens, new designs and expanded use of set, EIAJ said. "Digital" VCRs also will rely on chips for many new features, Japanese group said, and Compact Disc player production will contribute to growth.

EIAJ continued to insist to U.S. manufacturers that Japan's chip market is "wide open" to foreign suppliers and blamed "shortcomings" of U.S. suppliers for lack of penetration. Semiconductor Industry Assn. has asked U.S. govt. to take action against Japan if it doesn't further open market to U.S. firms.



**Ads & Promotions:** Sharp offers rebate coupons of \$50-\$100 with purchase of full-size, compact or S-VHS-C camcorder, through June 18. Sharp also begins national and local ad campaigns and point-of-purchase promotions to support effort... Maxell offers consumers handbook on different batteries as insert in its new Ni-Cad and alkaline "power packs"... Interactive Game Network (IGN), which is developing interactive TV system, appoints Young & Rubicam ad agency... Adler-Royal appoints HWH for PR... Goldstar offers coupons worth \$2 off 4 purchases of any Goldstar audio or videotapes or floppy discs, with 3-pack of standard grade T-120 videotapes. Promotion runs through June 30... Thomson Consumer Electronics promotion through June 30 offers 3 issues of Video Magazine with purchase of any 3 RCA videotapes. Other promotion offers \$1 rebate with purchase of 2 GE T-120 videotapes, through July 15.

**Mergers & Acquisitions:** Malaysian investment group headed by Vincent Tan raised its offer for SSMC to \$37 a share, or \$270 million in cash and preferred stock, from earlier \$33-a-share cash bid. SSMC, owner of Singer brand, has agreed to accept \$34 a share merger bid from Semi-Tech Microelectronics. Meanwhile, SSMC shareholder group filed suit in U.S. Dist. Court, N.Y., seeking to block Semi-Tech acquisition... Barco Electronic and Barco Industries will be merged into single operation following agreement by boards of both and by majority shareholder Regional Investment Co. of Flanders, Belgian group. New company will be called Barco NV... Thorn EMI agreed to sell its Immos semiconductor manufacturing operation to SGS-Thomson.



## Consumer Electronics Personals

Richard Kraft, Matsushita Industrial Co. pres., named pres.-COO of Matsushita Electric Corp. of America (MECA), succeeding Pres.-CEO Akiya (Andy) Imura, who becomes chmn.-CEO (see report elsewhere in this issue)... Charles Robertello, ex-Sony, joins Aiwa America as national service mgr... John Widlicka promoted to Ricoh home office products dir., new post; Matthew Mustachio moves to Ricoh Consumer Products Group ad and sales dir., from mktg. promotion mgr... Larry Metz, ex-Packard Bell, joins Emerson's newly formed Emerson Computer Co., Commerce, Cal., as exec. vp.

Kyoji Hoshikawa, Sony Finance Div. mgr. in Japan, moves to Sony America as vp-treas.; Akira Suzuki, CD-ROM Sales Div. gen. mgr., advanced to Sony Component Products Co. senior vp; Yolanda Diaz promoted to Sony America human resources vp from human resources dir.; Tetsuya Kawano, Sony Magnetic Products in Japan, moves to Sony Magnetic Products America as vp; Barry Singletary, Sony Magnetic Products human resources dir., promoted to human resources vp; Robert Schwartz, dir.-systems and programming, Sony America Business Systems, advanced to vp... Gunther Hensler, former Polygram Classics pres., named pres., Bertelsmann Music Group Classics Div., succeeding Michael Emmerson, resigned.

Keith Anderson, Handy Andy chmn., adds title of pres., succeeding Gary Fracolli, who resigned as pres.-CEO... Dennis Puccio advanced to mktg. services mgr., Konica Consumer Products Div... Changes at Toshiba: Tod Pulsifer moves to Facsimile Products Group as national supply sales mgr., from Copier Products Div. national merchandising-planning mgr.; Kathy Kidd, business planning mgr., appointed Facsimile Products Group national merchandising and business planning mgr... Patricia Vizina named SelecTronics mktg. dir... Stuart Oram, ex-Pioneer, appointed Bush Industries national sales mgr., succeeding William Compton, now west region and catalog showroom sales mgr... Michael Anderson, ex-Nixdorf, joins NEC Information Systems as exec. vp... Daniel Cagle, ex-ARA Automotive, appointed Nokia-Mobira pres., succeeding Michael Farese, who held post temporarily.

Dick Vermeer resigns as Stars To Go chief financial officer, secy., treas... Bill Bridges, ex-CBS/Fox Video, joins Orion Home Video as west central regional sales mgr... Joining KVC Home Video as key account mgrs.: Tim Ackerman, ex-Artex and Hannecke Displays, based in N.J., and Jeff Fink, ex-New Star and HBO Video, based in Chicago; Bruce Stickle, ex-Pearson, Crahan & Fletcher ad agency, joins as mktg. mgr... Karen Daniel advanced to Hanna-Barbera Home Video ad mgr... Barry Lyons, ex-United Entertainment, named eastern regional mktg. dir., Fries Home Video.

Korean buying mission led by EIA of Korea is in U.S. seeking to buy \$500 million of semiconductors and other electronic products. Group is visiting Washington, N.Y., Chicago and L.A. this month in effort to reduce Korea's huge trade surplus with U.S.

Prototype 6" color LCD TV with 300,000-pixel display has been developed by Matsushita. Set, which uses amorphous-silicon, thin-film transistor alloy technology for brighter picture, will be demonstrated at Japan Display '89 in Oct.

## 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
<b>Commtron</b>			
1989-6 mo. to Feb. 28	292,912,000	4,523,000	.45
1988-6 mo. to Feb. 29	230,252,000	1,902,000	.19
1989-qtr. to Feb. 28	123,939,000	1,510,000	.15
1988-qtr. to Feb. 29	106,371,000	506,000	.05
<b>National Semiconductor</b>			
1989-39 wk. to Feb. 26	1,849,000,000	(100,300,000)	— <sup>a</sup>
1988-39 wk. to Feb. 28	1,615,700,000	40,300,000	.30 <sup>b</sup>
1989-13 wk. to Feb. 26	589,000,000	(44,600,000)	— <sup>a</sup>
1988-13 wk. to Feb. 28	572,600,000	15,200,000	.12 <sup>b</sup>
<b>TCA Cable TV</b>			
1989-qtr. to Jan. 31	18,294,000	2,881,000	.24
1988-qtr. to Jan. 31	16,095,000	1,877,000	.16

Notes: <sup>a</sup>Restated. <sup>b</sup>Includes special items.

Magnavox introduced 7 new Matsushita-made VCRs with redesigned chassis including single chip that provides mechanical control of special effects. Line consists of 7 models aimed at consumers buying replacement or 2nd VCR. Two models feature new combo 49-function remote and barcode scanner, one with 2 event one month on-screen remote programming (\$380), other with same features and new 14.5" cabinet design, one-min. back-up timer (\$400). Other units have 4 event/one month on-screen remote, multifunction on-set display, auto scan tuning (\$430); barcode programming and new combination remote scanner (\$460); 4-head tuner (\$450); 4-head with 4-event one-month on-screen programming, 44-function remote (\$470); 4-head, barcode programmable (\$490). All VCRs are available now... RCA adds 2 full-size VHS camcorders with video editing system featuring flying erase head to eliminate noise, audio/video dub, edit search, new animation recording capability. Camcorders, with 8:1 power zoom and high-speed shutter, also have time-lapse and index recording. Model with built-in titler and character generator, 2-speed recording and playback is \$1,595; other is \$1,495; both are available now.

Major color tube production center is under construction in China's Shenzhen economic zone adjacent to Hong Kong, utilizing some former U.S. plants. Former GE large-screen picture tube plant with capacity of 1.1 million annually is being installed there (not in Shanghai as we reported last week), along with former RCA-BMC (Buckbee-Mears) shadow mask plant from Barceloneta, P.R., and GE gun factory from Shannon, Ireland. Also scheduled for same site are 2nd color tube plant from Hitachi, Corning glass plant, gas facility, metal parts plant. Complex is owned by Modern Advancement Co., China-Hong Kong venture. Former GE small-screen color tube plant, operating now in Shanghai, built some 250,000 13" tubes last year. Commenting on our recent report that Panda and France's Thomson are setting up color set venture in Guangdong Province (TVD Feb 6 p14), Thomson official told us last week only "preliminary talks" have been held.

Wall-mount infrared remote control extension system has been introduced by Xantech/Video Link for custom audio-video installations. Mounted in standard electrical J-box (size of light switch), system uses existing remote controls and can be built into as many rooms as desired, company said. Basic receiver is \$75, additional receivers, senders and connecting boxes are optional.



# TELEVISION DIGEST®

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

With Consumer Electronics

MARCH 27, 1989

## SUMMARY-INDEX OF WEEK'S NEWS

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### Broadcast - Cable

**FCC TO ACT ON RENEWAL ABUSES:** Ready to finalize reforms in comparative process, including curb on payoffs and 'sham' applications filed in hope of monetary settlements. (P. 1)

**DINGELL WARNS INDUSTRY** to take consumer pulse on HDTV, saying 'supplier-driven' HDTV would go bust. More concerns aired on Capitol Hill. (P. 2)

**CHILDREN'S TV BILL DUE:** Tauke tells AAF that measure is slated for reintroduction in House after March recess. Hearing postponed. Ad tax, fairness doctrine also discussed. (P. 4)

**CENTEL SELLS SYSTEMS:** Telco announces \$1.4 billion deal, lists 4 of 6 buyers. Transaction valued in \$2,420 per subscriber range. (P. 5)

**NTIA HEAD NOMINATED:** Nynex executive Janice Obuchowski named to succeed Albert Sikes at Commerce Dept. spot. (P. 5)

**TCI, DANIELS, MCMULLEN TEAM UP** in cable sports venture. Partnership will operate regional program services in Colo., Fla., Tex. Daniels' Prime Ticket Network not part of deal. (P. 6)

**TAUZIN PLANS DISH BILL:** New effort previewed for SBCA crowd. Gore also eyeing action. HDTV, GI top topics for dish industry gathering. (P. 7)

**FCC READY TO ACT ON RENEWAL ABUSES, CURB PAYOFFS:** Although we're told "there's not much set in stone," FCC appears ready at March 30 meeting to finalize rulemaking designed to curb abuses of its renewal process. Commission is somewhat hamstrung in what it can do -- such as establishing 2-step process desired by broadcasters -- because much of renewal system is under control of Congress. However, one thing that will be thrown out is Cameron Doctrine, which permits applicant who files against renewal to assume he can take over existing station's facilities. "That's a very important piece of the package," we're told.

Essentially, FCC is expected to follow proposals made in its rulemaking and inquiry issued for comments last spring (TVD June 27 p7). However, it now is expected to retain diversification of mass media as renewal criterion. Agency will revise Form 301 (used by competing applicants who file against renewal) to require more financial disclosure by competitors and to curb other abuses. Financial payoffs would be limited to actual expenses -- and such deals could be made only after issuance of initial decision.

We're told amount of "renewal expectancy" to be awarded to incumbent licensee still is somewhat up in air, but it's expected to be based on "meritorious performance" -- with that pegged to compliance with

### Consumer Electronics

**DIGITAL STILL VIDEO** standards urged by Toshiba and Fuji, pushing 'IC card' camera using printed circuits instead of magnetic disc, no moving parts. (P. 9)

**PHILIPS BUYS HEADSTART** personal computer operation from Vendex. Arvin Electronics assets sale to Tele-Art called off because of legal problem. (P. 10)

**CAMCORDER IMPORTS** into U.S. totaled 134,800 in Jan., 8mm accounting for 11.2% of shipments. VCR deck imports were down 7.9%, color TV up 2.9%. (P. 10)

**\$1 BILLION FOR HDTV** in govt. and private funds over 5 years urged at House hearings. DARPA narrows fund applications to 49 proposals by domestic companies. (P. 11)

**IBM, TOSHIBA TEAM UP** for 'largest and clearest' flat color LCD display, measuring 14" and containing 1.5 million color dots. Prototypes to be made in Japan. (P. 12)

**NEW LOOK FOR CES** will see exhibits shifted to new areas. On-site attendance system retained. (P. 12)

**ANTI-PRICE-FIXING BILL** is subject of House hearing. N.Y. attorney general says 'many' consumer electronics companies are under investigation. (P. 13)

**1988 CONSUMER ELECTRONICS** sales totaled \$30.368 billion, up 4.6% from 1987, EIA says, forecasting similar increase in 1989. Video represents 43.4%. (P. 13)



station-supplied program issues list. However, FCC is expected to change way it evaluates such performance. Commission also realizes it can't go far with expectancy because it would usurp congressional authority. But, FCC source said: "We want to go as far as we can."

NAB long has pushed unsuccessfully for legislation to reform renewal process for TV and radio licensees. Assn. now has decided to go for radio-only reform, and such a bill (HR-1140) setting up 2-step renewal process for radio only is pending in House (TVD March 6 p9). It was introduced by Rep. Rinaldo (R-N.J.), with bipartisan co-sponsors.

Renewal reform has been pushed hard by FCC Chmn. Patrick and Comr. Quello, while Comr. Dennis has expressed concern about possible elimination of diversification as issue. Item comes out of Mass Media Bureau; Gen. Counsel's Office hasn't signed off on it yet, is said to be waiting "for fine-tuning from the 8th floor" -- commissioners' offices. FCC has separate rulemaking pending that would use lotteries instead of comparative hearing process for new stations (TVD Feb 6 p4).

Also on agenda for meeting from Mass Media Bureau: (1) Inquiry into need for universal encryption standard for cable programming via satellite. Agency will consider whether to adopt notice of inquiry on encryption standard for satellite TV programming. Notice will seek comments on scrambling, is likely to result in decision either to issue notice of proposed rulemaking on universal encryption standard or report on why it's not needed. Issue is of intense interest to Capitol Hill (see related story in this issue). (2) Amendment of rules to add another class of FM station (C3).

**DINGELL SOUNDS CONSUMER WARNING ON HDTV:** Govt. should view HDTV through prism of industrial policy, House Commerce Committee Chmn. Dingell (D-Mich.) said at March 20 Northern Telecom symposium in Sarasota, Fla. Goals must be well defined and priorities set, he said. However, chmn. warned that technology must be made to appeal to consumers: "Unless our goals and objectives are based on the premise that HDTV will be 'customer-pulled,' rather than 'supplier-pushed,' political compromises among competing suppliers could well diminish the attractiveness of HDTV to consumers."

Dingell's appearance was first in months before an industry group, came 2 days before House Science Committee hearing on govt. role in fostering HDTV and filing of 2 new bills to push HDTV development. (For details, see reports in Consumer Electronics section.) Dingell said govt. shouldn't back into HDTV decision as that would "risk obtaining none of the benefits this technology might offer." He said that industry must recognize govt. is going to play role and called for approach clearly acknowledging that federal effort involves setting industrial policy. "Through that recognition, we can fashion policies that protect the interests of all Americans and maximize the economic benefits that can be obtained," he said.

Industry must recognize that federal role in HDTV will involve picking winners and losers, Dingell said. "If we explicitly recognize this reality, and accept that it is a necessary part of governing, we can increase our competitiveness," he said. "Given the competition our companies are facing, and given the magnitude of our trade deficit, there is little choice." Dingell indicated that consumer interest must drive selections and that "none of the alleged benefits of HDTV will materialize if the technology is a bust. Unless the consumers actually buy new HDTV sets, there will be no renaissance of the domestic manufacturing industry. Without strong consumer acceptance, there will be no boon for the semiconductor industry."

However, at House hearing next day, MIT's Russell Neuman reported on study that indicated consumer interest in HDTV now was marginal and conditional -- depending heavily on expectations for improved program offerings and size of video screen, among other factors. Neuman, dir. of Communications Research Group at university's Media Lab, also called on govt. to withdraw its support for NHK-developed 1,125/60 production standard to allow govt. and industry flexibility to find right HDTV mix for consumers.

NTIA Dir. Alfred Sikes was more optimistic at hearing, saying he believed U.S. wasn't trailing irrevocably in HDTV development. He stressed need for U.S. policy to protect existing terrestrial broadcasters "to reinforce, not undermine, our strong national commitment to providing the American public with the best possible TV service... We cannot adopt a set of HDTV standards that conflict with [this] goal, or which mean that HDTV services can only be received through satellite services, VCRs or cable TV."

Lawmakers lashed out at Sikes's assertion that govt. shouldn't "get ahead" of private sector and that policy should follow industry lead. Sikes said govt. should confine itself to removing obstacles to innovation and reiterated that Administration was considering whether to endorse legislation to ease antitrust laws for R&D and production ventures. "Joint U.S.-industry ventures in highly contested global markets, under



today's conditions -- where no U.S. firm ranks even in the top 10 consumer electronics companies worldwide -- may well foster competition," Sikes said in suggesting conditions under which Administration would consider easing antitrust laws. "Aggressive" trade policy to protect fledgling American industry also would be needed, he said. Sikes added that Commerce's comprehensive strategy should be ready in 2-1/2 to 3 months.

Lawmakers were skeptical and took view that federal policy was taking too long to develop and that funding planned to date too skimpy. "Government is taking the lead," snapped Rep. Torricelli (D-N.J.). "The problem is it is not our government." Members made clear they were disposed to making federal grants for HDTV and to taking other steps to boost technology.

Industry witnesses sought to focus debate on point that implications of HDTV development extend beyond consumer TV to medical imaging, space program, other applications. Among witnesses was TCI Senior Vp John Sie, who urged govt. to leapfrog analog HDTV to foster 6 MHz processed digital HDTV now as way to balance consumer and business user needs and realities of existing broadcast industry. "Instead of putting a TV set inside a PC [personal computer], if we reverse the emphasis and put a PC inside a TV, we will do very well for the development of the home terminal of the 21st Century, HDTV, and PC all rolled into one," Sie said.

Jules Bellisio, division mgr. for Digital Processing Research at Bell Communications Research (Bellcore), said policy built around single standard for terrestrial broadcasters was "short-sighted," declaring it ignored potential business applications and would stunt innovation. Bellisio cautioned Congress against standard that supports "'lowest common denominator' medium" of TV because in end "viewers will be deprived of the opportunity for better television from other distribution media capable of delivering better quality." Bellcore is advocating adoption of standard interface for all HDTV displays.

AT&T Exec. Vp Solomon Buchsbaum urged U.S. to go its own way in adopting transmission standard. "The U.S. should fend for itself and cater to its own interests, paying heed, of course, to what Japan and Europe are doing," he said. Same standard need not apply to all media, he said, but goal should be to provide consumers with highest quality video at lowest cost. Buchsbaum listed as tradeoffs "an HDTV signal that is compatible with existing TV sets, able to fit within the broadcast spectrum, easy to convert at minimum possible cost and having the highest practical quality."

Meanwhile, congressional concerns about U.S. participation in HDTV demonstrations in Soviet Union also continued to escalate last week. House Telecom Subcommittee Chmn. Markey (D-Mass.) and panel member Ritter (R-Pa.) sent new letter to Cabinet officials March 20 reasserting fears on possible transfer of sensitive technology to USSR. Letter raised concern that demonstrations wouldn't be limited to analog equipment and that more sophisticated digital technology would be previewed for Soviets. Demonstrations in USSR are of existing HDTV production technology (TVD Jan 23 p9).

Lawmakers wrote Paul Freedenberg, Commerce Dept. undersecy. for export administration, seeking more details on equipment that would be demonstrated by Americans or others, whether any of it was subject to approval of Coordinating Committee on Multilateral Export Controls (COCOM), and whether such approvals have been granted. "We are concerned that these tests and demonstrations might result in the transfer to the Soviet Union of sensitive technology that has potential for both military and commercial applications," they wrote. They said they were "particularly concerned" about giving Soviets access to advanced TV cameras, displays, video recorders, signal processing technology.

New letter is intended in part to keep heat on U.S. to make sure allies don't allow HDTV transfers to Communist countries, we're told. Meanwhile, Markey and Dingell still await reply from State on their letter questioning Dept.'s role in advocating 1,125/60 world production HDTV standard (TVD March 13 p4).

Faced with attacks from broadcasters, TV receive-only (TVRO) satellite antenna industry and telcos, NCTA has set aggressive goals for raising political donations this year, we understand. Assn. has set target budget of nearly \$675,000 for political action and administering of PAC. Last year, NCTA had hoped to raise \$350,000. For comparison's sake, much larger NAB TV & Radio PAC (TARPAC) has set goal of \$500,000. All NCTA members also are being asked to help defray more than \$100,000 in CablePac administrative costs. This is in addition to 15% surcharge on dues for operator and programmer members to help fight telcos.

Turner Bcstg. System (TBS) board met last week and made no announcement on expected acquisition of Financial News Network (FNN). There had been widespread speculation that TBS planned to seek control of FNN as Turner prepared to defend its cable news turf against NBC-Cablevision's CNBC. Meanwhile, Sen. Metzenbaum (D-O.) said in March 22 letter to Justice Dept. Antitrust Div. that if TBS buys FNN, there would be reduced incentive for Time and Warner, which combined hold 9.2% voting interest in TBS, to carry any news, information and financial affairs programs that compete with FNN.



**CHILDREN'S TV BILL DUE:** Children's TV legislation can be expected to be offered in House as early as first week in April when Congress returns from recess, Rep. Tauke (R-Ia.) told AAF conference in Washington last week. Measure will be "substantially the same" as one passed by House and Senate last year but vetoed by President Reagan, he said. Other lawmakers predicted new tax on advertisers and ad bans wouldn't pass Congress this year.

Tauke is member of House Telecom Subcommittee, which postponed last week's planned kidvid hearing without announcing new date. Tauke opposes extensive regulation of children's TV content. However, Rep. Lent (R-N.Y.), member of parent Commerce Committee, said he supports some content controls because of "special nature" of children. He described issue as attractive to lawmakers, but neither he, Lent nor Sen. Lott (R-Miss.) was comfortable predicting whether Bush would follow Reagan in rejecting new bill.

Lawmakers also told AAF there's little likelihood that Congress will pass legislation this year that would increase tax on advertisers. Joint Committee on Taxation recently listed reduction in deductibility of ad business expenses as among federal revenue-raising options. However, Rep. Downey (D-N.Y.), member of House Ways & Means Committee, agreed with industry that proposal was unfair and discriminatory and doubted panel would endorse it. "There is no realistic way to doing a limitation on it that is fair or anything other than arbitrary," Downey said. However, he said industry must remain vigilant because proposal's \$36 billion in potential revenues, by some estimates, could prove attractive to revenue-starved govt.

Tauke addressed 2 new proposals to regulate tobacco ads, by Reps. Luken (D-O.) and Synar (D-Okla.). He said he didn't believe bills to ban or substantially regulate content of beer, wine and tobacco ads could withstand court review because they would violate commercial speech rights and couldn't meet 4-part court test for achieving significant govt. objective. But tobacco industry can't fight battle alone, Tauke said. He said AAF would have more credibility on Capitol Hill and should present First Amendment case against legislation.

Lawmakers predicted new battle on FTC authorization, which has hit snag in Congress repeatedly in recent years over difference in opinion between House and Senate on extent of authority that should be granted Commission to regulate ad fairness. Lent reported that FTC bill wasn't priority for Luken, who chairs House Consumer Subcommittee with jurisdiction. Tauke predicted that health labeling requirements for food would emerge as big new issue in 101st Congress.

Lott disclosed that he was rethinking his support for fairness doctrine. Senator said he refused to co-sponsor bill recently reoffered by Sen. Hollings (D-S.C.) because he's reassessing all positions he took while House member. Many were required by narrow interests of his district or because of his GOP House leadership role, he said. As senator, he's starting with clean slate, Lott said. However, he indicated that he remained inclined toward support. He also opposed tax on advertisers but predicted such a measure would pass Congress next year.

Michael Mazis of American U. and member of Surgeon Gen. Everett Koop's Workshop on Drunk Driving, warned that if beer and alcohol marketers don't cut down on ads that appeal to underage drinkers, federal govt. might restrict their right to advertise. AAF Pres. Howard Bell

promised group's strongest resistance to ban efforts. "We cannot compromise on these fundamental rights: The right for advertisers to speak truthfully about their product, and the right of consumers to receive that information," Bell told AAF members. "If the would-be censors are allowed to ban or restrict truthful ads for any legal consumer product, the first step will have been taken down the road to the loss of freedom of commercial speech for all products." Bell also alluded to consumer pressure on advertisers to boycott Fox's "Married... With Children" in calling TV program boycotters "vocal minorities... It alarms me when groups use these tactics to impose their values on the general public."

**Preferred Communications** is entitled to no damages on its First Amendment franchise claim against city of L.A., Judge Consuelo Marshall ruled tentatively in U.S. Dist. Court there. She issued rulings before argument March 20 on 7 summary judgment motions. Lawyer Nicholas Miller, whose partner Larrine Holbrooke is involved in argument for city, stressed that rulings were tentative and that judge said she would write decision in several weeks. Miller said Marshall held that Preferred's claim of loss, which its witnesses said was \$32 million, was too speculative. Preferred is represented by Farrow & Schildhouse. Robert Bramson of that office said that his impression was that while judge had reviewed materials, she hadn't come to conclusion. Marshall also set trial for Aug. 15. In other tentative rulings, she: (1) Denied both sides' motions on law, saying case will be tried on O'Brien test of First Amendment law. O'Brien seeks to balance importance of governmental interest against extent to which incidental restrictions affect speech and whether there's less intrusive way to serve governmental interest. (2) Denied Preferred motion that franchise process was unconstitutional per se. (3) Denied city pretrial motion that Preferred lacked standing. (4) Granted city motion to dismiss charges brought under Racketeer-Influenced & Corrupt Organizations Act.

**USTA** has failed in bid to have National League of Cities (NLC) make cable-telco cross-ownership issue a priority item in lobbying Congress. NLC board at recent meeting in Washington decided that cable-telco issue wouldn't be priority this year. NLC in Dec. voted in favor of telco entry into cable and called for revamping 1984 Cable Act to give municipalities more say on cable. Since then, NLC has shifted communications policy work at staff level to Leslie Wollack from Cynthia Pols, which some see as signal that NLC wants to pull back on issue. Wollack said cable issue remains as much a priority as other issues such as drugs, budgeting, interstate sales tax collection, housing. In separate action, US West has split from USTA on lobbying, according to memorandum it sent to state public affairs directors. US West said it won't lobby with USTA because: (1) It has marketing interests that differ from Assn.'s position. (2) It's cooperating with cable and has no plan to compete in cable market.

**Legislation that would bar cable operators from abrogating franchise agreements** reached before enactment of 1984 Cable Act has been introduced in House (HR-1304) by Rep. Donnelly (D-Mass.). Bill is designed to keep cablers from rearranging service tiers, which was permitted in Sec. 625(d) of Act, he said. Donnelly believes that operators are abusing law and that Act allowed only rate changes. "When Congress passed the legislation... I believed that we were deregulating rates -- no more, no less," Donnelly said. "We were not giving carte blanche authority to cable companies to do what they felt like doing." He said Act improperly impaired franchise agreements. Bill would be retroactive. Donnelly is circulating letter seeking co-sponsors.



**CENDEL SELLS SYSTEMS:** Centel Cable said it would receive \$1.4 billion for sale of cable systems serving some 578,000 subscribers in 5 states. That's about \$2,422 per subscriber. Unit of telco Centel Corp. said it had negotiated 6 separate transactions, but as of our deadline had announced only 4. Remaining 2 buyers are expected to be identified early this week, Centel spokesman said.

Centel said it was selling systems to maximize value for shareholders and retire debt (TVD Dec 5 p9). Centel Cable Class A shareholders will receive \$45.625 per share in cash; parent Centel expects after-tax gain of \$525 million. Centel said sales were in 6 groups -- central Fla., 97,000 subscribers; southern Fla., 125,000; Ill., 122,000 in Chicago's western suburbs; Ky., 60,000; Mich., 101,000; Ohio, 73,000.

Jones is buying systems serving 121,000 in Chicago suburbs Addison, Aurora, Barrington, Elgin, Flossmoor, Glen Ellyn, LaGrange, Lake Zurich, Olympia Fields, St. Charles/Geneva, Vernon Hills, W. Chicago, Wheaton, Western Springs. Central Ill. systems are in Cerro Gordo, Clinton, Gibson City, Rantoul. Jones said deal will give it total of 1.3 million subscribers. Terms weren't disclosed. C-TEC is paying about \$210 million for Centel systems with 101,000 subscribers in Mich. C-TEC now serves 58,000 in N.J., N.Y. and Pa., also owns 21st largest telco, Commonwealth Telephone, with more than 175,000 access lines in eastern Pa. C-TEC also has cellular service in northeastern and Centre County, Pa. Company had \$143 million revenues in 1988.

ATC is paying \$251 million for systems serving 97,000 subscribers in central Fla., principally in Citrus, Hernando and Polk counties and city of Winter Haven. Warner is buying systems with 73,000 in 57 communities in western and central Ohio. It didn't disclose terms. ATC is paying in range of \$2,500-\$2,600 per subscriber, we're told. That would be much more aggressive stance for ATC, which in past has been conservative in bidding, cable broker told us. One reason cited to explain change is proposed merger with Warner. We're told Ky. systems would bring \$1,900 per subscriber.

**Appointment of Janice Obuchowski** to be Commerce Dept. asst. secy. for communications and information and dir. of NTIA, to succeed Alfred Sikes, has been sent by White House to Senate for confirmation. Appointment had been expected. Obuchowski is exec. dir.-international affairs for Nynex; before that, she served in several capacities at FCC, including as senior adviser on international affairs to Chmn. Fowler. She graduated from Georgetown U. Law Center with JD in 1976 and is married to Albert Halprin, former chief of FCC Common Carrier Bureau and now partner in Washington law firm Meyerson & Kuhn. Meanwhile, appointments to fill 2 vacancies at FCC and possible 3rd appointment to succeed Chmn. Patrick still are on hold at White House. However, front-runners reportedly are Sherrie Marshall (former FCC and White House aide who recently joined Wiley, Rein & Fielding law firm) who reportedly is in line to be chmn., Susan Wing, partner in Hogan & Hartson law firm, and Andrew Barrett, member of Ill. Commerce Commission.

**GE Americom Pres. Kevin Sharer** is leaving company, will be replaced by pair of senior vps, officials confirmed. GE won't announce until today (March 27) where Sharer is going, but spokeswoman said he's leaving GE, contrary to rumors that he would head GE Aircraft Engines. Americom leadership will be shared by Walter Braun, former vp-govt. services, and Neil Bauer, former vp-commercial services. Both will report directly to Eugene Murphy, senior vp, GE Communications. Braun will be responsible for govt. communications, engineering, technical operations, spacecraft programs. Bauer will handle commercial operations, companywide marketing, PR. Spokeswoman said fact Americom no longer will have separate president has no structural significance: "This organizational alignment will provide Americom with the opportunity to expand its focus on various markets."

**Knight-Ridder has sold 7th** of its 8 TV stations, as WTEN (Ch. 10, ABC) went to Adam Young Inc. for about \$38 million. Still on block is WJRT Flint, which reportedly will be sold to group headed by George Lilley. Fox affiliate KDVR (Ch. 31) Denver is being sold by Business Men's Assurance Co. to group owner Chase Bestg. for \$12 million.

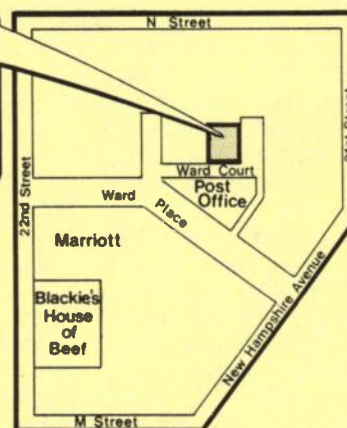
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**TCI IN NEW PARTNERSHIP:** TCI, Bill Daniels and John McMullen, owner of Houston Astros, have formed partnership to create regional cable sports networks in areas that don't have them now. Executive of one of principals said 6 areas of country (which he declined to identify) have sufficient number of cable households -- 1-1.5 million -- but no sports channel. Service will be primarily basic, not premium, and will sell ads, principals said. Terms weren't disclosed.

Daniels and TCI are general partners and will split management under TCI Senior Vp Peter Barton and ex-Daniels exec. Thomas Marinkovich. HSE exec. Ed Frazier will be pres.-CEO. Partners bring following units to deal: Daniels, piece of Denver-based Prime Sports Network, in which United Cable TV is a minority owner; TCI, 1.5 million new subscribers plus financial backing; McMullen, HSE, part of Prime Sports Network and Fla. Sunshine Network.

Prime Ticket Network (PTN), L.A. regional sports channel in which Daniels has 83% stake, apparently isn't part of new venture. In Dec., Daniels had announced plans to merge with McMullen's Home Sports Entertainment (HSE), but deal never closed. Daniels has sold cable systems held by Daniels & Assoc., but has retained some systems he owns personally. It's not clear whether those systems are committed to carrying services created by new partnership. Deal also has no bearing on regional sports networks that TCI is developing in San Francisco area with its Heritage unit and Viacom, and separate service in Pacific Northwest. TCI spokesman said there have been no announcements on either of those channels and he had no comment on their progress.

Partnership has long-term deals (5-10 years, we're told) with: NBA's Dallas Mavericks, Denver Nuggets, Houston Rockets, new NBA team Orlando Magic that starts in 1989-1990 season; Major League Baseball's Houston Astros, which McMullen owns. He also owns N.J. Devils of National Hockey League, which has contract with SportsChannel America.

**P&G was top advertiser** on 6 major cable networks in 1988, spending \$30.2 million, compared with \$23.7 million year earlier, according to Arbitron Best. Advertisers Reports. Others in top 10: (2) Philip Morris, \$23.1 million, +12.1%. (3) Anheuser-Busch, \$21.4 million, -6.7%. (4) Time Inc., \$21.1 million, +28.9%. (5) General Mills, \$20 million, +7.7%. (6) RJR Nabisco, \$14.3 million, -3%. (7) Eastman Kodak, \$11 million, +331.1%. (8) Clorox, \$10.1 million, +46.9%. (9) Mars, \$10 million, -32.8%. (10) Chrysler, \$9.5 million, +55.4%. Clorox, Chrysler and Kodak replace Coca-Cola, General Motors and Thompson Medical in top 10, Arbitron said. Networks surveyed were CBN Family Channel, CNN, ESPN, MTV, TBS, USA, WTBS. Selections were based on size of subscriber bases.

**Ex-FCC Mass Media Bureau Chief James McKinney** is new chmn. of U.S. Advanced TV Systems Committee (ATSC), succeeding William Henry. Henry resigned in Jan. after nearly 6 years in post; he's member of law firm Ginsburg, Feldman & Bress. McKinney assumes top spot as ATSC is participating in effort to develop voluntary U.S. standards for advanced TV systems. ATSC has been among leaders of U.S. efforts to have 1,125-line/60-field system set as world standard for studio production. Most recently, McKinney was deputy asst. for military affairs to President Reagan. ATSC has offices at NAB, has about 50 members including 3 broadcast networks, TV trade associations.

**INTV board has voted to support GTE Sec. 214** application to build fiber optic test facility at Cerritos, Cal. GTE request is before FCC Common Carrier Bureau, which last year approved telco's Sec. 214 to build coaxial cable system in Cerritos. In letter to FCC Chmn. Patrick, INTV Pres. Preston Padden said his board, with Cox Enterprises abstaining, concluded after tour of Cerritos facility that it was unique concept and modest in scope -- "a very small purple cow." Padden used letter to stress that INTV hasn't taken position on whether cable-telco cross-ownership rules should be altered. "We have strongly urged that the future of free television should be a primary consideration" in FCC policies, he said. He urged that all broadband fiber optic networks be required to provide free access for local broadcasters: "Telephone customers receive time and weather services free when they pay the minimum base charge for access. Likewise, customers should receive a free 'antenna service' for all full-power local free television stations when they pay the minimum base charge for access to any future video network."

**Close cooperation among competitors:** WNDU-TV South Bend-Elkhart had rights to Ind. high school basketball semifinal and championship games March 18, but lost its power shortly before first game when transmission line fractured near top of tower. WNDU-TV Pres.-Gen. Mgr. Basil O'Hagan asked competitor, WSBT-TV Pres. Gen. Mgr. Berry Smith, if he would carry 3 games. WSBT-TV did so, preempting NCAA basketball on CBS (along with many local commercials sold for college games). WSBT-TV aired WNDU-TV's announcers, used signal provided by WNDU-TV's cameramen and technicians. Both of semifinal games went into overtime -- won by South Bend and Elkhart teams, with South Bend beating Elkhart in finals. Smith and O'Hagan said they haven't yet decided how to split commercial time -- sold by WNDU-TV but aired by WSBT-TV. WSBT(AM) received Best. Pioneers' Golden Mike award at March 21 banquet in N.Y.

**FCC has released text of order in syndicated exclusivity (syndex) proceeding.** Publication in Federal Register is expected shortly, starting 60-day period in which parties seeking to appeal must file in court. Text, issued March 21, contains separate statement from FCC Comr. Quello in which he says extension of effective date is unfair and counterproductive. Statement by Comr. Dennis, issued March 24, says FCC should have extended effective date beyond Dec. 31 because of dislocation it will cause in cable industry. Commission said it attempted to work balance in syndex among costs, interests, rights. New syndex scheme will "herald a better day" for broadcasters, cable operators, programmers, video market and public, FCC said in 68-page text.

**WCCL (Ch. 49 independent)** New Orleans went on air March 19, raising operating U.S. TV stations to 1,411 -- 1,069 commercial, 342 noncommercial. WCCL is licensed to Crescent City Communications, 100% owned by Barbara Lamont, who becomes only black woman to own TV station. Former nightclub star, she also owns New Orleans Teleport, which handled satellite communications for 1988 Republican convention. At age 45, she graduated from Harvard Business School with master's in TV management. WCCL gen. mgr. is George Stantis, chief engineer Dexter Merry, gen. sales mgr. Robert Bechir, program dir. Gene Wilkin.

**Cable TV subscriber fees rose 13.3% in Feb. 1988-Feb. 1989,** according to U.S. Labor Dept. Consumer Price Index for all consumer goods gained 4.8%. For month from Jan.-Feb., cable prices were unchanged while CPI was up 0.4%, Labor said.



**TAUZIN PLANNING DISH BILL:** Another battle could be shaping up in Congress over backyard dish legislation. Rep. Tauzin (D-La.), key figure in battle in 100th Congress, told us last week he's planning new measure to crack down on local zoning curbs on dishes and on programming and hardware distribution problems. His counterpart in Senate, Sen. Gore (D-Tenn.) also is preparing to offer new bill.

New Tauzin bill is taking form, apparently won't be as stringent as original measure. He told us "things are improving" in market, and emphasized point in keynote address to Satellite Bcstg. & Communications Assn. (SBCA) last week in Las Vegas. He said he remains uneasy about slow pace of cable's acceptance of 3rd-party program packagers. He said more major cable programmers needed to make their fare available to packagers, indicated his bill may force issue by returning controversial proposal for mandatory 3rd-party packaging. That's far from decided, he cautioned. More likely, he said, measure at minimum will contain provision requiring more extensive review of market by FCC, emphasizing oversight and possible regulation of program and hardware pricing and distribution.

"In all probability," Tauzin said, new bill will call for FCC review and report on progress in 3rd-party packaging. Language to bar discriminatory and unfair hardware manufacturing and distribution practices also is planned, reflecting his concerns about exclusive dealership arrangements and General Instrument's (GI) "lock" on decoder technology. Zoning problems continue to plague dish users, as well, despite federal regulatory efforts, Tauzin said. He's considering proposing making FCC prohibitions against local restrictions into law.

Tauzin bill won't mandate decoder standard, lawmaker said, indicating he preferred to await coming FCC notice of inquiry. However, Gore is considering including mandatory standard in his bill, along with language to allow any manufacturer to license technology and build decoders. Gore bill won't mandate dish owner access to regional cable sports, we're told, but probably will seek to force packagers to make pay-per-view deals. Centerpiece still will be language to prohibit discriminatory program marketing practices against would-be 3rd-party program packagers, aide said.

Gore bill may take harder line on 3rd-party packaging than Tauzin's. Latter said at SBCA event there have been positive signs in program market and urged industry to "look up," not backward. Tauzin told us there have been "major improvements" in pricing in particular. However, he told SBCA that key to industry's credibility was continued vigilance against piracy.

Meanwhile, HDTV and GI's VideoCipher were prime topics at SBCA gathering. Satellite TV dealers received first major exposure to HDTV with demonstration of Japanese MUSE system using equipment from Barco and Fosgate.

GI Pres. Lawrence Dunham told us national rollout of GI's VideoPal pay-per-view unit is "imminent." VideoPal will give consumer instant access to pay-per-view programming. Dunham said VideoPal tests were successful and company expects to begin shipping them in quantity to dealers almost immediately. Asked why VideoCipher prices haven't come down in 3 years, Dunham placed much of blame on costs of antipiracy efforts. He also said scale of manufacturing hasn't reached level that justifies price cut.

Dunham repeated promises that programmers won't move to higher tier bits on new VideoCipher Plus, making

current descramblers obsolete. He said GI won't make higher tier bits available to programmers, at least immediately, and "no programmer in his right mind would want to go on one of those tier bits, knowing that he couldn't serve existing dish owners."

HDTV demonstration drew SRO crowds and was generally well received. It included Fosgate's surround sound, with 1" HDTV demonstration tapes played on Sony Advanced System VCR. Zenith had HDTV display several steps away showing Spectrum-Compatible HDTV on 45" screen, but crowds were much smaller. HDTV seminar drew 300 persons, considered "a good crowd" by organizers.

Rep. Bryant (D-Tex.) has launched drive for co-sponsors for his bill (HR-109) linking cable compulsory license with must-carry rules. In new letter to colleagues, Bryant said must-carry was done away with by court decisions and "negligence" of FCC, removing "a basic protection" for viewers. "Since it is unlikely that cable subscribers in any market will soon have the choice of 2 or more cable operators, it is necessary to protect consumers from the abuse of the monopoly power of the cable operator," he said. Bryant characterized compulsory license as "enormous subsidy" to cable to which industry has "no First Amendment claim." Bill would give cable operators compulsory license only when they voluntarily adhere to industry must-carry accord. HR-109 applies only to local signals because Bryant believes license should be abolished for distant signal carriage. Bill also would bar channel shifting. He's member of House Copyright and Telecom Subcommittees.

CPB has launched drive in effort to convince Congress to remove it from coverage under Inspector Gen. Act passed by 100th Congress. At rare CPB news conference March 21, Chmn. Kenneth Towery said entity would do its "dead level best" to implement Act, which requires establishment by mid-April of IG Office with broad fiscal investigative authority. However, he expressed strong doubts implementation could be squared with CPB's statutory charge to deflect political pressure and said organization "reserves the right to take appropriate action to remove CPB from the effect of the Act." CPB intends to tailor Act narrowly by, for example, generally prohibiting IG from 2nd-guessing program funding decisions. CPB lobbying push is being backed in letters of support from such groups as NAB, National Assn. of Public TV Stations, National Press Foundation, People for the American Way.

Cable appears to gain key point from FCC Common Carrier Bureau in battle to keep telcos out, based on little-noticed section of March 2 Bureau order in Wis. Bell cable case in Brookfield, Wis. (File No. W-P-D-347). Bureau said in ruling that in order to be legally viable customer to provide video programming over telco-owned cable system, entity must have franchise. Since obligation to obtain franchise falls on cable operators under 1984 Cable Act, FCC said, it was asking whether customer of tariffed video transmission services would be subject to franchising requirement under Act.

Satellite Bcstg. & Communications Assn. show keynoter, Rep. Tauzin (D-La.), had \$7,000 breakfast at convention. About 14 satellite industry leaders paid \$500 each to join Tauzin, author of last year's unsuccessful home dish program distribution regulations. Funds went to Tauzin's reelection campaign, but organizers were disappointed. "If I'd had any idea that the turnout would have been this bad, I'd have gotten on the phone myself and started twisting arms," one said.



## Personals

Michael Waring, ex-aide to Rep. Rogers (R-Ky.) and former news dir. of KCAU-TV Sioux City, joins NAB Govt. Relations Dept. as dir.-political communications... Wesley Williams, partner in Covington & Burling law firm, elected chmn. of NAB Best. Capital Fund, succeeding Donald Thurston, Berkshire Bestg... Alan Bell, Lorimar and onetime KTVU Oakland vp-gen. mgr., named pres. of Freedom Newspapers Bestg. Div., succeeding Gary Chapman, now LIN Bestg. vp-broadcasting... Talk show host Larry King has been named Best. of the Year by IRTS; award will be presented at May 16 lunch, Waldorf-Astoria, N.Y... Robert McCann, ex-SAMI Co., appointed vp-network TV sales, Arbitron... Jeffrey Weiss, ex-Barry & Enright Productions, joins Columbia Pictures TV as vp-business affairs... Gregory Liptak, Jones Intercable pres., also named exec. managing dir., Jones International... Promotions at JVC Professional Products: Neil Neubert to mgr.-engineering, David Walton to mktg. mgr... Michael Walker, ex-PR firm Ruder, Finn & Rotman, appointed vp-communications and industry relations, General Instrument VideoCipher Div., new post.

Changes at Cablevision: Henry Ferris promoted to gen. mgr., A-R Cable of Mass.; Barry Bonner named engineering dir.; Pennie Contos, dir.-customer relations and sales; Jay Somers, dir.-public and regulatory affairs; Patricia Falese gen. mgr. of newly acquired Suffolk County, L.I., cable system with 126,000 subscribers; Charles Bartolotta succeeds Falese as gen. mgr. of Bayonne, N.J., system... William Kingery resigns as vp-United Artists Cablesystems to investigate other opportunities... Thomas Hooker promoted to gen. mgr., Spectravision International... Terri Sontag advanced to corporate accounts mgr., United Video... William Kruger, ex-Nelson Entertainment, appointed national sales mgr., Trans World Entertainment... Robert Webber joins Superstar Connection as marketing dir., new post... Karen Thompson, ex-Pyms Cable Brokerage, forms Network Communications Corp. brokerage firm, Denver.

Takaaki Takamatsu advanced to pres., Sony Best. Export... Diane Keating promoted to senior vp-international video, Orion Pictures International... Advancements at CPB: Frederick DeMarco to vp-station relations and treas., Eugene Katt to vp-programming, both new posts... Judith O'Neill, ex-law firm Weinberg & Green, joins Miller & Holbrooke to head international communications... David Walton named mktg. mgr., JVC Professional Products.

Stephen Levin advanced to vp-gen. mgr., KVEA Corona-L.A... Harlan Reams, gen. mgr., KSAS-TV Wichita, joins KAUT Okla. City in same post... Additions at Madison Sq. Garden TV Productions: Sara Meza, ex-Bender, Goldman & Helper, as PR dir.; Deana Sterr as dir.-operations... Cynthia Wurtz, ex-United Cable, named regional mgr.-affiliate relations-southern Cal., Ariz., N.M., W. Tex., USA Network... John Pushkash moves from mgr.-best. program services, WMVS/WMTV Milwaukee, to mgr.-cable and educational relations... Patricia Fillmore advanced to mktg. dir., Canada's TVOntario... Leila Ewins joins WJCT Jacksonville as mgr.-corporate membership/underwriting.

Robert Harper promoted to pres.-mktg., 20th Century-Fox Motion Picture Div., new post... Allen Neuhardt, retiring Gannett chmn., resigns from board April 27... Ken Bode, NBC News Capitol Hill correspondent, resigns in June to become dir., DePauw U. Center for Contemporary Media... Lou Cioffi, longtime ABC News reporter, named assoc., Exec. TV Workshop... Gayle Yamada advanced to dir.-cultural programming, KQED-TV-FM San

Francisco... Stewart Hinze promoted to chief engineer, WTOL-TV Toledo.

FCC calendar -- March 29: Bradley Holmes, chief, Mass Media Bureau's Policy & Rules Div., addresses managers' meeting of N.J. Bestrs. Assn. in Trenton, 1:30 p.m. March 31: Alex Felker, chief, Mass Media Bureau, speaks at Annenberg Washington Program conference on U.S. HDTV policy, 9:30 a.m., Suite 902, 2001 L Street NW... Michael Sternberg, ex-CEO, Summa Four, joins Metropolitan Fiber Systems as vp-sales and mktg... Carolyn Sachs resigns in late May as special asst.-planning and research, NPR.

White House announced it intends to nominate Julius Katz to be deputy U.S. Trade Representative with rank of ambassador, succeeding Michael Smith... Barry Barnholtz, senior vp, Vidmark, to head company's new TV sales div... Steve Cohen, ex-managing dir.-founder, Education & Career Resources, joins Playboy Enterprises as vp-communications and promotions, Publishing and Video Groups.

U.S. Supreme Court ruled March 22 that Freedom of Information Act (FOIA) doesn't require Justice Dept. to release criminal records of individuals, even if same information already was publicly available. In unanimous decision, Court held that release of records would be "an unwarranted invasion of personal privacy." Ruling was on request made 11 years ago by CBS reporter Robert Schackne, who was investigating charges against then-Rep. Flood (D-Pa.). Jane Kirtley, exec. dir. of Reporters Committee for Freedom of the Press (which joined in appeal of Justice Dept. refusal to provide data), said ruling (which overturned U.S. Appeals Court, D.C., order) has "very serious implications for public access to government information... If the Court can, with a straight face, find an expectation of privacy in a criminal conviction then they can find it any place." However, ACLU hailed decision.

One underlying theme of FCBA March 18 seminar on FCC comparative renewal process was that except for 3 agency participants, there was no support for using lottery to choose broadcast licensees, FCBA Pres. William Potts said. In luncheon speech, FCC Gen. Counsel Diane Killory said lottery proposal isn't all that radical a departure for Commission. She said it already uses lotteries to choose licensees in LPTV and other services and in very few cases does it choose licensee based on comparative criteria. Killory said FCC holds hearings only when it moves beyond review of basic qualification and looks at comparative factors. She said 80% of cases set for hearing are ended by settlement, voluntary dismissal or other reasons.

Ex-NBC News executive Ed Fouhy and Reagan Administration staffer Janet Brown have formed Concord Communications Group, TV production and consulting company. Both retain positions with Commission on Presidential Debates, where Brown is exec. dir., Fouhy exec. producer. Brown was with Office of Management & Budget and Labor Dept. Fouhy was ABC News Washington Bureau chief in 1982 before returning to NBC, where he eventually became executive producer in charge of political coverage.

## OBITUARY

G. Bennett Larson, 79, died of pneumonia March 18 in Santa Monica, Cal. Producer of TV and radio shows, he was named vp of WPIX N.Y. in 1950. In 1953, he joined Blackburn & Co. before forming his own brokerage firm. He owned WOKR Rochester, N.Y., in 1970s. Wife, 2 sons 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 March and year to date:

	MARCH 4-10	1988 WEEK	% CHANGE	FEB. 25- MARCH 3	10 WEEKS 1989	10 WEEKS 1988	% CHANGE
TOTAL COLOR.....	323,691*	308,442	+ 4.9	418,650*	3,770,856*	3,232,367	+16.7
DIRECT-VIEW...	320,355*	305,112	+ 5.0	413,854*	3,730,866*	3,186,131	+17.1
PROJECTION....	3,336	3,330	+ 0.2	4,796*	39,990	46,236	-13.5
TOTAL VCR.....	134,231	153,484	-12.5	230,270*	1,614,603	1,974,366	-18.2
DECKS.....	118,814	139,991	+15.1	192,546	1,364,350	1,770,307	-22.9
CAMCORDERS....	15,417*	13,493	+14.3	37,724*	250,253*	204,059	+22.6

Color TV 5-week moving average: 1989--380,589\*; 1988--334,889 (up 13.6%).

VCR deck 5-week moving average: 1989--141,406; 1988--178,241 (down 20.7%).

Camcorder 5-week moving average: 1989--26,343\*; 1988--20,804 (up 26.6%).

\* Record for period.

**TOSHIBA AND FUJI PUSH FOR DIGITAL STILL FORMAT:** Era of digital video moved closer last week as 2 major Japanese companies urged standardization of "IC card" still photography format that they said could make magnetic "video floppy" system obsolete and eliminate moving parts from camera. They indicated commercial version of camera could be on market by late 1990, with consumer version around 1993.

Instead of recording analog video images on 2" floppy disc as recently standardized electronic still cameras do, new system proposed by Toshiba and Fuji would record digital signal on standard IC card about size of credit card. Both Toshiba and Fuji have built prototypes, but concede more development work is desired. Current IC card has 20 Mb memory capacity, can store up to 13 exposures. Joint R&D by Fuji and Toshiba is aimed at: (1) Signal compression technology to store at least 50 exposures on erasable card. (2) Larger capacity card requiring no battery backup.

Advantages of IC card system over magnetic discs, companies said: (1) Goal of 430 lines of horizontal resolution, compared with about 300 for video floppy system. (2) Easy processing because color modification and addition or deletion of images are simple since images are stored as digital signals; in addition, quality of digital image doesn't deteriorate during transmission. (3) More compact and reliable camera because there's no disc drive.

Although images can be played back on any TV screen, Toshiba's prototype has built-in 4" LCD screen for monitoring or immediate viewing. It uses 400,000-pixel CCD pickup. In addition to its work on IC card camera, Fuji currently offers complete line of magnetic still video products in Japan (TVD Sept 26 p14).

Companies last week asked EIAJ to form working group or conference to standardize digital still video camera format. They said they hoped companies from other countries would join in for worldwide standard. Their goal is standard format by March 1990, marketing of first industrial models 6 months later, with consumer version following by 2 years or more. Because of current high prices of memory chips, they said they couldn't estimate eventual price of new system.

New magnetic still video "album" developed by Toshiba engineers, meanwhile, uses digital audio tape (DAT) recorder to record and store up to 1,600 still pictures on single 120-min. cassette, along with audio "caption" to be played with each photo. Machine has random access feature so any photo can be retrieved by keying in its number.

**Note:** At current prices, still video just isn't consumer product, Casio has found. After more than year of trying, as first to introduce consumer video floppy camera (at \$1,400 with playback unit), Casio has sold its inventory to liquidator, Damark, which is offering system at \$499.



**PHILIPS BUYS HEADSTART; ARVIN SALE OFF:** Philips last week snapped up Headstart computer line from another Dutch-owned combine, Vendex International. Meanwhile, sale of assets of consumer electronics pioneer Arvin Electronics (TVD Feb 6 p14) was canceled suddenly because of legal problem.

North American Philips Co. (NAPC), subsidiary of Dutch electronics giant, acquired personal computer business of Vendex Technologies Inc. (VTI) from Vendex International, huge privately held conglomerate with major worldwide retail interests including Barnes & Noble, B. Dalton, Dillard's Dept. Stores and Mr. Goodbuys stores in U.S. VTI, with hq in Great Neck, N.Y., has changed name to Headstart Technologies (HT) div. of NAP, and is headed by Harry Fox, who as VTI exec. vp masterminded Vendex's computer campaign.

Headstart computers, introduced less than 2 years ago, were designed to combine consumer product's ease of operation with IBM compatibility (TVD April 13/87 p17), and have been handled in virtually all channels from computer dealers to mass marketers, their biggest outlet presumably being Montgomery Ward. Line now has 5 models, all made in Korea by manufacturers Samsung, Daewoo and Hyosung Computer Div. of Tung Yang Nylon. Headstart computers are sold in U.S., Canada and Netherlands.

Headstart will be operated as part of NAPC's Information Technology & Communications, which includes Philips' own PC business with manufacturing facilities in Canada. Philips Consumer Electronics sells Magnavox brand dedicated word processor. Philips says it plans no "significant changes" in "successful" Headstart program. Before entering computer business, VTI (then Vendex Pacific) sold VCRs, TVs and audio equipment under Multitech and Dynatech brand names. HT official told us those lines had been discontinued. Terms of agreement weren't disclosed.

Tele-Art Inc., which had signed letter of intent to take over assets of Arvin Electronics Div. from Arvin Industries, said last week it's dropping out of deal "to avoid conflict" with July 29, 1988, Commerce Dept. order denying export privileges for at least 5 years to 2 company officials. Denial order resulted from proceeding instituted in 1984 covering shipments to China in 1979 without appropriate license. Officials involved were Elmer Yuen, pres.-CEO, and Robert Yuen, a dir. of Tele-Art Ltd., principal subsidiary of Tele-Art. Tele-Art spokesman said company's activities previously had been confined to importing, but that acquisition of Arvin business would involve exports.

Arvin Electronics is headed by Frank Myers, EIA vice chmn. and Consumer Electronics Group industry vp. Myers said company is in "final negotiating stage with an alternate buyer" and announcement would be made soon. He told us he would announce own plans after sale is completed. Arvin manufactures private label audio equipment and has plant and engineering facilities in Taiwan. Tele-Art manufactures and sells watches, calculators, personal data banks and dialers, has plants in Hong Kong, China and France, sales offices in Hong Kong and N.Y., plans new facilities in Thailand and Ireland. Tele-Art also invests in other companies. Both Arvin (NYSE) and Tele-Art (NASDAQ) are publicly owned.

**FIRST CAMCORDER IMPORT DATA SHOW 11.2% 8mm:** First official figures on U.S. camcorder imports, under new Harmonized Tariff Schedule, showed total of 134,800 arriving here in Jan., month when 94,523 were sold to dealers in U.S. (TVD Feb 13 p10). Of camcorder imports, 8mm models accounted for 15,100 (11.2%) and VHS (including VHS-C) 119,800 (88.8%). Japan supplied 95.5% of camcorder imports, including all of 8mm.

Non-Japanese sources supplied huge 35.6% of VCR deck imports to U.S. in Jan., Commerce Dept. reported. Total VCR deck shipments here declined in first month of 1989, while color and b&w TVs increased. VCR decks were down 7.9% from Jan. 1988 to 707,400, with shipments from Japan off 24.7% to 455,800. Imports from Korea rose 53% to 197,500 and those from Taiwan 9.7% to 34,700. Japanese share of VCR imports, which declined throughout 1988, continued to fall, hitting 64.4%.

Imports of color TV sets, including complete sets and color TV kits with picture tubes, rose 2.9% to 637,100. Every major source country except Taiwan and Korea showed increase in exports, including Japan. B&w TV shipments also increased in month, up 16.3% to 275,100.

New Harmonized Tariff Schedule, designed to improve reliability of trade statistics by providing uniform system of categorizing goods worldwide, includes several changes for consumer electronics products. Color and b&w TV sets now are categorized by screen sizes in centimeters, rather than inches, and color TV kits aren't distinguished from complete color sets, Commerce Dept. commodity specialist said. New color TV screen-size categories in centimeters: 21-&-under (8"), 22-26 (approximately 9" and 10"), 27-33 (11-13"), 34-35 (13.3-13.8"), 36-37 (14-14.6"), 38-39 (15"), 40-45 (16-18"), 46-50 (18-20"), 51-52



(20-20.5"), 53-&-over (21"). Monochrome screen sizes: 17-&-under (7"), 18-22 (7-9"), 23-26 (9-10"), 27-33 (11-13"), 34-45 (13.3-18"), 45-&-over (18"), combinations 16-&-under (6"), combinations 17-&-over (7"). We'll report imports by screen size in our regular quarterly roundups.

Color TV chassis imports are counted with other TV components as well as with some complete color TV sets, Commerce official said, so it isn't clear how many chassis were brought into U.S. in Jan. Separate categories for 8mm and non-8mm camcorder imports are new.

Flat-screen (LCD) TV imports jumped 117.6% to 4,600 in Jan., with Japan only supplier. Projection TV imports rose 100.4% to 12,536. Imports of other consumer electronic products in Jan.: Videocassette players up 85% to 60,200; total TV cameras down 35.2% to 20,600, color up 41.9% to 6,200 and b&w off 47.6% to 14,300; Compact Disc players down 20% to 279,000. Imports of all blank videotapes totaled 9.58 million in Jan.

**MUCH MORE GOVT. MONEY URGED FOR HDTV:** Proposals to help U.S. catch up with other countries in HDTV were hot and heavy on Capitol Hill last week, many of them involving plan for \$1 billion govt.-industry war chest involving \$100 million federal grants each year for next 5 years, to be matched by private industry, as House Science Committee got in on the glamour by holding its own hearings.

Only money so far up for grabs is \$30 million being offered by Defense Advanced Research Projects Agency (DARPA). DARPA has whittled to 49 number of "qualified proposals" for R&D funding from 87 submitted (TVD March 13 p12), Deputy Dir. Craig Fields told Committee. He didn't disclose names, but implied they don't involve foreign companies. Lawmakers asserted strongly that they didn't want U.S. money supporting foreign ventures. Asked whether Sony proposal was among 49 "accepted," Fields replied: "It depends on how you define 'accepted.' If you mean accepted at our mail room, that is correct... I think you will be satisfied we did the right thing." DARPA guidelines stress "All-American" HDTV solution but don't completely preclude foreign role in U.S. venture, he said later.

HDTV proposals to DARPA included 14 involving display processors and receivers, 28 in display technology, 7 to develop manufacturing tools and technology, Fields said. All projects under review had "value added" that other 38 lacked, he said. Some proposals addressed CRT and optimized very low cost production, he said, while others focused on microelectronic packaging for receivers. Four kinds of wall-mountable flat-panel displays are among the 49, and some proposals include mathematical formulas that will lead to new algorithms, he said.

Committee member Rep. Brown (D-Cal.), meanwhile, proposed \$100 million annually in funding for civilian HDTV research for 5 years by Commerce Dept.'s National Institute of Standards & Technology (NIST). Money would provide matching grants to fund one or more R&D consortia or joint R&D ventures already permitted by omnibus trade law's Advanced Technology Program, he said. Bill is co-sponsored by Committee members Boehlert (R-N.Y.), Mineta (D-Cal.), Walgren (D-Pa.) and Ritter (R-Pa.), co-sponsor of another \$100 million-a-year bill (TVD March 6 p15). Bills are competing with 3rd (HR-1024) from Committee member Campbell (R-Cal.) that would provide limited antitrust immunity for cooperative high-technology ventures.

Fourth bill is in works. Rep. Levine (D-Cal.) revealed at Rebuild America debate on HDTV last week on Capitol Hill that he was drafting measure for introduction next week to establish industry consortium, TV Tech, modeled on European Economic Community's Eureka HDTV consortium. TV Tech would be staffed by industry and partly supported with federal loans and grants. State funding and state HDTV pilot projects would be encouraged, and TV Tech participation would be limited to U.S. companies. However, technology transfer from foreign firms would be permitted and licenses to companies not participating in TV Tech would be allowed with 25% fee. Science Committee Committee Chmn. Roe (D-N.J.) said panel wanted govt. to invest \$100 million annually in HDTV for at least 5 years, adding that he considered HDTV more important than consumer TV. "It's essential for the future of our economy," he said.

"Joint U.S.-industry ventures in highly contested global markets, under today's conditions -- where no U.S. firm ranks even in the top 10 consumer electronics companies worldwide -- may well foster competition," said Alfred Sikes, dir. of Commerce Dept.'s National Telecommunications & Information Administration. Industry witnesses sought to stress that implications of HDTV development extend beyond consumer TV to medical imaging, air traffic control, space program, weapons guidance systems, other applications. However, they appeared to be split on whether industry development must be consumer- or business-driven.



Direct-view picture tubes, not projectors or flat panels, will win largest share of HDTV market, Zenith Chmn. Jerry Pearlman predicted. He said direct-view tube was only way to produce HDTV receiver that will sell for less than \$1,000 before end of next decade and win critical consumer acceptance. However, Zenith needs \$21 million to develop production technologies that will allow it to upscale its current 14" flat tension mask (FTM) computer display tube to 20" high-resolution computer uses and 30"-plus HDTV sets, he said in explaining company move to team with AT&T. He urged Congress to provide \$100 million in federal funding for HDTV ventures for next 3-4 years and suggested again that govt. take share in resulting royalties.

He said Zenith's FTM technology could reduce capital requirements for new facilities by 50%. "To convert just 15% of today's U.S. TV industry unit volume to 31-inch HDTV picture tubes, current production technology would require new plant investments of \$1 billion," he said, but Zenith's proposed technology "would cut that in half." Pearlman blamed loopholes and lax enforcement of dumping laws for current U.S. plight in consumer electronics and HDTV.

MIT's Russell Neuman reported study findings that indicated consumer interest in HDTV now was marginal and conditional -- depending heavily on expectations for improved program offerings and size of video screen, among other factors. Earlier last week, House Commerce Committee Chmn. Dingell (D-Mich.) told symposium that consumer interest must drive HDTV, and "none of the alleged benefits of HDTV will materialize if the technology is a bust. Unless the consumers actually buy new HDTV sets, there will be no renaissance of the domestic manufacturing industry. Without strong consumer acceptance, there will be no boon for the semiconductor industry." (Additional coverage of congressional hearing can be found in Best./Cable Section.)

**IBM-TOSHIBA FLAT DISPLAY:** "Largest and clearest" flat color display for computers -- with potential TV applications -- is going into "advanced product prototype" stage for testing by IBM. Experimental 14" panels were developed in 2-year program by IBM Yamato Lab in Japan, Toshiba and IBM Research Div. in Yorktown Heights, N.Y.

IBM said LCD panel, 1.5" thick, currently displays up to 16 colors, 20:1 contrast range, brightly backlit by fluorescent light, wide viewing angle, capable of displaying moving images (60 Hz rewrite rate). Panels are composed of 396,000 pixels (720x550), each pixel containing 4 translucent dots -- red, green, blue, white. Panel uses thin film transistor (TFT) technology, screen being "array of more than 1.5 million transistors that control the same number of individual color dots." IBM said display compares with "screens of very high quality pocket-size portable TVs." IBM said it's still working to improve gray scale. It's one of companies participating in American Electronics Assn. study on possible HDTV consortium, and its Systems Integration Div. is seeking grant from Defense Dept. for HDTV display R&D.

Japanese production of VCRs, including those for broadcasting, declined 2.8% to 1,207,859 million yen (\$9.22 billion at current exchange rate) in 1988, EIAJ reported. Output of all other major video products increased from 1987, as overall consumer electronics rose 7.6%. Breakdown by products: Color TV up 7.5% to \$6.28 billion, other video up 29.9% to \$5.68 billion, general audio equipment up 6.2% to \$10.22 billion, magnetic recorders and players up 8.2% to \$5.7 billion, stereos up 3.9% to \$4.56 billion, other audio up 5.6% to \$1.12 billion. Industrial electronic equipment production rose 14.4% to \$75.32 billion and electronic components and devices increased 14.4% to \$53.9 billion.

U.S. chip imports rose 41.3% to \$10.96 billion in 1988 from \$7.78 billion year earlier. U.S. exports to other countries also increased -- 23.7% to \$8.73 billion. Japan was biggest supplier, shipping \$3.26 billion of semiconductors here, up 67.8% from 1987. Other major suppliers were Malaysia and Korea. U.S. sent \$690.2 million of chips to Japan, up 45.1% from 1987.

**NEW LOOK FOR CES:** "Major relocations" of product categories have slowed space assignments for June 3-6 Chicago event, CES Vp Dennis Corcoran said, but show already has applications for 718,000 sq. ft. of exhibits at McCormick Place -- "that's 64,000 square feet ahead of this time last year."

Shifting of layouts will put telephones and home office areas next to one another in North Hall, with section for "edutainment" products, watches and personal electronics in same hall. Car audio and cellular radio exhibits will be adjacent to general audio area in East Hall.

Chicago show will use same onsite verification program that determined that 70,138 persons attended Winter CES at its first use in Las Vegas last Jan. (TVD Jan 23 p13). Corcoran described system as "quick, easy and accurate" and as providing detailed attendee demographics. Preregistrants will be able to pick up color-coded badge holders at 2 McCormick Place sites and at 5 downtown hotels.

**Berlin Audio-Video Fair (Funkausstellung)** Aug. 25-Sept. 3 will have U.S. Pavilion for first time, show's sponsor AMK/Berlin says. Pavilion has been granted certification by U.S. Commerce Dept., which will send representatives to assist American visitors. EIA Consumer Electronics Group's Consumer Electronics Shows Vp Dennis Corcoran said last week about 70 U.S. companies have expressed interest in having small exhibits or sound rooms in Pavilion, which will be oriented toward U.S. exports to Europe.

**TV message center:** Matsushita 14" set scheduled for Japan market April 10 can record and play back 8-sec. sound messages, has on-screen calculator and calendar for 1900-2099. Price will be about \$380.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 131 yen = \$1, except where noted.



**PRICE-FIX HEARINGS:** House Judiciary Law Subcommittee heard testimony last week on bill designed to set guidelines for preventing price-fixing schemes by manufacturers and dealers (HR-1236). Among those against Price-Fixing Prevention Act of 1989 were National Assn. of Retail Dealers of America (NARDA), National Office Machine Dealers Assn. (NOMDA), Computer & Business Equipment Mfrs. Assn. (CBEMA), National Assn. of Mfrs. (NAM), American Bar Assn (ABA). In favor of bill was N.Y. State Attorney Gen. Robert Abrams, representing National Assn. of Attorneys Gen.

NARDA and NOMDA Gen. Counsel Robert Goldberg said groups are "vigorously opposed" to bill, which he said overrules Supreme Court's decision in Sharp price-fixing case (TVD May 9 p13). In that case, Court ruled Sharp's decision to terminate dealer because of pricing policies wasn't per se violation of Sherman Act. Goldberg said bill "seriously impairs" ability of small retailers to do business. Manufacturer "must have the right to protect the integrity of its distribution system," he said.

ABA representative Joe Sims said group opposes bill because there's no need to clarify legal standards in dealer termination cases; because it would take away flexibility of antitrust laws, and because it would change existing law. CBEMA Counsel Simon Lazarus said it includes "vague, unprecedented and sweeping language that could fall with special severity on our industry, its distribution and retail networks." NAM Assoc. Counsel Richard Rogers said bill jeopardizes "ability of manufacturers to end relationships with dealers and distributors that do not perform adequately."

Abrams cited N.Y. state price-fixing settlement with Panasonic (TVD Jan 23 p11) and said bill would provide "standards which effectively deter and punish this practice." Current rules, he said, make price fixing "extremely difficult to prove" and "stack the deck in favor of price fixers."

He added that Cal., Md., N.Y. and other states are jointly investigating "many other companies in the consumer electronics and other industries" that he said could be "subset of the many vertical price fixing conspiracies."

Rep. Brooks (D-Tex.), sponsor of bill, cited "complete failure -- even refusal -- of the Department of Justice to bring forward a single resale price maintenance case in the past 8 years." He said U.S. retail landscape "is in danger of becoming drastically transformed through the illegal elimination of many discount stores by price-fixing arrangements between manufacturers and other higher priced competing retail outlets."

**Sharp claims No. 1 position in U.S. fax sales for 2nd year in row, citing figures from CAP International that give it 18% market share to 13% for Murata, 9% for Canon, 8% for Ricoh. Last year's rankings gave Sharp 16.8%. Sharp Facsimile Div. Gen. Mgr. Allen Mahmarian said last week company sold 240,000 machines last year, up 255% from 80,000 in 1987, at time when CAP said overall fax market grew 194% to 1,133,000 units. Mahmarian forecast industry sales would increase 50% in 1989 to more than 1.5 million.**

**Samsung decision whether to market Go-Video's dual-deck VCR in U.S. under its own brand name will be made by U.S. affiliate, not by Korean parent, as we reported (TVD March 20 p15). Company spokesman in U.S. said OEM production arrangement between Samsung of Korea and Go-Video is separate from U.S. marketing plans for product.**

**1988 CE SALES \$30 BILLION:** EIA estimated 1988 factory sales of consumer electronic products at record \$30.368 billion, up 4.6% from \$29.041 billion in 1987, and forecast growth of another 4.6% to \$31.753 billion this year. Figures were revised upward from previous estimates released at Consumer Electronics Show in Jan. (TVD Jan 9 p10).

Breakdown shows video products with 43.4% of 1988 sales, audio 28.7%, home information equipment 16.6%, blank media and accessories 8.3%, home security systems 3%. The \$13.192 billion in video equipment includes: Color TV (including LCD) \$6.6 billion, monochrome \$236 million, projection \$529 million, total VCRs \$5.102 billion, VCPs \$30 million, videodisc players \$40 million, home satellite systems \$655 million.

Audio's \$8.711 billion is derived as follows: Systems \$1.225 billion, separate components \$1.854 billion, portable \$1.32 billion, home radios \$375 million, autosound \$3.937 billion. Home information equipment \$5.035 billion: Computers \$3.15 billion, home phones \$1.04 billion, cellular phones \$300 million, phone answering devices \$545 million.

Blank media and accessories \$2.53 billion: Audio cassettes \$354 million, videocassettes \$936 million, video accessories \$690 million, audio accessories \$220 million, phone accessories \$330 million. Home security systems, not broken down, totaled \$900 million.

Nielsen issued correction last week on its description of VCR research released earlier this month (TVD March 13 p18). Proper interpretation is that VCR penetration was 84% among TV homes with more than \$40,000 household income, 76% among families with at least 4 persons, 74% among families with children aged 6-17, 73% where head of household had at least 4 years of college, 66% in Pacific region, 64% among metropolitan area residents. Overall VCR penetration of U.S. TV households was 62%, Nielsen said.

Bang & Olufsen will formally introduce its first color TV and VCR for U.S. at San Francisco High End Hi-Fi Show April 21-23. Units already have been widely shown privately, but show marks "first showing for the American consumer electronics market." TV and VCR are designed for integration with audio systems, will be made for B&O by Hitachi. Scheduled for June delivery, 12" color TV and Super VHS recorder are priced at \$2,000 each.

Video product sales to dealers through first 2 weeks of March were up for all major categories (see State of the Industry). Total VCR sales were 11.6% higher than same 1988 period, despite decline in 2nd week of month, EIA said. Sales of other products in first 2 weeks of March: Direct-view color TV up 17%, projection TV up 8.3%, camcorders up 50.2%.

Korean govt. is getting into HDTV act, outlining \$150 million investment in development between now and 1992, of which \$60 million would be govt. funds, \$90 million private. Main effort will be concentrated on receiver, which won't be tied to any specific format but will work on technology usable with all HDTV formats.

**RCA brand appliances, just introduced by GE (TVD May 2 p13), use Nipper dog trademark and slogan "His Master's Choice." Line consists of 6 microwave ovens, 18 gas and electric cooking ranges, 10 built-in ranges and ovens, 15 refrigerators, 4 dishwashers, 5 washers, 6 dryers.**



**MORE CHINA TUBE VENTURES:** Corning Glass has signed \$100-million-plus agreement to design and equip glass plant in big color tube production center in China's Shenzhen Special Economic Zone bordering Hong Kong (TVD March 20 p18).

Corning Chmn. James Houghton called agreement company's biggest foreign technology transfer contract to date. Plant will be owned by Shenzhen CNEDC-Conic Glass Co., new company owned by China National Electronic Devices Co. (CNDEC) and Conic, major Chinese holding company that makes many products including TVs, with operations in Hong Kong and other areas (U.S. affiliate, Cony Electronics, Chicago). Corning's joint venture in Beijing, International Hua-Mei Glass Engineering Co., will participate in project.

Shenzhen site will have 2 color tube plants, including former GE large-screen plant transplanted from Syracuse. Corning's other TV-related activities in China include b&w bulb plant and TV tube neck tubing facilities now operating in Shanghai. It's equipping b&w bulb plant at Shijiazhuang and helping expand color bulb plant near Xi'an.

China is giving color tubes high priority to prevent drain on its foreign exchange resulting from tube imports. Color tube imports are believed to have totaled 11 million last year, and govt. reportedly will permit entry of only 5-8 million this year. China's aim is production of 15 million color tubes in 1991.

Shanghai Novel Color Picture Tube Corp. reportedly will complete first phase of construction 2 months ahead of schedule, turning out first tubes at this year's end, reaching output of 1 million 17" tubes annually by end of 1990 and adding capacity for 1 million 21" flat square tubes between 1991 and 1995. Company is being assisted by Toshiba.

\* \* \* \*

Chinese govt.'s list of top electronics manufacturers is dominated by TV producers. As reported by China Newsletter Electronics, top 10 companies last year were: (1) Shanghai TV Factory No. 1, making Jinxing (Gold Star) TV, turning out 25% of country's TV sets; 1988 sales \$919.9 million, up 45.7% from 1987. (2) Wuxi TV Factory, Hongmei brand and OEM manufacturer, \$858.1 million, up 106.7%. (3) Nanjing Radio factory (TVD Nov 7 p12), Panda brand, capacity 800,000 sets, \$850.1 million, up 69.5%. (4) Changhong Machinery Plant, Mianyang, Sichuan, color TV equals 90% of output, \$777.3 million, up 150%.

(5) Shanghai Radio Factory No. 4 (TVD Nov 7 p13), Kiage brand color and b&w, \$655.4 million, up 111%. (6) Shanghai Radio Factory No. 18, Feiyue brand color TV, microwave ovens, audio, videogames, \$649.5 million, up 30%. (7) Huanghe Machine Factory, Xi'an, TVs, antennas, refrigerators, \$645 million, up 116%. (8) Suzhou TV Factory, Peacock brand TV and OEM including Sony sets, \$173.5 million, up 69.6%. (9) Tianjin Telecom & Best., TV exporter to Europe, working with ITT on digital set, \$634.1 million (up 42.3%). (10) Beijing TV Factory, Peony brand, OEM products for Telefunken and Matsushita, \$552 million, up 50.3%.

Semi-Tech Microelectronics raised its offer to purchase SSMC to \$38 a share in takeover that could result in sale of Chinese-made electronics on U.S. market under Singer brand (TVD Feb 6 p13). Another bidder for Singer brand owner, Malaysian investment group headed by Vincent Tan, decided not to pursue acquisition of SSMC. Semi-Tech agreed SSMC would sell to Malaysian group 49% share of joint venture they share, Wall St. Journal said.

**ERASABLE OPTICAL DISCS:** Two proposed new erasable optical disc systems came to light last week. Matsushita is expected to show 3.5" optical computer disc at its technology show this week in Tokyo. Disc with 280-Mbps capacity is claimed to be capable of 100,000 cycles of erasure and recording without deterioration. Matsushita reportedly plans to market 5.25" 640-Mbps version in spring 1990.

Matsushita's system records and plays back using laser beam. Recording is done directly over old recorded material, which beam erases as it writes new data, thanks to "advanced optical read-write head design." Company has licensed "phase-change" technology from Energy Conversion Devices (ECD), Troy, Mich., for thin film coating on disc that acts as recording medium. It hasn't been disclosed yet whether system has potential for consumer audio or video, but ECD said high storage capability makes it suitable for "integrated uses of high-definition video images in computer applications."

Erasable optical disc system that doesn't show signs of wear with repeated recording has been patented by Joseph Lindmayre, founder of Quantex Corp., Rockville, Md., who says he has erased and rerecorded a single disc 100 million times with no observable sign of deterioration. Instead of using heat to record, system uses chemical compounds that become electrically charged when exposed to visible light and release colored light when exposed to infrared radiation. System uses visible light lasers to record, infrared laser to play back.

\* \* \* \*

In addition to erasable disc system, Matsushita is expected to show wide variety of future products this week at its Matsushita Electric Exhibition of Technology (MEET). Based on leaks and recent Matsushita announcements, they could include: (1) HDTV recording using vertical magnetic tape, new "V-shape ditch" videodisc system, still picture file system. (2) Digital high-speed (1 sec.) autofocus system for camcorder that cuts weight 30%, reducing number of optical parts 50%, also cutting costs, due on market in 1991. (3) Electronic home appliances, including programmable vacuum cleaner, washer-dryer, wireless iron, refrigerator.

For digital TVs and monitors, Philips says it has developed high-speed low-cost analog-to-digital converter (below \$10 in high volume) and digital-to-analog converter (less than \$3). Developed in Eindhoven, 8-bit 40-MHz flash A/D converter has speed and specs of professional devices costing \$50-\$200 while consuming 25-95% less power. Philips says it's now working on 2 complete converter families, one with special on-chip features for TV and other consumer applications.

First 8-Mb memory for Japanese HDTV system has been developed by Matsushita, which plans shipments of sample quantities at about \$300 each. Company aims at less than \$40 when mass production starts early in 1991. Largest video memory currently available is 1 Mb. New Matsushita chip has high-speed serial access of 20 nanosec., consumes 180 milliamperes. Development of large video memories is necessary to get HDTV receiver prices down to consumer level, Matsushita says.

Radio Shack April sale catalog includes basic mechanically tuned 13" receiver at \$188 (down \$62) keypad remote stepup \$230 (down \$70), both listed as "mostly demo models;" VCR with on-screen programming and cable tuning \$280 (down \$120), digital VCR with picture-in-picture, 8-event timer, \$350 (down \$150).



**TUBE IMPORTS COLLAPSE:** Color TV picture tube imports to U.S. fell sharply for 2nd straight year in 1988 as combination of increased domestic production and stiff U.S. antidumping penalties against foreign suppliers continued to cut into shipments. To lesser extent, drop-off also is indicative of worldwide shortage of color tubes (TVD Feb 27 p9).

Tube shipments decreased in every major screen size in year, both color and b&w, with exception of tubes for projection TVs, Commerce Dept. statistics showed Total imports of direct-view color tubes, as individual components, fell 62.6% to 273,746. Despite huge drop in volume, value of imports fell only 7.8% to \$57.6 million, indicating significant price increases.

Tubes in all categories smaller than 20" except 13" dwindled to under 10,000 shipments. Biggest percentage decreases were for 14-15" and 18-19" units. Decreases in color tube imports followed last year's 68.5% decline from 1987 (TVD Feb 29 p13). Addition of tube-inclusive color TV kits, which fell 76.2%, put grand total of tubes at 427,411, down 69.1%, and equal to only 2% of U.S. color TV market last year.

B&w TV tubes dwindled 15.2% to 48,364. Since no monochrome TVs are made in U.S., most such tubes are believed to be for computer monitors and other non-TV use, plus a few for replacement market.

Japan was by far leading supplier of color picture tubes, including those for projection, and total actually rose 3.2% from last year to 545,430. Of Japan's total color exports, 81.8% were tubes for projection sets. Canada was next with 80,355, down 63.1%, then Taiwan with 77,461. Korea had biggest drop, down 93.9% to 16,381.

Import figures indicate that most tube prices rose for 2nd year in row, but Commerce official cautioned that reported value figures may not give accurate account of pricing. Indicated average prices, with 1987 averages in parentheses: 12"-&-under \$86.12 (\$97.93), 13" \$50.31 (\$39.73), 14-15" \$108.03 (\$51.72), 16-17" \$156.73 (\$112.75), 18-19" \$115.01, (\$61.89), 20"-&-over \$296.08 (\$133.05). Here's summary of picture tube imports:

#### U.S. 1988 PICTURE TUBE IMPORTS

Type	Units	% Chg.	\$ Value	% Chg.
<b>Color</b>				
12" & under	8,632	-10.6	743,355	-21.4
13".....	81,391	-69.6	4,094,679	-61.4
14-15".....	1,532	-96.3	165,501	-92.3
16-17".....	2,251	-29.4	352,797	-1.9
18-19".....	5,496	-93.6	632,095	-88.2
20" & over.	174,444	-46.0	51,648,872	+20.1
w/TV kits..	153,665	-76.2	n.a.	--
<b>Monochrome</b>				
12-16"...	9,014	-14.4	1,152,950	+58.7
Other....	39,350	-15.3	1,170,269	-14.7

#### For Projection TV

451,193	+18.4	22,697,487	+29.0
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Tandy will purchase up to 10 million shares of its common stock on open market through June 30.

**'VCR TO BOOM, THEN BUST':** VCR in nearly every home will become reality in 1990s, new study by D'Arcy Masius Benton & Bowles (DMB&B) reported. Analysis is corroborated by survey by Roper Organization for Doyle Graf Raj ad agency that found 36% of adults with household income of \$100,000 or more already considered VCR necessity rather than luxury. This bodes well for ads on tape, which DMB&B believes could become "viable commercial vehicle" with advent of audience measurement system and if consumers accept them. However, study says inadequate depth of copy could impair home video potential as ad medium, recommended industry shift toward some sort of rental revenue-sharing program.

While DMB&B said VCRs will be "as ubiquitous in the U.S. as TV sets" in next 10 years, it didn't see them as permanent fixture: "Beyond the time frame covered in this paper, no one will need a VCR to control one's video environment. Fiber optics will serve every home entertainment and information need, [allowing viewer] to watch any one of last week's as well as this week's TV broadcasts or any one of 200 or 300 movies... on demand, simply by punching a keypad, touching a screen or ultimately by literally just saying the word."

For nearer term, however, DMB&B painted bright future, showing VCR penetration at about 58% of U.S. homes in 1988, rising to 68% this year, 75% in 1990, 80% in 1991, 85% in 1992, 89% in 1993. It suggested reasons for sales growth: (1) VCR "complements" TV, which plays "enormous role in Americans' lives. (2) Average VCR price has "fallen dramatically," with 83% of VCRs sold in 1987 costing less than \$500, compared with 24% in 1982. (3) Most camcorder sales have been to first-time VCR buyers, "creating new rather than multiple VCR homes," trend DMB&B doesn't expect to last.

Suppliers "might profit from aiming more of their direct marketing toward parents," DMB&B said. Mediamark Research (MRI) said parents had higher VCR ownership than other categories, but Alexander & Assoc. found in Feb. 1988 that VCR homes with no children -- as well as consumers who had owned their machine 3 years or more -- were above-average software buyers.

Other MRI demographic information cited in report: (1) 35-54 age group had highest VCR penetration last year, with 18-34 group close 2nd. Over-55 category, however, has shown sharp increase in recent years. (2) VCR ownership by household income is highest in over-\$50,000 group, closely followed by \$25,000-\$49,999 bracket, but is on increase in under-\$25,000 group. (3) Northeast and West populations had highest VCR ownership last year, but North Central and South weren't far behind. (4) VCR penetration was highest among more populated A counties, but was nearly equal among B, C and D counties.

Doyle Graf Raj study of affluent consumers found VCRs outranked pay cable as "necessity" rather than "luxury" that "they may enjoy owning but could live without." While VCRs were considered necessity by 36% of 600-household sample -- behind microwave oven at 57%, answering machine at 49% and home computer at 42% -- pay cable was essential to only 27%.

All-day broadcast on Japan's NHK on March 21 national holiday (Vernal Equinox Day) was devoted to new media. One feature was worldwide discussion (U.S., France, Japan) on HDTV. Sony Chmn. Akio Morita expressed hope next generation would see single worldwide format.



## Consumer Electronics Personals

Kirk Nakamura promoted from exec. vp to pres.-COO of Panasonic, effective April 1, reporting to Richard Kraft who will become pres.-COO of Matsushita Electric Corp. of America (MECA) on same day (TVD March 20 p11); a 25-year Matsushita veteran, Nakamura joined Panasonic in U.S. in 1987 as senior vp-marketing, was dir. of Matsushita major account sales office in Tokyo... Harry Fox, former exec. vp of Vendex Technologies, assumes similar post with successor Headstart Technologies Div. of North American Philips (see separate report, this issue)... Promotions at Recoton: Stuart Mont, vp-treas., to senior vp-operations and secy.; Joseph Massot, asst. treas.-controller, to finance vp-treas.; Peter Dayton, national sales mgr., to sales vp; Kevin Murphy, purchasing dir., to asst. vp; Craig Dykes, information systems dir., to asst. vp.

Gary Hodge, Sanyo Fisher consumer electronics senior vp, sales, becomes western regional branch mgr. June 1 as company continues reorganization consolidating consumer electronics and appliances into 3 regional hqs (TVD Jan 16 p14). Other changes: Satoshi Maekawa, Home Appliance Div. gen. mgr., to head western regional office in Chatsworth, Cal.; Mitsuru Homma, Fisher sales and product planning mgr., to head eastern regional office in Little Ferry, N.J.; Patricia Rienzi, Home Appliance Group, named eastern region branch mgr.; Tohru Natsume, pres.-Sanyo Marubeni in U.K., heads new central regional office in Mount Prospect, Ill.; Larry Kwolek named central region branch mgr. senior vp... Michael Currie resigns as Sanyo Fisher audio systems and components national sales mgr., to join Tamrac (bags, accessories) as national sales mgr.

Robert Sorensen, ex-Microwave Systems, appointed pres. of OptImage, new CD-I software venture of Datalink, Dutch Philips, Microwave Systems, National Computer Systems and Sun Microsystems... Michael Weiner, Selectronics chmn.-CEO, adds title of pres., succeeding Michael Plitman, who resigned but continues as dir. and consultant... Eileen Rutledge chief financial officer, Carver, adds COO title, succeeding Edgar Rampy, resigned... Steve Caldero, regional sales mgr., promoted to Yamaha Electronics mktg. mgr., replacing Bruce Market, resigned... Michael Vigna, human resources dir., Sony Mfg. America, advanced to human resources vp, new post... Richard Eichler appointed Sherwood office mgr.; Gayle Loya, asst. credit mgr., named sales administration mgr.; Susan Stone appointed mktg. coordinator... Kohji Machida, ex-Yorx, joins Lloyd's Electronics as chief engineer.

Turner Hasty, external resources dir., Sematech, named acting COO, succeeding Paul Castrucci, resigned... Frank Schneider, worldwide sales vp, promoted to vp-gen. mgr., Standard Products Group (SPG), formed as part of Signetics restructuring; other appointments: Mark Lewis to vp-SPG mktg.; James Dykes, Signetics pres., to acting vp-gen. mgr., Customer Specific Product Group (CSPG); Terry Leeder to vp-CSPG mktg.; Derek Ball to head Communications and Industrial Products Group; Steve Pletcher, ex-Taiwan Semiconductor Mfg., joins as Sales Div. vp... James Smaha, retires as National Semiconductor exec. vp, Semiconductor Group; pres.-CEO Charles Sporck assumes responsibilities for semiconductor operations... A. Baan elected North American Philips exec. vp, responsible for components business, continuing as N.V. Philips Components Div. managing dir... Stephen Jobs, Apple Computer and Next Inc. founder, named "Entrepreneur of the Decade" by Inc. magazine.

## TELEVISION DIGEST

Published Weekly Since 1948  
With Consumer Electronics  
(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

Warren Publishing, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Public Broadcasting Report, Space Commerce Bulletin, Television & Cable Factbook and other special publications.

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Peter Pirner resigns as Media Home Entertainment pres.-COO to join M.P. Managements communications consulting company... Michael Vassen, ex-Nelson Entertainment and Vestron Video, joins Ingram Video as mktg. dir... Cheryl Gersh resigns as New Star Video sales and mktg. vp to become Magnum Entertainment exec. vp, reporting to Exec. Vp COO Danny Kopels; Magnum National Sales Mgr. Jim Brown resigns... William Kruger, ex-Nelson Entertainment and RCA/Columbia Pictures Home Video, joins Trans World Entertainment USA as national sales mgr... Vans Stevenson resigns as Erol's PR dir... Edward Murphy promoted to MPAA senior staff supervisor for U.S. antipiracy operations.

Stereo sound controller for Nintendo Family Computer has been developed by Japanese videogame software developer Hudson. Joy Card (about \$25 in Japan) connects to Family Computer and stereo amp to provide stereo sound for videogames. Hudson said it has no plans to export product to U.S.

Biggest Chinese electrical appliance export: Boombox. Beijing govt. says 12 million radio cassette recorders were exported last year at total of \$224 million (average \$18.67 each), according to Xinhua News Agency. Foreign currency earned by boombox exports was 3% higher than that from sales of color TVs, news agency said.