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With Consumer Electronics

TELEVISION DIGEST NAB CONVENTION HQ: Rotunda Lobby, Las Vegas, Convention Center

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

FRITTS RALLIES NAB: Opening speech to convention stresses 'free' aspect of broadcast media. He says FCC loosening of interference policies is having negative impact on industry. (P. 1)

HDTV DRIVING FORCES may be manufacturing and design, speakers tell Las Vegas seminar. Focus on business applications seen. Movie distribution also likely to be factor. (P. 2)

NBC UNVEILS ATV GEAR for use by local TV stations. Prototype at NAB touted as alternative to multimillion-dollar cost of converting to HDTV. (P. 4)

GTE WINS FCC WAIVERS for Cerritos cable projects. Agency changes rationale for waivers, says there's good cause for okay based on technical innovation. (P. 5)

CABLE ESCAPES UNSCATCHED: New House bill to ease constraints on telcos doesn't propose changes in cable-telco cross-ownership restrictions. (P. 6)

SONY EXPANDS HDTV R&D commitment in U.S. with announcement of Advanced Video Technology Center at company's San Jose engineering facility. (P. 6)

TBS ENTERING SCHOOLS with CNN Newsroom to rival Channel One. TCI, Continental Cablevision and Jones Intercable pledge free basic service to schools as part of effort. (P. 7)

FRITTS DELIVERING CALL FOR TV-RADIO UNITY: U.S. system of broadcasting "is the envy of the world..." That is credo that was to be delivered in Las Vegas April 29 by Pres. Edward Fritts at opening session of NAB convention, which he labeled "a 4-day feast of new ideas on every aspect of station operations." "The system serves our nation so successfully without direct support from government coffers or the individual American's pocketbook," Fritts said in prepared text. "We are the only media that are universally available [to public] and we are the only media that serve the public free of charge. We do this with the common responsibility of local service. And, we do it sharing the restraints of government regulation and just one source of revenue -- advertising."

Fritts made pitch for unity between TV and radio: "For all the differences that may pop up at various times... we all -- radio and television -- gather each spring under one banner. For all the issues that tend to tug us apart... the ties that bind us are, in fact, stronger." He said growth of radio and "the government's inattention" have led to many problems, "not the least of which was the [FCC] relaxation of allocations policies and other rules leading to increased interference." He said "virus" that has inflicted AM must not be permitted to spread to FM.

Consumer Electronics

NEW LINES so far show price increases, feature new large tube sizes, PIP, audio name tie-ins, emphasis on high-end models, improved projection systems. (P. 9)

HITACHI'S CHINESE CONNECTION producing 13" sets for U.S., soon to be joined by 19". Neovision, hot projection system, scheduled for debut this week. (P. 10)

PHILIPS SEES 'HISTORIC YEAR' in 1989 for industry as prices rise. Its own to go up in 3 steps. Magnavox adds PIP at \$50 premium, JBL audio in projectors. (P. 10)

SONY PUSHES BIG-SCREEN TV, heavy on PIP in all-monitor line. Hughes sound system on 11 sets. Three 8mm decks. More new products coming? (P. 12)

8mm IMPORTS UP in Feb., accounting for 24.6% of total camcorders. VCR deck, color shipments rise. (P. 12)

ZENITH FALLS BACK into red, reporting \$4 million loss on 17% higher sales, still sees full-year profit. (P. 14) Philips net up 2.8% in quarter. (P. 15)

N.Y. TELEPHONE DEBUTS Info-Look, 2nd major videotex service in N.Y. metro area, one week after IBM-Sears Prodigy service is started. (P. 14)

DEALERS AND CONSUMERS don't see eye to eye on TV, Verity survey shows. Technology secondary to customers, price not as import as brand name. (P. 16)

With NAB and RAB launching joint "radio futures campaign" at luncheon today (Mon.), Fritts said it will work "only if the entire radio industry gets behind it... To demonstrate radio's impact, we need to have not 2,000, but 10,000 stations taking part."

Situation for television is different, Fritts said, because technology, legislative and regulatory framework and competitive marketplace still are very much in transition. He said U.S. TV "is the model that other countries are striving to emulate, but regulatory, legislative and technical forces are making it increasingly difficult for us to provide this universal, free service to our audiences... Let us not be distracted by persons who say that powerful new economic alliances [as in Time-Warner merger] are necessary to compete in the world. Let us not forget -- nor jeopardize -- our alliance of service to 245 million viewers right here at home."

Noting that NAB has joined with MST, INTV, TV Operators Caucus, CPB and TV networks to protect free TV, Fritts conceded "we may have slightly different agendas from time to time. Some of our industry's voices may sound, at times, disharmonious and disjointed. But, our overall interest is common and unified -- the strong future of free, over-the-air television. Together, we are agreed that cable's unregulated monopoly must be reined in... The unfair competitive advantage Congress gave cable by virtually total deregulation of that industry must be rectified. A fair competitive landscape must be restored."

First Lady Barbara Bush appeared by videotape praising James Duffy, pres.-communications, Cap/ABC, who was to receive NAB Distinguished Service Award at Sat. session. She is working closely with ABC and PBS in Project Literacy U.S. (PLUS) campaign to fight illiteracy in America. In accepting award, Duffy said in prepared text "America is approaching a human resource crisis that threatens our economy, our communities and our quality of life... The U.S. and its people are at risk of becoming a 2nd-class nation and ill-prepared to face the 21st Century." He said in text that media must play vital role in fighting illiteracy and that "broadcasting can be the central force." ABC will air special -- American Agenda: The Youth in Crisis -- in Sept. that will be linked with special town meetings in every major American city, Duffy said.

Duffy said network TV "has too many unique values to fade away... It will remain strong long, long into the future... Let's not get blind-sided by the shrill voices from the fringe proclaiming that the over-the-air commercial system -- radio and TV -- is drastically losing its effectiveness... The circulation of the commercial system remains enormous -- especially television -- dwarfing all of its competition." However, Duffy saw as "a disturbing trend" move into broadcasting "by those who treat it like the commodities market -- the financiers and arbitrageurs who care little about broadcasting itself... Those so-called profiteers do not serve us well." Also on downside, he said, is sudden popularity of what he called "schlock jocks" and tabloid TV: "I fervently hope that this trend has peaked."

In his 2nd and last speech to NAB as FCC head May 2, Chmn. Patrick will make "straightforward, farewell speech" listing Commission's accomplishments. He will articulate challenges of future -- such as one wire into home -- and exhort broadcasters to develop broader vision of worldwide broadcasting in future.

FCC's rules on ethics and gifts again are causing confusion for Commission personnel attending convention. More than dozen Washington law firms are having parties and all agency members who sought clearance to visit (many didn't) have been officially "disapproved," with caveat: Commissioners and staffers may go, but they must pay -- and cost varies. For instance, if they attended Dow, Lohnes & Albertson party Sat. night they had to pay \$20; for Wiley, Rein & Fielding party Mon. night, tab is only \$10. Most lavish party of all, BMI reception, is on-limits to Commission personnel because music licensing company isn't "party of interest" in FCC proceedings. Off-limits are network and group hospitality suites because they are parties of interest. All 3 commissioners and 10 FCC staffers are in Las Vegas, but for first time in memory, there's no one from General Counsel's Office.

CLOSED-CIRCUIT APPLICATIONS SEEN DRIVING HDTV: Nonbroadcast HDTV may be key factor in determining both pace and direction of HDTV development, speakers said at April 28 seminar in Las Vegas sponsored by law firm Davis, Graham & Stubbs and HDTV Newsletter. Seminar focused on business applications of HDTV, including computerized design, telemedicine and distance teaching, movie distribution, interactive video.

Mass media applications of HDTV are "stalled" because of difficulties agreeing on standards, Michael Hirrel of law firm said. But he said nonbroadcast users can move more quickly because they can decide independently on standards for closed-circuit systems: "I think we'll see closed circuit HDTV a lot sooner than mass media." Decisions by closed-circuit users will have big impact on mass media HDTV, Hirrel

predicted. Companies producing equipment for closed-circuit market will have HDTV production, distribution and display equipment ready sooner than those who focus on mass media market, he said, so they will be ready to move faster when latter develops. Hirrel said they also will have revenue stream in place, known name and expertise to aid their entry into mass market.

Many of nonbroadcast applications involve using digital high-definition displays for computer consoles. Designers already are capturing many analog images and converting them to digital for display on consoles, said Arthur Sanderson, head of Electrical & Computer Systems Dept. at Rensselaer Polytechnic. If digital HDTV systems were available, designers certainly would use them, Ford Motor Design Mgr. David Royer said. Royer said HDTV also will be attractive for such applications as consumer tests of auto designs -- NTSC doesn't provide adequate quality for good tests, but "HDTV would turn that around."

Manufacturing applications may not drive HDTV toward digital, rather than analog, format immediately, speakers said. "There's been a lot of talk about leapfrogging the Japanese to a digital system, but that seems to be a long way off," Hi-Vision America Pres. Richard Wolfe said. Analog systems already have undergone 15 years of evolution, he said, and it may take long time for digital to catchup.

Royer recently "test drove" high-resolution computer monitor in Japan for auto design, he said. He predicted similar systems would be attractive for hundreds of thousands of designers, architects, graphic artists, others. HDTV also will open huge new market for wider use of video in inspection and measurement in manufacturing processes, as well as such areas as precision assembly and biomedical engineering, Sanderson said.

Key factor is cost, panelists said. Main growth opportunity in computer work station market is in low-cost systems, said Forest Baskett, vp of work station manufacturer Silicon Graphics. High-definition monitors now cost more than standard monitors, he said, but situation will change. "The issue really is economics, not technology," he said. "We're ready for the technology as soon as the price is right."

It currently costs 40% more to produce programming in HDTV than on 35mm film, said Universal Studios Vp-Engineering Richard Stumpf, who also is chmn. of SMPTE working group on HDTV production. Main impact is cost of renting HDTV camera, he said -- \$22,000 per week for HDTV camera and associated equipment, compared with \$2,500 per week for equivalent 35mm camera. First use is likely to be in postproduction, he said.

Movie distribution could be big market for HDTV, speakers said. Wolfe said using HDTV to distribute movies by satellite, fiber optic or other media "would change the entire economic dynamics of the distribution business." Studios now typically make 800-1,000 prints of movies, each costing about \$2,000. Distribution focuses on top 100 markets, he said, leaving smaller theaters to wait weeks or months for access to film. By then, Wolfe said, print is worn and too late for theaters to take advantage of large studio-financed advertising campaigns on original release date.

HDTV could be used to distribute film to virtually all 20,000 theaters in U.S. at same time, Wolfe said, allowing studios to recoup full cost of producing movie in one weekend. They also could avoid problem of having poor word of mouth kill bad movie before it could generate revenues, he pointed out. Main problem is "fairly substantial initial cost" of installing receivers and projectors at all theaters, he said. Current HDTV projectors cost several thousand dollars, well above cost of 35mm unit.

Ore Inc. is looking at possibility of using HDTV both for film distribution and for real-time interactive uses in theaters, possibly during times they normally would be dark. CEO Robin Ore said her analyses show it would cost \$150 million to set up hub for HDTV distribution system including interactive capabilities and extensive computing capacity, \$600 million for dedicated fiber optic network, \$150-\$200 million for receivers and projectors. She said, however, serving just 30% of theater market would allow users to save \$300 million per year in film distribution costs alone, as well as providing new revenue sources.

Washington Post said it had \$41.5 million net income (\$3.22 per share) on \$341.9 million revenue in quarter ended March 31, vs. \$144.8 million net (\$11.25) on \$321.2 million last year. Post in 1988 quarter recorded nonrecurring gain of \$115.7 million (\$8.99) from sale of cellular interests. Excluding gain, company said net income in 1989 increased 42% from 1988. TV station revenue rose 5%, cable 13%.

NAB has broadened attack on new FCC rules to permit commercial FM stations to use directional antennas by asking Office of Management & Budget (OMB) not to consider -- much less approve -- proposed new FCC Form 301 to be used under rules change. At same time, NAB asked Commission for stay of new rules pending reconsideration of requests by Assn. and 5 other parties.

NBC SHOWS ATV GEAR: NBC was to unveil new product line of cameras and videotape and cassette recorders at one of first events at NAB convention in Las Vegas April 29. Equipment is intended to be practical, low-cost alternative to help local TV stations and networks move to advanced TV systems, NBC Operations & Technical Services Pres. Michael Sherlock said. Prototype equipment was to be demonstrated at NBC exhibit at convention.

Equipment line is intended to address one of broadcasters' key concerns on advanced TV systems -- expected multimillion-dollar cost of equipping each local TV station to produce and broadcast higher definition advanced TV programming. Sherlock said new product line means "it is possible to build a production system from the ground up designed for the unique American television environment within the current budgets of television stations. A typical station should be able to buy the new equipment for the same price as new production equipment in NTSC."

System will provide immediate widescreen capability and enhanced definition, NBC officials said. It involves what they called relatively simple modifications to existing or currently available equipment, including studio and field cameras and recorders. Officials said modifications involve rearranging camera optics to provide 16:9 aspect ratio and to allow cameras and recorders to use additional bandwidth already available.

NBC also planned to demonstrate at convention postproduction devices such as switchers, digital effects equipment, distribution amplifiers. Sherlock said field camera retains advantage of current lightweight, highly portable electronic newsgathering units: "We've been able to take a field camera to places the HDTV equipment will be incapable of going for years to come." He said new equipment has been used on boats, in night-time amusement park, even on parasail.

NBC is well ahead of schedule in introducing Panasonic's M-II fully automated recording/playback tape system, Sherlock said. He said NBC and affiliates already have installed 1,848 M-II units, well above 1,581 NBC originally forecast as goal by 1992. Units have resulted in savings of more than \$26 million in 2 years since contract was signed in 1987, more than equaling total savings company predicted then for 5-year life of deal. NBC itself has bought \$40 million worth of M-II equipment, and affiliates \$11 million. Equipment is being used at 6 of 7 NBC owned stations, new cable service CNBC, news bureaus throughout Europe, Asia, Middle East.

Also at NAB, NBC was to demonstrate April 30 images generated by its prototype Advanced Compatible TV (ACTV) system (TVD April 24 p9). Sherlock said prototype equipment itself is too bulky to be transported to convention for demonstration, but network would show videotape recordings of ACTV tests carried week ago by WNBC-TV N.Y. "Shrink" version of prototype to be tested by Advanced TV Test Center is under construction, he said. Sherlock called test broadcast April 20 "a major breakthrough."

HDTV version of *Gone With the Wind* also was being shown at HDTV Pavilion at Tropicana Hotel during convention by Rank Cintel and Turner Entertainment (TE). Rank's Mark III HD flying spot telecine was used to make film-to-tape transfer so movie can be shown in HDTV format. Roger Mayer, pres. of Turner Bestg. subsidiary TE, said firm is eager to make *Gone With the Wind* and "thousands of other enduring films in our library" available for transfer to new technologies such as HDTV. Rank Exec.

Vp Colin Brown said U.S. has largest store of film in world "sitting there, waiting to be transferred to HDTV." Film will be transferred to 1,125/60 format.

FCC APPROVED TRUSTEE OWNERSHIP proposal last week for Rupert Murdoch's WFXT (Ch. 25) Boston, but set stiff conditions -- including end of affiliation with his Fox TV Network. Murdoch said he would seek reconsideration. WFXT had been operating under waiver since acquisition in 1986 by Murdoch's 20th Holdings Corp. because his News America Publishing also owns Boston Herald. FCC rules prohibit common ownership of newspaper and TV station in same market. Case gained national attention in 1987 when Congress, at urging of Sen. Kennedy (D-Mass.), passed legislation prohibiting FCC from granting waiver for common ownership of newspaper and station in same market (Murdoch Boston operation was only licensee affected). However, measure was declared unconstitutional and agency reinstated WFXT-Herald waiver until it could act on trustee request. Trustees are to be ex-Sen. Brooke (R-Mass.) and ex-N.Y. Gov. Carey (D). FCC said that "prior precedent" in granting of trusts, which set "no communications" requirement between trustee and station licensee, could be waived in this case in connection with syndicated programming (arranged for by Fox) but only until existing contracts expire. However, agency said that precedent didn't permit exception for network programming: "Therefore... this action, as a practical matter, will end the station's ability to remain a Fox affiliate and to acquire programming from Fox on an ongoing basis."

Differences in private cable-broadcast talks seeking to reach accord on must-carry are becoming more public. Latest is letter April 24 from INTV Pres. Preston Padden to NCTA Pres. James Mooney in which Padden said he would accept channel positioning by vote of "any impartial body," provided both sides could argue their cases first. Padden said broadcasters continue to believe they are being "rooted out of long-held cable channel positions just because the cable system operator has decided to integrate vertically into the ownership of program services." He said channels numbered above 13 aren't available to all cable-connected sets, making this "an issue well worth the fight." Cable observer said few receivers lack converters capable of receiving all channels offered by cable system. In letter, Padden also quoted from May 27, 1987, Jones Intercable letter to WIFR-TV Freeport-Rockford, Ill. Letter from account executive at Janesville, Wis., system, discusses realignment moving 4 basic cable networks into channels in 2-13 range. Letter said studies of viewership patterns of VHF channels -- 2-13 -- show they are watched 30% more often than higher ones. NAB has said channel positioning issue could ruin any chance for deal on must-carry. Mooney was reported recently as saying that must-carry deal could be arranged easily if broadcasters could stop demanding carriage on Ch. 5 for station on Ch. 33.

Knight-Ridder (K-R) reported \$20.7 million net income (39¢ per share) on \$540.7 million revenue in quarter ended March 31 vs. \$33 million (57¢) on \$489.7 million year ago. Operating profit for 1989 quarter was flat at \$58.5 million, compared with \$58.2 million in 1988 period. Company said quarter was difficult but problem had been expected. More than half of 18¢-per-share earnings decline was attributed to acquisition of Dialog Information Services and 7.5% investment in SCI Holdings cable deal. K-R said it expects \$100 million pretax gain from sale of 8 TV stations for aggregate of more than \$400 million.

GTE GETS CABLE WAIVERS: FCC granted conditional waivers of cable-telco cross-ownership rules to GTE unit General Telephone of Cal. last week, allowing telco to build coaxial cable facility in Cerritos, Cal., and to start construction of fiber optic-based system there. Commission vacated April 1988 ruling by Common Carrier Bureau that granted waiver based on rationale that, without GTE project, Cerritos wouldn't have cable (TVD April 25/88 p7). That ruling was appealed by NCTA, Cal. Cable TV Assn., Colony Communications.

Now, Commission said there is good cause for waiver because of experimentation that GTE plans, when totality of coaxial system and fiber systems is considered. FCC imposed several conditions on GTE, including: (1) Limiting waiver to 5 years. (2) Decreeing there must be 3rd party to control content of near-video-on-demand test. (3) Requiring GTE to report annually so FCC can ensure telco is complying with waiver terms. Commission said GTE has proposed using fiber system to experiment with variety of innovative, technologically advanced services such as switched video services and video on demand. It concluded that state-of-the-art level of those tests justified waiver of cross-ownership rules.

NCTA Pres. James Mooney said FCC action was murky and what Commission waived was unclear: "It's particularly unclear whether they've granted a waiver of the statutory prohibition against telco involvement in video content." He labeled GTE proposal as "Rube Goldberg" version of video on demand in which same movie will be transmitted on number of channels at staggered times. "This may be a variation on pay-per-view marketing, but it hardly represents a technological triumph," Mooney said. "It is to true video on demand what 'near beer' is to Bass Ale." He said NCTA was awaiting more precise statement of what Commission did. If agency has violated statute, "and we think it likely has -- even on a limited, experimental basis, we will appeal to the courts," Mooney said.

GTE said it was thrilled by action, but wanted to see text of decision to determine extent of conditions imposed. GTE Telephone Operations Group Pres. Kent Foster said approval was good for consumers: "Cerritos truly will be a real-world laboratory where the most discriminating and sensitive measurement tool, the customer, will help us determine new technologies and services."

GTE said that within 2 months it will provide dial tone over fiber network to first 700 homes that will be connected at outset. Later in year, up to 100 of those homes will receive telephone and TV service over 2nd fiber network, it said. By end of year, 3rd fiber network will link 5 homes in extensive test, including video on demand and switched video. GTE has gone forward with coaxial build since April 1988 Bureau action. Spokeswoman Carol Huff said company has built 86 miles of what will be 170-mile coaxial system and has 2,655 subscribers. American Lightwave Systems will provide 36 video channels to GTE test site over fiber supertrunk, in addition to offering hybrid system delivering voice, data and video over single-mode fiber, GTE said.

FCC Comr. Dennis said she was pleased that experiment now could go forward. She said GTE will offer 30 channels of near video on demand, describing it as service worthy of field test. She said FCC will learn more from real-world experiment than from "thousands of pages of pleadings now before us in the cable-telco proceeding." Dennis said her vote to authorize experiment doesn't prejudge her position in cable-telco proceeding. She said her tentative leanings continue to be that telcos shouldn't provide video

programming services but should be common carriers, at least at first. Chmn. Patrick said action set narrow precedent. Comr. Quello said experiment was unique and worthy of going forward.

Telco contracted with Apollo Cablevision, which holds franchise for Cerritos, to build system and lease back channels to General and to GTE. Cable parties had raised questions about financial aspects of deal, particularly GTE's advancing \$750,000 to Apollo owner Thomas Robak.

NCTA Pres. James Mooney sent letter to Senate Antitrust Subcommittee Chmn. Metzenbaum (D-O.) and all other members April 24 as follow-up to April 12 hearing (TVD April 17 p3). Mooney said Wireless Cable Assn. (WCA) was wrong in contention that NCTA had provided false information to Metzenbaum in claiming that Cleveland wireless cable operator received SportsChannel America. WCA contends that wireless operator can't get service on "fair" terms. Mooney said carriage terms offered to wireless cable operator are same as those offered to and accepted by several cable systems in Cleveland. He also cited repositioning of Rockford, Ill., stations on Janesville, Wis. cable system, and of KBHK-TV San Francisco by TCI (TVD April 17 p3). In 2 latter instances, Mooney said stations continued to receive widespread carriage by cable in absence of must-carry. INTV Pres. Preston Padden followed Mooney's letter with one of his own, saying govt. intervention into cable marketplace is needed because of industry's belief it has "God-given right" to move broadcast signals from channel to channel. Padden once again suggested KBHK shifts were retribution by TCI over station Pres. John Siegel's testifying before Metzenbaum in 1988 hearing. Meanwhile, Wireless Cable Assn. Pres. Robert Schmidt said he also is formulating follow-up to Metzenbaum.

Canadian cable companies should be able to compete on "level playing field" with telcos because of policy and legislation under consideration, Canadian Cable TV Assn. (CCTA) said in new report. CCTA recommended steps industry can take to enter phone companies' arena while keeping telcos out of cable. CCTA's 3rd such report, Project 94-Cable's New Horizons, focused on 4 goals: (1) Rebuilding customer satisfaction and loyalty. (2) Owning and developing its own facilities to ward off future threat from phone companies. (3) Interconnecting systems to compete in telecommunications. (4) Developing new services and niche markets. Report recommended operators invest in new nonprogramming services such as consumer information and business services, noting that Canada's 2 largest operators -- Rogers Communications and Le Group Videotron -- already are making "significant investments." Canadian cable market is "fundamentally sound" and will continue to grow nearly 3% per year, reaching 8 million households by 1994, report predicted. Operators also will continue to expand channel capacity, with 80% of homes having access to as many as 60 channels by early 1990s, report said.

Staff Headquarters at NAB Convention

Warren Publishing hq for NAB convention in Las Vegas April 29-May 2 will be in Rotunda exhibit area of Convention Center. Attending: Marybeth Crowley, Gene Edwards, Mike Feazel, Maria Lawrence, Lynn Levine, Tack Nail, Mike Schwartz, Al Warren, Dan Warren.

RHC BILL OFFERED: Cable-telco cross-ownership constraints wouldn't be affected by legislation (HR-2140) offered in House last week that would unleash telephone Regional Holding Cos. (RHCs) into new lines of business, including information services. But efforts may be made by Rep. Cooper (D-Tenn.) and others during its consideration to eliminate ownership restriction, set in 1984 Cable Act, and also to allow RHCs to offer cable as information service.

New bill was offered April 27 by House Telecom Subcommittee members Swift (D-Wash.) and Tauke (R-Ia.), with bipartisan support of 6 others. Bill would give FCC more responsibility for RHC policy by undoing Modified Final Judgment (MFJ). It drew applause from RHCs and criticism from publishers. One of more controversial provisions would let RHCs into electronic publishing, with minimum curbs. Publishers oppose move.

Lawmakers said proposal isn't to be taken as suggesting Cable Act should be altered. To remove any doubts, Swift and Tauke included language that flatly states measure isn't intended to affect Cable Act, including FCC cross-ownership rules. However, Cooper told FCBA luncheon week earlier that he thinks Swift and Tauke are mistaken, that cable is information service that should be included among those provided by RHCs. NCTA spokesman said Assn. was pleased by "the obvious efforts" authors made "to avoid touching the cable-telco cross-ownership rule." But NCTA remains concerned about concept of any RHC involvement in content. "We intend to watch this legislation very closely," spokesman said.

House Commerce Committee Chmn. Dingell (D-Mich.) and his Telecom Subcommittee Chmn. Markey (D-Mass.) released joint statement that shed little light on how they felt about specifics of bill, except that it "frames well many of the key issues in this complicated area, and has thereby advanced this debate." They stressed that they shared measure's goal of removing policy control from courts.

Lawmakers all agreed that bill should be seen as first step. Tauke described it as "blueprint," and "of course, a blueprint is only the first step in building a house." Although RHCs developed bill in negotiations with Swift and Tauke, they and rest of telecommunications industry are expected to propose modifications in coming weeks as Subcommittee moves into hearing phase. First hearing was announced for May 4, and although bill won't be specific subject of session, govt. role in telecommunications policy will be. More hearings will follow before drafting process begins in earnest, Markey said. Tauke promised hearings would give "special attention" to: (1) Ensuring privacy of information users. (2) Guaranteeing RHCs have incentives to facilitate use of network by competitive information providers and don't have opportunity to place competitors at disadvantage.

Subcommittee members also will meet in private with industry officials on bill in what have been described as roundtables, with first reportedly planned for May 11. Lawmakers are expected to take months to write consensus measure for consideration by parent Committee. Some told us key to bill's future will be legislators' ability to handle controversy, particularly on RHCs' entry into long distance, which some have warned us may emerge as issue, and to hold off expected strong opposition from publishers. Also key factor is legislators' ability to drum up support from public and RHC competitors.

QVC Network announced it plans 2nd shopping network by end of year, is building 2 studios in West Chester, Pa.

SONY EXPANDS HDTV R&D: Sony America said it's expanding its U.S. high-definition TV (HDTV) R&D effort with creation of Advanced Video Technology Center in San Jose, Cal., where Sony has Technology & Engineering Operation already in place. New center is mainly for development of HDTV production and postproduction equipment for U.S. TV and film producers, and represents "first step toward manufacture of HDTV equipment in the U.S." company said. It also will serve as "focal point for development of advanced video technologies," it said. San Jose facility will complement Sony's other HDTV R&D operations in Japan, U.K. and Australia, Sony America Chmn. Masaaki Morita said.

As part of expansion program, Sony's existing broadcast engineering center in Palo Alto will be consolidated with Technology & Engineering Operation in San Jose. Sony will double number of engineers in San Jose to 50 from current 25 and will spend more than \$10 million to expand R&D effort. San Jose plant already is making some HDTV equipment, such as digital frame storage system and editing system, but on limited basis. Expansion "will allow U.S. interests to realize the full benefits of HDTV for [TV] and motion picture production, as well as for a variety of imaging applications," Sony Senior Exec. Vp Charles Steinberg said.

Advanced Video Technology Center will play role in "evaluating parts procurement and joint product development opportunities" with U.S. companies, Sony said. Sony Pres. Neil Vander Dussen said new R&D center will "support America's role in the emerging HDTV market... By working directly with the potential users of this technology, the center can help the U.S. enhance its position through the practical application of HDTV technology." He said HDTV has been "held hostage as a symbol of the need for improving American competitiveness."

Cap/ABC reported net income of \$82.7 million (\$4.59 per share) for first quarter 1989, vs. \$70.3 million (\$4.16) in same 1988 period, despite 13% decline in revenue to \$1.12 billion from \$1.28 billion. Broadcast revenues fell 17% for quarter, attributed primarily to fact that ABC TV didn't have Super Bowl and Winter Olympics this year. Broadcast net income for quarter totaled \$865.5 million, down from \$1.04 billion, and net broadcast income was \$148.7 million, vs. \$152.8 million. Publishing revenues and income were \$254.8 million and \$24.8 million, respectively, compared with \$246 million and \$24.2 million year earlier. TV network showed "modest profit" in quarter, up with "significant loss" year ago -- attributable to Olympics, Cap/ABC said. Radio operations posted "moderate revenue gains," while publishing revenues increased 4%, mostly accounted for by company's newspapers. TV stations' earnings declined as result of loss of special event programming aired in 1988 quarter, Cap/ABC said, while earnings from video and radio "were substantially ahead of last year." Publishing earnings "increased slightly," with newspaper profits offsetting dips in specialized publications and shopping guides. Results for both years were improved by reductions in costs of TV programming and sports rights, Cap/ABC said, resulting in \$3.35 per share saving in 1988, 50¢ in 1989. Company said it received \$21.5 million interest income in quarter.

Three-year decline in children's viewing of TV and public TV (PTV) appears to have bottomed out, PBS reported. Overall Oct. 1988-Feb. 1989 national ratings for children 2-5 and 6-11 were about same as year ago, PBS said, as PTV share picked up slightly in 6 a.m.-3 p.m. weekday slot.

TBS TARGETS SCHOOLS: TBS last week announced commercial-free alternative to Whittle Communications' controversial Channel One news service to schools. TBS version, called CNN Newsroom, is 15-min. daily news and public affairs program also aimed at secondary schools. It's scheduled to start Aug. 14 and be at full speed in time for school year starting in Sept., year before Channel One is contemplating going national.

Among those attending announcement were representatives of TCI, Continental Cablevision and Jones Intercable, all of whom committed to providing news program as well as entire basic packages, free to schools in their franchise areas. ATC, whose parent Time Inc. owns 50% of Whittle, was contacted to participate but declined to take leadership position, citing Time Inc.'s 50% ownership of Whittle. ATC spokesman said cable operator's degree of participation was up to Time Inc. TCI described project as cable's "nationwide education effort." To bring home point of cable's educational value overall, TBS had representatives of Arts & Entertainment Network, C-SPAN, Discovery Channel and X*Press speak at conference. None of their shows will appear on service, but they all have some type of program that they gear to schools. TBS stressed that operators' participation is voluntary and degree of aid offered schools is up to them. TBS Chmn. Ted Turner said CNN will assume "millions" of dollars of cost for program and will create special department to handle service.

Whittle service provides \$50,000 worth of TV equipment to schools in exchange for agreement to make sure students watch program containing 2 min. of paid ads. Turner said he dropped idea of 2 min. of non-product-specific messages, including 30-sec. that were to go to cable operator. That decision was just before news conference at meeting with educators who had raised objections. Turner declined to say that CNN Newsroom was intended to compete with Channel One. Afterwards, however, in response to question, he said: "Of course, of course." He said content will be substantial, not dealing with murders or "planes blowing up." Format provides 7 min. of daily news, followed by 8-min. segment in areas such as science or business.

TCI Exec. Vp-OO J.C. Sparkman said TCI and cable want credit for providing service: "We often don't get credit for anything but raising the rates." A&E Pres. Nicholas Davatzes said his service will be offered free to cablers for use by schools. While basic cable will be free to schools, Continental Chmn. Amos Hostetter said he won't provide equipment. He said that was responsibility of schools and that if school budget can't provide \$300-\$400 needed for VCR in current market, then maybe there's no use for CNN Newsroom in that school.

Sparkman quickly distanced TCI from comment, said his company was prepared to: (1) Provide free basic cable to schools. (2) Install internal wiring of schools free or, if school didn't want that, to advise it on how to do job. (3) Advise school on connecting VCR and monitors. (4) Instruct financially pinched schools on how to apply to TCI corporate hq for grants to buy VCR and TV under TCI guidelines that aren't yet set. (5) Sell schools not passed by cable the earth stations and descramblers needed to access service, at TCI's wholesale bulk rate price, which TCI Vp-Govt. Affairs Robert Thomson said would be \$1,100-\$1,200.

The Gaming Network expects to start in Oct. Channel is based in Las Vegas, plans 8 hours of ad-supported gambling-based programs daily.

MARKEY CABLE BILL READY: Fear that views "contrary" to U.S. interests would be disseminated on American cable systems controlled by foreign companies underlies House Telecom Subcommittee Chmn. Markey (D-Mass.) bill to curb foreign cable ownership, according to draft we obtained (TVD March 13 p6). Markey last week began circulating draft for industry comment and may offer bill as early as this week. Draft envisions reciprocal ownership constraints with U.S. trading partners, and has been broadened to affect direct broadcast satellite (DBS) and multipoint distribution services (MDS).

Markey's bill contains series of findings on curbs on U.S. ownership of foreign cable systems by key trading partners, and implications of foreign dominance of U.S. cable industry. Proposed findings suggest cable industry is ripe for picking by foreign investors: "Absent enactment of restrictions on alien ownership of cable systems and other telecommunications properties, it is reasonably foreseeable that foreign entities will purchase such properties." Cable's penetration also is cited as factor. Draft notes "many Americans receive a significant portion of their daily news, information and entertainment programming from cable television systems, and such systems should not be controlled by foreign entities with views or interests that are or might be contrary to the interests of the United States." Draft concludes ownership curbs are justified because "the functions performed by broadcasting and common carriers have important implications for the national security and economic interests of the American people."

Bill would limit foreign ownership in cable, DBS and MDS to 20%, along same lines that TV and radio station ownership is curbed by 1934 Communications Act. However, Markey plans to add potentially explosive reciprocal trade question to bill by allowing cap to vary, depending on foreign applicant's home country barriers to U.S. ownership of domestic cable, DBS and MDS properties. Markey, in fact, justifies proposed U.S. caps in part on fact that foreign ownership curbs exist.

Zenith dissented from 2nd interim report of FCC's Advanced TV Advisory Committee (TVD April 24 p6) insofar as "different sets of qualifying criteria are envisioned for in-channel (direct receiver compatible) systems than for augmentation or simulcast systems." Zenith's proposed Spectrum Compatible System is simulcast system. Company also objected to proposal to consider display device and multiport receiver standards. Zenith said neither of those proposals was warranted on basis of working group or subcommittee discussions.

Ga. legislature has passed, and governor has signed, bill giving broadcast media parity with print in libel and slander cases. In 1984, Ga. Appeals Court ruled that 1960 libel and slander law applied to print media only. That law removed punitive damages from consideration in lawsuits brought for defamation if retraction was printed within 3 days. Senate Bill 239, introduced in 1986, now has added same protection for broadcasters. Ga. Assn. of Bestrs. counsel Tom Brown predicted new law will significantly reduce Ga. stations' liability insurance premiums.

U.S. Appeals Court, D.C., has denied en banc rehearing requested by number of parties on court's recent decision upholding FCC's elimination of fairness doctrine. Case now will be appealed to U.S. Supreme Court.

Personals

Mauricio Mendez, gen. mgr., KTMD Galveston, joins NAB TV board, succeeding Daniel Villaneuva, resigned... Patrick Devlin, ex-pres., Blair TV, joins new Home Shopping Network (HSN) operating group HSN Communications as pres.; new unit combines 4 HSN subsidiaries... Leonard Goldberg to resign as pres., 20th Century-Fox Film... Richard Taylor, vp-corp. counsel-secy., Warner Cable, named first holder of Palmer Chair in Telecommunications Studies at Pa. State School of Communications... Harry Young advanced to pres., CBN Producers Group.

Elected by Best. Financial Management Assn.: Philip Giordano, senior vp-affiliate affairs, Cap/ABC, as pres., Patricia Foley, vp-MIS, NewCity Communications, as vp... Irene Escardo moves from consultant, Wold Communications, to vp-mktg. and business development... Kim Schlotman promoted to vp-mktg. and research, Group W Productions... Cynthia Tschogi, ex-Disney Channel, joins CNBC as dir.-affiliate relations-Southwest... Changes at FCC: Stevenson Kaminer, deputy chief, Policy & Rules Div., Mass Media Bureau, appointed acting chief, Office of Legislative Affairs, replacing John Kamp, recently named dir. of new FCC Office of Inspector Gen.; Richard Bozzelli, special asst. to Gen. Counsel Diane Killory, resigns to enter seminary.

Advancements at Reiss Media Enterprises: Jay Rubin to vp-corporate communications; Lori Sherman to vp, Guest Cinema... Gary Zelansky promoted to dir.-development planning-cable operations, Cablevision Systems... Mary Rusznak, ex-NBC, joins Turner Bestg. System as dir.-production logistics-Goodwill Games... James Davis appointed USA Network dir.-national accounts-affiliate relations... Changes at United Artists Cablevision: Ed Hershey moves from dir.-engineering to engineer, southeastern div.; Tom Marziaz, ex-Daniels & Assoc., joins as financial mgr., same div.; Gail Shea, ex-United Cable TV, joins as financial mgr., northwest div... Steve Kreindel promoted to dir.-affiliate operations-Cal. and Ariz., HBO.

Participants at May 8 session on press disclosure of outside interests at National Press Club, sponsored by Washington chapter of Society of Professional Journalists: Rep. Alexander (D-Ark.); Pat Clawson, Radio & Records; Eleanor Clift, Newsweek; Douglas Harbrecht, Business Week; Richard Harwood, Washington Post; John Seigenthaler, immediate past pres., ASNE, (moderator)... Donald Ledwig, CPB pres., named winner of Roscoe Barrow Memorial Award of Hastings College of Law Communications and Entertainment Law Journal... William Sessions, FBI dir., speaks on "The FBI: TV Image and Impact" at Academy of TV Arts & Sciences lunch, Beverly Hilton, L.A., May 17... Speakers at upcoming lunches of Washington chapter, Women In Communications: Christopher Simpson, author of book on America's recruitment of Nazis after World War II, and his attorney Gail Simpson, April 26 at National Press Club; Barbara Cohen, CBS Washington bureau chief, June 2, Capitol Hilton Hotel.

U.S. satellites are example of technological prowess that can expand foreign trade, President Bush said in April 25 tour of Ford Aerospace plant in Palo Alto. He said U.S. can "point with pride" to satellites such as Ford-built Superbird, delivered to Japanese owners in March and scheduled for launch this month. "American satellites are among the most competitive spacecraft" and "they are just a preview of the next generation," Bush said. Second Superbird is to be delivered later this year.



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Cable transactions: Jones Intercable has signed agreement to buy system serving 34,000 subscribers in Anne Arundel County, Md., from Acton Corp. and North Arundel CATV Inc. for \$80.4 million -- \$2,365 per subscriber. Jones already has system serving 32,000 in same County. Acton said it expects pretax gain of \$48 million, \$13 per share on fully diluted basis... Hearst Corp. is seeking bidders for San Francisco area systems serving 60,000 subscribers and passing 110,000 households. Broker is Waller Capital... Douglas Communications said it has definitive agreement to buy 23 systems with 10,500 subscribers in central Tex. for \$25.6 million from Galaxy Cablevision, L.P. Systems are in Austin and Waxahachie areas... TCI has bought Heritage Cable assets serving parts of Jefferson City and Columbia, Mo.

OBITUARY

Macon G. Patton, 53, chmn.-CEO of Cosmos Bestg., died April 20 of self-inflicted gunshot wound in his Greenville, S.C., home, coroner ruled. He was partner in N.Y. investment banking firm Donaldson, Lufkin & Jenrette before joining Cosmos parent Liberty Corp. as exec. vp-finance. He became pres. of Liberty 3 years later, was named Cosmos chmn. in 1981. Under his tenure, Cosmos grew from 4 to 8 owned TV stations. Wife, son, daughter 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 April and year to date:

	APRIL 8-14	1988 WEEK	% CHANGE	APRIL 1-7	15 WEEKS 1989	15 WEEKS 1988	% CHANGE
TOTAL COLOR.....	343,473*	293,250	+17.1	260,958	5,742,308*	4,926,561	+16.6
DIRECT-VIEW...	341,274*	290,177	+17.6	258,842	5,685,303*	4,860,342	+17.0
PROJECTION....	2,199	3,073	-28.4	2,116	57,005	66,219	-13.9
TOTAL VCR.....	129,485	150,458	-13.7	146,661	2,739,612	2,948,332	-7.1
DECKS.....	101,650	131,324	-22.6	124,810	2,331,963	2,627,499	-11.2
CAMCORDERS....	27,835*	19,134	+45.5	21,851*	407,649*	320,833	+27.1

Color TV 5-week moving average: 1989--390,887*; 1988--334,842 (up 16.7%).

VCR deck 5-week moving average: 1989--193,523; 1988--171,438 (up 12.9%).

Camcorder 5-week moving average: 1989--31,479*; 1988--23,355 (up 34.8%).

* Record for period.

NEW LINES--PRICE HIKES, PIP, AUDIO TIE-INS: Increased emphasis on high-end models in light of serious picture tube shortage, another round of price increases, major pushes on picture-in-picture (PIP), IDTV, projection and more tie-ins with big audio names. These are trends so far in new TV lines as midpoint in introductions nears.

Innovative move by Magnavox in search of new stepup feature is "Smart Window," its name for PIP -- which it put into 42% of its new TV line. Magnavox moved to b&w for small picture in many sets and priced that feature at only \$50 above conventional TV. Sony moved in opposite direction, with "advanced digital picture-in-picture," producing new and complex effects in its XBR sets. Like Panasonic and Toshiba in previous weeks, both Sony and Magnavox put strong emphasis on high-end sets to point of eliminating some cheaper models.

That's one way to increase average prices. Another is just to raise them -- which Magnavox did, too, by 2-3%, also promising additional similar increase around Aug. Zenith Pres. Jerry Pearlman indicated company was waiting until last min. before pricing its May line in hopes of instituting new price boost.

General upgrading trend is for ear as well as eye, with famous-name audio systems spreading in TV. Following Zenith's Sound by Bose debut way back in 1966, Toshiba introduced Carver sound last year, expanding on concept this year. Philips last week premiered projection TVs with JBL audio, while Sony (which has Bose sound models in Japan but not in U.S.) added SRS (Sound Retrieval System) audio processing developed by Hughes Aircraft.

Major new thrusts into improved projection TV have come from virtually every manufacturer introducing product so far this year -- 7 models from Magnavox, new superbright high-contrast unit as Sony's catchup effort, first IDTV model from Panasonic, reworked system from Toshiba and upcoming new start for Hitachi (and, in turn, RCA) with highly touted Neovision. Last week saw first IDTV join Sony line, and NEC indicates it will beat Panasonic to market with IDTV projection.

Increasingly important step-up feature -- even in year of tube shortages -- is big-screen picture tube, as new U.S. plants go into production. Starting with Toshiba's 32" Super Tube (TVD April 30 p12), to be produced by company's expanded U.S. plant, we've seen Panasonic's 31" -- to be made in Matsushita Electronics' upcoming Troy, O., facility (TVD April 17 p11, April 24 p13) -- new emphasis on 32" Sony Trinitron, being made here. Magnavox also will rely heavily on Troy plant (in which Philips has minority interest) and RCA brand will introduce new VHP (very high performance) 27" tube. Further details of this week's and future introductions will be found in this issue, along with comments by industry leaders.

HITACHI IMPORTING COLOR TV FROM CHINA: Hitachi's new color TV line, due for public unveiling this week, includes low-end sets built by its China joint venture Fujian Hitachi. Starting with 13" and then moving to 19", Hitachi thus becomes first major manufacturer to offer China-made TVs on U.S. market. Japanese sources said Fujian-based joint venture, established in 1981, is expected to become major Hitachi export base in future.

We reported last Dec. Hitachi was testing 13" and 19" Chinese sets in U.S., and that they had been submitted to N.Y. lab of UL (TVD Dec 12 p13). Sets are believed to be similar to those Hitachi formerly had imported from Singapore and from Korea. It's indicated Hitachi will import 100,000 Chinese 13" sets to U.S. in 1989. Annual production of 13-20" color TV at Fujian Hitachi currently is at 400,000 rate, but company hopes to increase that to 500,000-600,000 this year.

Hitachi will make major new effort in U.S. projection market with introduction of "Neovision," which made debut in Japan last fall with claims that it outperforms direct-view sets in brightness and horizontal resolution (TVD Sept 12 p14). American version will be assembled in Hitachi's Compton, Cal., plant using Japanese tubes and lenses, U.S. cabinets and other parts. Hitachi has been producing projection TVs in Cal. at rate of about 5,000 monthly. It's expected to make similar projection system for RCA. Mitsubishi, meanwhile, will introduce "world's first IDTV big-screen TV available to consumers" next week. Panasonic's 51" IDTV projection system is scheduled for availability in Sept. (TVD April 17 p15).

In another area, Hitachi goes Sharp 1" better in race for largest LCD TV-VCR combination (TVD April 24 p12). Hitachi Industrial OEM Div. has been demonstrating 5-in. "laptop VCR" at trade shows, will display it again at Consumer Electronic Show next month, promising late 1989 delivery. It weighs just 6 lb., carries suggested list price of \$1,595. Consumer version could be announced this week.

Note: After first wave of introductions of combination LCD TV-VCR combinations, there could be 2nd generation of lower priced models combining VCR with LCD monitor screen but without TV tuner. Reason: Dumping duties of up to 26.94% (TVD April 17 p10) apply to combos classified as TV sets but not to those without tuners. Some manufacturers subject to high duties (not all are) are considering move away from TV tuners.

PHILIPS' JOHNSTONE SEES '89 A TURNING POINT: Hailing 1989 as "historic year" for both Philips and consumer electronics industry, North American Philips Consumer Electronics Pres.-CEO Don Johnstone took occasion of Magnavox convention at Knoxville, Tenn. to announce further significant price increases and to express satisfaction with obvious solid market gains for company.

Last year, said Johnstone, saw "first real stemming of price erosion in TV, and some actual increase in VCR prices." In 1989, color TV prices actually have gone up, he said. "Our pricing went up in Jan.," he said, and new line introduced last week reflects another 2-3% increase, with still another 2-3% hike now slated for Aug. He forecast Philips 1989 consumer electronics sales would exceed 1988 by 20%, expressing satisfaction with company's achievements in recent years and gains for Magnavox brand.

New realities of consumer electronics market, as outlined by Johnstone: (1) Slower growth -- 23% color increase of first quarter yielding to 3-4% annual rise. (2) "Too-few picture tubes, too many camcorders." (3) Weak dollar -- "which has affected others more than us." (4) Beginning of reduction in ability to take cost out of product.

First quarter's color TV growth of 23% can't be sustained for rest of year, said Johnstone, simply because there aren't enough tubes available. (Color TV Senior Mktg. Dir. Mark Stephenson said industry was "2 million tubes short... to meet EIA's 21 million set forecast.") Availability problem dates back to Oct. 1987, when most of industry -- including Philips -- "acted on the basis of too-low forecasts," said Johnstone. "We went into Jan. with the barn empty."

Johnstone pledged Philips' commitment to VHS camcorder format, including VHS-C, but indicated company's major advertising push this year would be in full-size VHS. Asked about computer plans since Philips' purchase of Headstart from Vendex (TVD March 27 p10), he pointed out that computer operation currently is separate from consumer electronics, but revealed that "we are looking into Magnavox brand personal computers this year." With both Headstart and Philips' PCs, which are made in Montreal, "obviously Philips has to think through... what is the best long range product strategy and structure."

North American Philips now is exporting 150,000 TVs annually, including 50,000 to Taiwan, Johnstone said, revealing that U.S. operation, as Philips' worldwide NTSC base, is now developing line of completely digital sets to be exported to Japan and sold under Philips brand. In U.S., Johnstone claimed, "the new Philips brand is by far the most successful new high-end brand." Company's multiplicity of brands "is now an advantage," he said -- "we have 4 and now Crosley is something of a 5th," referring to sets Philips will make for distributor organization (TVD April 24 p11).

Johnstone gave strong credit to Greeneville, Tenn. plant -- "the most modern, sophisticated color TV factory perhaps in the world" -- for Philips' success. "In the last 4 years, we have doubled volume with 500-600 less people."

We toured highly automated Greeneville plant last week. Facility, which made 600,000 sets in 1982, will turn out 2.5 million direct-view sets this year, in addition to projection TVs. Juarez, Mexico plant will build another 700,000 13" and 19" sets; new Mexico plant due for completion early next year will be designed to build perhaps all of Philips' needs in 13-20" sets (TVD Nov 28 p9), but plant mgr. Joseph Brang predicted Greeneville plant would increase own production despite added output in Mexico.

Plant operates on "just-in-time" approach, keeping inventories of supplies and finished products as low as possible. In parts, "we have reduced from 7-day to 4-hour inventory," and factory can virtually produce to retailers' orders -- "our goal is 4-6 weeks' lead time." Brang said "nobody else can do that." Brang says Philips has found that "the shorter the time the better the quality." Plant doesn't test any incoming components, making suppliers completely responsible for 100% quality control.

"We feel very much that we are an American company," Johnstone asserted, commenting that "U.S. content of [sets made in] the Greeneville plant is 95%, perhaps the highest in America." Brang said Philips has "the only [color TV] chassis built in the U.S." Plant ordinarily works 3 shifts. Color tube shortage has caused dislocations, he said, noting that company is now working with only 2 weeks' inventory of TV sets, down from normal 6-10 weeks.

In addition to Philips' 4 brands and Crosley, plant builds sets for Montgomery Ward, Curtis Mathes, Teknika (Fujitsu General) and projection TV for Sears. Although Philips probably is No. 2 to Mitsubishi in terms of projection TV numbers, plant could turn out more projection than any other in world. With 2 production lines capable of 400 units daily, at capacity we reckon it could make about 120,000 annually, or about 40% of total U.S. sales.

Philips is finding U.S. production "competitive with Taiwan." Brang explains that labor is becoming smaller factor in TV costs, while transportation and inventory costs are increasing. Greeneville plant is as close to market as you can get -- in population center of consumer electronics market, as well as being close to engineering and marketing center at Knoxville hq.

* * * * *

Tube shortage is at least partly responsible for Magnavox's new upgrade strategy, just as it was for scuttling of Philco brand TVs. Magnavox has discontinued all non-remote TVs, adding more stereo sets, more table models, giving whole line on-screen graphics. "We wanted a feature to offer more margin opportunities," said Stephenson, and consumer research showed picture in picture provided that, if it could be made as inexpensive step-up -- and if it could be called something else.

Consumer panels didn't respond to "PIP," or to concept of viewing 2 programs at once -- although 75% of sample indicated that they watched 2 shows at same time by switching channels. It's this channel-switching or "grazing" in remote control era which gave Magnavox its peg for PIP -- most of panel viewed it as a "window." So it's now called "Smart Window," and selling point is that channel-grazer can switch picture in window while others watching set can focus on main program. By making secondary picture black-and-white, "we were able to make PIP a \$50 premium -- a 2nd set for \$50." Smart Window is feature of five 25" sets, five 27", with color Smart Window in three 27", two 31", 4 projectors. Feature will be added later to 20".

Magnavox's audio partner is JBL, which is producing sound systems for 4 projection TV models. Top units have 100 watts "total power" -- 6 amplifiers, including rear-channel amps, 8 speakers, Dolby Surround Sound. Other 2 have 6-speaker system with 10 watts per channel; prices run \$3,000-\$4,000 in 46" and 52" line. In addition to the 4 JBL sets, Magnavox introduced 5 projection systems starting under \$2,000 list; Projection TV Mktg. Dir. Carl Wegener said last year company sold every projector it made and industry sales could have set record were it not for component shortages. Pricing and highlights of new Magnavox sets are elsewhere in this issue.

SONY PUSHES LARGE-SCREEN TV, 8mm DECKS: Sony introduced short new line in regional showings last week -- including products with semi-astronomical prices, new sound system, three 8mm home decks. But there were hints that Sony was preparing its usual CES splash of further introductions.

In color TV, Sony is evolving its XBR series into its own high-end brand within a brand. It showed 7 more XBR models with 27" and 32" screens to celebrate Trinitron's 20th birthday, at list prices of \$1,400 to nearly \$3,000. It demonstrated first IDTV set actually to be added to its line -- 27" with frame, field and line memory for motion compensation -- at \$4,000.

Regular color TV line is all remote, all monitor. "A/V Window" is Sony's name for on-screen graphics, providing complete multi-color prompts. Some sets have "channel caption" feature which permits pre-setting of 2 lines of information for each channel -- such as network and cable channel number. Advanced Digital Picture in Picture extends to XBR sets a feature which last year appeared only in projection, letting sets display 2 different channels side by side on screen in compressed form; instant replay plays back last 2 seconds in digital stop-action frames; channel index shows 7 still images of other channels on left and bottom of picture while main action continues.

Sony's new TV audio feature is SRS, or Sound Retrieval System, developed by Hughes Aircraft in its research on airline audio systems. Featured on all XBR sets and 4 high-end standard models, it provides remarkable spatial and depth illusion from 2 channels, regardless of location of viewer. System uses spatial cues to reconstruct original directionality of sounds, doesn't require matrixing or use delay systems, according to Sony and Hughes.

9 Sony re-entered 8mm home deck field with 3 new models -- 2 extremely compact versions, one a play-only, the other a recorder, and complete editing VCR with PCM stereo audio, tuner and timer. Sony said decks were introduced as result of demand by camcorder owners for separate players and editing deck. Three basic camcorders were replaced by new 4-lux models with shutter speeds up to 1/4,000 at \$1,300-\$1,600 list.

Sony could drop the other shoe at CES, where it plans fullscale exhibit. It's expected to field at least 2 new VHS decks with more "Sony-like" features, already introduced in Japan, as well as couple more videodisc players. Some time this year -- not necessarily at CES -- will come 2nd Video Walkman model.

Video Walkman is "new segment of the market," helping establish "long-term viability of 8mm," according to Sony America Pres. Neil Vander Dussen. He estimated 8mm's share of camcorder market at 30%, Sony's at 20%. Sony America's sales in fiscal year to March 31 were up more than 26% from preceding year, he told us, while its consumer electronics sales rose about 20%. While Sony's TV sets traditionally sell at premium, Vander Dussen forecast gap may narrow this year, because so many other companies are adding higher-priced items, "the area where we are strong." Details of Sony models and prices are elsewhere in this issue.

8mm CAMCORDER IMPORTS UP SHARPLY IN FEB.: Imports of 8mm camcorders accounted for 24.6% of all camcorder shipments to U.S. in Feb., up sharply from 11.2% share month earlier, with VHS (including VHS-C) declining to 75.4% from 88.8%, Commerce Dept. figures showed. Imports of complete color TVs and VCR decks rose from Feb. 1988 level.

Total of 188,300 camcorders were brought into U.S. in Feb., up 39.7% from 134,800 in Jan. (TVD March 27 p10), including 46,300 8mm, more than 3 times Jan. figures. As in preceding month, all of 8mm camcorders and most of VHS products came from Japan. Camcorder sales to dealers totaled 102,589 in Feb., EIA reported.

VCR deck imports of 991,100 were up 6.5% from Feb. 1988 shipments. Japan supplied 634,100, down 10.3%; Korea 255,000, up 70.4%; Taiwan 72,000, down 1.7%. Non-Japanese sources accounted for 36% of all deck imports in Feb., up from 24%. Through first 2 months of 1989, deck imports totaled 1,698,500, up less than 0.1% from same 2-month period of 1988.

Shipments of color TV sets, including complete sets and color TV kits with picture tubes, increased 9.8% to 720,400. Mexico, Japan, China, Hong Kong and Canada all had increases over Feb. 1988 imports, while Korea, Taiwan, Singapore and Malaysia had decreases. Color TV imports in first 2 months rose 6.4% to 1,382,300 and B&w TV was down 29.8% to 189,700 in month and 8.3% to 464,800 in 2 months. New Harmonized Tariff Schedule used by Commerce to track imports doesn't give breakdown of chassis & kit imports.

Projection TV imports rose 52.4% to 14,600 in Feb. and 105.1% to 27,100 in Jan.-Feb. Flat-screen TVs, including LCD sets, dropped 69.7% to just 1,500 in month, and were off 12.4% to 6,000 in 2 months. Imports of videocassette players soared 246.7% to 62,700, with 53,500 from Korea and 9,100 from Japan. In first 2 months, videocassette player imports jumped 142.8% to 122,900. Imports of other products: Color TV cameras up 27.8% to 11,800 in Feb., 32.3% to 18,000 in Jan.-Feb.; b&w TV cameras down 44.7% to 25,500 in Feb., down 45.8% to 39,800 in Jan.-Feb.; Compact Disc players up 30.6% to 365,300 in month, up 2.6% to 644,300 in 2 months. Shipments of blank videotapes, which weren't reported year ago, totaled 13.2 million in Feb., 22.8 million in Jan.-Feb.

SHARP'S LCD PROJECTOR: LCD projection TV from Sharp is expected to be available in U.S. in fall. Company also will introduce video projector with maximum 100" screen size to Japan market in June. Sharp demonstrated LCD projector at Summer Consumer Electronics Show in June 1988 and attracted much attention with it at Winter CES (TVD Jan 16 p14).

Video projector will cost \$3,670 in Japan, will have zoom lens to change screen size from 25" to 100", will use three 3" active-matrix format LCD panels to produce display with total of 268,515 pixels. It will feature S-VHS input terminal, 2 video input terminals, one monitor output terminal. Sharp hasn't determined U.S. price or how many projectors it will ship. Optional video screens, speaker systems and AV amp will be available with system, Sharp said.

Hitachi is establishing 4 overseas R&D centers -- 2 in Europe and 2 in U.S. -- with combined budget of 1 billion yen (about \$7.6 million) to start. U.S. centers will be in San Francisco (semiconductor related projects) and Detroit (automotive electronics); European installations will be in Cambridge, England (microelectronics) and Dublin (information science).

Sharp Service & Parts Div. has created national network of authorized Sharp servicers, "Master Service Station Program," to improve availability of parts and repair of consumer products. As part of overhaul, Sharp is expanding service technical and management education program, establishing 4 independent parts distributors, opening toll-free Customer Information Center.

JVC is expected to show prototype "F/C" VCR at June Consumer Electronics Show in Chicago. System can record and play both full-sized and compact VHS cassettes without adaptor (TVD April 3 p12). However, spokesman for JVC in Japan said company wouldn't show VHS system with digital PCM audio because of "copyright issue."

Projection tube plant purchased from Kloss Video (TVD July 20/87) is being moved by Video Display Corp. (VDC) from Cambridge, Mass., to Shreveport. In split-up of Kloss, projection TV operation was sold to Ampro, new company specializing in industrial and commercial projection that buys tubes from VDC (TVD April 25/88 p14).

Amstrad predicted earnings for full year ending June 30 will be well below market forecasts because of shortage of new PC 2000 high-end personal computer. Shortage is result of problems at Amstrad assembly plant, and isn't likely to be resolved before end of fiscal year, company said.

Nakamichi and Toyota reached agreement to install Nakamichi's car audio system in Toyota's U.S.-made Lexus luxury car. Agreement is first for Nakamichi with Japanese auto manufacturer. Company has supplied car audio equipment to Jaguar and BMW.

Videogame craze has hit China. Demand for videogame hardware and software has risen sharply since games were introduced in country in 1985, and videogames now are "moving to the top as toy best sellers," Chinese newspaper Economic Information reported, as quoted in China Daily. Williams Industries, which makes arcade games in U.S., gave videogames to China Amusement Machines Union Corp. (CAMUG) as part of feasibility study that could lead to joint production arrangement, CAMUG Managing Dir. Wu Yulian said. Meanwhile, b&w TV sets were said to be among "hottest sellers" at 65th Chinese Export Commodities Fair in Guangzhou, China Daily said in report quoting officials of Ministry of Foreign Economic Relations & Trade.

Alps Electric established manufacturing company, Alps Electric (Malaysia), and soon will begin construction of plant to make parts for audio and video equipment. Company, financed at \$20 million and owned by Alps, expects to start operations in 108,000-sq.-ft. plant before year's end. Plant will employ about 200 at outset, increasing to 850 by end of 1990. Production may be expanded to include other products such as industrial computers, Alps said.

Wallet-sized cellular phone has been introduced by Motorola after 4 years of development. Phone weighs 12.3 oz. with battery, is 5.5" long, 2.25" wide, costs \$2,495. Micro TAC Personal Cellular Telephone, which features LED color display of number dialed, storage capacity for up to 120 numbers, call screening and tone alert for incoming calls, will be available by year-end. Motorola said its patent infringement complaints against portable and cellular phones made by Nokia and Tandy (TVD April 24 p16) don't involve new phone.

Compact MUSE/NTSC converter has been developed jointly by Mitsubishi and Matsushita in Japan under guidance of NHK. Converter, size of VCR deck, has wide-screen mode for conversion of Hi-Vision screen to NTSC screen, and zoom-screen mode that enlarges center part of Hi-Vision screen to fit NTSC. Mitsubishi developed video-signal processing and Matsushita sound-signal processing functions of converter. Shipments are expected in fall; estimated price is up to \$3,000.

Casio will introduce its first Compact Disc (CD) radiocassette player in Japan May 1. Product, CD-RX7000, will be procured from unidentified source on OEM basis, Japan report said. It will be priced at about \$417 in Japan; no export plans were disclosed. CD radiocassette player will be Casio's 3rd entry in consumer audio market, following digital audio tape (DAT) player in 1987 and headphone stereo set last month. Casio expects monthly sales of 5,000 players in Japan.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 132 yen = \$1, except where noted.

'REAL IMPROVEMENT'--ZENITH: Zenith fell back into red in first quarter of this year, reporting \$4 million loss on 17% higher sales (see financial table). Chmn.-Pres. Jerry Pearlman downplayed results last week at shareholder meeting, saying loss had been expected in quarter and shouldn't keep company from posting improved profits in full year. Pearlman also said Zenith still is talking to 3rd parties about joint ventures or other arrangements, but options are greater because of "real improvement in the consumer business."

Loss compares with \$400,000 profit in same 1988 quarter, and "was anticipated in our 1989 plan," Pearlman said. Consumer electronics sales increased 21.4% to \$272 million, and operating profits improved as result of higher shipments of color TVs, picture tubes and cable and subscription TV decoders. Zenith predicted consumer electronics full-year operating profits will improve by more than \$15 million over last year, based on current industry conditions.

First-quarter results were hampered by "planned reductions of distributor inventory levels and by lower selling prices than a year ago," although 3 "modest" price increases in Nov., Jan. and Feb. are holding, Zenith said. TV prices stabilized in 2nd half of 1988, but first-quarter 1989 still lagged behind year-earlier levels. Pearlman said company hasn't yet priced May line, but hopes to make additional selective price increases.

Computer systems and components sales rose 14.9% to \$402 million on increased shipments of computers "in all channels," including federal govt., but sector had decline in operating results. Decrease was blamed on higher memory-chip costs, up \$8 million over first quarter of 1988, lower sales of component products, foreign exchange loss of \$3 million.

At news conference before quiet annual meeting, Pearlman said Zenith is talking to prospective partners and responding to unsolicited inquiries "on a regular basis." Asked if sale or joint venture is less urgent now, he said: "There's no less urgency in making sure we improve the profitability of the business, but I think we have a lot more options than we did 12 to 18 months ago, now that it is clear that we are seeing some real improvement in the consumer business."

Defense Dept.'s Advanced Research Products Agency (DARPA) is "not moving as fast" as originally expected in awarding \$30 million grants for HDTV display and receiver development (TVD Jan 2 p9), Pearlman said. "We believe the Executive Branch position on HDTV will be issued no later than the end of June and maybe sooner," he said. "The Executive Branch is very interested in manufacturing competitiveness in the whole semiconductor food chain... I am convinced something is going to be done. It will be positive for American industry."

Zenith is continuing to pursue discussions with other companies on miniconsortia similar to one it formed with AT&T, he said. "We think that whoever gets the money, the entire industry ought to find some mechanism to pay the government back in some kind of revolving technology fund," Pearlman said.

In response to question, Pearlman said Zenith contemplates no change from existing method of 2-step distribution, but "we have been focusing and seeking economies of scale for years." He said company has fewer warehouse locations and fewer independent distributor

parent organizations -- "we have more independents that have multiple locations." He added: "We think we distribute very efficiently. Our guys know our markets and they have some real competitive advantages."

ANOTHER VIDEOTEX SERVICE: N.Y. Telephone introduced its version of videotex gateway, Info-Look, not as trial or rollout but as full-blown service. Announcement came exactly week after IBM-Sears Prodigy interactive service began in N.Y. (TVD April 17 p15), constituting virtual flood of new videotex services.

Nynex and N.Y. Telephone officials were optimistic at news briefing in N.Y. that service eventually would become integral part of home life. Nynex Vp-Mktg. & Technology Bailey Geeslin said he would like to see 20-30% of households using videotex in next 5 years. N.Y. Tel Vp Walter Rickard predicted videotex "will be commonplace in all our homes."

New service is notable not simply because it's being introduced in country's largest market, but because it also includes strong participation by prominent newspaper at time when publishers generally are leery of competition from telcos and, in near future, from AT&T. Publisher in this case is Newsday, which is offering batch of innovative services.

Info-Look started with 60 on-line services. All but 11 are being supplied by American Citinet, gateway service bureau that also is working with Bell Atlantic and U S West. Nynex gateway, which was introduced in technical trial in Burlington, Vt., in Dec. and now is used by N.Y. Tel, aims at personal computer users. Geeslin said Nynex and N.Y. Tel are "not all that enthusiastic" about entering terminal business. Instead, Nynex could work to let users know where terminals are available.

From user end, service looks virtually identical to that tested in Burlington. Introductory menu calls for entry of calling card, and users are presented with screen of beginning directions that allow them to see lists of services by category, alphabetically or by rates, to obtain information about billing, to block or unblock services, other commands. It will cost 5¢ per min. to use gateway directory services, in addition to local call.

TV's 50th anniversary exhibit at Smithsonian Institution in Washington includes early TV sets by Admiral, Andrea, Arvin, Belmont, DuMont, Emerson, Fada, Firestone, Hotpoint, Motorola, Philco (Safari portable, Predicta), Pilot, RCA, Scott (projection), Stromberg-Carlson (projection), Tele Tone and Zenith plus Sony Watchman, Seiko wrist TV, Casio pocket TV.

CBM America, Citizen Watch division that markets LCD TVs, Compact Disc players and office equipment, has reorganized into 4 divisions, including Consumer Products. New Business Products Div. will handle office equipment such as facsimile machines and printers. CBM has moved to 2020 Santa Monica Blvd., Santa Monica, Cal. 90404, 213-828-8245.

Matsushita has almost 10,000 employes in N. America. Through transmission error, final zero was omitted in last week's issue. We regret the error.

First 8mm still camera will be introduced next week in Japan by Fuji, at \$2,230. It weighs 13 lb., can be controlled by computer with optional interface.

SONY, MAGNAVOX SETS: Sony's color TV line strongly emphasizes high end and large-screen products (see separate report, this issue). LCD Video Walkman is \$549 for earlier model (down \$50 from year ago), \$649 for component version with slide-out speaker, adaptable to camcorder monitor. Indextron Watchcube cube clock TV, 3.7", continues at \$599.

Trinitron line, all with monitor jacks, starts with 8" at \$549; new 13" at \$399, stereo version at \$479; 20" stereo at \$649, with S-video input \$699; 27" stereo with S-video \$1,099, consolette version with optional stand \$1,149, matrix surround sound model \$1,199, vertical wood grain console \$1,199, console with Sound Retrieval System (SRS) \$1,299; 32" with same features \$2,549.

High-end Trinitron XBR series, all stereo with SRS sound, S-video inputs, starts with 27" at \$1,399. All others have SRS sound: 27" at \$1,749, 2nd model still unpriced and unit with picture in picture (PIP) at price to be announced; 32" at \$2,699 and \$2,899, with PIP at price to be announced. XBR 25" Pro component model is \$2,499.

Projection TVs: 41" \$3,100; 46" at \$4,100 and \$4,600, with new brighter model at \$4,200. Monochrome Watchman sets are \$119, 2 at \$149, one at \$159.

In video, Sony introduced 3 8mm decks: Miniature playback-only at \$450, similar deck with record \$500, complete stereo deck with PCM audio, MTS and tuner \$800. New basic Handycam camcorders with high-speed shutter, 4-lux sensitivity start at \$1,300, with 8x zoom model at \$1,400, version with 4-page digital superimposer for graphics at \$1,600.

Magnavox TV line, all models 13" and over with remote and on-screen graphics, starts with previously announced 3" LCD color set (TVD April 17 p12) at \$449; 5" AC-DC with monitor inputs is \$260; two 13" are \$300; two 19" models at \$300 and \$330; 20" sets start at \$370, with universal remote 178-channel model at \$400, stereo monitor versions \$430 and \$450; 25" sets start at \$450, with stereo monitor \$550, universal remote \$580, Smart Window (PIP) sets at \$650; 27" stereo with Smart Window is \$750, color Smart Window, learning remote, S-VHS input, parental control \$950; 31" with menu format tuning, learning remote, 10 watt amplifier, color Smart Window \$1,700.

Consoles start with 25" at \$500, with MTS stereo monitor \$600, universal remote model \$680; 27" with universal remote and comb filter is \$850, color Smart Window, menu format tuning, S-video \$1,100; 31" with same features, learning remote and 10-w surround sound is \$2,000.

Projection sets, all with S-video, include 41" at \$1,995; 46" at \$2,295, Smart Window model with 10-w amplifier at \$2,595; 52" at \$2,595, Smart Window 10-w version \$2,795. JBL sound system versions: 46" and 50" with 6-speaker sound and 10-w-per-channel amplifier are \$3,095 and \$3,395; versions with 100 total watts, 8 speakers, 6 amplifiers, Smart Window, S-video inputs are \$3,695 and \$3,995. Two AC-DC b&w sets -- 4.5" at \$80 and 5" at \$90 -- also were introduced.

Magnavox VCRs start at \$380, \$400, \$430 and \$450, with 45-function remote "Smart 'N Easy" series at \$450, \$470 and \$500; barcode programmer at \$460, 4-event program \$470, 49-function remote with barcode \$490; MTS linear stereo \$570, MTS stereo hi-fi 4-head \$600, learning remote version \$650, with barcode \$690; S-VHS hi-fi, universal remote, synchro edit \$996, with barcode, learning remote \$1,996. Single new camcorder has built-in video

light and monitor speaker, 8x zoom, high-speed shutter at \$1,650.

Yamaha introduces lower priced laservision-CD player at \$799, capable of playing all formats. It incorporates digital noise reduction and A/D converter to improve sound from old analog audio videodiscs. Universal remote control with 110 buttons, some preprogrammed, is \$99.

PHILIPS NET UP 2.8%: Dutch Philips reported 2.8% increase in net income in first quarter on 1.8% higher sales (see financial table). Company said results were in line with forecasts for full-year 1989 in 1988 annual report, and sales increase came despite deconsolidation of major appliances business in Europe.

Philips cited "significant" sales gains in consumer products, components, lighting sectors. TV products, Compact Disc players and appliances "sold particularly well" in Europe. Sales of color TV picture tubes also were strong.

Income from operations in first quarter totaled \$288.2 million, down 10% from same 1988 quarter. Consumer products operating income increased because of higher margins for CD players and appliances. Inventories amounted to 25.3% of sales at end of March, compared with 24% at end of March 1988, Philips said. Number of employees dropped more than 2,700, with most of cuts in consumer products, components and professional products sectors.

Invisible barcodes can be read by new Pioneer industrial videodisc player introduced in Japan. "Stealth Barcode System" uses pen scanner with built-in infrared sensor that can read codes printed in invisible ink that is sensitive to infrared rays. Pioneer says it makes possible wide latitude in design and layout of printed matter to be used as promotional tools in connection with player. Some 250 sets have been delivered to Honda salesrooms. Company plans to make 3,000-4,000 in first year, priced at about \$2,275, including player and scanner.

Mitsubishi will introduce 4 VCR decks in Japan equipped with new mechanism that shortens time needed for picture to appear after play button is pushed and improves speed of fast forward. Line includes Super VHS model (about \$1,190 in Japan) hi-fi (\$865), 2 lower priced models. Mitsubishi said new deck reduces time for picture to appear to 0.7 sec. from normal 2.4 sec., and increases fast-forward speed 200 times. Company expects to produce 85,000 per month.

U.S. electronics employment at end of 1988 totaled 2.64 million, up 2.7% from 2.57 million at end of 1987. In state-by-state breakdown of electronics employment for 1988, Cal. led with 590,000 workers. Other states in top 10: N.Y. 207,000, Mass. 199,000, Tex. 154,000, N.J. 107,000, Fla. 105,000, Ill. 104,000, Pa. 88,000, Minn. 73,000, Md. 65,000. Figures are from U.S. Bureau of Labor Statistics.

HDTV display and receiver grants by Defense Dept. could be announced this week, according to representative of Defense Advance Research Projects Agency (DARPA). Some 87 proposals were received (TVD March 13 p2), of which 49 still were under consideration at end of March.

Polaroid said higher sales of videotape cassettes contributed to first-quarter sales gain.

DEALERS vs. CONSUMERS ON TV: TV manufacturers, marketers and dealers are on different wavelength from their potential customers when it comes to benefits of TV sets. This message comes through in overview of Verity Group's CE Monitor TV research. Among major conclusions, based on interviews with 1,000 consumers and 250 TV retail managers and store owners:

(1) "TV consumers are less likely to buy for the sake of technology than are stereo consumers. They are older and view TV as desirable but with far less passion... While the majority of consumers will buy TV, they will not become as involved with the purchase as dealers and manufacturers might like or expect."

(2) "The potential for 'sticker shock' in TV is probably far greater than for any other consumer product, including automobiles. Nonetheless, price is not the primary consideration when purchasing TV. Consumers had come to expect that a 'good' TV was likely going to cost \$600 or \$700 at most. Now, with the advent of big screen... it is not at all unusual to see TV priced at 4 or 5 times this amount, multiples far greater than that confronting the automobile industry in the last few years. This means that for some time to come, nothing the industry can do will likely motivate the majority of customers to consider spending 4 times or more what they last spent on a quality TV."

(3) "Women play a much greater role in the purchase of a new TV, particularly for big screen, than is initially indicated by 'who bought the set'... The female has, in many cases, provided a great amount of input prior to the actual sale... being likely more concerned about the appearance of the TV, its size, etc., has probably made her views known... This input is critical [and] many times overlooked in the manufacturer's and dealer's advertising and marketing."

Elaborating on last 2 points, report stated: "Dealers believe that price is of greatest importance, and while it is critical, consumers are more inclined to not purchase a big screen due to size considerations... Consumers do care about price, but not nearly as much once they have accepted the cost of big-screen TV. Then it becomes much more of an issue as to whether or not it will fit into their living environment."

Report said dealers influence consumers' brand choice far more than manufacturers do. As proof, report cited fact that brand that dealers ranked "far and away the No. 1 brand... as a best seller" was only No. 7 in survey of consumers' buying intentions. "Brands that are rated highly by consumers are rarely rated high by dealers. There is some... correlation, however, between a dealer's brand rating and [dealers'] views of how that brand's manufacturer is to work with." Other points in report:

Consumers can name average of 2.5 TV brands unaided, but have unaided awareness of less than 10% of more than half of brands. More than 50% of respondents couldn't recall advertising by any TV manufacturer. Asked to rank reputations of more than 20 TV brands, consumers gave just over half of them below-average ratings. Most important consideration in buying TV was given as brand name reputation.

Dealers surveyed carried average of 6 TV brands. Of all brands, only 4 were considered by dealers to be "high priced," as opposed to mid or low priced. More than 60% of dealers agreed on what was best-selling brand (unnamed in report), no other brands receiving more than 40% "best-seller" ratings. Although consumers listed brand

reputation as No. 1 factor in purchases, dealers gave price and quality as Nos. 1 and 2, then brand reputation.

Some 30% of manufacturers received negative dealer ratings on whether or not they were good to work with. Quality of sales force was given as major reason manufacturers were good to work with. Most-cited future trends in TV by dealers related to large screens and remote controls.

Details and further information from Verity Group,, 3333 Brea Canyon Rd., Suite 222, Diamond Bar, Cal. 91765. Phone 714-595-1475.

MAGNAVOX SUES SEGA: In its 2nd legal challenge to major videogame manufacturer this year, Magnavox filed patent infringement lawsuit against Sega of America in U.S. Dist. Court, San Francisco, last week, on patent licensed by Magnavox for videogame hardware and certain software cartridges. Later in week, Sega confirmed it will introduce new 16-bit home videogame system in U.S. market this year.

Magnavox has similar suit pending against Nintendo of America in U.S. Dist. Court, N.Y. (TVD Feb 6 p16). Nintendo has challenged legality of patent, which is owned by Sanders Assoc. and was licensed exclusively to Magnavox in 1972 for Odyssey game. Nintendo claims Sanders obtained patent improperly. Patent, which N. American Philips spokesman said expired last week, covers basic videogame technology. He said Magnavox is seeking unspecified amount in past damages for infringement.

Sega said its 16-bit videogame system for U.S., called Genesis, will be shown for first time at Summer Consumer Electronics Show in Chicago in June. Also planned is converter to allow Sega Master System games to be played on new, enhanced system. Latest game, sold in Japan for 6 months, will be available in stores by fall. It was said to have improved graphics, more color and motion and stereo sound and to feature stereo headphone jack. Sega said it will market 16-bit videogame with its own sales force. Tonka will continue to market Sega's 8-bit Master System videogame.

Meanwhile, Nintendo said latest lawsuit against it by Tengen and parent Atari Games charging copyright infringement for use of "Tetris" videogame, is "frivolous litigation." It says it obtained rights to game "directly from its inventor," Soviet computer programmer and from USSR govt. agency responsible for negotiating licensing agreements. Nintendo Senior Vp Howard Lincoln said Tengen suit is "a means of cloaking their own failure to secure rights to the Tetris home videogame title."

MTS stereo TV sales totaled 432,298 in Feb., up 35.4% from year earlier, EIA reported. Stereo sets accounted for 26.8% of 1,614,665 direct-view color TV sets sold in month, up from 23.9%. In first 2 months of year, MTS stereo sets totaled 810,515, up 35.3% from 599,090 in Jan.-Feb. 1988. MTS share of total color sets in 2 months was 27% vs. 23.4% in same year-earlier period.

U.S. Supreme Court ruling has broadened category of plaintiffs who can sue manufacturers for violating antitrust laws on price fixing. Court upheld state laws that authorize indirect purchasers to sue companies. Federal law previously had authorized only direct purchasers to sue. Latest ruling is expected to make it easier for plaintiffs to file class-action suits.

Consumer Electronics Personals

Marnix van Gemert, ex-Sony Japan and Canada, joins Sony America Consumer Video Products Co. as vp, Home Video Div., in charge of VHS, Beta, videodisc players and audiovisual equipment; Consumer Video Products Mktg. Vp **Yuki Nozoe** continues responsibility for 8mm products, in realignment... **James Ting**, Semi-Tech Microelectronics pres.-CEO, elected SSMC (Singer) chmn.-pres.-CEO, succeeding **William Andrews**, named vice chmn., in Semi-Tech's acquisition of SSMC; **Frank Holmes**, Semi-Tech exec. vp-COO, and **Charles Tam**, exec. vp-chief financial officer, named SSMC vp; Ting, Holmes, Tam, **Robert Hudyma** and **Michael List** named to SSMC board, succeeding **Paul O'Connor**, **Paula Stern** and **Spencer Wright**, resigned (see separate report, this issue).

Richard McConser, ex-Proton, joins Mitsubishi America as home audio national sales mgr... **Ronald Stringari**, sales and merchandising vp, advanced to Atari Entertainment Electronics Div. pres., succeeding **Michael Katz**, resigned... **Robert Harris**, ex-L.D. Allen, joins Boston Acoustics as Designer Series products national sales mgr... **Leonard Tweten**, Magnolia Hi-Fi & Video, named to Carver board... **Chu Chun** resigns as National Merchandise hardlines mdse. mgr... **Anthony D'Amico**, ex-Teledyne Acoustic Research, joins Lincolnwood as national credit mgr... **William Houghton**, Lehman Electronics, named NARDA pres., succeeding **Elly Valas**, now NARDA chmn... **Harold Cooperman**, ex-Apple Computer, joins Commodore International as pres.-COO, U.S. operations, succeeding **Max Toy**, resigned.

Michael Ross, ex-Metro Advertising, named J2 Communications mktg. vp... Changes at Virgin Vision: **Mary Pohlman-Kindred**, ex-Trans World Entertainment, joins as southwest regional sales mgr., replacing **Beth Berry**, advanced to national sales mgr.; **Sara Lewis** promoted to acquisitions mgr.; **Susan Prestine** advanced to publicity mgr... **Lee Cooley**, ex-C.A.E. Systems, appointed senior vp, Video Products Distributors; **Larry Kasson** named MIS dir... **Leonard Goldberg** to resign as 20th Century-Fox Film pres... **Jay Rubin** promoted to corporate communications vp, Reiss Media Enterprises.

World semiconductor market is expected to grow 14% to \$51.5 billion by end of year, Semiconductor Industry Assn. (SIA) said. That would represent decline from 38% growth rate last year, group said. Sales are expected to fall by less than one percent next year, before reviving in 1991 and 1992. Japan will be largest user of chips this year, buying about \$20.3 billion, up 12% from 1988, SIA said, with U.S. next at \$15.3 billion, up 14%, followed by Western Europe, up 17% to \$9.4 billion.

Sansui expanded its Vintage line of audio products with new CD player featuring its LDCCS 1-bit digital/audio conversion (DAC) technology (\$1,000), 100-w-per-channel integrated amplifier (\$1,200), 110-w-per-channel power amp (\$3,700).

Sears Merchandise Group sales rose 11.9% to \$6.76 billion in first quarter, company reported. March sales were up 16.4%, and retailer said it was pleased with results of new "everyday low pricing" policy in stores (TVD Feb 27 p13).

JVC added 20 car audio products in Digifine line in Japan, including CD changer (\$600), CD changer/controller (\$280), CD changer with tuner and cassette deck (\$515), CD player (\$380), CD cassette deck/receiver (\$795).

HOW VHS WON: Matsushita promised RCA 4-hour VCR in 1977 before any such machine had been developed, former Pres.-CEO Toshihiko Yamashita reveals in newly translated book, "The Panasonic Way" (Kodansha International, \$17.95).

"The most fateful decision of my first year concerned VCRs," Yamashita wrote, noting that "competition was fierce" between VHS and Betamax. "Which one would dominate the huge U.S. market was the billion-dollar question. Zenith had already picked Betamax. If we couldn't get RCA to adopt VHS, the U.S. market was gone and, with it, Matsushita's future in VCRs."

"Sony's VCR had a 2-hour recording capacity, the longest at the time, which was why Zenith chose it. At Matsushita, we had a prototype 2-hour VHS, but it was not ready for production. To sell in the United States, a VCR would have to be able to record long sports programs such as NFL football games. We were negotiating with RCA and knew they wanted a machine capable of longer recordings."

"I bit the bullet and told RCA, 'Matsushita can supply you with a 4-hour VCR,' and we signed a contract to deliver it. It was admittedly a rash gamble: We hadn't made a 2-hour machine yet and didn't even have blueprints for a 4-hour unit."

"I explained the situation to our senior executives. 'I know this is a dangerous move, but I want to go for it. If we back off, Matsushita is finished in VCRs... The VCR division is going to be a living hell till August. Draw on the whole company for help. Everyone must realize how important this project is. Matsushita's fate is in the balance.'

"We mobilized key people from other divisions, the research laboratory and affiliated companies to help. They ate, drank and slept 4-hour VCRs. Miraculously, we met the contract deadline. A brave decision, or one inevitable under the circumstances? Either way, the gamble paid off, with Betamax's defeat and a lucrative VCR market share for Matsushita."

SEMI-TECH GETS 'SINGER': Semi-Tech Microelectronics of Hong Kong last week took major step toward acquiring all of SSMC and rights to Singer brand name with purchase of 77% of common stock of company in cash tender offer (TVD Feb 6 p13). Singer is likely to be added to burgeoning number of brand-name revivals here as "house brand" of consumer electronic products for Consumers Distributing catalog showroom operation.

Under merger agreement, Semi-Tech Pres.-CEO James Ting was elected SSMC chmn.-pres.-CEO, succeeding William Andrews, named vice chmn. (other appointments in Consumer Electronics Personals).

SSMC markets consumer products worldwide under Singer brand name. Spokesman in Toronto, where parent Semi-Tech Group is based, said company plans to introduce Singer-brand consumer electronics products in U.S. TVs and VCRs with Singer brand already are available in Far East, and will be sold here through Consumers Distributing, catalog showroom distributor owned by Semi-Tech Group.

Corning France, subsidiary of Corning Glass, will sign agreement with Thomson Consumer Electronics' Videocolor transferring TV bulb business assets of Corning France to new joint venture named Videoglass. New firm will be 80% owned by Videocolor and 20% by Corning France. Terms of agreement weren't disclosed.

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
Avnet 1989-9 mo. to March 31	1,461,800,000	34,200,000	.96 ^a
1988-9 mo. to April 1	1,337,600,000	38,600,000	1.08
1989-qtr. to March 31	474,900,000	10,700,000	.30 ^a
1988-qtr. to April 1	467,200,000	13,500,000	.38
A. H. Belo 1989-qtr. to March 31	91,050,000	2,385,000	.12 ^b
1988-qtr. to March 31	87,333,000	896,000	.04 ^b
BMC Industries 1989-qtr. to March 31	42,174,000	452,000	.08
1988-qtr. to March 31	38,471,000	256,000	.05
Capital Cities/ABC 1989-13 wk. to April 2	1,120,441,000	82,773,000	4.59
1988-13 wk. to April 3	1,288,807,000	70,345,000	4.16
Centel Cable TV 1989-qtr. to March 31	42,800,000	2,159,000	.09
1988-qtr. to March 31	36,666,000	1,806,000	.07
Chris-Craft Industries 1989-qtr. to March 31	58,816,000	1,255,000	.05
1988-qtr. to March 31	53,087,000	2,085,000	.08 ^c
Columbia Pictures Entertainment 1989-year to Feb. 28	1,615,724,000	21,749,000	.14 ^d
1989-qtr. to Feb. 28	445,535,000	1,811,000	—
Comsat 1989-qtr. to March 31	97,400,000	16,500,000	.89
1988-qtr. to March 31	84,100,000	14,300,000	.77
CTS 1989-13 wk. to April 2	67,898,000	3,798,000	.70
1988-13 wk. to April 3	72,237,000	3,501,000	.63 ^d
Dynascan 1989-qtr. to March 31	50,588,000	927,000	.14
1988-qtr. to March 31	44,280,000	902,000	.13
Harman International 1989-9 mo. to March 31	388,468,000	11,600,000	1.34
1988-9 mo. to March 31	342,454,000	9,124,000	1.07
1989-qtr. to March 31	133,504,000	3,814,000	.44
1988-qtr. to March 31	123,403,000	3,006,000	.35
Heritage Media 1989-qtr. to March 31	20,761,000	(6,157,000)	—
1988-qtr. to March 31	9,659,000	(4,794,000)	—
Jones Spacelink 1989-9 mo. to Feb. 28	55,818,000	(3,269,000)	—
1988-9 mo. to Feb. 28	36,803,000	9,578,000	.17
1989-qtr. to Feb. 28	19,393,000	(1,229,000)	—
1988-qtr. to Feb. 28	19,094,000	7,512,000	.13
Knight-Ridder 1989-qtr. to March 31	540,744,000	20,489,000	.39
1988-qtr. to March 31	489,665,000	33,795,000	.59 ^c
M/A-Com 1989-26 wk. to April 1	203,534,000	5,686,000	.23
1988-26 wk. to April 1	220,207,000	9,374,000	.31
1989-13 wk. to April 1	106,145,000	2,966,000	.12
1988-13 wk. to April 1	107,931,000	4,582,000	.16
Media General 1989-qtr. to March 31	149,266,000	11,891,000	.46 ^d
1988-qtr. to March 31	185,975,000	11,494,000	.40
Mediagenic 1989-year to March 31	60,607,000	1,087,000	.28
1988-year to March 31	45,261,000	3,621,000	.99 ^b
1989-qtr. to March 31	14,602,000	25,000	.01
1988-qtr. to March 31	13,105,000	874,000	.24 ^b
Outlet Communications 1989-qtr. to March 31	22,479,000	16,850,000	2.57 ^c
1988-qtr. to March 31	21,590,000	(9,285,000)	— ^c

Company & Period	Revenues	Net Earnings	Per Share
Philips NV ^e 1989-qtr. to March 31	5,963,769,000	105,189,000	.41
1988-year to March 31	5,859,906,000	102,358,000	.40
Rogers Communications ^e 1989-6 mo. to Feb. 28	287,500,000	7,000,000	—
1988-6 mo. to Feb. 28	152,800,000	88,000,000	3.65 ^c
Times Mirror 1989-qtr. to April 2	846,895,000	68,787,000	.53
1988-qtr. to March 27	774,596,000	75,124,000	.58 ^d
United Television 1989-qtr. to March 31	23,255,000	(705,000)	—
1988-qtr. to March 31	21,852,000	(1,276,000)	— ^c
Washington Post 1989-13 wk. to April 2	341,877,000	41,500,000	3.22
1988-13 wk. to April 3	321,236,000	144,819,000	11.25 ^d
Wells-Gardner 1989-qtr. to March 31	10,120,000	183,000	.05
1988-qtr. to March 31	6,229,000	86,000	.02
Western Union 1989-qtr. to March 31	158,182,000	(189,000)	—
1988-qtr. to March 31	234,556,000	(625,203,000)	— ^c
Zenith 1989-qtr. to April 1	674,500,000	(4,000,000)	—
1988-qtr. to April 2	574,100,000	400,000	.01

Notes: ^aAfter special charge. ^bAdjusted. ^cRestated.

^dIncludes special credit. ^eAt guilder's current rate.

^fIn Canadian dollars. ^gRestated; includes special credit.

K. MATSUSHITA DEAD: Konosuke Matsushita, 94, founder of Matsushita Electric Industrial Co., major architect of Japan's consumer electronics might -- who had been called "greatest businessman of the 20th century" in Japan -- died April 27 of pneumonia in Matsushita Memorial Hospital, Osaka.

Orphaned at early age, raised in poverty and forced to quit school at 9, Matsushita started company in 1918 with only 2 other employees, making electric light sockets of his own design using recycled parts of burned-out lightbulbs. Company grew to become one of world's top 2 manufacturers of consumer electronics, with consolidated sales of \$42 billion and international workforce of 134,000. In Japan, Matsushita occupied position similar to that of RCA's David Sarnoff, of whom he was admirer.

He also was prolific author, writing books on subjects ranging from management and business philosophy to future of Japan. Just after World War II, in 1946, he founded PHP Institute (initials stand for "peace, happiness and prosperity") -- of which he was pres. at his death -- dedicated to frank communication among peoples of all nations.

He served successively as pres. and chmn. of Matsushita, had held title of exec. adviser since 1973. He is survived by wife, daughter, 2 grandsons, one granddaughter. His son-in-law, Masaharu Matsushita, who adopted family name, now is chmn. of company.

Direct-view color TV sales to dealers bounced back from slow start in April with gain in month's 2nd week (see State of the Industry). Camcorder sales also increased to record, up sharply for 3rd straight week, while projection TV and total VCR sales dropped. Sales of major video products through first 2 weeks of 4-week month, according to EIA: Direct view color up 3%, projection TV down 19.1%, VCR down 8.9%, camcorders up 40%.

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MAY 8, 1989

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

ALL GOES WELL AT NAB convention as record 50,136 attend. In swan song, Patrick gives advice, asks unanswered questions. 'Keep TV Free' campaign launched, along with predictions on TV in 1995. (P. 1) NAB Notebook. (P. 10)

RAPID HDTV PROGRESS highlighted at NAB. Companies show many 'firsts,' replace simulations with hardware. NHK competitors more evident, but shakeout likely. (P. 4)

CONGRESS WRAP-UP: Radio-only bill stalled, House members tell NAB convention. Little momentum seen for comprehensive political TV reforms. Spectrum fees, cable-telco, other issues discussed. (P. 7)

'TRASH TV' DEFENDED at NAB convention. What's fad to some is described as relevant review of public affairs by others. (P. 8)

BELL ATLANTIC WILLING to work with broadcasters, Smith tells NAB convention. TCI's Malone offers to cooperate in resolving disputes, predicts deregulation of cable. (P. 9)

SILENT TREATMENT: NAB and RAB announce year-long campaign to dramatize radio. Thirty sec. of radio silence asked for May 26. (P. 9)

GORE CABLE BILL will propose end to cable-telco cross-ownership restrictions, return of basic rate regulation, curbs on ownership. (P. 11)

RECORD ATTENDANCE AT NAB's 67TH CONVENTION: "Every facet of the convention was A-plus," NAB Pres. Edward Fritts told us at close of NAB's 67th annual convention in Las Vegas May 2. Few broadcasters or exhibitors argued with that assessment. Normal glitches -- major and minor -- just didn't happen this year, as everything went well for NAB. "It was the best convention we've ever had," said NAB TV Chmn. Benjamin McKeel of Nationwide Communications, sentiment echoed by Chmn. Wallace Jorgenson, Hubbard Bestg. Industry used event to launch "free TV" campaign, while departing FCC Chmn. Patrick gave farewell speech.

Nearly all exhibitors we talked with were happy with results, saying traffic was extra heavy and many sales were made. "There's real money on the floor," one exhibitor told us. A group owner said he bought 6 cameras one day, transmitter next. Attendance reached record 50,136, vs. 46,871 in 1988, also in Las Vegas. However, with 1990 convention scheduled for Atlanta, NAB is expecting drop in both exhibitors and broadcasters.

Patrick made his 2nd and last speech as chmn. to an NAB convention with some words of advice and some unanswered questions to be dealt with -- some of which he said are "terrifying." He also said some

Consumer Electronics

CAMCORDER GLUT results from steady inventory buildup during last year, our comparison of Japan export figures and EIA sales data shows. (P. 13)

GOVT. LIST of products for potential trade retaliatory tariffs includes color TV sets, VCRs, computers. (P. 13)

JAPANESE VIDEO EXPORTS revive in first quarter, after steep decline last 2 years. VCR and color TV shipments up, VCR average price down. (P. 14)

HITACHI, MITSUBISHI STRESS new projection TV systems. Hitachi increases some direct-view TV prices, hints at more increases. (P. 15)

ONLY GOVT. CAN SAVE consumer electronics industry, comprehensive MIT study says. Bush planning to relax antitrust laws for joint production. (P. 16)

JVC IN U.S. MOVIES, bankrolling first American feature film. Disclaims ambition to own studio but ties future to expansion of S-VHS. (P. 18)

CHINA SURPASSES JAPAN as TV supplier in Feb. and first 2 months of 1989, Commerce Dept. import figures show. Mexico leads all sources. (P. 19)

KODAK SEES VIDEO still and HDTV trailing film for foreseeable future in quality, economy and convenience, but forecasts TV display of home film stills. (P. 19)

things his audience liked to hear, some it didn't -- such as declaring unfettered competition is keystone of govt. regulation.

First, his advice: (1) "Do not automatically take up swords to slay old dragons -- historical enemies may be extinct." He said that as global issues have shifted, "so too have your potential allies... Perhaps broadcasters can work together with cable to ensure survival, even in a world of fiber. Perhaps broadcast and production can work together to compete forcefully in global markets." (2) "You must, above all, retain a sense of long-term purpose" in making assessments of allies and enemies of future, "you must have a vision."

Among Patrick's unanswered questions: Will terrestrial HDTV system be developed fast enough in U.S. to compete with nonbroadcast media? Will efficiency of fiber make spectrum use by broadcasting obsolete? "Will the one-wire-in-the-home scenario transform broadcasters... into mere program suppliers?"

Broadcasters must have full First Amendment rights, he said: "You are all members of the press -- no less than the editorial boards of the New York Times and the Wall St. Journal." Citing power of industry, he said govt. "has just cause to fear you, but no cause to attempt to regulate your speech. Stand firm against any attempt to do so."

With help of NAB and broadcasters, Patrick said: "We have accomplished a great deal these past 6 years [his tenure at FCC] to get the government out of your [program] scheduling policy. Together, we finally relegated the fairness doctrine -- a 40-year shadow on your right to speak -- to the history books... I have argued many times that your bottom line will, indeed, come to harm if you accept 2nd-class status as speakers... Even if your bottom line does not suffer, the public will -- in ways that are immeasurable."

Patrick, who was interrupted frequently by applause and received standing ovation at end, said his "simple philosophy" is notion of open entry to creative competitive marketplace: "This philosophy has led to a proliferation of information outlets unimaginable even 6 years ago." He said open entry has led to "an incredibly competitive environment for you and a myriad of choices for the consumer... This naturally causes some anxiety -- but we're not here to protect you from competition... If your audience share is falling, if the bank is knocking on your door, don't look to the government for solace." He predicted Commissions that follow his administration "will not take back the public's broad choice of information services. The genie is out of the bottle."

At same time, Patrick said, FCC has obligation to make sure that competition is fair. Along that line, he said, FCC will act soon to halt FM translators' advantages over full-power stations because "of our unclear rules. As long as translators have none of the obligation of full-powered stations, they should not be permitted to operate technically as full-powered stations." Also, he said, "we've all put up with flagrant abuse of [license renewal] process for too long. Finally the Commission has acted. No longer will you be held hostage to petitions to deny because you refuse to concede to extortion... Nor will we tolerate those who seek to extort cash payments by masquerading as competing applicants." He said FCC soon will move to eliminate abuses in other areas, including transfer and modification of facilities: "There is no place during my chairmanship for those who would illegitimately ride free on the system."

TV broadcasters have won "great victory in the fight for uniqueness" with return of syndicated exclusivity, Patrick said. "Ultimately, though, the compulsory license must be repealed. Why should the cable industry -- a business that is hugely successful -- receive a welfare check in the form of subsidized programming? [Cable] should no longer be permitted to take the product that you have bought, you have promoted, you have earned, and pass it off without asking as theirs."

Unity in broadcasting was plea of NAB Chmn. Wallace Jorgenson. "Unity is more important than ever in today's rapidly changing economic and technological environments," he said. "New media forces outside broadcasting, unfettered by the regulations and requirements we must meet, threaten the very foundations of free, over-the-air broadcasting and the community service we provide." Jorgenson cited several examples of NAB's working with other broadcast and technical groups, said same sort of unity is "crucial" in govt. relations: "We face many challenges in the current session of Congress... All of them are important and confronting them requires a unified effort by all of us." He said NAB's political action arm TARPAC raised only \$180,000 in 1988, already has commitments for more than \$260,000 this year and hopes to top \$300,000. (Note: Speeches on opening day of convention by NAB Pres. Edward Fritts and Distinguished Service Award Winner James Duffy of Cap/ABC were reported earlier [TVD May 1 pl].)

Future of broadcasting in U.S. is threatened because major companies involved in TV's development "are simply not in a position to fund comprehensive R&D efforts today," William Connolly of Sony said.

Accepting NAB's Engineering Achievement Award, he said networks used to plow "some of their profits" into R&D, "but that is a thing of the past... The 3 rich uncles can no longer carry the burden" alone and neither can their competitors, such as cable. Connolly said that has created vacuum "that must somehow be filled..."

"Pressures on the networks to cut costs are leading them towards cutting the heart of their unique development effort," he said. He suggested solution is "a master research program to benefit the entire industry." Connolly said this should include academia, govt., manufacturers "and hopefully the new competitor organizations like the NCTA and the new Cable Labs," as well as traditional TV networks and stations: "There is no doubt that a collective effort must be made to concentrate the splintered resources of this industry on the common goal of continued technical expansion."

Details of TV industry's ambitious national promotional campaign celebrating virtues of "Free TV" were fleshed out in news briefing and luncheon speech by campaign Chmn. Milton Maltz, Malrite Communications chmn. He offered passionate challenge to broadcasters to join what he described as virtually unprecedented show of unity among networks, NAB, Tvb, INTV, stations, producers and syndicators, all of which are supporting campaign.

Objective is to alert viewers to threat to free TV, largely from cable, and while Maltz said initiative is "not a cable-bashing concept," he was vigorous in his criticism of cable. He said that once cabled home has been convinced to remove its roof antenna -- practice he said was common even when he owned several cable systems -- "cable then is in charge of the plantation." He saw "unlinking" of must-carry and copyright issues as "part of a plan [by cable industry] ultimately to ravage and savage" free, over-the-air TV.

Campaign itself is conceived of as entirely upbeat, however. Elements include jingle and logo for stations and, more dramatically, what Maltz said would be first program ever to be broadcast simultaneously on all U.S. TV stations -- kickoff clip featuring national spokesman Walter Cronkite, set for no later than July 4. As for budget, he said: "We will spend as much as we need to spend." Campaign, which also includes print and billboard components, is scheduled to last a year, "but I don't think we're going to keep it to that," Maltz said. Asked at news conference how he will measure success of campaign, he said: "How do you measure love? How do you measure loyalty?"

Meanwhile, session on "Television 1995: The Future of the Television Industry," featured study by Wilkofsky Gruen Assoc. for Blair TV. It predicted that: (1) Industry will enjoy high annual growth rates well into 1990s. (2) Network TV revenues will increase despite further audience erosion. (3) Basic cable will flourish, accounting for 13% of TV viewing, but "pay cable networks will decline in importance" and "flounder." (4) Syndication, helped by barter and regulation, will become major competitor to networks and significant "generator of industry revenues."

Study predicted advertising on TV stations will increase \$16 billion to \$30 billion, over next 8 years, accounting for 58% of total TV ads. TV network advertising was projected to grow from \$8.8 billion in 1987 to \$16 billion in same period. However, network share of total TV ad dollars was expected to fall to 44% from 60% in early 1980s, which would cost networks some \$30 billion in potential revenue through 1995.

By 1995, 60 million households will have cable, paying more than \$15 billion for service, study said. It projected that: (1) Cable advertising will grow to \$3.4 billion in 1995. (2) Barter advertising will increase to \$3 billion by 1995, up from \$730 million in 1987, with growth of syndication revenues doubling to \$3 billion. (3) HDTV "will become part of the television landscape by 1995, and by early in the next century will be the major form of television viewing."

Blair Chmn.-CEO James Rosenfield said Wilkofsky Gruen didn't expect HDTV and DBS to have serious impact on "conventional broadcast and cable industries before 1995, but in the mid-to-late 1990s, they will begin to broaden the television landscape... I personally believe that DBS will come sooner than we think and that by 1995 its impact on both broadcasting and cable will begin to be felt in important ways." He cited recent launch in U.K. of 6 direct-to-home program channels by Rupert Murdoch. Rosenfield predicted over-the-air TV will flourish despite "significantly greater competition and continuing erosion" in network viewing. He said affiliates will continue to occupy strong position through 1995 by maintaining local image and "aggressive use" of local and syndicated programming.

Blair TV Pres. Timothy McAuliff said spot TV sales got off to slow start this year but would be much stronger in 2nd quarter. He predicted spot spending would continue to improve for rest of year, but said opposite was case in 1988 when it "peaked early and then flattened out." Spot growth was only 1% in first

quarter 1989, compared with 9.5% year ago when sales were helped by Olympics and political spending. However, he said 2nd-quarter growth in spot will be 3-4% and "could go higher."

Backed by slick slide show, NAB and TvB released study by Norman Hecht Research that found broadcast TV to be "proven choice" in delivering audience to advertisers. Study was designed to help debunk aggressive campaign by cable to get bigger slice of what TvB projects will be \$27 billion ad market by end of year, as well as to rebut recent negative articles in national business magazines and newspapers.

Alternating between calling broadcast TV "television" and "Free TV," NAB Senior Vp-TV Charles Sherman and TvB Pres. William Moll said there's confusion and turmoil in TV landscape, caused largely by cable. Cable's virtues -- growth, choice, diversity, narrowcast potential, demographic flexibility and growing advertiser acceptance -- must be placed in context, they said. To back that assessment, broadcasters commissioned study of national audience estimates, focused on 5 markets. Objectives were to: (1) Evaluate benefits of TV as ad medium in view of recent developments. (2) Compare broadcast and cable in terms of value as ad medium. (3) Indicate challenges and need for leadership.

Among findings on national level: (1) More homes have TV sets than have telephones. (2) 61% of all TV sets aren't attached to cable. (3) 75% of households receive 9 or more over-air broadcast signals and average cable household has 12 broadcast stations to go with 25 cable channels. (4) Broadcast signals are most watched, representing 60% of channels viewed, while accounting for 33% of available channels. In markets surveyed -- Eugene, Ore., Ft. Wayne, Hartford-New Haven, Tampa and Tulsa -- average affiliate reached 85% of potential audience; leading independents reached 72% cume in Hartford-New Haven and 37% in Eugene.

Sherman and Moll conceded that over-air share of TV viewing had dropped during 1980s. However, they said it was only about 7% over 1984-1988 period, based on evaluation of audience for exclusively commercial program sources. By so calculating, they could eliminate audience lost to public TV and pay cable, neither of which carries ads. They also developed new way of explaining viewing, calling it aggregate daily viewing hours, which they said rose in 1980s -- because number of TV households increased, as did number of hours spent watching TV. They blamed much of lost broadcast audience on writers' strike that delayed start of 1988 TV season and disrupted viewing patterns.

Broadcast share of TV audience shows more than 2-1 advantage over cable, Sherman and Moll said, asserting TV's audience demographics also are as good as cable's. Cable sales pitch for narrowcasting also failed test at local level, they said, because average quarter-hour audience estimates showed affiliates' early local news delivered nearly 25 times more audience than did CNN in prime time. Late news was nearly 20 times greater, Sherman said. Study suggested broadcasters should make several changes: (1) Stop thinking for short term and increase long-range strategic planning. (2) Pay more attention to programming, including refining it to meet advertiser needs. One suggestion was to create new types of viewing to replace traditional program patterns. (3) Use creative approaches to increase revenues, including intramedia projects. (4) Spend more time and money on self-promotion and self-marketing. (5) Make better use of strategic marketing data, such as measuring consumption as affected by TV.

RAPID MATURATION OF HDTV SEEN AT NAB: HDTV has made major steps toward maturity since last NAB convention, tour of exhibits at Las Vegas showed. In 1988, NAB was dominated by relatively simple displays of NHK's MUSE system. NHK was back this year with 3 new NTSC-compatible versions of MUSE, but they were joined by major displays of advanced TV (ATV) systems by N. American Philips, Sarnoff Labs, Zenith, host of others. Meanwhile, Scientific-Atlanta (SA) claimed "first commercialization of an HDTV product" with sale of HDB-MAC HDTV satellite scrambling system to Telesat Canada.

More importantly, there was substantial amount of hardware that replaced simulations of last year. Several companies showed ATV equipment ready, or nearly ready, for final testing. Equipment, at NAB's own exhibit and separate production display by 1,125/60 group at Tropicana Hotel, showed virtually everything HDTV producers and broadcasters will need, from receivers to switchers to HDTV painting systems.

Shakeout in industry is almost certain, experts said. They pointed out that larger, well-financed HDTV companies have made major progress in last year, but lack of funds has limited development by smaller ones. None of 19 system proponents has dropped out officially, but there's speculation some won't get systems to Advanced TV Test Center (ATTC) for evaluation. Philips Labs Pres. Mark Rochkind said: "Where there were 19 proponents before, there are probably about a half-dozen viable systems now. And that's

probably good for the industry." Cost of staying in race has been relatively low until now, Zenith Exec. Dir.—Advanced R&D Wayne Luplow said, so it hasn't made sense to drop out.

Next step is to reach agreement on general type of HDTV system, Rochkind said. Three major options were evident in displays -- improved version of NTSC (Sarnoff, Faroudja Labs and others), systems such as Philips' that use augmentation channel, Zenith system that use separate 6 MHz channel to broadcast HDTV, typically simulcast with standard NTSC channel. NHK covered its bets by showing all 3. Debate on 3 methods followed usual lines.

Consumer testing could be key, and ATTC and industry aren't moving fast enough on it, NBC Pres.—Operations Michael Sherlock said. ATTC now plans consumer testing near end of process, he said, but "that's the wrong end of the scale. There is so much enchantment with the engineering aspects of HDTV and not enough on what the viewers really want." Major proponents said they will be able to meet deadline for presenting HDTV hardware to ATTC.

Federal involvement also is needed, at least to provide antitrust immunity so companies can work together, Sherlock said. Sarnoff/NBC's Advanced Compatible TV (ACTV), for example, uses encoder, decoder and line doublers provided by Faroudja, and Sherlock said companies need more freedom to investigate using best ideas of others. Govt. is in final stage of drafting legislation that would meet at least some of need, Commerce Secy. Robert Mosbacher told MST membership meeting. He said HDTV "has high priority" within Commerce and Administration, but govt. wants industry to take lead and develop action plan. Mosbacher said he has "grave concerns" about larger federal role in funding and developing HDTV.

Proposals in Congress to provide HDTV R&D seed money also would provide "grease for the gears of American technology," Rep. Ritter (R-Pa.) said at HDTV session. Bills, including one by Ritter (HR-1267) would provide about \$100 million per year seed money for HDTV development, amount he said govt. hopes would at least be matched by industry, and would encourage billions of dollars of federal spending on HDTV equipment.

There were many HDTV firsts at show. For example, NHK unveiled new family of NTSC-compatible MUSE systems, developed at request of NAB and MST. NTSC-Compatible MUSE 6 uses 6 MHz channel, but provides twice resolution of NTSC. NTSC-Compatible MUSE-9 adds 3 MHz augmentation channel to MUSE-6. Narrow-MUSE uses 6-MHz channel, but isn't based on NTSC and would need NTSC simulcast. Zenith conducted first public demonstration of its Spectrum Compatible (SC-HDTV) system, which generates 787.5 lines of resolution, uses progressive scanning. Zenith's Luplow said his company is "optimistic" about meeting Jan. deadline for testing. Sarnoff Lab showed entire suite of ATC production equipment, as expected (TVD May 1 p2).

Philips presented first clips of HDTV programming converted from film. Rochkind said Philips display also was important because it's only American system capable of true HDTV for which hardware is available. Second-generation hardware for broadcast and cable transmission is near completion, Philips said, with tests expected by end of year. Test will be conducted in N.Y. area by commercial broadcaster and cable system operation. Philips had said earlier it would test satellite transmission this year in cooperation with Hughes.

Enhanced-definition TV (EDTV-1) was shown by Nippon TV Network (NTN). Like ACTV, it's improved version of NTSC, but uses different transmission technique. Result is similar, NTN official said, but it's "simpler and cheaper than ACTV." Faroudja's improved version of SuperNTSC uses display about twice as large as last year's model but with about same resolution per square inch, CEO Yves Faroudja said. Equipment includes new video/audio multiplexer and better motion detection in line doubler, he said. N.Y. Institute of Technology method also had better resolution than last year, now more than 700 lines. Changes include improved processing and some rearranged filter parameters.

Broadcasters also had chance to "kick tires" of more HDTV equipment than ever. What they saw often was eye-opening -- entire range of HDTV production and postproduction equipment and TV monitors ranging in size up to 200" that showed true impact of new mode in ways previous 35-40" screens couldn't touch. Displays raised familiar issue -- how will broadcasters pay for HDTV equipment that could cost \$5-\$10 million per station? There were no price tags on equipment exhibited, but NAB Vp Michael Rau cited HDTV VTR that he said would cost about \$300,000: "I don't know if there is a market for that when a high-quality 1-inch VTR for broadcast in the U.S. costs \$60,000-\$70,000."

Network officials said transition will take years and often will mean simply buying HDTV equipment when it's time to replace aging NTSC. CBS Vp Joseph Flaherty said cost will be only "incremental" above

that of normal equipment replacement. Network officials said station owners probably shouldn't start buying HDTV equipment yet. Cap/ABC Senior Vp-Technology & Strategic Planning Julius Barnathan said "there'll be plenty of time for the transition later." Rau agreed there will be enough time to begin buying after HDTV transmission and production decisions are made: "I can't imagine a transition scenario that would require stations to change over their equipment in one year. The industry wouldn't support it."

Networks don't want to disrupt core business by too-quick switch to production standard such as 1,125/60, officials said. Core business is U.S. broadcasting, Sherlock pointed out, not exporting programming overseas, which is main reason for worldwide production standard. He said TV industry shouldn't pay more for production "just so 40 or 50 Hollywood studios can export." Coordinating Committee for International Radio (CCIR) is "very unlikely" to agree on HDTV production standard in current session, said Sony Advanced Systems CEO William Connolly, spokesman for 1,125/60 group. He said State Dept. adopted Advanced TV Systems Committee position that U.S. seek delay in production decision, even though 1,125/60 standard "is probably the best-defined TV system the world has ever seen."

All types of production equipment were in evidence. HDTV/NTSC downconverters, for example, were shown by Mitsubishi, NEC, Rebo Research, Sanyo Fisher, Sony. Merlin Snell & Wilcox offered converter it said could adapt from 1,125/60, 1,050/59.94 or 1,250/50 to NTSC, PAL, PAL-M, PAL-N, SECAM. NEC didn't show NTSC/HDTV upconverter, but officials said it's available. Toshiba presented 1" HDTV VTR, Sanyo an HDTV video disc system that records 60 min. of programming per disc, Sony a digital VTR.

HDTV displays were eye-opening. Several manufacturers, including Eidophor, Hitachi, Mitsubishi, Panasonic and Sony, showed theater-size displays. Mitsubishi's LVP-200X HD projection system, for example, can handle 150-200" screens with more than 1,000 lines resolution, officials said. Eidophor's Model 5177 HDTV projector was shown on 12' x 20' screen. System has more than 100:1 contrast ratio. Panasonic's HD Video Mini Theater was presented on 135" bead screen, but company said it could go up to 230" with 100:1 contrast.

Others were almost as large. Sony's HD1H-120C projector used 120" concave screen, providing 1,000-line resolution, and Hitachi said it already has sold some of its 110" rear-projection systems. Several rear projector displays were in 50" range, including 55" Toshiba, Sharp 54". Almost all were demonstrated in darkened rooms. One exception was Sony HD1H-120C 120" rear projector with 900-line resolution that showed excellent picture with normal lighting. While 1988 NAB convention focused mainly on smaller HDTV monitors, mostly in 35-40" range, there were relatively few of them this year. NEC and Toshiba each showed 32" versions and Panasonic had 20" color monitor.

Cameras, lenses and switchers were shown by several manufacturers. Nikon offered range of HDTV lenses, Panavision a developmental model of cinematography system, Ikegami an F5.6 HDTV production camera, Sony a 2nd-generation HDC-300 camera and portable production switcher. There was whole suite of postproduction equipment from Chyron, Grass Valley Group, Magni Systems, Sony, Tektronix. HDTV special effects equipment included Shimatronic design system that includes such elements as paint and airbrush, Quantel's graphic paintbox, Chyron Scriber HDTV titler.

Telesat plans to begin 2-year applications and marketing trial of HDB-MAC system in Oct., CEO William Johnson said. Order is worth about \$1 million to SA, and Telesat plans to spend another \$7 million for related equipment, including 32' mobile production vehicle, Ku-band transportable satellite uplink equipped with HDB-MAC encoder, mobile and fixed receive equipment, monitors. Canadian system will use cameras and VTRs supplied by Sony. Telesat plans to use monitors from mix of manufacturers, but hasn't placed order yet, Telesat's Brian Olsen said.

HDB-MAC is derivative of SA's original B-MAC satellite scrambling system, which has become U.S. standard for business TV. System includes standard B-MAC encoder, new preprocessor, HDTV scan converter. Progressive scan system uses base bandwidth of 10.7 MHz, which decoder increases to 18 MHz for display. Signal can be carried on standard 27 MHz Ku-band transponder. HDB-MAC is compatible with several HDTV production formats, SA said, including 525-line, 1,050-line, 1,125-line. SA officials said they haven't determined whether existing B-MAC systems can be upgraded to HDB-MAC simply by adding module, expect to know more within few months. HDB-MAC uses spectrum-folding technique to achieve 950-line horizontal resolution, 480-line vertical.

FCC budget review by Senate Communications Subcommittee is set for hearing May 17, 10 a.m., Rm. 232-A, Russell Bldg. Chmn. Patrick will testify.

U.K.'s first TV home shopping program, Satellite Shop, made debut May 1 on Sky TV. Program is being transmitted live 6 hours, 7 days weekly as Next-Grattan joint venture.

NAB-CONGRESS WRAP-UP: Key House lawmakers told NAB in Las Vegas last week that radio-only license reform legislation (HR-1136) could die in Congress unless broadcasters begin pressing case more vigorously. NAB has made radio-only bill top priority this year. Legislators at another session had good news for industry, reporting that Congress was unlikely to enact comprehensive reforms to curb TV-radio campaign ads. But consensus is building to move modest package to help control campaign costs, which could hold implications for broadcasters, they said.

Lawmakers said April 30 that HR-1136 is on House Commerce Committee's back burner, awaiting end of battle on reinstatement of fairness doctrine and completion of children's TV. Both bills (HR-315, -1677) have passed Committees and are expected before full House shortly. However, lawmakers didn't see radio-only bill as gaining Committee attention soon unless industry drums up support. "There's not necessarily agreement that radio improvements are needed," Rep. Rinaldo (R-N.J.) said.

Part of problem is that stations haven't been making issue of bill with their representatives. Show of hands by lawmaker panelists found 4 of 7 hadn't been approached on bill by broadcasters in their districts. Also factor is lingering bitterness over talk show hosts' campaign against raising salaries of Congress and FCC and unhappiness on Hill with shock radio trend, they said.

Pay raise also was brought up by FCC Comr. Quello at FCC-congressional staff breakfast April 30. He lashed out at what he called "messianic binge" in radio to editorialize against pay raise, which he predicted would hurt industry in Congress: "From an ownership and management point of view, you shot yourselves in the foot." But Quello and later Rep. Tauzin (D-La.) said opposition was within stations' First Amendment rights. "It was his First Amendment right to be an insufferable smart ass," Quello said, referring to one of radio performers involved in tea bag campaign. Tauzin and other panelists at his session -- Reps. Bliley (D-Va.), Bryant (D-Tex.), Collins (D-Ill.), Fields (R-Tex.), Lent (R-N.Y.) and Rinaldo -- expressed no interest in imposing stricter controls through program quantification or other requirements for renewal expectancy.

News on campaign bill came from House Commerce Committee members who fielded questions at another session on campaigns and elections: Reps. Oxley (R-O.), Schaefer (R-Colo.), Swift (D-Wash.), Waxman (D-Cal.). Swift also chairs House Elections Subcommittee and has authored bill (HR-13) to curb campaign spending excesses by providing candidates who voluntarily seek to control expenses 30% discount on political broadcast rates.

Lawmakers agreed pressure was building in Congress to curb campaign costs. However, Oxley said chances are "relatively slim" for passage of extensive package to mandate free air time for debates, to cap ad rates and to control political ad formats. Most likely to gain attention is modest proposal on use of political action committee (PAC) funding, lawmakers said.

Swift acknowledged doing turnaround on idea of curbing content excesses of negative ads and saw day coming in near future when such legislation would pass. Waxman and Schaefer disagreed, saying they thought mandatory "talking heads" format in which candidate appeared in ad 100% of time would be "stale" and unappealing to voters. Swift said he once had opposed idea, in part because candidates with broadcasting background such as he would have leg up in such ads. "But we have to put the damper on negative ads," he said.

Rep. Sensenbrenner (R-Wis.) told SRO crowd at another govt. issues session that he believed cable should be deregulated as public utility by state and local govt. He decried what he said were excesses of cable, said deregulation was needed because of industry's growing importance. Rep. Carr (D-Mich.) also saw need for cable regulation and Rep. Leland (D-Tex.), member of Commerce Committee, was cautious about letting telcos into cable. Quick action by Congress to deregulate cable is unlikely, Rep. Berman (D-Cal.) indicated. Among hurdles is what he called broadcast industry's own duplicity, pointing to TV-radio resistance to regulation while calling for cable's deregulation. But Berman said he did believe cable deregulation would come eventually as consumer "outrage" increases. There was wide support on panel for reinstating cable must-carry rules. Sensenbrenner, member of Judiciary Committee, also said he thought cable compulsory license should be "rethought and possibly repealed."

Capitol Hill issues, which usually are among hottest topics at NAB conventions, took low profile, reflecting Assn. efforts to improve relations with lawmakers and fact that there are no new burning broadcaster issues before Congress. Even usually high-profile invitation-only closed congressional breakfast was described as "vapid" and "not very newsworthy" by participants. Eight lawmakers attended, including 3 members of House Commerce Committee and Sens. Bryan (D-Nev.) and Burns (R-Mont.), reportedly discussed their private views on must carry, children's TV, radio renewal reform.

Message throughout NAB govt. panels was that relations between FCC and Congress, and NAB and Congress, were improving. But Terry Haines, Republican counsel to House Telecom Subcommittee, criticized FCC for sparking poor relations with Congress in handling of fairness doctrine. Speaking at preconvention joint American Bar Assn.-NAB legal forum, he said Commission's problems stemmed as much from process as policies. Capitol Hill concerns were "legitimate" and "bipartisan," he said, and this hurt FCC Chmn. Patrick "a lot." Asked whether FCC should have handled fairness doctrine's repeal differently, FCC Mass Media Bureau Chief Alex Felker said: "The way it played out is probably about as good as it could play out."

Toni Cook, Democratic counsel to Senate Communications Subcommittee, said parent Commerce Committee Chmn. Hollings hadn't taken position yet on whether to hold FCC nominees hostage to fairness doctrine if measure is vetoed. But David Leach, key aide to House Commerce Committee Chmn. Dingell (D-Mich.), indicated dispute with broadcasters may come back to haunt industry in coming budget battles and that "FCC is a likely target" for some form of license fee or user fee based on revenues. He said there's strong congressional opposition to auctioning spectrum. Felker said budget issue will be biggest problem facing new chmn.

Spectrum fees were topic of another panel, where lawmakers also predicted emergence of new license transfer fee proposal from Sen. Hollings (D-S.C.), chmn. of Commerce Committee. Panel was directed to find ways to raise \$680 million in revenues to help offset deficit under budget resolution passed by both House and Senate last week. Hollings' fee proposal was defeated in last Congress, and Sen. Grassley (R-Ia.) forecast another defeat this year. He said sentiment in chamber is fixed on new tax on broadcasters. However, Congress is desperate to raise revenues, so "everything is on the table," including ad deductibility, said Rep. Rogers (R-Ky.) of Budget Committee. Lawmakers, including Rep. Hyde (R-Ill.), encouraged industry to defeat ad tax.

'TRASH TV' DEFENDED: "Trash TV" is new form of journalism that speaks to middle America, NAB was told in Las Vegas. Panelists at special "sound off" session May 1 agreed that excesses of new format have "broken the polite rules of talk shows," in words of one, but are making news relevant to large new segment of population for first time.

Programs explore front-page news, said William Boggs, exec. producer of Morton Downey Jr. Show. "We're not lesbian truck drivers," he said. "We aren't dealing with sensationalism on my show." Topics are serious, he said: "I pick the subjects... from the front pages of the Los Angeles Times, the New York Times and the Washington Post, not the Star or the National Enquirer." Show deals with same issues as 60 Minutes and Nightline, Boggs said. He likened show to lively dinner table discussion.

Robert Bolte, Clorox dir. of media services, said trash TV is fad that's part of larger trend toward increasing audience fractionalization as media compete for viewers. Trend is toward "us-versus-them" programming, said Jennings Bryant, U. of Ala., situation that Bolte said was troubling to his company. Clorox won't buy time on trash TV, he said, because programs "don't provide the environment that would enhance our products... We try to buy around them."

Clorox's view isn't shared by other advertisers, NBC Vp-Program Standards Alan Gerson said. He said advertisers will follow audience, and contended that industry wasn't acting irresponsibly with new format, as has been charged. Industry still is showing "admirable sense of responsibility," he said. Yardstick differs according to program genre, Gerson said: "You can't put Downey versus Alistair Cooke."

What some in audience saw as new low in format will be explored in Crime Time, show under development for July or Sept. launch on Fox TV. Exec. Producer Mark Weinberg, who 7 months ago was commodities trader, described program as "a kind of Ed Sullivan Show with a felonious cast" because all of participants in talk and variety entertainment format will be convicts. "We don't recreate crimes," he said in criticizing America's Most Wanted and similar programs as "ridiculous... entertainment programming pretending to be realistic... Our cast is all felons, sort of a 'Lifestyle of the Poor and Incarcerated.'"

Following turndown of ABC's "last, best and final offer" last week by NABET members at network, negotiators for both sides agreed to meet in Washington May 11 with Kenneth Kowalski of Federal Mediation & Conciliation Service, who was brought into long-standing dispute at request of ABC. Network had sought earlier meeting, saying its offer of 10% bonus for ratification of contract expires May 15, won't be extended. However, NABET said it couldn't meet earlier because of sessions on ABC's proffered pension plan (which network wants to cut from 10% contribution of employee's annual salary to 9.2%) "that tie into the negotiations." ABC said it was "sad and dismayed" by union members' rejection of contract, asked for meeting to make sure union leadership and members "understand that the terms of our final offer will not be renegotiated... We're concerned about the union's refusal to meet with us before the 11th, which means the membership would not have an opportunity to ratify our offer in time for the bonus." However, NABET official said ABC can extend offer "to May 25 or whatever... There's nothing magic about May 15." Union said there still are no plans to order strike vote, telling members it "reiterates its caution [to] ignore all rumors, continue to perform your work functions as usual."

Sole pay-TV rights have their price, as Showtime Networks parent Viacom revealed in 10-K for 1988. Viacom said Showtime had committed to acquire \$972 million worth of pay-TV rights as of Dec. 31, most of them payable within 4 years. Figure doesn't include "anticipated substantial costs" associated with expanded agreement with Disney for up to 125 films or, presumably, recent 5-film deal with New Visions. While Showtime has obtained box-office hits as result of drive to acquire exclusive programming, stronger lineup has meant weaker balance sheet. Company lost \$13.3 million on \$420.5 million revenues last year, vs. 1987 loss of \$200,000 on \$357.5 million year earlier, in part because of greater programming expenses reflecting "high number of box-office hits exhibited in 1988 as well as the full impact" of exclusive deals, 10-K said. Also contributing were higher marketing expenses stemming from consumer awareness campaign. Meanwhile, Viewer's Choice is consolidating N.Y. and L.A. offices in wake of Nov. merger with Home Premiere TV. Viacom Cable retains 16.6% stake in pay-per-view service, with rest owned by 5 other cable MSOs. Viewer's Choice spokesman said no layoffs are involved. Company has 245 affiliates with 9 million basic and 5.5 million addressable subscribers. Ten employees, headed by Programming Vp James English and Affiliate Relations Vp Sharon Portin, will be based at 1888 Century Park E., Century City, Cal. 90067, 213-785-9094; in N.Y., 33 will move to 909 Third Ave. 10022, 212-486-6600.

Canadian Bcstg. Corp. (CBC) is seeking to provide 18-hour daily programming service that would air on basic cable in U.S. CBC is talking with undisclosed U.S. company that would sell and insert commercials in service, which it hopes could be launched next year. Service would include children's, drama and current affairs. CBC is at "very delicate stage" of talks with unidentified prospective Canadian partner for venture, called Northstar, believes it would be relatively easy to sign U.S. partner once talks with Canadian entity are concluded. CBC project director, Jack Craine, acknowledged clearance of service on U.S. cable systems might prove difficult given crowded landscape, but said trend toward channel capacity upgrades and partial family focus of service would help prospects. While CBC is federally funded, Craine said undertaking wouldn't require Canadian govt. approval since CBC would function solely as program provider. However, venture already has "unofficial blessing" of Ottawa govt., he said.

Fla. Public Service Commission (PSC) ruled May 5 that GTE Fla. furnished adequate telephone service, under state law and PSC rules, to Home Shopping Network (HSN). Companies are locked in \$1.5 billion lawsuit in which HSN claims GTE fraudulently misrepresented capabilities of telephone equipment, then covered up its failings. PSC decision was response to 3 questions submitted by Pinellas County Circuit Judge Howard Rives, who will hear trial in case that starts June 19. HSN Deputy Gen. Counsel Tom Acey said PSC ruling is irrelevant because thrust of suit deals with fraud and misrepresentation of switching system, not whether local telephone service meets regulatory standard. GTE believes PSC decision "confirms what we have been saying -- that we provided excellent service to this customer," Fla. Media Relations Dir. Jan Morris said.

Cable transactions: Warner Cable has agreed to buy 15 Ohio systems serving 30,000 subscribers... **Masada Cable Partners LP** has acquired system with 7,000 subscribers in S.C. from Piedmont Cablevision. Broker: Waller... **Weststar Communications** has bought Culdesac Cable TV, Video Communications Inc. and Grangeville TV Service, which own systems serving 685 subscribers in 5 Utah communities. Broker: Daniels.

TELCO AND TCI WOO NAB: Bell Atlantic (BA) Chmn. Raymond Smith offered at NAB convention in Las Vegas to: (1) Conduct fiber optic-based trial with broadcasters. (2) Discuss "partnering" of telcos and broadcasters. Later same day, TCI Pres. John Malone told broadcasters his company and cable industry wanted to cooperate on resolving issues ranging from must-carry to programming. Regional Holding Cos. (RHCs) such as BA are prohibited by Modified Final Judgment (MFJ) from generating information services; RHCs are contesting that in court. Smith voiced optimism that at least some constraints would be lifted in year or 2 -- either through RHCs' appeal or congressional action.

He contended that it's better for broadcasters to "partner" with telcos than with cable. BA wants to operate as common carrier that also may program channels on fiber optic integrated broadband switched network, which would put BA in competition with broadcasters. "We believe passionately that we have rights under the First Amendment" to produce video programming, Smith said. Telco equipped with broadband fiber network would guarantee broadcasters access, making must-carry moot, he said.

Right of entry into program content business is mandatory if BA is to have incentive to build fiber network before 2020, Smith said. He waffled on cost estimates of building fiber network, eventually conceding his figure of \$1,500 per household was for telephone service only. He said broadcasters would be charged for carriage in event telco operates integrated broadband network as common carrier. If telco enters as traditional cable operator, there wouldn't be charge, he said.

Malone said telco ideas for delivering video aren't cost-effective. If telcos are allowed into cable, he said, TCI would like to carry voice. On other topics, Malone said: (1) Channel shifting issue must be "put to bed" in order to reach accord on must-carry. TCI is committed to doing so and will sign private contracts to ensure carriage. (2) Syndicated exclusivity (syndex) policy, to be successful, will require cooperation. Regional superstations will lose carriage on cable and in many instances will be replaced with regional sports channels and, in some areas, with 24-hour local news channels, he said. TCI is preparing to solicit local programming proposals from broadcasters for use on these channels.

(3) NBC may be behind 24-hour local news idea, concept being floated in Washington by Allbritton Communications, which owns ABC affiliate WJLA-TV there. Allbritton spokesman had no comment. (4) TCI is looking for broadcast participation in trial rollout of SuperNTSC on a TCI system. (5) Continued cable success will lead to deregulation, with question being when and in what form.

Meanwhile, in earlier cable-telco session sponsored by Best. Education Assn., NAB may have ended its neutral stance on cable-telco issue when Exec. Vp John Abel said: "I can't imagine that it is in the long-term or short-term best interests of the broadcast industry" to allow telcos into cable.

RAB has issued 29th edition of "Radio Facts for Advertisers" that it describes as "definitive volume on commercial radio." Booklet, which will be distributed to advertisers, agencies and stations, reports: (1) There are 533.2 million radios in use in U.S., up 17% from 1980. (2) Americans bought 66.2 million radios in 1988, spending \$2.66 billion. (3) Average home has 5.6 radios. (4) Radio reaches 78% of public each day, 96% each week.

SILENT TREATMENT: NAB and RAB called on all radio stations to go silent for 30 sec. at 7:42 a.m. local time May 26 to launch \$1 million, year-long campaign to dramatize medium's importance. At NAB convention session, Assns. said campaign represents first such industrywide effort since commercial operation started in 1922. More than 3 dozen broadcast groups have committed \$900,000 to effort, \$600,000 of which has been spent, RAB Pres. Warren Potash said.

Campaign will be launched with 90-sec. spot (including 30 sec. of silence) by actor James Earl Jones. Research for project was conducted by Omega Group on several stations in Columbus, O., that showed that public acceptance of radio was "unbelievably and undeniably strong," said Jerry Lyman, co-chmn. of project and ex-NAB radio chmn. Kits containing print ads, spots and instructions will be mailed to all U.S. radio stations by end of week, he said.

Project was conceived by joint NAB-RAB Radio Futures Committee. Goals are to increase awareness of radio's role, to raise professional commitment within industry and to "increase radio's share of overall advertising dollars." Campaign will include on-air commercials, trade and consumer print ads, individual kits for stations.

Potash said opportunities for radio broadcasters are unprecedented. Relying on newspaper and magazine clippings, Potash cited decline in rate of newspaper revenue growth: "What they're saying is, newspapers are falling apart, TV is not getting stronger and radio keeps marching on." Potash, RAB pres. only 2 months, also dealt with recent political woes inside Assn., joking about negative internal memorandum that staffer leaked to trade press. Potash harshly criticized practice of selling listeners as if they were "commodity." He said: "We are not coal, we are not lead. We gather consumers."

Radio had largest revenue gains in markets ranked 26-50, with 11% increase in 1988, according to NAB-RAB market trends study released at convention. Markets 11-25 had 9.7% gain in total time sales, while other markets in top 100 averaged 7.9%. Markets smaller than top 100 had average revenue increase of 5.8%. Report is available for NAB and RAB members for \$50, \$100 for nonmembers: 202-429-5350.

Worldwide HDTV broadcast will be part of 5-hour June 3 international program, "Our Common Future," to be seen in more than 100 countries and designed to raise consciousness about environmental concerns. Carried by Intelsat, 5-hour program will originate at several concert sites. Show from primary originating point, Avery Fisher Hall, N.Y., will be televised in 1,125/60 HDTV and broadcast in HDTV by Japan's NHK satellite. In U.S., it will be seen in Minneapolis and L.A. in HDTV. N.Y. uplink and Minneapolis downlink will be provided by Hubbard Bestg. and domestic satellite capacity by Hughes Communications, which also will provide L.A. downlink. Telecast will be viewed in L.A. on GE Talaria. Program will be syndicated in conventional NTSC by Orbis.

Scientific-Atlanta profits set record in 3rd quarter ended March 31, up 24% to \$9.7 million, CEO William Johnson said. Sales in quarter reached \$134.9 million, vs. \$128.5 million year ago, and order backlog was \$226.6 million, up from \$209.6 million. Johnson cited strong cable TV business, including introduction of new subscriber set-top models, for major part of improvement, and said VSAT business showed good growth.

NAB NOTEBOOK: Effort to redesign, research and implement new personal rating diary for TV has \$400,000 war chest and has spent about 10% of that so far, Gary Chapman, NAB TV dir. and head of subcommittee of NAB Committee on Local TV Audience Measurement (COLTAM) said at convention session. Group is trying to overcome erosion in number of viewers who return diaries to research firms and to find way to measure out-of-home audiences. Chapman group recently awarded 2 contracts -- to Mich. State U. and U. of Ga. -- to conduct separate studies to aid in project. Personal diary format hasn't been tested in nearly decade and hasn't been adjusted to cope with new patterns of viewing, Chapman said. Richard Montesano of Cap/ABC said recent studies by network for Mon. Night Football and other sport events show that in certain demographic groups, viewing can rise dramatically if out-of-home audience is counted. Tim Dolson of Nielsen said upgrading personal diary can be done but would be expensive.

TicketTV, new pay-per-view (PPV) service for broadcast and nonaddressable cable systems, will air first event in Oct.-Nov., said Lawrence Shultz, pres. of parent International Telesystems Inc. (ITSI). It's called TicketTV because ticket to be sold by retailers is inserted into decoder/converter to unscramble signal. Using encryption system that received patent week earlier, service was displayed at convention using transmitter of its first affiliate, public TV KLVX (Ch. 10) Las Vegas. Service sees itself as way for PPV to expand universe beyond what Shultz described as 10 million addressable cable households. He predicted programming won't be problem it has been for other PPV services because of relatively low costs. Instead, he said, carriage and affiliation agreements are key to TicketTV success. Programmers can use service to reach 80 million TV households not on addressable cable systems, Shultz said. He said ITSI has generated interest among Fox affiliates that appear interested in using PPV to flesh out partial network schedule and to compete with cable regional sports channels. KLVX Gen. Mgr. John Hill said he sees TicketTV as one way for PTV stations to end "begging for dollars" -- pledge drives. He said KLVX plans to use service between midnight and morning sign-on.

NBC affiliates committed \$3 million to development of Advanced Compatible TV (ACTV), said Robert Sutton of affiliates group. Sutton presented first check for \$1 million at press conference. ACTV is being developed by consortium of NBC, RCA Consumer Electronics, Sarnoff Research Center. Other \$2 million is to come in annual installments. Consortium expects to have more than \$67 million committed to development by end of year.

Satellite-delivered HDTV in France is being delayed by lack of transponder capacity, said Yves Faroudja, whose Faroudja Labs provided system. French first demonstrated system in Dec., but haven't been able to use it commercially on regular basis because they're being given only occasional access to French Telecom 1 satellite, he said. There's also "political pressure" to change system from U.S. 60 Hz to European 50 Hz, Faroudja said. He said his company is in discussions on developing line doubler capable of operating at 50 Hz.

BTS showed its next generation of CCD camera equipment, including NTSC studio camera with 800 pixels per line and portable version with 610 pixels. BTS Vp Charles Felder said equipment increases sensitivity by almost one F-stop and has other improvements such as antiflare coatings, infrared filter, better signal-to-noise ratio.

FCC audit of licensee's EEO procedures is being "administered with teeth" now, said Susan Wing, partner in Washington law firm Hogan & Hartson. Addressing NAB-American Bar Assn. legal forum, she predicted that in next few months several cases could emerge "potentially assessing" EEO sanctions against renewal applicants that haven't received petitions to deny. Wing said new focus began in 1987, removed stations from "numerical safe harbors" to require licensee to make "best efforts in recruiting, hiring, training and promoting minorities and females... Today, however, it is clear... that the FCC is effecting a dramatic -- though quiet -- revolution in the EEO area... Notable cases have been released one by one with little or no fanfare." This has caused stations to be required to keep far more extensive EEO records than in past, Wing said.

Operation in C- and Ku-band hybrid environment is preoccupying planners at CBS and Cap/ABC, whose representatives outlined recent efforts to cope. David Chilson, Cap/ABC RF systems engineer, provided assurances to affiliates that network is committed to maintaining its core C-band feed even as it undertakes ambitious program to reconfigure stations' existing 7-m C-band TVROs so they also can receive -- and send -- in Ku. Biggest challenge to retrofitting program has been multiband feed technology, Chilson said. Result for his group will be networkwide dual-band capability at considerably less expense than addition of separate antennas. He didn't give timetable for completion of retrofitting program, or precise dollars involved. Move to Ku-band backhaul capacity -- while maintaining C-band feed -- also is under way at CBS, whose Newsnet satellite system has been expanded to include Ku-band coordinating center to ease sharing of feeds among affiliates.

One of few equipment areas with disappointing levels of activity was satellite newsgathering (SN), which had been doing brisk business as recently as 18 months ago. While all exhibitors of satellite news vehicles (SNVs) and flyaway uplinks we interviewed saw no lag in enthusiasm among broadcasters, they said most who want equipment have access to it. Three of 6 major SN manufacturers have quit business since last year. Dalsat and Centro have quietly joined Hubcom in departing scene, leaving display area to Midwest, BAF, RF Scientific. U.S. market also has reached "plateau" in flyaway units, although European market is "extraordinary," Advent sales representative Steve McGuiness said. Midwest was showing new flyaway, S-2, 2.4-m upgrade to its 1.8-m S-1, which packs in 14 cases, sells for \$247,900. GTE Spacenet showed its first self-designed SNV. Vehicle, mounted on custom Wolf Coach body, is smaller and cheaper (about \$370,000) than most current SNVs, GTE said. It omits much production-oriented equipment, has limited editing capability, is designed mainly for live remotes. Officials believe lower cost vehicle "without all the bells and whistles" will be attractive to smaller markets that previously couldn't afford equipment. GTE also showed voice communications flyaway earth station package.

Sony demonstrated concept for CCD studio cameras. Sony Communications Products Pres. Richard Wheller said BVP-370 camera is expected to be company "flagship." BVP-370 is designed for demanding studio and electronic field applications, with less expensive BVP-270 for general studio use. BVP-370 uses newly developed 768 "FIT" CCD imager, while BVP-270 relies on 768 "IT" CCD imager from BVP-7 camera. Sony also showed all-digital editing suite and preproduction model of portable digital VTR called DVR-1.

GORE PLANS CABLE BILL: Cable reregulatory bill has been prepared by Sen. Gore (D-Tenn.) to return basic rate controls and to eliminate cable-telco cross-ownership rules, sources confirmed. Draft measure also would prohibit discrimination against competing program technologies and restrict cable's vertical integration, we confirmed.

Bill explicitly says it isn't designed to affect Modified Final Judgment (MFJ) that split up telephone Regional Holding Cos. (RHCs), meaning it wouldn't allow RHCs to enter video, we're told. However, it will propose open video gateway concept that in Senate could hold implications for MFJ legislation; House Commerce Committee Chmn. Dingell (D-Mich.) already has pledged privately to resist any efforts in House to allow RHCs into programming. Gore's bill also appears likely to inject cable-telco issue into MFJ deliberations. Senator plans to introduce bill soon, and may have Republican co-sponsor, we're told.

Meanwhile, FCC Comr. Dennis said at NAB convention that Chmn. Patrick has approved en banc hearing on cable-telco issue (TVD Feb 6 p5), but she and Comr. Quello agreed that any decision is far in future. In fact, Quello, 75, said he hoped issue wouldn't come to head until after next "2 years, 2 months" -- indicating more firmly his intention not to remain on FCC after term expires in 1991.

Quello had voted with Patrick in tentative decision to advise Congress to lift ban in 1984 Cable Act that precludes telcos from owning cable in their local service areas; Dennis dissented. Since then, Quello has reconsidered position. En banc hearing is likely in June, and Dennis urged broadcasters to provide input.

ABC pulled plug on dramatized crime special April 29 following failure to attract advertising. Officials attributed cancellation of Crimes of Passion II, which included dramatization of man setting fire to his wife, to advertiser sensitivity to recent citizens' campaigns against violent or sexually oriented fare. Several advertisers recently have withdrawn sponsorship of network programs targeted by public groups. One of groups, Christian Leaders for Responsible TV, is monitoring network prime-time fare during sweeps this month before deciding on programming to attack.

Labor Secy. Elizabeth Dole is keynote speaker at AWRT convention May 11-15, Waldorf Astoria Hotel, N.Y. Other major speakers include FCC Chmn. Patrick and Comr. Quello. Assn.'s Silver Satellite Award will be presented to actor Michael Landon at opening banquet Wed.; Sallie Forman, NBC Washington govt. relations vp, will receive AWRT Achievement Award. Sessions are scheduled on impact of new technology, children's programming, legislation: "What's Fair About the Fairness Doctrine?" and "What Is Sexual Harassment and What Can I Do About It?"

WXMI (Ch. 17) Grand Rapids, Fox affiliate, has been acquired by U.S. TV of Mich. for \$22 million from TV 17 Unlimited, Harold Shively, pres. Buyer is headed by Richard Dudley, ex-pres.-CEO, Forward Communications. Dudley group also is buying KTZZ-TV (Ch. 22 independent) Seattle for \$16 million from Michael Forman.

Society of Bcst. Engineers will sponsor open symposium on advanced TV systems at 7 p.m. May 16 in Studio 8-G at NBC, 30 Rockefeller Center. Speakers include Edmond Williams of Advanced TV Test Center, Merrill Weiss of NBC, Lynn Claudy of NAB. Details: 212-752-3222.

MPAA Pres. Jack Valenti submitted written statement to Senate Antitrust Subcommittee last week supporting efforts to curb horizontal and vertical integration in cable industry. He said cable faces no effective competition: "The cable operator is the classic bottleneck... The consumer has access only to those program services that the cable operator chooses to place on his menu. And the menu... consists solely of those program services that the cable operator chooses to provide." But Valenti said solution isn't in reimposing rate regulation. Rate controls would be short-sighted, too political and in past failed to be handled in "rational, economic manner," he said. Program exclusivity also shouldn't be eliminated, forcing cabler to deal with all prospective program sellers, he said. Valenti urged legislation that would address vertical integration by limiting horizontal integration, possibly by curbing penetration. Marketplace entry barriers for multichannel competitors also should be removed, he said. As example, he suggested broadcast TV networks not be permitted in cable. Valenti's statement was follow-up to Subcommittee hearing April 12 at which MPAA wasn't represented among witnesses (TVD April 17 p3).

FCC has cleared path to allow 7 Hills to sell KTVW-TV (Ch. 33) Phoenix independent to Hallmark Cards. Commission said proposed sale by 7 Hills eliminates need to resolve questions of company's compliance with law on foreign ownership of broadcast properties. FCC let stand Review Board determination that no violation of law had been demonstrated on that issue but that there were extensive and longstanding ties linking 7 Hills, controlled by Rene Anselmo, with Emilio Azcarraga, Mexican broadcaster who was judged to have more than permissible 20% alien interest. Board had concluded that conditional renewal of KTVW-TV license was needed to ensure compliance. Commission decision dropped conditions. It said May 1 ruling makes moot question whether Review Board exceeded its authority by imposing conditions. In 1983, FCC designated 7 Hills, Bahia de San Francisco and Spanish International Communications Corp. (SICC) for hearing on foreign ownership. In initial decision, ALJ John Conlin had found actual violation and concluded licensees as structured were unqualified. SICC and Bahia settled and sold to Hallmark; 7 Hills chose to wage legal fight to renew license.

III. Commerce Comr. Andrew Barrett has turned down White House offer of one-year appointment to FCC, sources said. Barrett has told White House it wouldn't be worthwhile to move from Chicago for such short-term appointment without guarantee of reappointment. Meanwhile, White House announcement on nominees for 3 FCC seats reportedly shouldn't be expected in near term. Joint package of nominations is believed likely to emerge from White House and include FCC, FTC and SEC, among other agencies. However, interviews reportedly aren't complete yet for some of other agencies.

N.Y. Newspaper Guild, which represents news writers and technicians at WPIX N.Y., has filed petition at FCC seeking denial of station's renewal. Union's last contract with WPIX expired in June 1986. Since then, Guild membership at station has dropped from 70 to 30. NLRB has upheld union's claim that negotiations hadn't come to impasse, as station contends. WPIX Vp-News John Corporon called Guild petition "a nuisance filing." Major issue, he said, is whether negotiations had ever come to impasse: "We have an honest disagreement."

Monthly program guide for Turner Network TV will debut this month, with annual subscription at \$9.95.

Personals

Newly elected MST officers: Chmn. Joel Chaseman, Post-Newsweek Stations; Vice Chmn. Ward Huey, Belo Bestg., and Dudley Taft, Taft Bestg.; Secy.-Treas. Thomas Cookerly, Allbritton... Kenneth Kahrs promoted to vp-human resources, Showtime Networks... Robert Keyes moves from dir.-news planning, NBC News, to dir.-news operations... Rep. Wyden (D-Ore.), House Telecom Subcommittee member, speaks at May 15 lunch of N.Y. FCBA chapter, 11:45 a.m., Harmonie Club, 4 E. 60th St., N.Y.

Thomas Fitzpatrick, chief FCC administrative law judge and 39-year Commission employee, retires June 30... Robert Kahn, pres., Corp. for National Research Initiatives, speaks on need for national leadership in information technology at FCBA lunch, Washington Marriott Hotel, May 24.

Yoichi Ohishi named chief, new N.Y. bureau of Chubu Nippon Bestg., Rm. 2215, 1270 Ave. of the Americas, N.Y. 10020... Tony Cianci promoted to gen. mgr., Panasonic northeast group... Jim Baral advanced to vp (L.A.), Petry TV... Martin Doan, ex-WRC-TV Washington, joins KCRA-TV Sacramento as program mgr.

George Back, pres., All American TV, speaks on independent production/distribution at May 17 lunch of N.Y. TV Academy, noon, Copacabana... Dennis Doty appointed exec. vp-managing dir.-worldwide production, DLT Entertainment, new post... Noreen McGrath promoted to asst. vp-dir.-national mktg., Worldvision Enterprises... Horatio Egnato advanced to vp-European operations, Jerrold... Ame Arlt appointed dir.-mktg., Comcast Cable northeast region... Linnea Greenlund, ex-USA Network, named sales dir., Silent Network.

Promotions at WKBW-TV Buffalo: Sarah Norat-Phillips to dir.-programming and public affairs, Steve Zappia to operations mgr... Donna Sanford, ex-program mgr., WCVE-TV/WCVW-TV Richmond, joins KRMA-TV Denver as asst. program mgr... Donald Ray, gen. sales mgr., WSAZ-TV Huntington-Charleston, W.Va., promoted to gen. mgr... Jo Anne Wallace, NPR dir.-planning and administration, News and Information Div., leaves June 1 after 9 years to start Tomales, Cal., public radio consultancy.

Changes at WPIX N.Y.: Sandy Weinberger, ex-WQHT(FM) N.Y., joins as mktg. dir.; Janet Gray advanced to promotion dir.; Susan Kean promoted to media dir... Andrea Traubner named assoc. dir.-program acquisitions, WNET N.Y.; Midge Woolsey promoted to mgr.-program acquisitions and co-productions unit... Phyllis Schwartz promoted to asst. news. dir., WLS-TV Chicago.

Av Westin, ex-ABC News, plans to start production firm to be supported by Disney or Warner... Shirley Timonere, station mgr., WGTE-TV Toledo, promoted to pres.-gen. mgr., WGTE-TV-FM Toledo/WGLE(FM) Lima, O., succeeding Robert Smith, who continues as senior exec. producer... Mack Perryman resigns as vp-new business development, HBO... Tracy Murdoch, ex-Cable Publications, joins USA Network as mgr.-affiliate relations-eastern region... Paul Dunn named dir.-corporate communications, WCNY-TV-FM Syracuse... James Turner appointed east coast sales mgr., JVC Professional Products... Dominic Mancuso promoted to regional sales mgr., WGN-TV Chicago.

Samuel Francis retires as pres.-gen. mgr., WLIW Garden City, N.Y., for health reasons... TBS Chmn. Ted Turner

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speaks at May 9 HRTS lunch, Beverly Wilshire Hotel, L.A... Elected to ATC board: Richard Parsons, pres., Dime Savings Bank, N.Y.; Herbert Schlosser (ex-NBC pres.), investment firm Wertheim Schroder; Philip Lochner, gen. counsel-secy., parent Time Inc... Teri Everett, ex-PR dir., WJLA-TV Washington, joins CBS May 15 as press rep, CBS This Morning and CBS Morning News.

Gregory Meidel promoted to exec. vp-gen. sales mgr., Paramount Pictures domestic TV unit... Walter Porges advanced to vp-news practices, ABC News, succeeding Robert Siegenthaler, recently promoted to pres.-broadcast operations and engineering, Cap/ABC... Don Brown promoted to managing editor, NBC News, new post... Promotions at ESPN: Michael Gannon to vp-eastern ad sales, David Pahl to assoc. gen. counsel, Chris Petersen to dir.-international sales-Far East, Peter Sumpf to production/operations mgr.; Mike Aresco moves from asst. gen. counsel to program mgr.

—

Crisler Capital Co. (CCC) has been formed by Society Media Co. and R.C. Crisler to "offer the expertise of both of these forces in the communications acquisition market." CCC said it will provide broad array of services to potential buyers and sellers of media properties. Dean Meisner, ex-senior vp of Society Media-affiliated bank, will head CCC. He said it will focus on companies requiring more than \$5 million in capital.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	APRIL 15-21	1988 WEEK	% CHANGE	APRIL 8-14	16 WEEKS 1989	16 WEEKS 1988	% CHANGE
TOTAL COLOR.....	362,750*	330,215	+ 9.9	343,473*	6,105,058*	5,256,776	+16.1
DIRECT-VIEW...	360,173*	326,968	+10.2	341,274*	6,045,476*	5,187,310	+16.5
PROJECTION....	2,577	3,247	-20.6	2,199	59,582	69,466	-14.2
TOTAL VCR.....	166,968	168,680	- 1.0	129,485	2,906,580	3,117,012	- 6.8
DECKS.....	127,480	146,210	-12.8	101,650	2,459,443	2,773,709	-11.3
CAMCORDERS....	39,488*	22,470	+75.7	27,835*	447,137*	343,303	+30.2

Color TV 5-week moving average: 1989--391,018*; 1988--330,028 (up 18.5%).

VCR deck 5-week moving average: 1989--193,523; 1988--171,438 (up 12.9%).

Camcorder 5-week moving average: 1989--31,479*; 1988--23,355 (up 34.8%).

* Record for period.

SOARING IMPORTS INDICATE CAMCORDER GLUT: Oversupply of camcorders has resulted from steady buildup of inventories in last year, according to our comparison of export figures from Japan's Finance Ministry with EIA data on sales to dealers. Problem has worsened in last 3 months, when camcorder exports from Japan to U.S. exceeded U.S. sales to dealers by more than 52%.

Figures showed 2,972,690 camcorders shipped to U.S. from Japan -- by far biggest camcorder supplier -- from March 1988 through March 1989. In same period, camcorder sales to dealers totaled 2,233,333, difference of 739,357 camcorders (33.1%). If that number were added to inventory, it would work out to average 17-week oversupply for 13-month period, based on average weekly camcorder sales of 43,000.

Camcorder glut has worsened in last 3 months after improving somewhat in final months of 1988, when sales were strong, data showed. Japanese exports totaled 546,293 in Jan.-March while sales were 357,963 -- difference of 188,330 (52.6%). In last 6 months, supply exceeded demand by 232,716 (21.7%). If camcorder imports and sales continued at first-quarter rate, there would be excess of 753,324 units at end of 1989.

Our analysis doesn't consider time lag between shipment from Japan to sale in U.S., but inspection of figures indicates little seasonal pattern. It's significant that in only one of the 13 months covered (Dec.) have U.S. sales exceeded Japanese exports for same month, indicating continuing inventory buildup. Highest export figure for any month occurred in April 1988 (308,344), one month after lowest figure (161,244). Average month saw 228,668 camcorders shipped from Japan and 171,795 sold to dealers here, indicating 56,900 (25% of Japanese exports) went into U.S. inventory.

Problem of "too many camcorders" was cited last month by Philips Consumer Electronics Pres.-CEO Donald Johnstone (TVD May 1 p10). Last week, Hitachi Exec. Vp Irv Fulton said inventories of camcorders are becoming too high, "keeping pressure on prices and showing up in profitability" of that booming market segment.

CE PRODUCTS ON GOVT.'S JAPAN HIT LIST: U.S. Trade Representative (USTR) included TV sets, VCRs, audio tape recorders, computers and wide range of other products on hit list of goods for potential trade tariffs, for retaliation against Japan in dispute on openness of telecommunications markets there.

USTR said it would hold public hearing May 24 to determine which products and services would be appropriate for retaliation, levels at which fees on services, U.S. customs duties or other restrictions on products or services should be set, and analysis of potential adverse effects of new or increased fees or tariffs on U.S. consumers.

Trade law requires that U.S. look first to telecommunications goods and services for retaliation, and consider other types of products only "if action against other economic sectors would be more effective in achieving compliance," USTR's Donald Eiss said. Telecommunications products area includes phone sets and parts, key systems, cordless phones, paging receivers, phone answering machines.

Many big-ticket items that would attract Japan's attention also are on list. They include microprocessors that could be used in items such as VCRs, as well as computers, robots, telecommunications switches and semiconductors, including transistors and diodes. Also on list are direct-view color and projection TV sets, LCD color TVs, tape recorders, loudspeakers, headphones, cars, trucks, photocopiers, computers, assorted products ranging from oscilloscopes and spectrum analyzers to suntan lotion.

Eiss said that many nontelecommunications products were put on list in case it's determined that it would be more effective to retaliate in sector other than telecommunications: "We anticipate there are any number of legitimate arguments that could be raised on the part of groups with respect to these different product areas, in telecommunications and not. There has to be sufficient flexibility to respond to those legitimate arguments that will be made and provide sufficient coverage if retaliation has to be imposed."

USTR hasn't yet determined value of retaliation that would be necessary. Motorola has put damages at \$2 billion over 5 years. At same time, its executives said they hope matter can be resolved without need for retaliation, one saying: "We want access to their market. That is our foremost objective."

In talks with U.S. officials April 24, Japanese govt. had submitted response it thought had solved problem. USTR officials said they haven't heard from Tokyo since agency announced decision April 28 that Japan wasn't complying with telecommunications trade agreements. Govt. there asserted in policy paper: "The [Ministry of Posts & Telecommunications] has fully implemented its commitment," adding that results "are flowering with the endeavor of those concerned."

USTR Carla Hills told hearing that her office was completing work for May 30 announcement of target countries and that "without prejudging the outcome of the current interagency review, I can assure you that I intend to use the Super 301 tool to pursue responsibly the elimination of egregious unfair trade practices." She also said USTR will name by May 30 countries with ineffective intellectual property protections that must be targeted for more severe U.S. action. "Again, while I will not prejudge the outcome of the Administration's current review," she said, "I will use this trade policy tool to obtain a level of protection for U.S. intellectual property right owners which allows them to run their business without the risk of losing the rich results of their research and development to rampant piracy."

Sanyo, taking threats of U.S. trade retaliation seriously, announced it soon will halt all production of some types of semiconductors and instead will purchase chips from Motorola. Company said trade friction between U.S. and Japan was main reason for transaction, in which Sanyo will buy less than \$10 million of chips annually from Motorola. Semiconductors will be used for Sanyo color TVs, VCRs and word processors. Agreement is expected to be signed by end of May.

JAPAN VCR SHIPMENTS UP, PRICES DOWN: First 3 months of 1989 have seen revival of video equipment exports from Japan, following steep decline throughout 1987 and 1988. In March, Japan's VCR deck exports to U.S. jumped 38.7%, biggest percentage increase since May 1986 and only 2nd monthly gain since Oct. 1986. While shipments were up, average price of VCR deck fell sharply to lowest level in years. Color TV exports also continued resurgence, rising for 3rd straight month.

VCR deck shipments totaled 1,048,812 in March, up from just 755,931 in March 1988, Japan Finance Ministry export figures showed. It was highest total for any month since 1.4 million in Oct. 1987, and only 4th month to exceed million mark since that time. Deck shipments were up 68.9% from Jan., only other month in last 2 years to show increase (4%) over same year-earlier month. In 1989 first quarter, VCR deck exports from Japan were up 11.7% to 2,509,316 and U.S. sales to dealers of decks from all sources (Korea and Taiwan included) totaled 2.1 million in same period (TVD April 17 p10).

Average price of VCR deck shipped to U.S. in March was \$220.65, based on average 130-yen-to-dollar rate in effect that month. Price, lowest in recent years, was down \$11.83 from \$232.48 in Feb., and off huge \$31.32 from \$251.97 in March 1988. Average yen price also was lowest in years at 28,684, down 3.6% from Feb. and 11.1% from March 1988. Average dollar price had risen slightly in Feb. following 2 straight monthly decreases (TVD April 10 p14).

Japanese exports of complete color TV sets to U.S. inched up 2% to 20,973 in month, but 74.5% decline in color chassis & kit shipments to just 772 pushed total color TV exports down 7.8% to 21,745. Steep price decline, indicated in Feb. figures, apparently continued as value of TV sets plunged while number of sets went up. In first 3 months, total color TV exports increased 13.5% to 67,579 and complete color 33% to 65,448, while incomplete sets were down 70.3% to 2,131. B&w TV shipments here fell 22% to 230 in March, 98.2% to 410 in 3 months.

Camcorder exports from Japan rose 29.5% to 208,829 in March, and were up 23.3% to 536,293 in Jan.-March, Finance Ministry reported. Average price of camcorder, based on export figures and yen rate, was \$643.02, down from \$645.33 in Feb. Compact Disc (CD) player exports advanced 31.1% to 348,512 in March, and 3.9% to 773,538 in 3 months.

Japanese VCR shipments to Canada dropped 10.3% to 49,060 in March and were off 18.4% to 140,265 in first quarter. Exports of color TVs soared 161.3% to 1,701 in month and rose 40.2% to 4,856 in 3 months. Camcorder exports fell 14.7% to 9,384 in month, 50.3% to 17,953 in full period. Shipments of color chassis & kits and b&w TV sets to Canada were negligible.

HITACHI, MITSUBISHI STRESS NEW PROJECTION TV: Hitachi formally unveiled its superbright, superdetailed projection TV system last week at same time as Mitsubishi announced 70" rear-projection and new projection tube -- both developments pushing state of projection art forward couple of notches. Hitachi increased some direct-view TV prices and hinted at further increases to come.

Hitachi also introduced "laptop VCR," combination VHS Hi-Fi portable with 5" color monitor, as we forecast last week (TVD May 1 p10). Pleased with growth so far this year (26" and larger TV up 35%, 45" and larger projection up 31%), Hitachi pledged it would lead industry in projection. Its high-end HPX TV line is in back-ordered position, Sales Vp Terry Stein said, and HPX designation is being extended to home and car audio products as well as TV and video.

Projection line, introduced under Neovision banner in Japan last fall (TVD Sept 12 p14), will be called Ultravision here; it will be assembled in U.S. and available in Sept. at list of \$2,899 for 46" and \$3,299 for 50". It has dual focus system using both electromagnetic and electrostatic focusing, 4-element hybrid lens, picture enhancement system, dynamic noise reduction, 7" tubes. Projectors have claimed horizontal resolution of 800 lines, with 540 ft.-lambert brightness for 46" model. Picture, as we witnessed it at N.Y.

PAUL GLUCKMAN NAMED EDITOR OF AUDIO WEEK

Audio Week, newsletter devoted entirely to audio industry, will begin weekly publication next month. Albert Warren, pres. of Warren Publishing Inc., last week announced appointment of Paul Gluckman as managing editor of new newsletter.

Gluckman, 36, served for last 5 years with Audio Times, 3 of them as chief editor. Previously, he worked in various editorial capacities with 2 other consumer electronics industry trade publications -- Audio/Video International and Leisure Time Electronics. A Penn State U. journalism graduate, Gluckman has had 11 years of editorial experience with various business publications.

Audio Week, as only weekly publication devoted exclusively to audio, will specialize in same type of late news and interpretive reports as have distinguished Warren Publishing Inc. newsletters for 44 years. Like the other newsletters, Audio Week will carry no advertising. Its editorial center will be our N.Y. office. For special introductory subscription offer or sample copies, please contact our Washington hq (202-872-9200).

Warren Publishing also publishes Television Digest with Consumer Electronics, Video Week, Communications Daily, Satellite Week, Common Carrier Week, Space Commerce Bulletin, Public Broadcasting Report, Early Warning Report, Television & Cable Factbook, Cable TV Atlas, weekly TV and Cable Action Updates. It also publishes specialized books, conducts seminars and draws upon its extensive computer data bases for production of research projects for industry organizations.

press showing last week, was extremely sharp, clear, bright. System comes with "Genius" learning remote, 3 types of surround sound (including Dolby), on-screen displays.

VCR-monitor combination weighs 7.5 lb., has pop-up active matrix screen, mono speaker, stereo headset, carries \$1,699 list price, will be available in Sept. Audio-video system for cars with 5" LCD TV and VCP, shown last year (TVD Dec 12 p14), will be available in Sept. (still unpriced). New 27" stereo TV with 560 lines resolution is \$700.

New VCRs include compact model with "Video Brain" remote that has codes for other brand TVs built in, and on-screen display that can include station or network call letters, at \$320; new basic VCR is \$300. Hitachi switched to CCD sensors for basic camcorders, keeping MOS for high end, introducing CCD camcorders at \$1,100 (6x zoom) and \$1,200 (8x), "fully automatic" S-VHS with MOS at \$1,900.

Hitachi raised prices 1.5-3% on "selected" 13- and 27" color models May 1, Exec. Vp Irv Fulton said, adding that parts shortages and poor profitability will "severely affect the availability of promotionally priced low-end color TV receivers and VCRs" of nearly all brands. He said current inventories in most products are "manageable" -- presumably excluding camcorders (see separate report, this issue) -- and Jan. increases are sticking, but improvement in profitability depends on holding production down and increasing prices further.

Fulton forecast continued pressure on retailers because of flat sales, "over-stored" markets, product saturation. He said Hitachi predicts 1989 sales of 21 million color sets (at \$6.95 billion), 300,000 projection TVs (\$524 million), 10.3 million VCRs (\$2.99 billion) and 2.5 million camcorders (\$2.3 billion), for total sales of \$12.7 billion, just 5.4% over 1988. Major sales increases this year are set for only 27" and over TVs and camcorders, he said.

Picture tube shortage will continue through most of 1989, Fulton said as he forecast consumer electronics, sparked by cellular phones, digital audio tape recorders and personal video, will be \$41 billion annual industry by mid-1990s and \$50 billion as HDTV becomes viable product at end of century.

He repeated his warning to independent retailers that they must adapt to changing conditions as powerful chains continue to spread. Superstores, which represented 8% of CE market in 1983, now have 29% and will rise to 32% by 1994. At same time, dept. stores have dropped from 14% in 1983 to 7% today and will represent only 5% in 1994. Discount dept. stores represent 10% now, will be 14% in 5 years, with warehouse clubs now at 5%, climbing to 8% and catalog showrooms remaining at 5% in 1994. TV-appliance specialists, still 24% in 1989, are now in "crisis," Fulton said, their future unclear -- but "as many as 1/3 of today's specialty dealers" may be dropouts if they fail to adapt to new realities of marketplace, he said.

Hitachi confirmed our report that it's now importing 13" color TVs from its Fujian Hitachi joint venture in China (TVD May 1 p10, Dec 12 p13), but said it's "doubtful" it will bring in 19" from China at any time in near future.

* * * * *

Mitsubishi, which was first with 60" rear projection, is adding 70" version and redesigning 60" to use its new tubes and video circuitry that it claims increase brightness 40%. Tube has "Multi-Interference Coating" that directs more light to phosphor layer, Mitsubishi said. New tube sounds similar in its effects to Philips' Internal Angular Reflection Coating system (TVD June 13 p11). Company claims 700 lines of horizontal resolution, didn't give price for new projectors.

New mechanism in Mitsubishi VCRs provides fast forward at speeds up to 200 times greater than previously, quicker picture and ability to move directly to visible fast forward or visible rewind from any activity -- features it had introduced earlier in Japan (TVD May 1 p15). Prices of 4 new VCRs range from \$499 for basic model to \$1,299 for S-VHS Hi Fi.

ONLY GOVT. CAN SAVE U.S. CE--MIT STUDY: Study of U.S. consumer electronics by high-level MIT commission found "grim picture of a dying industry" that might be saved only by "aggressive government-initiated joint development program, providing low-cost and long-term funds" to help industry make up "substantial deficit of R&D programs and manufacturing capacity relative to the Japanese." Bush Administration, meanwhile, reportedly was prepared to ask Congress to modify antitrust laws to permit companies to join together for manufacturing as well as R&D.

Report titled "Made in America: Regaining the Productive Edge" is result of 2-1/2-year study of 8 industries by high-level Commission on Industrial Productivity, consisting of economists, social scientists,

business specialists and engineers, including 1987 Nobel prize-winner in economics, Robert Solow, who was vp under Chmn. Michael Dertouzos, dir. of MIT's Lab for Computer Science, with staff of 31. In addition to consumer electronics, industries studied were semiconductors, computers and copiers; commercial aircraft; steel; chemicals; textiles; automobiles; machine tools.

It would require "substantial investment to reestablish" U.S. consumer electronics, commission concluded, but cost in lost trade and manufacturing capability of not restoring it "could be substantially greater." Among top recommendations are tightening import restrictions, relaxing antitrust barriers to U.S. collaboration, providing low-cost long-term federal funding. In current environment, report indicates, there's no prospect of revival of American industry if it's left up to business interests (report says U.S. Treasury notes earned better returns than some consumer electronic products, under pressure of Japanese competition).

Sequence of retreat by U.S. manufacturers, according to report, followed definite pattern: "American firms set high goals for return on investments. Foreign firms select a market segment, and, by aggressive pricing, force down the return on investment while building market share. Within a short period the American firms retreat from the market segment. The foreign firms then move on to set aggressive prices in some other segment, and the Americans once again retreat." Process started in transistor radios, was repeated in TVs, audio equipment and VCRs, report says.

Report comes down particularly hard on "American demands for a high return on investment," while Japanese companies are willing to settle for low short-term return in service of long-term goals. Chmn. Dertouzos cited not-so-mythical company, "attacked by imports," that drops transistor radios and "buys a rental car agency or a finance company. Then the foreigner invades the high end -- the company sells the car agency because it didn't know how to run." In leveraged buyouts, Dertouzos noted, first thing to go is R&D capacity.

Weaknesses cited in American industry in general, including consumer electronics: (1) Short time horizons, with companies avoiding long-term investment in search of quick return on investment. (2) Technological weaknesses in development and production -- including transferring technology from lab to manufacturing and achieving product reliability -- and reducing R&D as market shares shrink. (3) Neglect of human resources -- inadequate training from top to bottom, treating labor as cost factor rather than "precious resource." (4) Govt. and industry at cross-purposes -- international trade policies, prohibition of collaboration by antitrust laws, scarcity of long-term funding.

Dertouzos praised Defense Dept. initiative in helping fund HDTV displays, saw some opportunities for U.S. industry in flat-panel displays, EDTV and HDTV, increased use of digital circuitry and linking of computers with video, sound synthesis and CDs "to create new modes of interactive entertainment and education."

In common with other industries studied, report contains commission blueprint to restore American competitiveness: (1) Put production ahead of finance. (2) Cultivate "new economic citizenship -- an involved, educated and rewarded work force." (3) Promote cooperation among and within industry, business, labor, govt. (4) "Learn to live in a world economy," including thinking internationally and insisting "that our goods be treated abroad as fairly as theirs are treated here." (5) Provide for future -- revamp education system for technical literacy and knowledge of foreign societies.

Report, in book form, available for \$17.95 from MIT Press, Cambridge, Mass., has some shortcomings as far as consumer electronics is concerned, in our view. There's no detailed treatment or discussion of what happens when foreign company takes over U.S. firm, of foreign-owned consumer electronics companies in U.S. in general or their contribution to U.S. economy. When we asked him about characteristics of foreign enterprises here, Dertouzos said there was no hard-and-fast rule, they had shortcomings and merits, just as do U.S.-owned facilities.

Some other aspects of report seem to reflect lack of in-depth study of consumer electronics. For example, table of cities and towns most important to industry (in terms of plants and jobs) lists Anaheim and Chatsworth, Cal. but not San Diego (site of Sony plant); it lists Secaucus, N.J. (Panasonic) but not Indianapolis (Thomson) or Greeneville, Tenn. (Philips). It does list Fairfield, Conn. (site of GE hq) as significant to consumer electronics. On balance, however, study is landmark assessment of what went wrong, with no shortage of recommendations on what's needed to reverse situation -- and is strongly recommended industry reading.

* * * *

Lead story in May 4 N.Y. Times reported Bush Administration will propose major relaxation of antitrust laws to permit competitors to set up joint ventures and consortia for high-tech manufacture, starting with

HDTV receivers. Times quoted Commerce Secy. Robert Mosbacher: "In some of these high-tech areas, most probably led by HDTV, we need to make some changes so that there can be consortiums formed. And not only for R&D, but also for manufacturing."

Reduction in capital gains tax to give companies additional incentive also was proposed by Mosbacher, according to Times, which quoted White House official as indicating Pres. Bush would "be tolerant of joint production" and indicates Justice and Defense Depts. also agree. Congress would have to pass legislation, and although it has bills before it on same subject, Administration is unlikely to submit proposal before July 1, when Mosbacher is scheduled to submit HDTV plan to House Telecom Subcommittee.

In related actions: (1) American Electronics Assn. is expected to announce this week results of Boston Consulting Group study on possible HDTV consortium (TVD Jan 16 p10). (2) Pentagon grants for HDTV displays and receivers probably will be announced some time after mid-May, source at Defense Advanced Research Projects Agency (DARPA) said.

JVC IN U.S. MOVIES: Another Japanese consumer electronics manufacturer is testing Hollywood waters, as Sony searches for movie studio to acquire. Although spokeswoman at hq in Tokyo told us JVC has no current plans to buy U.S. studio, it's moving into feature film financing with first title -- *Mystery Train* -- to be entered in next week's Cannes Film Festival and slated for home video in U.S. after theatrical run here and abroad.

Although JVC has extensive software production and marketing operations in Japan, it has no recorded software distribution arm here and doesn't plan to launch one "at present," spokeswoman told us. It hasn't determined U.S. video distributor of *Mystery Train*, she added. However, JVC said title marks its "first commitment in the production of American movies aimed at establishing an integrated software business such as feature films and video software for global markets."

JVC said title's production reflects wide scope of plan "to promote quality software in keeping with the consistently high picture quality available through VHS and S-VHS VCRs developed by the company." By end of June, 14 S-VHS titles will be available in Japan through JVC's CIC-Victor Video joint venture with CIC (Paramount and MCA). "Corresponding to the expansion of S-VHS hardware sales," spokeswoman told us, "JVC would like to cooperate with the major film studios in the U.S... to introduce S-VHS software."

Studios have been cautious about marketing titles in format that lacks large installed base, and main source for S-VHS titles in U.S. is independent Super Source Video, which has more than 20 titles.

JVC projects U.S. S-VHS deck shipments this year at 1.03 million units, 10% of total 10.3 million VCR decks. It estimates S-VHS represented 4% (420,000) of 10.5 million decks sold here last year and 1.2% (140,000) of 11.7 million sold in 1987. In Japan, S-VHS units will comprise fully 25% (1.9 million) of 7.5 million deck sales this year, JVC said, compared with 15% (1.08 million) of 7.2 million last year and 5% (315,000) of 6.3 million in 1987.

Projection TV sales to dealers fell for 3rd straight week in April, and were down 19.7% from year earlier for month to date (see *State of the Industry*). Total VCR sales also fell 3 consecutive weeks, with month-to-date sales off 6.1%, EIA said. On positive side, direct-view color TV and camcorder sales rose in week and were up 5.5% and 53.8% respectively in first 3 weeks of April. Total VCRs sold since 1975 passed 71 million in year's 16th week.

Unique speakers: Line of speakers housed in large ceramic vases will be marketed in U.S. by Asti Nikko Corp. of America, distributor of Nikko Audio (Jon Duncan, chmn.-CEO). Cerca Classic and Cerca Victoria ceramic speakers are built by Pearl & Oakley Acoustics of U.S., headed by Roger Pearl, ex-Hitachi U.K., and ceramicist Ralph Oakley. The 360° omnidirectional speakers will sell for \$1,495 per pair in 120-w version. Duncan said Nikko hopes to have Cerca speakers in 100 stores in 10 markets in first year. Pearl & Oakley can supply about 500 speakers monthly... Stereo audio from speaker system in single cabinet is claim by Revox for Duetto, to be premiered at Consumer Electronics Show. Duetto has 2 sets of 3 drivers in opposite sides of triangular cabinet that can be placed on floor or suspended from ceiling. Designed to be used with subwoofer, Duetto is priced at \$795-\$1,095.

Study of effects of home taping on record sales, being conducted by congressional Office of Technology Assessment (TVD May 23/88 p12) is expected to be completed this summer, Project Dir. Joan Winston said. Commenting on published article on draft of report, Winston said it "appears to talk about contents of review materials circulated to members of the panel." Working draft, she said, is "undergoing extensive revision." Report in May 6 Billboard quoted draft as saying record industry is losing \$1-\$2 billion annually to home taping. Study is likely to serve as guide to Congress in determining future of home taping legislation.

China's exports of TV sets rose 59.7% to 580,000 in first 3 months of 1989, Chinese General Administration reported. Value of shipments jumped 67% to \$60 million. Of total, 308,000 were color sets, 261,000 b&w. Chinese TV production in period totaled 6 million sets, 2.58 million color, up 45.3%, and 3.45 million monochrome, up 23%. China Daily said gross industrial value of electronics industry increased 29.7% in first quarter compared with year-earlier period. Profits rose 64.3%.

Flat color display with brightness equal to color tube, requiring only 10 volts to drive, has been developed by Canon, according to report in Japan that said technology is suitable for mass production in large wall-display sizes.

Yamaha introduces videodisc and CD-V player with 8 times oversampling at \$799.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 134 yen = \$1, except where noted.

CHINA TVs TO U.S. SOAR: China took its place among world's leading consumer electronics suppliers to U.S. in first 2 months of 1989, surpassing Japan, Singapore and Hong Kong as source of total TV sets, Commerce Dept. import figures show. Mexico continued as dominant source of color TVs in Feb. and first 2 months.

On strength of huge shipment of b&w sets, China took 5th place among total TV suppliers in Feb., behind Mexico, Korea, Taiwan, Malaysia. China also was 5th biggest supplier in first 2 months of 1989. Mexico's color TV shipments to U.S. increased by wide margin in Feb. and first 2 months of year, and country easily was top supplier. Korea was next, followed by Taiwan, Malaysia, Singapore, Japan. China's color TV shipments were way above last year's negligible amount.

New Harmonized Tariff Schedule used by Commerce to report imports includes color TV kit imports with complete color sets and counts chassis with other TV components, so no breakdown for incomplete sets is available.

As we reported, non-Japanese sources accounted for huge 36% share of all VCR deck imports in Feb., with Korea having sharp increase (TVD May 1 p12). Following are VCR and TV import totals by country for Feb. and first 2 months of 1989.

	Feb.	% Chg.	2 Months	% Chg.
VCR Decks				
Japan....	634,100	-10.3	1,089,900	-16.9
Korea....	255,100	+70.4	452,500	+62.3
Taiwan...	72,000	-1.7	106,700	+1.8
Total TV				
Mexico				
color...	304,800	+53.9	576,500	+55.7
Japan				
total...	44,900	-15.6	71,300	-28.5
color...	39,100	+49.2	60,500	+46.6
b&w....	5,800	-78.4	10,800	-81.5
Taiwan				
total...	120,000	-35.7	299,400	-23.6
color...	87,900	-44.9	208,500	-41.0
b&w....	32,100	+53.8	90,900	+135.9
Korea				
total...	212,300	-35.7	468,700	-24.7
color...	106,800	-11.7	202,700	-41.0
b&w....	105,500	-49.5	266,000	-27.7
Singapore				
color...	43,500	-4.8	85,000	-17.4
Malaysia				
color...	78,800	-4.4	132,400	-3.9
Hong Kong				
total...	32,200	+16.3	78,600	+26.8
color...	15,700	+0.6	36,600	+60.7
b&w....	16,500	+36.5	42,000	+7.2
Canada				
color...	9,500	+76.1	18,900	+74.8
China				
total...	51,800	*	98,500	*
color...	28,400	*	49,900	*
b&w....	23,400	*	48,600	*

*Figures for color and b&w TV include kits.
Note: Some totals may not add due to rounding.

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Pocket computer with 32K memory will be introduced at Consumer Electronics Show by Tele-Art.

KODAK VIEWS VIDEO: On occasion of photography's 150th anniversary, Eastman Kodak sees electronics and digital technology contributing significantly to enhancement of film photography, but finds stored electronic images -- in both HDTV and still video formats -- wanting, as compared with film, for foreseeable future.

As for HDTV, Kodak said its engineers now have "quantified the power of film." In position paper, it said one frame of 100-speed 35mm color negative film "will yield some 2,200 lines of horizontal resolution, and 3,000 pixels... per line," adding: "That comes out to about 6.6 million pixels per frame in each of the 3 primary color channels."

As compared with HDTV, "that's about 15 times the resolving power of the best of the current HDTV systems. It is at least 4 times richer in resolution than the digital HDTV systems on the drawing boards. There are other characteristics of film which electronic imaging may never successfully emulate, including a much broader range of contrast, tonal range and brightness."

As for consumer still photography, Kodak noted "there is no doubt that the electronic camera is finally here. Some retail outlets will be carrying limited supplies of electronic cameras by early summer, with price tags in the range of \$800-\$1,000." Robert Sharp, vp-gen. mgr. of Kodak's U.S. Sales Div., forecast:

"We look for the first generation of electronic cameras initially to be novelty items, which might eventually compete with instant photography for share of market. They are not going to produce the kind of image quality that people have come to expect from 35mm film, or the flexibility they want, during the foreseeable future." He estimated there are 100 million working film cameras in U.S.

Kodak Professional Photography Div. Vp-Gen. Mgr. Raymond DeMoulin said single 35mm color negative frame contains about 15 million pixels, while transparency on Kodak 64 professional film in 120 format contains 60 million pixels, but "today's highest resolution electronic sensor -- developed by Kodak -- can provide 4 million pixels..."

Kodak said its consumer research showed "people of all ages like the idea of viewing still images on the TV screen," but become nervous "in audience situations where one person is in control of the viewing pace." Kodak also said "transmission of high-quality images over the telephone lines [will] become commonplace."

Photojournalism is "first market for electronic still cameras," DeMoulin said, with wire services using it first "in situations where time, not quality, is paramount."

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European consumer electronics "strategies for the 1990s" will be theme of conference sponsored by BIS Mackintosh and Blenheim Online June 22-23 at Queen Elizabeth II Conference Center, London. Fee is about \$925. Details: Blenheim Online, London, 01-868-4466.

Mitsubishi will double output of projection TVs in U.S. to 120,000 sets a year, allowing it to produce here all projection TVs for U.S. market. In 1988, company made 60,000 projection sets here, 40,000 of which it exported to Japan.

Some 225 products have won "exclusive" design awards for exhibition at Innovations '89 display at Consumer Electronics Show in Chicago June 3-6.

Consumer Electronics Personals

Jon Duncan, ex-Hitachi and former mktg. and sales dir., named pres.-CEO, Asti Nikko Technology, and to company's board... **Neil Herbst** moves to Sharp N.Y. metro zone sales mgr., from audio regional sales mgr... **James Turner**, senior district sales mgr., advanced to JVC Professional Products east coast regional mgr... **Mark Vandevelde**, ex-Samsung, appointed Advent national dealer development mgr... **Thomas Castro**, ex-Canon, joins Keystone Camera as northeast regional vp... **Caroline Hunt** elected to Tandy board.

Gary Moore, former Electronic Data Systems vp, named pres.-CEO, Hitachi Data Systems, new joint venture of Hitachi and EDS. Other appointments: **Robert Howells**, ex-National Advanced Systems, to exec. vp-sales and mktg.; **David Turner**, ex-NAS, to exec. vp-product and technical operations; **Fred Hansen**, ex-EDS, to exec. vp-administration; **Tetsuo Tanaka**, ex-Hitachi, to exec. vp-chief financial officer... **Louis Bernucca**, merchandising vp, promoted to Highland Superstores mktg. senior vp... **Yvette Payne** named Walmisley-Harris account services dir... **Paul Brassard**, gen. mgr., advanced to vp-gen. mgr., Arkon.

Ed Jackson resigns as SVS sales dir.; Deputy Pres. **Michael Holzman** advanced to pres... **Robin Montgomery**, ex-Palisades Entertainment pres.-COO and Prism senior vp, named Magnusfilms exec. vp... **Bruce Apar** shifts from Toy and Hobby World editor to same post on affiliated Thomson International Retail Press publication Video Business; Video Business Editor-at-Large **Paul Sweeting** appointed exec. editor... Changes at Video Trend: **Gary Wagner**, ex-INMAC, joins as Sacramento branch mgr., replacing **Dave Long**, promoted to Detroit vp-gen. mgr. Promotions: **Robert Stubenrauch** to Chicago branch vp-gen. mgr., **Joenne McGerr** to San Francisco branch mgr.; **Scott Farrand** to Seattle branch mgr.

Jamie Triplett, ex-Wiz and Waxie Maxie, joins N. American Video as mktg. dir... **Melanie Topp**, ex-Management Co. Entertainment Group, named program acquisitions and development dir., Cap/ABC Video Enterprises' ABC Distribution... **Larry Wasson** appointed MIS dir., Video Products Distributors... **Steve Friedman**, host of WCAU-AM Philadelphia Mr. Movie show, retained as consultant for VSDA Vidnews service... **Robert Klapfer**, ex-Colgate-Palmolive, joins GoodTimes as video publishing dir.

April retail sales: Tandy reported April consolidated sales of \$284.1 million, up 5% from April 1988. On same-store basis, sales were even with year-earlier figure... **Circuit City** April sales rose 26% to record \$132.4 million, as comparable (same-store) sales increased 6%... **Best Buy** reported sales of \$34 million in month, down 3%. Same-store sales fell 5%... **Sears Merchandise Group**, in posting 9.2% increase in sales in month, said home appliance and electronics registered double-digit gains, "particularly in markets where Sears has opened Brand Central."

Indian govt. will remove new duties on b&w picture tubes and TV sets and cut duties on color sets 50% in attempt to relieve slumping consumer electronics industry, Financial Times said. Indian TV Mfrs. Assn. said sales of monochrome TVs were off 40% from last year, and new 14" color TVs introduced in 1989 "have remained virtually unsold," report said. Govt. announced it will lift duties, which have raised retail prices of b&w TV sets 15%. Duty on color TVs was cut in half from 100%.

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
Commodore International 1989-9 mo. to March 31	759,400,000	60,200,000	1.88
1988-9 mo. to March 31	655,900,000	43,600,000	1.37*
1989-qtr. to March 31	210,200,000	12,400,000	.38
1988-qtr. to March 31	200,300,000	9,600,000	.30*
Reeves Communications 1989-9 mo. to March 31	50,319,000	(2,786,000)	—
1988-9 mo. to March 31	58,819,000	4,390,000	.34*
1989-qtr. to March 31	19,309,000	(1,125,000)	—
1988-qtr. to March 31	20,196,000	155,000	.01*
Regency Electronics 1989-9 mo. to March 31	49,650,000	2,108,000	.19
1988-9 mo. to March 31	51,948,000	(490,000)	—
1989-qtr. to March 31	14,318,000	459,000	.04
1988-qtr. to March 31	13,760,000	(26,000)	—
Scientific-Atlanta 1989-39 wk. to March 31	388,390,000	25,579,000	1.07
1988-39 wk. to April 1	380,752,000	21,578,000	.91
1989-13 wk. to March 31	134,945,000	9,661,000	.41
1988-13 wk. to April 1	128,521,000	7,803,000	.33
Walt Disney 1989-6 mo. to March 31	2,081,447,000	297,307,000	2.16
1988-6 mo. to March 31	1,509,088,000	220,582,000	1.61
1989-qtr. to March 31	1,037,886,000	149,018,000	1.08
1988-qtr. to March 31	774,524,000	120,146,000	.87

Notes: *Includes special credit.

Two lawsuits have been filed by terminated distributors against Thomson, company confirmed in commenting on recent Wall St. Journal article that identified one plaintiff as McDonald Sales Corp., New Orleans. McDonald's David Oreck was quoted as saying he laid off 50 workers when Thomson discontinued contract last year. McDonald's now distributes Sylvania. Article also quoted Alan Steinert, pres. of Eastco, Boston, as saying his company bought more than \$40 million in RCA products last year and serviced about 250 retail accounts. Article quoted one retailer as saying Thomson reduced prices when it went direct to dealers, but service had declined, deliveries were slower and larger orders were required.

Portable multimedia learning device incorporating interactive video and audio technology was first-place winner in Sony's 2nd annual Design-A-Vision competition, whose theme was futuristic children's products. Computer, Audio, Interactive Video Manipulator (CAIVman) was designed by Christopher Conley, first-year graduate student. Second place went to multipurpose monitor that serves as videophone, video story book, interactive paint box, interactive learning tool. Computer that projects 3D images of basic shapes into spherical screen took 3rd place. Competition was open to U.S. college students in schools of industrial design.

National Semiconductor said it will close chip plant in Korea and consolidate 2 plants in Singapore. Move is attempt to eliminate duplication among factories following National's acquisition of Fairchild Semiconductor.

Magnavox S-VHS hi-fi VCR with barcode and learning remote is priced \$1,199, not \$1,996, as reported (TVD May 1 p15).

TELEVISION DIGEST®

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With Consumer Electronics

MAY 15, 1989

VOL. 29, NO. 20

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

NAB APPROACHES TELCOS: Urges RHC lobbying be put on hold pending outcome of offer to join in field trial for telco-video. Fla. Cable TV Assn. attacks USTA letter-writing campaign on entry into cable. (P. 1)

VIACOM SUES TIME: Files \$2.4 billion antitrust suit. ATC, HBO and Manhattan Cable TV labeled monopolists. HBO-Cinemax practices blasted. (P. 2)

TV PROMOTION ANNOUNCED by CBS-TV and K mart to coincide with new season premiere. 'Four billion media impressions' promised. (P. 4)

PROGRAMMER FOCUS URGED: Patrick sees brighter future for telecasters in program production, not distribution. Tells AWRT that multichannel services are future. (P. 5)

TV VIOLENCE BILL AIRED: House unit for first time seen sympathetic to moving legislation. Networks, INTV weigh in. (P. 5)

CABLE PRESSURE BUILDING: More deregulation bills offered in Congress. Conn. lawmakers, Markey join as Gore and Boucher prepare measure to drop cross-ownership restriction. (P. 6)

HIGH TURNOUT EXPECTED for NCTA convention in Dallas May 21-24. Fewer companies are leasing more space than last year. (P. 7)

NAB ASKS TELCOS TO PUT LOBBYING ON HOLD: NAB has requested that Bell Atlantic (BA) and USTA shelve temporarily their legislative initiatives on telco entry into information services and cable until there has been joint broadcast-telco field trial. Regional Holding Cos. (RHCs) are lobbying at several levels. NAB Pres. Edward Fritts declined to specify which legislative initiatives he was asking telcos to postpone until he receives more details from BA Chmn. Raymond Smith on experiment, spokeswoman said.

At recent NAB convention (TVD May 8 p9), Smith urged broadcasters to engage in unspecified distribution test of broadcast signals via telco-controlled system and asked NAB to create team of broadcasters to discuss further joint efforts with telcos. In May 9 response, Fritts raised several questions, saying it didn't appear feasible for telcos to continue lobbying without knowing results of experiment: "In fact, the whole concept of information services could be altered pending the results of the proposed experiment." He also wants to know:

(1) Details on test, saying he assumes it would be fiber-to-home. (2) Whether broadcasters would program additional channels or whether test would focus on existing signals. (3) Assurance on Smith's stated intention to share results of test with other RHCs. (4) Extent to which BA spoke for other RHCs in proposing test. (5) Whether USTA and independent telcos also would participate. (5) Whether test would be applicable in other geographic areas. "You asked that the NAB put together a team of broadcasters, but we

Consumer Electronics

FIRST HDTV GRANT by DARPA, initially \$500,000, goes to Long Island LCD projection TV inventor. Only 2-4 grants expected among 87 applicants. (P. 13)

RCA TV PRICES UP 1-3% on new line, another hike planned. New 27" tube, 31" and digital effects stressed. NEC debuts projection IDTV at \$6,500. (Pp. 9 & 14)

COLOR TV SLOWS in April, as picture tube shortage begins to bite, after 3 hot months. Camcorders up modestly, projection TV and VCR decks down. (P. 10)

\$1.35 BILLION in govt. help recommended by AEA study to set up Advanced TV Corp. to design and build HDTV products. Foreign-owned firms wouldn't be barred. (P. 11)

'DRAMATIC TURNAROUND' by Thomson Consumer Electronics seen in 1989, as reflects upbeat attitude -- 'No 1 in share and profitability.' (Pp. 12 & 14)

GO-VIDEO SIGNS D&H Distributing, former RCA distributor, for dual-deck VCR. Product is expected in limited quantities for Christmas. (P. 13)

LASERDISC POISED for takeoff as major format, Pioneer believes, with lower priced hardware and software, extensive ad campaign, quicker releases. (P. 15)

GOVT. HIT LIST of Japanese products for possible punitive tariffs doesn't include color TVs or VCRs after all. (P. 15)

would like some assurance that the findings will not just be shared" with other RHCs and USTA "but they also subscribe to the desirability of such an experiment," Fritts said.

Meanwhile, Fla. Cable TV Assn. (FCTA) notified members that telcos had launched letter-writing campaign to congressional districts of House Telecom Subcommittee members, urging mayors to support telcos' efforts to repeal cable-telco cross-ownership prohibitions and saying cable should launch immediate counterattack. Telco campaign is work of USTA, FCTA Pres. Steve Wilkerson said, and is "direct shot in a war to take over the television business. The cable industry cannot be complacent."

USTA Vp Ward White acknowledged his organization had sent letters, describing mailing as "just an educational effort." He said many associations of municipal govts., including National League of Cities, National Conference of Black Mayors and, preliminarily, Conference of Mayors, already have taken position on cable-telco. White noted that mayors and cities "have come to us, and we expressed an interest in working with them." He said similar mailings are "not all generated by the telephone industry."

USTA information packet included letter signed by Pres. John Sodolski in which he asserts cable has abused freedom granted by 1984 Cable Act: "The threat of competition from telephone companies would force the cable industry monopoly to provide better service to their customers at a lower price." Packet also contained: (1) Sample letter to members of Congress in which mayor says cable industry has become "huge, unregulated monopoly" and is raising prices, discontinuing services and refusing to respond to legitimate customer complaints. (2) Sample resolution that supports eliminating cable-telco cross-ownership. (3) Information background paper. (4) Executive summary of survey on consumer attitudes toward phone and cable service. (5) Sample news release.

In related activity, Communications Subcommittee of National Conference of State Legislatures (NCSL) endorsed policy May 11 of allowing telephone companies to provide cable services while also supporting deregulation of cable. Before NCSL finally adopts policy, Transportation & Communications Committee, State-Federal Assembly meeting in Washington past our deadline, and full NCSL at annual meeting Aug. 6-11 in Tulsa also must give approval.

Subcommittee policy statement said "adequate level of [cable] industry competition has failed to materialize" and recommended: "In the absence of the moderating influence of effective competition, as determined at the state level, prohibitions on state and local regulation should be lifted and the entry of local exchange companies and other service providers should be permitted."

NCSL group also said any entry by telcos should "be subjected to anticompetitive safeguards" in general belief that such participation "will extend and accelerate the availability of advanced broadband network services." Virtually only debate on cable-telco issue was whether local exchange carriers should be only alternative suppliers named in resolution. Subcommittee at first mentioned only telcos, then changed it to include other service providers, finally compromised by citing both.

VIACOM SUES TIME INC. FOR \$2.4 BILLION: Viacom has filed \$2.4 billion antitrust suit -- trebling of \$800 million compensation sought -- against Time Inc., ATC, HBO and Manhattan Cable TV (MCTV) in U.S. Dist. Court, N.Y. In suit filed May 8, Viacom labels cable systems as monopolistic gatekeepers and says Time merger with Warner Communications Inc. (WCI) shouldn't be approved because it would substantially lessen competition. Entertainment industry analysts we interviewed said many of issues raised by Viacom have been around for years, suggested timing of suit was key, considering that Time Inc. is preparing proxy for WCI merger. Viacom said suit had been under preparation more than year, wasn't triggered by merger.

Viacom listed 9 claims, including monopolization of pay-TV market, conspiracy to monopolize that market, monopolizing local cable markets, restraining trade, unlawful merger with WCI, unfair business practices, interference with prospective business relations, lying to hurt Showtime Networks Inc. (SNI). Viacom controls SNI -- premium cable program services Showtime and Movie Channel -- and cable operations serving nearly million subscribers. Program services compete with HBO and Cinemax.

Time said suit was "totally baseless" and charges rehashed issues raised periodically over last decade. Time said Justice Dept. Antitrust Div. has reviewed many if not all of issues -- including merger with WCI that DoJ approved last month (TVD April 10 p4) -- and repeatedly concluded no federal action was needed. "The timing and content of Viacom's suit are curious, inasmuch as Showtime has initiated and aggressively pursued practices it now condemns," Time said. "Particularly ironic is the allegation of Viacom -- itself a significant cable operator -- that all cable operators are local monopolists, a claim we strongly dispute."

John Reidy, analyst with Drexel Burnham, said he doubts suit will delay merger. Other analysts suggested Viacom suit, coming as Time-WCI try to complete merger, will give Viacom leverage in gaining carriage on ATC systems.

As could be expected, suit gave cable opponents ammunition. Said INTV Pres. Preston Padden: "Apparently, NCTA's board chairman [Viacom Cable Div. Pres. John Goddard] and his company are unpersuaded by NCTA's stock arguments that cable is not a monopoly." INTV said its members share Viacom's problems on access to cable as well as to channel positions, but comprehensive legislative resolution of issues is far preferable to ad hoc judicial determinations. Goddard couldn't be reached for comment. Wireless Cable Assn. Pres. Robert Schmidt, who has complained that Time Inc. has refused to deal fairly with wireless cable operators seeking access to HBO, said: "Suddenly, I sound like an oracle." He said he hadn't seen complaint but from news accounts, "it sounds like the same thing we have been saying and now it's very interesting that one of their own is saying it."

Viacom said Time, with 23 million subscribers for HBO and Cinemax combined, "abusively dominates" pay-TV market with 65% share. Way that market has developed has created barriers to entry, Viacom said, because the larger subscriber base pay service has, the less it costs it to do business. HBO has exploited that structure to ensure rivals don't obtain subscriber base needed for long-term survival in national market, Viacom said. Since cable operators are local monopolists having control over programming they transmit, Viacom said, unless a cable operator agrees to offer a particular pay service, that service is blocked out of market.

Viacom said that as far back as 1972 defendants followed strategy by which they tie up "narrow bottleneck" cable outlets and scarce, most desirable film inputs for premium cable services. Viacom said HBO in 1972-1979 frequently induced ATC and other cable operators to offer only one pay-TV service and otherwise refrain from giving consumers multipay services. For instance, it said, ATC has refused to carry SNI services or, when it does so, ATC system provides access only on discriminatory basis such as lesser promotion by cable operator. Neither SNI service is available on MCTV, Viacom said, and thus is shut out of lower Manhattan. That cable system has 35 channels, little excess space and is being rebuilt to 54 channels, scheduled for completion in 1991, one analyst noted. "What would be bumped" to make room for SNI, one analyst asked. "If you've got 54 channels, there ought to be room" for more premium services, Reidy said. Other markets in which Viacom said it's being shut out by ATC include Beloit, Wis.; Champaign, Ill.; Charleston, W.Va.; Council Bluffs, Ia.; Denver suburb of Northglenn; Mankato, Minn.; Memphis.

Other alleged practices about which Viacom complained: (1) "Buythrough," in which Time "coerces" cable operators to require subscribers to buy HBO and Cinemax before they may receive SNI services. (2) "No-switch" requirement under which cable operator may be prohibited from substituting another pay service for HBO or Cinemax and from switching channel positions of premium services. Economic penalties, often retroactive, are imposed if HBO and Cinemax don't show sufficient growth, Viacom said. (3) Introduction of Cinemax service, which it said is meant to deter entry by competitors. Viacom said HBO often prices Cinemax below cost, with intent to raise price after SNI services are excluded from market.

(4) Subscriber Incentive Program (SIP), in which HBO was offered to cable operators free or at discount for adding incremental new subscribers. This offering came when pay-TV market was nearly mature and SIP was designed to entrench HBO market dominance, Viacom alleged. (5) Second-generation SIP designed specifically to have Cinemax replace Showtime as 2nd-leading premium service. (6) "Time lock," in which Viacom contended HBO uses market power to refuse to provide promotional and marketing allowances to cable operators during normal peak marketing periods unless they agree not to promote SNI services. In some instances, Viacom said, HBO would withhold payment from cable cooperatives in designated market area (DMA) unless all operators in that area declined to promote SNI services.

(7) Bid to "corner the market" on future film output, in which Viacom charged HBO demonstrated tendency to enter exclusive program supply contracts with Hollywood studios. Purpose here, Viacom alleged, is to prevent SNI from having adequate supply of recent films, driving up cost of movies. Irony is that it's Showtime that has been staunch advocate of exclusivity, so much so that when HBO enters nonexclusive contract with some studios, such as Warner Bros., SNI excludes itself from accepting their films so as to protect exclusivity. Viacom said HBO has boasted of success of scheme and has told cable operators and others that SNI won't have sufficient supply of recently released films.

As for merger with WCI, Viacom said new Time-Warner would increase number of local cable markets in which it will hold monopoly power sufficient to exclude or "discipline" competing premium services. Merger

would stratify cable program market further, Viacom said, discouraging production of more programming and reducing number of outlets for studios not affiliated with pay or basic program service.

Meanwhile, WCI has sued Chris-Craft (C-C) in Del. Chancery Court in effort to force it to resolve objections to Time-Warner merger and to prevent C-C from blocking deal. As part of suit, WCI voluntarily surrendered most of rights that prevented C-C from selling its 15% interest in WCI to a 3rd party. Talks to settle C-C objections to merger have failed, and C-C now maintains that WCI is obligated to divest its 42.5% interest in BHC, unit of C-C that controls TV stations. WCI said C-C believes WCI would have to sell that stock to BHC at fair value for cash, distribute stock to WCI shareholders or conclude some combination of those elements.

WCI said C-C also alleges that WCI right of first refusal to buy WCI stock back from C-C have expired. Time-Warner is willing to give up rights to avoid delaying merger, WCI said. Time and Warner issued joint statement indicating that: (1) If WCI distributes BHC stock to shareholders, amount of Time stock to be distributed for each WCI share would fall to 0.439 of a Time share, from 0.465. (2) If WCI sells or spins off BHC stock to public, C-C after merger would control 11% of voting stock in merged company, but only 6% of equity, WCI said. C-C subsequently countersued seeking to delay merger until WCI accedes to demands. C-C wants court to grant formal certificate deleting those rights and is asking court to delay Time and WCI shareholders meetings until 60 days after certificate is issued.

Later in week, Viacom and SNI were named in suit by Paramount Pictures which sought at least \$88 million that studio said is owed under 5-year exclusive movie supply contract. Described as contractual difference, it stems from SNI's unwillingness to buy pay cable rights to Permanent Record, Blue Iguana, Plain Clothes, A New Life, She's Having A Baby. Exclusive Paramount-SNI deal expires this year; studio unit of Gulf & Western signed deal last year to sell movies to HBO over next 5 years. Suit charges that under contract signed in 1983, SNI failed to increase subscribers beyond more than half of total expected for 5th year of contract and often had less than 8 million, causing studio to be paid lower license fees and exclusivity premiums than expected. Showtime contract called for reduced payments if Paramount delivered fewer than 15 movies and Paramount contends Viacom Chmn. Sumner Redstone ordered SNI to reject 5 movies to lower payment because of Viacom debt.

CBS, K MART JOIN FORCES: "The largest promotion in TV history and the biggest general mass merchandise promotion of its kind in retail history" was announced by CBS and K mart at joint news conference May 9 at CBS hq in N.Y. Massive promotion will run 3 weeks, tied to premiere of new CBS program schedule in Sept., built around number contest similar to Lotto, with new winners announced each night.

Game cards will be included in K mart Sun. newspaper circulars that also will have "CBS Premiere Spectacular" inserts. Circulars reach 72 million households each week. Weekly contests will have 12 grand prizes, chosen in sweepstakes style after final contest. Contest will be promoted on CBS TV and radio, in CBS and K mart ads in magazines and newspapers, in banners and tags at all 2,200 K mart stores.

Collective media impressions should exceed 4 billion, CBS Best. Group Sr. Vp-Communications Schweitzer and K mart Ad Dir. Jerry Habeck said. K mart approached all 3 major networks with proposal, Habeck said, and CBS expressed by far most interest. No money will change hands -- "we couldn't afford [to pay for] this for one week," Schweitzer said -- and no direct K mart TV advertising is involved.

Correction: FCC didn't rule that Seven Hills TV, licensee of KTVW-TV Phoenix, violated agency's alien ownership rules in dealings with Mexican broadcaster Emilio Azcarraga, as reported (TVD May 8 p11). In clearing way for sale of station to Hallmark Cards, Commission accepted ruling of Review Board that Seven Hills wasn't under alien control.

Nearly month after submission, President Bush has notified FCC Chmn. Patrick that resignation of April 4 was accepted "with much regret." In letter dated May 2, Bush said Patrick returns to private sector with great pride in many accomplishments. In mass media, he said, FCC under Patrick emphasized open entry competition and "well-defined intellectual property rights. I commend you for your commitment to protecting the First Amendment rights of broadcasters." Meanwhile, status of nomination for successor chmn. remains fluid, with no decisions made yet, according to sources who discounted May 11 Washington Post story that said President will nominate Sherrie Marshall as chmn. and Ill. Commerce Comr. Andrew Barrett as commissioner. While White House has approved Marshall and Barrett for positions on Commission, chairmanship is up in air. Some thought Post story was trial balloon to get Senate reaction to Marshall as chmn. We're hearing different stories on who will be named, with some insiders saying White House is leaning heavily toward Marshall while others say it's still tossup between her and NTIA Dir. Alfred Sikes. Sikes is sticking to his position that he will take only chairmanship. Nominations could be made this week. Meanwhile, we're also told that there's nothing to published report that FCC candidate James Smith is in line for post at Commerce Dept. Instead, he's understood to be interested in position held by Sonia Landau -- dir., State Dept.'s Bureau of Communications & Information Policy.

HBO is entering ad-supported basic cable business, with Chmn.-CEO Michael Fuchs due to announce details of new network May 16 in N.Y. HBO is said to be making rounds of MSO headquarters, touting comedy channel that may be tied in with announcement.

BROADCASTER ROLE TO PROGRAM? Broadcasting will be superseded as dominant means of delivering programming to home by multichannel systems using fiber optics, FCC Chmn. Patrick suggested in luncheon speech May 12 at AWRT seminar in N.Y. As result, he said, broadcasters should use their expertise to program those channels: "You're not in broadcasting, you're in video news, information and entertainment. Don't tie yourselves to a given technology." Broadcasters as programmers is one of roles that some in cable have been proposing, as recently as NAB convention (TVD May 8 p9).

Patrick also advised broadcasters to avoid would-be "reregulators," who he said include (1) some in "Washington establishment" who want to define public interest and to gain some control over electronic media, and (2) some broadcasters who seek protection from competitors. Reregulation must be resisted because without true First Amendment freedom "you can't make the best use of your talent pools and local contacts," he said. Rather, broadcasters should look away from "Washington wish list." But one Washington wish that Patrick repeated from his speech to NAB (TVD May 8 p1) is to end cable compulsory license.

Program delivery conduit of future clearly will be one that carries huge number of video signals to home, and it's likely to be based on fiber optics, he said. "It won't necessarily be broadcast -- certainly not broadcast alone," Patrick said, saying broadcasters are misdirecting their concerns on telco entry into TV because that "per se, is not the threat to broadcast survival." Multichannel technology is the threat, he said, and preventing telcos from developing those technologies doesn't solve problem. Once multichannel systems reach every home, he said, "the government will be forced to ask whether signals should also be delivered to the home over-the-air." Off-air delivery of signals isn't free to public, he said.

Best chances for broadcasters competing in that multichannel environment, Patrick said, are to exploit their own unique characteristics: (1) Local identity and ability to please local audiences. (2) Experience and talent in programming. (3) First Amendment right to speak. Broadcasters are ahead of pack now on producing and packaging programming, he said, but that's ending and broadcasting should make itself more valuable to cable. Patrick said phone companies lack talent, contacts and resources to produce programming. He suggested broadcasters take active role in determining way telcos enter video.

Wave of future is direct broadcast satellites (DBS) and "when it happens, it's going to happen like gangbusters," said Stanley Hubbard, pres. of Hubbard Bestg. and its DBS subsidiary U.S. TV. "The technology is there today," he told AWRT panel, but DBS advocates are running into "the same kind of skepticism and fear" that TV pioneers did in late 1940s. DBS to home will require dish no larger than 15", he said, pledging that his proposed DBS system always will be free to consumers. Hubbard, owner of 7 TV stations, voiced concern on terrestrial broadcasters' ability to be successful in HDTV. He said they must realize "there is nothing to prevent the cable industry from getting a head start" because it has capability now to transmit in HDTV. In long run, he said, it may be "short-sighted" for U.S. govt. to insist on American HDTV system.

On same panel, FCC Comr. Quello said that whatever spectrum space is necessary for terrestrial broadcasters to enter HDTV "we have to make available." He said big

problem for broadcasters will be telco entry into cable -- "and that may be inevitable" but it's still years away. He said FCC should withhold action on cable-telco until GTE experiment in Cerritos, Cal., is completed in 5 years (TVD May 1 p5). CBS's Joseph Flaherty said HDTV will become "something very special [but] we have yet to deliver the first frame of it to anybody's house. People forget that." Moderator Brenda Fox of NCTA said broadcasting and cable industries are "working very closely... in a great cooperative effort" in preparing to test HDTV systems: "We have an awful lot of common interests."

TV VIOLENCE BILL AIRED: TV networks were on Capitol Hill again May 11 to urge caution on legislation (HR-1351) designed to curb violence in shows. Program practices executives soft-pedalled networks' continuing concerns with measure, but left no doubt Big 3 would prefer to police themselves without dictation from Congress. However, members of House Commercial Law Subcommittee for first time demonstrated growing interest in moving bill. Aides told us they suspected Subcommittee would adopt bill. Senate Judiciary Committee already has passed companion measure. Both versions may be broadened to cover depictions of drug use.

HR-1351 by Subcommittee members Feighan (D-O.) and Glickman (D-Kan.) would ease antitrust laws to permit networks and affiliates, producers, NAB and others in broadcast and cable industries to collude on development of voluntary program guidelines on depiction of violence. Bill has been introduced before in House and Senate with no success. Sponsor of companion (S-593), Sen. Simon (D-Ill.), was among witnesses testifying in support of measure. Also advocating passage were academics and representative of PTA. ACLU was opposed.

INTV board last week voted unanimously to back measure, and networks, NAB and NCTA aren't against it. However, networks expressed concerns at hearing with implication that programs aren't being policed adequately, as well as temporary nature of proposed 3-year antitrust immunity. Cap/ABC Vp Alfred Schneider said: "In our opinion, any joint effort to review specific programming would constitute an unacceptable intrusion into our program responsibilities." He oversees Policy & Standards Div. Schneider and other network officials said Big 3 already police programming voluntarily. However, he said: "We believe that there are legitimate aesthetic and creative reasons for the depiction of violence within the proper dramatic context."

Precautions against gratuitous violence in programs also are in place at other networks, officials said. They agreed that single uniform program code for industry might not serve their competitive needs. "We would not be willing to lessen our standards to hit some lower industry norm," NBC Vp-Best. Standards Alan Gerson said. Beth Bressan, CBS vp and asst. to pres., CBS Best. Group, said "delegating program content responsibility to what would be a very large committee of competitors may prove impractical and would sacrifice program diversity in the process."

Federal mediator has called off talks between Cap/ABC and NABET because they're so far apart after 8 hours of meetings May 11. Both sides said they were disappointed and blamed each other for failing to compromise. Meetings were first since majority of NABET members week ago rejected network's "final offer" for 4-year contract (TVD May 8 p8).

CABLE RATES TARGETED: Pressure continues to build in Congress to reregulate cable with recent introduction of rate control legislation (S-905, HR-2222) by Sen. Lieberman (D-Conn.) and Rep. Shays (R-Conn.), respectively. New measure comes as Rep. Markey (D-Mass.), House Telecom Subcommittee chmn., is circulating letter to colleagues urging support for measure he intends to introduce shortly to curb foreign ownership of cable (TVD May 1 p7). Sen. Gore (D-Tenn.) and Rep. Boucher (D-Va.) also are preparing regulatory bill (TVD May 8 p11).

Lieberman-Shays bill is designed to give states and municipalities authority to block steep rise in cable rates and stem industry's abuse of monopoly powers, Lieberman said. Measure reflects efforts at state level in Conn. to curb rates; 5 separate bills dealing with cable have been introduced into state legislature. With almost no competition, Lieberman said, cable systems have raised prices steadily. Senator criticized FCC for making rate escalation possible, saying its effective competition standard was "loosely" defined and ensured that competition would be found to exist everywhere, precluding local rate regulation. Basic rates can't be regulated in cable communities where 3 over-air signals can be received.

Lieberman said cable rate increases of 60-134% in some Conn. communities justified measure. He also noted recent Labor Dept. report that cable rates constituted largest component of Consumer Price Index hikes in 1988, and Commerce Dept.'s expectation of 14% increase in cable rates this year. "The cable companies claim that competition exists in the industry, but it's like a railroad baron in the 1800s claiming competition from the Pony Express," senator said. Few cable subscribers are in position of having choice between competing cable systems, he said, and bill would protect consumers from cable "gouging." S-905 has no co-sponsors. NCTA had no immediate comment on bill.

Measure would: (1) Allow local authorities to begin regulating cable rates 180 days after bill's enactment. (2) Treat cable as public utility. (3) Allow rate changes only after 60 days' notice and hearing. (4) Seek to curb single entity's penetration by giving states authority to deny franchise renewals or ownership and control transfers on ground of parent's "extensive media ownership." (5) Make carriage of "adequate, local" over-air signals mandatory to qualify for cable compulsory license. (6) Bow to broadcast industry complaints on channel positioning by requiring cable operators to carry TV stations at assignments they had July 19, 1985 -- date U.S. Appeals Court, D.C., vacated must-carry rules.

Gore-Boucher bill also would go beyond regulating cable rates to: (1) Mandate removal of cable-telco cross ownership restrictions. (2) Prohibit discrimination against competing video delivery technologies, notably TV receive-only industry. (3) Cap cable penetration. Boucher told us that lawmakers will seek to keep cable-telco portion of bill separate from issue of easing Modified Final Judgment for telephone Regional Holding Cos. Lawmakers expect to unveil bill at news conference this week.

Meanwhile, Markey and Reps. Bryant (D-Tex.), Slattery (D-Kan.) and Swift (D-Wash.) of Telecom Subcommittee would be original co-sponsors of bill to curb foreign ownership, which could be offered as early as this week, source said. "American production studios are the newest shiny item on the ever-lengthening shopping list of foreign investors," Subcommittee members said in letter headlined "Buying Hollywood" in large letters. "Cable TV properties,

one of the hottest businesses in the U.S. in this decade, are almost sure to be next." Bill for first time would extend foreign ownership restrictions on broadcast and common carriers properties to cable, DBS, MDS. Markey is said to have predicted that House will pass measure quickly.

NBC Pres. Robert Wright has written CEOs of major advertisers seeking support for 2-hour movie *Roe vs. Wade* on abortion to be aired May 15. Calling it "masterful NBC movie" and "the kind of quality project network television should be undertaking," he said: "We will underwrite this project without [ad] support if necessary." NBC official conceded some advertisers have pulled out while others remain, deeming it "quite acceptable," and still others are undecided. Network spokesman said that much of 14-min. ad inventory for movie had been sold and that sales probably would continue right up to air time. Wright decried current trend of pressure groups to threaten advertisers in controversial programs, saying it "should concern all of us who believe in advertiser-supported media." Many companies have received letters threatening boycotts of their products for advertising in certain programs, he said. NBC "firmly believes" decision as to where and when to run commercials rests with individual advertisers, Wright said -- "not with those who have a predisposition to judge a program's merits based on their own agenda and no information." He urged advertisers to screen "this splendid movie... It has our support but it also needs yours." National Right-to-Life Committee has urged NBC to withdraw program, charging it's "proabortion."

ATC has won suit in U.S. Dist. Court, Birmingham, Ala., on renewing its franchise there. In May 5 ruling (CV87-L-0755-S), Senior Judge Seybourn Lynne said city violated 1984 Cable Act by enacting law that preconditioned franchise renewal on cable operator's paying consulting fees, which in this instance totaled nearly \$1 million. Lynne also said requirement exceeded franchise fee limit of 5% established by Act. In this case, Birmingham tried to charge nearly \$1 million in consultant fees to ATC. Bulk of fees -- \$650,000 -- was owed to Craig Gehring of Washington law firm Preston, Thorgrimson, Ellis & Holman, which was hired to guide city through franchise renewal. ATC lawyer David Saylor of Hogan & Hartson also noted that in 3-page opinion, judge said cable operators are entitled to judicial review at early stage of renewal process and cities can't rely on arguments that case lacks ripeness. Saylor said judge also ruled a city may not impose generic ordinance before it seeks to ascertain community cable needs. City is expected to appeal. Ruling is first at district court level on such franchise renewal issues and Saylor said it could be employed in some of thousands of other instances where cable franchises are coming up for renewal in near future.

TV station sales: WITX (Ch. 20) Waterbury, Conn., has been purchased by Renaissance Communications (90% owned by Warburg Pincus Capital Corp.) for \$18 million from Washington attorney Michael Finkelstein. Buyer owns WDZL (Ch. 39) Miami... WIHT (Ch. 31) Ann Arbor has been sold for \$4.8 million, including noncompete agreement, by FAB Communications to Blackstar Communications. Buyer includes John Oxendine and Wesley Williams, pres. and chmn., respectively, of NAB's Best. Capital Fund, designed to help minorities acquire stations... **River City TV Partners** has signed agreement to buy independent KABB (Ch. 29) San Antonio from Alamo Bctg. Corp. Terms weren't disclosed. River City is unit of Atlantic Bestg., partnership of Better Communications controlled by Barry Baker with Larry Marcus as minority partner, and 8 senior executives of Communications Equity Assoc.

NCTA EYES BIG CROWD: Preregistration for NCTA convention in Dallas May 21-24 is well ahead of figures at same time before 1988 convention, NCTA Vp-Industry Affairs Barbara York said last week. In last count before convention begins, Assn. said it had 10,628 signed up, along with 284 exhibitors, including 78 attending their first NCTA convention, leasing 182,200 sq. ft. Registration fees and floor rates are unchanged from charges at last year's show in L.A., when NCTA had 13,699 attendees and 315 exhibitors leasing 163,000 sq. ft. That convention achieved more than \$900,000 profit, we're told. Profit for 1987 convention in Las Vegas was \$875,176.

Five senators and about 35 House members are scheduled to attend, NCTA said. Only appearance for all but 3 senators will be with cable operators behind closed doors at preconvention policy roundtable discussions set for Loews Anatole Hotel May 20, 4:30-6 p.m. Senators scheduled: Bryan (D-Nev.), Burns (R-Mont.), Grassley (R-Ia.), Heflin (D-Ala.), Stevens (R-Alaska). NCTA declined to identify House members, saying schedules aren't firm. Among other convention highlights:

(1) NCTA and National Assn. of Minorities in Cable (NAMIC) co-host breakfast May 23 at which Rev. Jesse Jackson will speak. (2) TBS and USA Network have scheduled separate screenings for evening of May 21; TBS will show *Billy the Kid*, original production of Turner Network TV (TNT) that's to air before convention. (3) Leader of companies increasing size of exhibits is Rainbow Program Enterprises, which has leased 7,200 sq. ft. Unlike last few years, FCC Chmn. Patrick won't address convention or closed board meeting; this year, Comr. Quello is lone commissioner scheduled. Patrick was unavailable for comment, but NCTA said he had been invited to appear on HDTV panel.

There will be opening session May 21 with speeches by incoming NCTA Chmn. Robert Miron, Newhouse Bestg. pres., and NCTA Pres. James Mooney. Convention theme this year is "Informing and Entertaining America." After speeches, opening session will deal with impact of cable on program market and will look into 1990s. Assn. plans to use 32 video monitors and 8-10 large video screens to display smorgasbord of cable programming before session starts. Moderator is TBS Exec. Vp Robert Wussler and speakers include United Artists Communications Chmn. Stewart Blair -- his company is to merge with United Cable TV and becomes United Artists Entertainment after May 25 shareholder meeting; HBO Chmn. Michael Fuchs; Viacom Cable Pres. and NCTA Chmn. John Goddard; producers Alvin Perlmuter and Fred Silverman. Antitrust suit filed by Viacom against HBO and Time Inc. (see separate story elsewhere in this issue) could add spice to that session. Closing meeting May 24 deals with CEOs' perspective on communications, features TCI Pres. John Malone, Viacom Pres. Frank Biondi, NBC Pres. Robert Wright. Moderator: ABC News correspondent Jeff Greenfield.

Of total of 40 panel sessions, 10 are in technical area -- 2 on HDTV, 2 on fiber optics, one each on Cable TV Labs, measuring signal leakage, audio, system powering, pay-per-view, operational improvements. Total of 13 management sessions are set ranging from ad sales to franchise transfers. Transfer session on afternoon of May 22 includes U.S. Conference of Mayors Asst. Exec. Dir. Gerald Lederer, TCI Govt. Affairs Vp Robert Thomson, Comcast Planning Vp Barbara Lukens, Warner Cable Senior Vp-Corporate Affairs Lynn Yaeger.

Four public policy sessions include only scheduled discussion of teleco-cable cross-ownership issue. That panel,

May 24, 9-10:30 a.m., lists only cable industry speakers and allies in fight to keep telcos out of cable. Cox Cable Pres. James Robbins is moderator. Panelists include: Comr. Quello, Comm/Scope Pres. Frank Drendel, TCI Senior Vp John Sie, Consumer Federation of America Legislative Dir. Gene Kimmelman, American Newspaper Publishers Assn. Senior Vp Terry Maguire. York said NCTA wanted to use session to get out its side of story and didn't invite anyone from telephone industry or its allies.

Issue can be expected to crop up in other policy sessions: (1) Bills before Senate -- Sens. Bryan, Burns and Stevens. (2) Washington Insiders -- moderator, NCTA Deputy Vp Katherine Meier. Panelists: Senate Patents Subcommittee Chief Counsel Ed Baxter, Senate Communications Subcommittee Counsel Antoinette Cook, Exec. Asst. to Sen. Inouye (D-Hawaii) Dan Craig, House Telecom Subcommittee Minority Counsel Terry Haines, Senate Technology Subcommittee Chief Counsel Ann Harkins, House Telecom Subcommittee Counsel Larry Irving and Chief Counsel/Staff Dir. Lawrence Sidman, Senate Communications Subcommittee Senior Minority Counsel Regina Keeney, House Commerce Committee professional staffer David Leach, Senate Commerce Committee Chief Counsel/Staff Dir. Walter McCormick, Senior Policy Analyst for Sen. Wirth (D-Colo.) Mike Perko, House Telecom Subcommittee Senior Policy Analyst Gerald Salemme, counsel in Office of Minority Leader Charlene Vanlier. (3) Meet FCC Staff -- moderator, NCTA Deputy Gen. Counsel Michael Schooler. Panelists include Mass Media Bureau (MMB) Chief Alex Felker, special asst. to Comr. Quello Brian Fontes, senior legal asst. to Comr. Dennis Noel Gunther, MMB Policy & Rules Div. Chief Bradley Holmes.

Among noncable exhibitors are telcos GTE, which is showing Main St. videotex service via cable; Bell Atlantic and Ameritech, showing automated number identification ordering systems for PPV; U S West, National Assn. of Telecommunications Officers & Advisers (NATOA), NAPTS, NATPE, David Sarnoff Research Center. Unlike recent NAB convention in Las Vegas, there won't be combined HDTV demonstration, but organizers said Sarnoff will display new application of its proposed advanced TV system.

NCTA has announced winners of Vanguard awards, highest honor for individuals: Distinguished Leadership, C-SPAN Chmn. Brian Lamb and ATC National Div. Vp-Central Operations Gayle Greer; Young Leadership, TBS Vp Terence McGuirk; Programming, Learning Channel Chmn.-CEO Hal Morse; Assoc., CableData Senior Vp-Gen. Mgr. Maggie Wilderotter; Science and Technology, ATC Dir.-Engineering & Technology David Pangrac; State/Regional Assn. Leadership, TKR Cable Pres. Paul Freas; Mktg., Cox Cable Senior Vp-Mktg. & Programming Ajit Dalvi. NCTA President's Awards are being given to all employees of Continental Cablevision, Beta Communications Chmn. William Strange, TBS Exec. Vp Robert Wussler and to CEOs at networks that sponsor ACE Awards. Awards will be presented May 24.

Senate Commerce Committee marks up children's TV endowment bill (S-797) by Communications Subcommittee Chmn. Inouye (D-Hawaii) May 16. Bill is among several on which Committee will act at business session that begins 9:30 a.m., Rm. 253, Russell Bldg. Committee Chmn. Hollings (D-S.C.) and 4 others on panel are co-sponsors.

CBS TV Network, which lost Rochester, N.Y., affiliation when WHEC-TV shifted to NBC, announced plans to take on NBC-affiliated WROC-TV. Date of switches hasn't been announced.

Personals

James Allegro advanced to senior vp, ABC TV Network Group, new post. Promotions at Cap/ABC: **Larry Price** to dir., national TV sales-West, **Bernard Prazenica** to sales mgr.-national TV sales-Philadelphia... **Terry O'Neil**, who has headed own production company since leaving CBS Sports in 1986, appointed exec. producer of NBC Sports, succeeding **Michael Weisman**, dismissed with 2 years reportedly remaining on contract; **Peter Diamond** named vp-programming, Summer Olympics... **Philip Jones** advanced to pres., **Meredith Bestg.** Group, succeeding **William McReynolds**, who becomes senior vp with focus on special projects. **McReynolds**, who underwent major surgery late last year and is expected to recover fully, "chose to implement his existing management succession plan early," company said... **Steve Friedman** resigns May 29 as pres., **Grant Tinker-Gannett (GTG)** venture **GTG East**.

Ronald Townsend, **WUSA** Washington pres.-gen. mgr., promoted to pres. of parent **Gannett TV Group**, succeeding **Cecil Walker**, who remains pres.-CEO of **Gannett Bestg.**; **WUSA** Vp-Station Mgr. **Henry Yaggi** succeeds **Townsend**; other changes at **Gannett TV**: **Joseph Franzgrote** moves from **KARE-TV** Minneapolis to pres.-gen. mgr., **KUSA-TV** Denver, is named **Gannett TV** senior vp; **KPNX-TV** Phoenix Pres.-Gen. Mgr. **C.E. (Pep) Cooney** also named **Gannett** senior vp; **Linda Brook**, ex-**WLTV** Jacksonville pres.-gen. mgr., succeeds **Franzgrote** at **KARE-TV**; **Kenneth Tonning** moves from **KUSA-TV** to succeed **Brook**... **Janet Steiger**, chmn., **federal Commission on Veterans Educational Policy** and ex-chmn., **Postal Rate Commission**, nominated by President Bush to be **FTC** chmn., succeeding **Daniel Oliver**; **Deborah Owen**, Washington attorney and legal aide to former President Reagan, to be nominated by Bush for 2nd **FTC** seat... **Michael Boudin** named acting head, **Justice Dept.** Antitrust Div., succeeding **Charles Rule**, who recently joined Washington law firm **Covington & Burling** as partner.

Elected vps at **Scripps Howard Bestg.**: **Kenneth Lowe**; **Clint Pace**, sales; **Terry Schroeder**, administration; **Frank Gardner**, gen. mgr., **WCPO-TV** Cincinnati; **James Major**, gen. mgr., **WFTS-TV** Tampa-St. Petersburg; **Thomas Griesdorn**, gen. mgr., **WXYZ-TV** Detroit. **Jeffrey Hively**, ex-gen. mgr., **Sun-Tattler** (Hollywood, Fla.) newspaper, joins as dir.-corporate development, new post... **Len King** named **CNN Radio Network** mgr... Added as speakers at May 16 **Federal Communications Bar Assn.** seminar on **Cable Act** in its 5th year: **Jarilyn Dupont**, legislative asst. to Rep. **Synar** (D-Okla.); **Tillman Lay**, attorney with **Miller & Holbrooke**... **Donna Leonard** advances to vp-radio membership, **NAB**.

McAdory Lipscomb promoted to senior vp-corporate affairs, **Showtime Networks**... Advancements at **Request TV**: **Colleen Cahill** to vp-corporate sales and affiliate relations, **Stuart Jacob** to vp-mktg... Additions at **Lifetime cable network**: **Paul Chader**, ex-**Philip Morris International**, as vp-human resources; **Alex Wagner**, ex-**Group W Satellite Communications**, as dir.-public affairs... **Bo Bancroft** promoted to vp-southeast region, **Turner Cable Network Sales**... **James Bates**, ex-**Home Team Sports**, joins **SportsChannel N.Y.** as dir.-sales and mktg.

James Gammon, **Gammon Media Brokers**, elected pres., **National Assn. of Media Brokers**, succeeding **Robert Mahlman**... **Dennis Majewski**, ex-**Golden Dome Productions**, joins **WTMJ-TV** Milwaukee as production mgr. and mgr., **On-Line Video**... **Laura Benavides** promoted to press and publicity mgr., **WDIV** Detroit... **FCC** calendar -- May 17: Chmn. **Patrick** testifies before **Senate Communications Subcommittee** on **FY 1990 FCC authorization**, 10 a.m., Rm.

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With Consumer Electronics
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232A, **Russell Bldg.** May 18: **Patrick** testifies before **Senate Commerce Appropriations Subcommittee** on **FY 1990 appropriation**, 10 a.m., Rm. S-146, **Capitol**.

In continuing effort to get **RKO General** out of broadcasting, **FCC** in 2-1 votes last week approved sales of: (1) **WRKS(FM)** N.Y. to **Summit-N.Y. Bestg.** for \$50 million; (2) **KRTH-FM/KRTH(AM)** L.A. for \$86.6 million to **Beasley AM Acquisition** and **Beasley FM Acquisition**. (3) **WFYR-FM Chicago** for \$21 million to **Summit-Chicago Bestg.** In N.Y. sale, \$32.5 million (65%) will go to **RKO**, rest to 5 competing applicants. **FCC** majority of Chmn. **Patrick** and Comr. **Quello** cited "strong public interest considerations," saying that **WRKS(FM)** will move into hands of "an unquestionably qualified licensee." In L.A., **RKO** will retain \$56.25 million (65%) of sale price, paying rest to other applicants. Rationale of **Patrick** and **Quello** was that public interest considerations favor settling lengthy **RKO** proceeding. In Chicago case, **RKO** will keep \$13.7 million (65.4%) and **Future** will pay \$7.3 million to other applicants. Comr. **Dennis** dissented in all 3 votes, as she has throughout **RKO** proceeding. In related development, **FCC** told **Review Board** to take no further action in **WOR(AM)** N.Y. case. **RKO** has reached agreement to transfer station to **Buckley-WOR Bestg.**, with 6 other applicants sharing proceeds. **RKO** said it will sell **WHBQ-TV** Memphis to **Adams Communications** for \$39 million but split with competing applicants hasn't been worked out. Also pending before Commission are agreements to sell 3 more radio stations.

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 April and year to date:

	APRIL 22-28	1988 WEEK	% CHANGE	APRIL 15-21	4 MONTHS 1989	4 MONTHS 1988	% CHANGE
TOTAL COLOR.....	504,464	551,473*	- 8.5	362,750*	6,609,522*	5,808,249	+13.4
DIRECT-VIEW...	499,479	544,397*	- 8.3	360,173*	6,544,955*	5,731,707	+14.2
PROJECTION....	4,985	7,076*	-29.6	2,577	64,567	76,542	-15.6
TOTAL VCR.....	233,499	331,065	-29.5	166,968	3,140,079	3,448,077	- 8.9
DECKS.....	181,552	268,948	-32.5	127,480	2,640,995	3,042,657	-13.2
CAMCORDERS....	51,947	62,117*	-16.4	39,488*	499,084*	405,420	+23.1

Color TV 5-week moving average: 1989--410,673*; 1988--355,778 (up 15.4%).

VCR deck 5-week moving average: 1989--173,137; 1988--175,074 (down 10.6%).

Camcorder 5-week moving average: 1989--37,879*; 1988--29,518 (up 28.3%).

* Record for period.

TV--PRICES UP, BIG SCREENS, DIGITIZATION: RCA upped prices 1-3% on its new line -- 2nd increase this year -- and promised at least another raise before year-end as it introduced brand new "Very High Performance" (VHP) 27" picture tube and chassis, along with first line of 31" sets of its own manufacture and most sophisticated collection of digital picture-in-picture (PIP) and graphic effects seen so far in color TV.

Trend toward new, brighter, bigger and better projection TVs continued, meanwhile, with first IDTV projector from NEC and new projection sets from Pioneer and RCA. Also continuing industry's general stepup trend is Emerson with two 2-tuner sets -- 27" PIP and 20" TV-VCR combo. Pioneer moved videodisc player prices down a notch with dedicated laserdisc player at \$500 and CD-LD combi at \$600.

Big screens get big emphasis in Thomson Consumer Electronics' RCA line, featuring VHP extra-bright tube and specially designed chassis we forecast here 4 months ago (TVD Jan 16 p13). In U.S., tube will replace square planar (SP) tube. Like SP tube, it has aspherical faceplate (but of different proportions from SP's). It features closer alignment of phosphor stripes for finer grained picture, has different colorimetry, 110° deflection and is designed to be driven harder than conventional tubes. As we viewed it at press showing in Indianapolis compared with predecessor, it had noticeably brighter picture with whiter whites and definite improvement in greens and blues. Tube is exclusive with RCA brand for time being, although Thomson's Tube Div. will sell it on OEM market later. No 19" or 25" sets are in RCA line.

RCA 31" line has been expanded from 3 Hitachi-made models to 7 sets built in Thomson's Canadian plant using Matsushita tubes until expansion of Marion, Ind., tube factory for new larger sizes (including 31" version of VHP tube). Top-end 27" and 31" sets have new 76-button universal remote with large catalog of digital and menu effects (76-button remote without digital effects also is on top 20"). Remote has built-in codes for 24 cable box and 49 VCR brands, adds alphanumeric keypad to numeric one. Channels can be labeled with call letters or network abbreviations and can be called up by punching in letters or numbers (for example, by dialing "ABC" on remote unit). Sure evidence that RCA brand no longer is affiliated with a TV network is provided by "commercial skip" feature that lets viewer browse other channels in 30-sec. intervals during commercials, returning automatically to original channel.

More interactive effects are incorporated in digital circuitry, including PIP that can be moved to any location in main picture in large variety of sizes, panning zoom that lets viewer select portion of picture to be enlarged digitally up to 5 times, special features such as posterization and mosaic that can be combined in different proportions, negative picture, strobe, digital recall of last min. of action. Since remote unit can control 2 VCRs, it can be used for editing with single set serving as dual monitor -- for example, camcorder playback in small picture, VCR in larger.

RCA name is on 52" version of projector similar to Hitachi's Ultravision (TVD May 8 p15) but with PIP and other digital software of RCA's own design, with 10-w-per-channel stereo amplifiers, surround sound processing, at \$2,999. Earlier 46" and 50" projectors continue in line.

RCA's VCRs and camcorders have been retooled to own design, also featuring extensive on-screen menus. Some VCRs have "help" buttons providing 17 pages of on-screen assistance and answers to such common problems as "VCR doesn't work" and "when and how should I clean the heads" (on-screen answer says only when picture disappears and use only liquid-type cleaner). VCRs now have remotes that can control 2 RCA recorders -- new models can be programmed for either VCR-1 or VCR-2 codes -- permitting simple remote dubbing. Camcorders -- all full-size VHS (although VHS-C model is carried over) -- have added features, with CCD sensors in lower end models, MOS in top of line.

* * * * *

NEC's 52" IDTV projector -- at whopping \$6,499, for July delivery -- was demonstrated in N.Y. last week, showing picture that demonstrably removed NTSC artifacts and distractions. System is claimed to have 450 lines of vertical resolution and built-in 11-Mb memory. It uses "3D" motion compensation continually using interline and interfield information with 2 types of digital memory buffers to process information. Special Y/C separation technique (line separation for motion shots, frame Y/C for still shots) effectively eliminates artifacts from picture. Projector is manufactured in NEC's McDonough, Ga., plant.

Details of new lines, and comments by Thomson officials, are in separate reports in this issue.

COLOR TV SALES BOOM SLOWED IN APRIL: Color TV picture tube shortage may be putting brakes on sales boom that characterized first quarter of 1989. April direct-view color sales to dealers were up only slightly from year earlier, after huge percentage increases in first 3 months of year. It also was lackluster sales month for video products, compared with strong March (TVD April 17 p10). Camcorders had modest increase, but projection TV and total VCR sales fell.

Direct-view color TV sales inched up just 0.4%, squeaking past previous April record set last year. This follows year-to-year increases of 21.5% in March, 20.8% in Feb., 13.1% in Jan. Seasonally adjusted annual sales rate dropped to 22.1 million from 23.5 million in March, but that's still up 9.4% from 1988's full-year record sales of 20.2 million. Annualized rate through first 4 months of 1989 was 22.2 million, same as after 3 months. Week-by-week breakdown for color TV shows decreases in first and last weeks of month offset by gains in middle 2 weeks, which set sales records.

Sales slowdown for color TV may be reflection of color tube shortage that is plaguing industry, creating availability problems for some models. Industry forecasts of duration of shortage vary, ranging from rest of year to as far out as 1992. Although there's evidence industry could sell as many as 23 million color sets this year, forecasts are declining -- just 2 weeks ago Philips was predicting sales as low as 19 million (TVD May 1 p10).

Picture in projection TV was bleaker than in direct-view for April. Sales dropped 24.1% in year and all 4 weeks in month showed decreases, final 3 with significant declines. Projection TV sales dropped from prior year in 3 of first 4 months of 1989, and year-to-date sales were down 15.6%. Annual rate for April was 212,089, down from 280,377 in March and 259,869 in Feb. Rate through 4 months was slightly better, at 238,606, but that was down from 245,527 after 3 months and from 1988 sales of 301,784. Nonetheless, product introductions so far show great confidence in future of projection, with almost every major brand introducing new and improved giant-screen sets.

VCR deck sales slumped again after record-breaking March, dropping 21.6% from April 1988, and were down in all 4 weeks of month. In first 17 weeks of 1989, VCR decks set record in only one week -- final week of March. Seasonally adjusted annual rate for April plunged to 8.4 million from 13.1 million month earlier. Rate for Jan.-April was 9.3 million, down from 9.5 million after 3 months, and off 13.1% from 1988 sales of 10.7 million. There's disagreement in industry as to how serious deck shortage is -- or, indeed, whether there's shortage at all any more -- but some marketers report scarcity of low-end decks continuing as result of pullout of Korean manufacturers from OEM market.

Camcorder once again was industry's bright spot, as sales rose 17.5% to another monthly record. Huge increases were reported in all but last week of April, which had decrease. Annualized rate for April was 2.6 million, down from 3.3 million in March. Through 4 months, annual rate was 2.6 million, virtually same as for first quarter. Camcorder sales in 1988 totaled 2.04 million. While color TVs are in relatively short

supply, there should be plenty of camcorders to meet demand, following steady inventory buildup that has created surplus over last year (TVD May 8 p13), causing concern in industry.

Final week of month was dismal, all major video products showing decreases in sales to dealers compared with same 1988 week (see State of the Industry). VCR decks dropped 32.5% -- biggest percentage decline of any product -- and even camcorders were off 16.4%, EIA said. It was only 3rd week this year in which no weekly sales records were set. Here are EIA's figures on sales to dealers for April:

Product	April 1989	April 1988	% Change	April 1987
Total color.....	1,471,645*	1,469,858	+ 0.1	1,317,613
Direct-view...	1,459,768*	1,454,201	+ 0.4	1,302,584
Projection....	11,877	15,657	-24.1	15,029
Total home VCR..	676,613	802,977	-15.7	878,318
Decks.....	535,492	682,891	-21.6	770,782
Camcorders....	141,121*	120,085	+17.5	107,536

* Record for any April

\$1.35 BILLION SOUGHT TO DESIGN, MAKE HDTV: Govt.-private partnership that would develop, design, license and possibly produce HDTV equipment is major part of 5-year plan that would require at least \$1.35 billion in federal help, Boston Consulting Group (BCG) recommended to American Electronics Assn. (AEA). Plan was unveiled against backdrop of Bush Administration reluctance to commit major govt. funding to HDTV development. New bills to help launch domestic HDTV were introduced by Sen. Kerry (D-Mass.) and Rep. Levine (D-Cal.).

Although legislators seemed warm to plan -- which generally meets call by Commerce Secy. Robert Mosbacher for industry-led policy in partnership with govt. -- he didn't address plan directly, warning proponents they shouldn't depend on "Uncle Sugar [to] fund it." Proposal, to be considered by AEA board May 17, seeks: (1) \$300 million from Defense Dept. over 3 years to fund R&D. (2) \$50 million from Commerce Dept.'s National Institute of Standards & Technology (NIST) to develop transmission standard. (3) \$500 million from Commerce Dept. in low-interest loans and \$500 million in loan guarantees to build production facilities and for working capital.

However, plan won endorsement of Senate Commerce Committee Chmn. Hollings (D-S.C.), who told reporters after hearing on govt. role in high-technology development that he would press for federal funding that it recommends. He said he already is committed to seeking greater federal support for HDTV R&D grants program of Defense Advanced Research Projects Agency (DARPA) as member of Senate Defense Appropriations Subcommittee. Hollings promised he will pursue additional HDTV support for NIST through his Commerce Committee, and in Senate Commerce Appropriations Subcommittee that he also chairs.

Consortium, called Advanced TV Corp. (ATC) would: (1) Own and license technology, beginning in 1991, to support broadcast standard developed by Commerce's NIST as adopted by FCC. (2) Administer loan and loan guarantee program for development of manufacturing infrastructure and ATV production. Consortium essentially would support R&D and manufacturing, AEA Vp Pat Hubbard told Senate hearing. Money would have to be matched by industry investment. Govt. funds would come out of newly created NIST Foundation. (3) Establish cost-sharing guidelines -- critical prerequisite ground rules for federal involvement. (4) Implement program to stimulate development of consumer and business markets for ATV hardware, transmission services, software.

Plan contains significant incentives to keep proposed program domestic, including stipulation that loan eligibility criteria require that applicant company buy "majority" of its semiconductors from firms "based in the U.S." It also proposes requiring "majority" of company's R&D, product and manufacturing systems design and engineering and actual manufacturing be performed in U.S. However, it doesn't rule out participation by foreign-owned firms.

French-owned Thomson Consumer Electronics made it clear that it's very interested in being part of any U.S. HDTV R&D consortium. Senior Vp Joseph Donahue submitted letter to Commerce Dept.'s ATV Advisory Committee last week in which TCE Chmn. Pierre Garcin called R&D "key issue to enable volume manufacturing of displays and receivers in the U.S." Donahue told Advisory Committee meeting that each company should be rewarded on basis of its contribution to U.S. employment and technology rather than nature of its ownership. There's "no way" there will be significant U.S. ATV consumer electronics business in

next 5 years, Donahue said. TCE views VCR development as "very fundamental" to ATV, he said, adding that it's considering formation of U.S.-based VCR R&D unit. U.S. Patent & Trademark Office would get into act under AEA plan by overseeing development of approach to allow ATV Corp.-supported innovations to be licensed exclusively by U.S. or by Corp., with compensation to developer. License fees, royalty fund, direct R&D grants and other economic incentives are described in plan. Variety of other elements also are proposed, including tax incentives, eased antitrust laws, roles for Transportation Dept., Federal Aviation Administration and U.S. Trade Representative, and precautions against violating bilateral and multilateral trade treaty obligations, particularly under General Agreement on Tariffs & Trade (GATT).

Proposed ATV effort was described as less likely to provide direct benefit to TV itself than to other fields seen likely to benefit from technological developments such as computers, semiconductors, medical imaging and office/factory automation. Whoever has upper hand in ATV in next decade will "control" high-end computer industry in early years of next century, BCG Vp Todd Hixon predicted.

Plan's release was highlight of Senate Commerce Committee hearing at which Mosbacher found himself in hot seat for Administration's failure to come through by now with legislative recommendations. He was criticized by Hollings and other senators for shedding little new light on Administration plans. Hollings said he considered testimony thin because it spoke mostly to White House plan to propose legislation soon to ease antitrust laws and to make R&D tax credit permanent. He told reporters Mosbacher was "stonewalling" and indicated problem was Bush Administration's hesitancy to support new govt. spending.

Mosbacher rejected suggestions that govt. take bigger role in HDTV development: "This is not the right approach. There can be no substitute for a healthy, forceful private sector that sees the opportunities for new markets and translates these opportunities into new and improved services and products." Senators present expressed belief that govt. may need to "lubricate" market wheels, as one put it. There clearly was bipartisan agreement among lawmakers to fund NIST to make agency driving force behind industry's HDTV development. There also appeared to be much support for proposal to ease antitrust laws to permit industry consortium or joint ventures to develop HDTV. However, there didn't appear to be consensus on how far that proposal should go in allowing both R&D and manufacturing consortia to form. More Defense Dept. money for HDTV was urged by govt. and industry figures at military affairs hearing last week at which it was revealed that first grants for displays and receivers would go to "2 or 3 or 4" out of 87 applicants (details in separate report, this issue).

THOMSON'S 'DRAMATIC TURNAROUND' IN 1989: Trauma of ownership and distribution changes behind it, Thomson Consumer Electronics (TCE) now is looking confidently to increasing dominance of U.S. consumer electronics market and to being one of 10 "world-class players" remaining in industry in next 5-10 years, in words of Martin Holleran, pres.-CEO, TCE Americas Sales & Mktg. Co. Conceding "we have had unacceptable financial numbers since 1981," Americas TV Vp Joseph Clayton forecast 1989 "will mark a dramatic turnaround in our financial condition."

Against background of shortage-induced industry price increases and major new-line introduction (see reports elsewhere in this issue), TCE officials exuded new air of confidence last week on occasion of press visit to its U.S. hq in Indianapolis -- rather remarkably like heady comments of Philips officials who just 2 weeks earlier called 1989 "historic year" (TVD May 1 p10). Although extensive new line was designed before Thomson took over former GE/RCA Consumer Electronics, forecasts of bigger and better things to come were widespread.

Turnaround will come this year despite 5-week strike at Scranton plant that delayed 100,000 scarce picture tubes (TVD Feb 27 p9), Clayton said, outlining TCE goal to increase both profitability and market share ("we're not satisfied just to be No. 1," said Clayton -- we will compete in all areas" of TV business). Holleran called change from 2-step distribution to direct sales "biggest single change in our business in years -- it's behind us now, we're in direct control of all our major markets." He said the 10 small distributors remaining represent less than 5% of RCA/GE brand business.

Although 1989 will be "almost flat with last year" in unit sales, Holleran called current pricing situation "most encouraging" development. He noted TCE's new presence in 31" area, indicating 35" will be another major product after new tube plant is in operation. "We will be a player in the high end," he said, commenting that success in all areas of TV depends on worldwide business. He revealed that Thomson's first worldwide chassis would be 9", to be followed by other sizes. (For further comments by Thomson officials, see related report elsewhere in this issue.)

FIRST GOVT. HDTV GRANT: First Pentagon award for HDTV display didn't go to huge conglomerate, fancy R&D firm or major university -- but to small company dominated by lone inventor in the American tradition. Recipient was Projectavision, Westbury, N.Y., enterprise headed by inventor Eugene Dolgoff, developer of LCD projection TV system.

Dolgoff says he was notified by Defense Advanced Research Projects Agency (DARPA) that his company was first to be awarded funds for HDTV display -- "initially \$500,000," he told us -- to further develop his projection TV system that, he says, DARPA believes is closest to market of any so far. Dolgoff was interviewed and his projection system described in these pages early this year (TVD Jan 30 p13). Projectavision's goal, as described by Dolgoff at that time, was projection TV system "inexpensive enough to be in every home." Projectavision is chaired by former Sanyo Fisher Chmn. Howard Ladd.

Newly promoted DARPA Dir. Craig Fields earlier announced that decision on first grants will be released within month, money going to only "2 or 3 or 4 applicants." He told joint hearing by House Armed Services Investigations and R&D Subcommittees that \$30 million set aside for HDTV development grants would go to "pretty small number" of 49 applicants still under consideration; 87 applications were filed (TVD March 13 pp12 & 15). Fields said winners would be those deemed most "technically excellent and mutually supportive."

Foreign-based companies probably won't be among winners, Fields said, although DARPA still is struggling with definition of foreign firm because of complexities of multinationals in increasingly global economy. He said DARPA lawyers have produced conflicting legal opinions on permissible restrictions on foreign applicants. DARPA is striving for "American program that would establish an American base" in HDTV, he said.

Decision on what's "American" company may depend on where its capital investment, labor and R&D are located, Fields said. Grant winners also will have restrictions placed on them to ensure development is domestic, Fields said. In answer to question on how selection of Sony would affect U.S. electronics, he said: "If we funded Sony with no restrictions... it probably would hurt [American electronics] rather than help." He said goal is to prod resurgence of U.S. electronics industry and reduce potential American military dependence on foreign supply of HDTV systems and components.

Subcommittees also heard from NTIA Dir. Alfred Sikes and NASA Dir.-TV Development Robert Shafer. Centerpiece of hearing was screening of HDTV film of recent Challenger shuttle launch created for NASA by Bell Communications Research (Bellcore), using experimental fiber network. Film also was subject of House Science Subcommittee hearing same day, with both presentations designed to point up significance of HDTV's scientific and military applications.

"These images, digitized, enhanced and transmitted over fiber optics, coupled with computer control, offer the basis for a wide range of diagnostic capabilities," said Indraaneel Paul, Bellcore dist. mgr.-video services concepts. He described information on shuttle and launch revealed to NASA for first time through HDTV. In-space applications also were discussed. "The advent of HDTV technology makes space manufacturing and assembly become more feasible," Paul said. "The possibilities are limitless."

But high cost of capital makes federal help necessary in getting HDTV off ground, said Pat Hubbard, vp, American Electronics Assn. (AEA), and Ronald Young, senior scientist, Harris Corp. They cited importance of HDTV as building block for more sophisticated U.S. electronics industry, stressing trade implications.

Comments of HDTV advocates appeared to meet with skepticism at start from Subcommittee used to pitches of hardware merchants seeking piece of DoD budget. But aides said that enthusiasm had built by end of hearing, and indications were that panel would press for unspecified continued HDTV funding for DARPA. Expected to be among advocates is Investigations Subcommittee Chmn. Mavroules (D-Mass.), who said: "Each of us must recognize our national security is interwoven with our economic security. Our modern weapons systems are increasingly dependent on advanced electronics. Without a healthy commercial electronics industry, we will become increasingly dependent on foreign sources. HDTV presents an opportunity for the U.S. to decrease our foreign dependence."

GO-VIDEO SIGNS DISTRIBUTOR: Go-Video said limited supply of dual-deck VCRs will be in retail marketplace in time for Christmas selling, following nationwide distribution agreement for product with D&H Distributing, formerly RCA's largest U.S. distributor.

Dual-deck VCR will be manufactured by Samsung in Korea, according to agreement companies announced in March (TVD March 6 p10). Under agreement, Go-Video dismissed Samsung from its \$4.5 billion antitrust lawsuit in exchange for Samsung's agreeing to make dual-deck VCR under Go-Video and Samsung brands.

Accord with D&H covers "majority purchase of Go-Video's production through May 1990" and is valued at \$30 million retail, Go-Video Chmn.-CEO Terren Dunlap said. Based on estimated price of \$1,000 for dual-deck VCR, that represents about 30,000 units, Dunlap said. VCR will be available for Christmas "on allocated basis," he said.

Dunlap said distribution pact is major step in getting VCR-2 to market and isn't exclusive. Go-Video is negotiating with other distributors, although D&H will handle "bulk" of work, he said. Go-Video has projected 500,000 demand on basis of reaction at Consumer Electronics Shows. Dunlap said first order from D&H "says that's accurate" estimate.

Go-Video and D&H plan to display VCR-2 at Summer CES in Chicago next month. Samsung and Go-Video engineers have been working together for several months, but production of first units hasn't begun, Dunlap said. Microprocessors will be supplied to Samsung by Go-Video factory in Phoenix. Dunlap said other models of dual-deck VCR, including interactive version, aren't expected until 1990 at earliest.

Details: Go-Video, 4141 N. Scottsdale Road, Suite 204, Scottsdale, Ariz. 85251, 602-481-2900; D&H Distributing, 8220 Wellmoor Court, Savage, Md. 20763, 301-792-7000.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 134 yen = \$1, except where noted.

LOOKING AT TCE: Thomson Consumer Electronics is now lowest-cost large-screen TV producer in U.S., and its Bloomington, Ind., assembly plant, "probably the largest in the world," will turn out 3.5 million color TV sets this year. So said TCE TV Americas Vp Joseph Clayton last week at Indianapolis hq, where officials challenged Philips' claims that its Greeneville, Tenn. plant was most sophisticated in world (TVD May 1 p11).

Other TCE plants include Prescott, Ont., factory that will turn out 350,000 sets this year, including new 31"; Juarez, Mex., that will make 3.5 million chassis and kits for large-screen sets; Mocksville, N.C., 600,000 console cabinets; Torreon, Mex., components; Belo Horizonte, Brazil, CRT guns. Clayton said that in addition to consumer line, TCE would make 200,000 hotel-motel sets this year, and recently won Curtis Mathes private label account. TCE will export more than 20,000 color sets to Taiwan this year, soon will be sending sets to Korea.

Not only has company improved profitability, Clayton said, its goals for this year are 96% yield at color TV plant, 40-50-week production-development cycle, service call rate of 1.5% in first 90 days. TCE has invested \$26 million in automated assembly in Bloomington in last 4 years and \$24 million in high-speed chip placement technology in Juarez in last 3 years, he said.

TCE's forecasts for industry in 1989: Color TV sales to dealers, now running at 22.7 million rate, will end up only 21 million because of tube shortage, which will last at least through 1990. VCR decks, currently at 9 million rate, will be about 10 million, while camcorders will drop from current 2.4-2.5 million rate to 2.3 million for year.

No new Dimensia models were introduced this spring, and TCE Sales & Mktg. Americas Pres. Martin Holleran said company now is looking into high-end audio at its Audio Communications Systems operation in Syracuse. Thomson, he said, has licensed Hughes Aircraft's SRS sound system, introduced last month by Sony (TVD May 1 p12), for use in Europe, eventually will incorporate it into U.S. products.

TCE's worldwide brand strategy is under discussion, officials said, but no decision has been reached. Most likely prospects for new U.S. brands are Thomson and Telefunken (for high-end audio), with worldwide RCA line strong possibility. "We're a year away from a decision," said Holleran. As for Thomson brand, "we won't let ego get in the way of our good sense."

TCE officials called outlook for S-VHS dim until price differential with standard VHS is reduced sharply from current \$200-\$300 at retail ("cost analysis shows it needn't be nearly that high") and software is available. They called S-VHS percentage of total VCR sales "well below 4%," differing sharply from JVC's estimate of 10% in 1989 (TVD May 8 p18). TCE is "constantly studying" 8mm, could introduce new VHS-C camcorder later this year -- but VCR/Camcorder Product Planning Mgr. James Newbrough conceded that VHS-C's survival was in doubt despite rescue efforts by JVC in terms of machine to play VHS-C tapes without adaptor and longer playing cassettes.

Company is seriously interested in personal video, Holleran said, but believes it should incorporate full-size VHS recorder and LCD TV with screen of 5-7" or larger. He saw IDTV as extremely important product as stepping-stone to HDTV, said TCE would introduce set next year.

RCA, EMERSON SETS: RCA color line (see related report in this issue) starts with 5.5" set, introduced earlier, moving to 9" Space Saver models, first with worldwide standard chassis. Standard and remote series of 13" models have on-screen prompts and displays. Colortrak line begins with two 20" nonremote models, moves to 5 remotes with sculptured cabinets at \$369, 5 MTS stereo models, one Colortrak 2000 stereo and top-of line unit with S-VHS connector, same chassis as 27" set at \$549.

Four 26" table models are in line, 3 of which are monitor receivers. All 27" sets have new VHP chassis and tube, all are stereo monitors; top table model has digital picture-in-picture (PIP) and other special effects. Three 31" table models start at \$1,899, with top models featuring PIP. Consoles include four 26" mono models, seven 26" stereo, seven 27" stereo, top 3 models having all-digital PIP effects. Four 31" consoles have digital PIP, top model at \$2,249 suggested list.

RCA projection TV line continues 46" model at \$2,399 and 50" with PIP and 2 tuners at \$3,299. New 52" with PIP, universal remote, 10 w per channel is \$2,999.

RCA has 10 VCR decks and 6 camcorders. Decks are compact -- RCA's research found compactness was 2nd most wanted feature after on-screen programming. Leader 2-head models, introduced earlier, are \$299 (no on-screen programming) and \$349, new model also \$349. Four-head mono models start at \$399, model with help menus and unified 2-VCR remote at \$449. Two-head Dolby stereo model is \$399, 4-head with help \$499. VHS Hi-Fi 4-head models are \$569, \$699 and S-VHS at \$899.

New camcorders, all full-size VHS, start with 6x zoom CCD model with 3 lux sensitivity, clock calendar, high-speed shutter at \$1,099, with 8x version at \$1,199, 6x with flying erase also \$1,195. Previously introduced "Pro-Edit" camcorders are joined by S-VHS version at \$1,899.

Emerson CES color TV introductions will include 19" MTS stereo with 31-key remote and on-screen menu at \$530; 20" MTS stereo remote at \$470; 20" TV-VCR combination with 2 tuners, on-screen displays at \$1,100; 27" monitor receiver with PIP and 2 tuners for live insert picture, MTS, S-VHS input at \$1,000. Emerson will introduce its first computer and fax lines at Consumer Electronics Show.

Is DAT worth it? This sums up issue being treated in different ways by several panelists at ITA "How & Why" seminar on recorded audio cassettes May 22-25 at Marina Del Rey, Cal. Highlights: CD, DAT or Analog Cassette: Can the Consumer Hear the Difference? (Agfa's Christopher Emery); Dolby S-Type (Dolby Labs Licensing's Bob Megantz and Dennis Staats); Digital Audio Analog Duplication (AMI/Concept Design's Richard Clark); R-DAT Mastering for CDs (MCA Records' Gene Wooley); Magneto-Optical Disc Digital Audio Recorder (Nakamichi's Steven Mascenik). Other sessions will cover quality control, maintenance, duplication, cassette singles, creative input, Personics systems. Details: ITA, 212-643-0620.

Arkon introduced 5-channel stereo/mono mixing system for use with camcorders. When connected between camcorder and VCR, unit allows user to add stereo music or narration to original soundtrack or replace original soundtrack. Up to 2 stereo or mono music sources can be linked, Arkon said. System also mixes audio cassette tapes. It's available for \$150.

PIONEER'S LASER PUSH: Proclaiming that all elements are in place for laser optical videodisc to establish itself as major sellthrough format, Pioneer announced multifaceted push that includes: (1) Lower priced hardware and software. (2) Extensive ad and promotion campaign. (3) Availability of disc versions of box-office hits at same time they reach cassette.

About 500,000 laserdisc players and 12 million discs were sold in Japan last year, Pioneer Pres. Seiya Matsumoto said at L.A. news conference last week. He believes figures are achievable in U.S. "in the future" because company has "major studios and retailers behind us" in promoting format. However, U.S. market has way to go, since Pioneer expects to sell only 80,000 players in June-Dec. period, threefold increase from year-earlier period, Home Electronics Mktg. Vp Michael Fidler said.

He estimated Pioneer share of player market at about 75%, said EIA industry sales projections of 180,000 players this year probably are too optimistic, with 130,000 more realistic figure. Pioneer, which derived 26% of total fiscal 1988 revenues from laserdiscs, players, projection TV sets and other video products, said it has doubled capacity of disc-pressing plant in Carson, Cal., to 600,000 monthly at cost of \$15 million.

Pioneer admits it needs help of studios to achieve goal of simultaneous disc-cassette availability, but at least 2 suppliers have given their blessing. Warner Home Video already releases titles on both formats simultaneously, Pres. Warren Lieberfarb said. Paramount hopes for day-and-date release, Senior Vp-Gen. Mgr. Eric Doctorow said, citing longer lead times required for disc pressing as main hurdle.

Prices of discs also are going down. While laserdisc titles generally have averaged \$29.95-\$39.95 list, Pioneer said blockbusters such as *Coming to America*, *Crocodile Dundee 2*, *Dangerous Liaisons*, *Rain Man* and *Bill and Ted's Excellent Adventure* would be available for \$24.95.

Lower material cost is major reason Warner is lending support to laserdisc, Lieberfarb said. Citing record arm's experience with CDs and audio cassettes, he said discs have "cost superiority that tape can't match in the long run." Raw materials for laserdisc are only 70-75¢, he said, while cost of VHS T-120 tape is \$1.30-\$1.35 at manufacturer level. He listed other advantages of discs as: (1) 12" sleeve packaging that has had "proven retail success" in record business. (2) Superior picture. (3) Difficulty of pirating discs.

On hardware side, Pioneer hopes new line will overcome biggest problem faced by disc format -- high cost of players, Fidler said. He expects best-seller to be \$600 combi player slated for later this month. Line also includes \$500 laserdisc player in Sept., \$1,000 and \$1,200 combi players, latter offering automatic play of both sides of 12" laserdisc, both in May. Top-of-line "super laserdisc" combi player that will be available in Sept. at \$2,000 has 425 lines of horizontal resolution, picture signal-to-noise ratio of 48dB, digital effects with 18-bit digital-to-analog converter.

Pioneer won't disclose cost of ad campaign, which will include TV spots in N.Y. and L.A. beginning next month. Dealer-tagged version will be available for secondary and tertiary markets, he added. Print ads will run in *Premiere*, *Video Review* and *Video*, as well as newspapers and regional editions of *Time*, *Newsweek*, *Sports Illustrated* and *Cable Guide* in 7 top markets. Fidler expects ads, targeted to high-income adults 25-49 who own VCRs and big-screen

TVs, to generate 500 million impressions from ads, more than 200 million of which will be from TV spots. Also planned are direct-mail campaign with sweepstakes and incentives to steer traffic to retailers in top 7 markets, and shopping mall tours to demonstrate format beginning in N.Y. and L.A.

Consumer promotion will provide player purchasers with \$5 coupons on titles from Buena Vista (June-Sept.), MGM/UA (Oct.-Dec.), Nelson Entertainment, Paramount, Pioneer Artists, RCA/Columbia, Warner. Pioneer also said it has retail support from Good Guys, Highland Superstores, Montgomery Ward, Sears, Silo, Tandy, various buying groups, 2,000 independent retailers.

* * * * *

Pioneer added to its pacesetting projection TV line, with "reference" series including picture-in-picture (PIP) for first time. Horizontal resolution of 720 lines is claimed for new 50", 650 lines for 40", thanks to wideband video circuitry (over 10 MHz). Systems have new 5-element hybrid lens. Horizontal viewing angle of 140°, vertical 60° are claimed. Both systems have learning remote control; prices are \$4,500 and \$4,200. Other new Pioneer projectors include lowest priced system, 40" at \$3,100. Also introduced were 45" at \$3,600 with Dolby Surround, \$3,800 with PIP, 50" at \$3,800 (Dolby) and \$4,200 (PIP).

TV NOT ON GOVT. LIST: Govt.'s "hit list" of Japanese products slated for possible trade sanctions (TVD May 8 p13) doesn't include color TVs, VCRs or audio tape recorders, said unofficial briefing paper distributed to media relations staff of U.S. Trade Representative's (USTR) office.

USTR's original notice in Federal Register included broad list that showed where selected products fall in Harmonized Tariff Schedule. But true list doesn't contain all of those products, USTR spokeswoman said. Actual list is divided into 2 parts, telecommunications products worth about \$900 million, "other products" worth \$650 million.

Here's USTR's list that answers question, "what products are on proposed sanctions list?" (1) Telecommunications products -- switches, phone sets, answering machines, cellular phones, modems and data sets, 3rd party radio transceivers, paging devices, optical fibers and cables, large flat-panel displays (not LCD TVs), communications satellites, satellite signal apparatus, other telephonic apparatus, parts related to other products. (2) Other products -- selected semiconductor manufacturing equipment, supercomputers, high-frequency quartz crystals, high-speed photocopiers, minivans, cosmetics, security alarms, radar detectors, aluminum nitride powders, certain Real-Time Operating Nucleus chips.

Hearing on possible trade sanctions is scheduled for May 24. U.S. will determine whether trade sanctions against any of these products is justified as retaliation for Japanese trade violations.

IBM filed patent application in U.K. on method of "reducing magnetic radiation" from CRT display device. Patent explains how magnetic field used to scan electron beam across screen leaks outside CRT, even to front of screen. Placing magnetic shield in front of screen is impractical because it blocks user's view. IBM's proposed solution is to put ring of ferrite material around neck of CRT alongside coils that generate scanning field. Material will create its own magnetic field, cancelling out field from coils. IBM tests of technique found magnetic field strength can be reduced by up to 10 times.

Consumer Electronics Personals

Shinichi Takagi, Consumer Video Products Div. pres., named pres. of new Sony America Diversified Businesses, and pres., Sony Business & Professional Products Group Telecommunications Systems Div.; John Briesch, Sony Consumer Products Group pres., serves as acting Consumer Video Products Div. pres. until successor is named... David Klein, ex-Commodore, joins Philips' Headstart Technologies as sales and mktg. vp... Jane Thompson, Sears Specialty Merchandising strategic planning vp, named Sears corporate planning vp, succeeding Allan Stewart, now retail store operations senior exec. vp... Michael Stramaglio, sales dir., promoted to sales and mktg. vp, Minolta Business Equipment Div.

Craig Fields, research dir., appointed dir., Defense Advanced Research Projects Agency (DARPA), responsible for Defense Dept. central R&D... Steve Rand, ex-Rabbit Systems, named Micro-Games USA sales vp... Joseph Magio, ex-JVC, joins Accommodation Sales, Phoenix, as worldwide operations dir... Stanley Shih, Acer Inc. chmn.-CEO, named chmn. of new Taiwan-based semiconductor joint venture of Texas Instruments and Acer... Appointments at Zenith: Joel Feltenberger to Data Systems corp. sales vp, Daniel Schreiber to ad and sales promotion dir.

Glenn Greene resigns as Video Trend senior vp-gen. mgr. to become Media Home Entertainment pres. June 12... Barbara Javitz, ex-Nelson Entertainment and Media Home Entertainment, joins Prism Entertainment as acquisitions vp... Promotions at Management Co. Entertainment Group (MCEG) Home Entertainment and Forum Home Video: Kathleen Callahan to exec. vp, reporting to MCEG Chmn.-CEO Jonathan Krane and Pres.-COO Charles Weber; Owen Ficke to national sales mgr.; Timothy Landers to national mktg. mgr... Mark Resnick advanced to senior legal affairs vp, Columbia Pictures Entertainment... Jeanne Golly, ex-American Standard, joins Bertlesmann Music Group as communications vp.

Color TV shipments in Japan totaled 846,000 in March, up 8.5% from March 1988, EIAJ estimated. Ministry of International Trade & Industry (MITI) said color TV production in month was down 13.9% to 1,066,000. Exports fell 1.6% to 308,512. In first 3 months of 1989, color TV shipments in Japan fell 3.9% to 2,271,000, production dropped 3.9% to 3,230,589, exports rose 18.6% to 807,837. VCR deck shipments were up 10.5% to 621,000 in month, production up 8.9% to 2,492,000, exports 27.6% to 2,185,941. In 3 months, VCR deck shipments in Japan fell 6.9% to 1,764,000, production rose 7.9% to 6,363,429, exports gained 14.2% to 4,791,563.

Mergers & Acquisitions: Electrocon Taiwan, subsidiary of Hong Kong-based Electrocon International, completed purchase of Arvin's Electronics Div., including all issued and outstanding shares of Arvin Taiwan, for \$4.7 million (TVD April 10 p15)... Texas Instruments and Acer Inc. said they will form joint venture in Taiwan to manufacture advanced semiconductors, primarily dynamic random access memory (DRAMs). Manufacturing venture is first for TI in Far East outside of Japan.

Software to transfer data from handheld electronic "notebooks" from Sharp and Casio to IBM and compatible personal computers has been developed by Kouzu System Design Office, Japanese software firm. Electronic Notebook Connection costs \$185 and will be available in summer.

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
Andrea Radio 1989-qtr. to March 31 1988-qtr. to March 31	858,075 967,493	80,095 68,848	.16 .14
Chyron 1989-9 mo. to March 31 1989-9 mo. to March 31 1989-qtr. to March 31 1988-qtr. to March 31	31,505,000 34,075,000 11,937,000 12,150,000	(313,000) 2,371,000 112,000 529,000	-- .22 ^a .01 .05 ^b
Esquire Radio & Electronics 1989-qtr. to March 31 1988-qtr. to March 31	9,946,000 21,791,000	165,000 615,000	.34 1.27
Prism Entertainment 1989-year to Jan. 31 1988-year to Jan. 31	19,741,000 22,132,000	478,000 96,000	.22 .04 ^c
QVC Network 1989-qtr. to March 31 1988-qtr. to March 31	52,486,000 38,125,000	1,182,000 1,032,000	.08 .07
Turner Bcstg. 1989-qtr. to March 31 1988-qtr. to March 31	231,979,000 182,598,000	(421,000) (14,120,000)	-- ^d -- ^c
Vestron Inc. 1989-qtr. to March 31 1988-qtr. to March 31	65,835,000 77,059,000	(2,640,000) 13,023,000	-- ^e .35 ^d
Viacom 1989-qtr. to March 31 1988-qtr. to March 31	341,120,000 293,128,000	216,603,000 (45,692,000)	3.73 ^d --

Notes: ^aAdjusted; includes special credit. ^bAdjusted.
^cRestated. ^dIncludes special credit. ^eAfter special charge.

GEORGE FEZELL DEAD: George Fezell, 75, one of top marketers in TV's formative years and important power in industry affairs, died of cancer April 21 in Boynton Beach, Fla. Fezell was one of "stars" in color boom period as senior vp of Magnavox and pres. of Magnavox Consumer Electronics in years before company's sale to N. American Philips.

Fezell served as chmn. of EIA Consumer Products Div. (now Consumer Electronics Group), as EIA vice chmn. and as member of EIA board. He left Joseph Horn & Co., big Pittsburgh dept. store, where he was senior buyer, in 1956 to join Magnavox as vp-gen. mgr., moving in 1961 to become div. merchandising mgr. of Montgomery Ward. He returned to Magnavox in 1963 as vp and TV-Radio Div. sales mgr., became protege and heir apparent to late Pres. Frank Freimann, was named pres. of newly formed Magnavox Consumer Electronics in 1971.

A forceful and colorful personality, Fezell's "early retirement" was announced by Magnavox in 1972 as effective Jan. 1, 1973 (TVD Oct 9/72 p7), but he never used word "retired." He left company after reported policy clashes with financially oriented Pres. Robert Platt. He's survived by wife, son, daughter.

Just published: 1989 Consumer Electronics Annual Review, EIA Consumer Electronics Group's compendium of facts and figures, updated through 1988. Single copies are free with 6x9" stamped (73¢) envelope; bulk rates on request from EIA/CEG, 2001 Eye St. NW, Washington 20006 (202-457-4919).

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IN THIS ISSUE: Warren Publishing's List of Top 100 Cable Operators.
NCTA Convention HQ: Booth 1004/1005, 214-658-8018.

MAY 22, 1989

VOL. 29, NO. 21

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

CABLE 'EXCELLENT,' having gained favor with public on programming, NCTA's Mooney says in pre-convention interview. Official has firm words for broadcasters on must-carry. Incoming Chmn. Miron hopes to improve cable image. (P. 1)

GROWTH OF CABLE TOP 100: Basics up 5.38% in 6 months, pay units rise 3.28%. Operators vary in methods of reporting. (P. 3)

NBC REALIGNS COMPENSATION to favor small markets. Adjustments based on clearances, prime-time audiences. Management, local promotions, also important. Sears tie-in prominent at TV affiliates' convention. (P. 6)

GORE OFFERS HDTV BILL: Seeks to put pressure on Bush Administration to speed policy development. Another hearing held. (P. 7)

FCC APPEALS SHURBERG, lets Winter Park stand. Cases involve conflicting Appeals Court decisions on minority preference. Patrick dissents in both. (P. 8)

HBO AND MTV EYE COMEDY: HBO plans fall launch, while MTV's 'HA' TV plans early 1990 start. Both will be basic services. (P. 8)

PATRICK PLEADS CASE for bigger FCC budget, warns of 2-day furlough. House and Senate react with commitments to extra funding for current fiscal year. (P. 9)

MOONEY FINDS CABLE IN MINT CONDITION: Cable industry is in "excellent" shape and has been buttressed by acknowledgment from public that its programming is appreciated, NCTA Pres. James Mooney said in interview last week, as cable prepared for 38th annual NCTA convention in Dallas May 21-24. Mooney also had strong words for broadcasters on must-carry talks, said they should take what they can get after 2 losses in courts. Meanwhile, convention registration was continuing at rapid pace at our deadline, NCTA Vp-Industry Affairs Barbara York said. Last year, 13,699 attended.

Cable faces stiff test in Congress this year on must-carry and on wide range of other issues. NCTA said that 33 congressmen, mostly from Commerce and Judiciary Committees, will appear in closed sessions at convention. Among them are House Telecom Subcommittee Chmn. Markey (D-Mass.), and Subcommittee members Collins (D-Ill.), Eckart (D-O.), Leland (D-Tex.), Ritter (R-Pa.), Richardson (D-N.M.), Rinaldo (R-N.J.). One of 5 senators, Heflin (D-Ala.), had canceled as of May 19. Senators expected to attend are Bryan (D-Nev.), Burns (R-Mont.), Grassley (R-Ia.) and Stevens (R-Alaska). Markey will recount legislative developments to date in Congress, stressing growing concerns on Capitol Hill with cable's increasing power and allegedly poor treatment of subscribers, source said. He'll note that at least 11 cable deregulatory bills

Consumer Electronics

4" VIDEO WALKMAN by Sony, no-adaptor VHS and C recorder by Matsushita to be shown at CES. Sharp enters U.S. videodisc market, raises prices. Goldstar, Samsung enter camcorder market. (Pp. 13 & 17)

TAX TV SETS TO FUND HDTV research, Zenith urges Congress. Mosbacher opposes major federal funding. Philips, Sony, Sarnoff Center testimony. (P. 14)

MAJOR PHILIPS GROWTH in near future will be in U.S., NAP Chmn. Jeelof says, with \$1.5 billion investment seen here. Consumer electronics a top priority. (P. 15)

DARPA EMBARRASSED by letter offering HDTV funds to Projectavision, insisting it's not really grant. (P. 16)

MATSUSHITA, PHILIPS, SONY join forces to promote and develop worldwide market for CD-I technology. (P. 16)

DBX SPLIT UP by parent Carillon, which keeps consumer products and MTS licensing. (P. 17)

DUMPING EXEMPTION request for TV-VCR combo denied by court. New effort to exempt LCD TV sets. (P. 18)

TOSHIBA IC CARD still video camera with LCD monitor and DAT tape photo 'album' to be shown at CES. (P. 18)

EMERSON POSTS PROFIT in year to March 31, sees consumer electronics market, firm prices. (P. 19)

already have been introduced in House and Senate, with 3 more expected -- 2 today (May 22) (see related story elsewhere in this issue) and one from him soon to curb cable foreign ownership. Markey intends to use closed NCTA session as opportunity to feel out industry on his planned bill, we're told.

Must-carry could be settled quickly along lines of 1986 joint industry compromise agreement, Mooney said, repeating public pronouncements made over last several months. But talks are stalled over broadcasters' demand that cable accept channel positioning language. He expressed some surprise that broadcasters "would choose to up the ante in the context of nothing really having changed except that the thing got thrown out yet again by the [U.S.] Court of Appeals [D.C. Circuit]" in 1987.

Mooney continued: "We're not the people who are holding this up. We are not the people who are coming in with new demands. We are not the people who, having been dealt a pair of deuces by the Court of Appeals, are behaving as if they are holding a full house... We can't help it if the Court of Appeals has twice declared must-carry to be unconstitutional and we understand that the broadcasters have a way of rationalizing their way around that fact.

"But, some credence ought to be given to the proposition that when it's thrown out twice, you ought to be reasonable and take what you can get," Mooney said, "especially if you can get the entirety of what you got the last time." If problem for broadcasters is having channel shifted, Mooney said that can be resolved by placing in rule language that would give broadcasters right to be located in certain place on cable. He said "real question is where that should be," repeated his view that TV station on FCC-granted Ch. 33 has no "God-given right" to Ch. 5 on cable.

"Jim said we could get a deal quickly -- as long as we accept his deal," NAB Pres. Edward Fritts said, reacting to Mooney. He explained that broadcasters didn't want channel positioning language in 1986 because there was little shifting going on then. Cable was tiered and marketed itself differently, he said, plus cable operators didn't have extensive investments in programming. Now, cable operators are giving preferential treatment to that programming, Fritts said, recalling FCC survey on cable carriage (TVD Sept 5 p8) in which cable operators reported shifting broadcasters 2,495 times. Fritts doubled that, to account for 50% cable response rate to FCC, said it's tantamount to "5 million shoppers rushing to the dairy section of a supermarket to pick up a gallon of milk, only to find it had been replaced by soup."

Having must-carry accord is very important to broadcasters, Fritts said, "because cable systems have been jerking broadcasters around willy nilly in a variety of instances that are well documented. And we're attempting to reach a reasonable solution that provides some stability both for cable and for the broadcasters." Asked to weigh in, FCC Comr. Quello told us that with capacity of cable systems today, there's no reason they shouldn't carry all local signals, on-channel: "No transmission pipeline should have the power to change the channel assigned by the government to a station to serve its public." Without must-carry, Quello said, there can't be any effective competition to cable except by another cable system serving same area.

While must-carry is most immediate item on cable's agenda, industry also faces large and growing number of other bills that seek to reregulate or restrict cable to some degree. Said Mooney: "It would be foolhardy not to acknowledge that we have some problems in the Congress and to understand that those problems are for the most part generated by constituent concerns." Among issues addressed in legislation: Cable-telco cross-ownership; rate regulation; effective competition; integration and concentration of system ownership; carriage situations such as Cablevision Systems/Madison Sq. Garden Network battle. Complicating cable's all-points defense are some activities of companies Mooney described as "asset players." But he expressed confidence that cable rate survey by General Accounting Office (GAO) will show that actual situation isn't "nearly as dramatic as some of our detractors would have one believe."

That's case at Newhouse Bcstg., where Pres. Robert Miron said that in survey of 21 Newhouse systems, GAO found basic rates rose average 7.7% and cable bill rose 8.54% over 2 years examined. At same time, he said, Newhouse increased number of channels available by 17.1%. Miron, incoming NCTA chmn., told us that cable rates had been kept low by local regulation and now industry is just catching up. What's hurting cable are stories in media about those few situations where there are problems, Miron said. Further, there have been complaints in media about percentages of rate increases, not of lack of value in cable, he said. "There are a lot of good things out there that the press is not reporting," Miron said. He later said he wasn't attempting to put blame for cable image problem on media, noting that things media is reporting have happened: "We have to clearly pay attention to what we're doing... We're causing the story."

Miron said he intends to spend his term as chmn. addressing cable's image problem: "I think we've got to try and tell this story about value, about product, and the amount of product and the quality. We need to try to continually make our industry sensitive to the fact that rates, customer service, and channel lineup changes are volatile issues and they have to be done with sensitivity and communicated to the public, the press and the politicians in the right way."

Cable's detractors received some fodder earlier this month when Viacom, in antitrust suit against Time Inc., described cable at system level as monopoly. Mooney said he was surprised that given Viacom's varied interests in cable, it chose words that it did. But he also said that Viacom just by filing suit demonstrates there's remedy for anticompetitive practices in antitrust laws.

Most significant event affecting cable in past 12 months, Mooney said, was survey by Roper for TIO which said that cable TV was preferred for children's entertainment, cultural and sports programming (TVD April 3 p3). That's significant, Mooney said, because "ultimately, all this comes down to public preferences" and Roper poll results shows that American public believes cable is adding to entertainment possibilities available. Other proof of cable advancing is fact that it has eased itself off 57% level of penetration to households passed and now is at 60%, Mooney said. He maintained that cable is good value at average price of about 50¢ per day for basic service, and that he feels cooling trend on double digit increases for basic service after couple years of significant increases. But he asserted that true measure of cable's cost -- average total bill -- has risen only 14.5% in first 2 years of cable deregulation. "If cable were reregulated, it would only cramp the ability of cable to fulfill its program promise to the American people," he maintained.

Mooney repeated his belief that reregulating cable remains less than top priority for municipal officials and that cities' hearts aren't in it. What cities have done, he said, is engage in "press release politics" in effort to put pressure on cable: "Don't tell me that adoption by NLC [National League of Cities] or any organization that looks like NLC [of resolution seeking to reregulate cable] is conclusive or even strong evidence of powerfully held feelings on the part of most of those present, certainly not on something like cable television." As for RHCs trying to get into cable, Mooney said they're sending mixed signals but that he believes that ultimately cable won't be top priority for them. Further, "I don't see any city organizations up there working actively" to get telcos into cable, he said. In discussion of Pacific Telesis's bid to become cable operator in Chicago (TVD April 24 p9), move opposed by NCTA, Mooney said that cable is concerned by potential cross-subsidization.

GROWTH OF TOP 100 CABLE OPERATORS: It gets more and more difficult to rank top 100 cable operators because of their varied ways of reporting totals. Some include systems in which they hold more than 50% interest; others allocate portions of systems in which they hold varying minority interests; still others exclude such figures. At any rate, figures below are based on direct reports to us from all top 100 operators, and they're most useful in calculating percentage growth, though less accurate in specific numbers (because of unknown amount of duplication).

We estimate that combined total basic subscribers may be overstated by about 2.5 million because of duplication; total pay units by 2 million; homes passed by 4 million. Also, we have eliminated customary column on homes in franchised areas because fewer and fewer operators provide figures. Here are various totals as of April 1, which may be compared with figures last Dec. (TVD Dec 5/88 p4) and year ago (TVD May 2/88 p4):

- (1) Top 100 had 47,380,101 basic subscribers as of April 1, up 5.38% from last Oct. 15.
- (2) Pay units totaled 38,422,287, up 3.28%.
- (3) Top 100 pass 79,799,704 homes, up 4%.

Relative ranking of individual companies also is skewed by operators' varied methods of reporting. Here's current top 10 ranking: TCI, ATC, Continental, Comcast, Warner, Storer, Cox, Cablevision Systems, United Artists, United Cable. Year ago, it was: TCI, ATC, Continental, Storer, Cox, Warner, Comcast, United Cable, Newhouse, Viacom.

New TV Factbook Cable & Services Volume will be off presses in June and, based on actual count of basic subscriber figures furnished by system operators, there are 45,508,739 accounted for in the volume;

pay units totaled 29,697,385. Since some operators failed to furnish updated data, we estimate actual count of basics at 48 million April 1, and pay units at 36 million.

Note: For freshest data on all cable systems, we again offer demonstration of our computerized data base at Booth 1004/1005 at NCTA convention in Dallas. Representing Warren Publishing Inc. at convention are: Marybeth Crowley, Bob Dwyer, Gene Edwards, Mike Feazel, Lynn Levine, Mike Schwartz, Susan Seiler-McCormick, Albert Warren.

FIRST 50

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Miles to be added in 12 months
1.	Tele-Communications Inc.	6,160,000 ^a	4,564,000 ^a	11,000,000 ^b	112,250 ^b	N.A.
2.	American TV & Communications Corp. ^c	3,365,172	2,632,205	5,575,633	47,300 ^b	N.A.
3.	Continental Cablevision Inc.	2,404,000	2,637,000	4,371,000	44,900	2,400
4.	Comcast Corp. ^e	2,239,500	1,863,000	3,793,000	26,700 ^f	N.A.
5.	Warner Cable Communications Inc.	1,563,000	1,381,000	2,946,000	26,497	N.A.
6.	Storer Cable Communications	1,525,426	1,242,589	2,593,430	32,209	N.A.
7.	Cox Cable Communications	1,494,964	1,283,051	2,570,628	23,319	N.A.
8.	Cablevision Systems Corp.	1,344,245	2,324,515	1,905,434 ^f	14,650 ^f	N.A.
9.	United Artists Cablesystems Corp.	1,322,508	1,227,356	2,129,901	13,455 ^d	N.A.
10.	United Cable TV Corp.	1,320,768	1,008,819	2,274,305	21,581 ^f	N.A.
11.	Jones Spacelink Ltd.	1,183,993	861,690	1,768,245	22,488	N.A.
12.	Newhouse Bestg.	1,164,850	1,095,892	1,733,920	23,310	1,070
13.	Times Mirror Cable TV	1,016,819	703,671	1,716,319	16,600 ^d	N.A.
14.	Viacom International Inc.	955,000	658,000	1,500,000	15,714 ^f	N.A.
15.	Cablevision Industries Inc.	934,244	687,126	1,494,471	25,267	2,500
16.	Heritage Communications Inc.	898,192	587,549	1,462,600	16,675	N.A.
17.	Sammons Communications Inc.	854,029	907,637	1,370,240	15,500 ^d	N.A.
18.	Century Communications Corp.	804,650	453,100	1,438,800	14,950	250
19.	Paragon Communications	734,828	497,795	1,313,367	12,100 ^f	N.A.
20.	Cooke Cablevision	730,816	326,756	1,136,430	15,190	N.A.
21.	Adelphia Communications Corp.	725,639	538,699	1,060,000	12,000	400
22.	Falcon Cable TV	679,301	394,059	1,078,546	16,953	N.A.
23.	Centel Cable TV Co.	592,186	402,378	985,717	13,141 ^d	N.A.
24.	TeleCable Corp.	559,158	274,841	882,771	11,364	420
25.	KBL Cable Inc.	557,000	524,038	1,081,372	8,944	69
26.	WestMarc Communications Inc.	552,000	305,000	781,500	10,700	N.A.
27.	Scripps Howard Cable Co.	530,000	480,000 ^f	980,000 ^f	6,000 ^f	N.A.
28.	MultiVision Cable TV Corp.	482,478	363,667	808,295	13,199	N.A.
29.	Tele-Media Corp.	463,411	241,514	707,816	9,500 ^f	N.A.
30.	Prime Cable Corp. ^g	411,100	400,910	867,242	10,142	225
31.	Post-Newsweek Cable Inc.	403,652	277,395	597,523	7,900 ^f	N.A.
32.	Lenfest Communications Inc.	358,524	367,544	622,369	6,629	150
33.	Maclean Hunter Cable TV	357,500	526,246	739,403	4,626	N.A.
34.	Rifkin & Associates	324,400	188,500	515,500	8,400 ^f	N.A.
35.	Multimedia Cablevision Inc.	321,312	273,948	587,895	5,950	50
36.	Colony Communications Inc.	315,476	281,885	531,876	4,641 ^f	295
37.	TCA Cable TV Inc.	309,220	168,271	439,872 ^f	7,133 ^f	N.A.
38.	TKR Cable Co.	278,482	327,491	429,963	4,852	144
39.	Western Communications Inc.	267,669	152,691	355,673	3,570	N.A.
40.	Cencom Cable Associates Inc.	260,000	193,000	475,600	7,050	N.A.
41.	Star Cablevision Group	251,629 ^f	117,089 ^d	407,450 ^f	2,000 ^d	N.A.
42.	Simmons Communications Inc.	246,000	176,600	438,000	4,700	500
43.	Hauser Communications	234,200	248,000	553,000	6,750	1,300
44.	Service Electric Cable TV Inc.	220,000	55,000	300,000	6,500	N.A.
45.	Greater Media Inc.	189,385	194,822	307,011	3,061	100
46.	Harron Communications Corp.	178,426	160,569	252,121	4,032	480
47.	Media General Inc.	174,795	224,081	270,798	3,382	N.A.
48.	Columbia International Inc.	173,000	168,000	321,200	3,700	195
49.	Palmer Communications Inc.	167,171	70,084	208,134	2,485	N.A.
50.	NYT Cable TV	165,231	154,067	265,274	3,100	N.A.
Total—Top 50		42,765,349	35,193,140	71,945,646	753,059	10,548
51.	Sutton Capital Group	163,700	186,700	282,500	2,806	140
52.	Insight Communications Co.	159,000	110,000	327,000	6,500	1,200
53.	US Cable Corporation	155,000	140,000	305,000	4,200	300
54.	Armstrong Utilities Inc.	151,772	93,332	193,625	3,108	200
55.	Kansas City Cable Partners	151,598	156,515	321,636	3,200	70
56.	Wometco Cable TV Inc.	148,700	92,076	280,709	5,047 ^f	593
57.	King Videocable Co.	143,333	92,404	222,191	2,189 ^f	N.A.
58.	Triax Communications Corp.	142,628	81,963	252,857	4,829	N.A.
59.	McDonald Group ^d	142,548	61,841	208,873	2,500	450
60.	Summit Communications Inc.	137,562	101,983	214,303	3,650	166
61.	Cable Systems USA Associates	136,819	51,700	168,231	5,136	N.A.
62.	Blade Communications Inc.	134,926	67,593	218,372	2,010	N.A.
63.	Northland Communications Corp.	133,861	52,665	205,175	3,850 ^d	N.A.

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Miles to be added in 12 months
64.	Bresnan Communications Co.	126,931	44,308	185,709	2,910	132
65.	Booth American Co.	122,138	76,041	170,204	2,835	N.A.
66.	Sonic Communications	117,551	103,007	235,000	2,100	50
67.	Susquehanna Cable Co.	113,212	78,163	159,335	2,190	100
68.	United Video Cablevision Inc.	108,693	84,486	158,284	3,314	N.A.
69.	G. C. Associates	106,000	105,000	230,000	1,886	N.A.
70.	Pencor Services Inc.	100,879	50,160	113,485	2,735	350
71.	First Carolina Communications Inc.	99,526	49,516	135,418	3,215	N.A.
72.	Group W Cable of Chicago Inc.	97,006	151,287	380,030	1,003	N.A.
73.	Midcontinent Cable Co.	94,476	40,924	130,857	1,191	N.A.
74.	WEHCO Video Inc.	94,400	53,000	135,000	2,265	95
75.	Selkirk Communications Inc.	80,586	60,559	142,399	608 ^d	N.A.
76.	Gilbert Media	80,000	170,000	206,000	850	N.A.
77.	Coaxial Communications Inc.	78,000	69,500	154,000	1,900	400
78.	James Cable Partners	70,568	25,179	92,101 ^f	1,682 ^f	N.A.
79.	Omega Communications Inc. ^d	70,000	13,033	90,000	1,500	N.A.
80.	Douglas Cable Communications	64,900	32,725	119,000	2,281 ^f	N.A.
81.	Chambers Communications Corp.	62,301	25,038	92,958	945 ^d	N.A.
82.	Barden Communications Inc.	61,515	158,914	177,188	2,300	533
83.	Telesat Cablevision Inc.	61,351	39,980	104,931	1,007	550
84.	Cardinal Communications Inc.	59,940	32,200	82,000	1,167	100
85.	Mission Cable	59,370	11,239	98,200	2,712	400
86.	C-TEC Cable Systems	58,600	78,930	91,140	2,000	100
87.	Prestige Cable TV Inc.	58,370	32,793	95,387	1,819 ^d	N.A.
88.	Hearst Cablevision	58,200	43,800	108,740	850 ^f	N.A.
89.	State Cable TV Corp.	54,700	29,000	60,000 ^f	1,228	122
90.	Joseph S. Gans	53,500	21,500	75,000	1,100	50
91.	Verto Cable TV ^f	52,978	23,255	88,230	535	N.A.
92.	Bachow & Elkin Communications Inc.	51,750	19,525	72,500	1,750 ^f	N.A.
93.	Leonard Communications Inc.	51,700 ^f	20,700 ^b	83,750 ^b	N.A.	N.A.
94.	Galaxy Cablevision L.P.	50,774	28,423	111,786	3,000	200
95.	Helicon Corp.	50,000	15,000	70,000	1,180	100
96.	Bill Daniels	49,511	41,634	68,005	257 ^f	N.A.
97.	Twin County Cable TV	49,036	15,115	106,000	2,400	100
98.	New England Cablevision Inc.	48,987	36,008	67,450	1,017	180
99.	Republic Communications Corp.	48,000	40,000	100,000	1,100	100
100.	Donrey Media Group Inc.	47,856	20,433	63,500	663	12
Total—Second 50		4,614,752	3,229,147	7,854,059	110,520	6,793
GRAND TOTAL—Top 100		47,380,101 ^b	38,422,287 ^f	79,799,705 ^f	863,579	17,341

^aAs of Jan. 1, 1989; numbers represent TCI & consolidated subsidiaries where ownership interest is greater than 50%. ^bWarren Publishing's estimate. ^cDoes not include Paragon Communications figures. ^dAs of March 15, 1988 or earlier. ^eIncludes Comcast % of Storer Cable Communications figures. ^fAs of Oct. 15, 1988. ^gIncludes Robert M. Bass Group figures. ^hEstimated duplication is 2.5 million. ⁱEstimated duplication is 2 million. ^jEstimated duplication is 4 million.

Senate Commerce Committee will hold hearing in June on media ownership, including Time-Warner merger, Regina Keeney, minority counsel to Communications Subcommittee, said in appearance May 16 at FCBA session on 1984 Cable Act. She said Committee members who voted for deregulating cable are eager to see what competition has developed in intervening 5 years. Another panelist, Senate Antitrust Subcommittee Counsel Christopher Harvie, said that panel Chmn. Metzenbaum (D-O.), who didn't vote for Act, has been lobbied heavily by cable's opponents and is getting large amount of mail from consumers complaining about cable rate increases. Keeney said there's split among members -- those who want to reregulate cable and those who want to foster competition. Jarilyn Dupont, legislative asst. to Rep. Synar (D-Okla.), member of House Telecom Subcommittee, said her boss in past believed cable should be left free to evolve but now is "very willing" to reexamine industry and is willing to change his mind. As for freeing telcos to enter video business, Dupont said that "some members" aren't enthusiastic about it, but that there's heavy lobbying campaign by Southwestern Bell. Consensus appeared to be that there was little chance for passage of any legislation aimed at reregulating this year.

FCC has voted 2-1 to lift stay on A/B switch rules, we understand, which means cable operators must (1) notify customers that broadcast stations are available off air and (2) offer subscribers A/B switches. Consumer education aspect of rule was to occur before Nov. 1, we're told. Rule was expected to take effect by Nov. 1. Comr. Quello dissented. Under original terms of rule, cable operators would have to list local TV stations not being carried, explain what switches do and provide name and telephone number for contact person at cable system. A/B switch rule had been promulgated as part of must-carry rule which was vacated by U.S. Appeals Court, D.C., in Dec. 1987 (TVD Dec 14/87 p1). Six weeks later, Court clarified that decision, saying that A/B switch rule wasn't inextricably tied to must-carry and that it wasn't voided by must-carry ruling (TVD Feb 1/88 p6). FCC then stayed rule.

Cable component of Consumer Price Index (CPI) rose 8.6% from April 1988 to April 1989, according to Labor Dept., while CPI rose 5.1%. From March to April 1989, cable component of CPI fell 2.9% while CPI rose 0.7%, Dept. said. NCTA said that average change for April 1988-April 1989 was 9.7%.

NBC REALIGNS AFFILIATE PAYMENTS: Under new compensation proposal which NBC was to present to its TV affiliates yesterday (May 21) at start of convention in San Francisco, plan would be weighted in favor of smaller markets, according to NBC official. This, he said, is in recognition of fact that such markets rely much more heavily on network compensation than do affiliates in major markets. Network presented new plan to affiliates' board in N.Y. May 16; board was to meet in San Francisco on proposal May 20, then present recommendation to affiliates next day at closed meeting without network officials. Following that session, affiliates were to meet immediately with network officials.

NBC TV Network Pres. Pierson Mapes said network wants to adjust compensation using "a modern measurement on 2 levels:" (1) Measure performance of local programs 4-8 p.m. (excluding NBC news) as to relative market strength and compared with performance of other NBC affiliates during same time period. (2) Add total audience that affiliate delivers in all network dayparts, weigh that audience against percentage of revenue for those time periods. NBC will average 2 figures to determine station's total value to network and multiply that figure times NBC's total compensation pool to decide compensation. Prime-time will account for 50% of station's total figure because that period accounts for 50% of network's total revenue, Mapes said.

Each station's compensation will be adjusted annually in July, factoring in audience erosion, and affiliates will lose compensation if that erosion continues. First such adjustments will be determined this July, based on last 3 sweep periods, if affiliates accept network's proposal, and adjusted compensation will become effective Sept. 1990. Current contracts which extend beyond then will be honored by NBC. Also going into adjustment formula will be such things as local promotion, co-op advertising, unequal facilities in affiliate's market and strength of local management.

Under plan, NBC estimates that results will be "revenue neutral" for network -- that 35-40% of affiliates will gain in compensation, same percentage will lose, while about 20-30% will remain same. NBC will establish appeals process for affiliates who disagree with network's computation.

Board members have kept their own council on NBC proposal, didn't discuss it at any great length when presented by network in N.Y., except to hear details from network. Affiliates themselves weren't fully briefed on plan until San Francisco meeting, but many were told what it entails. During N.Y. meeting, network stressed need for "modernization of the network-affiliate relationship, particularly compensation." Mapes reportedly presented to board what NBC described as fairness of its plan, talking about pay-per-performance and tying compensation to audiences. Reaction, we're told, has been mixed -- with many small stations fearing they'll be hurt most. However, former affiliate board member Bruce McGorrill, WCSH-TV Portland, Me., told us NBC proposal is "eminently fair."

In addition to compensation issue, affiliates heard addresses on "Vision of the Future" by NBC Pres. Robert Wright, "State of the Network" by Mapes, HDTV update by Michael Sherlock, pres. NBC Operations & Technical Services, and Affiliates' Chmn. James Sefert, Cosmos Bctg., discussing affiliates' issues and concerns.

"Centerfold" of advertising and promotion presentation May 23 by Senior Vp John Miller will be details of fall NBC promotional tie-in with Sears, similar to one CBS has with K mart (TVD May 15 p4). However, we're told Sears plan is "bigger than K mart," that Sears has many ideas that it asked network to keep under wraps until presentation to affiliates. Source said K mart came to NBC (also ABC) with its tie-in proposal (turned down by NBC) last Jan. and that many of ideas suggested then by NBC are part of K mart plan with CBS. ABC also is expected to have its own sponsor tie-ins to help hype premiere week next Sept.

NBC goes into convention on a definite high, having just claimed its 47th straight weekly prime-time ratings win -- including one tie with CBS when that network aired highly acclaimed Lonesome Dove miniseries. NBC also has won in prime-time audience race for 4th straight year. Network announced its fall prime-time schedule May 15, has since made several presentations to advertisers. CBS originally had planned to announce its new fall schedule May 22, moved it up to May 19. ABC will announce new schedule this week.

"For John Dingell [fairness doctrine codification] not only is his top priority, it is his only priority in communications." That was message delivered May 17 by Rep. Dingell's (D-Mich.) (chmn. of House Commerce Committee) top aide David Leach to Washington AWRT chapter. He said Dingell has support of "vast majority" of House members, that time for acting on bill still is undecided but that he expects it to be before full House in next couple of months. Sen. Hollings (D-S.C.) also has given fairness doctrine top priority in Senate. Other points made by Leach, mostly in answers to questions: (1) Overall in Congress, there's strong feeling that cable is "unaccountable." He said there has been "constant series of complaints" about cable to elected officials on all levels, cited "flurry of activity [in Congress] in just the last 48 hours" (see related story in this issue). However, he said it's "premature" to expect legislation on cable to pass in next year. (2) If compulsory licenses are to remain, according to Dingell, requirement should be placed in Communications Act rather than in copyright legislation, where licenses now are required and where jurisdiction is under Judiciary Committee. If put in Communications Act, Dingell's Commerce Committee would have jurisdiction. (3) There's much concern on Hill about FCC proposal to award broadcast frequencies through lotteries but also acknowledgment that they could be done fairly. However, lotteries must be structured in such a way to make sure winners will serve public interest and to keep out speculators. (4) "There is some support for auctions [on Hill], but not much." If Commission auctions spectrum space, it must protect public trusteeship concept. (5) On budgetary matters, there's "an enormous amount of concern" that FCC doesn't have necessary resources to do its assigned job properly. However, under current budget deficit situation, additional money is likely to go to other projects ahead of FCC.

WARREN PUBLISHING INC. HQ

Hq for Warren Publishing Inc. at NCTA Convention, Dallas Convention Center, May 22-24, is Booth 1004/1005, phone 214-658-8018. Attending: Marybeth Crowley, Bob Dwyer, Gene Edwards, Mike Feazel, Lynn Levine, Mike Schwartz, Susan Seiler-McCormick, Albert Warren.

GORE PROPOSES HDTV BILL: Yet another bill to spur HDTV development was introduced May 16, this time by Sen. Gore (D-Tenn.) as stage-setter for hearing same day by his Science Subcommittee (see related story in Consumer Electronics section). Bill is designed to keep heat on Bush Administration by setting firm deadline for Commerce Dept. report and policy recommendations on govt. role in spurring domestic HDTV industry.

Gore proposal outlines requirements for report, which would be due in 90 days. Among other things, recommendations would have to address technological incentives and licensing, regulations, international standards, trade and finance issues. Bill contains no govt. funding, tax credits or other economic incentives for HDTV development or any other direct govt. intervention in marketplace, pending outcome of federal policy development efforts, Gore said. He also indicated that he didn't see eased antitrust laws as high priority. Unhappiness with Commerce Secy. Robert Mosbacher's foot-dragging on setting HDTV policy spurred bill, Gore said.

Usual cast of characters appeared before hearing -- one of some dozen that have been held on HDTV in recent months. Among them: Craig Fields, new dir. of Defense Advanced Research Projects Agency (DARPA), and Pat Hubbard, vp-science and technology policy, American Electronics Assn. (AEA). Both had appeared before congressional hearing week earlier. Fields again described \$30 million DARPA grants program and Hubbard explained AEA's proposed business plan.

Plan drew objections from NAB at hearing. Exec. Vp John Abel testified broadcasters saw no need for HDTV subsidy. Rather, he said, main need is for govt.-set transmission standard, and once that's established TV makers will have confidence to invest in developing receivers without subsidy. Abel's testimony was reflected in NAB Exec. Committee vote later in week to oppose govt. subsidy for HDTV development. Assn. particularly opposed open architecture receivers, which it said would raise cost unnecessarily for consumers of next-generation TV sets. Gore also indicated uneasiness with subsidy idea.

AEA proposal for \$1.35 billion subsidy sounds appealing "on the surface," Abel said, "but at what cost?" He said manufacturers will have chance to make billions of dollars producing receivers, so "surely they can find a way to compete." Open architecture receivers would burden consumers with greater TV complexity than they need because "a television receiver is not a computer and is not likely to be used as one, at least for the vast majority of Americans," Abel said. If some consumers want to merge their TVs and computers, he said, NAB is confident manufacturers will supply them without federal subsidy.

Abel also told Subcommittee that domestic HDTV development must be grounded in commitment to single broadcast transmission standard. He saw one standard as "absolutely required if consumers are to have access to advanced television receivers at the lowest possible price," harkening back to Sarnoff Center Vp James Carnes' point earlier. Abel also noted advantage of HDTV linked to terrestrial broadcasting -- that broadcasters already have such a plan and can proceed without govt. subsidies, loans or changes in antitrust laws. Viewers also won't be hit with new costs to watch terrestrial broadcast HDTV, Abel said: "We plan to charge viewers of our HDTV broadcasts the same price that we have charged for our service for the past 40 years -- zero. Our service is free."

HDTV COOPERATION ASKED: W. Germany's minister for posts and telecommunications last week proposed that Europe and U.S. pool HDTV research and resources -- essentially forcing Japan either to join U.S. and Europe or be left out in cold with its own standard. Commerce Secy. Robert Mosbacher hasn't officially commented on proposal, offered in meeting by Christian Schwarz-Schilling, but unofficial sources said 2 officials generally agreed there should be "increased contacts" between U.S. and Europe on question.

In meeting with reporters and speech to Konrad Adenauer Foundation, Schwarz-Schilling said it would be "a very good concept not to permit the Japanese to get superiority over the next [HDTV] standards." Schwarz-Schilling noted U.S. is contemplating many of same steps already taken in Europe with govt. subsidies of private HDTV projects. Even if there's no merging of research, he said, there at least should be coordination of research fields.

Meanwhile, U.S. is generally pleased with results of just-completed meeting of International Radio Consultative Committee (CCIR) working group on HDTV production, officials said. Group agreed to U.S. proposal to delay final decision on worldwide production standard until next study period, but reached agreement on 18 of 34 parameters to be included, State Dept. said.

Group endorsed common image format, in which at least 33 of parameters would be same worldwide, easing conversion. Advanced TV Systems Committee (ATSC) technical group plans to present technical paper on format at next CCIR meeting in Sept., ATSC Chmn. James McKinney said. Parameters agreed to were easy ones, officials said, and didn't include highly-contentious items such as field rate, number of lines, progressive vs. interlaced scanning. McKinney said that it's possible at least 6 more parameters will be accepted before end of current study period.

Europeans tried repeatedly but unsuccessfully to get straw vote on line count and scan rate during meeting, officials said. Even though half of world TV viewers use 60 Hz field rate, U.S. almost certainly would have lost vote because 23 of 28 countries participating support European 50 Hz system.

In unusual action, FCC has granted waiver to daytimer WNZK(AM) Westland, Mich. (Detroit suburb), to permit it to file application to continue operating on its assigned 690 kHz during day with increased power, switch to 680 kHz at night. WNZK's original application had been dismissed by Mass Media Bureau as "patently defective" because it violated FCC rules. However, in seeking review, licensee showed that it couldn't operate fulltime on 680 kHz because of interference it would cause to Montreal station, or on 690 kHz because of "severe protection problems" for CFTR(AM) Toronto. However, CFTR employs different DA pattern at night, which would permit WNZK's operation in those hours. In granting WNZK request, Commission said it "would not undermine" allocations plan -- particularly policies underlying its decision to restrict AM licensees to single channel. Proposal shows that "for this particular licensee, daytime operation on 690 kHz and nighttime operation on adjacent channel 680 kHz would enable WNZK as a fulltime station to provide better service," FCC said. Agency said it has received no similar dual-frequency requests since 1950 and if WNZK grant "were to trigger many similar requests," Commission would examine question whether it should relax general prohibition against split-frequency operations by AMs.

FCC APPEALS SHURBERG: By 2-1 votes announced May 16, FCC said it would seek en banc hearing before U.S. Appeals Court, D.C., in Shurberg Bestg. case that held Commission's distress sale policy is unconstitutional because it discriminates against white male (TVD April 3 p1). In separate action, Commission said in another 2-1 vote it wouldn't seek rehearing in Winter Park, Fla., case that upheld policy of awarding minority preferences in comparative hearings. In both instances, Chmn. Patrick dissented -- although he said he would be willing to go along in asking Court to rehear both cases to help alleviate confusion and conflict surrounding FCC policies.

Most observers believe decisions are in direct conflict with each other. After Court ruling on Winter Park, which granted new TV station in Orlando, outside attorney who supports FCC policies declared: "We're on a direct collision course." In appealing Shurberg, majority of Comrs. Quello and Dennis said appeal was being made "to defend the constitutionality of the distress sale policy." Appeal will be filed by Gen. Counsel's Office "reflecting the views of Comrs. Quello and Dennis," FCC said in public notice.

In 5-page dissenting statement to Shurberg, Patrick said: "Had my fellow commissioners agreed to discuss all relevant case law when requesting the Court to examine this issue, I would have unhesitatingly agreed. The Commission's minority preference policies have a tortured past," he said, citing several cases. Patrick said cases should be considered together "and the Court could give us definitive guidance. But I cannot support my fellow commissioners' approach of requesting only partial enlightenment in this area." He said recent U.S. Supreme Court decisions "make clear that racial and gender classifications are inherently suspect and will be subject to close and careful scrutiny... In this case, my fellow commissioners have chosen to appeal a decision with which they disagree [Shurberg] and let stand a second decision with which they feel more comfortable [Winter Park] despite hopeless confusion and conflict in the relevant case law."

Responding to Patrick, Dennis said: "Frankly, I am puzzled that the Commission is issuing a press release announcing that we will not appeal a case we won. In light of Congress's specific appropriations language directing us to retain our minority ownership policies... I would have expected the decision not to appeal to be by an automatic 3-0 vote." Said Quello: "It's illogical to appeal a decision we won."

In any case, Patrick is likely to get his wish as at least one of 2 losing applicants in Winter Park is expected to appeal. However, consideration is being given to skipping Appeals Court and going directly to Supreme Court.

Senate Commerce Committee last week unanimously approved legislation (S-797) proposing new federal endowment to fund educational children's TV programming. Bill was authored by Sen. Inouye (D-Hawaii), chmn. of Communications subcommittee. It would authorize \$10 million for grants in FY 1990, with program administered by NTIA. Money could go only to producers, and programming would have to be carried on public TV for 2 years before it could be on commercial TV or cable. Bill would bar interrupting programs by ads when carried by commercial outlets. There was little discussion before voice vote except for brief statement by Committee Chmn. Hollings (D-S.C.) noting significance and success of educational TV in Japan and U.K. Bill hasn't been scheduled for floor action and there's no companion measure in House.

HBO AND MTV EYE COMEDY: HBO announced May 16, and MTV 2 days later, new basic cable channels devoted to comedy. HBO's long-rumored basic cable service is called Comedy Channel, will launch in fall. MTV service is called "HA" TV Comedy Network and will start in early 1990. HBO cited following statistics to back its entry: (1) Of cable subscribers in 18-34 age group, 64% expressed interest in comedy channel. (2) HBO comedy programs maintained higher ratings. (3) Nielsen shows basic cable ratings increased 50% from 4.7 in 1985 to 7.2 in 1988, with 41% of growth from new basic channels.

HBO hasn't determined how many subscribers channel will need to break even or how many it will have by launch time. Chmn. Michael Fuchs hopes to have them "in the millions" by then. Startup cost of channel is "expensive," he said, but HBO is "not being casual" with money. He said 5 years ago channel would have been biggest basic channel but now competition is tough and it takes more time to develop leader. "There's not room for 2 of these channels and we'll be out of the box the fastest, with the best," he said. New channel will be overseen by HBO Enterprises Senior Vp Lee deBoer.

MTV entry was announced May 18. Network is seeking equity deals with MSO partners, spokesman said, and its channel will be long-form programming rather than short-form, which HBO has chosen. MTV discounted proximity to HBO announcement, quoted media clips dating to Aug. 1987 that indicated MTV was examining chances for entry into comedy market.

Auctioning of nonbroadcast spectrum for new frequency assignments would be "a far more efficient way" for FCC to allocate new uses of frequency space and could cut federal deficit as much as \$3.4 billion first 2 years, Heritage Foundation (HF) said in new study. Lotteries and comparative hearings -- current methods Commission uses to assign space -- are "outmoded, inefficient and expensive," said paper's author, James Gattuso, HF senior policy analyst in regulatory affairs. As for auctioning new assignments in broadcast spectrum, he told us: "I'm not proposing that right now... That needs to be looked into further." In addition to raising revenues for govt., Gattuso said, auctions have several other advantages: (1) Large reduction in costs for applicants. (2) Reduction in delays in making grants from years to months. (3) Savings for govt. And, he said: "Despite the claims of some opponents, the auctioning approach would not jeopardize the positions of existing licensees, alter the rights and obligations of FCC licensees, create a new tax, or enhance the ability of large firms to acquire spectrum." Pending in Congress is bill (S-170), introduced by Sen. Gramm (R-Tex.), that authorizes FCC to conduct 5-year experiment in auctions of nonbroadcast spectrum. Gattuso said Gramm's bill "is a good first step toward spectrum license auctions. In the longer term, the FCC could be authorized to use auctions for other new license assignments."

TCI posted net loss of \$51.4 million (-29¢ per share) on \$655.4 million revenue in quarter ended March 31, compared with \$7.3 million net loss (-4¢) on \$494.2 million revenues in same 1988 quarter. Cash flow rose 24% to \$248 million from \$200 million in same period year ago. TCI blamed increased loss on higher interest expenses and departures of affiliates, primarily from TCI's 42.5% share of SCI Holdings. That negative impact is expected to continue, company said, and will be exacerbated in future by consummation of merger of United Artists Communications Inc. (UACI) and United Cable TV.

FCC GAINS ON EXTRA MONEY REQUEST: House is due to vote this week on supplemental funding package that contains additional \$500,000 for FCC for current fiscal year. Commission Chmn. Patrick told 2 Senate panels last week that money is needed to avoid at least 2-day furlough of all agency staff as way to bridge budget gap created by mandated compensation increases. House action will follow decision last week by Senate Commerce Appropriations Subcommittee to recommend that parent panel approve \$400,000 in additional spending by FCC for current fiscal year. Money would come from funds received in relocation of FCC monitoring station in Ft. Lauderdale to make way for new highway.

Senate figure is about \$95,000 below what Patrick told Senate Communications and Commerce Appropriations Subcommittees was needed to avoid furloughs. And there's still said to be chance that House will make across-board cuts during final debate. FCC reportedly has told Congress it can manage with lower level, although Patrick painted gloomy picture during 2 hearings last week.

Patrick essentially told panels that "you can't have it both ways." By that, he told us, he means that if Congress continues to "underfund" Commission, then processing and other delays will continue to grow and public will be hurt. Alex Felker and Gerald Brock, chiefs of Mass Media Bureau and Common Carrier Bureau, respectively, echoed those sentiments for us. "We're really short [of money and staff] and it's hurt a lot," Felker said. Another in Mass Media said: "The Bureau is losing engineers by the buckets."

Because of budget crunch -- with FCC saying it started fiscal year with \$5-million shortfall -- Patrick said agency has "zeroed out" many functions and programs, particularly in technical areas. He says Commission is unique among regulatory agencies because its responsibilities have increased greatly in face of drops in funding and personnel, while increasingly large chunks of money have been taken up by mandatory pay raises and benefits.

FCC received \$99.6 million for current fiscal year (same as last year but it says it actually has \$5 million less to spend because of mandatory commitments), had sought \$111.5 million for FY 1990 but Office of Management & Budget approved only \$109.83 million. Said FCC official: "We've been held a political hostage by Congress" because of Democratic leadership's opposition to deregulatory policies of Patrick and his immediate predecessor. He said he wasn't referring to budget process, but disputes with Congress over fairness doctrine, minority preferences, and other deregulatory moves -- and fact that Congress has refused to move any legislation sought by Commission since agency declared doctrine unconstitutional in Aug. 1987.

Felker sees budget as major problem for Patrick's successor. He said Bureau's Audio Div. is down 12 engineers and that "we're supposed to be shrinking and we are, [but] sometimes the shrinkage is not in the right places." Bureau lost several engineers through early retirement offer in effort to save money and they haven't been replaced. He said Enforcement Div. also is hurting because of lack of personnel and there's "logjam" in equal employment area, particularly in dealing with renewals involving sales. He said Bureau is trying to reallocate resources, "but that's just robbing Peter to pay Paul."

Patrick's pleas were met with sympathy in Senate, where Commerce Appropriations Subcommittee Chmn. Hollings (D-S.C.) promised to attempt to win full appropriations for agency in FY 1990. Sen. Inouye

(D-Hawaii), chmn. of Communications unit, offered legislation calling for authorization at levels FCC requested for both FY 1990 and 1991. Bill also proposes to extend travel reimbursement and senior citizen volunteer programs, relocate Hawaii monitoring station. No other substantive legislative proposals are contained in senator's bill, such as spectrum auctions or fees that Patrick told us White House is trying to advance on separate track. However, other proposals are likely to emerge -- they do every time FCC bill comes up -- among them, ban on VHF-UHF swaps and extension of minority ownership policies.

Breakthrough on supplemental funding for FCC reflected seeming conciliatory nature of 2 hearings at which Patrick wasn't seriously upbraided for anything, and hot button words "fairness doctrine" weren't even spoken. Hollings told reporters after one of sessions that he didn't plan to reintroduce controversial license transfer fee proposal because of strong Capitol Hill and industry opposition, and that he believed spectrum auctions plan also was dead in Congress. "I can't make a go of those," he said, joking that best he could do was "majority of one -- me" in winning support for transfer fees.

Meanwhile, Commission notified Congress of its intention to hike so-called "cost-of-regulation" fees to raise additional \$2 million over \$102 million in receipts during program's first 25 months. FCC was empowered to collect fees in 1986, and increases are tied to consumer price increase, which was 12.6% over first 25 months of program. Commission increases will vary according to service, won't take effect for at least 90 days.

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Cablevision Systems reported net loss of \$59.1 million (-\$2.73 per share) on \$110.4 million revenues in quarter ended March 31, compared with net loss of \$34.6 million (-\$1.63) on \$111.8 million revenues in same 1988 quarter. Company said cash flow jumped 41.9% to \$45.2 million from \$31.9 million year earlier. Reason for drop in revenues and to some extent rise in cash flow, company said, was that Cablevision is accounting for its interest in Rainbow Program Enterprises on equity basis. That means revenues of program entities, in which NBC bought 50% interest April 20, aren't consolidated; net income or loss is recorded as gain or loss on investments. In 1988, revenues were consolidated, company said. On cable side, company posted 28.9% rise in cash flow to \$46.2 million and 22.2% increase in revenues to \$110.4 million. Comparable figures in 1988 were \$35.8 million and \$90.4 million, respectively. At end of March, Cablevision served 1,179,000 subscribers who paid average \$32.44 per month. That's down \$1.05 from Dec. average, company said, because of lower average monthly revenues at Viacom systems in Cleveland and Long Island, which Cablevision acquired earlier this year.

Noncommercial KSWK (Ch. 3) went on air May 15 in Lakin, Kan., raising operating U.S. TV stations to 1,420, of which 1,075 are commercial, 345 noncommercial. Other recent starters include WNGM-TV (Ch. 34) Athens, Ga., which carries Home Shopping Network, and KMLM (Ch. 42), Odessa, Tex., independent. PBS-affiliated KSWK is owned by Smoky Hills Public TV, Bunker Hills, Kan.; Nicholas Slezta is gen. mgr., Lloyd Mintzmyer chief engineer, Thomas Rendon program dir. WNGM-TV is licensed to NGM TV Partners Ltd., owned principally by James Finch (40%), James Lathom (20%), R.A. Birgel and F.E. Busby (15% each). Lanier Finch is gen. mgr., Larry Walters chief engineer. Nonprofit corporation National Minority TV Inc. is licensee of KMLM; Paul Crouch is pres., Jane Duff vp. Station is affiliated with Trinity Bestg. Network.

CABLE HIT ON HILL: Attacks on cable industry continued in Congress last week with unveiling of 3 more bills. Rep. Lent (R-N.Y.), ranking Republican on House Commerce Committee, led nearly dozen lawmakers in offering HR-2363 aimed at professional sports carriage by cable. Sen. Gore (D-Tenn.) and Rep. Boucher (D-Va.) led over dozen members from both chambers in 2 versions of more comprehensive bill slated for formal introduction May 22 that would end cable-telco cross-ownership restriction.

Lent bill would allow municipalities to require carriage of virtually all local TV stations, mandate both telecast and cablecast of all local professional sports events and cap franchise agreements at 10 years. Cable systems also couldn't continue to sign exclusive carriage deals with programmers. Operator's authority under 1984 Cable Act to dictate terms for commercial leased access to franchise authority also would end.

Bill appears to open door to cable-telco cross-ownership debate by proposing what aide said was "technical amendment" that would remove ambiguity in 1984 Act on what constitutes "unaffiliated entity" eligible to lease cable capacity. Act now permits telcos to lease facilities to unaffiliated entity to provide video, but states that 2nd party must hold franchise. Aide said lawmakers want to allow telcos greater flexibility in signing leaseback by removing requirement that unaffiliated entity have franchise.

Gore and Boucher bills would flatly eliminate cable-telco restrictions and clear way statutorily for telcos to provide video services even in their local exchange areas. However, Boucher bill provides that, before cable system is bought by telco in company's local exchange area, franchise authority must find that purchase is in public interest. Telcos must convince franchisor that cable system purchase in local exchange will benefit subscribers, including making commitment that cable system will be upgraded with fiber or equivalent advanced technology, he said.

Boucher bill also would: (1) Define new national policy goal for universal video service. (2) State explicitly that it in no way is intended to affect Modified Final Judgment (MFJ) or existing antitrust laws. (3) Allow telcos to provide video programming through their own or affiliate facilities without restriction. (4) Regulate what sponsors described as "lifeline" or basic cable services in areas where cable has no competition. Minimum signal requirement of 3 over-air major TV networks, one public TV channel, and all local independents is outlined.

(5) Direct FCC to formulate rules within 60 days to safeguard telephone ratepayers from bearing costs of telcos' ventures into video, particularly from any losses. (6) Mandate 3rd party or alternative technology access to cable-owned programming on nondiscriminatory basis, clearing way not only for telcos to obtain HBO, Showtime and other premiums, but also for such technologies as MDS, MMDS, SMATV, DBS, and TV receive-only. (7) Direct FCC to investigate implications of cable vertical integration. Commission also must determine whether cable program distribution practices are unfair and anticompetitive.

Gore bill is similar to Boucher's, additionally would: (1) Require cable operators, potentially including telco-run systems, to carry all program services available unless precluded from doing so by channel capacity or nature of program content. Programmers would have to be given access to system at nondiscriminatory rates, terms, conditions. (3) Mandate FTC investigation into cable

industry concentration, especially MSO program ownership and what Gore sees as speculation and trafficking in franchises. (4) Require FCC to make recommendations to improve availability of video services in rural areas.

Legislators see 2 bills as starting point and expect to make changes in response to industry input before Committee advances final version. Among potential changes, Boucher indicated must-carry element wouldn't be "incompatible with the overall objectives of our legislation." NCTA issued terse statement opposing Gore, Boucher and Lent proposals, while Wireless Cable Assn., INTV and U.S. Telephone Assn. had positive reactions.

Bell Atlantic (BA) disagrees with NAB and won't shelve its lobbying for cable-telco ownership while it conducts fiber-to-home test with broadcasters, BA Chmn. Raymond Smith said in May 18 letter to NAB. Earlier, NAB Pres. Edward Fritts had said it didn't appear feasible for telco to continue legislative effort while test was under way (TVD May 15 p1). Process was started by Smith in speech to NAB convention at start of month (TVD May 8 p9). In May 18 letter, Smith said: "It is regulation and government policy that place roadblocks in the way of rapid introduction of these new technologies today. If we inject the burdens of the ongoing policy debates into what is essentially the research and development process, the value of the trial will be lost and foreign interests will be served." Smith also clarified that trial envisioned would involve transmitting variety of video signals, including HDTV, via fiber to home. He said that BA could provide fiber facilities for testing various HDTV architectures and that telco could study expanding 2 fiber trials to accommodate simultaneous transmission of single or multi-channel video. BA fiber tests are under way in Perryopolis, Pa., transmitting cable with Helicon Cable; and in S. Brunswick, N.J., transmitting voice only. Smith said there are other possibilities for trials in BA service area and that he would leave it to broadcasters to determine if they wanted to program additional channels, or just their own off-air channel.

New effort to clean up political campaign advertising was launched last week by Senate Commerce Committee Chmn. Hollings (D-S.C.) and ranking Republican, Sen. Danforth (Mo.). They reintroduced bills to curb negative TV-radio pitches by candidates and independent groups and to restrict station charges for campaign ads. Other bill is aimed at negative or "attack" ads would require any direct or indirect references to a candidate's opponent in TV-radio ad to be made by candidate himself or herself. If broadcaster permits airing of attack ad without candidate in it, station must provide free response time to what Danforth called ad's "victim." Bill also would curb use of ads from independent groups, putting onus on station. If broadcaster carried such noncandidate ad, whether or not sanctioned by candidate and regardless of whom it highlighted, station would have to give other candidate in race comparable, free air time for response. Same rule would apply for ads by other political action committees.

News Corp. reported net income of \$45.5 million (33¢ per ADR [American Depository Receipt]) on \$1.6 billion revenues in quarter ended March 31, compared with \$42.9 million net income (29¢) on \$1.1 billion revenues in 1988 first quarter. Company said results improved in each business line: Strong performances by 20th Century-Fox Film, continued improvement at Fox Bestg., inclusion of results from Triangle Publications. Operating profit for year rose to \$296.6 million from \$164.5 million.

Rupert Murdoch's Sky TV has filed \$1.5 billion suit against Walt Disney Co., charging Disney tried to back out of financial arrangements for joint venture to deliver its programming by satellite to U.K. and Ireland. Dispute apparently has put on hold plans to launch Disney Channel on Luxembourg's Astra satellite, and Sky is making plans to use transponder to launch classic movie and arts channel later this year. Disney said suit has "no merit." Brief statement expressed surprise that suit was filed and mentioned "great regard" Disney has for Murdoch and accomplishments of Sky TV. Suit cites Disney claims that Sky was moving too rapidly on joint venture and providing inadequate consultation with Disney. It says Disney threatened to withdraw from joint venture unless better terms were negotiated. Suit accuses Disney of "common pattern and practice to ignore and deny their agreements and to use economic leverage and coercive power to exact unjustified concessions" from partners. Sky officials wouldn't say joint venture is dead, but confirmed Sky will launch new channel devoted to classic movies and arts programming on transponder originally set aside for Disney. Sky-Disney venture was set up last year to deliver Disney Channel and Sky Movies. Disney had been scheduled to go on air Aug. 1. No startup date for Sky classic movies has been set, but official said it's likely to be "toward the end of the year."

Cable transactions: First AmeriCable has retained Daniels & Assoc. to seek bids for systems serving 19,000 subscribers in Fla., Ky., Nev., N.Y., O. Company is interested in either cash or stock-for-stock sale... Weststar Communications has acquired Coastside Cable TV serving 13,000 subscribers in Cal. Weststar also has bought Clear Water Communications serving 3,529 subscribers in Ida. and Teleview Antenna, with 1,750 subscribers, also in Ida. Broker: Daniels... CableSouth has retained Waller Capital to handle sale for cash of cable systems serving 10,100 subscribers in Ala... Mission Cable L.P. has acquired Spearman and Shamrock Cable TV, affiliate of Cossette Investment with 2,207 subscribers in Tex. Broker: Daniels... Sterling Cable Partners Ltd. has acquired system serving 224 subscribers in Mont. Broker: Pat Thompson.

Ownership of U.K.'s independent broadcast system should remain "widely spread and unhealthy concentrations of ownership and excessive cross-media ownership should be prevented," said Britain's Home Secy. Douglas Hurd in proposing restrictions. His proposal would limit national newspapers to 20% stake in independent TV stations, newly authorized national radio stations and satellite channels awarded by govt. Same 20% restriction would apply to regional and local newspapers of ownership of stations in their areas. If restrictions are approved, they could hamper plans of Rupert Murdoch's News Co. (which owns Sky Channel, London Times) and publisher Robert Maxwell, who has holdings in British cable, plans satellite TV station and is bidding for new TV license.

NBC said it received 901 calls from viewers -- 2-1 positive -- following May 15 telecast of Roe vs. Wade on abortion rights. Show won its time period with 17 rating, 27 share. All but one NBC affiliate reportedly carried program, and stations reported modest number of telephone calls during and immediately after it, with majority backing telecast. Network said all ad time was sold, albeit at reduced prices, and with some advertisers new to network TV. Two weeks ago, NBC Pres. Robert Wright had made pitch for advertisers to support Roe vs. Wade, saying NBC would go without spots if necessary (TVD May 15 p6). Network conceded several original advertisers had dropped out because of controversy over program.

First satellite transmission of ACTV-I (Advanced Compatible TV) was successful, said officials at Sarnoff Research Center, which helped develop ACTV and conducted test May 9. Test was to demonstrate that ACTV could be received by cable headends and, potentially, stations, without modifications to satellite receivers or ACTV encoders, Sarnoff Vp James Carnes said. Satellite test follows successful terrestrial broadcast of ACTV April 20. Test was carried on GE Satcom K-1, using 40-w, 36-MHz Ku-band transponder. Uplink was on NBC-owned transportable earth station with 5-m antenna, and downlink was to same earth station. Test showed cable operators and broadcasters could receive ACTV programming via satellite without modifying receivers, Carnes said, but further testing will be needed to determine full ability of satellite home dishes to receive quality ACTV. Sarnoff officials said home dish reception probably is possible, but may require dish approximately double in size to provide same signal-to-noise ratio.

Senate Rules Committee last week approved uniform poll closing bill (S-136) designed to undercut impact of TV network election projections on voter turnout and election results. Bill by Sens. Adams (D-Wash.) and Reigle (D-Mich.) differs from version (HR-18) advanced in House by Rep. Swift (D-Wash.) in that it doesn't call for 2-week change in start of daylight saving time in presidential election years. However, Senate bill does follow House in calling for single poll closing time for continental U.S. (7 p.m. Pacific, 8 p.m. Mountain, 9 p.m. Central, 10 p.m. Eastern Standard). Adams said he has commitment from Senate Majority Leader Mitchell (D-Me.) that bill will see floor action this year. Similar measure stalled on Senate floor last year. House passed HR-18 in April.

Library in new Museum of Bestg. under construction in N.Y. will be named Florio Fiorini and Giancarlo Parretti Library, in honor of chmn. and pres., respectively, of Pathé Communications, who contributed \$2.4 million to project. Library will occupy 4th floor of new Museum at 23 W. 52nd St., N.Y., contain 40,000 TV and radio programs. Museum founder-chmn., William Paley, contributed land worth \$12 million for building; 3 TV networks pledged \$2.5 million each of total \$45 million contributed. Meanwhile, Museum will present seminar 5:30-7 p.m., May 24, on "Excellence in TV Advertising" celebrating donation of old TV commercials by Art Dirs. Club. Museum currently is at 1 E. 53rd St.

Ultra Entertainment has been formed by Cap/ABC Video Enterprises to produce original programming for cable and overseas. Veteran producer Robert Rubin will head unit as exec. dir., with William Sieger dir. of development. Ultra will report to John Healy, pres. of ABC Distribution Co. He said new entity was created to "help meet the need for original programming on cable services in this country and for the burgeoning television market overseas." Ultra isn't connected to newly formed Cap/ABC in-house production unit to produce programming and movies for TV network and headed by ex-ABC Entertainment Pres. Brandon Stoddard.

Arbitron says cable penetration hit 53.9% in Feb. 1989. That's 48,479,700 TV households subscribing and represents 8% growth from Feb. 1988. Five most highly penetrated markets: (1) Santa Barbara-Santa Maria-San Luis Obispo, Cal., 88%. (2) Palm Springs, Cal., 87%. (3) San Angelo, Tex., 83%. (4) Laredo, Tex., 82%. (5) Sarasota, Fla., and Eureka, Cal., 81%. Nielsen has reported cable penetration in Feb. at 54.8%.

Comcast corporate hq has moved to 1414 S. Penn Sq., Philadelphia 19102-2480, 215-665-1700.

Personals

Raymond Timothy, recently retired as NBC exec. vp after 35 years with network, appointed senior managing dir., Media & Entertainment Group, N.Y. investment banker **Furman Selz Mager Dietz & Birney**... **Lucy Johnson**, independent producer and onetime NBC, joins CBS Entertainment as vp-daytime programs, replacing **Michael Brockman**, now with ABC Entertainment; **Leslie Lurie** advanced to vp-comedy development... Changes at ABC: **Keith Ritter** promoted to vp-dir., sales mktg., new post; **Donna Rosenstein** advanced to vp-talent and casting; **Kim Fleary**, dir. of comedy series development, and **Gary Levine**, dir. of dramatic series development, named vps; **Lawrence Gianinno**, ex-HDM Adv., appointed vp-program research, TV Network... **Brian Frons** promoted to vp-creative affairs, NBC, is replaced as vp-daytime programs by **Jacqueline Smith**.

FCC Chmn. Patrick announced engagement to marry **Paula Grace**, partner in Washington firm Audette Real Estate Inc.; date hasn't been set... **Patricia Niekamp**, KAAL-TV Austin, Minn., elected AWRT pres., succeeding **Diane Sutter**, WTVQ-TV Lexington, Ky.; **Patricia Mahoney**, partner in Washington law firm Fletcher, Heald & Hildreth, succeeds Niekamp as pres.-elect... White House has appointed **James Rill** asst. attorney gen. and head of Antitrust Div., as expected.

FCC Chmn. Patrick attends International Telecommunication Union Plenipotentiary Conference May 23-26, Nice, France... **Mike Connolly**, ex-San Francisco Examiner Washington correspondent, named press secy. to Rep. Markey (D-Mass.) and to his House Telecom Subcommittee, succeeding **Kevin Joseph**, who becomes legislative asst.

Mark Resnick promoted to senior vp-legal affairs, Columbia Pictures Entertainment... **Harvey Jacobs** and **Frederick Joyce**, ex-Ginsburg, Feldman & Bress, form law firm Joyce & Jacobs, 2300 M St. NW, Washington 20037, 202-457-0100... **Albert Catalano**, Washington attorney, becomes principal in Washington public affairs firm Murphy & Demory... **Mary Crowley**, deputy managing editor, Warren Publishing's Communications Daily, elected pres., Society of Professional Journalists Washington chapter; **Michael Feazel** advanced at Warren Publishing to senior editor... Additions at S.C. Educational TV: **Jesse Bowers**, ex-gen. mgr., WOIC-AM Columbia, as vp-programming; **Mark Pierce**, ex-exec. vp-gen. mgr., WCSC-TV Charleston, as vp-planning, R&D.

Thomas Freston promoted from pres. to chmn.-CEO, MTV Networks... **Peter Knobloch**, ex-NBC-TV Network, appointed vp-ad sales, SportsChannel America... **Kathleen Jamieson**, ex-U. of Tex. communication prof., appointed dean, U. of Pa. Annenberg School of Communications... **Barbara Javitz**, ex-Nelson Entertainment, joins Prism Entertainment as vp-acquisition.

Daniel Gold, ex-RCA Americom and CBS, joins BMI as attorney in Licensing Dept... **Heather Farnsworth**, ex-KBHK-TV San Francisco, appointed vp-gen. mgr., WUHF Rochester, N.Y... **John McCutcheon**, promoted to gen. mgr., KPOM-TV Ft. Smith and KFAA Rogers, Ark... **Donna Leonard**, dir. of NAB radio membership, promoted to vp... **Glenn D'Agnes**, ex-Vintners International and onetime CBS, appointed corporate controller, LIN Bestg... **James Carson** promoted to national sales mgr., KVUE-TV Austin; **Martha Brewster** advanced to local sales mgr., succeeding Carson.

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FCC Comr. Quello and veteran Washington-area broadcaster **James Gibbons** received Sol Taishoff Award from Wash. Area Bcstrs. Assn. for "important contributions to the broadcasting industry," at dinner at Congressional Country Club May 17... **Joey Plager** advanced to mgr.-TV development, Lee Rich Productions.

CableTV Ad Bureau (CAB) reported 40.5% growth in cable network ad revenues in 1989 first quarter to \$308.7 million, compared with \$219.7 million in same 1988 period. CAB analysis was based on projection of Best. Advertiser Reports data. If first-quarter growth rate continues through year, CAB said, cable ad revenues would approach \$1.5 billion, surpassing industry forecast of \$1.3 billion.

OBITUARY

A. Louis Read, 74, who entered broadcasting in 1948 in Mobile and who served at WDSU-TV New Orleans from 1949 until retiring Jan. 1978, died May 14 in New Orleans of stomach cancer. He received A.B. degree from Loyola U.-New Orleans in 1937, was officer in Navy in World War II. WDSU-TV was purchased from Royal St. Corp. by Cosmos Bestg. (when WDSU-AM was spun off to Covenant Bestg.) and Read remained pres. of WDSU-TV until retiring, was dir. of Cosmos at his death. He's former chmn. of NBC TV affiliates' board and NAB TV board. Wife, 2 sons, 2 daughters survive.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	APR. 29- MAY 5	1988 WEEK	% CHANGE	APRIL 22-28	18 WEEKS 1989	18 WEEKS 1988	% CHANGE
TOTAL COLOR.....	404,212*	280,605	+44.1	504,464	7,013,734*	6,088,854	+15.2
DIRECT-VIEW...	401,267*	277,557	+44.6	499,479	6,946,222*	6,009,264	+15.6
PROJECTION....	2,945	3,048	- 3.4	4,985	67,512	79,590	-15.2
TOTAL VCR.....	176,410	137,224	+28.6	233,499	3,316,489	3,585,301	- 7.5
DECKS.....	137,542	111,096	+23.8	181,552	2,778,537	3,153,753	-11.9
CAMCORDERS....	38,868*	26,128	+48.8	51,947	537,952*	431,548	+24.7

Color TV 5-week moving average: 1989--372,207*; 1988--346,352 (up 7.5%).

VCR deck 5-week moving average: 1989--134,607; 1988--158,797 (down 15.2%).

Camcorder 5-week moving average: 1989--35,998*; 1988--29,243 (up 23.1%).

* Record for period.

SONY 4" VIDEO WALKMAN, SHARP, OTHER NEW SETS: Sony will add 2nd Video Walkman -- this one with 4" color LCD -- on Japanese market today (May 22), and, although U.S. subsidiary declined to comment on date for American introduction, it's good guess it will show up at Consumer Electronics Show June 3-6 in Chicago (along with new VHS recorders and videodisc players). Also due to be shown at CES, by Panasonic and parent Matsushita, will be first VHS VCR to accept VHS-C cassette without adaptor.

In other new-product news: (1) Sharp entered videodisc player market in U.S. with first unit combining laserdisc player with multi-disc changer for 5" and 3" CDs. (2) Sharp and Zenith joined in general new round of price increases, Sharp going up 1-2% on TVs and VCRs, Zenith increasing "selected" models around 1%, as expected. (3) The 2 largest Korean brands -- Goldstar and Samsung -- added their first camcorders (full-size VHS) and 4-head VCRs. Details of major new model introduction are elsewhere in this issue.

Sony is 2nd brand to announce personal video system with 4" display -- first was Sharp (TVD April 24 p12), which makes the LCDs used in Sony's 8mm Video Walkman. We saw demonstration of Sharp's combination VHS VCR and color LCD monitor, to be available here in July at list of \$1,900, and found picture on back-lighted display one of very best LCD images we've seen, rivaling that of tube display. Sony's old and new models include TV tuners; Sharp's version doesn't. Sony isn't involved in TV dumping case and therefore can offer tuner version without penalty (see related report, this issue).

New Video Walkman is claimed to offer 80% more viewing area than first model, which has 3" screen, with only 16% increase in size and 7 oz. in weight. Model measures 5.4x2.6x9.2", weighs less than 3 lb. without battery. LCD has 112,086 pixel resolution. Price in Japan is about \$1,100 at current exchange rate; rechargeable battery with 2 hours playback time will be about \$65. Power consumption is 6.9 w. Sony said it plans to produce 20,000 monthly for sale worldwide, primarily in Japan, U.S. and Europe.

* * * *

Sharp, whose U.S. sales passed \$2 billion in fiscal 1988 -- just 4 years after hitting \$1 billion -- introduced expanded line of home office products, including its first personal laptop computer (\$1,999) plus new RAM cards and computer link for its successful Wizard handheld organizer. In video, company officials indicated that company's 3rd price increase in 12 months could effectively represent more than the stated 1-3% hike because "new generation" of products -- particularly in VCR -- has more high-end features than predecessor and is priced accordingly.

Sharp has completely revamped and streamlined camcorder line, adding new design with full-sized VHS models in 6x, 8x and 12x zoom lenses. Video Vp-Gen. Mgr. Perry Clay said margins on camcorders were still unsatisfactory, joined others who expressed concern about buildup of inventories in this product. Unlike

other brands, Sharp actually is introducing new VHS-C model this spring. Clay forecast 21 million industry color TV sales this year, indicating shortage will hit hardest this fall when normal seasonal sales pace increase occurs.

Company apparently has been particularly hard hit by picture tube shortages. It's completely sold out of 35" sets; although it just introduced its first 27" models, they're already on allocation, and will be for rest of year, according to company officials. Shortage problem doesn't involve only big-screen models -- as one official put it, "19 and 20-in. are absolute chaos." Highlights of new Sharp and other products are elsewhere in this issue.

* * * *

Matsushita's "full /compact cassette compatible VCR" was announced at last week's end in Tokyo for sale next spring in Japan at around \$1,440. JVC is expected to announce own "F/C" recorder next week, and Hitachi, Mitsubishi and Toshiba will follow. Also announced by Matsushita last week was 30-90-min. S-VHS-C cassette (due next fall) and digital standards converting NTSC/PAL/SECAM VHS deck (no date or price).

TAX TV SETS TO FUND HDTV--ZENITH: Zenith Chmn.-CEO Jerry Pearlman last week urged Congress to levy \$5 tax on all TV set sales to finance HDTV research. Receiver industry read his lips and replied, through its trade association, "no new taxes." Meanwhile, Commerce Secy. Mosbacher came out flatly against major federal funding of HDTV research or production.

TV manufacturers and marketers were dumbfounded when Pearlman, appearing before Senate Science Subcommittee, volunteered industry to subject itself to tax on all set sales for 3-4 years to set up trust fund of \$100 million annually to finance govt. portion of HDTV project. After that time, financing would be continued by taxes on HDTV sets themselves. "Not too many industries ever say, 'tax us to help pay for what we need,'" said Pearlman, "but that's exactly what Zenith proposes."

EIA Consumer Electronics Group, of which Zenith is no longer a member, branded plan "tempting but unfair solution," noting that any tax would be "passed along to the consumer, resulting in the American people footing the bill for this new product." Privately, competing set manufacturers and marketers were using much stronger language.

Mosbacher made it abundantly clear that Administration opposes proposal made in study sponsored by American Electronics Assn. to fund HDTV research and production with at least \$1.35 billion of govt. money (TVD May 15 p11). Speaking directly to source of proposal at AEA dinner, Commerce Secy. said: "We cannot approach HDTV by asking 'Uncle Sugar'... to put up the money, tempting as that may be." Citing budget deficit, he said: "There is no way the American public would support such a proposal." He urged electronics industry to fund project itself: "The higher your level of funding, the stronger your own vote of confidence, the easier it will be for us to achieve the reforms you need to compete."

He said govt. was willing to "remove obstacles to give encouragement" to project. As examples of govt. help, not only for HDTV but for other U.S. industries, he cited antitrust reforms to permit pooled R&D, making R&D tax credit permanent and "improving the allocation rules for foreign source income."

In his testimony, Pearlman said industry was "ready, willing and able" to finance development itself. Disbursements would be administered by Commerce Dept., with Defense Dept.'s Defense Advanced Research Projects Agency (DARPA) as R&D program manager. He said FCC should specify as precondition that HDTV transmission system contenders accept licensing rules, formulated by Commerce Dept., requiring licensees to commit to U.S. content, particularly semiconductors and displays: "The U.S. standard should assure that royalties paid to intellectual property holders create a positive balance of trade for the United States."

In other testimony, Philips Consumer Electronics Pres. Donald Johnstone had substantial disagreement with AEA business plan's call for Advanced TV Corp. (ATV Corp.) and its govt. funding recommendations. Johnstone said his company believes govt. must avoid having vested interest in HDTV or any technology. He said Philips would prefer that U.S. efforts be focused on creating environment and infrastructure necessary to foster HDTV development by private sector, such as tax incentives and eased antitrust laws to allow joint R&D.

Johnstone said govt. should encourage cooperative ventures for development of large-screen displays, particularly projection TV. He spoke strongly against efforts to restrict foreign participation in U.S. HDTV development, saying prohibition based solely on ownership "would be unfair" and overlook expertise and

experience American-based companies could offer to market. He said policy, among other factors, should stress U.S.-based long-term research, product design and development and require long-term investment in U.S. market.

Also testifying before Senate panel was Sony Advanced Systems Pres. William Connolly, who expressed concern about possibility that U.S. HDTV standard could end up "deliberately exclusionary... We should avoid trying to create a hothouse manufacturing industry in the United States." He endorsed FCC decision calling for HDTV standard to protect future of terrestrial broadcasting and said Sony "stands ready to support any transmission system selected" by agency. He also sought to debunk arguments that Japanese companies buy only domestic manufactures. "I believe the overall record for Sony and others indicates that when high-quality, reasonable cost components are available from U.S. firms, they buy them," he said. "Our doors are open for business and we are actively searching for U.S. manufacturing partners in a wide variety of HDTV applications."

Probably most upbeat testimony came from David Sarnoff Research Center Vp James Carnes, who said U.S. leads world "in the most critical area of advanced television -- that of transmission systems for broadcast and cable." Best HDTV standard would be one that meets needs of U.S. viewing public, he stressed: "The U.S. consumer has proved over and over that they will not embrace a product unless it makes sense to them." He also endorsed govt. encouragement of R&D short of direct funding. (Further HDTV reports appear elsewhere in this section and in Broadcast/Cable Section.)

PHILIPS' MAJOR GROWTH TO BE IN U.S.: Philips has targeted U.S. as principal area for growth in near future -- particularly in consumer electronics -- with goals for production and sales increases and expansion in operations here far above those for rest of world. This was indicated by Gerrit Jeelof, vice chmn. of Dutch parent company and chmn. of North American Philips (NAP) in interview last week.

"We expect to invest \$1.5 billion in various activities in the United States" over next few years, including probable expansion in picture tubes (TVD April 10 p12). "It's a big amount -- much more than we are depreciating -- while our worldwide investment will be about one to one" (expenditures vs. depreciation), he said. "We will be building more resources in America as we grow." Reason for concentration on U.S. market is simple: Jeelof pointed out that U.S. accounts for 30-40% of worldwide sales by all manufacturers of products in which Philips is involved, "while today the U.S. represents only 20-25% of our sales total."

For NAP, major growth areas Jeelof outlined: (1) "Certainly consumer electronics," where he said company is "making great steps forward and plans strong further gains." (2) Personal computers, in which Philips hopes to gain major position here, particularly "from the consumer electronics side." (3) "We will grow much more in display components, including picture tubes." (4) "Lighting is a growing area, which is becoming much more electronic." "We must do quite a bit of growing" in U.S., Jeelof said, "but it must be based on our resources here." He has been making round of speeches recently, stressing good corporate citizenship and difference between operation of such European firms as Philips and Japanese companies.

As for HDTV, "the important thing is that this technology takes place in the United States -- whether the [company's] hq is here or elsewhere is not the issue." He noted that American companies traditionally have operated in Europe and aren't foreclosed from govt. projects there. Japan is completely different situation, he said. Japanese have been making direct investments in U.S. and Europe for years, but don't permit their trading partners to make investments in Japan, and such investments are going to grow "enormously." He said imbalance will cause increasing problems in future.

As for computer business, Jeelof says NAP will sell about 500,000 personal units this year between its Montreal operation and recently acquired Headstart (TVD March 27 p10). Philips already is one of world's biggest manufacturers of monitors, he said, and "the step from monitors to PCs is not a big step." PC will become "mass-produced product which will need mass distribution, and these are our strengths."

Will computer eventually merge with TV set? "I don't think it will go the whole way -- I wonder whether that will be practical. But when the TV becomes a digital product, it will be easier to use it for computer purposes." NAP also is looking into home office business, he said. In U.K., Philips is partner with Shell Oil and Barclay's Bank in Telepoint, low-cost system that lets consumers make calls from own pocket cordless phones at public places, such as gas stations, and he sees possibility of extension of concept to U.S.

He declined to classify digital audio tape (DAT) recorder as dead issue: "It's a question of whether we can come to an understanding with the music industry. Little by little we're getting there." He said

Japanese attitudes toward copyright protection "have changed since Sony bought CBS Records." Asked when agreement between hardware and software interests might be reached, he replied: "Just as a guess, it could happen this year."

In display products, Philips is involved in major research on projection TV. Jeelof said company's 100-year experience in lighting gives it strong background in developing bright and long-life light sources for LCD projection systems.

He held out little hope for any U.S. VCR manufacturing until age of digital video. Noting that digital audio broadcasting is imminent in Europe, he said entire situation would change with era of digital video transmission, eliminating problem of national TV standards. "The day may come when VCRs are built into all TVs as a matter of course." Magic of digital audio via Compact Disc is giving videodisc new lease on life, he said, making it "fashionable product" headed for era of gradual growth. Real future for videodisc will come in digital age, he indicated. He forecast nationwide digital infrastructures of optical networks for phone, video, data. One of keys is signal compression, he said, in which Philips is a world leader.

DARPA EMBARRASSED: Defense Advanced Research Projects Agency (DARPA) last week was busy denying that any grants had been made for research on HDTV display -- despite fact that it had assured Westbury, N.Y., firm in writing that it was to get \$500,000 for work on LCD projection TV system (TVD May 15 p13).

DARPA was sticking to strict construction of grammar, presumably because letter promised grant arrangements would be made later. Letter on DARPA stationery, dated April 3 and signed by "Michael J. Kelley, Director, DMO," and addressed to Marvin Maslow of Projectavision, said:

"DARPA is interested in the Projectavision proposal submitted in response to BAA89-06 and is prepared to fund it at a level of \$500,000 with the understanding that Projectavision will satisfy the work product defined in the proposal. The proposal identifies Alphasil [LCD company in Fremont, Cal.] as a subcontractor, and we understand that Projectavision will assure that Alphasil is in possession of the necessary intellectual property and continues as a viable manufacturing base in conjunction with the objectives of the proposal. You will be contacted by our Contracts Management Office regarding further arrangements in the near future."

Projectavision Pres. Eugene Dolgoff told us as early as last Jan. that govt. "looks favorably" on his company's work (TVD Jan 30 p13). Last week, he indicated to us that he expected more than the stated \$500,000. Projectavision had applied for \$10.5 million and Dolgoff said it had good chance of getting full amount. DARPA's public affairs office told us no awards would be made under HDTV program until "after Memorial Day."

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HDTV day at Consumer Electronics Show will be Sun., with 3 consecutive panels 2-5 p.m.: "Who's Doing What," moderated by EIA Pres. Peter McCloskey, will include ATTC's Peter Fannon, FCC's William Hassinger, Cable Labs' Richard Green, House Telecommunications Subcommittee's Larry Irving and FCC HDTV Committee Chmn. Richard Wiley. "What Will It Look Like," moderated by Wiley, will feature Thomson's Joseph Donahue, NARDA's John Shields, Philips' Larry French and Media Access Project's Andrew Schwartzman. "What is Congress Doing," Gary Shapiro, EIA, moderator, will have panelists Reps. Boucher (D-Va.), Campbell (R-Cal.), Rinaldo (R-N.J.), Ritter (R-Pa.), Oxley (R-O.).

Corning Inc. was approved by stockholders as new name for former Corning Glass Works.

CD-I TRIUMVIRATE: Matsushita, Philips and Sony said they will join to develop and promote Compact Disc-Interactive (CD-I) technology. Effort links world's 2 largest consumer electronics entities -- Matsushita and Philips.

The 3 also will work to enhance "technical capabilities of the CD-I system, including high-quality, full-motion video," Philips Consumer Electronics CEO Jan Timmer said. CD-I combines audio, text, still-image, full-motion video, computer graphics and data on standard optical disc.

Sony and Philips are co-proprietors of CD patents. Philips and Matsushita are involved in other joint ventures -- Philips has minority interest in Matsushita Electronics, component venture building picture tube plant in Troy, O. Agreement between 3 firms represents "significant milestone" for CD-I, according to Gordon Stulberg, chmn. of L.A.-based CD-I title developer American Interactive Media (AIM). AIM, affiliate of Philips, has created CD-I titles in conjunction with Time Inc., Harcourt Brace Jovanovich, Grolier and Children's TV Workshop.

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Hitachi's export of VCR production technology to China has been approved by multinational Coordinating Committee on Export Control (COCOM) on condition that it downgrade performance of equipment used to measure head cylinder distortion. Hitachi's original plan to provide VCR know-how to China was rejected by COCOM on ground that cylinder processing technology has military uses (TVD March 13 p13). Hitachi plans to export technology to 3 Chinese companies, each aiming to produce 150,000 units annually. Meanwhile, Sampo is negotiating with JVC for permission to build major VCR export plant in Taiwan, plans to invest \$36 million in project. JVC know-how pacts with Taiwan companies in past generally have been granted on condition that VCRs wouldn't be exported. Report in China News (Taiwan) indicates Sampo may have eye on mainland China rather than West as destination for exported VCRs.

DAT working group of hardware and software representatives will meet again this year to discuss copyright issue. Group met in April in Amsterdam suburb (TVD April 17 p14), but didn't resolve problem. Site and date for 2nd roundtable meeting haven't been set.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 139 yen = \$1, except where noted.

SHARP, SAMSUNG, GOLDSTAR: Sharp last week formally premiered 9 new color TVs and 3 new VCRs, already reported here (TVD April 17 p15). High-end Optonica line is unchanged from year earlier introductions except for elimination of 25" and 35" models and downward revisions of suggested list prices.

Optonica 20" model is \$380 (down \$50 from price quoted a year ago); version with MTS stereo and S-VHS input, better remote control is \$480 (down \$70); 27" with universal remote and MTS is \$800 (down \$100), 600-line version with Dolby/Hall Matrix surround and 13.5-w per channel amplifier is \$1,000 (down \$150), 700-line model is \$2,000 (down \$496).

Sharp will enter U.S. videodisc player field in Sept. with unique combi system with rotary changer that can accommodate up to three 3" or 5" CDs with random access programming. It has S-VHS output terminal, repeat and scan functions for both laserdisks and CDs. Suggested list is \$1,500.

Camcorder line initially features two 12x zoom models with flying erase heads, index search, audio dubbing. Model at \$2,000 has 3-speed shutter, 4-lux light rating, while \$2,200 version has 4-speed shutter, digital superimpose for titles and graphics in 8 colors, is rated at 2 lux. New-design models with streamlined look and concealed secondary controls in 2 more full-size and one VHS-C model will be introduced this fall.

Building on success of its Wizard pocket organizer, Sharp has added 32K and 64K RAM cards for greater storage, at \$80 and \$130, and "Organizer Link" which can connect Wizard to personal computer at \$150. New universal learning remote for audio and video systems is \$130.

Samsung entered camcorder market with full-size model with 6x zoom, on-screen counter and calendar, all accessories including battery and charger, available in July at suggested list of \$899. Double azimuth 4-head VCR with one year 8 event timer, grey screen noise eliminator in 2 versions is \$329. Two-head 4 event VCR is \$229; step-up with blue screen noise eliminator with on-screen programming, also in 2 versions, is priced at \$259; 19" TV monitor receiver and VCR combo with on-screen programming is \$900.

There are 14 new Samsung TVs including 9" AC-DC at \$300, 20" with on-screen displays, video jacks, dual antenna terminals at \$650 in Oct.; company's first 27" with 600-line horizontal resolution, S-VHS jack, MTS stereo at \$900.

Goldstar will show its first camcorder, full-size VHS, at CES, with 6x zoom, 7-lux sensitivity, 250,000-pixel CCD, 4 heads, left or right eye viewing at suggested \$1,400. Goldstar also will introduce 4 new VCRs, including its first 4-head model, prices to be announced. Two 13" TVs will be added at \$230 and \$250. Its videotape line has been expanded to include VHS-C and 8mm types -- VHS-C available in standard and HG types. New "ProGrade" has been added to VHS line for recording master tapes. In appliances, Goldstar is expanding microwave oven line and entering U.S. vacuum cleaner market.

Sanyo's new Instant Start Loading System is billed as "fastest in the world." Company says its recorders will go from stop to play in 2.1 sec. (vs. 5.2 sec. for conventional VCR), from cassette-in to play in 5.4 sec. (vs. 7 sec.), from fast forward or rewind to play in 3.4 sec. (vs. 5.8 sec.), from play to eject in 3.6 sec. (8.7 sec.).

DBX SPLITS UP: Parent Carillon technology will sell off parts of dbx, keeping dbx Consumer Products and its licensing business, including MTS stereo and tape noise reduction systems, Pres. Jacques Robinson announced last week.

Carillon is selling dbx OEM Products to THAT Corp., Natick, Mass., newly formed by former dbx employees. THAT (not to be confused with That's, brand name of Japanese tape maker Taiyo Yuden) is headed by Pres. Leslie Tyler, former dbx engineering vp, Engineering Vp Gary Herbert and Operations Vp Paul Travaline, latter 2 former dbx engineering managers. OEM products include voltage control amplifiers, RMS detectors, circuit boards and modules sold to manufacturers of broadcast and recording studio equipment.

AKG Acoustics, Stamford, Conn., has signed letter of intent to buy dbx Professional Products Div., based in Newton, Mass., manufacturer of signal processing equipment for broadcast and recording studio markets. Agreement is scheduled to be complete in July. In addition to dbx, Carillon owns Audio Dynamics, ADC, Finial Technology, CTI Japan.

Top executive change at 2nd largest video duplicator: Rank Video Services America (RVSA) Chmn.—CEO Robert Pfannkuch relinquishes CEO responsibilities June 1 in preparation for planned retirement next year. Pfannkuch, 54, will remain chmn. through 1989, after which he will continue to work with RVSA as technical adviser and board member of other Rank-owned companies. Assuming CEO duties will be new Pres. Philip Clement, currently exec. vp-chief financial officer of Bell & Howell (B&H), which with partners Gulf & Western and Columbia Pictures sold duplication joint venture to London-based Rank Organisation last year. Clement's previous positions included Video Group pres. and board member of RVSA predecessor B&H/Columbia/Paramount Video Services. Unlike Pfannkuch, who's based in Torrance, Cal., he will operate from Northbrook, Ill., site of RVSA's largest manufacturing plant. Pfannkuch emphasized his arrangement with Rank is "very amicable," said company has been "very supportive" of North American duplication operations. He said he hasn't wanted to be full-time CEO for some time but agreed to remain past his contract period to help new owners find successor. Retirement will allow him time to study new technologies such as HDTV, fiber optics and interactive video, he told us. As for video duplication, Pfannkuch considers it "very high-growth business" in light of increased sellthrough and influx of personal video products from hardware suppliers.

Ads & Promotions: Fuji signed joint marketing and promotion agreement with Enigma Entertainment Corp., independent record label, to feature recording artists in Fuji-sponsored nationwide concert tours. Fuji also will sponsor 13-week music TV series featuring Enigma artists, and some Fuji audio cassettes will include Compact Disc samples of new music from Enigma artists... R.L. Drake has launched first co-op ad program for satellite TV equipment... Sharp promotional contest with N.Y. Mets offers consumers chance to announce one inning of baseball game to compete for prizes... **Samsung** Information Systems America announced 10-week ad program to support personal computer sales in 12 major U.S. cities... TDK will sponsor 3rd World Track and Field Championships in Tokyo in 1991... Sony reportedly is considering ad campaign emphasizing use of Sony camcorder by astronauts on recent 4-day mission of space shuttle Atlantis.

COMBOS, LCDs AND DUMPING: Activity is intensifying to reclassify LCD TVs -- as well as personal TVs and other TV-VCR combinations -- to avoid color TV dumping penalties.

Importers suffered setback last week, however, when Court of International Trade rejected Funai's request to have its combination color TV-VCR excluded from Japanese color TV dumping case. Funai had argued product shouldn't be subject to penalties because Commerce Dept. previously excluded combination units, because ordinary Customs classification supports such an exclusion, and because VCR portion of product represents highest cost.

In rejecting request, court said: "In physical terms the TV portion of the [product] is prominent. The separate use of the unit as a TV is indisputable. It is expected to be used as a TV by the purchasers, and it moves through the same trade channels as conventional TVs. Even if we were to assume that the VCR portion of this model is more costly than the TV portion, this would not be decisive." Court also turned down Funai's argument that Commerce should have used sales to 3rd country to calculate foreign market value, rather than constructed value.

How much of precedent this sets for personal video systems, or LCD TV-VCR combinations, is unclear. Action by importers to reclassify such systems as VCRs rather than color TVs is understood to be in works, although no specifics were available at press time. Some manufacturers, including Sharp and Hitachi, have introduced personal video without TV tuner to avoid dumping duties.

In related action, Japanese LCD TV manufacturers are making 2nd attempt to have their products exempted from U.S. antidumping penalties, filing petition with Commerce Dept. asking that "handheld, portable" LCD TVs with screens 6-in. or smaller be excluded from penalties. Petition follows earlier, unsuccessful attempt by Japanese companies to get International Trade Commission (ITC) to exempt all LCD sets from dumping duties (TVD Dec 14/87 p11, Aug 31/87 p13).

Latest petition was filed by Matsushita, Casio, Citizen, Hitachi, NEC, Seiko and Toshiba, according to Stewart Rosen, N.Y. attorney representing all 7 firms in action. Same companies filed first petition in April 1987, requesting exemption of LCD TVs from dumping case on basis that they have no impact on domestic TV market. Request was rejected by ITC and appeal is pending in Court of International Trade. New petition was filed with Commerce under provision of Trade Act of 1988 that allows for reconsideration for merchandise that didn't exist at time of original dumping case. Rosen said there's no timetable for Commerce action.

Some exporters face dumping penalties as high as 26.94% under most recent antidumping review (TVD April 17 p10). Dumping penalties are believed to be responsible for drop in shipments of flat-panel displays to U.S. in recent months.

Bose introduced 3-piece loudspeaker system, including 2 "softball-sized" wedge-shaped speakers, larger bass module. System uses Bose Acoustimass technology, which involves moving air masses rather than vibration of driver cone. Smaller speakers are 3.5x4.5x4.5", weigh 18 oz. Package, including all wiring, will be available in fall for \$599. Bose also unveiled "Freestyle" bookshelf speaker set, available in black or red, in fall for \$339.

TOSHIBA IC CAMERA: Toshiba's electronic still camera system using IC card in place of magnetic disc (TVD March 27 p9) will be shown at Consumer Electronics Show June 3-6 in Chicago. As described here in March, camera has 4" LCD screen for monitoring or playback. Also scheduled for showing is "album" that can store up to 1,600 still pictures with audio "captions" on 120-min. digital audio tape (DAT) cassette. Toshiba and Fuji are seeking standardization of IC card photography format.

Meanwhile, Sony last week introduced new line of ProMavica professional still video cameras, recorders, players and transceivers using Hi-band format with 500-line horizontal resolution. Unit has separate CCDs for luminance and chrominance. Digital image handler transmits and receives color video images over standard phone lines, digital leased lines or ISDN. Recorder-player has inputs and outputs for NTSC composite, RGB analog and component video. Battery-operated portable still video player also will be available. Products go on sale in late summer via Sony Still Image Systems Div.

Perfect timing: While receiver manufacturing industry is gathering in Chicago for Summer Consumer Electronics Show June 2, First Annual Conference on HDTV will be holding 2-5 p.m. session on TV set manufacturing -- at Marriott Marquis Hotel in N.Y. Panelists at May 31-June 2 conference sponsored by Meckler Conference Management and HDTV Newsletter will include EIA Pres. Peter McCloskey, AEA Pres. Richard Iverson, Thomson Vp Joseph Donahue, Zenith Consumer Electronics Pres. Robert Hansen, MIT's William Schreiber, Sun Microsystems' Charles Poynton. Information: Meckler, 11 Ferry Lane West, Westport, Conn. 06880 (203-226-6967).

Sharp will establish European hq in W. Germany to control production and sales of its 12 European subsidiaries and procurement center in Singapore to unify its Southeast Asia subsidiaries... Sony has set up subsidiary in Tokyo, Sony Procurement Service Corp., to manage exports and imports of Sony-made parts around world. It employs 100, expects annual sales of about \$345 million... Sanyo establishes international parts procurement center in Singapore to buy components for its factories worldwide, plans parts center in U.S. in future.

Crazy Eddie management has given unsecured creditors plan for restructuring debt payment and long-term business plan to return to profitability. Financially troubled retailer has 21-day moratorium on debt payments in effect and is working with banks and major vendors to restructure operations around 26 most successful stores, spokesman said. Details of business plans weren't disclosed. Retailer in April announced it was closing 17 of its 43 stores because of declining sales and depleted working capital (TVD April 3 p13).

Videogame Update: Sega has selected Bozell Inc., L.A., to handle national ad campaign for its new 16-bit home videogame system, Genesis (TVD May 1 p16)... Nintendo has licensed Game & Watch handheld electronic games imported by Micro-Games USA. Products are authorized for sale in Nintendo's World of Nintendo retail displays. Nintendo won Permanent Display-of-the-Year Award from Point of Purchase Ad Institute.

Micron Technology agreed to pay Texas Instruments \$38.2 million in settlement of patent infringement suit on dynamic random access memory (DRAM) technology. Micron will pay TI royalties for past use of chip patents.

EMERSON IN BLACK FOR YEAR: Emerson posted \$10.2 million consolidated net profit in full year ended March 31, on 4.5% higher sales (see financial table). Company had \$16.69 million loss year earlier. In 4th quarter, Emerson reported net profit on 30.4% higher sales, vs. \$5.2 million loss in year-earlier period.

"The critical reason for the turnaround at Emerson, and the industry as a whole, is that a tremendous oversupply of consumer electronics products has evaporated," said Pres. Stephen Lane. "Last year's glut depressed prices to a historic low. But in the past year, shortages developed worldwide and have been continuing for almost 9 months. It appears that they will continue for the rest of this year." Lane cited "significant improvement" in Emerson's operations, and said company is optimistic about coming year.

Recoton reported 10.3% increase in net in first quarter ended March 31, on 5% higher sales. Pres. Robert Borchardt said demand for Recoton consumer electronics accessories "remains strong as dealers continue to expand the assortment and number of accessory products offered."

Best Buy net declined 25.6% in year to March 31, on 15% higher record sales. Retailer had net loss in 4th quarter on 1% lower sales. Best Buy blamed 4th-quarter loss and reduced yearly earnings on non-recurring costs associated with closing of video rental departments in all but 2 of its retail superstores.

Atari net fell 42.1% in first quarter, on 10% lower sales. Operating income plunged 59.5% to \$6.2 million. Pres.-CEO Sam Tramiel said videogame sales "declined significantly," because of "alleged unfair monopolistic practices" of competitor Nintendo. Company also was hurt by shifts in currency exchange rates. Atari said Federated Group subsidiary was treated as discontinued operation, and Atari is still "reviewing the various options available to it relating to the ultimate disposition of Federated."

Polk Audio earnings dropped 9.3% in year ended March 26, on 23% higher sales. In 4th quarter, net rose 12%, on 18% higher sales.

BMC Industries, producer of shadow masks for color tubes, reported 76.6% higher net earnings in first quarter ended March 31, on 9.6% higher sales. Chmn. Robert Carlson said that despite big increase, profits failed to meet expectations partly because of production of prototype large-screen HDTV masks at Muellheim, Germany, plant.

Funai has begun exporting color TV sets from U.S. to Japan, Tokyo report said. First U.S.-made model to be shipped to Japan is 20" stereo set, priced at about \$575 in Japan. Sets are made at Cal. factory of subsidiary Funai USA. Funai expects to sell 10,000 sets per month. Other larger screen U.S.-made sets will be shipped later, it said.

Taiyo Yuden's That's America Div. said it will unveil line of audio cassettes at Consumer Electronics Show that opens in Chicago June 2. Line includes "world's first pure metal cassette for the high-bias position," it said. Tapes will be in 74-, 90- and 100-min.

Foreign investment in Taiwan had total value of \$743 million in first 4 months of 1989, up 203% from same 1988 period, Taiwan Ministry of Economic Affairs Investment Commission said. Electronics and electrical appliances accounted for 15% of total.

INTERACTIVE VIDEO GALLERY: "Showcase" of latest video technology, including interactive videodiscs and HDTV, will be opened in Washington later this year by trade group Interactive Video Industry Assn. (IVIA). Gallery, called Tech 2000, is expected to feature products from IVIA members Hitachi, IBM, NEC, Philips, Sony, others.

Tech 2000 gallery is being built in Techworld Plaza, high-technology trade center, office and hotel complex near Washington Convention Center. It will be financed by IVIA and Techworld and will cover 10,000 sq. ft., said IVIA Assoc. Dir. Greg Laskaris. It's expected to draw more than million visitors annually.

IVIA is assembling list of contributors and expects to have first lineup of display equipment by end of June. Exhibit will have "constantly changing array of interactive programs" and will give visitors "hands-on" demonstrations of products, IVIA said. Showcase will include home entertainment center, "transporter room" that lets visitors "travel via interactive media to exotic locales," simulation room, giant interactive video wall.

Other members of IVIA with consumer electronics interests include American Interactive Media, Go-Video, Image Entertainment, Panasonic Industrial, Philips & Du Pont Optical, Pioneer Communications, Teac, 3M. Laskaris said project has drawn attention of David Sarnoff Lab (formerly owned by RCA) and Intel, owner of rights to Digital Video Interactive (DVI) Compact Disc technology. Details: IVIA, 1900 L St. NW, Suite 500, Washington, D.C. 20036, 202-872-8845.

China produced substantially more than 10 million color TV sets last year but just over one million color tubes, China Electronic Journal said, adding that 1990 will be big year for phasing in domestic tube production. Shaanxi Color Kinescope Factory will be capable of turning out 3 million, Matsushita joint venture Beijing National Color Kinescope Factory scheduled to reach 1.8 million annually. Other new or expanded tube plants are under way in Tianjin municipality, Shenzhen economic zone, Hunan and Sichuan provinces.

Cleaning system for projection TV screens will be among product introductions by Philips Consumer Electronics accessories operation at Consumer Electronics Show. Cleaning solution and pad (\$30) remove dust and dirt from rear-projection TV screens without marring picture quality, company said. Compact Disc cleaner (\$40), which Philips said automatically cleans disc in 20 sec., also will be unveiled. Also new from PCE is cordless infrared headphone system for TV or audio systems (\$125), available in mono or stereo.

Top-of-line Sony Discman portable CD player, at \$450, and \$1,100 stereo receiver are first products to incorporate company's digital signal processing (DSP) technology. DSP uses special ICs for digital control of tone settings, equalization, filtering, reverberation and delay, Dolby Surround Sound, dynamic range compression and expansion. Set has 130-w-per-channel amplifier.

Lack of computer software standards is hurting sales of personal computers to consumers, Sony America Vice Chmn. Michael Schulhof said in talk at recent Microsoft Compact Disc-Read Only Memory (CD-ROM) conference in N.Y. "Huge potential" for sales to consumers isn't being realized because of confusion over which computer format to buy, he said.

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
Acton 1989-qtr. to March 31	52,892,000	14,685,000	5.43*
1988-qtr. to March 31	29,782,000	(1,057,000)	—
Atari 1989-qtr. to April 1	88,776,000	3,288,000	.06
1988-qtr. to April 2	98,321,000	5,674,000	.10*
Audiotronics 1989-9 mo. to March 31	4,383,000	(869,000)	—
1988-9 mo. to March 31	4,015,000	(788,000)	—
1989-qtr. to March 31	1,580,000	(352,000)	—
1988-qtr. to March 31	1,396,000	(339,000)	—
Best Buy 1989-year to March 31	506,674,000	2,060,000	.25
1988-year to March 31	439,040,000	2,768,000	.34
1989-qtr. to March 31	105,762,000	(2,358,000)	—
1988-qtr. to March 31	106,574,000	(520,000)	—
Cablevision Systems 1989-qtr. to March 31	110,705,000	(59,097,000)	—
1988-qtr. to March 31	111,801,000	(34,590,000)	—
Carolco Pictures 1989-qtr. to March 31	18,368,000	(1,800,000)	—
1988-qtr. to March 31	14,927,000	506,000	.02
Certron 1989-6 mo. to April 30	15,471,000	188,000	.06
1988-6 mo. to April 30	13,150,000	176,000	.05*
1989-qtr. to April 30	8,224,000	105,000	.03
1988-qtr. to April 30	6,338,000	46,000	.01
Comcast 1989-qtr. to March 31	128,715,000	(41,160,000)	—
1988-qtr. to March 31	98,238,000	(1,796,000)	—
Emerson Radio 1989-year to March 31	761,640,000	10,214,000	.28*
1988-year to March 31	728,837,000	(16,690,000)	—
1989-qtr. to March 31	171,055,000	2,056,000	.06
1988-qtr. to March 31	131,152,000	(5,225,000)	—
Financial News Network 1989-9 mo. to March 31	45,148,000	1,899,000	.12*
1989-qtr. to March 31	16,408,000	747,000	.05*
Great American Communications 1989-qtr. to March 31	74,369,000	(24,014,000)	—
1988-qtr. to March 31	97,876,000	(5,384,000)	—
News Corp. ^d 1989-9 mo. to March 31	4,560,987,000	384,817,000	2.40*
1988-9 mo. to March 31	3,145,193,000	213,167,000	1.35*
1989-qtr. to March 31	1,631,910,000	27,447,000	.22*
1988-qtr. to March 31	1,050,283,000	(17,998,000)	—
Oak Industries 1989-qtr. to March 31	50,651,000	(511,000)	—
1988-qtr. to March 31	50,979,000	3,371,000	.04*
Orion Pictures 1989-year to Feb. 28	468,863,000	13,892,000	.79
1988-year to Feb. 29	426,948,000	12,159,000	.68
1989-qtr. to Feb. 28	161,356,000	7,608,000	.39
1988-qtr. to Feb. 29	146,665,000	3,773,000	.21
Recoton 1989-qtr. to March 31	9,623,000	235,000	.11
1988-qtr. to March 31	9,166,000	213,000	.09
Tele-Communications 1989-qtr. to March 31	655,400,000	(51,400,000)	—*
1988-qtr. to March 31	494,200,000	(7,300,000)	—*
WestMarc Communications 1989-qtr. to March 31	49,939,000	(4,853,000)	—
1988-qtr. to March 31	22,140,000	(438,000)	—

Notes: *Includes special credit. ^bRestated. ^cComparative results unavailable. ^dAt average exchange rate. ^ePer ADR.

Consumer Electronics Personals

Eb Tingley, who retired as EIA Consumer Electronics Group engineering exec. dir. after 19 years with trade association, is succeeded by **George Hanover**, former engineering dir... **Robert Pfannkuch**, 54, relinquishes CEO title at Rank Video Services America (RVSA) June 1 in preparation for planned retirement next year, but will remain chmn. through 1989, after which he will become technical advisor and board member of other Rank-owned companies; assuming CEO duties will be new Pres. **Philip Clement**, currently exec. vp-CFO of Bell & Howell (B&H)... **John Ehrisman**, moved by parent Dynascan from **Cobra Electronics Group** mktg. vp to Lloyd's Electronics vp-gen. mgr., succeeding **Randall Marx**, resigned.

Harry Taxin named pres. of Sony's new San Jose, Cal., technology & engineering center... **Heinz Hagmeister** appointed N.V. Philips Components Div. CEO for worldwide IC activities, in realignment; Hagmeister also heads Philips Business Group in Eindhoven; **James Dykes**, Signetics pres., heads U.S.-based Business Group... **Leif Lundin**, former Bang & Olufsen Sweden pres., moves to Bang & Olufsen America as pres., succeeding **Robert Cavalco**, who heads company's sales efforts... **Alan Elliot**, ex-GTE, joins Code-A-Phone as North America field sales dir.

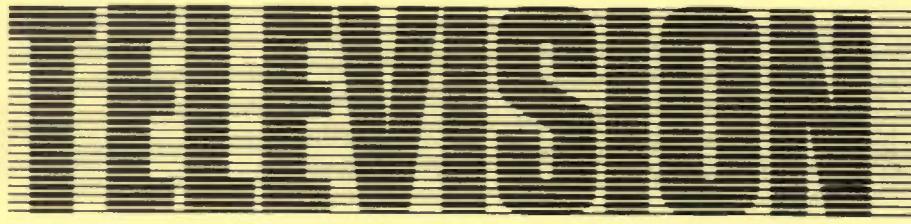
Peter Tijanich, ex-Minolta, joins Denon Tape Dept. as eastern regional sales mgr... **Richard Resnik** joins Franklin Computer's Education Div. as national sales mgr., educational products... **Richard Dyer**, former exec. vp & COO, elected Peirce-Phelps chmn.; **Brian Peirce** advanced to planning & development vp from Parts Div. gen. mgr... **Minoru Masadu**, Tokyo Electric Power exec. vp, nominated as Japan External Trade Organization chmn... **James Chang**, from Houston office, named Information Div. dir. of Taiwan's Coordination Council for North American Affairs, with hq at 159 Lexington Ave., N.Y.

Pres.-COO **Mickey Hyman** and Vice Chmn. **Norman Solomon** have resigned as part of "major restructuring" of Pickwick Entertainment; Chmn.-CEO **Jan Weinberg** assumes COO responsibilities... RCA/Columbia Business Development & Planning Vp **Rebecca Dragiff** departs to become consultant and board member of Kaufman, Gelfand & Hoffman family-controlled investment management company... **Michael Kirsch**, ex-Coleco, joins Kids Klassics as exec. vp, replacing **Bob Sigman**, resigned to pursue entrepreneurial interests... **Dana Miller** promoted to mktg. coordinator, Turner Home Entertainment... **Bill Burton**, Wax Works/Video Works, elected NAVD secy.-treas.

Kenwood forecasts car stereo equipment sales will total \$373.1 million in fiscal 1991 ending Nov. 30, 52% increase in year. It said it expects much of increase to come from expansion of Japanese sales through formation of new sales network there, rise in OEM sales, introduction of new products. Kenwood also predicts sales gains in Europe, particularly in U.K. and Italy. European sales are forecast to increase to \$111.9 million, from \$67.2 million.

Color tube glass plant in Thailand will be built in joint venture of Japan's Asahi and Siam Cement Co., with production beginning in 1991. It will supply glass to Toshiba and Mitsubishi color tube plants in Thailand and will export some of output. Mitsubishi tube plant there will export 13-20" tubes to Japan beginning in July.

Smith Corona enters handheld reference products with spell-checkers at \$99 and \$159.


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

With Consumer Electronics

MAY 29, 1989

VOL. 29, NO. 22

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

CABLE GETS WARNING: Congress lays it on at NCTA convention, advising that time to resolve problems is slipping away. Industry positive it can deal with problems. Convention attracts 14,438. (Pp. 1, 5)

AFFILIATES ACCEPT NBC compensation plan after explanation by Mapes, who says market-by-market reductions of ABC and CBS hurt network-affiliate partnership. Details of NBC-Sears tie-in. (P. 2)

CABLE URGED TO PAY HEED to rates and customer service, Hill staffers say, in order to fend off deregulatory moves. (P. 6)

MOONEY OFFERS 4-POINT PLAN to cable as cure for political problems. NCTA pres. tells convention opener prospects are 'spectacular.' (P. 6)

FCC APPROVES MERGER of Time, Warner, grants ATC 18-month waiver of broadcast-cable cross-ownership rule. WCI and Chris-Craft settle. (P. 8)

SIKES CHMN., MARSHALL AND BARRETT COMRS.: That's expectation at weekend, although Senate leaders have been told nothing. Smith and Goldman wait for other White House appointments. (P. 11)

ABC, CBS CHOOSE SATELLITES: ABC takes 9 AT&T transponders, CBS 12 from Hughes in deals worth \$200 million. (P. 11)

CABLE LEAVES DALLAS WITH POLITICAL WARNING: Cable industry left sticky hot Dallas and 38th annual NCTA convention last week (1) forewarned by Congress that industry is quickly using up its political capital on Hill, and (2) upbeat that it can deal with political situation. Cable heard time and again that current good relations with Congress are at risk and that concern among members with way industry is handling itself is widespread and growing (p. 5).

Industry also showed it was listening, as executives stressed that warnings didn't fall on deaf ears. NCTA Pres. James Mooney opened convention by advising cable that its political woes in Washington aren't imaginary and by offering industry multipronged campaign to address those concerns (p. 6). At close of NCTA board meeting May 25, Mooney said industry showed it was "very sensitive" to politics of the day. Board aired political question and, he said, it felt cable rates -- subject of much criticism in Congress -- were leveling off. "There's a very real determination to deal with it," Mooney said of Washington situation (p. 10). He also said industry will continue to increase as social benefit. Jesse Jackson said he intends to examine that benefit through series of "hearings" his Rainbow Coalition will hold across country this year, announcement that surprised industry (p. 4).

Consumer Electronics

NEW VHS FEATURE -- exact-frame location system -- added as standards by JVC for editing, interaction. (P. 14)

LAID-BACK CES sees accent on profits and firming prices as high-end products take over and no major new categories or breakthroughs are in sight. (P. 14)

NINTENDO FACES new competition from NEC and Sega, which claim their 16-bit videogame systems have better graphics and sound than current games. (P. 15)

VCR SHIPMENTS from Korea and Taiwan up in first quarter, giving those countries nearly 1/3 share of U.S. imports. Total imports up in March. (P. 16)

GOOD YEAR FOR ZENITH and industry seen by McCarthy, who eyes another price increase after 3 in single year. Camcorder pricing seen as problem. (P. 17)

U.S. CITES JAPAN as unfair trading partner under Super 301 provision of 1988 Trade Act, action that could lead to trade sanctions within year. (P. 18)

220,000 TVs FROM CHINA imported by Canadian firm, president says. New plant there will assemble 100,000 large-screen sets annually. (P. 18)

JAPANESE FIRMS POST higher profits in year to March 31. Matsushita, Sony, Hitachi, JVC and Toshiba show improvement, despite high yen. (P. 19)

Convention attendance was reported at 14,483, vs. 13,699 last year in L.A. Last year's sessions generated profit of more than \$900,000. Floor traffic was described as heavy and good. Both of Regional Holding Cos. (RHCs) -- Bell Atlantic and U S West -- that exhibited said they had been made to feel welcome. They showed automated number identification systems and fiber optic distribution systems for cable, and representatives of both said business was "pretty good." RHCs were among at least 16 exhibitors offering fiber products.

But, telcos were shut out of lone public policy session on RHCs' desire to enter cable business. One-sided affair featured Consumer Federation of America Legislative Dir. Gene Kimmelman saying cable had to match telcos' vision for future, or lose out (p. 12). None of telcos or their allies were invited to appear. NCTA showed its desire to retain regulatory and legal restraints on RHCs by deciding to oppose FCC's price cap regulation scheme for telcos. But board chose not to fight AT&T on its bid to become electronic publisher (p. 10).

Industry showed interest in HDTV, although at much lower level than at NAB convention (TVD May 1 p2). One of major announcements of convention, however, was of cooperative effort by 2 networks, 2 major broadcast group owners and TCI on advanced TV system test using Faroudja system (p. 7). Experts agreed that cable business remains strong but cautioned that there are some signs, including pending threat of deregulation, that could mean prices for systems have peaked or flattened (p. 12).

Programmers continued to gobble up transponder capacity (p. 8) and to discuss new ventures -- such as 2 new competing comedy channels, and even more original productions. Complementing that was discussion of planned system upgrades and rebuilds that will push average number of channels per system to 54 rather soon (p. 10). Perhaps even more telling was large crowd that turned out to hear discussion of U.S. cable companies' chances of expanding into Europe (p. 11).

AFFILIATES ACCEPT NEW NBC COMPENSATION PLAN: After much criticism of NBC TV plan to base future compensation payments on clearances and performance (TVD May 22 p6) -- primarily because proposal wasn't explained adequately in earlier closed meeting at affiliates' convention in San Francisco -- stations accepted it following special unscheduled meeting later during convention. NBC TV Pres. Pierson Mapes told us later he had expected plan to be explained fully at earlier affiliates' session, called 2nd meeting when he learned of discontent. In interview, he also was critical of ABC and CBS for cutting compensation -- in some instances to zero -- on market-by-market basis. "That makes the partnership between network and affiliates go away," he said.

He asked how stations not receiving compensation could "feel a part of the network... I think that's totally wrong. Total zero is saying to a guy that he's not part of the system... They're not getting paid for what they deliver... Our system will be much stronger because we're going to pay for performance. It's what we sell. It's audiences." Mapes said NBC and its affiliates have "a positive, synergistic togetherness... We're headed in one direction. The other 2 guys [ABC and CBS] are headed in another direction. It's going to give us an opportunity to widen the [ratings] gap."

NBC's annual compensation payments total \$146.1 million (about \$20 million less than CBS and \$20 million more than ABC), and that figure will remain same through 1990, Mapes said. After that, he said, it could go up or down -- depending on affiliates' clearances and performance. Affiliates were concerned about how NBC would compensate its owned stations under new plan. Mapes pledged that "they will be treated just like what they are -- they're affiliates... One [Cleveland] certainly will go down in compensation. There could be as many as 3 or 4." He said that NBC now has 98% clearances in prime time, 95% in daytime.

Mapes said NBC never had any plan to cut compensation. "Compensation has been characterized as the glue that keeps the network-affiliate partnership together. That's the reason why we have these wonderful clearances... If audiences start to shrink, maybe compensation goes down. It's tied to performance and it gives great incentive for everyone to pull the oars together." NBC will reconfigure new compensation payments to individual affiliates in July, based on Nov., Feb. and May sweeps, and several other factors, to become effective in Jan. (Details of plan were printed in May 22 TV Digest.)

Asked by reporters to characterize affiliates' reaction to upcoming compensation changes, Affiliates' Chmn. James Sefert of Cosmos Bctg. said: "Well, there are 208 of them. I don't think that there's anyone who objects to being judged on performance... If you're doing a lousy job, you ought to suffer a little... I suspect that there will be some unhappiness... but the alternative was to cut compensation." Sefert said

"there's an element of fairness" in new plan. He said compensation changes actually were generated by affiliates, not NBC, and network will send new payment schedules to stations in July, well ahead of their late fall budgeting process. (ABC and CBS affiliates are facing similar problems, particularly in markets with 4 VHF stations, where some affiliates are signing new contracts without any network compensation.) On subject of NBC's telecast of 1992 Summer Olympics from Barcelona, Spain, Sefert said affiliates have agreed "in some way" to help defer network's costs for rights. He said details haven't been worked out.

At start of convention, affiliates didn't like what they heard -- or didn't hear -- about NBC's future compensation. "There's no way affiliates can win," we were told. "Under their plan, if you don't clear a show, you get hurt." Said another affiliate of plan after meeting with NBC executives Sun.: "It was a sham. They ramrodded that sucker through." Executive of group told us: "They [NBC] just said, 'This is the way it's going to be.'" Such comments had toned down considerably after Mapes fielded affiliates' questions. He told reporters at news conference that 20% cap would be placed on any station's loss or gain from change in compensation formula.

NBC Pres. Robert Wright, at closed session, expressed frustration that affiliates' board didn't have authority to make decisions without going back to all 208 member stations. At opening general session next day, he praised network's performance over last 4 years, adding: "We don't want to lose the momentum. We want to move forward," declaring "NBC has a sense of commitment." He called earlier closed session with affiliates "a good one," assessment with which most of those present obviously disagreed. He was questioned on his statement to security analysts in N.Y. that pay-per-view is wave of future and that NBC plans to sell some of 1992 Olympics to pay cable.

Sefert defended NBC, saying current Olympics situation is much different from last year's affiliate convention in Hawaii, when Wright, at another unscheduled meeting, revoked network plan to sell portions of 1988 Summer Games in Korea to basic cable systems after stations had objected strenuously that their claims of exclusivity would be abridged if some of events were aired on basic cable.

Trying to allay affiliates' fears of NBC's spread into nonbroadcast areas (such as CNBC), Wright reportedly said "over and over and over again" that network's core business would remain supplying programming for over-air stations. Mapes, in countering charges of audience erosion to cable and independent stations, said NBC now delivers 84% of U.S. households each week, and 3 networks combined deliver 94%. He said NBC is concluding "the most remarkable season in the history of any network, in the history of television... The May [ratings] books are going to be absolutely awesome. I predict that [NBC] will win the May sweeps by 3 full ratings points."

However, Mapes said, networks must have level playing field to compete successfully in 1990s "with cable and with others... The financial interest and syndication [syndex] rules stand in our way in a big way. It's a big challenge to get some relief." For that reason, he said, NBC is moving its 1990 convention from L.A. to Washington -- "and we're going to Washington to talk some turkey" with FCC and Congress.

"America's brightest stars -- NBC, Sears and you [affiliates]," is joint effort of Sears and NBC to promote network's new fall schedule. NBC Senior VP-Advertising & Promotion John Miller said network is beginning "an all-out war on [audience] fragmentation. Our cable competitors have a unified look... but no local identity. You have a terrific local identity."

Miller said "multifaceted promotion" with Sears will make one person each week in Sept. a star on NBC programming, along with free trip to Hollywood, car, shopping spree, \$10,000 cash. Other prizes will include 20 additional cars, 600 roundtrip airline tickets to anywhere in U.S., big-screen TVs, "millions of dollars" in other prizes. Contest winners must answer questions about NBC shows that will be printed in Sears newspaper supplements 3 Suns. in a row starting Labor Day weekend. Sears also will include NBC's fall schedule with descriptions of new shows in its bills. TV sets in Sears stores will be tuned to NBC and network will have 4-color insert in Sears catalogs to be mailed just before fall premiere. Sears stores also will feature NBC posters, in-store audio announcements about NBC shows, "a major premiere night."

"There are boatloads of local tie-in opportunities" for affiliates, Miller said, in joint promotion with Sears that is similar to -- but NBC says bigger than -- CBS deal for fall with K mart (TVD May 15 p4). Current competitive situation requires "aggressive and innovative strategies to inhibit" audience share decline, Miller told affiliates. As part of that effort, he said, stations are being offered localized promotional spots with NBC stars.

Newly installed NBC News Pres. Michael Gartner, who came from newspaper business, received several tough questions at closed session with affiliates. "We wanted to know where he's coming from," affiliate

told us. Responded network official who was present: "So do we." Their questions probably weren't answered, although Gartner described 9 hours of special programming from NBC News this summer.

In sports, Pres. Richard Ebersol disclosed network's plans to replace Major League Baseball, which NBC loses next year to CBS. Replacements for Sat. afternoon games include world premiere movie Joe D and the Blonde (about Joe DiMaggio and Marilyn Monroe), "greatest fights ever," series of senior golf events made for TV, all-star old-timers baseball game.

In today's competitive marketplace, networks and affiliates must resort to "aggressive marketing activities," NBC Vp-Affiliate Mktg. William Fouch said: "We all recognize that we can't do business the way we did in the past. We must change and face the reality of our competitive worlds... We must go after existing dollars no matter where they've been allocated... We must change the face and reality of our competitive world."

NBC disclosed that President Bush will participate in network's upcoming campaign "The More You Know," designed to combat illiteracy -- one of Barbara Bush's favorite crusades. President will tape spot to be aired in Sept. NBC Children's Programming Vp Phyllis Vinson revealed network's plan to "recapture the kids" audience and to "be aggressive." NBC didn't screen any complete pilots of new shows for fall, instead offered 10-12-min. excerpts and eschewed using hotel TV systems, which was normal procedure. Wright, NBC pres., and Thomas Rogers, pres. of NBC Cable, left affiliates' sessions early to attend last part of NCTA convention in Dallas and to promote CNBC (see separate story this issue).

Next up is CBS affiliates' convention June 3-6 at Century Plaza Hotel in L.A. CBS Best. Group Pres. Howard Stringer is scheduled to speak at closed session June 4 and at open session June 6. ABC TV affiliates will follow at Century Plaza June 12-15. New to NBC convention was NAB Pres. Edward Fritts -- who also has been invited to CBS and ABC sessions. NAB has been rebuffed for years in seeking presidential invite from networks. That changed this year when NAB added 3 seats to its TV board, one for each of affiliate associations.

JACKSON TO TAKE ON CABLE: Rainbow Coalition's Jesse Jackson will carry his crusade for black social justice to cable industry in next few months, he told NCTA convention in Dallas. In surprise announcement, he said Coalition will hold "hearings" across country to explore minority ownership, employment and programming opportunities in cable, as well as implications of potential telephone involvement in entertainment business.

Jackson said industry must recognize "special obligation" to minorities as gateway to world. "I believe in the democracy of media access," he said. "You are the window to a changing world" that he said minorities should be allowed to share.

Black Entertainment TV (BET) drew praise from Jackson, as did cable generally for doing what he said was better job of presenting minority news and cultural programming than commercial over-air TV.

Coalition "hearings" will be held in "selected" cities across U.S. that have low cable penetration, Jackson said, but plans still are tentative, with no sites or dates selected. He enlisted BET Pres. Robert Johnson to be cable industry's liaison to Coalition in developing hearings.

Times Mirror Cable (TMC) will swap cable properties with Cablevision Systems (CS), subject to govt. approval, companies said. Deal would give TMC systems serving 46,500 subscribers in 8 Ariz. communities that CS is acquiring from Republic Cable. CS, in turn, would get 50,000 TMC systems in Long Island, N.Y., and Haverhill, Mass.

Home Shopping Network (HSN) has agreed to buy video/film production company Telemation for \$6 million cash.

Declaring "impasse" in negotiations with NABET on new contract, Cap/ABC Chmn. Thomas Murphy made closed-circuit videotape appeal last week to union members, seeking new vote and stressing that it's network's final offer. ABC extended deadline for union approval from May 15 to June 19 for members to receive 10% bonus. NABET negotiators met with Cap/ABC earlier in week in N.Y., before that in Washington under auspices of federal mediator. If contract isn't ratified and impasse continues, Cap/ABC will consider all options, including implementation of all or part of final package proposal, Murphy said. If that happens, "I predict that we will all be losers." He said that during May sweeps, 3 networks combined reached only 64% of prime-time audience (only 60% on 2 nights) -- vs. 90% in May 1980. He said even NABET admits ABC's contract puts more restrictions on ABC than other networks have. About 1/3 of NABET units voted to ratify ABC contract, Murphy said, and network believes results elsewhere was close. NABET hasn't said whether it would call new vote on ratification or seek vote authorizing strike.

Independent TV stations' prime-time share of audience during May sweeps was 23 -- well ahead of ABC and CBS, each of which had 20 share, according to INTV. NBC was easy winner with 14.6 rating, 26 share; CBS, which trumpeted fact it finished 2nd (among 3 networks), had 11.8 rating, ABC 11.4. NBC won its 5th consecutive May sweeps, 16 of last 17 (other sweep months are Nov. and Feb.). According to INTV, basic cable services had 12 share. (No figure was given for pay cable).

TV station sale: Palmer Communications is selling NBC affiliate KWQC-TV (Ch. 6) Davenport, Ia., to Broad St. TV Corp. for \$45-\$50 million. Reason for sale, we're told, is Palmer's recent acquisition of NBC affiliate KTVY (Ch. 4) Oklahoma City for \$51 million. Broker: Howard Stark.

MARKEY SEES TROUBLE FOR CABLE: House Telecom Subcommittee Chmn. Markey (D-Mass.) told closed luncheon at NCTA convention in Dallas May 22 that tide is running against cable, making reregulation or approval of telco competition increasing likelihood in Congress. "I don't know what your industry strategy is to reduce the level of consumer and congressional anxiety about the state of your industry," he said in text of remarks released to reporters. "Whatever you have been doing to date has been insufficient... If all you are trying to do is hold off the thunderheads on the horizon, future storms will wash away the dams established by your Washington representatives."

Meanwhile, yet another cable-related bill is under consideration in Congress, this one from Rep. Richardson (D-N.M.), to delay FCC implementation of syndicated exclusivity (syndex) rules.

Markey's uncharacteristically strong remarks were designed to shake up cable leaders. When cable issues become cause celebres for public interest groups and consumer groups and move from business pages of newspapers to front pages and to radio talk shows, then members will be forced to take action, he warned. He said he's hearing daily from other lawmakers, and while dispute now is intramural battle among large industries, cable will find, if winds shift, that "taking on consumers and voters in the halls of Congress is not the same as taking on broadcasters or the telephone companies."

Cable could reduce prospects for reregulation by developing "concrete responses to your critics, and an appealing yet realistic vision of the future that deals with the problems and concerns of members and consumers," Markey counseled, without providing more specific guidance. He indicated industry acceptance of new must-carry rules for broadcast signals would be step in right direction. He said he plans to offer ownership bill this week, with at least 16 co-sponsors. Bill would be 14th in Congress this year proposing to regulate cable in some fashion; in 100th Congress, there were 13.

Richardson was among more than 18 from Capitol Hill to speak at half-dozen closed policy sessions with NCTA members, but only lawmakers with position of authority in communications policy-making on Hill were Markey and Rinaldo (N.J.), ranking Republican on House Telecom Subcommittee. Cable officials said they received good sense of rank-and-file sentiment on Hill, with some expressing relief at hearing that Senate Antitrust Subcommittee Chmn. Metzenbaum (D-O.), major cable foe, didn't represent thinking of majority. Lawmakers told industry that cable relations with Hill were good, but would deteriorate if industry doesn't begin major grass-roots effort to clean up image.

Telecom Subcommittee member Rep. Tauzin (D-La.) predicted identity problem would be major hurdle for cable operators in what he saw as coming battle with telcos on their entry into cable. He advised operators to work harder at developing local constituency, saying consumers tend to identify with major programmers, not with their local system, and urged them to be more active in local politics. Tauzin reminded that he's sympathetic toward allowing telcos into cable. He said he's considering endorsing bill by Rep. Boucher (D-Va.), that would repeal cable-telco cross-ownership constraints, but is concerned it doesn't go far enough in requirements for telcos and he doesn't want to see them merely buying up cable systems. Tauzin also is concerned with bill's proposal to clear way for more 3rd party cable program packaging by other technologies.

There were differences as to when cable-telco issue will be joined in Congress. Heat won't be turned up immediately on Boucher bill, Tauzin said, because RHCs have made removal of Modified Final Judgment (MFJ) constraints their top priority. If RHCs find prospects for MFJ bill poor, Tauzin predicted they would turn to cable-telco issue instead. Many of RHCs' opponents on MFJ would be allies on cable-telco, Tauzin warned, predicting "mean fight" on latter proposal. Rep. Oxley (R-O.) saw Congress as preoccupied for rest of 1989 with MFJ and unlikely to turn to cable-telco until next year. He predicted must-carry also will be victim of Hill's preoccupation with MFJ.

Cable-telco issue drew most attention at sessions, lawmakers said, with Rep. Berman (D-Cal.) describing operators he met with as "slightly less than agitated." Legislators generally said cablers expected Congress to move slowly on question, and industry's fears on telcos' cross-subsidizing ventures in cable are shared on Capitol Hill. Rate reregulation also wasn't given much chance of passing in this Congress. Cable-telco question also was top issue at first open public policy session of convention, featuring Senate Commerce Committee members Burns (R-Mont.) and Stevens (R-Alaska). Stevens cautioned telcos to steer clear of pressing for MFJ bill provision to ease cross-ownership restrictions, saying move probably would "doom" measure. He saw policy decision to allow telcos' technological entry into cable as not likely until next century. Burns expected eventual telco entry into cable and thinks cable needs competition. On another matter, Burns said fairness doctrine had outlived its usefulness and shouldn't be restored.

United Artists Entertainment (UAE) was formed May 25 when stockholders of United Cable and United Artists Communications (UACI) approved merger. TCI holds 52% of UAE. United Cable Chmn. Gene Schneider becomes UAE Chmn., and UACI Chmn. Stewart Blair becomes UAE vice chmn.-CEO. For each share of UACI, shareholders receive one share of UAE Class A common and one vote of Class B common. Class A stock carries one vote per share, Class B 10 votes per share. United Cable shareholders receive either \$38.50 cash or a rights unit consisting of one share of UAE Class A and one Class B share and 2 rights that will be traded separately under separate symbol, entitling holder to receive from TCI cash or a share of TCI Class A common in future. UAE has more than 2.4 million subscribers and is largest U.S. motion picture theater operator, with 2,690 screens in 686 houses.

A/B switches are "a poor alternative to a carefully crafted set of [broadcast TV] carriage requirements," FCC Comr. Quello said in dissenting statement on Commission's 2-1 vote to lift stay on switch rules (TVD May 22 p5). "Most American households no longer have the off-air reception capability" needed to permit switch from cable to broadcast signals, he said: "Implementing these rules gives the appearance that the Commission has found a narrowly tailored, content-neutral means of ensuring that viewers will have access to... broadcast television. It most certainly has not." Quello also objected to portion of rules enabling operators to cherry-pick programs from a station rather than carrying outlet in full, saying FCC should require latter to prevent "devastating effect" on stations.

Hearst Corp. reportedly may soon announce sale of cable system to TCI and minority group investor for \$141 million cash, \$29 million tax certificate. System serves 60,000 subscribers in San Francisco suburbs. Hearst said it will focus on programming.

HILL STAFFERS WARN CABLE: Key congressional aides warned cable to pay closer heed to rates and other local service questions to help stave off reregulatory moves in Congress. Packed crowd at NCTA convention Washington Insiders panel was told that lawmakers were hearing increasing complaints from constituents and that there was growing impression in Congress of insensitive and uncaring cable industry that may need to be "disciplined," as one put it.

Reregulatory threat is real and growing, aides said, echoing remarks by their bosses at closed sessions earlier (see separate story elsewhere in this issue). Most lawmakers feel time hasn't arrived yet to reregulate industry, aides agreed, but if complaints rise, pressure to reregulate or introduce new competition into cable market, perhaps through telcos or cable overbuilding, would be irresistible.

Aides were certain no cable bills would move this year in Congress, but made no predictions for 1990. David Leach, key aide to House Commerce Committee Chmn. Dingell (D-Mich.), reported finding telephone industry "surprised" by depth of Hill interest and support for bills offered recently that would allow carriers into cable. Leach and other aides also indicated push to grab professional sports for pay TV would produce more trouble on Hill, with Leach describing cable position in sports carriage dispute on Long Island as politically "untenable." He said dispute was too close to viewers' hearts and is bound to boomerang in Congress. Gina Keeney, GOP counsel to Senate Communications Subcommittee, and other aides also said question of telco entry into cable wasn't likely to become tangled immediately in battle over easing business restrictions on RHCs.

However, Keeney predicted 2 issues would merge eventually, although Leach said most lawmakers believe as Dingell does that mixing the 2 "only complicates the legislative prospects for each." Larry Irving, senior Democratic counsel to House Telecom Subcommittee, said panel Chmn. Markey (D-Mass.) plans summer cable oversight hearings, focusing on rate study being conducted by General Accounting Office (GAO). Report should be completed by mid-July, Irving said, and hearings would follow quickly. Ed Baxter, top counsel to Senate Copyright Subcommittee, reported Chmn. DeConcini (D-Ariz.) plans Aug. 3 hearing on postproduction rights of directors and screenwriters to control use of their films in consideration of artists' so-called "moral rights."

Meanwhile, in panel of FCC staffers, Noel Gunther, aide to Comr. Dennis, said her long-awaited vote on compulsory license would come in next few weeks. That's more than half year after FCC acted on issue (TVD Oct 31 p1), voting 2-0 to end license on distant signals. Vote to lift license on local signals was 1-1, with Comr. Quello dissenting. Dennis withheld vote, awaiting extensive editorial changes in item. Gunther left little doubt he personally opposed retaining license. Among other issues on which panel focused was must-carry. Brian Fontes, aide to Quello, questioned timing of FCC vote to lift stay on A/B switch aspect of rules (TVD May 22 p5), saying issue could complicate broadcaster-cable negotiations on must-carry. Lisa Hook, legal asst. to Chmn. Patrick, said there was no intention to affect talks. On syndicated exclusivity (syndex), Hook said Commission didn't create standard form for use in alerting cable operators when syndex protection was being sought because (1) "magic" wording FCC requires in contracts for syndex was felt to be sufficiently clear, and (2) Commission didn't want to bind 2 sides to a form and possibly affect cooperation.

MOONEY COUNSELS CABLE: NCTA Pres. James Mooney opened industry convention by warning cable against becoming arrogant and offering it 4-point plan to cure what he described as "real, not imagined" political problems in Washington. He said cable must: (1) Raise level of customer satisfaction. (2) Draw tighter link between programs and operator. (3) Do more corporate good in localities, and get credit for it. (4) "Consider that the trade-off between forgoing a few percentage points of additional cash flow and maintaining a stable political and regulatory environment can be a good one." Mooney said to Wall St.: "Let up a little bit" because cable has "spectacular" prospects over long term.

Mooney quoted unidentified member of Congress as saying successful industries sometimes become arrogant. He cited glowing marks for cable in Roper Poll for Television Information Office (TIO). But even as cable gains, it suffers in communities where it's controversial and leaves bad impression, Mooney said: "The increasing scrutiny of our industry by Congress is leading to the conclusion by some congressmen and senators that cable deregulation has not been a uniformly smooth experience." He said he doubted Congress would free telcos or "dismantle the programming infrastructure we have created" to develop program product, such as vertical integration.

Opening panel session focused on cable programming in 1990s. Most of news nuggets came from moderator, TBS Exec. Vp Robert Wussler, who said: (1) TBS spurned a broadcast network that wanted to buy into Goodwill Games and gain broadcast rights, and (2) TBS is looking to add transponder over Indian Ocean to distribute CNN into hotels in that region. Other points: (1) HBO Chmn. Michael Fuchs predicted audience erosion at networks will continue; producer Fred Silverman disagreed. (2) Producer Alvin Perlmutter said networks must take "drastic steps" and dump some of baggage they carry from past, such as traditional program forms. (3) United Artists Entertainment Vice Chmn.-CEO Stewart Blair said pay-per-view must expand beyond movies and boxing to be viable. (4) Viacom Cable Div. Pres. John Goddard predicted cable rate increases from now on would approximate inflation.

Silverman and Perlmutter assailed tabloid TV. Perlmutter called it desperation move while Silverman termed it "rotten kind of TV." Fuchs criticized strategy of exclusivity in premium service -- strategy begun by HBO but now employed by HBO competitor Showtime -- as too expensive. Blair agreed, saying it takes money out of household and gives it to Hollywood, which in turn makes even more expensive movies. As way to address illiteracy in U.S., Fuchs suggested PBS go back to straight educational programming and stop competing with cable for best series from U.K.

INTV reported first quarter 1989 was banner period for independent stations: National and regional spot ad revenues rose 9.8% and local ad revenues 17.3%, according to Arthur Young survey. Study also said network affiliate sales were up 3.4% for local sponsors, 1.1% for national and regional spot. It said total time sales gained 13.9% for independents and 2.3% for network affiliates.

Feasibility studies to establish cable TV "network" in United Arab Emirates (UAE) were authorized by Emirates Telecommunications Corp. Ltd. (ETISALAT). Malarkey-Taylor Assoc. (MTA) was chosen to conduct study of principal cities in all 7 emirates and how ETISALAT can combine cable TV with existing telecommunications system.

CABLE'S HDTV ENTHUSIASM MUTED: HDTV played distant 2nd fiddle to programming at NCTA convention in Dallas -- sharp contrast to NAB 3 weeks earlier, when HDTV nearly overwhelmed rest of show (TVD May 8 p4). Only major HDTV development was by Faroudja Labs, which demonstrated cable-delivered 6-MHz SuperNTSC and announced financial support from Group W as well as cooperation with NBC and Tribune Bestg. Cap/ABC has been financial supporter.

Announcement came at session arranged by TCI, which along with Cap/ABC has supported Faroudja system. Demonstration involved sending SuperNTSC system over 14-mile fiber and coaxial system from TCI's Dallas cable headend to convention, part of which was Synchronous Communications equipment being marketed by Anixter. Series of joint tests now is planned in 10-12 cities with cable and broadcast transmissions of SuperNTSC.

Among other MSOs, TCI has asked Continental, Comcast and Newhouse to participate. NBC Cable Pres. Thomas Rogers said network will continue to support Sarnoff Center research on Advanced Compatible TV (ACTV) and is supplying programming for Faroudja tests. Trial will involve about dozen SuperNTSC receivers that will be placed on market. Cable officials said Faroudja system can improve signal on existing NTSC receivers and SuperNTSC can be used to enhance any other advanced TV system.

Cable industry believes HDTV is far in future, several experts said. Warner Dir.-Engineering Ronald Horchler, member of FCC Advanced TV Advisory Committee, presented results of panel's study that projected HDTV penetration would be less than 1% eight years after first receivers hit market and wouldn't reach 10% for 16 years. Figures were questioned by some at technical session, but defended by NCTA Vp-Science & Technology Wendell Bailey. He said it took same length of time for transition from b&w to color, and difference between those 2 is more obvious than between NTSC and HDTV. Quicker adoption of Compact Disc doesn't presage same for HDTV, he said, because CDs were much cheaper even at introduction. Survey figures are conservative, Bailey said, and transition "could conceivably take even longer."

"In the past year, people have realized HDTV won't come tomorrow," said David Wachob, General Instrument Jerrold Div.: "It will be 1995 before the first sets are available, and 2000 before enough are out there to be a real market opportunity." Joseph Walrich, senior project engineer at new Applied Media Lab, said it's unfortunate cable industry isn't taking bigger interest in HDTV. He said terrestrial broadcasters are dominating HDTV discussions because cable simply isn't participating.

Meanwhile, FCC Mass Media Bureau Chief Alex Felker said it wasn't foregone conclusion that advanced TV transmission standard used by broadcasters would be same as that used by cable. At HDTV panel, Felker warned broadcasters that if one type of enhanced type of TV signal is judged "good enough," it would be extremely tough for Commission to justify warehousing spectrum "while we are waiting for some 'holy grail' in HDTV development." He added that FCC hopes to release next interim report, responding to recent Advanced TV Advisory Committee work, this summer.

Only handful of advanced TV displays were on exhibit floor, and only 3 sessions were devoted to technology. Japanese didn't even show MUSE system. System proponents had relatively little new to say. Sarnoff Center showed tape

of cable-delivered Advanced Compatible TV (ACTV-I) it had made 2 weeks earlier. Sarnoff Vp James Carnes confirmed Center has begun tests on some cable systems, but wouldn't provide details. He said testing still is in early stage, but ACTV consortium continues to hope no new equipment will be needed at cable headends. Sarnoff Center also touted its "Studio of Tomorrow," which uses modified versions of existing equipment, including Ampex tape machines, to produce widescreen enhanced images.

Several other manufacturers showed same equipment as at NAB. Scientific-Atlanta presented its high-definition version of B-MAC, called HDB-MAC, that it said has been tested on in-house coaxial and fiber optic cable systems. Philips, joined by Magnavox CATV Systems, showed HDS-NA, and said they plan to test 2nd-generation version on cable this year, after planned satellite tests with Hughes in Aug. Zenith offered Spectrum Compatible HDTV system, which hasn't been tested on cable yet.

HDTV will mean big costs for cable operators, Warner's Horchler said. Cable subgroup of FCC committee has estimated it will cost \$878,100 to equip each headend to carry 12 HDTV channels to 100,000 subscribers, he said, and figure escalates to \$1.2 million if subscriber units are included.

Cable Labs "mini Hell Week" tentatively is set for mid-Aug., said Nicholas Hamilton-Piercy, chmn. of Labs' advanced TV subgroup and vp-engineering at Rogers Cablesystems. Participants dubbed weeklong meetings in Nov., when proponents defended their proposals, "Hell Week." Hamilton-Piercy said Labs seeks cable-specific information from proponents. Group also is working on detailed plans for coaxial and fiber cable simulator for testing, as well as detailed test procedures that it hopes to circulate in mid-July.

Jerrold's Wachob said company has spent \$1 million on HDTV equipment that will test systems to make sure they're compatible with cable. Jerrold plans to work closely with Cable Labs on project, which will include digital and analog systems and consumer testing. Applied Media Lab is expected to be completed by end of year.

Manufacturers remain dissatisfied with current-generation HDTV receivers and displays, Thomson Consumer Electronics Senior Vp Joseph Donahue indicated. He said current displays are so dim that consumers probably would prefer NTSC, even if HDTV were available at same price. Sarnoff demonstration was on 32" Toshiba set, but Donahue said Thomson's first unit will be 34". He predicted first ACTV units will cost 2-3 times as much as same-size NTSC sets, probably in \$2,000-\$3,000 range.

British Satellite Bcstg. (BSB) will delay startup of its full program service at least 6-8 months as result of problems in developing ITT computer chip that controls subscriber authorizations, spokesman confirmed. Decision means only one BSB channel will go on air in autumn, and that only several hours per day. BSB still doesn't have manufacturer for so-called "squared" antennas that will be necessary to receive its programming, spokesman said. Company has said repeatedly that manufacturer contract is just weeks in future, and official position still is same. "Showcase channel" will go on air in fall under present plans. It will be "Best of BSB," spokesman said, and will be relayed mainly to cable headends, SMATV and British pubs and clubs that will be given early access to squareds. Spring startup will include all 5 BSB channels, according to present plan.

FCC BLESSES TIME-WARNER: Time Inc. and Warner Communications Inc. (WCI) ended last week on high note, gaining FCC approval of proposed merger into Time Warner along with Commission grant of 18-month waiver of broadcast-cable cross-ownership rules for Time's ATC. Earlier in week, WCI and Chris-Craft Industries (CCI) had settled their dispute, removing troublesome obstacle to Time Warner plans. As for ATC issue, Time spokesman said no one should assume that unit would seek to sell 220,000 subscribers in affected systems because FCC, in short opinion issued May 26, sent signals that there was wide diversity in markets involved -- L.A. and Austin.

In those markets, ATC cable systems serve communities that come under predicted Grade B contours of TV stations owned by CCI's BHC unit. CCI, largest shareholder in WCI, will hold 12.1% voting power of Time-Warner after merger. With that interest, ATC told FCC merger would result in cognizable cross-interests through CCI's KCOP L.A. and KMOL-TV San Antonio. Before last week's WCI-CCI settlement, CCI was to have 15.6% postmerger interest in Time Warner. However, as result of settlement, Warner is disposing of its 42.5% minority interest in BHC and certain directors of Warner and BHC have resigned, eliminating potential for common director interests.

In L.A., ATC controls systems serving Canyon County, Orange, San Marino and S. Pasadena and has 50% stake in Paragon systems in Gardena, Hawthorne and Torrance, all of which come within KCOP L.A. Grade B contour. In Austin, 120,000-subscriber ATC system comes within predicted Grade B contour of KMOL-TV San Antonio. FCC agreed with ATC in holding that case is controlled by 1985 ruling involving Golden West Bctg.

As part of CCI-WCI settlement, CCI Chmn. Herbert Siegel resigned from WCI board and WCI executives Martin Payson and Bert Wasserman resigned from board of BHC. Agreement also may reduce significantly WCI's 42.5% holding in BHC by giving WCI right to sell half or all of that interest to 3rd party. Meanwhile, as Wall St. digested WCI-CCI settlement, rumors heated up of possible hostile takeover attempt of Time. Last week, Time and WCI set June 23 stockholder meetings in N.Y. to act on proposed merger after WCI agreed to sell its interests in Chris-Craft and renounced its right of first refusal to buy Chris-Craft holdings of WCI stock. Rumored as suitors of Time were Bass Group, Cablevision Systems, Gulf & Western and Cap/ABC, company with which Time apparently had discussed deal. Proxy materials on merger showed Time, which has commitments for up to \$5 billion financing from various banks, has paid fees for assurances from "certain of such banks" that they wouldn't finance any Time or WCI acquisition without parties' approval or "under limited circumstances" for up to one year.

Time and Warner disclosed that they will pay fees totaling \$36 million to Lazard Freres, Wasserstein Perella and Shearson Lehman Hutton if \$9.7 billion merger deal is completed. Figures were included in proxy materials, which also disclosed that Warner Chmn.-CEO Steven Ross could be paid more than \$125 million, depending on stock price after merger. Also last week, Time Dir. Arthur Temple resigned, saying entertainment "is not the type of business I can be proud of." Temple owns 3% of Time stock (making him 2nd largest holder after Henry Luce III), had voted for merger despite reservations.

VIACOM DEFENDS SYNDICATION: Increasing migration of major cable series to over-air syndication and networks is "a strategically favorable development," Viacom Bct. & Entertainment Groups Chmn. Henry Schleiff said. Speaking at NCTA convention panel, he said revenues generated by such program sales are being pumped back into development of new cable series, helping acquire and keep viewers and strengthening cable generally. He said original cable series that become popular on broadcast are increasing popularity of cable networks. Schleiff sees such productions drawing attention and accolades for cable.

USA Network Pres. Kay Koplovitz said cost of original cable productions was high, but expense was worth it to attract top-notch producers. She said money should come from improved ad sales, noting that they now account for only 5% of basic cable revenues. Koplovitz believes figure must grow to 20% in 5 years. Her views were countered at another session on programming later in week at which Think Entertainment Chmn. Shelley Duvall urged cable not to shy away from low-budget independent producers because they can better meet industry's targeted audience needs.

CNBC Pres. Thomas Rogers at another session on programming agreed with Schleiff that key to cable's success is its ability to find niches, such as NBC's new consumer business news fare. He suggested upgrading existing programming, controlling program costs and fees to operators, maintaining at least some cable program exclusivity. ESPN Vp Roger Williams cited importance of local angle in original cable programming, such as local amateur and professional sports. BET Pres. Robert Johnson emphasized importance of black audience to cable.

NEW GE BIRDS NEAR FLYING: GE Americom has written commitments from cable programmers to use 34 of 48 transponders on C3 and C4 satellites to be launched in 1992, Senior Vp-Gen. Mgr. Neil Bauer said. Assuming all agreements are converted to final contracts, he said, GE is virtually assured of going ahead with plans to launch satellites and make them into prime cable birds. GE hasn't announced firm orders for transponders although Viacom-led group has said it will take 18.

Bauer said Viacom contracts are nearly final and others are in various stages of completion. Decision to launch still isn't final, he said, but it's nearly inevitable. He said GE is confident rest of deals will be finalized, possibly within 2 months. Number and quality of cable programmers that will use C3 and C4 will make them "premier cable birds," he said. Hughes has made same claim for its next-generation satellites.

Americom has begun engineering work on modifying Ku-band K-3 satellite for sale to Luxembourg's Astra to expand European satellite TV, Bauer confirmed. He said sale is "pretty much done" and is expected to close soon. GE and HBO had hoped to use bird to deliver programming to cable headends and home dishes, but he said cable systems were reluctant to invest in Ku-band receivers since C-band was meeting their needs. Decision has made K-1 satellite more attractive, Bauer said, because it won't have to be moved from central orbital location. Another Americom official confirmed negotiations are under way to convert some K-1 transponders from occasional-use video to fulltime leases, further reducing amount of occasional-use capacity available.

NCTA CONVENTION NOTEBOOK: NCTA has hired Sue Richard, former special asst. to President Reagan and dir. of media relations for local media coverage of President, as vp-industry communications. She succeeds Louise Rauscher, who left post March 1 to marry NCTA Pres. James Mooney. Richard, 39, most recently was communications dir. for Bush-Quayle campaign in Fla. and before that was PR mgr. for Disney World Co., which operates theme park in Orlando. She also served 4 years in Cox Washington bureau and 3 years at E. Lansing, Mich., cable system, where she anchored program on local channel. She's graduate of U. of Mich. We're told she was one of 3 finalists, all of whom were from outside cable industry. She starts May 30.

If Viacom were to do it over again, Pres.-CEO Frank Biondi said, he would word antitrust complaint against Time Inc. differently, omitting contention that cable is monopoly. In appearance before session of financial analysts at convention, Biondi denied Viacom was attacking vertical integration character of Time in suit that seeks \$2.4 billion for alleged predatory behavior in pay TV-business. There's nothing wrong with being monopoly, Biondi said, and cable's problems with Congress on "are not of our doing." As example of carriage issue, Biondi said 39% of pay units on Viacom systems are HBO or Cinemax and 43% are Showtime or Movie Channel, but on ATC systems, only 7% of pay units are from Viacom.

As penetration increases to 65-75%, there's more chance cities will view cable as unregulated monopoly, and that could affect franchise transfers, TCI Vp-Govt. Affairs Robert Thomson said on panel. Once penetration reaches 75-80%, he said, "a lot of us will view ourselves as unregulated monopolies." Panel agreed franchise transfer process suffers because 1984 Cable Act doesn't specifically address subject. In most cases, transfer is agreed to with little difficulty, panelists said, but some have been controversial recently, notably Conn. Dept. of Public Utility Control's denial of Storer systems sale to TCI and Comcast.

Hybrid fiber/coaxial cable systems would be attractive, even if owner were starting from scratch, said ATC Senior Vp-Engineering James Chiddix, who also is chmn. of Cable Lab fiber optic subcommittee. He said digital fiber systems will become cheaper and better, but so will coaxial, so economic tradeoffs could delay fiber to homes for "long time." Lab doesn't have to do much basic R&D on fiber, Chiddix said, because profit-motivated vendors already are doing it. Lab's main role, he said, is to coordinate testing, evaluate equipment, gather and disseminate information from vendors.

NCTA was scene of switched fiber transmission demonstration attended by executives of TCI, Heritage and other companies, and Rep. Markey (D-Mass.), chmn. of House Telecom Subcommittee. Demonstration was over fiber system being built in Dallas by Heritage and carried CNN satellite broadcast into Convention Center. TCI Exec. Vp J.C. Sparkman predicted increasing use of fiber for trunking but said it was unlikely cablers would take fiber to homes. Fiber for cable distribution also is ideal, he said, because it needs no amplifiers. NCTA said 16 fiber products makers were among exhibitors, up from 2 two years ago.

Jerrold unveiled research program for 1-GHz bandwidth equipment, which can handle 115-130 channels. It earlier demonstrated 1-GHz line extender platform, is working with vendors to develop hybrid amplifiers. Jerrold also showed 750-MHz amplifier line.

NCTA is using govt. Consumer Price Index (CPI) results for first quarter 1989 as evidence that amount of cable rate increases is diminishing. Assn. said that for Dec. 31, 1988-April 30, 1989, CPI overall rose 2.2% while cable component fell 0.35%.

C-COR introduced Super Feedforward Trunk that it said would allow owners to extend length of cable systems 60% with no increase in end-of-line distortion. C-COR also showed new line of amplifiers capable of handling 1 GHz. Equipment is to provide interface between fiber optic backbone and coaxial distribution lines. C-COR is opening new regional office in Denver.

TickeTV will offer cable operators monthly guarantees against share of revenues in effort to get on more systems, Pres. Lawrence Shultz said. He wouldn't specify size of guarantees, but indicated they are likely to be similar to amount cable operators now have to pay other programmers, "and we only want 4 hours per month." TickeTV uses domino-sized "tickets" inserted into \$15 descrambler unit to authorize pay-per-view (PPV) events. Shultz said PPV isn't growing as fast as expected, mainly because of \$100-per-home cost of equipping systems for addressable cable. He said fewer than 10 million homes have PPV capability, well below 20-25 million needed for industry to get pre-VCR windows for access to movies.

TBS announced its **TNT** channel has 29.1 million subscribers. Significance is that once TNT reaches 30 million, TBS can exercise option to shift NBA package to TNT from WTBS Atlanta.

CNBC has received commitments from more than 90 MSOs, at latest count, giving it more than 13 million subscribers, Vp-Affiliate Relations Caroline Vanderlip said. ATC has agreed to carry service on systems with 100,000 subscribers. NBC Pres. Robert Wright had voiced worry about lack of carriage by ATC in context of larger concerns on Time-Warner merger. He said he hopes ATC can do better than 100,000 subscribers, and talks toward that end will continue. CNBC said it expects to have more than 21.5 million subscribers by end of 3-year rollout. NBC said affiliates include Adelphia, Cablevision, Colonial Cablevision, Comsat, Continental, Cox, Group W, Hearst, Heritage, Horizon, Jones, Media General, Multimedia, Rifkin, Scripps Howard, TCI, United Artists, Warner, Westmarc.

European cross-border TV standards leaped another hurdle when European Parliament gave them approval last week. Standards are to be considered by European Economic Community (EEC) Council of Ministers at meeting June 14 in Luxembourg. Standards, which would clear way for more programming to be broadcast across international borders and ease delivery of satellite TV, would: (1) Require majority of shows to originate in Europe. (2) Set limits on amount and type of advertising. (3) Establish minimum moral standards. U.S. Trade Representative Carla Hills lobbied against standards, saying requirement for European-originated programming would drastically cut number of U.S. TV shows that could be sold in Europe.

News programs such as **Channel One**, which carry ads into schools, may not be shown in Cal. schools that receive public funds, under interpretation of state's education law. Trial run of **Channel One**, news program of Whittle Communications that carries 2 min. of ads and 10 min. of news, had been in Gahr High School in Cerritos, where school officials said they were disappointed by decision.

CABLE CHANNELS GROWING: Cable channel capacity will expand shortly as industry goes through another cycle of rebuilds, and soon will reach average 54 channels per system. That was key point on panel that addressed capacity question at NCTA convention. About 20.5% of cable systems now have 54 channels and 2/3 have 30-53, according to Warren Publishing's TV & Cable Factbook. Future looks bright, panelists said, because equipment makers continue to advance.

At same time, Comcast Pres. Robert Clasen said there still is room to raise prices of basic cable, provided increases aren't \$3-\$4 per month. He said surveys of subscribers have shown they believe basic cable value to be \$20 monthly. Jones Pres. Gregory Liptak noted that increased channel capacity gives operator opportunity to experiment with programming.

Continental Senior Vp-Mktg. Ted Livingston said he didn't think it was good idea to offer large supply of channels, because subscribers become confused. Clasen's advice for determining how to program channels: (1) Listen to consumer. (2) Promote channels better. (3) Use many "strong" channels in lineup. (4) Make fewer changes in programming so customer gets used to fare. (5) Determine what level of ratings operators want from cable.

Distribution was one of several topics addressed in closing general session moderated by ABC correspondent Jeff Greenfield and featuring NBC Pres. Robert Wright, TCI Pres. John Malone, Viacom Pres. Frank Biondi. Wright said network is chiefly a programmer, and its interest in supplying regional news channels with product is part of strategy of getting into as many households in as many ways as possible. But he stressed that network-affiliate relationship remained core of NBC policy. Malone said "the welcome mat is open" to broadcasters to be programmers on TCI's local and regional services. Biondi said he sees regional channels as positive for cable, even though they take away some of limited capacity, and wishes concept would wait for upgrades in next 2-3 years.

Malone said he's conducting balancing act on size of TCI, attempting to keep it to what govt. indicates is proper. When govt. believes TCI too large, he said, company can accommodate whatever limit U.S. thinks is proper. Malone said he was disturbed by Showtime suit against Time Inc., saying he preferred such differences to be resolved without going to court, adding that he expects to be called to testify for both sides. Wright repeated his opposition to telcos' entering cable and controlling entry to home, calling that "a little scary." He also said cable industry has advantage in approach to regulation -- through NCTA and its board: "Lots of problems have been avoided through conversations at NCTA."

In earlier session on pay-per-view (PPV), lively debate erupted between boxing promoter Bob Arum and cable operators on cable's hiring "closed-circuit" promoters to help squeeze most cash possible out of PPV boxing matches. Arum contended cable operators "by and large don't do the job marketing the event." United Cable Pres. Fred Vierra said boxing's future was with cable and PPV, and "we're going to own sports." Panelists agreed special-event pricing at \$35-\$40 per event wasn't beyond market. MGM UA Telecommunications Pres. Norman Horowitz said his company was able to maximize profits because of 3 new competitors in U.K. With Murdoch, Maxwell and British Satellite Bscdg. (BSB) all seeking product, Horowitz said, prices escalated "way out of control, and where we were deemed to squeeze them, we did."

NCTA BLASTS PRICE CAPS: NCTA board voted May 25 to oppose FCC's price cap plan of regulation for telcos, but decided not to oppose AT&T in its effort to become electronic publisher when Modified Final Judgment (MFJ) restrictions are lifted Aug. 25. Action came in meeting at end of Dallas convention. On AT&T issue, NCTA spokesman said: "Our problem is with the BOCs [Bell Operating Companies]. They have the bottleneck." On price cap, spokesman said cable opposes any regulatory flexibility for telcos.

In other action NCTA board: (1) Voted to file at Copyright Royalty Tribunal (CRT) petition to end syndicated exclusivity (syndex) surcharge. CRT imposed surcharge when FCC lifted syndex several years ago, and in 1987 it raised \$30 million. FCC has since revived syndex, with rules to take effect Jan. 1, 1990. (2) Authorized NCTA to open talks with National League of Cities, U.S. Conference of Mayors and National Assn. of Telecommunications Officers & Advisers to reach joint position in FCC cable signal technical standards proceeding. (3) Backed overall policy of limiting foreign ownership in U.S. media properties. (4) Received reports on music licensing, National Cable Month, must-carry, GTE's project in Cerritos, Cal., FCC cable-telco inquiry.

In briefing with reporters after meeting, NCTA Pres. James Mooney said: "There is quite a strong feeling in the board that the postderegulatory rate adjustment period has largely occurred -- that cable rates are leveling off." He cited as evidence U.S. Labor Dept. figures that showed cable component of Consumer Price Index (CPI) in 1989 first quarter dropped 0.35% while CPI overall rose 2.2%. Mooney said there was "very sharp sensitivity" on board to political implications of rates, and a "very heightened determination" to improve customer service.

On latter point, he said board authorized NCTA to expand its customer service. On rates, Mooney said NCTA has much interest in what General Accounting Office (GAO) will say on basic rates and customer charges generally since deregulation Jan. 1, 1987.

Elected NCTA officers: Chmn., Robert Miron, Newhouse; Vice Chmn., Jerry Lindauer, Prime; Secy., James Robbins, Cox; Treas., Joseph Collins, ATC. Exec. Committee includes those 4 plus Mooney, Past Chmn. John Goddard, Viacom; Amos Hostetter, Continental; John Malone, TCI; Larry Wangberg, Times Mirror. Elected to board to represent programmers were TBS Chmn. Ted Turner and ESPN Pres. Roger Werner. At-large members elected were James Cownie, Heritage; Miron; Glenn Jones, Jones Intercable.

Second of 3 fiber optic networks planned by GTE for its project in Cerritos, Cal., will come on line later this year, GTE Chmn.-CEO James Johnson told Supercomm '89/Network in Anaheim last week. Network will deliver video and voice to 100 homes. GTE will begin first fiber network, which is to deliver voice to 600 homes, after it receives text of FCC order granting telco experimental waiver of cable-telco cross-ownership rules (TVD May 1 p5). Johnson said 3rd fiber network will serve small group of users in test of video-on-demand and switched video, allowing them to transmit and receive video signals.

Two former employees of WTSP-TV Tampa were sentenced to 5 years' probation for breaking into computer system at competing WTVT Tampa. Terry Cole and Michael Shapiro pleaded no contest to 15 charges each under Fla. computer crimes law and one count each of conspiracy.

SIKES EXPECTED AS FCC CHMN.: Although Senate leaders on both sides of aisle had heard nothing by start of Memorial Day weekend, we've learned that new FCC lineup is expected to be as follows: NTIA Dir. Alfred Sikes as chmn. and Washington attorney Sherrie Marshall and Ill. Commerce Commission member Andrew Barrett as commissioners.

White House personnel office was saying at weekend that no decisions have been made, but White House Chief of Staff John Sununu reportedly has told at least 2 persons in telecommunications industry that Sikes will be chmn. FBI checks have been completed on all 3 -- none have been made on other candidates, according to Republican sources -- and all documents involving them were to be at White House by May 28, we're told. Timing of appointments couldn't be learned. Sources said no firm decision will be made until President Bush returns from NATO summit in Europe later this week.

White House Personnel Office favors Marshall -- former aide in White House and to FCC Chmn. Patrick and currently member of Washington law firm Wiley, Rein & Fielding -- for chmn. What many called "trial balloon" -- to determine reaction of Senate Democrats -- was floated in Washington Post earlier this month in form of leak that Marshall was set for chairmanship (TVD May 15 p4). She reportedly is being opposed as chmn. by Senate Democratic leaders because of her close ties with deregulation concept of Patrick and his predecessor, Mark Fowler, but word is she will be accepted as commissioner. Marshall also served short term as Patrick's liaison with Hill before being loaned to White House, where she worked in unsuccessful attempt to win confirmation of John Tower as Secy. of Defense.

Sikes, nonlawyer who is former owner of radio stations in Mo., will be welcomed at FCC by broadcasters and NAB -- which launched campaign to stop nomination of Ira Goldman, aide to Sen. Wilson (R-Cal.), because of Wilson's close ties to Hollywood interests in financial syndication fight. Wilson pushed hard for Goldman, reportedly has been told by White House that he's in line for another appointment. Janice Obuchowski, former aide to Patrick on common carrier issues, already has been designated to succeed Sikes (although her name hasn't yet been sent to Senate) and is working at NTIA as consultant (just as Patrick did before joining FCC). Barrett is black, had balked at appointment for only one year remaining of Fowler's term, reportedly will be appointed for that year, plus following full 5-year term.

Among other candidates for Commission, Washington attorney James Smith is possible appointee for post at State Dept. as coordinator-Bureau of International Communications & Information with ambassador's rank. Job currently is held by Sonia Landau under recess appointment and she isn't expected to be retained. Smith was candidate of ex-Chmn. Dean Burch, current Intelsat dir.; he's now in Burch's former law firm Pierson, Ball & Dowd, recently merged into Pittsburgh-based Reed, Smith, Shaw & McClay.



Nielsen and David Sarnoff Research Center have called May 31 news conference (9:30 a.m., Helmsley Palace Hotel, N.Y.) to announce agreement to develop jointly "a sophisticated TV audience measuring system that will identify individual... viewers in Nielsen households without requiring any action from those viewers." On hand will be John Dimling, Nielsen exec. vp; Robert Brown, pres., Information Services & Technology; Curtis Brown, dir., Information Services Research Lab, Sarnoff Center.

EUROPEAN OPPORTUNITIES: Europe holds much opportunity for cable and programmers but at high risk, panelists at NCTA convention on Invasion of Europe agreed. On downside, Europe is complicated by separate regulatory structures in each country, language differences and strong competition in distribution ranging from DBS to govt.-owned stations, panelists said. United Cable's Nimrod Kovacs said it could take 10 years to generate positive cash flow from cablers in Europe.

U.K. has been most attractive market for United, Kovacs said, and MSO has franchises that include 2 million households with 150,000 subscribers so far. As part of U.K. cable, United will have opportunity to provide telephone service in franchised areas. U.K. govt. recently announced it will propose lifting of bans on foreign control of cable, just as U.S. Congress was expecting to receive bill proposing limits on foreign ownership of systems here. United is in Norway with 100,000 subscribers and has investment in Israel, Kovacs said, and is interested in Swedish market, which has 3.6 million TV homes. Other major MSOs in Europe include Jones and Comcast; Regional Holding Co. (RHC) Pacific Telesis is sizable player in U.K.

In France, there has been much less investment by U.S. interests, consultant-lawyer Jonathan Polier said. U.S. West is only American company to invest -- 10% stake in water company that's one of top 4 cable system builders. France Telecom, largest such builder, has schedule to pass 6 million homes in 50 largest cities by 1997, Polier said. Currently, cable passes 1.1 million homes and has 175,000 subscribers in country of some 20 million TV homes.

Maxwell Entertainment CEO Mark Booth said small average time spent viewing TV in Europe, as well as relatively low ad spending, make for good opportunities. Bank of Boston Vp Susan Harris, based in London, indicated bank has high interest in backing experienced operators in U.K. She estimated cost of building systems serving all of U.K. would be \$11-\$13 billion.

ABC, CBS SATELLITE CHOICES: ABC and CBS made long-awaited satellite decisions last week in deals likely to be worth more than \$200 million. ABC said it had signed agreement in principle to acquire 7 C-band and 2 Ku-band transponders on AT&T Telstar 401 and 402. CBS will buy 12 transponders on Hughes' Galaxy 4 and Galaxy 7, that will go into operation in mid-1993, Hughes official said.

ABC will acquire at least 9 transponders on next-generation AT&T Telstar 401 and 402 satellites. Network is splitting buy between C- and Ku-band, and between Telstar 401 and 402, ABC's Brent Stranathan said. The 7 C-band transponders are same total ABC has now; 2 Ku-bands on hybrid satellites are new. Deal also includes options for additional transponders. Stranathan said ABC is looking at possibility of expanding Ku-band usage, now used mainly for satellite newsgathering, to include sports backhaul, voice, data. Final contract is expected to be signed by July 1, he said.

CBS purchase will include C- and Ku-band transponders, divided between Hughes' Galaxy 4 and Galaxy 7. They will be replacements for 2 birds in its 6-satellite Galaxy/Westar fleet. First of 2 will be launched in late 1992 with C-band communications payload; 2nd, carrying both C- and Ku-band capacity, is slated to fly early in 1993. Growth of demand for satellite newsgathering and other Ku-band capacity spurred Hughes decision to apply for hybrid authorization, spokeswoman said.

CABLE BULL MARKET: Market for cable purchases remains strong, with systems typically selling for 12-14 times first-year cash flow and willing buyers outnumbering sellers, speakers said at NCTA convention. But some warned underlying factors, including increasing choosiness on part of many buyers and fears of reregulation, could indicate prices have peaked or plateaued.

Cable stock prices are at all-time high and there's "unabated sellers' market," Comcast Vice Chmn.-Chief Financial Officer Julian Brodsky said. Steven Rattner, gen. partner of Lazard Freres, agreed, but cited "growing disparity" in prices between highly publicized deals priced at \$2,500 or more per subscriber and those that generate well under \$2,000 and therefore aren't publicized by principals. Some cable owners aren't finding buyers at all, he said. Goldman Sachs Vp-Senior Media Analyst Barry Kaplan agreed buyers are making closer distinctions among systems. Cable prices probably will plateau, said Harvey Sandler, principal of Sandler Assoc. He said there's "dramatic" divergence between TV station price (10-10.5 times cash flow) and cable.

Some companies who are leaving cable -- N.Y. Times and Centel -- aren't doing so because business is peaking, Viacom Pres. Frank Biondi said, but merely to go back to roots, in part because they realize that "to become a sizable player in the cable business requires a sizable amount of capital over the next 10 to 20 years." Several speakers said cable stocks remain good value. Rattner said they're "probably mired" at about 60% of value of companies if they're sold in private transaction; Kaplan estimated some stocks are being sold at 50% of actual value. Kaplan said share prices probably have been depressed by fears of reregulation, situation he said "could create a buying opportunity." He said same situation occurred last year when fears of telco entry into cable depressed stock prices.

Even if cable audiences don't grow at all, ad revenues should double if companies simply increase ad rates to levels that audiences justify, Biondi said. Cox Vp-Chief Financial Officer John Dillon said ads currently generate 4% of Cox Cable revenues, but figure was up 40% in 1988 and has grown 40% so far this year. He said advertising eventually will produce 20-25% of Cox Cable revenues.

Another congressional HDTV hearing is set for May 31, 9:30 a.m., Rm. 2318, Rayburn Bldg., this one by House Subcommittee on International Scientific Cooperation. Chmn. Hall (D-Tex.) said hearing will contribute to possible amendments to legislation supporting HDTV research, as well as to possible bill to modify current standard-setting process for HDTV international production. Witnesses include: Joel Chaseman, Post/Newsweek Stations, MST chmn.; James McKinney, ATSC chmn.; Daniel Lankford, AT&T Microelectronics vp; Kenneth Phillips, chmn.-Committee of Corporate Telecommunications Users; Richard Solomon, MIT Media Lab.

Even though no complaint had been filed, FCC has fined WSBY(AM)-WQHQ(FM) Salisbury-Ocean City, Md., \$15,000 for "repeated failures" to comply with Commission equal employment opportunity (EEO) requirements. FCC also imposed annual EEO reporting requirements on stations and granted their transfer to HVS Partners. Commission said that while blacks comprised 19.1% of stations' coverage area, none of 27 fulltime staffers in 1987 was black. FCC said: "Specifically, throughout the license term [licensee] neither regularly sought minority and female applicants nor engaged in ongoing self-assessment" of its EEO program.

CFA SAYS CABLE NEEDS VISION: Cable industry must come up with vision to compete with one that telcos are advancing, or latter will be in cable business before too long, Consumer Federation of America (CFA) Legislative Dir. Gene Kimmelman told NCTA convention in Dallas last week. Panel was one-sided in that no speakers represented telcos or their allies. After session, William Roudebush, exec. dir.-business strategies, U S West, said panel had portrayed current situation accurately, but question to be faced is vision for tomorrow. USTA and others put forth what cable calls "siren song" on need for cable-derived revenues to fund massive infusion of fiber into telecommunications system in order to make U.S. competitive internationally.

Kimmelman said driving force behind telco entry is public's dissatisfaction with cable rates and service, as well as lack of access to cable in some areas, largely rural. While telco arguments for entry to serve public don't appear to make sense and aren't yet fully framed or even being addressed in Congress or at FCC, Kimmelman said, they are grabbing policy-makers' attention and imagination.

TCI Senior Vp John Sie offered vision of next century when there would be integration at customer premises between what he called personal message network of telcos and distributive network of cable and broadcast. Sie also offered results of survey TCI commissioned: 84% of those responding were satisfied with cable and 76% said cable price was good value.

Cable industry received firm commitment from ANPA Senior Vp-Legal & Govt. Affairs Terry Maguire to battle telco entry in any form in any area of content control. FCC Comr. Quello said telco entry process should be on slow track, posing "mind-boggling problems and potential." He said cable faces either reregulation or more competition. He also said FCC en banc hearing on cable-telco could be pushed back to Jan.-Feb. 1990 to allow for new commissioners to participate. Comm/Scope Pres. Frank Drendel said telco cost would be \$200-\$500 billion to install fiber to home while cable could install fiber trunking for \$2-\$4 billion and rely upon existing coaxial drop to home.

U.S. TV broadcasters were forced off air from China May 24 when Beijing refused to provide satellite uplinks for 2nd time since beginning of unrest in capital. Chinese pulled satellite plug about 1 p.m. EDT after 2 delays. Decision forced networks to resume flying videotapes to Tokyo and Hong Kong for satellite uplinks. Networks said there had been sporadic attempts to confiscate tapes, but all have gotten through so far. They also continued to use telephone lines, most of which go by satellite, for live voice reports. State Dept. said embassy communications hadn't been affected, although VOA was jammed. China first ordered earth stations shut down late May 19, shortly after Soviet leader Mikhail Gorbachev left country. CBS and CNN had been broadcasting live from Beijing during summit under contract that ended May 20. Beijing govt. allowed live satellite relays to resume early May 23, cut them off again May 24.

FCC has compulsory license inquiry on May 31 agenda. We're told recommendation is much the same as that made last fall when Commission split on proposing to Congress that it lift compulsory license. Comr. Dennis has yet to cast vote on issue since Commission action last Oct. (TVD Oct 31 p1). At that time, Chmn. Patrick and Comr. Quello agreed to recommend that Congress eliminate license on distant signals, but divided on whether to propose that license for local signals also be lifted.

Personals

Blake Byrne, who retired year ago as pres. of LIN TV, named pres.-gen. mgr. of Disney's KHJ-TV L.A., succeeding **Charles Velona**; **James Saunders**, ex-WFLA-TV Tampa, moves to KHJ-TV with Byrne as exec. vp-station mgr... **William Bolster**, KSDK St. Louis, elected to NBC TV affiliates board, succeeding **Thomas Goodgame**, Westinghouse Bestg... **John Rose**, ex-vp-gen. mgr., WKRC-TV Cincinnati, joins KCPT Kansas City in same capacity... **Alan Cartwright**, ex-WHEC-TV Rochester, N.Y., named vp-gen. mgr., KSLA-TV Shreveport... **Richard Jones** promoted to gen. sales mgr., KBHK-TV San Francisco... **Jerry Pelletier**, ex-Raycom, joins WBTV Charlotte as gen. sales mgr.; **Jack Mason**, ex-dir.-pension and benefits, Cap/ABC, appointed controller, new post... **Jim Friedman**, N. Ky. U. broadcast prof. who has produced prime-time specials for WCPO-TV Cincinnati and others, joins Scripps Howard Bestg. July 1 as dir.-program development, new post.

Tom Wolzien advanced to senior vp-regional news, NBC Cable, new post... **George Back**, All American TV, appointed pres., Advertiser Syndicated TV Assn., succeeding **Brian Byrne**.

TBS Chmn. Ted Turner named winner of **Paul White Award**, top honor of RTNDA, to be presented at RTNDA convention in Kansas City Sept. 13-15... **James Boyle** resigns as NCTA dir.-program publicity to join NBC's Consumer News & Business Channel as media relations dir... **CableData Senior Vp-Gen. Mgr. Maggie Wilderotter** reelected to NCTA board representing associate members.

Rosemary Collyer, ex-gen. counsel, NLRB, becomes member of Washington law firm Crowell & Moring... **Martin Michaelson**, ex-Harvard U. counsel, rejoins Washington law firm Hogan & Hartson as partner... **Robert Lerew** advanced to dir.-market development, Tvb... **Mitch Berman**, ex-HBO, joins Movietime as vp-affiliate sales, western region; **Brad Fox** promoted to vp-affiliate sales, eastern region, new post.

Additions at Cable TV Labs: **Craig Tanner**, ex-CBS, as vp-advanced TV projects; **Claude Baggett**, ex-ATC, as dir.-systems engineering projects; **Thomas Elliott** takes leave from TCI to become vp-science and technology; that position will be filled on rotating basis by executives from various cable companies... **Katherine Marien**, ex-Bank of New England, joins Communications Equity Assoc. Tampa hq as senior financial services officer.

David Garland promoted to vp-studio relations and promotions, Movietime cable service... **Charlie Ross** resigns as pres., Cable TV Assn. of Md., Del. and Washington, to join telecommunications venture Mason Ross Assoc. as exec. vp... **Michael Garson**, ex-Titan Sports/World Wrestling Foundation, appointed mgr.-PR, Washington, TBS... **Harold Morse**, chmn., Learning Channel, named winner of NCTA's annual Vanguard Award for programmers.

Murray Horwitz, National Endowment for the Arts dir.-opera-musical theater program, joins NPR in July as administrator-creative development, new post... Additions at law firm Gurman, Kurtis, Blask & Freedman: **Jack Whitley**, ex-FCC; **Walter Sonnenfeldt**, ex-Intelsat and Public Service Satellite Consortium, as telecommunications analyst.

Stephen Murphy, onetime ex-Paramount Pictures, joins USIA as dir.-TV and film service (Worldnet)... **Andrew Ailes** promoted to group satellite development mgr., Visnews... Promotions at FamilyNet: **Richard Campbell** to exec. vp,


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Jerry Whitehurst to dir.-affiliate mktg. and programming... **John Burke** advanced to product mgr., Jerrold Subscriber Systems Div.

OBITUARIES

Ex-Sen. Warren G. Magnuson (D-Wash.), 84, died in Seattle May 21 of congestive heart failure caused by complications from diabetes. He had been chmn. of Senate Commerce Committee and of Appropriations Subcommittee. After serving in Washington State Legislature, he was elected to House in 1937, to Senate in 1944 and was elected pres. pro tempore of Senate in 1979. Graduate of U. of Washington Law School, he was in Senate until 1981, losing reelection bid to Sen. Gorton (R). Among his major accomplishments was passage of all-channel legislation and formation of CPB. Wife, daughter survive.

L.E. (Ed) Parsons, 82, founder of what's generally considered nation's first cable TV system, died May 23 in Fairbanks, Alaska, of complications following heart surgery. Parsons's system in Astoria, Ore., began retransmitting signal from Seattle TV station on Thanksgiving Day 1948. He later moved to Alaska, where he was bush pilot, radio engineer, consultant, building vast communications system, far-north cable systems, etc. Cable TV Pioneers has established memorial fund at National Cable TV Center & Museum, State College, Pa., in his memory to support Center's growth. He's survived by son, 2 daughters.

Consumer Electronics

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STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 2nd statistical week of May and year to date:

	MAY 6-12	1988 WEEK	% CHANGE	APR. 29- MAY 5	19 WEEKS 1989	19 WEEKS 1988	% CHANGE
TOTAL COLOR.....	301,475*	246,675	+22.3	404,212*	7,315,479*	6,335,529	+15.5
DIRECT-VIEW...	299,169*	241,329	+24.0	401,267*	7,245,391*	6,250,593	+15.9
PROJECTION....	2,576	5,346*	-51.8	2,945	70,088	84,936	-17.5
TOTAL VCR.....	118,715	133,691	-11.2	176,410	3,435,204	3,718,992	-7.6
DECKS.....	89,823	115,207	-22.0	137,542	2,868,360	3,268,960	-12.3
CAMCORDERS....	28,892*	18,484	+56.3	38,868*	566,844*	450,032	+26.0

Color TV 5-week moving average: 1989--380,272*; 1988--336,086 (up 13.1%).

VCR deck 5-week moving average: 1989--127,609; 1988--154,557 (down 17.4%).

Camcorder 5-week moving average: 1989--37,406*; 1988--29,667 (up 26.1%).

* Record for period.

VHS ADDS EXACT-FRAME LOCATION SYSTEM: JVC has issued new VHS standard that will permit direct access to any frame on tape, giving home VCRs much of interaction flexibility now provided by videodiscs. Although JVC officials in U.S. had no information on subject and Japan offices were closed for weekend, GSE Electronic Systems said standard was formalized last week and now becomes optional part of VHS specs.

System currently is marketed as add-on by GSE under trade name "RAPID" (Retrieval and Access Program in Digital). It involves timecode in control track and addressing technology. In future VCRs, said Neil Baudhuin, gen. mgr. of GSE's U.S. operations, users will be able to dial up any specific frame from wireless remote control and read out frame numbers on display. While system is designed for precise semiprofessional editing, it could open way to new interactive uses of VCRs.

System is available separately at \$1,400 list, said Baudhuin, who forecast it could appear in year or so in mid-to-high-end consumer VCRs and camcorders. VCR makers must take out license from GSE to incorporate technology, he said, adding that company is negotiating with several VCR manufacturers and eventually hopes to license all VHS group members. Baudhuin said GSE also contributed to current high-speed VHS location systems VISS (index search) and VASS (access search).

GSE is manufacturer and developer of commercial and consumer video equipment with hq at 900 3rd Ave., N.Y. 10022, and production facilities in Mainz, Germany. It's traded on NASDAQ, last year reported net loss of \$1.24 million on sales of \$3.5 million.

LAID-BACK CES--ACCENT ON PROFITS: Summer Consumer Electronics Show 1989 doesn't promise to be trailblazer in hot new products or technology, but rather continuation of trend that started with this year's winter show in Las Vegas -- rising prices, emphasis on high-end products, general feeling of well-being in industry.

McCormick Place in Chicago June 3-6 will be long distance in time and space from Washington, where legislators talk of coughing up millions for new consumer electronics industry. HDTV at CES will be topic for half-day of seminars that will serve as sort of sideshow, but certainly not main show. Actually, there probably will be fewer HDTV exhibits than in last few years -- just about everyone has seen it, and since it's not a product, what else can you say?

Other "DTV" -- IDTV -- will be subject of several exhibits, along with other high-end TV products, but TV displays will be confined largely to mainstream, with emphasis on large-screen products. TV rarely is

primary focus of show, but this week personal video combinations will be even more in limelight than they were at Jan. event, with Sony showing new 4" Video Walkman, Sharp and Hitachi repeating earlier showings of their 4" and 5" VHS models, Panasonic perhaps previewing own full-size VHS 5" personal combo to add to its 3" S-VHS-C version. These are precursors of important products of future, but currently most prices are too astronomical to let them be anything but curios now.

In VCRs as well, new gee-whiz models will be on display -- including what could be several brands of VHS/VHS-C models (still far too expensive and complex to have any effect on VHS-C problems). Significant technological accomplishment by Panasonic is digital standards converting VCR that can change over any TV system to any other. At \$2,500 or so it's bargain as standards converters go, and some Europeans -- particularly those living in Belgium -- may be tempted to buy it.

Videodisc is off to 2nd, more realistic start, with more companies entering both hardware and software. Although some manufacturers choose to call it CD-V, 5" CD-V that made \$1.5 million debut at CES 2 years ago seems moribund, with not a single "clip" or miniplayer in sight and fewer titles available today than were displayed in Chicago in 1987.

CES will also see first serious attempt to introduce consumer still video photography by conventional camera maker -- Canon, with its widely advertised Xaphshot -- after Casio made try and gave up ghost.

If there's major product phenomenon of this CES it's success and proliferation of videogame (see separate report in this issue). Biggest exhibit will be huge 53,000-sq.-ft. area occupied by Nintendo with its software suppliers -- so big that Nintendo will supply map.

Digital audio tape (DAT), now real ho-hum topic, will show up again in couple of car players and Nakamichi's \$10,000 "consumer product." Show sponsor EIA continues to invite "enemy" into its midst -- has RIAA Pres. Jason Berman as keynoter this time, and he's expected to make rather conciliatory speech but stress that home digital recording could cripple record industry, as if anyone cared much about subject any more, in context of CES.

Current products are fine, thank you. Home fax and home cellular currently seem to promise much more than home digital recording. Dealers may shop CES looking for bargains, but they won't find many. In some cases, they will just be looking for hard-to-get products at any reasonable price. Business is good, sales are headed for records and prices finally have bottomed out and are heading upward.

Consumer electronics industry will get its publicity fix and the 2,000 or so media representatives will get their annual gadget fix, focusing largely on esoteric or unavailable products, as real show -- the wide variety, diversity and quality of consumer electronics -- largely passes them by.

Very few people will return from Chicago really having "seen CES." If you plan to visit every one of the 1,300 exhibits during show's 33 hours -- walking the 13 miles of aisles at 2 mph -- you can spend average of only 1.2 min. at each exhibit. If you take out an hour each day to eat, visit a seminar or rest room -- or play a couple of videogames -- you'll be cut down to one min. per exhibit.

ADVANCED COMPETITION FOR NINTENDO: Battle of "next-generation" videogames will be in full swing by fall, with Sega and NEC planning to deliver 16-bit systems that each says has more, better and faster graphics and sound capability than existing systems. Both companies expect to mount strong challenge to Nintendo, which currently dominates U.S. videogame market with successful 8-bit system but says it has no immediate plans to introduce 16-bit version.

NEC Home Electronics is entering U.S. videogame market in early fall with TurboGrafx-16, 16-bit graphics processor that has been sold in Japan for last year as PC Engine (TVD Nov 21 p9). Videogame system will retail for \$199, with optional portable Compact Disc-Read Only Memory (CD-ROM) player for \$399, Home Entertainment Asst. Vp Kenneth Wirt said. CD player, which runs standard audio CDs and CD + Graphics, will provide stereo sound for games and "allows for new and advanced types of games," NEC said. Game systems also include peripherals such as joystick, audio/video enhancer that connects game to A/V equipment, and adapter that lets 5 players use game at same time.

Software for NEC game will be provided by 3rd party developers and NEC. Wirt said "at least 20 titles" will be available by Christmas, and he expects "flood of software" by next year. Games will be programmed onto "TurboChip" game cards that are size of credit card. TurboGrafx will be distributed in U.S. through toy

stores and consumer electronics and other retailers, Wirt said. NEC wouldn't give sales projections, but Wirt said it expects to sell out by year-end. Technically, it's same as PC Engine but includes new controller and one game card. In Japan, PC Engine has installed base of 1.5 million units. NEC will display product by appointment at Nikko Hotel in Chicago during Consumer Electronics Show (CES) starting this weekend.

Game is described as "first product" of new NEC Home Entertainment operation, headed by Computer Products Div. Senior Vp Keith Schaefer, who predicted NEC will supply consumers with "everything they want in the way of home entertainment, and many of the products in the line will be compatible and have multiple uses." Schaefer, who joined NEC in 1986, served 4 years at Atari, where his last job was exec. vp-sales and distribution. Asst. Vp Wirt, also Atari veteran, is responsible for planning and marketing of TurboGrafx and all future products of Home Entertainment group. Other officials of group, which comes under NEC's Audio/Video Div., have backgrounds in videogame hardware and software (see Personals column).

Sega is forecasting "fantastic" sales of Genesis home videogame (TVD May 1 p16), which will be available in stores by fall for less than \$200, Mktg. Dir. Al Nilsen said. He said company will introduce hardware accessories and software that will add "new dimension in game play" at CES, but declined to give specifics. Sega also will announce 3rd party software agreements with "large" number of companies, and software titles for Genesis, Nilsen told us. Software for new system will include titles based on existing arcade games and new games developed exclusively for Genesis, Nilsen said.

Genesis videogame has stereo sound capability and voice simulation feature, but doesn't include optional CD player as does NEC system. "We have the capability to add a CD-ROM player, but we don't feel the price point is right for U.S. consumers," Nilsen said (TurboGrafx game plus CD-ROM system would list for about \$600). "We'll introduce a CD-ROM player and peripherals when the time is right."

U.S. videogame hardware and software sales will be about \$3 billion in 1989, Nilsen predicted. He wouldn't estimate Sega's market share or sales for year, but said Genesis should allow company to gain on market leader Nintendo. New game will help promote Sega's existing 8-bit Master System by building consumer awareness of company, he said. NEC's Wirt also declined to estimate videogame market share, but said TurboGrafx should enable his company to become next major game supplier. Other major U.S. manufacturer, Atari, reported "significant" decline in videogame sales in first quarter (TVD May 22 p19).

Nintendo spokesman said company will meet challenge of new videogame systems by introducing flood of game cartridges -- as many as 45 in 2nd half of 1989 -- for Nintendo Entertainment System. There currently are 150 games for NES, he said. For time being, Nintendo will attempt to increase U.S. household penetration of its 8-bit system, rather than introduce more powerful unit. Nintendo announced last Nov. that it would introduce upgraded version of its Family Computer videogame system, complete with 16-bit CPU, in Japan in July (TVD Nov 28 p13). No export plans for that product have been disclosed. At Consumer Electronics Show, Nintendo will debut Game Boy portable game-player, based on Family Computer product in Japan (TVD Jan 23 p16). Nintendo's Japanese parent has signed licensing agreements with 21 software manufacturers to produce games for handheld device with b&w LCD screen, expects to sign 40 software suppliers in all.

CES will see huge space devoted to game hardware and software. While new 16-bit systems will attract strong attention there, whether at this late date they can successfully challenge heavily entrenched (and lower priced) Nintendo -- whose trade name has become synonymous with videogame -- is question with answer in considerable doubt.

KOREA, TAIWAN BOOST SHARE OF VCRs: Non-Japanese sources accounted for 32.3% of total VCRs shipped to U.S. in first quarter of 1989, up from 21.8% in same 1988 period, Commerce Dept. import statistics show. Total VCR shipments here rose for 2nd straight month in March -- first time that's happened since Oct.-Nov. 1986 -- and imports were up slightly in first quarter. Color TV imports increased for 4th month in row and were up sharply in first 3 months.

VCR decks delivered to U.S. market totaled 1,056,000 in March, up 2.2% from March 1988. Japan's shipments fell 6.1% to 773,900, while Korea's rose 34.1% to 225,900 and Taiwan's increased 23.9% to 50,200. In first quarter, VCR deck imports were up 0.8% to 2,754,500. Japan shipped 1,863,800, down 12.8%; Korea 678,400, up 51.7%; Taiwan 157,000, up 7.9%. Japan's 67.7% share of VCR imports over 3 months is lowest of any quarter.

Complete color TV set imports, including color TV kits with picture tubes, increased 14% to 2,169,300 in quarter. B&w TV shipments were down 2.9% to 706,000, putting total TV at 2,875,400, up 9.4%. For month,

color TV imports jumped 30.5% to 786,747. B&w TV imports had first monthly increase since April 1987, rising 9.6% to 241,200. Total TV shipments in March were up 24.9% to 1,027,900.

Imports of 8mm camcorders totaled 102,600 in quarter, accounting for 20.7% of 496,500 camcorders shipped to U.S. in period. VHS format camcorders totaled 393,969. In March, 8mm accounted for 23.8% of 173,400 total with 41,200, while VHS took 76.2% share with 132,200. There are no year-earlier comparisons because Commerce wasn't tracking camcorder imports year ago. Swollen camcorder inventories presumably increased again in March, but at lower rate than in previous months (TVD May 8 p13), imports for month exceeding sales to dealers by less than 8%. For first quarter, imports were 38.7% greater than sales.

LCD TV shipments plunged 90.5% to just 500 in March, and were off 47.4% to 6,600 in quarter. Shipments apparently have been slashed because of steep U.S. antidumping penalties against most manufacturers' color TV imports from Japan, including LCD TV shipments. (LCD monitors without tuners aren't included in total.) Projection TV imports soared 173.7% to 18,500 in March and were up 128.6% to 45,600 in 3 months. Videocassette players also had big increase, up 107.6% to 67,200 in March and 129% to 190,100 in Jan.-March. Color TV camera imports fell 33.2% to 6,500 in March and rose 5% to 24,500 in 3 months, while b&w cameras were up 0.9% to 29,300 in month but down 32.5% to 69,100 in full period.

In audio, Compact Disc player shipments increased 23% to 380,000, with Japan supplying most of product. CD players rose 9.3% to 1,024,300 in 3 months.

Screen-size breakdown now is reported by Commerce in centimeters, rather than inches, in accordance with Harmonized Tariff Schedule used worldwide. Breakdown as currently supplied is virtually useless because several important TV screen sizes, such as 13" or 20", could fall into more than one centimeter category. Approximate conversions: 21-&-under (8"-&-under), 22-26 (9-10"), 27-33 (11-13"), 34-35 (13-14"), 36-37 (14-15"), 38-39 (15"), 40-45 (16-18"), 46-50 (18-20"), 51-52 (20"), 53-&-over (21"-&-over). Here's picture of first-quarter complete color and b&w TV imports by screen size:

Color	Total	% Share	Monochrome	Total	% Share
Combinations.	55,400	2.6	17-&-under.....	218,500	30.9
21-&-under...	82,100	3.8	18-22.....	31,300	4.4
22-26.....	69,400	3.2	17-&-over, comb..	26,200	3.7
27-33.....	224,800	10.4	23-26.....	5,700	0.8
34-35.....	768,000	35.4	27-33.....	143,400	20.3
36-37.....	14,700	0.7	34-45.....	2,600	0.4
38-39.....	2,000	0.1	46-&-over.....	1,900	0.3
40-45.....	5,400	0.2	Monitors.....	42,400	6.0
46-50.....	562,900	25.9	TOTAL	706,000	100.0
51-52.....	267,900	12.3			
53-&-over....	66,200	3.1			
Monitors....	50,700	2.3			
TOTAL.....	2,169,500	100.0			

GOOD YEAR FOR ZENITH AND INDUSTRY--McCARTHY: Better pricing and encouraging business prospects are in view as industry approaches Summer Consumer Electronics Show, said Zenith Sales Co. Pres. Gerald McCarthy, who sees camcorder glut as only major dark cloud on horizon.

"In our core business of color TV, I'm really very encouraged by what I see in the industry and in our own performance," he told us. "We still see the industry coming in at about 21.5 million [sales] or a little higher. There's a healthy environment as we approach the fall season. Inventory levels continue to be very healthy, and that gives me confidence that price stability will continue."

McCarthy doesn't hold with alarmist views of shortage. "There may be a hole or 2 in the very low promotional end of the business -- manufacturers tend to produce better product when there are shortages -- but I don't see the strong shortage that some are speaking of." Low end won't disappear -- "to do 21.5 million we're going to need promotional merchandise and I think we'll have a great deal of it."

As for prices, Zenith's 3rd increase in 6 months (TVD May 22 p13) "appears to have a real opportunity for implementation." In terms of both prices and sales, he said, Zenith is almost "exactly on the ambitious plan we set for ourselves." He added that company will look at possibility of further price hikes later in year.

McCarthy conceded he was "concerned" about camcorder situation. With sales due to reach about 2.4 million this year, "I'm afraid we have another product on hand where the only real winner is the consumer. There can't be any kind of satisfactory profits with the current prices of these products." Citing camcorder as "the one area of the video business which offers substantial unit growth opportunity," he said "we seem to have oversupplied it to the point where it doesn't make a great deal of economic sense."

Acknowledging that 8mm "has made some real strides in the past year," he said U.S. market still is strongly dominated by full-size VHS, while VHS-C is "best solution in size, weight and portability." He said he was looking to VHS group's promotional push from Japan to help C format gain some strength. As for personal video, Zenith is "keeping a close eye" on field, but has no plans now. Zenith successfully argued against relaxing dumping duties on color TV-VCR combinations in Court of International Trade (TVD May 22 p18).

VCR deck sales will be off somewhat at about 10 million units this year, McCarthy said. With growth of replacement market, however, he expressed hope for improvement in mix, with higher proportion of stepup models, including 4-head and stereo decks. Shortage of low-end decks has pretty much evaporated, he said, "but we're being more careful in terms of supply -- unlike camcorders, we've done a good job of anticipating business levels."

S-VHS has been disappointment so far -- "it's pretty pricey, and it's going to have to move down that price curve" before there's mass market. "There aren't many instances where we agree with Thomson," McCarthy said, "but in this case we do agree S-VHS is arbitrarily overpriced" (TVD May 15 p14).

Zenith will increase emphasis on digital TV sets in new models -- "we've brought digital down further in the line, with significant improvements, a great deal of emphasis on our [on-screen] menu system, which has become far more elaborate. The digital segment of our line sets new performance standards we think are going to set us apart in the marketplace." Audio features prominently in Zenith's introductions -- more premium sound systems, more stereo.

Are retail sales softening? McCarthy concedes they're "spotty" now -- "but industry forecasts as well as our forecasts are right on target. We must expect slowing sales this time of year" -- but somehow, he agreed, annual slowdown seems to come as surprise every time.

U.S. CITES JAPAN: Japan was designated by President Bush as unfair trading partner under Super 301 provision of 1988 Trade Act, action that could lead to trade sanctions against country within year if it doesn't remove alleged trade barriers. U.S. accused Japan of unfair trade practices on imports of satellites and supercomputers. Brazil and India were other countries named.

Japanese Foreign Minister Sosuke Uno said Japan "strongly regrets" U.S. action. Japan wasn't cited for any unfair trade practices involving consumer electronic products.

Sematech CEO Robert Noyce, testifying on behalf of U.S. chip consortium before U.S. Trade Representative (USTR) in Washington, said Japanese firms should be made to pay graduated tariffs for benefit of U.S. industry they have harmed through illegal trade practices. Noyce proposed that funds from tariffs be used to supplement HDTV research, among other things.

Meanwhile, USTR Carla Hills told Semiconductor Industry Assn. that U.S.-Japan chip trade agreement is "high priority" and U.S. govt. "fully intends to enforce compliance." She said U.S. is "prepared" to impose further trade sanctions against Japan, under Sec. 301 proceeding, for violations of chip pact.

Group IV Merchandising, electronics buying cooperative formed by defecting members of NATM, has ceased operations, said member companies Audio/Video Affiliates, Circuit City, Highland Superstores.

220,000 TVs FROM CHINA: MTC Electronic Technologies Co., which says it already has imported 220,000 TV sets from China, will complete assembly plant in Richmond, B.C., near its Vancouver, Can., HQ late this year or early next to assemble large-screen color sets from Chinese chassis and American tubes and cabinets, with capacity of 100,000 sets per year, Pres. Miko Leung said. Plant is joint venture with China govt.'s China National Electronics Import & Export Corp. (CEIEC), MTC said.

MTC trades both ways with China, and company last week announced it had received order for 48,000 12" monochrome and 150,000 13" color sets for delivery to tube-starved People's Republic this year. Leung told us MTC will procure b&w tubes in Korea, where it has office, and color tubes in U.S. MTC said order totals \$9,471,000, on which it will make pretax profit of \$1.61 million.

MTC specializes in private-label sets for department stores in U.S. and Canada. Leung told us 28% of 220,000 sets it has imported were color. They come principally from 3 Chinese operations -- Chengdu Radio Factory, Fujian and CEIEC -- Leung said. He said MTC has 5-year contract with Chengdu, in Sichuan Province, for 780,000 sets.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 143 yen = \$1, except where noted.

BIG JAPANESE GAINS: For 2nd straight year, Japanese electronics companies posted huge increases in profits and sales -- paced by Sony and Toshiba, which almost doubled preceding year's earnings -- despite continued high exchange rate of yen vs. dollar, worldwide trade friction, other economic uncertainties. Profits were helped by cost-cutting programs, increased overseas production, strong Japanese economy.

Matsushita said consolidated net earnings rose 29.7% in fiscal year to March 31 on 8.6% higher sales (see financial table), attributing results to strong consumer spending and private capital investment in Japan. Matsushita also said it cut costs and expanded overseas production to counter higher yen. Company reported "healthy growth" of VCR sales on introduction of wide range of S-VHS models and small camcorders. Large-screen TV models with higher picture quality led to increase in color TV sales.

Overseas sales increased 9.3% to \$17.4 billion (132 yen = \$1) and in Japan 8.1% to \$24.3 billion. Sales by product segment: Video equipment up 4.7% to \$11.9 billion, audio up 1.6% to \$3.9 billion, appliances up 2.9% to \$5.9 billion, communications and industrial equipment up 15.3% to \$8.37 billion, energy and kitchen-related products up 9.7% to \$2.14 billion, components up 14% to \$5.5 billion, other products up 16.5% to \$4 billion. Matsushita said parent-only net income rose 25.3% in year on 9.3% higher sales.

Sony consolidated net income soared 94.6% in year to March 31 on 37.9% higher sales. In 4th quarter, net rose 56.1% on 32.4% sales increase. Company said expanded overseas operations, lower costs in all divisions and strengthened software operations through acquisition of CBS Records all contributed to higher profit.

Video products, particularly 8mm equipment, "enjoyed large sales increases in both domestic and overseas markets," Sony said. Audio also was strong, "mainly because of expanding sales of CD players." Sony said large-screen Trinitron color TVs enjoyed "steady" sales in Japan. It also cited gains in semiconductors and electronic components, 3.5" floppy discs, work stations. Higher sales and reduced costs contributed to 164.6% increase in operating income to \$1.22 billion (132 yen = \$1).

U.S. sales rose 34.9% to \$4.44 billion in year, while sales in Japan gained 35.9% to \$5.54 billion, in Europe 41.7% to \$3.77 billion and in other areas 42.5% to \$2.5 billion. Sales by product segment: Video equipment up 27.1% to \$4.34 billion, audio up 17% to \$4.25 billion, TV up 8.4% to \$2.6 billion, other products up 21.6% to \$2.49 billion, records up 776.3% to \$2.6 billion.

As for future, Sony said short-term business environment "will continue to be uncertain because of the unclear direction of the U.S. and European economies," foreign exchange rates, unstable interest rates, "intense" price competition.

Hitachi consolidated net rose 35.7% in full year, as sales increased 12%. Company said electronics sector, up 19% in sales, was biggest contributor. It cited strong sales of computers, chips, communications gear, measurement instruments. Consumer Products Div. had "poor showing in exports," but that was offset by higher domestic sales and increased offshore production. Consumer product sales rose 1%. VCRs "did poorly" but color TV sales were up. Hitachi said it spent \$2.83 billion on R&D in year, up 13% from prior year.

JVC posted 67% gain in consolidated net profit in year on 14% higher sales. Exports were up 17%, but domestic sales were hurt by strong competition in consumer electronics. Sales of video and related equipment rose 14%, TV 11%, audio 16%, information equipment 13%, records and music tapes 14%.

Toshiba consolidated net jumped 97% in year, on 6% higher sales. Sales of electronic devices, information and communication equipment were up 22%, led by strong semiconductor and laptop computer operations. Sales of consumer products rose 3%.

TDK posted consolidated net income of \$47.7 million in 4-month fiscal period ended March 31, on sales of \$1.05 billion. TDK changed fiscal year end to March 31 from Nov. 30, so no direct year-earlier comparison was given. Recording media sales totaled \$380.5 million, and TDK cited improved sales of audio tapes and videotapes, particularly overseas. Recording media accounted for 36.4% of total sales in 4 months. Electronic Materials & Components Div. had sales of \$664.9 million.

Pioneer parent-only net totaled \$69 million in irregular 6-month period ended March 31, on sales of \$1.58 billion. Company changed its fiscal year end to March 31 from Sept. 30. Pioneer said results reflected higher sales in each of its 4 product groups, particularly audio products.

Closings and Openings: Pioneer magazines High Fidelity and Modern Photography were purchased last week by Diamandis Communications from ABC Publishing and were shut down. Diamandis plans to merge High Fidelity's circulation into Stereo Review and Modern Photography's into Popular Photography. High Fidelity was started in 1951 by Milton Sleeper. Modern Photography is 52 years old. Meanwhile, preview issue of Audio Week newsletter by Warren Publishing, publisher of TV Digest, will be issued this week, with regular weekly publication to begin June 19.

Hi-Vision "regular test broadcasting" begins June 3 in Japan on NHK satellite channel. Different Hi-Vision programs will be broadcast for about hour each afternoon. Receivers will be set up in 65 public locations throughout Japan, including NHK offices, post offices, banks, department stores and showrooms of major manufacturers including JVC, Matsushita, Sanyo, Sharp. Receivers aren't yet available for public sale. Some Hi-Vision programs will be broadcast by satellite relay from N.Y.

Philips is expanding car stereo operations in Korea through joint venture with Namsung Corp., which claims 24% of car stereo market there. Joint venture, which will be 51% owned by Philips, is expected to produce million units annually using Namsung's existing facilities in Seoul. Namsung claims annual output of 3.6 million units. Through alliance, Namsung will gain access to proprietary Philips technology.

Malaysia Matsushita TV, manufacturing venture established in 1988, is expanding. It has begun test output of 13-20" color TVs and will start mass production of sets soon, Japan report said. Matsushita subsidiary will make 300,000 TVs this year, expand to 700,000 a year by 1992. Products are for export primarily to Southeast Asia, with some to be shipped to Japan.

Sharp's LCD projector, capable of supplying picture up to 100", goes on sale in Japan June 10 at about \$3,400; 3 optional screens are \$500-\$2,500.

PANASONIC SETTLEMENT: Proposed settlement of price-fixing case involving up to \$16 million in refunds to purchasers of 16 Panasonic and Technics products (TVD Jan 23 p11) is fair and equitable to Panasonic and to consumers in the 49 states that have agreed to deal, in opinion of economist Robert Larner in affidavit filed in U.S. Dist. Court, Southern N.Y. Larner was retained by N.Y. state and Panasonic to evaluate settlement.

Larner, former FTC economist who now is vp of Charles River Assoc., Boston research and consulting firm, said he found no concrete evidence Panasonic's "Go" pricing program actually increased prices to consumers. He found it unlikely any overcharges amounted to more than \$16 million in aggregate.

Larner revealed how N.Y. Attorney Gen. office computed overcharges: Taking the 42 products for which it suspected prices were controlled illegally, it examined advertised prices for March-July 1988 when Go program was in effect, using "Price War List" biweekly compilation of advertised prices for consumer electronic products prepared by Beyen Corp. of America. It calculated impact by measuring difference between Go price and average of lowest advertised prices. It dropped any attempt to request refunds where they would be below \$15.

Affidavit reveals Go program wasn't welcomed by dealers and wasn't particularly successful. Emphasis, according to Panasonic records, was "dealer profitability and a simplified pricing structure." However, "contemporaneous Panasonic documents [show] initial press and dealer reaction... was not supportive and there was 'a great deal of confusion and resistance,' but the program did attract a number of new small and medium dealers..." N.Y. Attorney Gen. office, affidavit says, "found no indication... of any serious effort by Panasonic to police retail behavior or enforce its Go prices."

One of terms of settlement, which will involve refunds by Panasonic of \$8.5-\$16 million, provides that company must notify customers of their right to set own advertised and selling prices in letter within 10 days of final judgment and in notice affixed to every page of every list of suggested list prices for 3 years following settlement.

In only one product category involved -- telephone answering machines -- did Panasonic dominate field. Exhibits affixed to affidavit list market shares in various categories, including TV Digest share estimates for VCRs and camcorders. Panasonic's own estimates of market shares were used for other categories.

Panasonic estimates of 1988 market showed it leading in phone answering devices with 18.1% share, followed by: (2) AT&T 16.3%. (3) Phone-Mate 16%. (4) Code A Phone 9.7%. (5) GE 9.5%. (6) Radio Shack 5.1%. (7) Cobra/Dynascan 3.8%. (8) Record A Call 3%. (9) GTE 2.7%. (10) Sanyo 2.5%. Others 13.3%.

In cordless phones, AT&T completely dominated with 45.4% of market. Others: (2) Panasonic 7.2%. (3) GE 6.5%. (4) Radio Shack 6.1%. (5) Cobra/Dynascan 4.7%. (6) Uniden 4.5%. (7) Southwestern Bell 3.6%. (8) GTE 3.4%. (9) Bell 2.6%. (10) Unisonic 2.1%. Others 13.9%.

Audio receivers: (1) Pioneer 19.3%. (2) Panasonic and Technics each 11.4%. (3) JVC 11%. (4) Sony 10.5%. (5) Kenwood 7.9%. (6) Radio Shack 5.3%. (7) Onkyo 4.2%. (8) Yamaha 3.3%. (9) Sherwood 2.3%. (10) Scott 2.1%. (11-12) Teac and Denon 1.9% each. (13) Akai 1.6%. (14) NAD 1.4%. Others 15.9%.

Compact Disc players: (1) Sony 25.2%. (2) Pioneer 9.8%. (3) Sharp 8.2%. (4) Panasonic and Technics 7.5% each. (5) Magnavox 6.2%. (6) JVC 5.9%. (7) Kenwood 3.9%. (8) Fisher 3.6%. (9) Denon 3.5%. (10) Radio Shack 3.1%. (11) Yamaha 2.5%. (12) Teac 1.8%. (13) Onkyo 1.4%. (14) Emerson 1%. Others 16.4%.

Component audio systems: (1) Soundesign 19.3%. (2) Fisher and Sanyo 13.6% each. (3) Panasonic and Technics 10.3%. (4) Sears 5.4%. (5-6) Yorx and Pioneer 5% each. (7) Sony 4.8%, (8) J.C. Penney 4.7%. (9) Kenwood 3.5%. Others 28.4%.

Audio tape decks: (1) Panasonic and Technics 11.6% each. (2) Sony 11.3%. (3) Fisher and Sanyo 11.2% each. (4) JVC 10.8%. (5) Pioneer 7.7%. (6) Radio Shack 6.3%. (7) Teac 5%. (8) Sharp 4.6%. (9) Kenwood 3.7%. (10) Aiwa 3.6%. (11) Yamaha 3.4%. (12) Onkyo 3.3%. (13) Nakamichi 2%. (14) Scott and Akai 1.7% each. Others 12.1%.

NEW PRODUCTS AT CES: Quasar will introduce combination 7" AC-DC color monitor-VCR at \$1,200 at Consumer Electronics Show, for June shipment. Also being unveiled is VHS Hi-Fi deck with synchro edit to control 2nd deck or camcorder, at \$600. In camcorders, Quasar has new model with 8x zoom, flying erase, 3-lux sensitivity, built-in speaker, 10-w color correction light, at \$1,400.

Among new Quasar TVs is 20" MTS stereo monitor receiver with 4-speaker system and S-VHS input at \$530; 25" table model monitor receiver with on-screen menu, \$630; 27" table model with S-VHS input, MTS, surround sound lists at \$920; similar 31" model is \$1,800; 25" console with S-VHS is \$730.

Sanyo adds 2 TVs -- 20" remote with expanded on-screen displays and auto shutoff at \$329, and 25" remote at \$399.

Fisher introductions include 20" remote with MTS at \$480 and 25" with similar features at \$600; 26" adds S-VHS input, Music Enhancement circuitry, comb filter, 530 lines of horizontal resolution, \$750; 27" with same features is \$800. Fisher will announce marketing of its Professional Digital Reference Series (PDRS), previewed at last Summer CES. It includes audio equipment as well as S-VHS Hi-Fi VCR and 8mm camcorder with 5-speed electronic shutter. PDRS will be offered under separate franchise to limited group of dealers.

Samsung is entering fax market; first model, as yet unpriced, has automatic feed, one-touch dialing, 16-level gray scale.

Philips terminals have been selected by U S West for its videotex service. The \$1 million deal involves 4,000 terminals that will be distributed to CommunityLink customers. Philips M-2 terminal was chosen over about 30 competitors, U S West said.

Camcorder duties would be increased to 14% from 4.9% in Europe under EC proposal to reclassify as VCRs, rather than cameras, all camcorders that can reproduce images on a TV set. EIAJ's Camcorder Committee is opposing proposal.

DAT working group of European and Japanese hardware manufacturers and representatives of record industry associations will meet June 9 in Athens. EIA Govt. & Legal Affairs Vp Gary Shapiro will attend as observer.

NEW VHS CRACKDOWN: Threatening seizure and revocation of authorization for use of VHS logo, JVC has opened campaign to stop sale of blank cassette shells (V-0's) to unlicensed duplicators and loaders. JVC said last week it filed suit in Hong Kong against unnamed major manufacturer seeking injunction to stop sales of shells with VHS logo to unlicensed companies. It's also strengthening enforcement program to stop supplies of shells to unlicensed entities and has moved against more than 40 of its licensees in Hong Kong, Korea, Taiwan.

Year ago, when JVC began enforcing VHS trademark protection, Patent Licensing Mgr. Yoshitaka Honda estimated 20% of all prerecorded tapes with VHS logo are from suppliers not authorized to carry it (TVD May 30/1988 p6).

JVC's license agreement applies only to shells that are part of complete cassettes. Company allows shells to be sold by authorized manufacturers only to JVC-licensed duplicators and loaders. Because company receives royalties only on loading of cassettes, and not on shells or tape, it obviously is losing out on revenue from unauthorized tapes. (Royalty is understood to be 15 yen per cassette -- about 10.7¢ at current exchange rate.) However, Larry Finley, who represents JVC Patent Dept. in U.S., told us cassette shell crackdown was motivated by desire to preserve integrity of VHS logo by stopping proliferation of poor-quality tapes that appear legitimate but don't meet JVC standards.

In response to complaints by manufacturers that pay royalties, JVC has assigned APEL Labs to test cassettes bought on open market and, Finley said, many of those tested don't meet its standards.

Action against unauthorized supply of shells consists of official notice from JVC Patent Dept. demanding that sales stop at once, asking names of purchasers and pointing out that both suppliers and purchasers can be held responsible for infringement.

In another action to enforce licensing, company has directed licensees to include their JVC license numbers on each cassette so source of product can be identified readily. Finley said JVC can stop importation of unauthorized cassettes by supplying U.S. Customs with list of suspected importers, permitting govt. seizure of infringing units.

More than 10 million households own at least 2 VCRs, according to Nielsen Media Research's VCR Tracking Report, based on data from Feb. Nielsen estimated national VCR penetration at 64.6% of U.S. TV households. During average week in Feb., VCR households spent about 2 hours 34 min. recording; prime time accounted for 41% of recording time, daytime was next with 27%; least popular time was early morning -- only 2% of taping.

Color TV buying plans of U.S. consumers rose for 3rd straight month in April, after hitting low in Jan., Conference Board reported. Preliminary April survey showed 7.2% of U.S. households planned to buy color TV set within 6 months, up from revised 6.4% in March but down from 7.9% in April 1988. Overall consumer confidence index was 116.3, down from 117.4 in March, up from 115.7 in April 1988.

C. Itoh, Japan's leading trading company, has bought 20% of Race Group, Welsh supplier of printed circuit boards for consumer electronics and other industries. Race employs 1,300, is expected to have 1989 sales of \$130 million.

AUDIO TAPING HABITS: Almost half of audio tape users -- 48% -- make frequent recordings from radio, 37% from records, 37% from other cassettes, 12% from Compact Discs. Some 84% play back cassettes they have recorded on audio cassette deck at home, 63% play them back in cars, 21% on personal portable players. These are among findings of survey of consumers commissioned by Fuji.

Young adults (16-24) account for 27% of blank audio cassette users and 25% of "heavy users" of blank audio tapes, Aug.-Sept. 1988 survey found. That age group, which represents only 19% of total U.S. population, "purchases a disproportionately greater amount of blank audio cassettes than any other age category," survey said. Largest age group of blank tape buyers, 35-over, accounts for 43% of total, 47% of heavy users (defined as consumers who bought 16 or more blank audio cassettes within last year). Those 24-34 represent 30% of buyers, 28% of heavy users.

About 84% of owners of audio cassette decks or recorders (48% of total U.S. population) buy blank audio cassettes, survey said. Nearly half (48%) of blank tape purchasers and 56% of heavy users are in upper-middle, upper-income households (\$35,000-plus).

Nearly half (49%) of consumers said they buy most blank tapes at discount chain stores, 21% in specialty record stores, 13% in department stores, 8% in consumer electronics and appliance stores. Survey found 61% of cassette users and 75% of heavy users buy high-bias and metal cassettes, 64% of users and 74% of heavy users buy 90-min. tapes, 32% of users and 22% of heavy users buy 60-min. tapes.

Other major findings of telephone survey of 600 consumers 16 and older "who use blank audio cassettes and who live in households containing audio hardware": (1) Average number of blank tapes purchased in previous year was 9.3 per respondent. (2) Men buy average 17% more than women. (3) On average, 49% of total U.S. population purchases 3 blank tapes at a time, 19% singles, 12% buy 5.

New Taiwan dollar has stabilized at about 25.75 to \$1 U.S., appreciation of almost 60% since Sept. 1985. Biggest gain came in week of April 24 when Taiwan's dollar rose 1.59 and on April 20 when it jumped 60¢ in single day -- same day U.S. Trade Representative accused Taiwan and other nations of erecting unfair barriers against American products.

Microwave oven shipments rose 6% to 824,500 in April, after gaining 19.1% to 906,500 in March and 1.4% to 963,200 in Feb., AHAM reported. In first 4 months, shipments rose 8.8% to 3.7 million. AHAM forecast 1989 full-year shipments of 10.35 million -- down 5.8% from 1988, and further drop to 9.76 million in 1990.

Spanish-language consumer education pamphlets have been issued by EIA/Consumer Electronics Group's Consumer Affairs Dept. Two pamphlets, in series of 5, cover stereo TV and service of audio and video products. Future Spanish pamphlets will cover VCRs, camcorders, repair service contracts.

Canon is launching major TV and print ad campaign for Xap Shot still video camera. Campaign, at \$3 million, will have theme "Photography for the Video Generation."

First Bang & Olufsen store in U.S. is opening at 15 E. Oak St., Chicago, will be subject of press tour during Consumer Electronics Show.

Consumer Electronics Personals

Kenneth Wirt, former strategic planning vp, named asst. vp of newly formed home entertainment (videogame) operation of NEC Home Electronics, reporting to Computer Products Div. Senior Vp **Keith Schaefer**; Wirt and Schaefer are former Atari executives; other home entertainment appointments: **Nancy O'Brien**, ex-Parker Bros., joins as videogame hardware product mgr.; **Randy Severin**, ex-Mindscape, named videogame hardware asst. product mgr.; **Tricia Latz** appointed videogame system product specialist; **Jeffrey Weitzer**, ex-Sega, joins as videogame software mktg. mgr.; **Carol Balkcom**, ex-Mindscape, named videogame software product mgr.; **Richard O'Keefe**, ex-Electronic Arts, to software engineering mgr.; **Takashi Shingu** is planner; **Phil Rosenberg**, ex-Worlds of Wonder, national sales mgr.

Kiseung Lee, former Samsung America mktg. vp, moves to parent company in Korea as worldwide mktg. dir... **John Hatch**, PR dir., named American Electronics Assn. vp... **Tadashi Wakayama**, former International Operations-Electronic Components Div. administration and planning senior mgr., appointed Toshiba America Electronics Components pres., succeeding **Takeshi Nakagawa**, who moves to Toshiba Semiconductor Group in Japan as worldwide business planning senior mgr... **Michael Fisher**, ex-Sony, joins Dicon Systems (security systems) as pres., succeeding **Steven Chepa**, named chmn.-pres., Dicon Systems of Canada.

Michael Woolf appointed pres. of Franklin Computer's newly formed Database Acquisition & Development Group; other appointments: **Lisa Goorfin**, mktg. mgr., promoted to mktg. dir.; **Mary Beyrent**, sales supervisor, advanced to sales coordination mgr.; **R. Balasubramanian** named software systems head... **Michael Plaksin**, ex-Epson, joins Packard Bell as consumer products national sales dir., new post... **James Lee** appointed pres.-gen. mgr. of Velodyne Acoustics (subwoofers), San Jose, Cal.

Kevin Johnston, ex-Radio Vision Video and Lorimar Home Video, named sales and mktg. vp, new NAC Home Video unit of Gold 'N M Communications... Promotions at Vestron Video: **Kevin Kasha** to national sales mgr., **Don Gold** to western national accounts dir., **Roy Millonzi** to eastern national accounts dir., **Tom Sykes** to east central regional sales dir., **Scott Fields** to southeast regional sales mgr., **Steve Nurme** to northeast regional sales mgr., **Brenda Wooding** to asst. national mktg. mgr... **Joseph Miller** promoted to finance vp-treas., New Visions Entertainment.

Domestic employment in electronics industry in March was 2.62 million, up 1.9% from March 1988, American Electronics Assn. (AEA) said. Total was down 20,000 from end of 1988. In "other" category, which includes consumer electronics, instruments and medical electronics, employment increased 4.3% to 622,800. Other segments: Computers up 4.4% to 467,300, semiconductors up 2.3% to 263,900, other components down 0.8% to 391,300, software and programming up 12.8% to 302,000, communications equipment down 5.3% to 572,700.

Tandy has opened 216,000-sq.-ft. personal computer assembly plant in Ft. Worth to produce portable computers made jointly with Matsushita and carrying Panasonic brand name. Plant has capacity to assemble 5,000 computers per day, Tandy said. Products are for N. America, Europe, Australia.

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
Hitachi ^a 1989-year to March 31 1988-year to March 31	48,496,000,000 39,801,000,000	1,406,000,000 1,036,000,000	.45 ^b .33 ^b
Matsushita Electric ^a 1989-year to March 31 1988-year to March 31	41,699,000,000 38,387,000,000	1,617,000,000 1,247,100,000	7.57 ^b 6.09 ^b
Sony ^a 1989-year to March 31 1988-year to March 31 1989-qtr. to March 31 1988-qtr. to March 31	16,252,500,000 11,782,000,000 4,252,300,000 3,086,400,000	549,000,000 282,100,000 109,000,000 69,800,000	1.83 ^b 1.14 ^b .36 ^b .28 ^b

Notes: ^aAt rate of 132 yen=\$1. ^bPer ADR.

HIGHLAND PLANS: Highland Superstores will continue plans to expand number of retail outlets nationwide, despite 13.3% earnings decline in fiscal 1988 that company attributed to increased expenses "associated with having more stores in operation," 1988 annual report said.

This is "difficult period" for retailer, but "with advancing technologies pointing toward a stream of new consumer electronics products, we foresee a further expansion of our marketplace during the 1990s," company said.

Highland opened 12 new stores in fiscal 1988, bringing total to 84 in 12 states. It also opened 154,000-sq.-ft. distribution center near Boston to serve New England; it already has distribution centers in Chicago, Dallas, Detroit.

Chinese color TV sets now can compete with others in quality, Ministry of Machinery & Electronics Industry said. Spokesman is quoted as saying average current model color set now can operate for 20,000 hours before breaking down, compared with 300 hours 10 years ago. Although Chinese sets now are competitive in performance, safety and reliability, Ministry spokesman is quoted in China Daily as saying they still are backward in design. China has imported 110 color TV production lines, has some 80 TV manufacturers.

"Tetris" videogame for Nintendo Entertainment System is available from Atari Games subsidiary Tengen. Game, which has sparked copyright infringement lawsuit by Tengen against Nintendo (TVD May 1 p16), was developed by 2 Soviet computer programmers. Meanwhile, Super Mario Bros., top-selling Nintendo videogame, will be focus of new live action/animated TV series. Show also will feature other characters from Nintendo videogames.

Big-screen LCD displays will be cheaper and easier to produce as result of new thin film transistor (TFT) system, according to NEC, which said it has developed 12" prototype, with displays up to 40" possible.

OBITUARY

Ted B. Westfall, 69, former ITT executive, died May 18 of congestive heart failure in Charlottesville, Va. At his death, Westfall was chmn.-CEO of Comdial Corp. At ITT 1960-1974, he led production, manufacturing and other aspects of telecommunications operations. He's survived by wife, 5 children.