

TELEVISION DIGEST®

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

With Consumer Electronics

JUNE 5, 1989

VOL. 29, NO. 23

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

SURGEON GEN. SEEKS CURBS on beer and wine ads, threatening \$900 million in broadcast revenues. Koop would cut tax deductions, require like amount of prohealth safety messages. NAB, AAF hit back. (P. 1)

HDTV POLICY CZAR PUSHED at House hearing. AT&T Microelectronics official sees need for strong govt. leadership to encourage industry's development. Chaseman, McKinney testify. (P. 2)

DENNIS VOTES TO END cable compulsory license. FCC sends recommendation to Congress, where hearings are expected. (P. 4)

TV VIOLENCE BILL PASSED: Senate acts on voice vote after accepting amendment on sex portrayals. House panel action seen next. (P. 4)

NEW NATPE RULES: Alcohol, food to be banned on conference floor. Size of exhibits and space to be scaled down over 4-year period. Celebrities must stay in their booths. (P. 5)

AD BOYCOTTS SUPPORTED widely by public to fight back at 'objectionable' programming. Disputed findings come as publisher-backed group targets would-be boycott leader Wildmon. (P. 6)

PASSIVE PEOPLE METER under way from Nielsen and David Sarnoff Research, to be ready in 3 years. (P. 7)

SURGEON GEN. SEEKS CURBS ON BEER AND WINE ADS: In move widely expected, U.S. Surgeon Gen. Everett Koop last week called for series of voluntary and govt.-mandated restrictions on beer and wine advertising in all media. At news conference in Washington and flanked by ads for Budweiser and Miller Lite beer, Koop said "these practices... tell youth that alcohol consumption leads to athletic, social and sexual success." NAB fought back with letters to 200 members of Congress, day before Koop news conference, pointing to industry's 10-year campaign against drunk driving and substance abuse, and with point-by-point counter to many of proposals.

Koop's recommendations were born in controversy, growing out of conference last Dec. in which broadcast and ad groups refused to participate, claiming panels were stacked (TVD Nov 21 p3). Surgeon Gen. had planned to bar reporters and public from conference, but federal court ordered that it be opened to all comers (TVD Dec 16 p3). Ad and broadcast industries object to most of Koop recommendations that, among other things, would:

(1) Balance alcohol advertising with counterads, financed either by industry or govt. (2) Eliminate tax deductions for all such advertising and promotion, except for price and product ads. (3) Prohibit use of

Consumer Electronics

NEW PICTURE TUBE family, 'Vistascreen,' to be shown to set makers this month by Thomson -- integral yokes, sharper picture, 31" and 35", eventually widescreen. (P. 8)

EIA PREDICTS 4.7% rise in 1990 industry sales, in consensus forecast released at CES. Projections for audio products down from earlier report. (P. 9)

CES--NEW PERSONAL VIDEO by Sony, Sanyo, minimodular from JVC, plenty of LCD projection systems, VHS/VHS-C combos. Panasonic highlights. (P. 10)

JAPAN'S VIDEO EXPORTS up in April, continuing resurgence of first 3 months. Camcorder shipments down from year earlier for first time. (P. 11)

PRICE-FIXING PROBE in N.Y. state investigates Hitachi, RCA, Sony, Toshiba, Zenith advertised price practices. Dealers' records subpoenaed. (P. 12)

TANDY CHALLENGES GOVT.: Roach proposes ways to encourage industry in CES keynoter. 'Will foreigners let us sell THOR CD system?' he asks. (P. 13)

GOLDSTAR VIDEOCASSETTE plant being installed in Ala. to load Korean tape into shells, replacing color TV lines reportedly moved to Mexico plant. (P. 13)

NEW ZENITH LINE features on-screen '3D' menus, more digital sets, emphasis on audio, price increases. (P. 14)

celebrities with appeal to youth. (4) Require warnings early in broadcast spots for beer and wine. (5) Prohibit sponsorship of athletic events by advertisers for alcohol products. (6) Seek voluntary ban on ads for alcohol on college campuses. Opponents said many of recommendations are unconstitutional.

Broadcasters reaped \$897.7 million in revenues from beer and wine ads in 1988, with \$761.9 million going to TV and \$135.8 million to radio, and ad executives say much of this could be threatened if Koop recommendations become law. In addition to money spent in broadcasting, brewers spent \$180 million on sponsorship of events, mostly sports -- which Koop would ban altogether if events appeal to teenagers. However, most in Washington don't expect recommendations -- designed to combat drunk driving -- to win much support in Congress, except perhaps for increased excise tax that would come about because of budget deficit, not Surgeon Gen.'s recommendation, we're told.

Koop said he didn't favor outright ban on all beer and wine ads or return to Prohibition, but "certain advertising and marketing practices for alcoholic beverages clearly send the wrong messages about alcohol consumption to the wrong audiences." He called on Congress to restrict such ads, particularly those directed at young people. He also called for stiffer state laws on drunk driving, increased excise tax on alcoholic beverages, minimum 5¢ boost in taxes on all drinks.

In taking "strong exception" to many of recommendations, NAB Pres. Edward Fritts said Koop had issued "a voluminous report" (106 pages) in which NAB comments and those of others were "completely ignored... Despite all scientific evidence finding no link between advertising and abuse, the Surgeon General's report nonetheless would place restrictions on the right to advertise alcoholic beverages which are legal products." He said broadcasters have contributed "roughly \$1 billion annually in antisubstance abuse air time and community outreach programs... We are committed to continuing as leaders in the war against drunk driving. What this issue needs is cooperation, not divisiveness." AAF charged that many of recommendations "are unconstitutional, impossible to administer and, worst of all, will not do anything to lessen the problem."

There was practically no reaction from Congress to Koop's report. One Republican Hill aide said: "Given the background of these proposals, it's fair to say there will be extreme skepticism up here." However, proposal has been made that NCAA prohibit ads for alcohol during its basketball championship tournament, and Assn. will consider it this summer. Houston Astros first baseman Glenn Davis has objected because every time he (or another Astro) hits home run, announcer says "this Bud's for you"; announcers for 9 other teams say same thing, under contract with Anheuser-Busch, every time home run is hit.

On Koop's side, Pat Taylor, dir. of Alcohol Policy Project at Center for Science in the Public Interest, said "every one of these recommendations makes sense... What [Koop] has done has been to prepare a road map for action on all levels of government." Other antialcohol activists also praised report, comparing its significance with 1964 study by earlier Surgeon Gen. on health hazards of smoking. That report led to ban of all cigaret advertising on radio-TV.

Other comments were critical, led by restaurant and alcoholic and beverage industries. Surgeon Gen. is "kidding himself with oversimplified solutions," said Stephen Lambright of Anheuser-Busch. "The bottom line is advertising doesn't cause a person to drink." Along with broadcasters and advertisers, brewers claim panels at Dec. conference sponsored by Koop (who has resigned, effective in July) were biased against alcohol. "This report contains a few good recommendations and many that are both misdirected and destructive," said National Restaurant Assn. Pres. Harris Rusitzky. He said majority of recommendations were designed to reduce availability of beer and wine to responsible drinkers.

National Licensed Beverage Assn., which represents bar and tavern owners, raised "serious questions" about quality of advice Koop received and "the dangerous consequences" that could follow implementation of recommendations. Assn. Exec. Dir. Gerald Murphy said bar and tavern owners "have long been on the front lines of the battle against drunk driving... While we can support some of the Surgeon General's recommendations, the major thrust of the report, if implemented, could actually make the problem worse." National consumer group Beer Drinkers of America said recommendations "missed the mark. Rather than focus on the problems of drunken drivers, the report focuses on all people who drink. Calling for bans on advertising and enormous beer tax increases do not address the problem of drunken driving."

HDTV POLICY 'CZAR' ADVOCATED IN HOUSE: Federal HDTV chief and new govt. coordinating agency were among recommendations at yet another congressional hearing last week on HDTV, this one by House International Scientific Cooperation Subcommittee. Suggestions came from industry officials amid debate over importance of universal standards.

Idea of point man in govt. to coordinate federal policies and agencies was advanced by Daniel Lankford, market development vp, AT&T Microelectronics. He contended that U.S. was behind in HDTV development and needed comprehensive, "friendly family" of American production and transmission standards guided by strong hand of govt. in order to move ahead. HDTV "executive" would be located in Commerce Dept. and take lead in coordinating standards adoption, with FCC retaining authority to set over-air transmission protocols. Lankford also advocated federal financial aid to "jump-start" industry, putting AT&T on record as "generally" supportive of business plan being advanced by American Electronics Assn. (TVD May 15 p11)

Lankford's theme, stressing importance of big user view in standards decisions, was picked up by Kenneth Phillips of Committee of Corporate Telecommunications Users (CCTU). He warned against adopting standards, including Japan's MUSE, that would require costly and time-consuming protocol conversions for users. Although he commended work of FCC's Advanced TV Advisory Committee, he complained that "dangerously little" has been done to study competing standards from broadband telecommunications perspective.

Phillips didn't see much future in 8 MHz or cable delivery of broadband telecommunications because of costly compression technology needed for broadcast delivery and small number of cable outlets capable of 2-way delivery. He also put down narrowband ISDN as inadequate for full-motion imaging that consumers want. He said solution appeared to be fiber to home, whose potential "staggering" costs might be paid in part out of escrow fund established from portion of broadband service revenues from large data users.

Idea of federal interagency "Science Advisory Board on HDTV and Broadband Telecommunications" came from Phillips. He envisions board that would include senior officials of FCC and NTIA and other Commerce and State Dept. agencies, taking policy positions that would be binding on U.S. representatives to world meetings. He also suggested creation of temporary institute to study implications of proposed production and transmission standards from viewpoint of telecommunications users.

James McKinney, head of Advanced TV Systems Committee, was critical of what he said were last-min. appeals for favorable policies from semiconductor industry in criticizing AEA plan. "The computer industry is choosing to play on an absolutely different field" from one that broadcasters have been using for years in determining policy course for HDTV, he said. He criticized AEA's call for subsidies and other federal help, saying broadcasters merely want chance to compete in existing technological world without govt. financial aid. "Some of the suggestions we have heard for futuristic 'whiz-bang' digital technologies could be extremely expensive if they are, in fact, realistic at all," he said.

"If the real problem is one related to unfair trade practices by our trading partners, government should address itself to that issue directly," McKinney said. "If we fear the future of our semiconductor industry, then national priorities and legislation should address chip manufacturing head on... The TV set consumer should not be asked to fund the future competitiveness of U.S. semiconductor and computer firms through increased costs for HDTV receivers, and the television industry in the United States cannot and should not be saddled with correcting all the high-tech trade issues of the United States." He spoke sharply against proposals that U.S. withdraw from international organizations pushing worldwide standard, and advance "all-American" solution. McKinney pointed to CB radio as example, saying failure to follow international standard cost U.S. its CB manufacturing industry.

McKinney was echoed by Joel Chaseman, MST chmn. and executive of Post/Newsweek Stations. He stressed MST's belief that transmission standard should be adopted before U.S. commits to production standard in order to settle question of how to maintain unique American free-TV system. "The benefits of standardization in the broadcast industry far outweigh the possible detriments," he said, contending that "it is unlikely a de facto standard will develop without government leadership and highly unlikely that such a standard would develop in a reasonable time frame."

FCC also should "declare clearly, unequivocally and immediately" for single broadcast HDTV transmission standard, Chaseman said, taking issue with other telecommunications industry witnesses. He described uniqueness of local broadcast system in U.S., saying any standard that doesn't protect free flow of information would "cripple and eventually kill" system, creating information haves and have-nots.

Chaseman and McKinney views contrasted with those of Richard Solomon, research assoc. at MIT's Media Lab, who said U.S. should go own way on standards, forcing Japanese and Europeans to follow, since American receiver market is largest and should drive HDTV development. He suggested U.S. pull out of international organizations involved. Solomon also disputed Hollywood claims that its store of films were ripe for HDTV picking, saying by time HDTV was in full bloom, children of baby boomers would want new shows.

COMPULSORY LICENSE BASHED: FCC Comr. Dennis cast her concurring vote May 30 to recommend to Congress that it abolish cable's compulsory licenses for distant and local signals. When Commission first considered subject last fall, she withheld vote (TVD Oct 31 p1). Agency split in Oct. with Chmn. Patrick voting to abolish both licenses, and Comr. Quello agreeing to eliminate license for distant signals only; he would retain license on local signals. On 3-member FCC, this constituted no decision since at least 3 (majority of authorized 5 commissioners) must vote on any item.

Compulsory licenses are part of Copyright Act, allow cable systems to carry off-air signals without obtaining permission from stations. Cable systems pay varying amounts of royalties for distant signals they choose to carry, with rates based on size of system and gross receipts; local signals may be carried with no payment.

FCC "seems to be a little off the deep end," NCTA Pres. James Mooney said after final Commission vote, noting Congress recently expanded compulsory license to backyard TV receive-only (TVRO) market. Mooney said FCC puts cable and local broadcasters "in a position where cable could not even retransmit local signals by joint agreement -- the original rights owners in Hollywood would have to consent, too, presumably for a price." He said vote showed extraordinary lengths to which FCC would go pursuing "theoretical free market vision, when all that's involved is a local antenna service delivering signals to the audience intended to be reached in the first place."

Broadcasters had little enthusiasm for FCC's recommendation, indicating they backed Quello. NAB Senior VP-Gen. Counsel Henry Baumann said that without local compulsory license, mandating new must-carry rules would be tough and that NAB hoped Congress would share Quello's concern. INTV Pres. Preston Padden said his organization had espoused Quello's position, but endorsed goal of Patrick and Dennis -- to create more "equitable economic relationship between cable and broadcasters."

In statement released last fall, Quello said must-carry should be resolved first because without that and without local compulsory license, he feared cable operators wouldn't carry broadcast signals. In withholding her vote then, Dennis voiced concern about 2nd-guessing Congress on legislative intent of Copyright Act. In explaining late vote, Dennis said she didn't receive text of 92-page proposed order until April 4, despite fact FCC met on issue in Oct. Many changes had been made in order at her request, we're told.

Commission didn't announce Dennis's vote, but in reporting deletion of item from agenda for May 31 meeting said such issues could better be left to "private negotiations." Hearings are expected to be held at least by Senate Copyright Subcommittee, whose chmn., Sen. DeConcini (D-Ariz.), is pushing bill to link voluntary compliance with must-carry rules to continued eligibility for compulsory license. House Commerce Committee Chmn. Dingell (D-Mich.) has said that if licenses remain, they should be part of 1934 Communications Act, thus placing jurisdiction under his Committee.

Correction: NTIA Dir. Alfred Sikes, who is in line to be appointed FCC chmn. by President Bush, is a lawyer as well as former Mo. broadcaster (TVD May 29 p11). Also, Janice Obuchowski, who has been named to replace Sikes at NTIA, is former legal aide to ex-FCC Chmn. Fowler, not current Chmn. Patrick. Obuchowski left Commission to join Nynex.

SENATE VOTES TV VIOLENCE BILL: In move that puts pressure on House to act, Senate on voice vote last week passed bill (S-593) by Sen. Simon (D-Ill.) calling on TV-cable industries to develop program content guidelines. Proposal would ease antitrust rules temporarily to allow networks and affiliates, independents, cable operators, Hollywood and others to craft voluntary code cooperatively with aim of curbing TV violence. Bill was amended on floor on 90-0 vote to include language by Sen. Helms (R-N.C.) directing industry also to address portrayals of explicit sex in programming. Senate Judiciary Committee already had added rider to require new code to address depictions of drug use.

Senate vote represented 3rd time that chamber has sought to pass measure. Effort has stalled repeatedly in House, where then-Rep. Rodino (D-N.J.), chmn. of Judiciary Committee, bottled up antitrust relief measures. But new Committee Chmn. Brooks (D-Tex.) is seen amenable to proposal, whose House companion (HR-1391) was introduced by panel members Reps. Feighan (D-O.) and Glickman (D-Kan.). Bill is pending before Antitrust Subcommittee that Brooks also chairs, and aides told us action now appears likely.

"We can no longer question the fact that televised violence causes harm in our society," Simon said in exhorting lawmakers to support bill. He pointed to what he said was plethora of studies debunking industry findings that TV doesn't affect behavior. "I told [industry] that they reminded me of the Tobacco Institute people who come into my office and say, we have research that shows that cigarettes do not do any harm," he said, describing his reaction to TV industry arguments. Networks, NAB and NCTA aren't opposing measure, although they have indicated to Hill they would prefer to handle content decisions without federal interference (TVD May 15 p5). INTV has endorsed bill.

Supporting statements were made on floor by Sens. Kohl (D-Wis.), Helms and Thurmond (R-S.C.). Helms lashed out at amount of sex on TV. He cited Planned Parenthood study that he said found that 3 major networks broadcast 65,000 references to sexual conduct in single season, about 27 references per hour. "I am sure that many of those references were done in what the networks may consider good taste," he said, "but the networks should take a look at it and see which are and which are not in good taste." He cited controversial NBC fall miniseries *Favorite Son* as example of "bondage in prime time," also network's series, *Nightingales*: "Obviously, the networks have gone too far. Prime time has degenerated into sleaze time."

RTNDA board was to meet in Washington June 3 to pick new pres. -- and David Bartlett, vp-news, NBC Radio Networks (now owned by Westwood One), based in N.Y., was choice of Exec. Committee to succeed Ernie Schultz, sources said. Bartlett is former RTNDA dir. and onetime news dir. of WRC(AM) Washington when it was owned by NBC. Other finalists were Roy Steinfert, retired vp of AP Best., and Martin Rubenstein, former pres. of Mutual and of CPB. Schultz surprised RTNDA by resigning as pres. at close of its convention last Dec. in Las Vegas, effective upon choice of his successor (TVD Dec 12 p8).

FCC has rejected reconsideration requests by U.S. Satellite Bestg. (USSB) and Video 44 and upheld classification of subscription TV and direct broadcast satellite (DBS) as nonbroadcast services. It said reason is that programmers intend those services for subscribers, not indeterminate public.

NATPE CUTS EXHIBIT SPACE: Saying it was responding to "desires expressed by [program] distributors," NATPE has set several new restrictions on its exhibitors, effective with annual programming conference in New Orleans Jan. 16-19. Among popular activities to be banned are alcoholic drinks and food in booths, stars roaming hallways of exhibits, and live exhibitions. "We took great pains in setting rules and regulations that would provide for a more productive business environment," NATPE Pres. Philip Corvo said.

Largest NATPE exhibit in future will be limited to 7,000 sq. ft. and total sq. footage will be reduced to 225,000 in 1990, 220,000 in 1991, 210,000 in 1992, 205,000 in 1993. Assn. said decrease in exhibit size is being made to provide "a more manageable marketplace" and to make it possible to schedule conference in "other venues around the United States." Currently, few cities have convention halls large enough to house NATPE. After next year, several conferences in a row are set in San Francisco.

NATPE also will limit free floor passes to exhibitors, charge \$180 for daily passes and \$350 for full conference passes, promised to "increase substantially" security on floor. Among other new requirements: "Food will not be permitted in the exhibition booths, except to distributor's employes in closed predesignated areas." Exhibitors will be permitted to serve nonalcoholic beverages only. Violators of new rules "will be penalized by an increased per square footage charge." Live demonstrations (such as wrestling) won't be permitted and all "cartoon and show characters will be restricted to the exhibit booths only. Celebrity names must be submitted in advance and will be carefully checked for authenticity -- only actors (not producers or directors)... will be granted star passes." Celebrities will be required to enter through special door. Persons under 18, except for stars, will be barred from exhibit floor.

NATPE said it also is formulating new policy for issuance of press passes "to ensure the most effective and least disruptive environment for both the media and exhibitors to do their work." Assn. said such passes will be given only to reporters "on official assignment to cover the program conference." Early NATPEs, when only hotel suites were used by exhibitors, were famous for parties, food, drinks and sometimes expensive gifts (which often were kept in back rooms for only special visitors). Gifts began to taper off, and mostly had disappeared, after NATPE moved to convention exhibit floors several years ago. Smaller exhibitors, unable to compete with hoopla and size of bigger programmers, have been in forefront in seeking changes, which will save syndicators hundreds of thousands of dollars.

Sky TV and Disney were negotiating agreement at our deadline to settle \$1.5 billion suit Sky filed last month charging Disney tried to back out of deal to launch Disney Channel on Luxembourg's Astra satellite, officials confirmed. Disney officials wouldn't comment; Sky spokeswoman said negotiations were under way in L.A. London Financial Times said deal would require Sky to withdraw lawsuit in return for being allowed to show all films made by Disney's Touchstone Pictures on its Sky Movies channel. Sky also would be allowed to show other Disney programming on other channels, paper said, and there would be understanding that if Disney launches European service it would be on Astra, which would prevent Disney from switching to British Satellite Bestg.'s direct broadcast satellites. Sky wants to assure as much quality programming as possible stays on Astra, where Sky has 4 channels. Sky spokeswoman termed report premature, said final agreement may not include all those details.

Awarding broadcast construction permits through lotteries -- as proposed by FCC -- would be contrary to public interest and Commission instead should improve on current comparative hearing process, FCBA said. In comments filed with agency last week, Assn. said current system "should be retained because it is designed to spur all applicants to become the FCC's model of the desirable broadcaster... The lottery scheme, however, dramatically lowers that standard, substituting a 'minimal competence' acceptability standard and thereby reduces the overall quality in the pool of applicants for new licenses." FCBA said "localism" is "raison d'etre" of broadcast licenses and any system must continue to promote localism. If FCC goes to lotteries, comments said, it will be "largely irrelevant" who gets license. Assn. said that because of support in Congress for comparative hearing process, FCC "carries an extremely heavy burden in demonstrating that the use of lotteries... is justified." Lotteries for nonbroadcast services "have been marked by fraud, low-quality applicants and incessant [FCC] rules changes designed to stop the latest schemes of lottery applicants to defraud the process," Assn. said. FCBA suggested following changes to improve current comparative process: (1) Expand new Form 301 (application for new stations) requirements on financial disclosure to require that such information also be filed by all pending applications. (2) Limit settlement payments and bar nonparty applicant substitutions. (3) Prohibit winner of station in comparative hearing from selling it for 2 years. (4) Require FCC Review Board to make decisions within certain time frame. (5) Establish FCC advisory group to monitor reforms and suggest other ways to improve process.

FCC stands poised to receive supplemental funding it needs to avoid 2-day staff furlough this summer (TVD May 22 p9). House has passed bill containing \$500,000 to cover fixed compensation costs causing Commission its headaches, and Senate is expected this week to complete action on companion bill with slightly less funding. FCC request for extra funds received boost June 1 from MST, which wrote Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) to argue Commission's case, raising fears for FCC's ability to allocate spectrum "in a timely and effective fashion." MST pointed to staff reductions, particularly in Office of Engineering & Technology, that was issue at recent Subcommittee hearing on budget. Office is down to 97 positions from 142 in 1979, and staff shortages "have caused deterioration in the speed of service in almost every area of FCC activity," MST said. Assn. said it now takes 6 months for FCC to process routine applications, such as FM station requests to increase tower heights, and additional year in regular processing time for 224 new FM radio and 15 new UHF station applications already pending.

WTSP-TV St. Petersburg-Tampa has agreed to pay \$750,000 in cash and public service announcements as result of 2 of its former news executives' pleading no contest to charges of breaking into computer system of rival WTWT Tampa (TVD May 29 p10). They were sentenced to 5 years' probation. Rather than face long and expensive trial under state's computer crimes statute and Fla. racketeering laws, WTSP-TV said it will pay \$400,000 to state's assistance program for victims of crime, \$100,000 to state attorney's office and Fla. Dept. of Law Enforcement to defray cost of investigating incident, and air \$250,000 worth of public service announcements.

TBS is trying to schedule organizational meeting of Cable TV Alliance for Education, name given to CNN Newsroom program supporters, in Chicago during week of June 19. CNN Newsroom is TBS's answer to Whittle Communications Channel One.

GRASS-ROOTS SUPPORT FOR BOYCOTTS: Most TV viewers support advertisers who withdraw support from "objectionable" programs and would back boycott of companies that sponsor such shows, according to survey by consumer research firm Oxtoby-Smith. Survey of 500 adults -- with findings questioned by some advertising and TV executives -- comes as group backed by American Booksellers Assn. and Magazine Publishers of America has launched what they term all-out effort to prevent would-be boycott leader Donald Wildmon "from setting himself up as a censor who can remake America in his own image."

Group, Americans for Constitutional Freedom (ACF), issued report June 1 detailing Wildmon's 12-year "crusade for censorship" that it said started with 1977 turn-TV-off campaign. Wildmon is exec. dir. of Christian Leaders for Responsible TV (CLeaR-TV), which plans to lead boycott of as-yet-undetermined companies that sponsor broadcast network programming it deems offensive.

"What Wildmon is doing is no different than what the Ayatollah Khomeini did when he tried to suppress the sale of Salman Rushdie's 'Satanic Verses,'" ACF Exec. Dir. Oren Teicher said. "He is trying to kill ideas he doesn't like." Claiming that ACF is largely creature of ACLU and People for the American Way, Wildmon responded: "A man is known by his enemies as well as his friends. It looks like I'm keeping good company."

Survey, which Oxtoby-Smith said it commissioned itself although it represents number of major advertisers, found that 69% of respondents felt that "objectionable" programming should be restricted to late-night hours, while 25% thought govt. should make it illegal to show such fare. Asked to describe what they considered objectionable programming, 74% cited excessive violence, 67% sex, 60% profanity, 58% "subjects that should be private," 41% ethnic stereotypes.

Responded Oxtoby-Smith Pres. Joseph Smith: "The naive supposition that the recent flurry of protest against 'objectionable' programming reflects the opinions of a small but vocal minority on society's fringe simply isn't supported by what we've learned." Some were skeptical of phraseology of survey questions, however, noting that there may be wide range of opinions on what's "objectionable." "It's a socially accepted response" to say programming is objectionable, NBC Vp-Network Audience Research Paul Sonkin said. "There are not many people who would give a negative response to something like this."

CLeaR-TV monitored prime-time network programming and NBC's Sat. Night Live during May sweeps period for incidents of sex, violence, profanity and "anti-Christian stereotyping," Wildmon said. It gave advertisers grace period to discuss campaign with it before monitoring began. Wildmon claimed that some 125 advertisers corresponded with his group as result, and that "most" -- he said it was 95% -- expressed concerns about programming. Wildmon group plans to monitor broadcast network programs again in fall, along with that of Fox TV and "selective" viewing of such cable services as USA Network. It objects to horror movie strip shown by USA. Wildmon denied he's censor, claiming he's operating in same free-market environment as networks and program sponsors.

Minburn Telephone Co. has applied to FCC for Sec. 214 approval to build and operate, through affiliate, cable system in its telephone service area in Minburn, Ia. *

Estimated 90.4 million U.S. households (98%) now have at least one TV set, 97% own color sets and 63% have 2 or more TV sets, said Nielsen Report on TV 1989. When cable channels are included, average TV home has choice of 27.7 channels, report said. Other findings: (1) TV viewing increases throughout day into prime time, with most-viewed half hour 8:30-9 p.m. (2) Feb. is highest viewing month, July lowest. (3) Viewing averaged 6 hours, 55 min., daily per household in 1987-88 season. (4) Highest viewing is in households with more than 3 persons, incomes under \$30,000, pay-cable subscribers, homes with nonadult. (5) Women 55 and over watch more TV than any other age group, followed by men of same age. (6) Sun. evenings have highest sets-in-use rate, with average audience of 106.4 million viewers in Nov. (7) VCRs are in more than 64% of U.S. homes. (8) TV viewing is highest in pay-cable homes, but 56% of viewing in such homes is of network programming, 21% of independents, 37% of basic and pay cable. Copies of report are free from Nielsen Media Research, Nielsen Plaza, Northbrook, Ill. 60062.

Look for Reps. Tauke (R-Ia.) and Tauzin (D-La.) to reintroduce legislation this week that would revamp comparative license renewal procedures for TV and radio using 2-step process favored by broadcasters. Reforms would give stations greater assurance of license renewal. Aides report bill will be largely same as measure the 2 have offered in past (HR-1140), but will go step further than radio-only renewal bill already pending (HR-1140). Latter bill was proposed earlier this year by Rep. Rinaldo (R-N.J.), with Tauke and Tauzin among 80 co-sponsors. Growing number of co-sponsors for radio-only bill is said to reflect wide support on Capitol Hill for tackling portion of FCC license reform issue. Although more comprehensive HR-1140 had 123 co-sponsors, TV and radio license renewal is considered more complex task than Hill wants to face this year. New effort isn't expected to advance.

Federal judge in Chicago has ruled that First Amendment's protection of free speech applies to international libel cases -- decision that legal experts say could have broad implications in protecting media abroad. Case involves \$100 million lawsuit by ex-India Prime Minister Norarji Desai against author Seymour Hersch, who in book accused Desai of selling Indian state secrets to CIA. U.S. Dist. Court Judge Charles Norgle ruled last week that Desai must prove that Hersch intentionally distributed libelous book. Plaintiff's attorneys had sought to recover damages based on lesser standard of negligence than "actual malice" under U.S. law in cases involving "public figures." Norgle said that to apply "Indian defamation law or any other foreign defamation law at odds with the First Amendment could have a tremendous chilling effect" on media. Case is set for trial Sept. 13.

Cable transactions: Triax USA Assoc. L.P. has bought all partnership units of Cable Systems USA. Systems serve 135,000 subscribers in 11 midwestern and eastern states. Triax now has more than 280,000 subscribers... Northland Communications has acquired Santiam Cablevision, which has 3,000 subscribers in Ore. Broker: Daniels... Weststar Communications has purchased Televue Antenna, with 1,750 subscribers in Ida. Broker: Daniels.

Blair Entertainment and NBC TV Network will provide what they called "groundbreaking" series of 30-sec. "viewer informative vignette" commercials. Vignettes -- to be aired twice daily in daytime -- will use interactive technology to permit direct contact between advertisers and viewers. NBC plans to air 5 sponsored vignettes. Viewers will be able to call 900 number.

Personals

Changes at Gaylord Bestg.: Michael Schuch, vp-gen. mgr., WUAB Lorain-Cleveland, joins WVTW Milwaukee in same capacity, succeeding Harold Protter, named vp-dir.-engineering and advanced TV systems for parent; Lyle Schulze resigns as WVTW program dir.; Bill Scaffide promoted to vp-gen. mgr., WUAB... Marvin Bader, ex-ABC Sports, joins NBC July 5 as vp-Olympic operations.

ANA promotions: Washington head Daniel Jaffe to exec. vp; Peter Eder and Clark Holt to senior vp; Frank Mortensen and Renee Paley to vp... Ronald Pulera, ex-gen. mgr., WNHT Concord, N.H., joins WBRE-TV Wilkes-Barre & Scranton as vp-gen. mgr... Diane Killory, FCC gen. counsel, participates June 5 in D.C. Circuit judicial conference in Williamsburg, Va.

David Evans, ex-pres.-CEO, Qintex Entertainment, joins United Artists in same capacity... Simon Barsky, MPAA head of legal affairs, advanced to senior vp... Katherine Merlen, ex-Bank of New England, appointed group vp-bestg., Communications Equity Assoc... Sharon Kinsman promoted to vp-TV membership, NAB... Joseph Miller promoted to vp-finance-treas., New Visions Entertainment... Richard Munro, Time Inc. chmn., named Kaitz Foundation dinner honoree; fund raiser in his honor will be held Sept. 27 at N.Y. Hilton... Brent Weingart advanced to legal adviser to FCC managing dir., new post... James Lawenda, ex-Busch Media Group, joins U.K.'s Sky TV as dir.-sales... Jack Sheehan advanced to chief supervisor, AP Best. News Center, new post.

Additions at Comcast Cable: John Cormack, ex-Storer Cable and Cablevision of Chicago, as dir.-field mktg. services; Rodney Dobbins, ex-Warner Cable, as human resources dir., northeast region... Sheila Stainback, anchor, WPIX N.Y., elected pres., N.Y. Assn. of Black Journalists... James Loper, ATAS exec. dir., granted 5-year contract extension to 1995... Added as associates at law firm Ginsburg, Feldman & Bress: Dan Alpert, ex-Baker & Hostetler, in telecommunications group; Jeffrey Berman, ex-counsel, U.S. Senate Govt. Affairs Committee... Ron Inman, dir.-mktg., INTV, joins Act III Bestg. June 5 as dir.-mktg., TV stations (Atlanta)... Hewitt West, ex-Wall St. Journal TV, named appointed gen. sales mgr., Conus Communications.

Changes at Cablevision Industries: Rodney Cornelius, exec. vp, named vice chmn.; David Van Valkenburg, pres., adds post of COO; Fred Schulte advanced to senior vp-operations... Richard Hoffstein promoted to senior vp-corporate controller, Continental Cablevision... Jerry Nachman, ex-WNBC-TV N.Y. news dir. and WRC-TV Washington vp-gen. mgr., appointed editor of N.Y. Post, succeeding Jane Amsterdam, who was fired by owner-publisher Peter Kalikow.

Total ad revenues for 6 major cable networks rose 40.5%, as measured by Arbitron, in first quarter 1989 compared with same 1988 period. Time Inc. spent largest amount on ads in quarter, about \$8.3 million, up 41.8% from year earlier. Others in top 10: (2) Procter & Gamble, \$8.1 million, +19.3%. (3) Kohlberg, Kravis, Roberts (includes RJR Nabisco), \$5.4 million, +1,630.5%. (4) Philip Morris, \$5.2 million, +19.6%. (5) General Mills, \$5.1 million, +8.5%. (6) Anheuser-Busch, \$4.9 million, +22.8%. (7) Mars, \$4.6 million, +63.1%. (8) General Motors, \$4.4 million, +126.3%. (9) Sears, Roebuck, \$2.8 million, +638.3%. (10) Pepsico, \$2.8 million, +67.2%. Networks measured were CBN, CNN, ESPN, MTV, TBS, USA.

PASSIVE PEOPLE METERS COMING: Nielsen Media Research version of Big Brother may make diaries and other TV viewing measurement systems requiring user participation obsolete in not too distant future. At N.Y. news conference May 31, Nielsen and David Sarnoff Research Center announced plans for joint development of passive TV viewing measuring system. Method automatically would identify each family member and what he or she watches, executives of both firms said, and should eliminate controversy over current people meters and their reliance on viewers to press buttons identifying themselves.

New technology uses computer and sensing device called "smart sensing" to identify and digitally remember family members' faces, recording viewing habits of each. Unit recalls only individuals whose identity it has learned, regarding anyone else in room as visitor. It also can determine when persons actually are watching TV and when they are reading newspaper or performing other activity.

Passive people meter won't be installed for at least 3 years, Nielsen Exec. Vp-Mktg. Dir. John Dimling said. Technology needs "several major enhancements" before it can be used for Nielsen's purposes, executives said. Its only commitment for now is to participate in development to determine feasibility. If all goes well, it plans to use new meters to obtain better information in such areas as children's viewing, commercial audiences and local markets, Dimling said. "Ultimately, the benefit of passivity is to our customers," he said. "Diaries will be used in the majority of our markets for some time. It is conceivable that passive measurement could be used in some of those markets, but we have to work the economics out. Our goal is to have a passive system that would replace people meters."

Executives didn't disclose cost of project, stressing purpose of development was to determine system's economic feasibility. Startup cost will be borne by Nielsen, said Robert Brown, head of parent Dun & Bradstreet's Information Services & Technology. "We will only move ahead if all the economics are in sync," he said.

OBITUARIES

A.A. (Abe) Schechter, 81, who was hired by NBC in 1932 to develop and run network's first news department, and wife Fritzi, 82, were killed in car accident May 24. Mrs. Schechter was driving car when it ran off Long Island highway, hit tree. Schechter was reporter on Providence Journal and N.Y. World before joining AP as an editor in N.Y. He then moved to NBC, where he stayed during World War II. In 1945-1950, he was Mutual vp and worked briefly for Crowell-Collier Publishing before returning to NBC to help develop Today show. In 1952, he started his own PR firm, which was acquired by Hill & Knowlton in 1973. Two daughters survive.

Edward Stanley, 86, former NBC dir.-public affairs and education, died at U. Medical Center in Tucson May 24 after brief illness. As NBC employee (1950-1968), he developed and supervised production of more than 3,000 TV-radio shows, including Meet the Press. For next 17 years, Stanley published Teachers Guides to TV for TIO. Survivors include wife, 2 sons.

Arthur V. Weinberg, 47, ex-partner in Washington law firm Pepper & Corazzini, died May 22 in his Silver Spring, Md., home after long illness. He had retired from firm in 1984 because of poor health. Wife, son, daughter survive.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	MAY 13-19	1988 WEEK	% CHANGE	MAY 6-12	20 WEEKS 1989	20 WEEKS 1988	% CHANGE
TOTAL COLOR.....	304,692	297,963	+ 2.3	301,475*	7,620,171*	6,633,492	+14.9
DIRECT-VIEW...	302,130	292,216	+ 3.4	299,169*	7,547,521*	6,542,809	+15.4
PROJECTION....	2,562	5,747*	-55.4	2,576	72,650	90,683	-19.9
TOTAL VCR.....	123,677	159,399	-22.4	118,715	3,558,881	3,878,391	- 8.2
DECKS.....	89,987	120,475	-25.3	89,823	2,958,347	3,389,435	-12.7
CAMCORDERS....	33,690	38,924*	-13.4	28,892*	600,534*	488,956	+22.8

Color TV 5-week moving average: 1989--372,444*; 1988--336,493 (up 10.7%).

VCR deck 5-week moving average: 1989--125,277; 1988--152,387 (down 17.8%).

Camcorder 5-week moving average: 1989--38,577*; 1988--34,994 (up 10.2%).

* Record for period.

THOMSON/RCA READIES NEW PICTURE TUBE FAMILY: Former RCA Picture Tube operation -- now Thomson Consumer Electronics N. America Tube Div. -- will offer proof of its revitalization this week when representatives of world's TV set makers begin day-long visits to its Lancaster, Pa., hq for unveiling of new family of giant tubes and plans that could take it well into era of HDTV.

Once considered for the ax by interim parent GE, which vetoed plans for expansion into larger tubes, operation now proudly points to revitalization under Thomson, and Vp John Neville notes it's putting its money where its tubes are to tune of \$100 million -- largest investment ever made by Thomson (or, for that matter, RCA) in any picture tube operation. That figure includes \$75 million 155,000-sq.-ft. addition to Marion, Ind., plant -- already announced, for 31" and 35" tubes (TVD April 3 p9) -- and added equipment for Scranton, Pa., facility.

"Vistascreen" is family name for new big-screen line -- 27" through 35" (with hint of possibility of 38") -- and applies to both standard 4x3 aspect tubes and 2nd-generation 16x9 widescreen tubes for ACTV I or EDTV and HDTV. On visit to Lancaster, birthplace of color TV picture tube, we were given preview of tubes scheduled for next 1-1/2 years and beyond by RCA veterans Neville, Sales & Mktg. Mgr. Robert Lorch, Engineering Mgr. David Hakala, Senior Consultant Robert Means.

"First generation" -- standard 4x3 ratio -- consists of 27" VHP (very high performance) tube shown last month (TVD May 15 p9), now in volume production, with 31" using similar computer-designed faceplate due in volume next June, 35" in Jan. 1991. Deluxe series of "Enhanced Definition" (ED) versions in 27" and 31" will follow. New tubes, including current 27", all have automated integral yoke system, which is said to completely eliminate purity and conversion setups in TV set plant, "dramatically increasing line speed" and saving set makers' costs. Two new yokes will be introduced with tubes -- COTY M (6 grids) and COTY MDF (dynamic focus) -- both with improvements in spot size and uniformity. All new 4x3 tubes will have 110° deflection. ED versions will have Invar shadow mask, lithium silicate antiglare antistatic coating, MDF yokes. Options on new tubes will include provisions for progressive scan and velocity modulation.

Timing of 2nd generation -- 16x9 aspect ratio -- will be determined by demand, but prototype already has been tooled in Europe, and we saw 2 versions of 34W" widescreen tube in action. First version, for EDTV, was capable of 600 lines horizontal resolution, while HDTV type had 900 lines. EDTV version was shown with Cinemascope proportion movie -- taken from letterbox-type videodisc, suggesting that widescreen tubes can be used long before ATV broadcasting is available, in conjunction with standard tapes or discs recorded in letterbox mode (black bars at top and bottom can be eliminated electronically in such widescreen sets).

First expansion at Marion plant will permit production of 360,000 31-35" tubes annually, but equipment will be capable of producing tubes up to 38" in either standard or wide-screen ratios. Thomson is "by far the largest producer of color tubes in North America," officials said, and 2nd-largest world maker of color tubes 20" and larger. In 1988, Thomson built 8.2 million tubes worldwide, including 3.4 million at Marion (up to 25") and 1.8 million in Scranton (25-27"); Circleville, O., plant produces 62% of its U.S. glass requirement.

Trends in big-screen TV of future, as seen by Thomson: More compact styling, toward table models rather than consoles, limited availability of tubes worldwide at least for next year or 2, improved performance, continued highly competitive TV set market (Thomson estimates 85 TV brands by 30 manufacturers currently are in U.S. market).

Thomson sees projection TV most practical for sizes over about 40", barring radical new developments in tube glass or production technology. In "very large screen" TV market (30" and over), it views projection as remaining relatively static, while 35" grows from about 80,000 to 300,000 in 1992 and 30-32" sets increase more than sixfold from 1988's 100,000. These are year-by-year projections:

	1988	1989	1990	1991	1992
Total sets.....	485,000	600,000	800,000	1.17 mill.	1.37 mill.
projection.....	52.3%	50.0%	37.5%	29.9%	27.2%
35".....	16.5%	16.7%	15.6%	18.8%	21.9%
30-32".....	21.2%	33.7%	46.9%	51.3%	50.4%

Mitsubishi currently is only manufacturer of 35" tubes, and Thomson is only other company to announce plans for that size. Mitsubishi said it made about 130,000 in 1988 (TVD Aug 1 p11), is believed to have capacity for 200,000 now, reportedly has plans to expand Kyoto facility to make 600,000 annually.

Note: World picture tube shortage has been further aggravated by month-long strike that shut down Goldstar color tube plants in Korea, resulting in serious drop in supply. Shutdown ended last week.

EIA PREDICTS 4.7% SALES RISE IN 1990: EIA Consumer Electronics Group (CEG) raised slightly its expectations for total industry sales in 1989 from Feb. forecast, but lowered its estimates for video product sales, particularly color TV, projection TV, VCR decks. In its first forecast for 1990, CEG predicted 4.7% increase in overall industry factory sales, boosted by jump in TVs with MTS stereo, LCD TVs, camcorders. Those are among highlights of group's revised consensus forecast, released June 3 at opening of Consumer Electronics Show in Chicago.

Outlook for 1990 is bright, with CEG predicting total consumer electronics industry factory sales of record \$34.09 billion, which would be up from estimated \$32.57 billion this year. CEG in Feb. had predicted 1989 factory sales of \$31.75 billion (TVD March 27 p13). Growth in 1990 is expected to be led by audio and home information products. Video product sales should rise about 3% to \$13.74 billion in 1990, from estimated \$13.34 billion this year, CEG said. Estimate for 1989 is down slightly from \$13.5 billion predicted in Feb.

Color TV sales in 1990 will total 20.9 million, up just 100,000 from estimated 1989 total of 20.4 million, which in turn would be up 0.9% from 1988 sales, forecast said. CEG earlier had predicted 1989 color TV sales of 20.7 million. Average factory price is expected to remain stable in 1990 at \$326. MTS stereo will gain greater share of TV market in 1990, CEG predicted, putting color sets with MTS at 6.9 million, up from estimated 6 million in 1989 and accounting for 33% of all color TV sales. Average price of stereo set is expected to drop \$5 to \$495. Monochrome TV sales will continue to dwindle, falling to 1.9 million in 1990 from 2.2 million, CEG predicted.

Color LCD will be among fastest growing TV products in 1990, CEG reported, increasing 25% to 250,000 in 1990 from estimated 200,000 this year, with average price holding at \$200. Color LCD sales totaled 150,000 in 1988. Monochrome LCD sets won't fare as well, dropping to 580,000 next year from 600,000 in 1989. Outlook for projection TV is favorable, CEG forecasting increase to record 315,000 from 305,000 in 1989. Earlier forecast had predicted 315,000 projection sales for this year. Average price of projection set will be steady at \$1,750.

CEG looked for modest 1.6% increase in total VCR sales to 12.8 million in 1990, from estimated 12.6 million. All of increase was expected to come from camcorders, whose sales were forecast to rise to 2.8

million from 2.5 million in 1989. CEG raised its 1989 camcorder sales forecast from 2.4 million predicted earlier. It expected average camcorder factory price to drop to \$900 from \$940 this year. In VCR decks, CEG lowered 1989 sales forecast to 10.1 million from 10.2 million, and projected drop to even 10 million next year. Average deck price this year will be \$290, with \$5 rise to \$295 in 1990, it said, with MTS stereo VCR deck sales totaling 1.7 million this year, 1.95 million in 1990.

It made no major changes in forecasts for other video products. CEG still estimated: (1) Videodisc player sales at 180,000 in 1989, increasing 19.4% to 215,000. (2) Videocassette player rise to 205,000 in 1990 from 190,000. (3) Average 1989 price at \$175 for VCP, up from \$160 forecast earlier.

Home satellite earth station sales will be lower in 1989 than predicted earlier. CEG now expects 275,000, down from 300,000, and still sees sales of 300,000 in 1990. Prices continue to fall, report said. Average home earth station will cost \$2,000 this year, down from \$2,320 CEG estimated in Feb., and price will drop to \$1,900 next year. Outlook is unchanged for home computers, with CEG predicting 5 million in sales this year and 5.5 million in 1990, and price dropping to \$650 from \$700. New product category in report is electronic typewriters, sales of which are forecast to rise to 3.4 million in 1990 from 3.3 million.

Blank videocassette sales estimate for 1989 was lowered to 305 million from 310 million, but increase to 315 million is expected for 1990. Outlook for prerecorded videocassettes this year was raised to 200 million from 145 million, and average price was decreased to \$21 from \$22. Huge jump to 260 million is expected in 1990. Sales forecasts for other products: Video accessories \$316 million in 1989, \$327 million in 1990; home security systems \$1 billion in 1989, \$1.25 billion in 1990; videogame software \$710 million in 1989 (no forecast for 1990); electronics furniture \$715 million in 1989, \$785 million in 1990.

Here are CEG's consensus forecasts for 1989, as revised, and 1990 for video sales to dealers, factory dollar volume, average factory price. (For forecasts of Compact Disc players and other audio equipment, see report elsewhere in this issue):

U.S. SALES TO DEALERS AND FACTORY VALUE

Product	Units (add 000)		Value (\$000,000)		Average Price	
	1989	1990	1989	1990	1989	1990
Color TV.....	20,400	20,900	\$6,630	\$6,813	\$325	\$326
with MTS.....	6,000	6,900	3,000	3,415	500	495
LCD.....	200	250	40	50	200	200
Projection TV.....	305	315	534	550	1,750	1,750
Monochrome TV.....	2,200	1,900	165	135	75	72
LCD.....	600	580	40	35	63	61
Total VCR.....	12,600	12,800	5,280	5,470	419	427
decks.....	10,100	10,000	2,930	2,950	290	295
camcorders.....	2,500	2,800	2,350	2,520	940	900
with MTS.....	1,700	1,950	690	780	405	400
Vidcassette players.	190	205	33	36	175	175
Videodisc players...	180	215	65	75	360	350
Videocass., blank...	305,000	315,000	1,000	1,025	--	--
Videocass., recorded	200,000	260,000	4,200	5,500	21	21
Home computers.....	5,000	5,500	3,500	3,575	700	650
Home comp. software.	--	--	2,400	--	--	--
Videogame software..	--	--	710	--	--	--
Elec. typewriters...	3,300	3,400	675	690	205	203
Home earth stations.	275	300	550	570	2,000	1,900
Home security.....	--	--	1,050	1,250	--	--
Electronic furniture	--	--	715	785	--	--
Video accessories...	--	--	316	327	--	--

CES--PERSONAL VIDEO, LCD PROJECTORS, DIGITAL VCRs: Trends so far at Summer Consumer Electronics Show (CES) in Chicago (June 3-6): Lots of personal video LCD TV-VCR combinations, epidemic of developmental LCD projection TVs, at least couple of VHS VCRs that will take VHS-C cassettes without adapter, some exciting products of future that aren't available yet.

Add to ranks of personal video exhibitors JVC and Sanyo -- which makes it just about unanimous -- not to mention Sony's 2nd model with "giant-screen" 4" LCD-TV previewed here 2 weeks ago (TVD May 22 p13). JVC's personal video, called "Message Compo" in Japan, is unique set of tiny components -- S-VHS-C deck, color camera, LCD color monitor, tuner -- that can be used in various combinations. Snapped together, deck and camera make ultracompact camcorder; deck, monitor and tuner make personal VCR-TV. Sanyo is premiering combination 8mm VCR and LCD TV.

As expected, Sony added 2nd Video Walkman, in configuration very like first, to be available next month. Suggested list is \$1,500; original 3" lists at about \$1,400, sells widely at \$999. As we forecast, Sony added 3 new VHS decks, 2 new videodisc players. Also added was "world's smallest" camcorder -- 8mm using new miniaturized transport, weighing less than 2 lb., available in Aug. at \$1,500 (details elsewhere in this issue). Canon fielded its 2nd Hi8 camcorder.

Everybody's getting into the LCD projector act, it seems. Sharp's model, which goes on sale next week in Japan at \$3,400 (TVD May 29 p19), is being demonstrated in updated and improved form. Sanyo and Matsushita showed their own future LCD projectors. JVC has novel widescreen model, capable of 35"-120" screen size range, that uses detachable anamorphic lens to project 16x9 ratio picture. Remove anamorphic lens, snap it on your camcorder and you can take your own Cinemascope home movies. LCDs for system are being developed with Seiko Epson.

Also, as we forecast, both Panasonic and JVC showed VHS/VHS-C VCRs, both using slide-out loading tray similar to that of CD player; other brands are expected to show their own versions at CES or shortly thereafter.

Panasonic's "universal VCR" that converts programs digitally among NTSC, PAL and SECAM (TVD May 29 p15) was presented as major step toward worldwide video communication. Its 625/525-line converter incorporates 2.2 Mb DRAM for luminance signals, 1.1 Mb for chrominance. Matsushita Electric Corp. of America (MECA) Pres. Richard Kraft said 87% of world's VCRs are in VHS format, and multistandard and VHS/VHS-C VCRs will further enhance market position of VHS-C.

Panasonic parent Matsushita showed some highlights of recent 70th anniversary Matsushita Electric Exhibit of Technology in Japan (TVD April 3 p9), including universal VCR and impressive 6" Beam Matrix flat color display, flat color videophone, 40" LCD rear projector, car information and communication system.

Among products of today, Zenith line, shown at Chicago hotel, featured heavily computerized digital TVs, including 4-page on-screen menus and channel labeling (ABC, HBO, etc.). Philips added 4 new IDTV sets, including first 31" table model and brand's first VHS-C camcorder.

While Sony was claiming that 8mm represented 1/3 of U.S. camcorder market, JVC was pushing VHS-C as sellthrough software medium. Company announced it will have 30 min. and 90-min. S-VHS-C tape by fall that it will push for prerecorded programming in 90-min. mode. (Details on new products at CES will be found elsewhere in this issue.)

JAPAN VIDEO EXPORT RESURGENCE CONTINUES: Japanese VCR deck and color TV exports to U.S. continued their upward climb from last year's low levels, rising by huge margins in April from year-earlier figures. Japan sharply cut back its camcorder shipments in month, first such decline from last year since Japan Finance Ministry began reporting camcorder exports, and first indication manufacturers are trying to reduce camcorder inventory glut here (TVD May 8 p13).

Japan sent total of 791,083 VCR decks to U.S. in April, up 33.6% from April 1988. In first 4 months of year, deck exports rose 16.3% to 3,300,399. April exports were down 24.6% from year's high of 1,048,812 in March.

Japan's 202,225 camcorder shipments in April were only slightly lower than in March, but were off big 34.4% from April 1988. Comparison of export figures and EIA sales data over last year indicates there's significant oversupply of products, so manufacturers can be expected to reduce shipments even further. In first 4 months, camcorder exports were down 0.6% to 738,518, while sales to dealers totaled 499,084.

Average price of VCR deck delivered to U.S. in April was \$231.65, based on average 133-yen-to-dollar rate in effect that month. That's up \$11 from \$220.65 in March, which was lowest price in years, but down \$3.07 from \$234.72 in April 1988. Average price in yen was 30,809, up 7.4% from March and 4.2% from April

1988. Average dollar price in 1989 has continued seesaw trend established last year, rising one month and falling next. Average camcorder price, based on export figures and yen rate, was \$647.20, up from \$643.02 in March.

Shipments of total color TVs increased 5.9% to 19,149, with complete color up 18.8% to 18,434 and color chassis & kits down 72.1% to 715. Complete color TV exports to U.S. from Japan have increased from year-earlier figure for 4 straight months, after declining for 31 months in row. In Jan.-April, total color shipments rose 11.7% to 86,728, complete sets were up 23.6% to 83,882 and chassis & kits were down 70.8% to 2,846. No exports of b&w TVs were reported in April, and shipments were off 98.3% to 410 in 4 months.

Exports of Compact Disc players from Japan dropped 2.8% to 316,851 in April, and were up 1.8% to 1,090,389 in 4 months.

Japan's VCR deck shipments to Canada in April jumped 55.5% to 63,192, but were off 4.2% to 203,457 in Jan.-April. Canada took in 2,092 complete color TVs from Japan in month, up 168.9% from year earlier. Through first 4 months, color TV shipments were up 63.8% to 6,948. Camcorder exports to Canada fell 6.8% to 15,444 in month, 36.6% to 33,397 in 4 months.

AUDIO OUTLOOK IMPROVES: EIA Consumer Electronics Group (CEG) raised forecast for 1989 audio product sales from earlier report and painted bright picture for audio sales in 1990, in consensus forecast released at Consumer Electronics Show in Chicago.

CEG now predicts \$9.4 billion in audio product factory sales in 1989, up from \$9 billion forecast in Feb. In 1990, CEG expects audio sales to rise to \$9.94 billion. Forecast for total Compact Disc players in 1989, including audio systems with built-in players, was raised to 6.5 million from 6 million. CEG predicts sales of 8.6 million CD players next year.

Sales of total audio component and compact systems will total 4.7 million in 1989, CEG estimates. That's up from earlier 4.3 million. In 1990, group expects rise to 4.8 million systems. There was huge increase in forecast for portable tape recorders/players/CD in 1989, to 10.3 million from 9 million.

U.S. SALES TO DEALERS AND FACTORY VALUE

Product	Units (add 000)		Value (\$000,000)		Average Price	
	1989	1990	1989	1990	1989	1990
Audio Systems.....	4,740	4,840	\$1,220	\$1,230	\$257	\$254
compact.....	3,100	3,200	350	360	113	113
1-brand component	1,640	1,640	870	870	530	530
Separate component.	--	--	1,950	2,100	--	--
CD players.....	6,500	8,600	--	--	--	--
home.....	3,200	3,600	620	680	194	189
Portable tape.....	36,900	37,800	1,610	1,690	44	45
tape only.....	10,300	10,600	360	390	35	37
radio-tape.....	26,600	27,200	1,250	1,300	47	48
Home radios.....	23,600	23,600	375	370	16	16
Headset audio*.....	23,000	23,600	630	650	27	28
Car audio.....	--	--	4,245	4,550	--	--
aftermarket.....	--	--	1,245	1,300	--	--
factory-installed	--	--	3,000	3,250	--	--
Audio cassettes....	380,000	395,000	375	400	--	--
Telephones.....	22,200	22,600	1,008	1,053	45	47
cordless.....	9,200	10,000	644	700	70	70
corded.....	13,000	12,600	364	353	28	28
Cellular phones....	490	595	392	452	800	760
Answering devices..	12,750	14,000	854	938	67	67
Audio accessories..	--	--	390	415	--	--
Phone accessories..	--	--	270	290	--	--

* Radios and tape players also included in radio and tape categories.

"HDTV executive" appointed by Commerce Dept. to oversee development of domestic HDTV industry is proposal of AT&T Microelectronics Market Development Vp Daniel Lankford. He made suggestion in testimony last week before House Subcommittee on International Scientific Cooperation (see story in Broadcast-Cable section, this issue).

PRICE-FIX PROBE--5 MORE BRANDS: Price-fixing investigations of at least 5 more consumer electronics brands are under way by N.Y. State Attorney General's office, following settlement with Panasonic that also was ratified by govt. of 48 other states (TVD Jan 23 p11).

N.Y. state investigators have subpoenaed records and are questioning retailers about practices of Hitachi, RCA, Sony, Toshiba, Zenith. Quizzing of retailers centers on whether they were coerced into using minimum prices in their advertising. After questioning by representatives of Attorney General's office, one retailer commented: "They were disappointed -- they wanted me to say I was coerced."

Neatest trick of the year: Newmark & Lewis says it will deemphasize prices by slashing them 5-20% and eliminating practice of negotiating with customers. New policy applies to its stores in N.Y., Conn., Mass. Pres. Richard Lewis denied new strategy was response to "everyday low pricing" adopted by Sears. He said price cuts were made to eliminate customers' fears of being overcharged so they can concentrate on product features: "Our sales force is being trained to close sales not on the basis of price, but by satisfying a customer's hunger for information about products."

Mergers & Acquisitions: Supplier Daewoo Telecom of Korea has agreed to acquire troubled Leading Edge Products, under reorganization plan by Leading Edge, subject to approval by bankruptcy court in Boston... Worlds of Wonder completed sale of its assets to WOW Acquisition Corp., company created to bring WOW out of Chapter 11 bankruptcy proceedings... TDK completed acquisition of Silicon Systems, U.S. manufacturer of integrated circuits, for undisclosed amount.

Audio Times will be discontinued after June issue, staff members at International Thomson Retail Press were told last week. July would have been its 30th anniversary. Paul Gluckman, former chief editor of Audio Times, now is managing editor of Audio Week newsletter, which will be published by Warren Publishing Inc., publisher of Television Digest, starting June 19.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 142 yen = \$1, except where noted.

TANDY CHALLENGES GOVT.: U.S. govt., semiconductor industry and foreign govt. and industries are frustrating American consumer electronics industry's attempts to be competitive, Tandy Chmn. John Roach said in keynote address prepared for delivery June 3 at opening of 1989 Summer Consumer Electronics Show in Chicago. Roach noted that Tandy not only is America's largest consumer electronics retailer but also has "more U.S. manufacturing plants than anyone else in the EIA" and, with Zenith, is one of 2 major U.S.-owned consumer electronics manufacturers.

Roach urged U.S. to help consumer electronics industry by: (1) Revising antitrust law "to permit joint development, joint manufacturing and agreements on standards." (2) Changing tax law to encourage investment by "putting a significant rate differential between long-term and short-term capital gains tax." (3) Making R&D tax credit permanent. (4) Targeting research funding specifically toward promising technologies. (5) Enforcing trade laws.

Noting that Tandy has plants all over world, latest just having opened in China, Roach said U.S. products should have equal access to Japanese market and expressed fear they might be frozen out of European Common Market after 1992.

Commenting on THOR recordable CD system, he said it was "the only read, write, erase Compact Disc technology that is compatible with existing CD players," but asked: "Will foreign manufacturers permit us to sell a compatible technology?... Will the recording industry dominated by foreign companies permit us to sell a recordable compact disc?" He added that "they would... have to go to the courthouse or the Congress to stop us," but noted that "a U.S.-developed technology that Tandy is spending millions [on] is significantly impacted by decisions made outside the U.S.A."

He also revealed that Tandy had developed a consumer-priced video telephone, but didn't market it because "the Japanese manufacturers got together and adopted a de facto standard that we could not get information on until... some Japanese manufacturers were already market-ready."

He faulted U.S. semiconductor industry as being uninterested in consumer products for last decade. As for HDTV, he said FCC has most important role because it will choose U.S. standard. He said that standard should be available to all manufacturers, with time schedule to permit U.S. producers "to be responsive." Govt. funds to support HDTV, he said, "should be limited to companies with substantial engineering in the U.S. and a requirement for licensing those developments to U.S. companies."

* * * * *

DAT home audio recording "could spell disaster for the music business," RIAA Pres. Jay Berman said in CES address prepared for delivery June 3. Despite short-run benefits for electronics manufacturers, he added, in long run it would hurt them as well. "It is our preference to reach mutually agreeable solutions through discussion at a conference table rather than in a courtroom," he said, referring to hardware and software working group that will meet again June 9 in Athens (TVD May 29 p10).

—

JVC has started production in 2 Malaysia plants. Video facility, making subassemblies and complete VCRs, is turning out 10,000 subassemblies monthly, will make 30,000 in one year. Audiō plant will build 160,000-170,000 finished products monthly in 2nd half of 1990.

GOLDSTAR TO LOAD TAPE HERE: Goldstar will produce videotape at its Huntsville plant in Sept. in space created when 3 of its 6 TV production lines were transferred to new plant in Mexicali, Mexico, parent company in Korea announced last week.

Company said equipment to load million cassettes annually is being installed at plant. Last fall, reporting from Seoul, we quoted John Koo, senior managing dir.-overseas operations, as saying tape to be assembled in Huntsville would be loaded from Korean pancakes into shells procured on open market (TVD Sept 26 p12). He added that this would bring company closer to user market, "particularly the duplicator market, where the need is for special custom lengths." Duplicator market, he said at time, represented 15-20% of Goldstar's cassette business. Company sells 30-35 million cassettes annually, 85-90% private label, to companies such as Kodak as well as to duplicators.

Mexicali plant was designed to produce 13-19" color TVs, taking over production of those sizes from Korea for U.S. market. At press time, it wasn't clear what size color sets had been moved to Mexico. After videotape assembly is established in Huntsville, Koo said last fall, next U.S.-made products could be telephones, computers or computer monitors. In U.S., Goldstar representative at week's end said reports from Korea on changes in Huntsville plant "aren't completely accurate," but made no details available by our deadline.

—

Color TVs with MTS stereo now are in 17% of U.S. households, EIA Consumer Electronics Group estimated. Figure is up from 15% reported by CEG in Feb. Household penetration of other products, with earlier figure, if different, in parentheses: All TVs 98%, color TVs 96% (95%), LCD TVs 3% (2%), monochrome TVs 58%, projection TVs 5% (4%), VCRs 64% (61%), camcorders 8% (7%), home satellite earth stations 3% (2%), audio systems 91% (90%), compact audio 57% (56%), component audio 49% (47%), home radios 98%, Compact Disc players 16% (13%), cordless phones 23% (22%), phone answering devices 28% (24%), home computers 22% (21%), home security systems 12% (11%), prerecorded videocassettes 49% (48%).

Ads & Promotions: Circuit City is testing both Young & Rubicam and J. Walter Thompson as agencies for its \$25 million ad account... NEC is planning "major" ad campaign for its new TurboGrafx videogame, with DDB Needham Worldwide, as agency... Nintendo hand-held electronic games will be awarded in promotion for "Nintendo Cereal System" cereal from Ralston Purina. Also in promotion, one million cereal boxes distributed will contain \$1 rebate certificate applicable to purchase of any Micro Games' Nintendo hand-held game... Pioneer is understood to be budgeting \$12 million for videodisc and player ad campaign.

Motorola's cellular phone patent infringement complaint against Finland's Nokia, Tandy and other companies will be investigated by U.S. International Trade Commission (ITC). ITC voted unanimously to consider complaint, in which Motorola is seeking to stop import and sales of portable cellular phones that it says infringe on its patents. Motorola said hearings on its request for preliminary relief are scheduled for July.

Emerson's computer line, premiered at Consumer Electronics Show (TVD May 15 p14), covers full gamut of IBM compatibles, is designed to be sold to consumer market through mass marketers.

ZENITH'S NEW LINE: Sixty-eight color sets comprise Zenith line, unveiled to press last weekend in Chicago. Incorporating selective price increases of about 1% at factory (TVD May 22 p13), line is sparked this year by 7 digital chassis models featuring computer-like "3D" menus, series of 4 overlapping on-screen menus of different colors. Some show diagrams of how TV is set up -- such as input from antenna, decoder, cable, 3 separate VCRs including S-VHS type. Digital sets also include multibrand remote controls, picture in picture, teletext.

Zenith continues its emphasis on audio with "Premium Stereo," Bose Waveguide and Acoustimass systems, adding first direct-view sets with Dolby Surround Sound -- 31" and 35" models -- in addition to 4 projection models. In projection TV, Zenith adds its first 52" rear projection model. All new projection sets use "Delta-Brite" lens system, with three 7" tubes and liquid-cooled, liquid-coupled optics.

New Vanguard modular analog chassis, developed over 3 years, provides menu-driven controls and other on-screen displays. Chassis makes it easy to tailor features to various sets. There are 2 main modules -- one for MTS stereo, one for mono. Power supply modules are available for 4 screen sizes for System 3 and Advanced System 3 lines.

Top of standard VCR line is digital effects deck with on-screen menus, automatic digital tracking, multibrand remote, PIP (\$699). Super VHS deck features teletext recording and playback through Zenith digital sets (\$1,149). Five camcorders are in line -- VHS-C (\$1,099), S-VHS-C (\$1,799), VHS with high-speed shutter (\$1,499), version with 8x zoom and editing features (also \$1,499), S-VHS with 8x zoom (\$1,999).

Color TVs start with 9" at \$270, AC-DC \$300, remote \$340; 13" at \$225 and \$260, with remote versions at \$320 and \$330; 19" at \$300 and \$320, remotes \$370 and \$390; 20" remotes \$400 and \$420, stereo models \$400, monitor receivers \$480 and \$520, Premium Sound version \$699. Table model 25" is \$480, remotes \$499 and \$549, stereo monitors \$599 and \$649; 27" table \$649, stereo monitor-receivers \$749 and \$799, digital \$999; 31" table stereo monitors are \$2,095, Premium Surround Sound \$2,395.

Consoles begin with 25" at \$529, 4 remotes \$599, stereo monitors \$709; 27" remotes \$639, stereo \$859, Premium Sound monitors \$959, digital \$1,259; 35" digital with Dolby Surround \$3,795. Projection sets: 46" surround \$2,295, with Premium Sound and Dolby Surround \$3,295 and \$3,695; 52" with everything \$3,695; 2-piece floor mount set with 8-ft. picture is \$2,995, ceiling or floor mount in pecan \$3,495.

Table model monitors with sound by Bose: 27" digital \$1,395 and \$1,495; 31" digital \$2,695 (3 models); 46" projection \$3,295; 27" digital console \$1,495.

VCR decks, in addition to those listed above, start at \$369 for 2-week 4-event models, stepping to 4-head models at \$399, 2-head double azimuth hi-fi model with 8-event programmer \$509, 4-head version with multibrand remote \$649.

Basic patent for "electronic spelling machine" has been granted to Franklin Computer, company announced last week. It said patent covers all products in its line of electronic reference products -- talking and nontalking Language Master series, Spelling Ace, Wordmaster. Company didn't say whether patent also covers principles used in competing machines.

STEREO IN 27% OF TVs: More than 27% of color TVs sold in first quarter had MTS stereo, EIA said, compared with 23.2% in same 1988 period. For quarter, MTS stereo set sales were up 39.2% compared with 18.2% increase for total color set sales to dealers. Here's month-by-month tally of MTS set sales for first quarter:

MTS STEREO IN DIRECT-VIEW COLOR SETS

Month	1989	% of Total	1988	% of Total	% Change
January...	378,217*	27.4	279,852	22.9	+35.1
February...	432,298*	26.8	319,234	23.9	+35.4
March.....	569,498	27.3	392,242	22.8	+45.2
TOTAL . . .	1,380,013	27.1	991,332	23.2	+39.2

Commtron is shifting consumer electronics and some recorded videocassettes from its 16 branches to 2 national distribution centers. New facility in Salt Lake City for West and expanded Chicago center for East are intended to speed delivery and improve fill rates, providing more than 90% of customer base with 2nd-day service via UPS ground delivery, Commtron said. Pres.-CEO Gary Rockhold emphasized it will continue to distribute new video releases, "high-demand consumer electronics items and fast-moving sellthrough and catalog titles" at 16 branches, "providing for convenient walk-in service."

Hitachi was named one of 2 "Sources of the Year" for 1988 by Sears Merchandise Group. Ohio Mattress Co. was other. Companies were hailed for "outstanding performance during 1988 in manufacturing, innovation, marketing and service." Hitachi was cited specifically for "its dedication to customer focus in all facets of its operations, especially research and development," and introduction of lightweight, full-sized camcorder with accessory lenses and carrying case.

Sears Merchandise Group distribution network has been established as separate subsidiary, Sears Logistics Services, with hq in Chicago, to offer services to 3rd party customers as well as Sears in retailer's move to "become more competitive in all segments," Merchandise Group Chmn.-CEO Michael Bozic said. Sears Logistics Services will provide distribution services "at competitive costs" to Sears and others.

Sales of U.S.-made electronic products and services totaled \$69.4 billion in first quarter of 1989, up 5.5% from \$65.8 billion in same 1988 period, American Electronics Assn. (AEA) reported. First-quarter sales were down 6.3% from record \$74.1 billion in 1988 4th quarter. New orders in quarter were \$69 billion. March sales rose 5.5% to \$26.4 billion, and orders totaled \$25.4 billion.

Panasonic microwave ovens are being shipped to Europe from U.S., said Matsushita Electric Corp. America., parent of Matsushita Cooking Appliance Co., Franklin Park, Ill. In first shipment, 1,000 ovens will be delivered to W. Germany and distributed by Panasonic Deutschland. Matsushita said it plans to ship 50,000 products in first year.

EEC withdrew proposal to reclassify camcorders as VCRs rather than cameras for duty purposes, which would have more than tripled duties, after protest by EIAJ (TVD May 29 p20).

Sears is marketing refrigerators in Japan through "Sears Corners" at Dai-ichi Katei stores. Other Sears products, including electronics, are to be offered in future.

SONY'S NEW PRODUCTS: As is becoming traditional, Sony unveiled fistful of new products on eve of Consumer Electronics Show (see also separate report) and expressed some outspoken opinions, including disappointment with videodisc player market.

Sony premiered its 2nd wave of VHS products -- 3 high-end decks -- year after entering VHS market with intention of becoming major supplier (TVD June 6 p10). Hi-fi editing deck will be \$1,200 in Sept., hi-fi VCR \$750 in Aug.; 3rd model (\$600 in Aug.) has Sony's Swing Shuttle Dial, picture search control that allows tape to move forward or reverse in variable speeds of 1/10, 1/5, normal, twice normal or high speed. All 3 feature new Rapid Access Tape Transport System that allows quicker access (less than one sec. from stop to playback) to video image. VCRs, all 4-head, feature advanced menu on-screen reference and control system, audio/video inputs on front panels, 181-channel tuners.

New Handycam 8mm camcorder from Sony measures 4.25" x 4.25" x 6.9" and weighs 1 lb. 12 oz. Small size is achieved by use of new FL tape transport mechanism (TVD Aug 1 p9) and 4-layer circuit board, Sony Personal Video Mktg. Vp Yuki Nozoe said. Camcorder has 6x zoom lens, 4-lux sensitivity, variable speed shutter, available in Aug. at \$1,500.

Sony still is active in Beta, with 2 new VCRs. Hi-Fi version has digital effects, including picture-in-picture, at \$1,100, and 2nd model at \$500.

Also introduced were 2 multidisc laser players that provide 425 lines of horizontal resolution, with S-video output, digital effects. Players have color dropout compensation and noise reduction features. Models are \$700 and \$1,100 and will be available in Sept.

Sales of videodisc players have been "very slow," Nobuyuki Idei, Sony dir. and senior gen. mgr. of Home Video Group in Japan, conceded at news conference in N.Y. He said Sony will ask Pioneer to allow companies to use "Laserdisc" trademark as generic product name for optical disc players -- indicating Sony doesn't care much for CD-Video designation. Idei saw laser as "core of future audio-video systems." Home Video Vp Marnix Van Gemert said Sony subsidiary Digital Audio Disc Corp. (DADC) will begin producing 100,000 laserdiscs per month soon at its Terre Haute plant. He said perceived lack of software and pricey hardware have held back sales of players.

Sony will expand its R&D efforts in computer and communications areas over next several years, "but video is still our most important product," Idei said. Video equipment accounts for more than 50% of Sony's total sales, he said. "We would like to be the No. 1 company in video."

Boosted by new personal video market, 8mm video is among fastest growing product segments and now accounts for more than half of camcorder market in Japan and 1/3 in U.S., Nozoe said. Among hottest markets for personal video products in Japan is transportation. Railroads and airlines are buying TV/VCRs to rent to passengers, Sony said. There's "great potential" for products in U.S., where people are "outdoor-oriented," Nozoe said.

In VHS, Van Gemert said, Sony will focus on higher end replacement market in U.S. He said manufacturers are finding low-end, 2-head deck market is unprofitable. He said Sony's immediate goal in VHS was to establish

reputation as VHS supplier, not just to gain 8-10% share of market, as some predicted. He said VHS products have been "accepted well -- we're very happy with the first phase of our VHS launch." Sony officials said company has no immediate plans for Super VHS model.

* * * *

Canon's 2nd Hi8 camcorder has more conventional design than first model, which resembled 35mm still camera (TVD March 6 p13). It has wireless remote, "FlexiGrip" viewfinder-handle that can be turned 180 degrees, titling and dating, new 8x zoom lens. It's priced at \$2,199, just \$100 below original Hi8. Standard 8mm camcorder with similar features was introduced at \$1,899.

Ricoh introduced camcorder similar to Sony's lightweight model in Japan. It's made by Sony, and Ricoh plans to sell 3,000 monthly.

Camcorder sales to dealers fell in 3rd week of May, only 4th weekly decrease in first 20 weeks of 1989 and 3rd drop in 17 weeks (see State of the Industry). Even with decline, camcorder sales were up 21.4% in first 3 weeks of 4-week May, EIA said. Sales of all other video products were down in week, except direct-view color TV, which rose 3rd straight week but fell short of record. Month-to-date sales of other products: Color TV up 23.6%, projection TV down 42.8%, total VCR down 2.7%.

U.K. had trade surplus in TV receivers and VCRs in first quarter, British Radio Equipment Mfrs. Assn. (BREMA) announced. It exported about \$22.8 million more in TVs and \$4.4 million more in VCRs than it imported, group said. However, Britain's total consumer electronics industry still is in heavy deficit position, particularly in audio. TV and VCR figures don't consider imports of components used in domestic plants. All of U.K.'s volume TV and VCR producers are foreign owned.

China is plagued by VCRs assembled by "unauthorized enterprises" from parts smuggled into country, country's Market newspaper said. More than 1.3 million VCRs were offered for sale, most of "poor quality," newspaper said, far more than were produced by 9 state-approved plants. Demand led to price increases to \$1,300 last fall from \$800 in spring, Market said, adding that Shanghai already has about 9% VCR penetration.

Color TV buying plans of U.S. consumers dropped in May, following increase in April, Conference Board reports. Preliminary May survey showed 6.4% of U.S. households planned to buy color TV set within 6 months, down from revised 7% in April, and down from 8.6% in May 1988. Board's overall consumer confidence index was 117.8, up from 116.6 in April but down from 120.2 in May 1988.

Giant projection screens, 70" and over, will be produced by DNP Denmark, new company in Copenhagen suburb, established by Japan's Dai Nippon Printing, which claims to have manufactured 86% of all projection TV screens in 1988. First production, for sale to U.S. and European markets, is 1,100 screens for about \$2.1 million, equivalent to about \$1,900 per screen.

Crazy Eddie lost \$27.6 million in 4th quarter ended Feb. 26, on 12.8% lower sales. Retailer, which in March closed 17 stores to cut costs, said it might file for protection from creditors under Chapter 11 of Federal Bankruptcy Code.

JVC is building 160,000-sq.-ft. western regional hq in Cypress, Cal.



TELEVISION DIGEST
With Consumer Electronics
(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

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

Copyright ©1989 by Warren Publishing, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

2115 Ward Court, N.W., Washington, D.C. 20037
Phone: 202-872-9200 Telex: 6502173616 (Via WU)
MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435

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

WASHINGTON HEADQUARTERS

	Business		
Albert Warren	Editor & Publisher	Roy W. Easley III	Controller
Paul Warren	Sr. Ed. & Assoc. Pub.	Gary Maderom	Marketing Director
Dawson B. Nail	Executive Editor	Gene Edwards	Advertising Director
Daniel Warren	Senior Editor	Betty Alvine	Circulation Mgr.
M. E. Crowley	Managing Ed., Wash.	Deborah Jacobs	Information Systems Mgr.
Mike Schwartz	Senior Editor	NEW YORK BUREAU	
Arthur Brodsky	Senior Editor	475 Fifth Ave., N.Y. 10017	
R. Michael Feazel	Senior Editor	Phone: 212-686-5410	
Jeff Kole	Associate Editor	Facsimile (Group 3): 212-889-5097	
Kenneth Reid	Associate Editor	David Lachenbruch	Editorial Dir.
Jeff Hennessy	Production Editor	Paul Gluckman	Senior Editor
Television and Cable Factbook		Lise Lilenthal	Associate Editor
Michael Taliaferro	Managing Editor	Robert Violino	Associate Editor
Mary Appel	Editorial Director	Michael Peck	Assistant Editor
Richard Koch	Assistant Managing Editor	JAPANESE REPRESENTATIVE	
Daniel Kohlmeier	Sr. Ed. & Editorial Supv.	Editorial and Circulation	
Maria B. Lawrence	Sr. Ed. & Editorial Supv.	CES International/Asia	
Susan M. Breig	Production Supv.	1-18-2 Nishi Shinbashi, Minato-ku	
Market Research & Data Sales Division		Tokyo 105, Japan	
Lynn Levine	Director	Phone: (03) 592-1531	
Nancy Cramer	Assistant Director	Facsimile: (03) 592-1532	

I'm interested in *Television Digest With Consumer Electronics* and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.

The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to *Television Digest With Consumer Electronics*.

Signature _____
Name _____
Company _____
Address _____
City _____ State _____ Zip _____

Consumer Electronics Personals

Richard Moss, ex-mktg. mgr., promoted to general sales mgr., Corning Asahi Video Products (CAV); **Wendell Weeks**, ex-Corning, named CAV business mgr... **Akio Tanii**, Matsushita Electric (Japan) pres., elected EIAJ chmn. for 2-year term, succeeding Hitachi Pres. **Katsushige Mita**... **Heitaro Nakajima**, Sony, and **Johnannes Petrus Sinjou**, Philips International, are recipients of first IEEE Masaru Ibuka Award for outstanding contributions to consumer electronics technology; they will be cited for development work on Compact Disc system at this week's International Conference on Consumer Electronics (ICCE) in Chicago.

Robert Kuczak, national sales mgr., promoted to Fuji Magnetic Products sales dir., new post... **Robert Mulhall** moves to Quasar midwest zone mgr. from midwest zone regional sales mgr., is succeeded by **Thomas McCormack**, TV Div. mktg. mgr... **Robert Bandel**, ex-Kraco, joins Emerson as western regional sales mgr... **Stewart Cyment**, video products national sales mgr., appointed Sanyo Fisher portable audio national sales mgr., succeeding **Curt Henninger**, who moves to Circuit City; **Kelly Smith**, mktg. mgr., succeeds Cyment... **Robert Nichols** named Shintom West customer service dir.

Thomas Tucker, for many years in charge of advanced development for GE's consumer electronics operation, now is

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
Crazy Eddie 1989-year to Feb. 26	253,398,000	(954,000)	—*
1988-year to Feb. 26	315,539,000	(109,098,000)	—
1989-13 wk. to Feb. 26	77,057,000	(27,560,000)	—*
1988-13 wk. to Feb. 26	88,359,000	(25,762,000)	—
Falcon Cable Systems 1989-qtr. to March 31	6,779,600	(786,800)	—
1988-qtr. to March 31	5,624,200	(119,900)	—
Microdyne 1989-26 wk. to April 30	9,502,000	240,000	.06*
1988-26 wk. to May 1	10,003,000	(233,000)	—
1989-13 wk. to April 30	5,095,000	189,000	.05*
1988-13 wk. to May 1	5,371,000	54,000	.01*
TCA Cable TV 1989-6 mo. to April 30	37,256,000	5,797,000	.48
1988-6 mo. to April 30	33,105,000	3,929,000	.33
1989-qtr. to April 30	18,961,000	2,916,000	.24
1988-qtr. to April 30	17,011,000	2,052,000	.17

Note: *Includes special credit.

pres. of GE's Asia-Pacific Area; he is interviewed about program to train Chinese managers in May 22-26 Beijing Review... **John Murphy**, U.S. field operations dir., named Apple Computer eastern operations vp-gen. mgr... **Richard Cook**, sales mgr., promoted to sales vp, Bondwell Office Automation Div... **Janet Wells** appointed Beltronics mktg. services mgr... **John Sunderland** named Audiovox cellular phones southeast region sales mgr.

Stephen DeFrisco, ex-Axon, joins Data East as videogame design dir... **George Green** advanced to Ricoh home office/alternate channels special account mktg. dir... **Thomas Weintrob**, Highland Superstores national buyer, VCRs and camcorders, adds phone products; **Gary Bale**, microwave oven buyer, adds major appliances... **Fran Applestein**, ex-Yamaha, joins U.K.'s Mission Electronics as U.S. sales & mktg. vp.

Gary Hunt, ex-Karl-Lorimar Home Video, named New Star Video pres... KVC Pres. **John Schuh** to depart later this month; ex-MGM/UA Home Video Pres. **William Gallagher** retained as consultant... Qintex Entertainment Pres.-CEO **David Evans** to assume same title at United Artists Corp., which Qintex is buying... Changes at CBS/Fox: **Michael Beck** promoted to national sales mgr. based in Chicago; **Scott Ryder**, ex-Magnum, joins as regional sales mgr. based in Denver; **Eric Trovinger**, ex-Paramount and Baker & Taylor, named regional sales mgr. based in Cal... **Ted Rosenblatt** advanced to Media Home Entertainment foreign sales and administration vp; **Barbara Hodgson** promoted to PR vp... **Ila Dane** promoted to IVE mktg. services dir.

Electronic voice-changing microphone that lets user sound like Darth Vader or 15 other voices is being demonstrated by Ohio Art at Consumer Electronics Show. Microchip-controlled Dynamike has jack for stereo or boom box. Also at CES, Bondwell Industrial is showing line of Nintendo-compatible videogame joysticks.

Taiwan govt. will close illegal "video parlors" where unlicensed videocassettes from U.S. are shown, Govt. Information Office Dir.-Gen. Shaw Yu-ming said.

TELEVISION DIGEST®

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

With Consumer Electronics

JUNE 12, 1989

VOL. 29, NO. 24

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

TIME INC. STOCK SOARS after Paramount offer. Wall St. sees \$175 per share as new floor. Bitter battle continues. (P. 1)

CBS GETTING READY for fall and 1990s. Stringer concedes problems in prime time, but affiliates prove upbeat at convention vs. year ago. (P. 3)

VERTICAL INTEGRATION OKAY, says NCTA study. Claims investment in programming benefits consumers, doesn't serve as barrier to others. (P. 6)

McCAW BIDS FOR LIN, causing telco and cellular issues to jump; \$6.5 billion acquisition proposed. (P. 6)

INDUSTRY FORECAST: TV, cable prices seen likely to flatten, even dip temporarily, analysts say. Near-record \$3,400 per sub transaction reported. (P. 7)

WHITTLE SERVICE SETS LAUNCH: Instructional and teacher's in-service channels added; ads remain in newscast. (P. 7)

MARKEY PUSHING AHEAD with cable foreign ownership curbs. Plans set for June 15 hearing on national security concerns. Inouye, Patrick also speak out. (P. 7)

ANOTHER HDTV BILL: Hollings planning to propose up to \$30 million in development funds for NIST. Delay in Commerce Dept. policy paper. (P. 8)

PARAMOUNT PUSHES TIME AND WARNER TO WALL: Paramount Communications Inc. (PCI) barged in on planned merger of Time Inc. and Warner Communications (WCI) last week with \$10.7 billion bid for Time. Offer: (1) Ignited billion-dollar suit against Citibank by WCI. (2) Locked Time board into all-day strategy meeting June 8. (3) Set off legal battle in Del. Chancery Court on proposed Time-WCI stock swap defense. (4) Pushed Time Inc. Chmn. Richard Munro into writing bitter letter to PCI Chmn. Martin Davis, questioning his integrity and sounding ominous note. On June 9, PCI filed application with FCC for 2-step trust, naming former Defense Secy. Donald Rumsfeld as voting trustee. It also sought transfer of FCC licenses held by Time Inc. If approved by FCC, trust would allow PCI to take down shares under terms of tender before receiving all required FCC approvals.

Tender offer of \$175 cash per share was described by some as fatal blow to Time-Warner merger. At the least, it's seen as changing form of that proposed friendly transaction, announced in March (TVD March 13 pl). Wall St. welcomed PCI bid, made after market closed June 6, by pushing up value of Time stock 44 points to 170 per share June 7. At week's end, Time closed at 170, WCI at 56, up 1/2, and PCI at 59-1/8, up 3/4. "I think realistically by the time this one is over, the price [for Time] will be more than \$175 [per share]," said Andrew Wallach, Drexel vp who follows PCI.

Consumer Electronics

DREAM OF CHINA as source or consumer of electronics explodes in Tiananmen Sq. American and Japanese companies pull personnel out. Future in doubt. (P. 9)

LISTLESS CES MARKS CHANGE in industry focus. Attendance is 57,446 at low-key event, but many exhibitors satisfied. Major new products scarce. (P. 10)

VIDEOGAMES IN CES spotlight again, as Nintendo, Sega, Atari, NEC display new hardware systems. Show also features numerous software introductions. (P. 11)

COLOR TV STARS in otherwise dreadful May with 16.2% advance. Projection TV sales plummet, VCR decks off sharply, camcorders rise by small margin. (P. 12)

NEW TAPE LINES debut from Fuji and TDK at CES. Companies also unveil colored floppy discs and slew of audio, videotape promotions. (P. 13)

MALAYSIA ATTRACTS growing number of Japanese electronics firms trying to escape higher yen. Latest in country are Onkyo and Funai. (P. 13)

HDTV 'MARATHON' at CES features congressional and industry speakers who say consumers will play major role in advanced TV. (P. 14)

GO-VIDEO PRICES 2-head machine at \$995, says 10,000 Korean-made VCRs will be ready for Christmas. (P. 14)

In letter to Davis, Munro said: "Hostile takeovers are a little like wars. Once they start, it's impossible to tell where they may end. The full effect of what you've set in motion remains to be seen." Effect on Time management and directors, so far, has been to give them approximately \$150 million profit on their 6% interest in company. Employees, who own about 3% of Time, gained \$75 million. Another big winner on paper was Donald Trump, who has \$123 million increase on his 2.8 million shares.

Paramount bid sounded alarms with Senate Antitrust Subcommittee Chmn. Metzenbaum (D-O.), who expressed concerns similar to those he voiced on Time-Warner, saying large acquisition would result in less diversity and hurt consumers with higher prices. Senator made his views known to James Rill, Bush Administration candidate to become asst. attorney gen. for antitrust at Justice Dept., who was paying courtesy call on Metzenbaum June 7. INTV, which also had opposed Time-Warner deal, was much more soft-spoken on PCI bid, considering Paramount has option to acquire TVX and its independent stations and in process gain seat on INTV board. INTV Pres. Preston Padden said that PCI has been ally of independent stations and that it was "encouraging" to see company with those sensitivities proposing to acquire Time's cable operations. Nevertheless, "good-will alone cannot form an adequate foundation for long-term marketplace stability," Padden said, and to assure competition, govt. must create rules that provide access to cable and equitable channel allocations for local broadcasters.

Analysts were surprised by Paramount bid, predicted long, vicious battle. Following PCI offer, Time immediately asked shareholders not to do anything until they had heard from Time. While merger is stock swap (not cash) and not readily comparable with PCI tender offer, some have put \$113 per-share value on Time shares in merger, making PCI offer much more attractive in eyes of average Time shareholder, analysts said. PCI rapped merger, saying it was in effect sale of Time to Warner because WCI shareholders would control 60% of equity and voting power of combined company. Time-Warner deal calls for Time to pay 0.465 of a Time share for each Warner share.

Since Time-Warner merger was first proposed, it has passed regulatory hurdles at DoJ, FTC and FCC, winning 18-month waiver of broadcast-cable cross-ownership rule to allow for sale of cable systems serving 220,000 subscribers (TVD May 29 p8). WCI also tried to clear path to quick resolution by settling suit with Chris-Craft, giving in on key points rather than drag out merger with Time. One of those points -- right of first refusal on Chris-Craft's 15% stake in WCI -- could come back to haunt WCI should Chris-Craft enter bidding or opt to sell its interest to 3rd party.

Meanwhile, representatives of PCI, which changed its name earlier last week from Gulf & Western, were making rounds on Capitol Hill talking with staffers and lawmakers, notably House Commerce Committee Chmn. Dingell (D-Mich.). One aide told us that message was much same as Time-Warner's -- that merger would create integrated media company that would be able to compete internationally. Davis said deal would create "foremost American communications company, capable of competing on a global scale against foreign media giants." One difference between PCI offer and Time-Warner merger is amount of debt PCI would have to take on to complete transaction; it already has commitment of \$1 billion in senior bank debt from Citibank, and is confident it can raise other \$13 billion it expects to need. Selling point by Time-Warner had been that merger wouldn't encumber new company with large debt.

John Reidy, media analyst with Drexel, said it was unlikely shareholder meetings would be held June 23 as scheduled unless PCI withdrew offer. While PCI bid is seen as credible, Reidy said that "they're [PCI] as vulnerable as anyone," noting that with bid, PCI becomes takeover target itself. PCI also is in process of selling financial unit The Associates, Reidy noted, for \$3.5-\$5 billion; unit had \$2.1 billion revenues last year.

Time and Warner included lock-up stock swap arrangement in merger plan, under which almost 7.1 million Time shares (11.1% of Time after dilution) would be exchanged for 17.3 million WCI shares (9.4% of WCI after dilution). That agreement was challenged June 7 in suit PCI filed in Del. Chancery Court seeking to prohibit Time and WCI from activating lock-up, PCI spokeswoman said. There was hearing June 9 in Chancery Court to gather further information on Time-Warner stock swap; details weren't available at our deadline. Meanwhile, WCI filed \$1 billion suit against Citibank, lead bank for PCI, in N.Y. State Supreme Court. WCI spokesman Geoffrey Holmes said that on March 8, WCI asked and received from Citibank 90-day period in which bank wouldn't discuss, or actively participate in, any bid for Time or Warner. That period expired June 6. Citicorp said it was surprised at suit, denied it had violated any agreement with Warner.

Among handful of weapons Time has at its disposal to fight off PCI, it could buy WCI outright for cash, or WCI could buy Time. Time has lined up \$5 billion credit line and has said it was prepared to make deal, which wouldn't require stockholder approval. But Time board would have to give its blessing, and some

believe it may balk because of potential for shareholder suits. Acquisition also would create large amount of good-will -- amount paid for entity that exceeds its net book value -- that Time would have to charge against earnings for many years.

PaineWebber's Kendrick Noble expected Time to buy WCI outright in cash deal and said PCI wouldn't be interested in combination, which would create entity with market value of nearly \$17 billion. Noble also said his arbitrage analyst expects other bids for Time, with list of "usual suspects," including GE, Robert Bass Group, Cablevision Systems. We're told that Cap/ABC, often mentioned as would-be bidder, has no interest in entering Time-Warner-PCI fray. Noble said PCI held meeting with analysts last week and when question arose as to whether PCI now was takeover target itself, company said that if fair offer came in, it would be considered seriously. In letter announcing tender offer, PCI said all aspects of its bid were open to negotiation and that it wanted no favored status, inside track or lock-up arrangement. It said it wouldn't solicit proxies on Time-Warner agreement and would withdraw offer immediately if Time shareholders approved WCI deal.

Paramount entertainment interests include PCI Pictures, PCI TV and PCI Home Video, Madison Sq. Garden (MSG), MSG Network cable channel, half interest in USA Network, N.Y. Knicks, N.Y. Rangers. In book publishing, it owns Simon & Schuster, Prentice-Hall, Pocket Books, Silver, Burdett & Ginn. It also holds option to acquire Salomon Bros.' 79% interest in TVX Bestg., which could translate into control of 5 independent TV stations. Time owns 82% of cable system operator ATC, all of HBO and Cinemax, has magazine group led by Time and People, owns Book-of-the-Month Club, publishers Little, Brown and Scott, Foresman, 14% of TBS. Like WCI's Warner Bros., PCI has exclusive film deal with HBO. It had \$3.1 billion revenues in 1988, excluding The Associates, and \$385 million net income (\$3.21 per share). Time reported \$4.5 billion revenues and \$289 million net income last year and WCI had \$4.2 billion revenues, \$423 million net income.

Battle involves some of leading law firms and investment bankers. Time Inc. has N.Y. law firms Cravath, Swaine & Moore; Skadden, Arps, Slate, Meagher & Flom; plus Bryan, Cave, McPheeers & McRoberts in Washington. It has investment banker Wasserstein Perella & Co., and Shearson, Lehman, Hutton. WCI has N.Y. law firm Paul, Weiss, Rifkind, Wharton & Garrison and Lazard Freres & Co. and Alpine Capital as financial advisers. PCI is using N.Y. law firm Simpson, Thacher & Bartlett, plus Leventhal, Senter & Lerman in Washington, has hired Morgan Stanley as investment banker.

Meanwhile, in application for trust filed on behalf of Paramount Communications Inc. and unit KDS Acquisition, Paramount said it's seeking either (1) 32,314,718 shares of Time, which Paramount said would represent 57% of its outstanding stock, or (2) 50% plus one vote of Time on fully diluted basis, KDS said in documents filed with FCC. If Paramount wins Time and acquires 49% of TVX Best. Group, Paramount said it would have to dispose of ATC cable systems serving about 8% of its total subscribers. TV stations are in Philadelphia, Washington, Houston, Raleigh-Durham and Ft. Worth-Dallas. Along with trust, Paramount filed for exemption from spousal attribution for wife of KDS Acquisition officer Ronald Nelson, who is married to Joyce Fields, treas. of Times Mirror. Paramount said that if Nelson is attributed with his wife's positional interest in Times Mirror properties, he would be deemed to hold prohibited cross-interests in 4 Times Mirror TV markets, since Time Inc. has cable systems in each market -- Dallas/Ft. Worth, Austin, Birmingham, St. Louis.

Paramount said it has no cognizable media interests now under FCC rules but in April 1980 it acquired 8.5% of General Tire & Rubber, which at time owned RKO General. Over next few years, Paramount built that investment up to 25%, then sold it in June 1983. Paramount said it at no time participated in any of discussions of decisions affecting management of RKO General or any of its stations.

CBS TV AFFILIATES UPBEAT vs. YEAR AGO: Despite network's 2nd straight 3rd-place finish in prime time, CBS TV affiliates were in generally upbeat mood at their annual convention with network executives in L.A. last week. Potentially divisive issue of compensation was defused before start of convention by CBS Pres. Laurence Tisch, who pledged in 5-page June 1 letter to affiliates that network has no "intention of seeking to eliminate, abolish or destroy the traditional system of affiliate compensation."

Referring to criticisms of Tisch's leadership that surfaced at 1988 closed meeting and loud complaints about network's lack of effective prime-time promotion plan, CBS Best. Group Pres. Howard Stringer called this year's closed session with network officials "remarkably benign." He said 1988 convention was like "being in the OK corral" for CBS executives. Only one question (on lowest unit rate for candidates' ads) was

asked at closed affiliates-only session, and at meeting next day with network officials, only 4 questions were asked.

At June 4 news conference, CBS Affiliate Relations Pres. Tony Malara was critical of new NBC compensation plan that will be based on ratings, clearances and general overall performance of affiliates (TVD May 29 p2). He said CBS has been basing compensation on performance since 1980, and "market-by-market approach is the only absolutely fair way to do it. It is absolutely insane to consider 217 affiliates to be alike... There is no [CBS] attempt to recapture specific dollars" of \$172 million network pays annually in compensation. He said that since CBS pays much more in compensation than NBC (\$146.1 million) and ABC (\$125 million), "we're just asking you [affiliates] to understand... that we do have room for compensation adjustments." TV Affiliates' Chmn. Ben Tucker, Retlaw Bctg., said "the overall mood [of affiliates] is very optimistic."

In his letter, Tisch said: "We accept the general system of affiliate compensation... and we believe that it will continue to exist as a fundamental element of the American broadcasting system." However, he said that in 1984 TV network "earned several hundred million dollars. Over the next 4 years, network earnings declined consistently to below \$100 million last year on revenues of more than \$2 billion. At the same time, the combined earnings of our affiliated stations taken as a group increased each year... We have not come to the affiliates and tried to reverse our fortunes on your backs. On the contrary... we have taken firm and difficult steps throughout the CBS organization to increase efficiency and eliminate unnecessary expenditures." As result, Tisch said, CBS has cut annual operating expenses \$200 million: "Had we not taken these steps, our results in 1988 would have been disastrous -- with the network significantly in the red."

Tisch said that while CBS will continue to provide compensation: "We also believe that it is essential that we scrutinize this activity just as we have been doing in every other area of our operations. It is here, in the way the compensation system is being applied, that I have expressed my concerns... The affiliates should be concerned about the financial health of the network and its ability to provide the best news." He and Malara stressed that CBS hasn't set "a specific amount of money to be saved or dollar goal to be achieved" in compensation.

Each affiliate's compensation will be renegotiated when regular 2-year contracts expire, Tisch said. He said that out of 90 new contracts, signed or in negotiation, only 3 will receive "zero compensation" -- each in markets with independent VHF stations that have made pitches for CBS affiliation. "These are the rare exceptions, not the norm."

Without mentioning NBC and ABC -- both heavily involved in cable -- Tisch stressed: "CBS has, alone among the networks, focused our resources and programming efforts exclusively on over-the-air broadcasting and the future of the network-affiliate system... We have made its preservation our highest priority... We have no other agenda but to work with you to ensure our common competitiveness and prosperity for the years to come."

On coverage of crisis in China, Tisch told news conference he was "extremely proud" of job CBS News has done and is doing. In fact, at start of convention, affiliates were riveted on that situation and fate of CBS correspondent Richard Roth and sound man Derek Williams, who were taken captive for several hours in Beijing. He said expenses of news never have been problem and "the only thing I always wanted was to run the News Division [which lost many staffers in cutbacks] with a certain amount of efficiency... I mean, I don't care how much we spend as long as it gets on the air."

CBS News Pres. David Burke, asked if he had any 2nd thoughts about sending crew to China in volatile situation, responded: "No. No, that's their job, and they know it... Roth is a man who has spent a lot of time in Beirut and he's not a child on the street... The fact that you have a close scrape like this, you can't let it cloud your future decision-making."

News presentation lasted more than 2 hours, featured Dan Rather, Connie Chung (returning to CBS from NBC), Charles Kuralt and 60 Minutes Producer Don Hewitt, along with Burke (who moved over from ABC last summer). Dominant theme was network's coverage of situation in China (with live audio hook-up with Roth from Beijing), and drug abuse crisis in U.S. Nancy Reagan appeared in person on latter issue, praised work that CBS and stations have done to fight problem. Solution "is right here at home," she said. "The real solution is to dry up the supply."

CBS has developed plan for 1990s and "knows where it's going," Stringer told affiliates. He said much of "the confusion and discomfort most of us have felt over the past few years has come from our uncertainty

about the role of network television in the '90s." CBS's strategy, "reexamined after 40 years," will be based on affiliate relations, news, sports and entertainment in new competitive environment, he said.

Sports is very much in CBS game plan for 1990s, with presentation at convention centered almost entirely on network's obtaining Major League Baseball rights for 4 years, starting in 1990. Stringer exulted over fact that CBS also will have rights next year to Super Bowl, NCAA basketball championship, NBA, "and all of baseball's postseason play, climaxing with the World Series. No network has ever had that collection of great sports in one year."

As do all network executives, Stringer decried what he called unlevel playing field in competing with cable: "Free television is being denied a free marketplace. [But] in the end, logic will prevail." While acknowledging that cable is here to stay, he called wired industry "a one-armed bandit. The house takes the money. After all, they have an incredible, endless cash flow. Not because they're smarter or more creative or provide some special programs that Americans crave. It's because they take our programming... and get it at no cost whatsoever and then charge their viewers for it. They take that money and go after our best programming. This is crazy. Not just for us, but for the American people... Together, we must prevent that from happening."

Stringer denied charge that network TV is "endangered species" -- citing MPAA Pres. Jack Valenti's contention that networks have "awesome power" in MPAA's fighting repeal of financial syndication rules. Stressing how competitive forces are changing, he said 4 MPAA members are in cable ownership, 5 are TV station group owners and "one member [Fox] is a television network 2 nights a week and counting" without having to comply with restrictions FCC imposed on other 3. Collaboration with Hollywood studios is goal of CBS, he said: "I'm here to praise the studios, not to bury them. We've no interest in supplanting them. We've no enthusiasm to take all their risks. It's just that we'd be willing to share them -- if we can do the same with the profits... The creative community has nothing to fear from us. The key to our success is through collaboration with the remarkable talents of Hollywood."

Tisch told reporters of CBS's attitude about getting into cable, a la ABC and NBC: "We don't shut the door completely on the idea of cable, but at the moment we don't think it's in the best interests of CBS and its network and its affiliates that we should go all-out for cable." As for buying TV stations, he said "we keep looking at stations. There's nothing really imminent or even close at the moment... And it's a trade-in -- a good affiliation for an o&o doesn't make sense... When a special situation arises, we will be there to meet the situation. But we're not, you know, pushing to replace an affiliate with an o&o."

There have been no specific conversations about selling some of 1992 Winter Olympics package to cable, Tisch said, but he noted CBS will have available much more Olympic programming than it can handle. CBS won't compensate affiliates for baseball package or 1992 Olympics.

Issue of switching west coast prime time to 7-10 p.m. -- as in central time zone -- came up, Tucker of Retlaw Bestg. told reporters at news conference. Switch was proposed by west coast NBC affiliates at that network's convention in San Francisco last month. Tucker said there have been such discussions for last 6-7 months and there are "economic things" to consider. He said FCC's prime-time access rule also would come into play if network attempted switch. Malara said no CBS station has asked for change: "We are simply preparing ourselves because it is an issue at NBC and at ABC." However, he said, despite "earlier life style" on West Coast than East, "it's obviously not in the network's best interest to have programming delayed that long." He said CBS research is studying situation.

Promotion of new fall schedule with theme of "Get Ready" for 1990s was focus of closing session. And, unlike year ago when affiliates complained bitterly about network's lack of promotion of 1988-1989 schedule, CBS was ready this time with previously announced K mart joint promotion (TVD May 15 p4) and new one with Maxell blank video tapes.

Stringer, admitting recent problems in prime-time programming, thanked affiliates for giving network time to fix situation. He joked that CBS research has proved that network leads "with men and women 63 to 64 and 1/2" years old. CBS has "a very intelligent schedule," Stringer said. "I think it makes sense... If we get one of those comedies working, we'll springboard off of that. Nothing is as cheap as a hit, no matter how much it costs... Whatever it takes, we're willing to spend." CBS's fall schedule has 7-1/2 hours of new programming -- 3 comedies, 5 dramas -- along with 14 returning series. Network started its programming presentation to affiliates with tribute to late Lucille Ball -- long-time CBS star.

Malara, former TV network pres., said Stringer (who moved from CBS News pres. last summer to succeed Gene Jankowski as pres. of Best. Group) knows "the difference between managing and meddling..."

Nobody is happy with what has happened in the past" on CBS slide from first to 3rd in prime time. CBS Entertainment Pres. Kim LeMasters told affiliates: "I think we are moving in the right direction... We have an aggressive schedule... Being aggressive is smart."

In detailing CBS promotion plans for fall, Senior Vp-Communications George Schweitzer pledged that network "will enter the 90s aggressively with a new energy, a new feel." He was brought back to CBS last summer (after leaving to join Young & Rubicam) to head promotion efforts following affiliates' spring 1988 complaints. He said K mart promotion will reach 76 million shoppers who will become eligible to win prizes if they watch CBS. Network also plans "CBS Premiere Preview Spectacular," one-hour family entertainment special in Sept. featuring network's stars. Campaign with Maxell will include copy of network's fall schedule in more than 5 million blank videotapes, will urge viewers to tape CBS shows for later viewing.

ABC TV affiliates were gathering in L.A. over weekend for their convention starting today (June 12), also at Century Plaza Hotel. As at other 2 networks, compensation changes are expected to be major issue.

VERTICAL INTEGRATION OKAY: NCTA issued study of vertical integration in cable June 8 that found: (1) Substantial consumer benefits because cable, through integration, has developed programming that otherwise wouldn't have been produced. (2) Vertically integrated MSOs, such as TCI and ATC, aren't using cable operations to exclude competing programming networks, nor are they using program ownership to keep out competing delivery systems. Study will be part of NCTA testimony June 21 at Senate Communications Subcommittee hearings (see related story elsewhere in this issue).

Study, written by UCLA Economics Prof. Benjamin Klein for NCTA, deals entirely with carriage of services and doesn't address how vertically integrated MSOs give out channel positions or whether there were any buy-through tiering practices that vertically integrated MSOs are using.

Study concludes that enforcement of existing laws are adequate to handle any problems that may occur and that cable-specific regulation isn't necessary and has potential of crippling cable industry. Using 20 basic networks with most subscribers, Klein said MSOs aren't involved in either equity or ownership role in 7; on premium side, 2 of top 8 -- Disney Channel and Galavision -- have no MSO ownership or equity positions. Total of 400 cable systems with average of 44 channels were included in random sample, Klein said.

Klein said that at bottom level, likelihood of vertically integrated MSOs' carrying channel in which they hold interest would work out to about 3%, (1.3 channels) on average 44-channel system surveyed. Klein said this small effect implied that even if cable systems on average were using 95% of their capacity, there would be sufficient capacity to dilute any effect of bias toward programming in which MSO holds financial interest. He said his data also show 4 largest, vertically integrated MSOs -- TCI, ATC (including, perhaps prematurely, Warner), Viacom and Cablevision Systems -- don't discriminate systematically against programming in which they don't have ownership interest.

FCC was shut down June 5, along with about 50 other buildings in downtown Washington, as result of early-morning fire in Potomac Electric Power underground cables that cut off power. Area affected was between L and M Sts. and Conn. Ave. and 21st St. NW. FCC employees were given day off, and filing deadlines that day were delayed until next day. Most of FCC resumed normal operations June 6, although Commission's 2025 M St. NW location was closed for 2nd day.

McCAW BIDS FOR LIN: Nation's No. 1 cellular telephone provider last week bid \$6.5 billion (\$120 per share) for LIN Bstg. Offer, by McCaw Cellular Communications, expected for nearly year, would require LIN to hold onto its 7 TV stations, rather than spin them off into separate subsidiary as company had proposed in May. Bid pushed value of LIN's cellular service up, and caused its stock to soar 26 points day after tender offer was disclosed. LIN's stock closed June 9 at 124-1/4, unchanged from June 8; McCaw at 43-1/4, down 2-1/4.

Sources said bid was made in part to prevent tax-free TV spinoff, which could derail takeover of cellular operations. LIN's stations, all with network affiliations: KXAS-TV (Ch. 5) Ft. Worth-Dallas, NBC; KXAN-TV (Ch. 36) Austin, Tex., NBC; WAVY-TV (Ch. 10) Norfolk, NBC; WAND (Ch. 17), Decatur-Champaign-Springfield-Danville, Ill., ABC; WANE-TV (Ch. 15) Ft. Wayne, CBS; WISH-TV (Ch. 8) Indianapolis, CBS; WOTV (Ch. 8) Grand Rapids-Kalamazoo-Battle Creek, NBC.

McCaw also sued LIN last week in Del. Chancery Court, seeking nullification of LIN takeover prevention plan that would kick in automatically when and if McCaw owns 30% of LIN. McCaw already owns 9.8% and is LIN's largest shareholder. McCaw's offer expires July 6. To buy LIN, McCaw would need to acquire 48.8 million shares, 21.9 million to have majority. LIN closed first quarter March 30 with \$20.2 million in net income (38¢ per share) on \$52.9 million in net revenue.

FCC has decided not to require sponsor identification for barter programming unless there's threshold showing that case "clearly involves a nominal payment" by station. In June 1 decision on complaint brought by National Assn. of Better Bstg. against KCOP-TV L.A., Commission held unanimously that "expansive interpretation" of Communications Act's Sec. 317 "would require it to engage in a detailed review of the adequacy of a broadcaster's payment in every case in which a program discount is alleged. Such an approach... is unlikely to yield conclusive results, and could require disclosures that could cause substantial competitive harm to program suppliers." In remand of prior FCC action, U.S. Appeals Court, D.C., had instructed Commission to develop barter standard.

Correction: FCBA wants FCC, not Review Board (TVD June 5 p5), to have strict deadline for making decisions in existing comparative hearing process for awarding broadcast CPs.

TV, CABLE PRICES PLATEAU: TV station and cable system prices almost certainly have plateaued, and station prices actually could fall, cable and media analysts report. TV stations, which were selling at 16 times cash flow several years ago, now are at 10-12 times cash flow, and could drop to 9 times, First Chicago Venture Capital Vp Paul Finnegan said.

There's psychological barrier to prevent prices from falling below 10 times cash flow, Lazard Freres Gen. Partner Steven Rattner indicated, so he said prices probably will be in 10-12 multiple range until there's basic change in TV business. Rattner also said most of backlog of unsold TV stations has been absorbed by market in last few weeks. However, Finnegan said backlog isn't visible because owners who have seen "disasters" in recent sales aren't putting stations on market. He said problems such as need to restructure debt will force more stations onto market, regardless of prices, so "we'll see the breaking of the 10 barrier." Rattner and Finnegan appeared at Washington conference sponsored by FCBA and Bestg. magazine.

Pessimism in TV industry may be "going overboard," Malarkey-Taylor Assoc. Chmn. Martin Malarkey said. TV networks may be at low point now, said Dennis Leibowitz, senior vp-Donaldson, Lufkin & Jenrette, because cable building is slowing and there will be fewer new independent stations. Leibowitz is recommending buying Cap/ABC stock because he says regulatory environment will improve and TV business in general is getting better. CBS affiliates should be "nervous" about likelihood there will continue to be 3 networks, Finnegan said. He said he "wouldn't be surprised" if CBS adopted "narrower" focus, perhaps targeting sports instead of being full-service entertainment network. Leibowitz said CBS stock has been performing better than fundamentals indicate it should, which he said means stock market believes network will be sold.

Leibowitz said cable buyers are concerned it will be difficult to get immediate rate increases for many acquisitions, so there's lid on prices. Telephone companies could be major new source of capital, he said. He said Bell Atlantic, PacTel and U.S. West definitely are interested in buying cable systems. Statements came along with first word of what may be highest price ever paid for cable system. Communications Equity Assoc. Chmn. Patrick Michaels said deal has closed for cable system at price of \$3,400 per subscriber -- 22 times cash flow. He didn't identify system, but officials said it's in "reasonable growth market, definitely not a high-growth area." Many other big cable deals are in works, Malarkey said, with recent deals closing at close to 16 times cash flow. He predicted 6-8 "major deals" will be concluded in next 18 months, plus dozen or so in \$100-\$200 million range. Result will be more concentration in cable, he said.

Whittle Communications (WC) unveiled plans for nationwide high school video network June 9 that include one channel dedicated to instructional fare and another, still under development, to teacher in-service training and supplementary material. Controversial aspect of project, 12-min. daily newscast containing 2 min. of ads (TVD May 29 p9), would remain, although Chmn. Christopher Whittle said participating schools would be able to decide which classrooms would be wired. Original plan called for mandatory viewing of service in all classrooms. National rollout of service, set to debut in March 1990, was estimated at \$200 million -- sum Whittle described as 10 times company's current profits. Annual operating cost will be \$85 million-\$100 million.

CABLE FACING OWNERSHIP INQUIRY: House Telecom Subcommittee Chmn. Markey (D-Mass.) said he plans to press ahead this week with introduction of promised bill to curb cable foreign ownership, in time for panel's June 15 hearing on issue. Senate Communications Subcommittee Chmn. Inouye (D-Hawaii), meanwhile, announced plans for ambitious Subcommittee schedule, while FCC Comr. Quello said telcos probably should be able to provide video service on common carrier basis, but shouldn't be permitted to offer video programming.

Communications policy leaders made announcements at Washington conference last week sponsored by FCBA and Bestg. magazine. Markey admitted industry support was slim for his bill to subject cable to same foreign ownership restrictions as broadcasters and common carriers, will offer it nonetheless.

Inouye said he plans heavy schedule of communications policy hearings for rest of year, starting with 3 days -- June 14, 21 & 22 -- on media ownership and concentration. Senate panel also will hold oversight hearing to review 1984 Cable Act, Inouye said, suggesting late fall date. Other hearings he plans include: (1) July 12 on children's TV (S-707). (2) July 19 and 26 on curbing negative political ads and reforming lowest unit rate requirement (S-999, -1009). He also hopes to hold hearings on FCC proposals to revamp comparative license renewal process and efforts to scrap cable compulsory license, must-carry, minority ownership.

TCI and Comcast have agreed to "demanding" conditions on rates, upgrades, access channels and consumer services in tentative agreement allowing them to buy 3 Storer-owned Conn. cable systems, officials confirmed. Agreement with Conn. Office of Consumer Counsel must be approved by state Dept. of Public Utility Control (DPUC). Counsel's office said DPUC approval is likely because agreement meets all of agency's concerns, with decision expected in about month. Systems were part of largest cable buy ever -- TCI and Comcast acquisition with total value of nearly \$2.9 billion from Storer. Deal closed on rest of systems, but Conn. regulators held up approval for 3 Storer-owned systems (New Haven with 70,000 customers, Groton with 23,000, Clinton with 19,000), saying it would have meant too many Conn. systems would be in hands of "a few large national cable corporations" and that buyers were spending so much they couldn't finance upgrades. Comcast/TCI partnership must divest its stake in 3 systems within 5 years under agreement that also specifies anyone buying those systems must abide by same overall conditions. Deal calls for each system franchise to expire Dec. 31, 2000. Rates for 2 systems would be frozen until May 1990, and for 3rd until channel capacity is increased. New Haven system must be upgraded to 54 channels by end of 1992, Groton by Oct. 1993.

FCC Comr. Dennis, facing expiration of her term June 30, last week recused herself from participation in 17 common carrier items before Commission, including highly controversial AT&T Tariff 15 for competitive contracts. Sources confirmed that she has talked with Washington office of Cleveland-based law firm Jones Day Reavis & Pogue, which is involved in most of items on list. Dennis wasn't available for comment. Meanwhile, White House had no announcement at our deadline on appointments for new FCC chmn. and commissioners. Bush Administration is expected to nominate NTIA Dir. Alfred Sikes to be chmn., along with Ill. Commerce Comr. Andrew Barrett and Washington attorney Sherrie Marshall as commissioners (TVD May 29 p11). Sikes, Barrett and Marshall are Republicans. Dennis is Democrat, and Democrat or independent would have to be appointed to fill her seat if she isn't renamed.

Personals

Carl Carey, vp-gen. mgr., WNBC-TV N.Y., joins Times Mirror Bstg. July 3 as pres. and as vp of parent company, succeeding John McCrory, retiring; **Jean Williams**, asst. gen. counsel, Times Mirror, adds post of secy., succeeding **James Wallace**, retiring after 20 years with company...

David Bartlett, vp-news and programming, NBC Radio, elected RTNDA pres., as expected (TVD June 5 p4)... **Albert Rubin** advanced at ABC TV to vp-finance, administration and operations-daytime, children's and late-night entertainment, new post... **Susan Binford**, ex-communications firm Lake, Lerer & Montgomery, joins NBC as vp-media relations-West Coast.

Janice Obuchowski has been formally nominated by President Bush to be Commerce Dept. asst. secy. for communications and information and NTIA administrator, succeeding **Alfred Sikes**; **Thomas Sugrue**, chief of FCC Common Carrier Bureau Policy & Program Planning Div., resigns at end of month to join NTIA as deputy asst. secy. for communications and information; **Cynthia Work**, deputy div. chief, named acting chief... FCC calendar -- June 12: **Alex Felker**, Mass Media Bureau chief, attends Cato Institute policy forum, "Freeing the Baby Bells to Compete," 4 p.m., Rayburn Bldg.

David Bell, Bozell Inc., elected AAF chmn., to succeed Robert Blakemore, NBC-TV, July 1; **John McMennamin**, Carnation Co., named vice chmn... New inductees into Academy of ATAS TV Hall of Fame: **Roone Arledge**, **Fred Astaire**, **Joan Cooney**, **Perry Como**, **Don Hewitt**, **Carroll O'Connor**, **Barbara Walters**.

Register of Copyrights **Ralph Oman** speaks at FCBA lunch June 21, Washington Marriott Hotel... **James Robbins**, pres. of Cox Cable, addresses June 21 lunch of Washington Metropolitan Cable Club, Quality Hotel Capitol Hill... **Angela Gerken** promoted to senior vp-strategic planning, Showtime Networks... **Joseph Warren** advanced to vp-information and planning, Arts & Entertainment Cable Network... **Jon Findley** named vp-production and program development, cable's VH-1... **Thomas Fuller** resigns as deputy dir.-human resources development, CPB.

News Corp. settled \$1.5 billion lawsuit against Walt Disney Co. over launch of Disney Channel on Luxembourg's Astra satellite. Sky TV will buy Disney's interest in joint venture formed in Nov. to provide programming for satellite pay TV in U.K. and Ireland. Sky will continue to license Disney films from Touchstone Pictures and Hollywood Pictures production company for next 5 years. Disney and Sky Channel will continue to discuss terms of possible Disney Channel in Europe, but Disney no longer is obligated to offer programming and may develop new shows there, Sky said. Disney "may or may not" begin new channel there, Disney spokesman said, adding that decision will depend on outcome of negotiations, which may last 4-5 weeks.

Legal settlement that would return foreign language broadcasts to WCPN-FM Cleveland while improving prospects for public station's financial stability has been reached with Assn. of Nationalities Bsttrs. (ANB). Agreement announced June 2 calls for dismissal of \$2-million Ohio Common Pleas Court (CPC) suit brought by ANB following station's elimination of such programming last July in bid to reach wider listenership. Accord would establish 5-member advisory committee to make recommendations to station on time allocation and policy issues involving ethnic programs, which would air for 9 hours on Sundays.

HOLLINGS PLANS HDTV BILL: Another HDTV bill will be introduced shortly by Sen. Hollings (D-S.C.), he announced at hearing last week by his Commerce Committee. Chmn. said he will propose dedicating up to \$30 million in federal financing for National Institute for Science & Technology (NIST) for HDTV development.

Hollings provided few specifics at hearing on future of NIST. But aide said senator wants civilian equivalent of Pentagon's Defense Advanced Research Projects Agency (DARPA), which provides support for technology research and has pledged \$30 million in grants for HDTV R&D. Hollings, who had expected to offer bill by end of last week, now plans introduction early this week. It's expected to be co-sponsored by Sens. Bentsen (D-Tex.), possibly also Gore (D-Tenn.), others.

High-profile role in HDTV development would make NIST uncomfortable, Acting Dir. Raymond Kammer said at hearing. He took issue with recommendations in HDTV business plan proposed by American Electronics Assn. (AEA), saying he opposed involving NIST in setting standard because Commerce Dept. unit is testing, not regulatory, agency. AEA has proposed NIST devise standards, which FCC would implement (TVD May 15 p11). Kammer said suggestion conflicts with NIST role as "neutral 3rd party... NIST diminishes its ability to work with the industry the more it looks like a regulatory agency." Hollings takes broader view of NIST role, believes agency should be more activist participant in developing new technologies.

HDTV's future ultimately will be shaped in marketplace, not by govt. action, members of Congress said in HDTV panel discussion at Summer Consumer Electronics Show (CES) in Chicago. Reps. Rinaldo (R-N.J.), Campbell (R-Cal.) and Oxley (R-O.) said funding for HDTV development is most likely to come from consortium of U.S. companies, rather than from federal agencies. Oxley said "it's going to be difficult" to generate govt. funding for HDTV transmission and receiving equipment, that R&D tax credit is much more likely. Success of HDTV will be decided by consumers, and it's too early to tell whether they will accept higher cost of advanced TV, he said. Campbell said prevailing attitude on Hill is that funding should come from consortium of companies. All 3 lawmakers said they wouldn't support Zenith's proposal for tax on TV receivers to support HDTV research (TVD May 22 p14). Creation of new govt.-funded consumer electronics company to revive industry in U.S. isn't likely to be supported by Congress, Oxley said: "It doesn't have a chance. The best we could expect is a relaxation of antitrust laws" or creation of tax credits for HDTV R&D. Rinaldo agreed: "There are a tremendous number of more urgent problems" and it would take "enormous amount of money" to form company. "HDTV will be shaped by private enterprise," he said. Campbell said market, not govt., should examine where HDTV money is invested. (Other stories from CES are in Consumer Electronics section, this issue.)

OBITUARY

Ray V. Schneider, 70, innovative pioneer cable sales executive, died June 4 of emphysema at home in St. Louis. He started cable career at Williamsport, Pa., system, retired in 1977 as vp-gen. mgr. of cable sales at Times Wire, where he served 11 years. Heavy cigaret smoker, he had been on oxygen ever since. He was noted athlete, served as Army officer in World War II. Details of career are available in oral history at Penn State U. Cable TV Center & Museum. Widow, daughter survive.

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 May and year to date:

	MAY 20-26	1988 WEEK	% CHANGE	MAY 13-19	5 MONTHS 1989	5 MONTHS 1988	% CHANGE
TOTAL COLOR.....	510,152*	492,462	+ 3.6	304,692	8,130,323*	7,125,954	+14.1
DIRECT-VIEW...	506,340*	486,955	+ 4.0	302,130	8,053,861*	7,029,764	+14.6
PROJECTION....	3,812	5,507	-30.8	2,562	76,462	96,190	-20.5
TOTAL VCR.....	239,331	278,961	-14.2	123,677	3,798,212	4,157,352	- 8.6
DECKS.....	173,427	197,461	-12.2	89,987	3,131,774	3,586,896	-12.7
CAMCORDERS....	65,904	81,500	-19.1	33,690	666,438*	570,456	+16.8

Color TV 5-week moving average: 1989--401,677*; 1988--368,491 (up 9.0%).

VCR deck 5-week moving average: 1989--134,466; 1988--162,637 (down 17.3%).

Camcorder 5-week moving average: 1989--43,860*; 1988--45,430 (down 3.5%).

* Record for period.

DREAM OF CHINA EXPLODES IN TIANANMEN SQUARE: China as a source of production for U.S. and world markets and as consumer for electronic products and production equipment may have gone up in smoke of brutal massacre in Tiananmen Square last week. Opinions are divided -- at least among those directly involved, speaking on record -- but unquestionably there has been serious setback, effects of which will be felt for many years.

DRI/McGraw-Hill predicted at week's end that China's exports could fall \$10 billion this year, while manufacturing costs of made-in-China exports could go up 20% or more. In analysis from Hong Kong, Journal of Commerce noted: "How soon, if at all, China again becomes an attractive investment site is open to debate, but most people believe it could be a long time. The other big hope, of a vast consumer market, is also likely to wither."

Among companies most heavily involved in China, Philips -- with 8 joint ventures in existence or formation and perhaps like number in planning stage -- told us last week it had moved its 9 Dutch nationals there to Hong Kong, and closed all 3 of its representative offices -- in Beijing, Nanjing, Shanghai. Company's Beijing joint venture, which produces boomboxes for domestic market and export, is closed "for unknown period," company said at its hq in Eindhoven. "There has been no damage to Philips factories," spokesman said. "The situation is unpredictable, the effects unknown. In the chaos of the moment, it doesn't make sense to elaborate on the future." At present, company said, there were "no changes with regard to plans for joint ventures."

In addition to Beijing boombox factory, which produces 700,000 pieces per year, Philips' largest joint venture is Nanjing color tube plant in which it has 30% share and is contributing \$50 million. Others: Laservision, CD player and disc plant in Shenzhen, 50-50 venture with total equipment investment of \$40 million; IC plant in Shanghai, glass fiber in Wuhan, lighting in Nanjing, videocassette shells in Shenzhen, car radios in Huizhou.

Corning, involved in several major Chinese ventures including \$100 million-plus know-how pact to design and equip giant color TV glass plant in Shenzhen (TVD March 27 p14), said in response to our inquiry at weekend: "We have a total of about 70 people [in China] -- 50 employees plus dependents. We are bringing them all out. Everyone should be out by [June 11]."

Tandy, which recently opened plant in Huizhou in southern China, has had no problems, being far from disturbances, Tandy Electronics Pres. Robert McClure said. "Everything is normal," he told us. "There was a

little slowdown in truck traffic as a result of activity in Hong Kong, but that's all." As for long-term effects, he said it was too early to predict.

Most of approximately 100 offices of Japanese corporations in Beijing are closed and their Japanese staffs have gone home, Japanese govt. official said last week. Matsushita said it had no immediate plans to halt Beijing picture tube joint venture, scheduled to start full-scale production next month, but 7 of its 9 representatives in China were called home.

Hitachi's plan for VCR technology transfer to China probably will be postponed, Japanese reports indicated. Seven Hitachi officials involved in planning venture were returned to Japan, as were other Hitachi representatives and their families.

Toshiba ordered 85 employes, in China for construction of picture tube plants in Shanghai and Xianyang, back to Japan. Plants had been planned to start at year-end, with annual capability of 850,000 in Shanghai and 1.6 million in Xianyang.

Companies exhibiting or attending Consumer Electronics Show with plants in China tended to put best possible face on situation. Miko Leung, pres. of MTC Electronic Technologies, exclusive distributor of Chinese govt.-produced consumer electronic equipment, which plans to import 500,000 Chinese TV sets this year (TVD May 29 p18), told us: "No matter who is in power, China will need foreign exchange and technology, and must continue to export." (Related report on MTC will be found elsewhere in this issue.)

"The situation should have no effect on us," said Patrick To of Xiamen Overseas Chinese Electronic Co. (Xoceco, Kamp brands, private label). "We are in the Xiamen Special Economic Zone, across from Taiwan [far from scene of protests]. A change in power is coming, but China still needs trade and foreign exchange. Our only problem would be if the United States applied commercial sanctions against China."

Similar reply came from Crown U.S.A., subsidiary of Japan's Crown, which now makes all its TVs in China plant: "We really don't know what will happen," said spokesman, "but our plant is in the Shenzhen Special Economic Zone, adjacent to Hong Kong. I think we'll be protected." In this year's first quarter, total of 128,300 TV sets were imported into U.S. from mainland China, according to Commerce Dept.

Note: Sony's Pro Mavica still video camera system got workout in China by American TV networks when govt. there pulled plug on satellite transmission. ABC, CNN and NBC flew Mavica systems to China, used them to produce color stills that were transmitted to U.S. by phone.

LISTLESS CES MARKS CHANGE IN FOCUS: Less razzmatazz, less hype -- and far fewer attendees -- marked 4-day run of Summer Consumer Electronics Show 1989 in Chicago last week. Official attendance figure, by new foolproof method of counting, totaled 57,446 as compared with 70,138 at winter show last Jan. in Las Vegas (TVD Jan 23 p13).

It was first time new "exact" method of counting was employed for Chicago show, and if previous summer show figures that hovered around 100,000 were inflated, attendance unquestionably was down substantial amount from previous shows. CES Vp Dennis Corcoran said figure "was just about what we expected."

There were no riveting issues, no truly hot products at show -- at least nothing that hadn't been anticipated in advance and covered in our last 2 issues (TVD June 5 p10, May 28 p14). Much attention, once again, was focused on products that aren't quite available, leading to creation of new "wait-for" market. (Videogames are covered in separate report in this issue.)

Most heavily attended and talked-about exhibits were first 3 displays at entrance to Mall level of McCormick Place: (1) Panasonic's "products of the future" exhibit, actually rerun of Matsushita Electric Exhibit of Technology in Japan last March (TVD April 3 p9). (2) Sharp's display, particularly production version of 100" projection TV system, shown in 3 settings and going on sale here in Sept. at \$5,000, excluding screen. (3) Sony's entire exhibit, with special attention to 42" IDTV set, available in fall at \$40,000.

HDTV, subject of multiple demonstrations at previous shows, was soft-pedaled in Chicago this year. It was shown at Hitachi and Panasonic displays and in magnificent theater-size version by Barco, Fosgate and Stewart Filmscreen (probably best HDTV we've seen to date). While HDTV's presence wasn't overwhelming, it was beginning to affect consumer attitudes. Most -- but not all -- TV marketers agreed that all the talk

and publicity was causing consumer confusion, and there were many questions about it at retail, which sales persons (being almost as confused as consumers) were unequipped to answer. Some veteran TV makers expressed fear of repeat of wait-for-color recession of 1950s.

Despite some current softness at retail, many attendees said business was good, price increases were holding so well they weren't even an issue, and shortages were continuing in color TV (but not VCRs). There were advantages in lightly attended show -- it was easy to make appointments and to keep them. Most mainstream exhibitors we spoke with seemed satisfied with new dimensions of show, and press release by sponsor EIA Consumer Electronics Group stressed "quality," reporting "94% of top industry retailers" attended.

One of contributors to lower attendance was show management's stricter enforcement of eligibility requirements -- retail sales people, for example, were barred unless they met requirements as buyers; students, formerly admitted under number of categories, generally weren't allowed (with such exceptions as student editors).

Other factors in declining attendance: (1) Dealer base for industry's main products continues to shrink as multistore chains take over from Ma & Pa operations. (2) Many manufacturers and marketers are showing their products as early as March and April, and dealers already have seen and ordered them. (3) Industry is fragmenting, as specialized segments form own trade associations and/or own shows -- video software, for example, or home satellite receiving systems (none at this year's show). (4) End of "show special" bargains because of rising prices.

* * * *

Product category highlights: (1) LCD projection TV, shown by JVC, Panasonic, Sanyo and Toshiba, in addition to Sharp. Panasonic's developmental compact rear-projection 40" drew oohs and ahs, and of giant-screen models JVC's (developed with Seiko Epson) seemed to have most detailed picture. (2) Personal video products combining small LCD screen with VCRs, already described in previous issues. (3) Handheld reference products, now developing into full-fledged computers, highlighted by multiprogrammable Sharp Wizard, Casio fold-out with Qwerty keyboard -- and particularly upcoming Atari MS/DOS compatible Portfolio at \$399, with built-in word processing, weighing less than one lb. (4) Still video cameras, with Canon's widely publicized \$995 Xaphot high-band magnetic recording system showing surprisingly sharp pictures, but with Toshiba shouting out "wait" by prominently demonstrating excellent results in digital IC card format developed jointly with Fuji (TVD March 27 p9). (5) Philips demonstrated CD-I for first time at any CES, promising industrial version later this year, display of consumer model in one year. JVC formally introduced CD+Graphics player at \$500.

Promised wave of new VHS-C products and publicity started at CES, where many new models appeared, as if on cue. VCRs that can accept both full-size and compact cassettes ("F/C") were shown by Hitachi, JVC, Panasonic and Sharp, all about a year off and appearing very high priced. Details on CES events and products, in addition products already covered in last 2 weeks, will be found elsewhere in this and subsequent issues.

VIDEOGAME BOOM HOGS CES SPOTLIGHT: Biggest, noisiest and unquestionably most active exhibit of Consumer Electronics Show (CES) last week in Chicago was Nintendo booth, which isn't surprising since videogames were among hottest products in otherwise dull show (see other reports, this issue). In addition to expected debuts of 16-bit videogame systems from Sega and NEC (TVD May 29 p15) and introduction of Nintendo's b&w portable game, Atari gained back some of lost attention by unveiling color LCD handheld videogame.

Nintendo kicked off CES activities by attacking 16-bit systems as premature, saying U.S. market isn't ready for advanced systems. "There's no need for this yet in the U.S.," Mktg. Vp Peter Main said. "We could have introduced 16-bit a long time ago." He predicted there will be no market for 16-bit systems in U.S. until 1990 or later, said Nintendo will stick with 8-bit system for time being. Nintendo said its Game Boy handheld system, introduced at show, will be shipped in Aug. at \$90. Product has 2.5" b&w LCD and stereo sound and uses interchangeable cartridges, which will be sold for \$20. Nintendo plans \$13-million ad campaign for portable game, Ad Dir. William White said.

Atari unveiled color LCD game system at news conference shortly after Nintendo announcement. Atari Portable Color Entertainment System provides graphics from palette of 4,096 colors on 3.5" LCD screen (up to 16,320 pixels) and has connecting cable that can link up to 8 players at one time. It has 4-channel sound and plays credit card-sized game cards, will be available in Sept. at \$150. Epyx Inc. has agreed to supply software for system and Atari said it's in discussions with other software developers.

Portable game was developed in Silicon Valley and will be produced in U.S., although LCDs will be sourced from unidentified suppliers in Japan, Atari Pres. Sam Tramiel said. Atari plans major TV ad campaign for product, he said. First-year sales could be up to 100,000 units, depending on availability of LCDs, Tramiel said. He said Atari plans to introduce 16-bit home videogame system at "close to \$100" by 1990 first quarter. Atari also introduced 5 new software titles and light gun peripheral (\$25) for its 2600 and 7800 videogame systems. Company announced it will ship 20 additional game cartridges for its 2600, 7800 and XE videogame systems by year-end, raising total to nearly 200.

Sega drew large crowds with its new Genesis system, which it showed for first time. It also introduced modem for Genesis that allows long distance play of games over phone, as well as 12 new games for its Master System. Sega said it has signed up 20 third party software developers for new system. Mktg. Dir. Alfred Nilsen said Sega expects to sell out 16-bit game before year-end.

Resurgent videogame market is now 4-horse race, with addition of NEC. While Nintendo claims 80% of hardware and software sales, other 3 have vowed to be "next generation" leader, and each tried to tout its new product as revolutionary. NEC didn't have booth at CES but showed new TurboGrafx game in Chicago hotel. Like Sega, NEC expects to sell out of product in first year, said Home Entertainment Asst. Vp Kenneth Wirt.

Other videogame developments at CES: Sharp again showed color TV with built-in Nintendo videogame, but 19" set isn't expected to be shipped until next year, at estimated \$799. Matchbox Toys entered videogame software market with 5 automotive games (\$36 each) for Nintendo system. Acclaim Entertainment said it plans to develop and market game cartridges for Nintendo's Game Boy handheld system. First products will be shipped in first quarter of 1990, said Acclaim COO Robert Holmes. Activision introduced games for Nintendo and Sega and said it would create software for Game Boy. Micro-Games offered Nintendo LCD electronic game called Gold Cliff, featuring 144 levels of play (\$35), and 3 electronic games under its own brand (\$66-\$130). Nintendo announced 8 new software titles to be available in 2nd half of year, and showed wireless attachment that allows 4 players to play its NES, and hands-free NES controller designed for physically disabled players.

Nintendo and AT&T denied report in Wall St. Journal last week that they were about to enter partnership for information network accessible through Nintendo home videogame system. According to report, joint venture would provide stock market, travel and shopping information available on TVs through Nintendo Entertainment System. Similar service already is available to Nintendo users in Japan. Nintendo official said company "feels very positively about its discussions with AT&T in the evolution of communications network technologies," but wouldn't give details of its plans.

COLOR TV STARS IN DEPRESSED MAY: Direct-view color TV sales bounced back with strong performance in May, soaring to new seasonally adjusted high, following April's brief interruption of boom of first quarter (TVD May 15 p10). Sales through first 5 months of year were running at annual rate of record 22.41 million. Color TV turned out to be industry's only positive note in otherwise dreadful month, as VCR deck sales fell 12.2%, projection TV plunged 39.5% and camcorders rose by minuscule 1.4%.

Despite color TV picture tube shortage that seemed to have put brakes on boom in April (TVD May 15 p10), direct-view TV sales to dealers rose 16.2% to 1,508,906, record for any May. Sales increased in each of month's 4 weeks over comparable 1988 weeks, but percentage gains in last 2 weeks were much smaller than in first 2, EIA data showed. Records were set in 3 of 4 weeks. Seasonally adjusted annual rate was highest of any month in 1989 at 23.54 million, exceeding 23.49 million in March. Annual rate of 22.41 million through first 5 months was highest cumulative rate this year.

Projection TV now is mired in deep sales slump, presumably affected by large-screen direct-view sets. Sales to dealers in May fell by biggest margin of any month this year, marking 3rd straight monthly decrease and 4th in first 5 months. Projection TV sales were down in all 4 weeks of May, by huge amounts in last 3 weeks. Through first 21 weeks of 1989, projection sales were off 20.5%. Seasonally adjusted annual rate in May was 206,153, down from 212,089 in April. For 5 months, annual rate was 232,903, down from 238,606 after 4 months.

VCR deck sales continued to dwindle in May, down 9.8% to 490,779, lowest total of year. Annual rate for May was 8.39 million, same as April, and rate through 5 months was 9.11 million, down slightly from 9.25 million for 4 months. First week of May showed big increase but it was downhill from there on. March is only month in 1989 in which deck sales have increased from 1988.

Even camcorders had sluggish month compared with last year. Although May's total of 167,354 was highest of any month this year and set record for any May, gain was only 1.4%, with outdoor picture-taking season in full swing. That compares with earlier monthly increases of 17.5% in April, 37.9% in March, 17.4% in Feb., 16.3% in Jan. Seasonally adjusted rate in May was 2.5 million, down slightly from 2.58 million in April. Through first 5 months, rate was 2.59 million, off from 2.63 million in 4 months. It was odd month for camcorders, with huge sales increases in first 2 weeks and sharp declines in last 2.

Final week of May was accurate reflection of entire month, with direct-view color TV up and everything else down. Weekly sales records were set by direct-view and total color TVs. Here are EIA's figures on sales to dealers for May:

Product	MAY 1989	MAY 1988	% CHANGE	MAY 1987
Total color....	1,520,801*	1,317,705	+15.4	1,250,046
Direct-view...	1,508,906*	1,298,057	+16.2	1,234,394
Projection....	11,895	19,648*	-39.5	15,652
Total home VCR..	658,113	709,275	-7.2	778,497
Decks.....	490,779	544,239	-12.2	665,412
Camcorders....	167,354*	165,036	+1.4	113,085

* Record for any May

TAPE AT CES: Fuji's Magnetic Products Div. introduced new line of audio tapes aimed at young adults at Consumer Electronics Show in Chicago. Introduction follows recent Fuji-sponsored survey that showed young adults (16-24) constitute 27% of blank audio cassette users (TVD May 29 p21). Audio tapes will be available in Sept. in 60-min. (\$3.50), 74-min. (\$3.80), 90-min. (\$4).

Fuji also introduced 3.5" high-density floppy discs with color-coded shells and unveiled its first 2" floppy discs for U.S. market. It said it's aiming smaller discs at growing laptop computer market. Same discs are used for still video cameras.

TDK didn't exhibit at show but introduced color-coded floppy discs in 3.5" and 5.25" formats. Discs will be available in 10-packs, TDK said. TDK said it expects colored discs eventually to account for 60-70% of its disc sales. It said its first U.S. plant for 3.5" discs will begin operating in Irvine, Cal., in Sept., producing 4.5 million discs per month.

TDK also said it will begin shipments of Hi8 (high-band) 8mm videocassettes and video floppy discs in Japan this month. U.S. availability will be announced "in near future." Hi8 cassettes will be available in metal-evaporated and metal-particle formulations, company said. Video floppies are designed for new electronic still-video cameras.

In separate announcement out of Tokyo, TDK said it will build factory for production of magnetic recording media in Luxembourg. Factory will open in Nov. 1990, make 7 million audio tapes and 4 million videotapes monthly, employ 600.

World market shares of TV manufacturers, as compiled by BIS Mackintosh, show Korea's 2 majors in 2nd tier just behind 3 leaders. Estimated sales of color TVs in units in non-Communist world market: (1-3) Matsushita, Philips, Thomson, 6.5-7 million each. (4-5) Goldstar, Samsung, 5.5 million each. (6) Sony, 4.5 million. (7) Toshiba, 3.5-4 million. (8-9) Sanyo, Hitachi, 3-3.5 million each. (10-11) Grundig, Nokia, 2.2 million each. (12) Zenith, 2.1 million. (13) Mitsubishi, 2 million. (14) Tatung, 1.5-2 million. (15) JVC, 1.5 million. Total TV sales in countries were 62 million, of world total of 90 million.

JAPANESE MOVE TO MALAYSIA: Japanese electronics companies are flocking to Malaysia to set up manufacturing facilities. Onkyo and Funai said they would start operations there, following announcement by Matsushita that it's expanding Malaysian TV operation (TVD May 29 p19) and disclosure by JVC of new audio and video plants (TVD June 5 p13). Latest announcements:

Funai has completed factory in Malaysia -- its 6th overseas manufacturing plant -- and will start production of printed circuits for color TVs and VCRs in July. Products will be shipped to assembly plants in U.S., Japan, Taiwan. Plant will employ 1,500 after expansion scheduled to begin in Oct., Funai said. When Malaysian facility is at capacity, 50% of Funai products will be made outside Japan.

Onkyo said it will establish audio manufacturing company near Kuala Lumpur. Construction begins in Aug. and Onkyo expects to begin production in March 1990. At start, plant will produce only receivers, adding Compact Disc players later. At capacity, plant will turn out 300,000 units per month, for export to U.S. and Europe. It will employ 80 at first, expanding to 200 after 3 years. Except for speaker factories in U.S. and Korea, this will be Onkyo's first overseas audio production facility.

U.S. gave Japan until July 10 to resolve dispute on access to telecommunications market there. U.S. has threatened retaliation in form of additional import duties on Japanese goods, under 1988 trade law (TVD May 15 p15). Meanwhile, in latest attempt to stave off retaliatory actions, Matsushita, Sanyo, Sharp and Sony promised to buy more semiconductors from U.S. manufacturers. Announcements followed appeal by Japanese trade official to nation's chip users to purchase more U.S.-made products. Japanese said "affirmative action" plan, in which companies attempt to buy more chips from U.S., is best long-term solution to trade conflict.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 142 yen = \$1, except where noted.

CES LOOKS AT HDTV: TV manufacturers, retailers, Congress members and industry observers talked about "vast potential" of HDTV in HDTV "marathon" at Consumer Electronics Show (CES). In 3 consecutive panel discussions, participants talked mostly about consumers' role in development of advanced TV.

U.S. consumers will "absolutely not" be satisfied with extended-definition TV (EDTV), and will demand "full HDTV," said Joseph Donahue, Thomson Consumer Electronics Technology & Business Development senior vp. He said consumers won't tolerate confusion in formation of HDTV standards. N. American Philips' Larry French said intermediate standards will cause difficulties with consumers and "complicate the compatibility issues."

U.S. must move rapidly to catch up with Japan in HDTV development, but faces stiff technological and regulatory challenges, Donahue said. It's important that all groups working on HDTV cooperate, and not "upstage each other," he said. He saw 1993 as earliest possible availability of HDTV receivers. French said Philips is having "ongoing discussions" with U.S. firms on HDTV partnerships, isn't ready to announce ventures. HDTV "fits category" of products that can be produced in U.S., he said.

At congressional HDTV panel, lawmakers said HDTV's future ultimately will be decided in marketplace, not by govt. Reps. Rinaldo (R-N.J.), Campbell (R-Cal.) and Oxley (R-O.) said funding for HDTV development is likely to come from consortium of U.S. companies, rather than federal agencies. Oxley said "it's going to be difficult" to generate U.S. funding for HDTV transmission and receiving equipment, but R&D tax credit is much more likely.

Success of HDTV will be decided by consumers, and it's too early to tell whether they will accept higher cost, Oxley said. Campbell said prevailing attitude on Capitol Hill is that funding should come from consortium.

All 3 lawmakers said they wouldn't support Zenith's proposal for tax on TV receivers to support HDTV research (TVD May 22 p14). Creation of new govt.-funded consumer electronics company to revive industry in U.S. isn't likely to be supported by Congress, Oxley said: "It doesn't have a chance. The best we could expect is a relaxation of antitrust laws" or creation of tax credits for HDTV R&D. Rinaldo agreed: "There are a tremendous number of more urgent problems" and it would take "an enormous amount of money" to form company. "HDTV will be shaped by private enterprise," he said. Campbell said market, not govt., should examine where HDTV money is invested.

Rinaldo said any discussions should cover 5 areas: (1) Compatibility with existing NTSC format. (2) Consumer choice. (3) U.S. competitiveness. (4) Coordination of entities involved in transmission, production, equipment manufacturing. (5) Cost.

In CES opening session, EIA Consumer Electronics Group Industry Vp Frank Myers, who was named pres. of Wells-Gardner last week, said "setting of a uniquely American transmission standard is critical to any hope for American success in HDTV." As for assertions that HDTV is "panacea for U.S. competitiveness problems," he cautioned against wave of trade protectionism keyed to issue.

Videogame software developer Konami Inc. moves to larger quarters: 900 Deerfield Parkway, Buffalo Grove, Ill. 60089, 312-215-5100.

GO-VIDEO PLANS: VCR-2, Go-Video's widely publicized dual-deck VHS VCR, will be priced at \$995 for first version, Chmn.-CEO Terren Dunlap said. Early prototype, displayed at Consumer Electronics Show, was quite large (20.25x4.25x16.5"), nearly twice current single-deck VCRs. Dunlap said last week 10,000 units would be available for Christmas.

D&H Distributing, Savage, Md., once RCA's largest distributor, has purchase order for 30,000 units, described by Dunlap as majority of "Go-Video's production through May 1990." Unit will be made in Korea by Samsung. Dunlap announced last week that it will use U.S.-made Intel microprocessor chip that will be shipped to Samsung for incorporation into recorder.

Model displayed at Go-Video booth had small LCD readout. Spec sheet indicates unit has longitudinal stereo with Dolby noise reduction, 43-function remote control, on-screen programming, 155 channels, is programmable for "100 years", 16 events, up to 16 hours (presumably using two T-160 8-hour cassettes). Promotional material indicates VCR-2 can copy tape with use of single button, doesn't mention it will have special circuitry to prevent duplication of Macrovision-encoded recorded tape.

Press material also says deck is capable of "fast and professional editing," recording 2 programs at same time (although specs indicate VCR-2 has only one tuner) and recording one program while playing another.

Dunlap told us unit will have 5-year parts and labor warranty and 2d model will be "desk-type editing machine, including a monitor with split screen." Asked about possibility of Super VHS, he said Go-Video can "make a machine as good as S-VHS" using standard VHS system. JVC hasn't licensed any Korean or other non-Japanese manufacturers to make S-VHS recorders.

Go-Video's press kit is headlined "America's On Top Again," calls introduction of VCR-2 "strong statement that America is returning as the leader in consumer electronics... Reality has surpassed anticipation. And America's back on top."

Goldstar videotape production at Huntsville, Ala., will be primarily for own brand rather than duplicator market as stated here last week (TVD June 5 p13). Starting in July, 3-shift operation will have capacity for 800,000-1 million cassettes monthly. Tapes will be loaded, labeled and packaged there. Steve Chung, Goldstar (U.S.) pres., called development "another step in the expansion of Goldstar's Magnetic Media Product Div." At CES, Goldstar displayed comprehensive line of video and audio tape products in all formats and grades. Magnetic Media Products Div. Mktg. & Sales Dir. Joseph Stevens said Goldstar would promote tape line aggressively, with quality equal to or better than major tape brands but at "minor prices."

Sony's in-flight entertainment system, ACSES (Aircraft Cabin Service & Entertainment System), will be installed on 26 Boeing 747-400s purchased by All Nippon Airways (ANA). Service will be offered in first and business class on all international flights, beginning in 1990. ACSES consists of 5" color LCD monitor attached to each armrest, headphones, control downloader, CD player, 8mm video deck. Passengers will be able to select from 6 video programs, 8 music programs, 7 videogames. Two-way data transmission for meal orders, duty-free shopping and other functions also will be available.

NEW LINES AT CES: Philips and Quasar used Consumer Electronics Show for first public exposure of their new lines. Here are highlights:

Philips introduced 16 new direct-view and 3 projection TVs, making total of 5 IDTV sets. Line starts with 20" mono model with preprogrammed universal remote, on-screen menus, at \$369, MTS monitor receiver \$429, surround sound models with 500 lines of horizontal resolution, S-VHS inputs \$499 and \$529. Basic 27" MTS stereo model with 600 lines of resolution is \$649, model with S-VHS input and universal remote is \$799, similar model with side-mounted speakers \$829, PIP model \$999; two 27" consoles with surround sound, S-VHS, \$1,049; 31" IDTV table model is \$1,899, console \$2,100. New projection TVs, all with PIP, are 41" at \$2,499, 46" at \$2,699, 52" at \$3,299.

Philips VCRs, all with 4 heads, start at \$399, with hi-fi stereo at \$599, first surround sound VCR designed for use with stereo TV or home audio system at \$649, S-VHS with barcode programmer \$1,099, digital S-VHS with jog/shuttle, fast start, time base corrector, zoom, picture memory, digital noise reduction \$1,899. Three of Philips' VCRs are made by Philips Japan, 2 by Matsushita. It introduced its first VHS-C camcorder with flying erase, synchro edit, 3-position high-speed shutter at \$1,099. New full-sized model is \$1,299, 8x zoom version \$1,499. Philips also showed CD and videodisc player at \$949.

Quasar color TV line is expanded, and 90% of models 20" and larger have stereo. It starts with 10" Fashion Accent models at \$310; lead 13" model is open, followed by steps at \$330 and \$350; there are two 19" models, one open and remote version at \$390; 20", all remote, start at \$390 and \$420, with stereo version \$490, stereo monitor model \$530; 25" table monitor receiver is \$630, stereo version \$700; 27" stereo monitor receivers are \$800 and \$920; 31" version still is unpriced.

Consoles start with 25" open-list model, remote monitors \$620, \$700 and \$720, stereo \$730, \$790 and \$800; 27" stereo monitor receivers \$820, \$840, \$850, \$900, \$910 and \$1,020; two 31" consoles at prices to be announced.

VCR-monitor combinations are 7" AC-DC at \$1,100 (TVD May 29 p20), 13" at \$700, 20" at \$750. VCRs, all with on-screen programming, start at \$330, with barcode programming optional, larger chassis model with more features is \$340, 3-head double azimuth \$370, 4-head \$380, flying erase with synchro edit \$430, hi-fi stereo model \$540, with flying erase and synchro edit \$580, S-VHS with index search, real-time counter, barcode programming, \$890.

New Quasar camcorders have lightweight pistol-grip chassis said to be 20% lighter than former models; 3-lux models start at \$1,150, with 8x zoom, flying erase and color enhancement light \$1,300, model with built-in speaker and index search \$1,400; digital unit with 1-lux sensitivity, 8x zoom \$1,600; S-VHS \$1,700, S-VHS with digital effects \$2,000; S-VHS-C \$1,700.

* * * *

Sony was preoccupied with giants and midgets at CES. In addition to introducing 42" color set at \$40,000 (see report elsewhere in this issue), it plans to add new lower priced Color Watchman, with same 2.7" LCD as current \$549 product, but without FM tuner, at \$399. Unique new product shown to dealers but not on floor was 10" remote control color set with megabass labyrinth monophonic sound system, FM tuner, claimed to have sound rivaling that of big-screen sets, due in fall at \$599.

GRUNDIG, B&O IN DEBUTS: New European products and marketing techniques made debut at last week's Consumer Electronics Show -- from Germany's Grundig and Denmark's Bang & Olufsen.

Grundig, which has been selling sets in U.S. made to its specifications by Matsushita, introduced first of series of TVs made in Austria for sale here, deliveries starting in Nov. It's 35" multistandard (NTSC, PAL, SECAM) monitor receiver with 2-tuner picture-in-picture, 35-w per channel audio amplifier, teletext. It has list price of \$3,495 with "full 30% margin," said Esmail Hozour, CEO of distributor and importer Lextronics. Hozour said additional multistandard models in other screen sizes also would be imported from Austria.

Grundig also added Matsushita-made 4-head VCR with digital effects, including PIP, at \$549 suggested retail. Hozour said Grundig plans to stay under 1% of market share in TV. In addition to high-end TV and European stereo, it's specializing in shortwave radios.

Bang & Olufsen, which franchises exclusive retail stores in Europe, introduced similar marketing idea in U.S. last week with opening of first exclusive store in Chicago. It's pilot project, has kitchen, family room, sound room, other aspects designed to resemble home. Company envisions independently owned and operated B&O stores -- or sections of stores -- to increase awareness of brand here.

B&O formally introduced Video System 5000, combination TV and VCR it has been demonstrating for 6 months. At \$4,290, it consists of 26" monitor receiver, S-VHS digital effects VCR and motorized stand, all operated by integrated remote control that also can run B&O audio systems. Made to B&O specs by Hitachi, system uses proprietary B&O datalink bus that permits components to communicate with one another. System has multiple PIP, and both TV and VCR have EIA standard multiport connectors. Delivery, originally promised for Jan. 1989, then Aug., now is given as 4th quarter.

High hopes for imports from China were expressed by Miko Leung, pres. of MTC Electronic Technologies (TVD May 28 p18), despite current upheaval there (see separate report). In Chicago last week, Hong Kong-born, Japan-educated Leung told us MTC should import 500,000 low-end monochrome and color TV sets from 3 Chinese suppliers this year. Company also plans to import home fax from China, to retail in \$499-\$599 range at first, eventually dropping to \$399, will produce cellular phones in China for sale here at \$399-\$499. Joint venture plant with Chinese govt. in Vancouver, B.C., is scheduled to produce 100,000 big-screen sets next year using chassis and wood cabinets from China and 25", 27" and 31" tubes from U.S. and Canada.

Philips has inside track on supplying up to 325,000 TV sets and unknown number of VCRs for Whittle Communications' Channel One ad-supported high school network. At news conference in N.Y. last week, Chmn. Christopher Whittle said 3 finalists for \$160-million hardware installation contract were Philips, General Motors EDS, Video Star. Philips Consumer Electronics and Whittle have hq's in Knoxville and have been consulting on project. Each participating school would be given satellite dish, TV sets, 2 VCRs. Details are in Broadcast/Cable section.

Mitsubishi has started sales in Japan of HDTV direct-view 40" receiver in \$35,000-\$56,000 range, VCR deck at \$105,600.

Consumer Electronics Personals

Frank Myers appointed pres.-CEO of Wells-Gardner Electronics. Myers, 59, was pres. of Arvin Industries' Electronics Div. from 1975 until its recent sale to Electrocon Taiwan (TVD April 10 p15), is EIA industry vp for Consumer Electronics Group. Wells-Gardner is one of early manufacturers of radios and TV sets, headed by Chmn. Albert Wells, 68, currently makes videogame color displays, touch-screen panels, other products.

Michael Schulhof, Sony America vice chmn., and Jacob Schmuckli, Sony Europa pres., are first 2 non-Japanese nominated for board of parent Sony Corp... John Palumbo, ex-senior vp, Central Zone, Sony Consumer Sales Div., promoted to pres., Sony Consumer Display Co., succeeding Michael Heil, who resigned to become pres. of L.A. Cellular Telephone Co... Gary Wagner, west coast key accounts sales mgr., advanced to TDK national key accounts mgr.; Tim Sullivan, TDK national promotions mgr., heads newly created promotion dept.; Steven Diamond named product and PR mgr... Mitchell Witten, ex-dbx, joins TEAC America as Consumer Products Div. national sales mgr.

Tetsu Kimoto named Quasar corporate planning asst. gen. mgr., continues as Appliance Group senior mdsg. mgr.; Gary Jakubick joins Quasar as central Ohio territory sales rep, Tim Neel as northern Ohio territory sales rep... Chris Daly, ex-Packard Bell, named pres., newly formed Emerson Technologies; Larry Metz, ex-Packard Bell, named sales and mktg. senior vp of new Emerson Computer; both are units of Emerson Radio... Named to head new Soundesign divisions: Robert Winer, Consumer Electronics; Gene Russell, Telecommunications; Ben Levy, RTA Furniture; Al Scuttle, Home Comfort Products... Lisa Lillenthal, managing editor of Video Week, promoted from assoc. editor to senior editor of parent Warren Publishing Inc.

Robert Sigman, ex-Kids Klassics sales and mktg. vp, joins Congress Video Group as pres. Also shifting to Congress from Goodtimes/Kids Klassics are Lyle Lieberman as mdsg. and mktg. dir., and Tom Palateri as western regional sales mgr... Martin Weinstein promoted to sales and mktg. vp, Turner Home Entertainment... Ann Greer, ex-New Star Video and Palisades Entertainment, joins Whereshow Entertainment as sale video mgr... Jeff Rabinowitz advanced to SVS national sales mgr... New regional sales mgrs. at South Gate Entertainment: Barry Kohn, ex-owner of Baltimore Video Files chain, Northeast; Gail Pawlak, ex-Video Channels and Lorimar Home Video, Southeast; Dawn Richards, ex-MGM/UA Communications, Southwest.

EIAJ proposed joint venture with U.S. Semiconductor Industry Assn. (SIA) to encourage non-Japanese manufacturers to supply semiconductors for Japanese HDTV. SIA hadn't responded to plan by our deadline. Groups, which held meetings in Tokyo last week, agreed to form Consumer Electronics Task Force to promote entry of foreign-produced chips for Japanese consumer electronics industry. Task force members include JVC, Matsushita, Sanyo, Sharp, Sony.

DAT working group of hardware and software manufacturers met at weekend in Athens (TVD May 29 p20), but there was no statement or release by our press time. Philips press office in Eindhoven, which has been coordinating releases on subject, said there was possibility of statement some time over weekend.

Published Weekly Since 1945
DIGEST
 With Consumer Electronics
 (ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

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

Copyright ©1989 by Warren Publishing, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

2115 Ward Court, N.W., Washington, D.C. 20037
 Phone: 202-872-9200 Telex: 6502173616 (Via WUT)
 MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435

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

WASHINGTON HEADQUARTERS

Business
 Roy W. Easley III.....Controller
 Gary Maderom.....Marketing Director
 Gene Edwards.....Advertising Director
 Betty Alvine.....Circulation Mgr.
 Deborah Jacobs.....Information Systems Mgr.

NEW YORK BUREAU

475 Fifth Ave., N.Y. 10017
 Phone: 212-686-5410
 Facsimile (Group 3): 212-889-5097

David Lachenbruch.....Editorial Dir.
 Paul Gluckman.....Senior Editor
 Lisa Lillenthal.....Associate Editor
 Robert Violino.....Associate Editor
 Michael Peck.....Assistant Editor

JAPANESE REPRESENTATIVE

Editorial and Circulation
 CES International/Asia
 1-18-2 Nishi Shinbashi, Minato-ku
 Tokyo 105, Japan
 Phone: (03) 592-1531
 Facsimile: (03) 592-1532

Market Research & Data Sales Division
 Lynn Levine.....Director
 Nancy Cramer.....Assistant Director

I'm interested in Television Digest With Consumer Electronics and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.

The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to Television Digest With Consumer Electronics.

Signature _____
 Name _____
 Company _____
 Address _____
 City _____ State _____ Zip _____

SONY'S 'SECRET': Sony's "basic development secret," according to co-founder and Honorary Chmn. Masaru Ibuka, is to produce quality products designed originally for consumer market -- not for military or industry. Outline of Ibuka's philosophy, in speech at International Conference on Consumer Electronics in Chicago, was read by Sony America Chmn. Masaaki Morita. Morita said Ibuka's physician advised him not to travel.

In many countries, advanced technology is used first for military and industry, Ibuka said, later trickling down to consumer products. However, Sony policy is to develop consumer products first, then launch professional and industrial applications, he said. "Sony first learned how to make the videorecorder for consumer use, later applied it to broadcasting.

"Good consumer quality helps us to produce industrial products which professionals can trust," Ibuka wrote. For example: "Trinitron didn't filter down from professional products. Our technology is developed uniquely for consumer electronics, such as the Compact Disc, which is now finding applications in the professional field."

First annual IEEE Masaru Ibuka award, donated by Sony, went to Sony's Heitaro Nakajima and Philips' Johannes Sinjou for development of CD (TVD June 5 p16).

TELEVISION DIGEST®

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

With Consumer Electronics

JUNE 19, 1989

VOL. 29, NO. 25

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

BUSH NAMES 2 TO FCC: White House announces President's intention to nominate Barrett and Marshall. Sikes situation unclear. (P. 1)

TIME OFFERS \$12.6 BILLION for Warner, tendering \$70 cash each for 100 million shares, combination of cash and equity for remainder. PCI trust application is blasted by Time. (P. 2)

ABC BONUS PLAN ENDORSED: Affiliates accept network's compensation package in what is seen as vote of confidence. Sias says network expects more support in return. (P. 4)

OWNERSHIP CAP OFFERED: Markey urges ceiling on foreign investment in U.S. cable, takes generally favorable testimony at first of 2 planned hearings. MacLean Hunter worried. (P. 7)

SPECTRUM REASSIGNMENT EYED: House leaders Dingell and Markey plan bill to take govt. frequencies for commercial users. (P. 7)

TIME TAKEOVER REVIEWED at Senate hearing on media concentration. Malone joins opponents. MSO program ownership and rate increases defended. (P. 8)

HOLLINGS SEES VICTORIES for Congress on fairness doctrine, kidvid bills. FCC nominees, Paramount deal, pose no problems for Senate leader. (P. 8)

BUSH NOMINATES BARRETT AND MARSHALL TO FCC: Ending weeks of waiting, White House on June 16 finally gave official word, as expected, that President Bush intended to nominate Ill. Commerce Commission member Andrew Barrett and Washington attorney Sherrie Marshall as FCC commissioners (TVD May 29 p11). Barrett's term would expire June 30, 1990, and Marshall's June 30, 1992.

But White House left loose ends: (1) Anticipated 3rd candidate, departing NTIA Dir. Alfred Sikes, expected to be designated FCC chmn. Sikes' name also had been expected in White House announcement. Its absence was attributed by some sources to interview that appeared same day in N.Y. Times, in which he confirmed impending appointment and said he might move away from deregulatory philosophy of departing Chmn. Patrick. "We're different people with different backgrounds," Sikes told newspaper. While describing himself as "ardent believer in importance of communications technologies and services" for economic and social progress, he said "there are clear instances where there is a great deal of power that, if it was left completely unchecked, could be used in harmful ways." Sikes couldn't be reached for comment at our deadline. (2) Barrett's prospects for renomination to full 5-year term, and why he was named to short term over his objections. (3) Bush's plans for incumbent FCC Comr. Dennis, whose term ends June 30.

Consumer Electronics

DARPA PICKS 5 companies for funding of HDTV projection and plasma displays. Proposals and companies described. More firms to be selected. (P. 11)

'WAIT-FOR-HDTV' philosophy showing up at retail, causing industry concern. Problem: Salespeople are just as poorly informed as consumers. (P. 12)

SONY AND TAIYO YUDEN set joint CD recording venture for small orders, ending speculation about low-priced CD-R system. Agreement may be near on DAT. (P. 13)

BIG-SCREEN SWITCH: Buyers moving from consoles to table models, as consoles fall below 10% of mix. (P. 13)

CHINA CLAIMS NORMALCY as foreign nationals return, plants resume operations. But companies may be wary of new joint ventures in future. (P. 15)

CES AND FUTURE: 'Private Eye' shown as fax accessory. Combos of all kinds. (P. 15)

NEW TELECAPTION adaptor, smaller and more versatile, will be marketed by NCI to 900 retailers. (P. 15)

MITSUBISHI ADDS fine-pitch 35", new 31" monitors, enters laserdisc market. JVC's new color line. (P. 16)

NEW VCRs, CAMCORDERS include new JVC line, Daewoo's promised VHS-C, Kyocera semipro unit. (P. 16)

Barrett and Marshall are Republicans and, significantly, neither was designated for FCC chmn. Sikes has stated publicly that he expects to be named chmn., and some sources attributed delay in nomination announcement Fri. to unspecified "paperwork" problems. "There's nothing sinister here... everything is on track," said Republican source regarding White House plans for Sikes. White House earlier last week notified Senate Commerce Committee Chmn. Hollings (D-S.C.) and panel's ranking Republican, Sen. Danforth (R-Mo.), that Sikes and other 2 candidates would be nominated by this week, with Sikes to be designated chmn. to replace Patrick, who has announced resignation effective upon successor's confirmation by Senate. Sikes was Danforth's candidate for FCC. Only Barrett's nomination had been received formally by Senate at our deadline.

Barrett told us he would accept nomination to year term, despite his earlier opposition. However, he said he still wants firm commitment from White House that he will receive appointment to subsequent full term of 5 years. He said he has received no such assurances, despite reports.

Senate Commerce Committee won't schedule confirmation hearings until all of nominations have been submitted formally. Panel's already full schedule could mean delay in hearings until at least Aug., one source said. But Committee Chmn. Hollings (D-S.C.) told us earlier in week he had heard of no objections to anticipated candidates (see related story, this issue). He has indicated that he wants to move FCC nominees as package.

Meanwhile, Dennis has recused herself from more matters before agency, this time issues relating to McCaw Communications. She had recused herself earlier from number of common carrier matters (TVD June 12 p7). This means that with only 2 voting commissioners (Patrick and Quello), agency can't take action on any matters from which Dennis is recused. Chief of Staff Peter Pitsch recused himself from AT&T's Tariff 12 and Tariff 15 proceedings.

Two names already are being floated as potential nominees to replace Dennis, a Democrat. One is Eli Noam, member of N.Y. PSC who is on leave to be dir. of Columbia U.'s Center for Telecommunications & Information Studies. Noam, who holds economics doctorate from Harvard, has been on PSC since June 16, 1987. His term there expired Feb. 1 but he continues to serve at pleasure of Gov. Cuomo. Other candidate mentioned is Richard Silkman, dir. of Me. state planning office. He holds doctorate in economics from Yale, has been lead state staffer in National Governors' Assn. telecommunications policy debates. He has been state planning dir. since 1987.

Action on FCC nominees also has freed up White House to turn to filling top slot at State Dept.'s Bureau of Communications & Information Policy (BCIP), sources said. BCIP choice long has been expected to follow FCC nominations. Top contenders are said to be 2 also-rans for FCC seats -- Washington attorneys James Smith and Susan Wing. But House Foreign Affairs Committee Chmn. Fascell (D-Fla.) is pushing Gerald Helman, ambassador and senior adviser to State Dept.'s Office of Under Secy. for Political Affairs. BCIP position currently is held by Sonia Landau.

Meanwhile, Senate Commerce Committee plans July 12 confirmation hearing for Janice Obuchowski, nominated by Bush to succeed Sikes as asst. secy. for communications and information at Commerce Dept. and dir. of NTIA. She's now NTIA consultant, was Nynex exec. dir.-international affairs. Hearing is 9 a.m., Rm. 253, Russell Bldg.

TIME LAUNCHES \$12.6 BILLION OFFER FOR WARNER: Time Inc. took offensive tack in defense against Paramount Communications Inc. (PCI)(TVD June 12 p1) June 16 and made \$70-per-share cash tender for 100 million shares of Warner Communications Inc. (WCI) on pro rata basis. For rest of WCI stock, Time said it would pay combination of cash, equity and debt securities that had total value of \$70 per share. Time had been expected to do something ever since PCI made \$175-per-share cash offer for Time June 7.

Time and WCI also activated stock swap that gives WCI 11% of Time shares, and Time about 9.4% of WCI's. Those roughly 17.3 million WCI shares aren't included in tender offer. Financial markets didn't embrace offer. Composite closings at week's end showed Time off 9 at 162-1/2, WCI up 3-5/8 to 59-1/4 -- well below 70 bid by Time, PCI down 1-3/8 to 58-1/8.

Time offer came day after PCI Chmn. Martin Davis wrote Time board, urging that before it took definitive action it meet with him and discuss "our proposal in a manner consistent with your legal obligations." Davis offered to review any nonpublic information board may believe "could justify a higher price than we have offered and to discuss with you any other elements of our proposal which you believe

relevant." Also last week, Time filed stinging opposition to PCI application to FCC to approve voting trust (TVD June 12 p1).

Time contended it's illegal for FCC to establish trust because that would deny cities their right to approve cable franchise transfers. Time cited Sec. 621 (b)(1) of Cable Act of 1984, noting that it "unequivocally requires that a cable operator have a local franchise in order to provide cable television service." PCI is proposing to make its trustee Donald Rumsfeld a cable operator who wouldn't have franchise, Time said. (Rumsfeld would receive \$100,000 for agreeing to be trustee for PCI under that company's proposal, and another \$150,000 when trust began operating. Attorney Donald Lubin also said that once trust becomes functional, Rumsfeld will receive another \$5,000 per day for work he performs.). Last week, PCI sought Commission approval of 2-step trust under which it would be allowed to buy Time Inc. shares pending FCC approval of transfer of various licenses held by Time cable units (CD June 12 p4).

Meanwhile, Time board unanimously approved tender offer to WCI. It also: (1) Rejected PCI bid unanimously, concluding that it was highly conditional and subject to too many legal and financial conditions. (2) Authorized suit in U.S. Dist. Court, N.Y., against PCI and its KDS Acquisitions unit, seeking to block tender offer. In suit, Time alleged that PCI made offer only to disrupt planned merger of Time and Warner, or to require that merged company be restructured in some way so that Time Warner would be less effective competitor to PCI. Time also charged PCI with deception and manipulation. (3) Rejected PCI request that Time redeem outstanding stock purchase rights. (4) Amended rights agreement to defer distribution of rights. (5) Repeated Time isn't for sale. PCI said suit wasn't substantive, merely was continuation of publicity campaign Time has waged.

PCI wasn't put off by tender offer either. It issued statement saying it intended to continue pursuit of Time "with firm determination. It is a strategic fit which benefits both Time and Paramount" shareholders. PCI labeled Time offer as "partial bid" and noted that Time described PCI all-cash offer as uncertain yet approved transaction "in which almost half of Warner's shares are to be exchanged for a form of consideration to be agreed upon."

WCI board approved revised merger agreement and recommended shareholders tender their stock to Time. PCI has offered \$175 cash per share for Time Inc. in bid valued at \$10.7 billion. That bid apparently undid stock merger of Time and Warner in which Time shareholders were to get one share of new company for each share of Time and WCI shareholders 0.465 share for each WCI share.

By trying to buy WCI, Time is: (1) Pursuing company it wants, with attractive foreign contacts and distribution and major studio while avoiding having to put deal before shareholders. (2) Potentially saddling itself with billions in debt. (3) Burdening itself with what one analyst estimated is \$12 billion in goodwill -- difference between amount paid and WCI's asset value -- that must be written off against earnings over next 4 decades. (4) Placing WCI in play for other potential buyers. One company rumored to be interested in WCI is Chris-Craft, which already holds 33 million shares of WCI valued at about \$2.3 billion under Time tender offer.

"We are convinced that remaining independent and combining operations with WCI will best serve the interests of Time, its stockholders and its other constituencies," Time Chmn. Richard Munro said. WCI Chmn. Steven Ross said: "We are committed to the creation of Time Warner. It makes sense for us and our shareholders. It also makes sense for America." Munro and Ross also played on international angle of merger, saying they were cheered by Congress when they testified. "There was -- and still is -- a widespread understanding that Time Warner guarantees an American presence among the global media giants," Munro said.

PCI said Time filing at FCC was unsound, that trust was intended to deal with FCC requirements and that it was consistent with past FCC practice in tender offer situations: "We fully intend to comply with all local franchise requirements and expect to do so expeditiously." Paramount has conditioned its offer on receiving all significant local franchise approvals.

Time attacked trustee application from number of directions, claiming it would place FCC in position of using its procedures to violate "the cornerstone of the Cable Act." Filing by Time Washington law firms Willkie, Farr & Gallagher and Bryan, Cave, McPheeers & McRoberts (WCI's Washington law firm is Fleischman & Walsh) said PCI application "is rife with creative but unacceptable exceptions to unambiguous requirements which Paramount apparently found inconvenient." Filing called into question PCI's character qualifications, based on its 25% holding in RKO General's parent at time when RKO had been charged with committing serious breaches of FCC rules, and said PCI acquisition of Time Inc. would result in numerous

cross-ownership violations that couldn't be waived, including cable-telco issue. It also questioned degree of separation between PCI and trustee.

In any event, Time said, PCI probably will have to sell assets to meet financial commitments. It provided copy of letter from PCI lobbyist Lawrence Levinston to Sen. Kerry (D-Mass.) that says PCI goal in deal is to build assets and create communications company with unparalleled depth and range. Instead, Time said, terms of PCI bid show highly leveraged capital structure and there's chance cable subscriber rates would have to be raised as way of increasing cash flow to pay off debt.

Cable-telco cross-ownership problem develops because Grace Fippinger, Nynex vp-secy.-treas., is on PCI board, Time said. Time's ATC operates systems in Nynex local service area, and FCC cross-ownership rules expressly prohibit common officers and directors between telco and colocated cable system. Time said Fippinger is a dir. of Nynex Material Enterprises, Nynex procurement unit that's being investigated by FCC and N.Y. Public Service Commission, among others, for alleged fraudulent overcharging of ratepayers. As for broadcast-cable cross-ownership issues, coupled with spousal attribution, Time said it calculates that 17% of its total subscribers would be affected.

After beginning week at 170, Time stock acted as if it were on yo-yo. WCI began week at 56 and PCI at 59-1/8. On June 12, Time closed up on rumors that Kohlberg, Kravis, Roberts and Robert Bass were about to mount competing challenge for Time at \$215 per share. Next day, Time rose 5 points on strength of yet another rumor -- that GE was planning to mount bid. GE would neither confirm nor deny report. Drop began next day. Meanwhile, Time also reported that Dirs. Clifton Wharton, Henry Goodrich and Clifford Grum had resigned, as announced previously. Resignations were to be part of giving Time and Warner equal representation on 24-member of board of merged Time Warner, leaving Time with 12 dirs.

Meanwhile, N.Y.C. said it had transferred franchises to Time Warner Inc. -- if company ever comes into existence -- in deal that requires that all residential blocks of Manhattan be wired by July 1990. Time and Warner combined control 6 franchises that pass 60% of TV households in Manhattan, Queens, western Brooklyn.

CAP/ABC HAS \$13 MILLION IN BONUSES FOR AFFILIATES: Cap/ABC detailed to affiliates in L.A. June 14 its plans to pay up to \$13 million in compensation bonuses -- \$8 million based on stations' promotion of new prime-time schedule starting in Sept., another \$5 million for those "who best demonstrate performance in delivering premium audiences, clearing network programs and promoting them." Affiliates liked what they heard. "Great" and "terrific" were words they used most often in describing what they called network's "innovative" bonus compensation plan. Network and affiliates ended very successful convention during which there was practically no complaining by stations. Convention was labeled highly positive by nearly every affiliate we talked with.

ABC TV Network Pres. Mark Mandala detailed what he called "unprecedented" \$8-million offer to ABC's 223 affiliates to promote network's programming. Plan, labeled "Affiliate Marketing Partnership," will pay cash bonuses to affiliates that air 30-sec. spots in local early-fringe programming promoting network's prime-time schedule. At least one such spot must be aired in fringe time daily for station to qualify for bonus -- to be based on average cost per rating point in each affiliate's market during 23 weeks plan will run. Mandala said station in 17th-ranked market could earn extra \$113,022 by carrying 3 spots daily, while one in 102th market could receive \$28,980. "We hope you get the feeling that this is a project of considerable importance to us," he said. "We are willing to put our money where our partnership is."

In describing separate \$5-million plan for affiliates that best deliver premium audience, George Newi, ABC exec. vp-affiliate relations, pledged network would make "no across-the-board compensation reductions in the near future." He said bonuses would be based on: (1) Affiliate ability to "efficiently deliver premium audiences for network programs, particularly for prime time, daytime and ABC World News Tonight." (2) Clearance of programs. (3) "Effective promotion for all network programs." He said there will be no "finite formula" in awarding bonuses, that judgments of ABC group of executives will be "largely subjective." Half of \$5-million pool will be distributed Sept. 1, rest April 1, 1990.

Last Dec., ABC proposed cuts in compensation that met unyielding resistance from affiliates. That plan now has been shelved, Mandala pledged: "I'd like to announce the ABC TV Network will not propose or enact any across-the-board compensation reductions any time in the foreseeable future." That announcement, of course, was applauded. However, ABC has renewed affiliation contracts that pay no compensation in some

major markets (St. Louis, Phoenix) where there are independent VHF's that have made pitches to ABC. WTVQ-TV Lexington, Ky., also was renewed without compensation.

ABC will promote new fall programming during Aug. in 5,000 movie theaters. "The most difficult demographic to reach through normal promotional strategies is teens and children" -- who comprise large share of movie audiences, according to Mark Zakarin, vp-mktg., ABC Entertainment. Network will use 60-sec. commercials in theaters. It also will include special barcodes in TV Guide ads in fall that will allow viewers with Panasonic light-scanner VCRs to program them to record ABC shows automatically. "This promotion allows us to keep pace in a changing marketplace," he said, and to increase viewership. However, network left dangling proposed tie-in with McDonald's (similar to those of CBS with K mart and NBC with Sears). "We are aggressively pursuing the right deal with the right partner at the right time," Zakarin told affiliates at closed meeting.

Network's Michael Brockman announced plans for late-night show to follow *Nightline*. He said program "will be entertainment and personality driven. It will be geared to a young adult audience." Final plans will be announced in Jan., with premiere scheduled "no earlier than next summer," he said: "Your network's presence in late night... is vitally important. Equally important is your need to know what we're doing and when we're doing it." ABC recently experimented with late-night program *Day's End*, carried by fewer than 100 affiliates. Program was dropped 2 weeks ago, Brockman said, because "the final results produced a lack of strong audience interest or involvement in this concept."

Some ABC affiliates even were predicting that network would regain first place in prime time by 1991-1992 season, buoyed by fact it had sole real hit -- *Roseanne* -- among new shows introduced last Sept. Cap/ABC Chmn. Thomas Murphy made brief speech at closed meeting June 14, saying that, compared with network's situation in 1987, ABC now is in good shape. But, he asked, "are we satisfied in prime time? No, we have to do better."

Question of shifting west coast prime time to 7-10 p.m. was brought up at closed meeting. Mandala said network would need unanimous affiliate support to make move and was reluctant to attempt to change 40 years of viewing habits. Change is being pushed primarily by some west coast NBC affiliates. Stations also complained mildly about ABC Sun. Night Movie overruns into local news and asked for min. news window in Mon. Night Football.

In presenting network's wish list, John Sias, pres. of ABC TV Network Group, said it expects TV affiliates to support network in clearances, promotion, publicity, cooperative programming, news "and, most importantly, adaptability to new ways of operation as necessitated by a changing marketplace." At same time, he told affiliates what they could expect from network:

(1) Major investments in programming. (2) Concentration on regular series, as opposed to specials and miniseries. (3) Expansion of ABC News with "new and different programs." (4) Development of late-night program. (5) "You can expect us to try different ideas in all areas... You can expect us to have plenty of failures." Sias called network's fall schedule "a watershed... the best development that ABC has had in a long time." He noted that 1980s started with large network audiences because viewers had limited alternatives, but that no longer is true: "We end these 10 years with the audiences in most markets possessed of multichannel viewing alternatives. They have automatic tuning devices to speed channel switches. We can no longer count on viewing by default... Quality programs must be backed by extra promotion and intelligent scheduling. This is the only way to generate audiences of sufficient size and demographic character to produce advertising revenue that will cover the inevitable higher costs of quality programming."

News presentation featured correspondent Jim Laurie live from Beijing, ABC's stable of name correspondents and panel on future of TV with British media mogul Robert Maxwell via satellite from London, HBO Pres. Michael Fuchs from N.Y. and programmer Grant Tinker, correspondent Jeff Greenfield and ABC Senior Vp-Gen. Counsel Steve Weiswasser in L.A. Panelists predicted viable future for over-air networks in 1990s. "I would not sell my stock in ABC," said Maxwell, although TV business will get much more competitive. He predicted direct broadcast satellites won't be very successful in U.S. because of penetration of cable TV.

"To the extent that I have a future," it's tied to networks, Tinker said. "I don't think the networks are quite dead yet." Weiswasser said future of networks depends on getting relief from financial syndication rules, but he doesn't expect agreement in short term. Tinker (who isn't member of negotiating team) said:

"There is a middle ground somewhere [for compromise] which we can find." He didn't speculate on what middle ground might be.

As might be expected, Fuchs opposed telco entry into cable. "I don't want one wire" bringing entertainment and information into home, he said. Maxwell predicted that Congress never will remove restraints against telcos, and was applauded by audience when he expressed willingness to testify against their entry into cable. Weisswasser said he wasn't sure Congress wouldn't relax restrictions on cable, and if that happens, telcos will be in position to "drastically" alter shape of industry.

On cable side, Greenfield predicted that "sooner rather than later" Congress will step in to regulate cable. He said that there will continue to be audience erosion no matter how good network programs are, but that over-air TV will remain dominant because it's most effective means of reaching viewers. Fuchs agreed networks will continue to be dominant because they constitute most efficient delivery system. However, he said, their dominance will continue to slip.

Maxwell saw international TV market as wave of future, saying it will play ever-increasing role for U.S. broadcasters and programmers. TV, he said, remains most powerful influence -- "socially, politically and economically." Weisswasser said U.S. TV industry should "view with alarm" trend in Europe to restrict amount of American-produced programming that can be aired.

ABC sports presentation featured spate of professional stars, numerous announcers, along with Hank Williams Jr., Dallas Cowboy cheerleaders, Memphis State U. pom-pom girls. ABC sessions in L.A.'s Century Plaza Hotel followed highly successful conventions of NBC (TVD May 29 p8) and CBS (TVD June 12 p3) -- in contrast to past contentious meetings between networks and affiliates.

Affiliates and network honored Hugh Downs, co-host of 20/20, for his 50 years in broadcasting. Downs entered field as radio announcer in 1939 in Lima, O., was announcer on NBC's Tonight Show with Jack Paar at its launching in 1957, moved in 1962 to Today Show, where he stayed 9 years. He has been at ABC News since June 1978. ABC Sports also honored retiring NFL Comr. Pete Rozelle.

House Commerce Law Subcommittee resisted effort June 15 to broaden TV violence bill (HR-1391), voting 10-4 to approve easing antitrust rules to permit TV-cable-programmer collusion on voluntary program code addressing only issue of televised violence. Effort to add depictions of drug use to proposed code's coverage was offered by Rep. Douglas (R-N.H.), as he had promised at May hearing. Subcommittee Chmn. Brooks (D-Tex.) ruled amendment out of order for raising distinct and separate issue from question of violence on TV. Bill's 4 opponents were led by Rep. Edwards (D-Cal.), who has First Amendment concerns. Panel's action June 15 marks most progress bill has made in House since being offered by Sen. Simon (D-Ill.) in 99th Congress. House measure was sponsored by Reps. Feighan (D-O.) and Glickman (D-Kan.), members of parent Judiciary Committee that now is expected to pass bill. Measure had been bottled up in Committee in past by then-Chmn. Rodino (D-N.J.) as abrogation of antitrust law. However, Brooks, who also chairs full Committee, demonstrated at markup that he's more amenable to flexible application of antitrust laws. Bill has drawn mixed support in broadcasting, cable and Hollywood. It already has passed full Senate, with amendments added to broaden code to cover depictions of drugs and sex.

FCC has reversed grant of tax certificate in Dec. to St. Louis City Communications (SLCC) for selling its cable system assets to TCI. Agency said it now believes extension of tax certificate policy to minority-controlled company selling media assets to nonminority company is unwarranted. Policy is intended to encourage telecommunications property acquisitions by members of minority groups, and Commission said that deviation from policy as asked by SLCC would reduce benefits to minorities.

Sen. Hollings (D-S.C.) and 4 co-sponsors last week offered bill (S-1191) to provide up to \$30 million in federal grants and additional funding for loan guarantees for cooperative ventures to develop HDTV. Funding would come through Commerce Dept.'s new Technology Administration. Hollings defended proposed federal involvement in commercial ventures, saying sustained U.S. technological leadership is "absolutely vital to our economic strength and national defense," but can't be done without govt. support for civilian technology base. Hollings, chmn. of Senate Commerce Committee, called for industry-led course on HDTV in which companies propose R&D and provide most of funding. Bill takes strong line on foreign involvement in U.S. R&D: "American technology should not be just given away, nor should foreign companies be allowed to participate in taxpayer-assisted research consortia until foreign governments open up their projects to Americans." Foreign companies would be prohibited from participating in U.S. consortia funded under bill, although not from subsequent product licensing.

NCTA Pres. James Mooney will address plenary session of annual conference of U.S. Conference of Mayors meeting in Charleston, S.C. June 20, then fly back to Washington to speak to NAB board. Mooney's talk to mayors will address ways to improve relationship between cable and cities, won't involve cable-telco issue, NCTA spokesman said. Meanwhile, mayors were to consider that very question at June 17 meeting of standing committee on Transportation and Communications of U.S. Conference of Mayors, chaired by Washington, D.C., Mayor Marion Barry. Mayors also will have panel on cable June 19 featuring Rep. Boucher (D-Va.), lawyer Norman Sinel who represents cities in cable disputes, NCTA Exec. Vp Decker Anstrom, Susan Swain, C-SPAN vp-corporate communications; Madison, Wis. Mayor Paul Soglin.

CABLE OWNERSHIP CAP OFFERED: Timing action to coincide with hearing on issue, House Telecom Subcommittee Chmn. Markey (D-Mass.) offered promised legislation June 15 to curb foreign ownership of U.S. cable companies (TVD May 1 p7). Measure was introduced with 23 co-sponsors, including 8 Democrats on Subcommittee, and drew few detractors at hearing. Reciprocal treatment provision proved major concern.

Republicans, led by Rep. Rinaldo (N.J.), ranking Subcommittee minority member, and others are concerned about provision that would require that U.S. treatment of foreign ownership match restrictions in other countries. Bill would extend to cable current U.S. ownership constraints on broadcast and common carrier industries under which foreigners are barred from holding FCC licenses. Markey sees bill as further assurance against foreign dominance of American media, citing Chinese media environment as approach to avoid. He found witnesses generally in agreement that ceiling was necessary, largely for national security. "Legislation would unambiguously prohibit foreign subversion of the democratic process," said Andrew Schwartzman, exec. dir. of Media Access Project.

Restrictions also aren't onerous, said Cullie Tarleton, senior vp-gen. mgr. of WBTV-TV Charlotte, who represented NAB. He said curbs on broadcasters have proved reasonable, tolerable and reflective of U.S. "national priority that the electronic media remain American-owned and -operated." Also endorsing bill were James Theroux, pres. of Metrotel, wireless cable operator in Cleveland, and June Travis, COO of Rifkin & Assoc. But Theroux said his support was based on wireless industry's belief that cable is monopoly in control of access to programming. He saw cable's growing vertical and horizontal integration as problem and said bill puts hole in industry's use of arguments that its bigness can help U.S. compete globally.

Travis was concerned about bill's impact on U.S. investment in foreign cable systems and on existing foreign holdings in U.S. Same reasons were cited by Barry Gage, pres. of MacLean Hunter Cable TV, who said measure would have significant detrimental impact on his Canadian company, main foreign investor in U.S. cable. However, foreigners hold less than 2% of U.S. cable, Gage said. He called on panel to at least grandfather existing foreign owners in U.S. and give them "reasonable" room for growth, which he said should allow their share of market to reach maximum 3-4% -- level they had in 1980 before Canada's Rogers Cablesystems sold out.

Bill's proposal for curbs on other technologies, notably direct broadcast satellites (DBS), was resisted by former FCC Comr. Robert Lee, member of board of U.S. Satellite Bestg. Co., prospective DBS operator. He said pay-TV programmers would be exempt from curbs, which he termed "unreasonable" if propaganda fears are at root of policy concerns, as they were when ownership restrictions were first imposed. NCTA released letter to panel from Pres. James Mooney, confirming Assn. board's mixed endorsement of proposal (TVD May 29 p11).

Cable transactions: C4 Media Cable South L.P. has acquired Triangle East Communications, serving 4,200 subscribers in N.C.... Cablevision Industries bought Dimension Cable, with 900 subscribers in upstate N.Y.... Amzak Cable purchased Home Cablevision, with 536 subscribers in Minn. Broker in 3 deals: Cable Investments... Sutton Capital bought 14,272-subscriber cable system in Framingham, Mass., from Framingham Cable TV Limited Partnership. Broker: Waller Capital.

SPECTRUM REASSIGNMENT EYED: House Telecom Subcommittee members will be solicited for support this week for new bill to reassign govt. spectrum to private sector. Measure is being developed by House Commerce Committee Chmn. Dingell (D-Mich.) and his Telecom Subcommittee Chmn. Markey (D-Mass.), sources confirmed. It's designed to free govt. spectrum for new commercial uses, including HDTV.

Lawmakers are unhappy with amount of spectrum warehoused by govt., say in draft bill that we obtained that good proportion of govt. needs could be met by commercial providers. Bill will direct Commerce Secy. to prepare report within 24 months identifying federal spectrum that could be released. Frequencies would have to span not less than 200 MHz and be located below 5 GHz. No more than 20% of frequencies released would be for shared services in any geographic region, draft says. Lawmakers also want frequencies selected to maximize commercial service development, including promoting greater federal reliance on commercial providers. Draft suggests shift of more govt. services to wireline. It also sets timetable for reassessments and gives Secy. flexibility to change mind.

Secy. wouldn't make determination alone, would rely on advisory committee appointed by President and composed of representatives of all sectors of telecommunications industry that might be affected, from equipment manufacturers to TV stations. NTIA currently oversees govt. spectrum and presumably would have major role in Commerce effort, although that's not specified in bill. Advisory group would have additional year after deadline for Commerce Secy.'s report to Congress to recommend reforms for spectrum use, raising possibility of recommendation for integrated spectrum management in govt. Management currently is shared between FCC and NTIA.

Draft bill has been circulated to industries, and we're told none has raised objections. In fact, broadcasters, land mobile operators, equipment manufacturers, cellular industry and former Commerce asst. secys. reportedly have indicated support. Biggest objections are expected from Defense Dept., which is believed to use bulk of govt. assignments, although exact amount appears classified. Dingell is said to be likely to make bill his top priority for 101st Congress, and quick hearings are expected.

British Satellite Bcstg. (BSB) was awarded contract for 2 remaining British direct broadcast satellite (DBS) channels. Contract, awarded by U.K.'s Independent Bcstg. Authority (IBA), gives BSB effective monopoly on British DBS. New channels are: (1) Information channel called NOW that will include programming provided by consortium of Daily Mail newspaper and Yorkshire TV, and (2) Power Station channel, focusing mainly on popular music. IBA originally had planned to award 4th and 5th channels in 1992, but accepted BSB proposal to accelerate process. BSB now plans to launch all 5 channels next spring.

Five manufacturers have been selected by Defense Advanced Research Projects Agency to negotiate HDTV display development contracts. Companies chosen to develop projection displays: NewCo. Inc., San Jose, Cal. (subcontractor, Spectra-Physics); Raychem Corp., Menlo Park, Cal. (subcontractor, Xerox); Texas Instruments, Dallas (subcontractor, David Sarnoff Research Center); Projectavision Inc., N.Y. (subcontractor, Alphasil). For plasma display: Photonics Technology, Northwood, O. (subcontractors, Texas Instruments, U. of Mich.). (Details in Consumer Electronics section.)

CONGRESS LOOKS AT MEDIA: Time-Warner-Paramount consolidation was opposed by Sen. Metzenbaum (D-O.) and TCI Pres. John Malone June 14 at first of 3 scheduled Senate Communications Subcommittee hearings on media concentration. Malone also defended MSO ownership of cable programmers and told Subcommittee that cable industry obviously isn't charging customers unfairly because return to investors is among lowest of industries and overall cable rates over last 20 years have increased more slowly than inflation. However, Subcommittee Chmn. Inouye (D-Hawaii) pointed out that, even though TCI hasn't paid dividends, stock now is worth 800 times what it was in 1977.

Wall St. "loves" Time-Warner-Paramount situation, said Metzenbaum, chmn. of Senate Antitrust Subcommittee, but bottom line for consumer is almost certain to be less program diversity and higher prices. He said merger is "real threat" for network TV stations, and "maybe even more for nonnetwork" stations. He said cable consumer prices already are increasing faster "than any other single product in the economy" and as MSOs move into programming they are squeezing out competition.

TCI would do anything it could to stop Time acquisition, Malone said, but he doesn't think there's anything it can do. He said his main concern is lost diversity of program sources -- more suppliers mean lower cost and higher quality. He said he also was worried about heavier debt load of surviving companies because that, too, would put pressure on prices and quality. Problem goes far beyond Paramount bid, Malone said, because that just put Time into play. He predicted interest by Japanese, saying U.S. should be concerned because programming is one of largest American exports.

Industry concentration levels shouldn't be concern, Malone said, because current figures fall "well below" level Justice Dept. traditionally considers unacceptable. He said there has been "substantial slowdown" in horizontal concentration because fewer cable system owners are willing to sell. He defended cable prices, saying average basic cable cost has increased in last 20 years from \$6 for 7 channels to \$15 for 42 channels, and latter still is well below \$24 that would be necessary just to keep up with inflation.

Other witnesses were concerned about concentration. Mich. State U. Prof. Barry Litman said that if Time-Warner merger is permitted, new company and TCI would control nearly 29% of cable market, giving them "virtual veto power over which cable networks would be available and which would not." There may be overemphasis on influence of broadcasters and underemphasis on print media, Subcommittee member Packwood (R-Ore.) said. He said U.S. public certainly don't lack access to information, and if any medium is dominant it's local newspapers.

Subcommittee hearings continue this week, with CEOs of all 3 networks, as well as presidents of NCTA, NAB, INTV and MPAA, among scheduled witnesses. Hearings are set for Wed. and Thurs. (June 21 and 22), 9 a.m., Room 253, Russell Bldg., staffers said. On 2 panels first day: (1) NCTA Pres. James Mooney, Black Entertainment TV Pres. Robert Johnson, Discovery Channel Chmn. John Hendricks. (2) Wireless Cable Assn. Pres. Robert Schmidt, INTV Pres. Preston Padden, National Rural Telecommunications Cooperative CEO Robert Phillips, Consumer Federation of America Legislative Dir. Eugene Kimmelman, Harry Shooshan of National Economic Research Assoc., John Hanks of N.Y.C. Bureau of Franchises. Following day leads off with network CEO panel, including NBC's Robert Wright, Thomas Murphy of Cap/ABC, Laurence Tisch of CBS.

Second panel will have MPAA's Jack Valenti, Fox Bestg. Pres. Jamie Kellner, independent producer Steve Cannell. Hearings are slated to end with NAB Pres. Edward Fritts and Media Access Project Exec. Dir. Andrew Schwartzman.

HOLLINGS OPTIMISTIC: Sen. Hollings (D-S.C.) is increasingly confident that White House will accept children's TV measure (S-707, HR-1677) now wending way through Congress. Chmn. of Senate Commerce Committee told AAF annual conference in Washington last week that he believes proposal fits neatly into President Bush's education policy plans. He was more guardedly optimistic on White House prospects for legislation to reinstate fairness doctrine (S-577, HR-315), saw no immediate hurdles to confirmation of FCC nominees (see separate story, this issue), said he had no problems with Paramount bid for Time Inc.

Kidvid measure was vetoed last year by President Reagan, over Republican objections. Communications Subcommittee is scheduled to hold hearing July 12 on bill. It would cap ads in commercial children's TV and tie license renewals to obligation to provide educational and informational shows for youngsters. He saw chances as slim that bill would be coupled with measure already approved by his Committee to establish \$10 million federal children's programming endowment.

Senator was more sanguine about future for fairness doctrine legislation. He told audience that early indications were that Bush would veto it, but that he was "hopeful" President would resist pressure. He promised to continue battle if bill is vetoed again: "We will continue to pass it and pass it."

On Paramount, Hollings said he "saw no problems" with proposed takeover of Time Inc. "Why should I?" he asked rhetorically, citing arguments that bigger company would be more competitive internationally. Officials of several of companies involved have been in to see him, senator said.

KKVI (Ch. 35) Twin Falls, Ida., went on air June 1 as ABC affiliate, raising operating U.S. TV stations to 1,425 -- 1,079 commercial, 346 noncommercial. Other recent starters were WTLH (Ch. 49) Bainbridge, Ga., and WJCB (Ch. 49) Norfolk. KKVI is owned by Western Telecasting Co., with William and Ellen Armstrong each 50% owner; they also own 45% each of KPKI Pocatello and several LPTV stations. Dick McMahon is gen. mgr., Tony Diviesti chief engineer. Independent WJCB is owned by Tidewater Christian Communications Corp. (10 stockholders, each with 10%; several are ministers); Dwight Green is gen. mgr., Leonard Parson local sales mgr. Fox affiliate WLTH, licensed to NewSouth TV, is owned by Michael Male; Frank Watson is gen. mgr., Jay Haller national sales mgr., Luther Beasley chief engineer. Station is in Tallahassee, Fla.-Thomasville, Ga., ADI. In addition to stations on air, 254 CPs are outstanding -- 227 for commercial stations, 27 noncommercial. Pending at FCC are 283 applications for new stations -- 277 commercial, 6 noncommercial.

Cap/ABC is setting up entertainment industry newswire in cooperation with Indesys, companies announced. System, named ENTERTAINet, is delivering entertainment, sports and news releases to editorial departments of major media using Indesys' Data Broadcast Network. Distribution is via satellite to earth stations in metropolitan areas, where it's relayed by FM subcarriers to customers. Pilot program already is serving 16 locations, including Washington Post, UPI, N.Y. Daily News, Dallas Times-Herald.

DINGELL HITS CABLE: Cable industry's apparent lack of accountability was questioned June 13 by House Commerce Committee Chmn. Dingell (D-Mich.). In closed appearance before INTV board, he discussed implications of what he termed cable's unchecked behavior, saying it wasn't "good thing" and review of industry is due. He also suggested reregulation of cable might be preferable to telco entry into business if evidence suggests telco role would undermine over-air TV.

Dingell made clear he hadn't settled on policy yet, but he left no doubt he was troubled by growing number of complaints about cable. "From where I sit, it appears that cable doesn't have to answer to anyone," he said. "That's not a good thing... In our system of checks and balances, everyone answers to someone. Except, apparently, the cable industry."

Telcos also may have reason for concern in Dingell's remarks, observers said. While indicating he hadn't made up mind yet on telco entry, he voiced doubts on concept. "Some suggest that competition from telephone companies will discipline the cable industry," chmn. said. "I haven't decided whether that would be a step forward, or whether we would simply be exchanging one monopolist for another... In my mind, one of the critical issues that will have to be answered is the impact of telco entry on free, over-the-air broadcasting."

Dingell left no doubt his primary concern was continued existence of free TV. He characterized broadcasters as "special... You play an important role in our society, in our democracy and in our personal lives... If telco entry would undermine our system of free television, it may instead be preferable to reregulate cable." He suggested again that broadcasters can expect no action on bills favorable to industry until fairness doctrine issue is settled; bill (HR-315) to reinstate policy as federal law is pending before full House.

However, Dingell also indicated his Committee was unlikely to address cable reregulation before FCC completes comprehensive study, which he urged in letter day earlier. He wrote agency, reminding it of its obligation to review industry's deregulation 6 years after 1984 Cable Act. Report is due next year, and Dingell wants open Commission review. He held out tempting possibility that Committee would look into cross-ownership, but may have damped spirits of some in telephone industry by suggesting considerations would be at unspecified future date. NCTA spokesman said industry "welcomes" review and would cooperate fully in any agency effort.

Meanwhile, pressure continued to build on Capitol Hill for reregulatory legislation. Rep. Shumer (D-N.Y.) last week followed through on promise to offer bill (HR-2593) that would penalize Major League Baseball teams for failing to make minimum 50% of their games available over air. Team in violation would lose its antitrust exemption for 2 years. Measure is designed to stem migration of professional baseball to pay-TV, would apply only to teams that already air at least 65% of their games on broadcast TV. Same bill (HR-2687) offered in 100th Congress didn't advance.

Rep. Neal (D-Mass.) circulated letter in House last week urging support for resolution that he has introduced (H. Con. Res. 138) urging comprehensive review of cable practices with eye toward possible reinstatement of regulation. He suggested cable is monopoly and questioned absence of regulatory restraints. Resolution currently has no co-sponsors.

NAB BOARDS TO MEET: While controversy over whether telcos should be permitted to own cable systems will receive much discussion at 4 days of NAB board meetings in Washington this week, it's highly unlikely broadcasters will come down on either side. "None of us [board members] have enough information to take a position one way or the other," TV dir. told us. That sentiment was echoed by several other board members. "We'll probably give Eddie [NAB Pres. Fritts] authority to negotiate with both sides as best he can," we're told. USTA Pres. John Sodolski will present his industry's position to joint board Tues. morning (June 20); counterargument will come that afternoon from NCTA Pres. James Mooney.

TV board will have several cable-telco options before it, ranging from total opposition to not opposing telco entry. In between is whether telcos, if they enter cable, should be permitted to control program content and whether they should have to build new systems, rather than being permitted to acquire existing ones.

Must-carry negotiations with NCTA will be very prominent at TV board session Thurs. (June 22) -- and Mooney is sure to be asked about them during his earlier appearance. Major sticking points still are channel repositioning of stations' signals and converters for multiset hook-ups. Also on TV agenda will be industry's Advanced TV Test Center, HDTV developments, industry's "Keep Free TV Free" campaign.

Joint board meetings Tues. and Fri. (June 20 and 23) will hear usual spate of staff reports on variety of issues, including legislative and regulatory overviews. Question of finding new revenue sources for broadcasting will be brought up and board is expected to appoint task force to look into situation. Among issues to be considered are compulsory licenses, other so-called cable subsidies, cable retransmission consent.

Radio futures campaign, AM improvements, Class A upgrades, FM translators and radio-only license renewal legislation will be among major issues for radio board, which meets Wed. (June 21). On politicking side, only contested post is for radio chmn., with 3 board members running -- Donald Newberg, Radio Chattanooga; Robert Pricer, WCLT Radio Inc.; William Sanders, KICD-AM-FM. Winner will succeed Lowrey Mayes, Clear Channel Bctg., who is unopposed for joint board chmn., succeeding Wallace Jorgenson, Hubbard Bctg.

David Hicks, Hicks Bctg. is unopposed for radio vice chmn., as is Thomas Goodgame to succeed Benjamin McKeel, Nationwide Communications, as TV chmn. McKeel has been in post 2 years, is expected to revert to vice chmn., replacing Margo Cobb, WLBZ-TV Bangor, Me. (who goes off board), since nobody else is seeking that post.

FCC Review Board has reversed Administrative Law Judge (ALJ) Thomas Fitzpatrick and found S. Jersey Radio, applicant for new AM station in Richmond, Cal., to be best qualified challenger to RKO General renewal application for KFRC(AM) San Francisco. Fitzpatrick had ranked Paul Growald as best qualified challenger to succeed RKO if it's found unqualified to remain licensee. But Review Board said ALJ "erred fatally" in resolution of Sec. 307(b) issue, finding public interest would be served best by providing first local commercial broadcast service in Richmond, 16 miles northeast of San Francisco. Board said San Francisco simply would have to cope with 24 other radio stations and 8 TV stations if RKO forfeits its AM license.

Personals

Clyde Payne, WBKO Bowling Green, Ky., elected chmn. of ABC affiliates board, succeeding **David Lane**, WFAA-TV Dallas; **Edward Quinn**, KGTV San Diego, succeeds Payne as vice chmn.; **David Woodstock**, KTVX Salt Lake City, elected secy.; **Peter Desnoes**, Burnham Bestg., reelected treas.; **Carl Wagner**, Great American Bestg., elected to board... **Paul Warren**, senior editor and assoc. publisher, Warren Publishing Inc., elected pres., international Newsletter Assn.; **Mike Schwartz**, ex-Warren Publishing, named dir.-clearinghouse for Cable TV Labs, Boulder, Colo., effective July 17.

William Maher resigns at end of month as special counsel in FCC Common Carrier Bureau to join NTIA as acting assoc. administrator for Office of Policy Analysis & Development... **Dean Hoke**, asst. gen. mgr., WKPC-TV Louisville, joins WEDW Bridgeport, Conn., Aug. 1 as gen. mgr... **Fred Procise**, ex-WMCC Marion, Ind., named gen. sales mgr., WMKW-TV Memphis.

Arthur Trudeau, vp-mktg. mgr., L.A., Tvb, retires Sept. 1... **Gerald Yutkin**, Jones Intercable fund vp, appointed managing dir., company's newly acquired E. London Telecommunications... **Bonnie Hammer**, ex-Lifetime cable network, appointed dir.-original programming, USA Network... Promotions in affiliate relations unit at Family Channel: **Craig Sherwood** to vp-managing dir., **Shirley Hill** to vp-western dir... **Frank Bilotta** named vp-human resources, Palmer Communications... Named managing editors of NAB newsletters: **Cindy Price**, ex-assoc. editor, TV Today; **Leslie Stimson**, ex-McGraw-Hill, RadioWeek... **James Blitz**, ex-assoc. Washington counsel, Storer, joins Washington law firm Bishop, Cook, Purcell & Reynolds as assoc... Promotions at KTZZ-TV Seattle: **Chuck Johnson** to chief engineer, **Jack Clawson** to asst. chief engineer.

Andre Bisson, ex-Bank of Nova Scotia, joins Maxwell Communications of Canada as pres... **Daniel Molina** promoted to chief, NBC News Chicago bureau; **Jim Cummins** to chief, new Southwest bureau, site to be determined... **David Smith** advanced to vp-ads and promotion, ESPN.

Promotions at CPB: **Lester Latney** to inspector gen.-audit dir., **Jennifer Lawson** to TV Program Fund dir... Changes at PBS: **William Reed** named senior vp-video services, new division that will include planned entry into home video; **Dee Brock** succeeds Reed as senior vp-education services; **Kathy Channell** advanced to dir.-program relations, new post aimed at increasing communication with station programmers; **Barry Chase** to vp-programming; **Susan Petroff** to vp-promotion and advertising... Additions at MultiVision Cable TV: **Michael Snyder** as dir.-programming; **Gerald Dash** as dir.-sales and mktg.; **Dolf Beil**, ex-dir.-MIS Cablevision Systems, assumes same post; **David Brown**, ex-Media General Cable and Storer Cable, as regional sales and mktg. mgr.; **Max Kipfer**, ex-Storer Cable, as asst. gen. mgr., Capitol region.

James Keeor promoted to vp-operations, Cosmos Bestg... **Wendy Clancy**, vp-national ad sales, All American TV, named head of company's new Chicago office, 405 N. Wabash, Suite 3403, Chicago 60611, 312-670-0222.

Leon Anglin, ex-vp-chief engineer, KPNX-TV Phoenix-Mesa, joins WUSA Washington in same role, succeeding **Harry Owen**, retiring... **Felice Linder**, ex-WNBC-TV N.Y. and Lifetime cable, joins USA Network

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

PUBLISHED BY WARREN PUBLISHING, INC.

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

Copyright ©1989 by Warren Publishing, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

2115 Ward Court, N.W., Washington, D.C. 20037
 Phone: 202-872-9200 Telex: 6502173616 (Via WUI)
 MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435

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

WASHINGTON HEADQUARTERS

Albert Warren.....Editor & Publisher Roy W. Easley III.....Controller
 Paul Warren.....Sr. Ed. & Assoc. Pub. Gary Madderom.....Marketing Director
 Dawson B Nail.....Executive Editor Gene Edwards.....Advertising Director
 Daniel Warren.....Senior Editor Betty Alvine.....Circulation Mgr.
 M. E. Crowley.....Managing Ed., Wash. Deborah Jacobs.....Information Systems Mgr.
 Mike Schwartz.....Senior Editor
 Arthur Brodsky.....Senior Editor
 R. Michael Feazel.....Senior Editor
 Jeff Kole.....Associate Editor
 Kenneth Reid.....Associate Editor
 Jeff Hennessy.....Production Editor

Business

Roy W. Easley III.....Controller
 Gary Madderom.....Marketing Director
 Gene Edwards.....Advertising Director
 Betty Alvine.....Circulation Mgr.
 Deborah Jacobs.....Information Systems Mgr.

NEW YORK BUREAU

475 Fifth Ave., N.Y. 10017
 Phone: 212-686-5410
 Facsimile (Group 3): 212-889-5097

David Lachenbruch.....Editorial Dir.
 Paul Gluckman.....Senior Editor
 Lisa Lilenthal.....Associate Editor
 Robert Violino.....Associate Editor
 Michael Peck.....Assistant Editor

JAPANESE REPRESENTATIVE

Editorial and Circulation
 CES International/Asia
 1-18-2 Nishi Shinbashi, Minato-ku
 Tokyo 105, Japan
 Phone: (03) 592-1531
 Facsimile: (03) 592-1532

Television and Cable Factbook

Michael Taliaferro.....Managing Editor
 Mary Appel.....Editorial Director
 Richard Koch.....Assistant Managing Editor
 Daniel Kohlmeier.....Sr. Ed. & Editorial Supv.
 Maria B. Lawrence.....Sr. Ed. & Editorial Supv.
 Susan M. Breig.....Production Supv.

Market Research & Data Sales Division

Lynn Levine.....Director
 Nancy Cramer.....Assistant Director

Signature _____

Name _____

Company _____

Address _____

City _____ **State** _____ **Zip** _____

I'm interested in Television Digest With Consumer Electronics and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.

The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to Television Digest With Consumer Electronics.

as mgr.-creative services... Promotions at WQED-TV-FM/WQEX-TV Pittsburgh: **Meg Cheever** to dir.-legal affairs, **Alexander Black** to gen. counsel.

Donald Micallef, ex-vp-research and sales development, MCA TV, joins Worldvision Enterprises as vp-research and development... **Felecia McDuffie** advanced to dir.-contracts administration, Turner Cable Network Sales... **Frederick Zirkel**, dir.-budget and finance, FTC, named inspector gen... **Michael Zacharia**, ex-asst. secy.-export administration, Commerce Dept., joins law firm Wiley, Rein & Fielding as member... Changes at WMHT-TV-FM/WMHX-TV Schenectady: **Thomas Merklinger** advanced to TV operations dir.; **Elizabeth Hood** promoted to dir.-administration; **Ira Singer**, engineering dir., to depart in elimination of that post... **Beth Clearfield**, ex-CBS/Fox Video, joins BBC/Lionheart as dir.-programming.

FCC calendar -- June 21: **Diane Killory**, gen. counsel, testifies on alcohol abuse prevention before Senate Govt. Affairs Committee, 9:30 a.m., Room 342, Dirksen Bldg. **Alex Felker**, Mass Media Bureau chief, moderates HDTV panel at Washington meeting co-sponsored by Women in Govt. Relations and Capital Women & Men in Telecommunications, 6:30 p.m., Omni Georgetown... **John Mohr** advanced to pres., SportsChannel Regional Networks.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	MAY 27- JUNE 2	1988 WEEK	% CHANGE	MAY 20-26	22 WEEKS 1989	22 WEEKS 1988	% CHANGE
TOTAL COLOR.....	382,829*	200,331	+91.1	510,152*	8,513,152*	7,326,285	+16.2
DIRECT-VIEW...	378,582*	198,562	+90.7	506,340*	8,432,443*	7,228,326	+16.7
PROJECTION....	4,247*	1,769	+140.1	3,812	80,709	97,959	-17.6
TOTAL VCR.....	194,408*	96,361	+101.7	239,331	3,992,620	4,253,713	-6.1
DECKS.....	155,549*	78,992	+97.0	173,427	3,287,323	3,665,888	-10.3
CAMCORDERS....	38,859*	17,369	+123.7	65,904	705,297*	587,825	+20.0

Color TV 5-week moving average: 1989--377,498*; 1988--299,324 (up 26.1%).

VCR deck 5-week moving average: 1989--129,266; 1988--124,646 (up 3.7%).

Camcorder 5-week moving average: 1989--41,243*; 1988--36,481 (down 13.1%).

* Record for period.

DARPA PICKS 5 FOR HDTV DISPLAY FUNDS: Five companies that proposed projection or plasma displays were announced last week by Pentagon's Defense Advanced Research Projects Agency (DARPA) as first contractors selected for scheduled \$30 million in funding of R&D for high-definition displays and receivers (TVD Dec 28 et seq.).

Companies selected for projection displays: NewCo. Inc., San Jose, Cal. (subcontractor, Spectra-Physics); Raychem Corp., Menlo Park, Cal. (subcontractor, Xerox); Texas Instruments, Dallas (subcontractor, David Sarnoff Research Center); Projectavision Inc., N.Y. (subcontractor, Alphasil). For plasma display: Photonics Technology, Northwood, O. (subcontractors, Texas Instruments, U. of Mich.).

"Initial selections," covering projection and plasma technology, will be followed by announcements on other high definition "display technology and display processor/receiver categories," DARPA said. No monetary amounts were given, DARPA stating "the dollar value and duration of each contract is subject to negotiation between DARPA and the selected participant, and will be announced once contracts have been finalized." Agency spokeswoman said there was no schedule for future announcements. Although DARPA gave no details of proposals (we've taken names of subcontractors from original list of applications and other material), here are highlights from our own interviews with representatives of all grantees:

Photonics said it proposed to DARPA development of "low-cost, lightweight 40-inch flat-panel video monitor to be used as a wall-mounted HDTV system." "The development of a pilot plant HDTV production facility will be cost-shared between Photonics and DARPA." Photonics calls itself "a world leader in the development of flat-panel AC-plasma display technology." It's privately held "100% U.S.-owned" business with more than 80 employees, total sales of more than \$30 million. Founder-pres. is Donald Wedding, U. of Toledo prof. Photonics claims to have made "world's highest resolution flat-panel displays" with resolution of 1,048x2,048, or more than 4 million pixels, and to be "only company in the world presently able to manufacture HDTV-size flat panel displays." Company also says it has made world's first composite video analog interface for HDTV flat-panel display monitors and world's first large-area, full-color, flat-panel video display monitor with RGB interface.

Raychem, member of American Electronics Assn. (AEA) group sponsoring plan for HDTV consortium (TVD Jan 16 p10), proposed LCD projection system using unique "encapsulated" technology, we were told by Brian Macknick, dir. of technology development. A 5,000-employe company engaged in manufacture of connectors, wire and components, Raychem is known for LCDs designed for such relatively low-tech

applications as indicators, self-darkening windows, car sun roofs, touch-panel displays, etc. Company now is developing HDTV version of its encapsulated LCDs (tradenamed Ncap). Conventional twisted nematic LCDs, Macknick says, provide restricted viewing angle in direct-view uses, absorb more than 50% of external light and create overheating problem in projection, while encapsulated LCDs have none of those problems. Raychem will develop "unique and superior" LCDs under contract, Macknick said, while subcontractor Xerox will develop thin film transistors for system. Raychem was founded in 1957, is listed on NYSE.

Projectavision's system also involves LCD -- in fact company claims Japanese LCD projectors infringe on its patent applications and says it's suing Seiko and Kodak. We reported last month that Projectavision was first company to be informed it would get grant (TVD May 15 p13). It's chaired by former Fisher Chmn. Howard Ladd, still is privately owned but is talking of going public. Its projection TV system, designed as low-cost consumer product, was first described in these pages in Jan. (TVD Jan 30 p13). Subcontractor Alphasil is making LCDs for system.

NewCo is just as its name indicates -- new company, so new, in fact, that it's not listed in phone books or directory assistance for San Jose. However, official of its subcontractor, Spectra-Physics, says company is in process of being formed and is "negotiating with DARPA and other potential partners" in research. It's believed Spectra-Physics will have interest in NewCo. Spectra-Physics describes itself as "world's largest supplier of lasers and laser systems," makes barcode scanners, helium-neon lasers, tunable lead-salt lasers, measuring equipment, etc. Although company declined to give any information on project pending NewCo's organization, it's fair speculation that grant will be for development of laser projection system. In relatively distant past, several companies -- including Zenith -- have demonstrated developmental laser projectors. Spectra-Physics, member of AEA, has more than 2,500 employees, was founded in 1961, is listed on NYSE.

Texas Instruments (TI), selected as projection display prime contractor, also is subcontractor to plasma manufacturer Photonics. It declined to supply any information on its system, which it said was "proprietary and confidential," but official said "we will be more specific when the contract is signed" with DARPA. TI, one of largest U.S. semiconductor manufacturers, has been in and out of consumer electronics frequently, made major investments in home computer and calculator business, once investigated setting up chain of hi-fi stores, has explored TV business in past -- but DARPA announcement was first indication it was working on projection TV.

'WAIT-FOR-HDTV' CAUSES INDUSTRY CONCERN: While newspaper articles and congressional hearings cast HDTV as salvation of consumer electronics industry, TV marketers are increasingly concerned that it's been oversold to a public that may be inclined to postpone or downgrade purchases in anticipation of those promised "movie-clear" pictures in year or 2. Unfortunately, many dealer salesmen seem almost as ignorant as general public, confounding confusion.

Wait-for-HDTV concerns began to surface at Consumer Electronics Show in Chicago. "Every day, I hear reports from dealers of consumers asking questions about HDTV," said Hitachi's Bruce Schoenegge. "Our industry is killing itself." Said Sony's Brian Klosterman: "Consumers are beginning to ask about the 'DTVs.' There is some confusion generated by the fact that HDTV is a political football. The average consumer is completely unaware of what's going on -- many are just discovering MTS." Klosterman suggested that best way to dispel fears and doubts about HDTV is to show consumers IDTV sets and tell them prices. "They see that IDTV sets are very expensive -- then we show them the standard sets. We have a real opportunity there."

"It would be different if it were coming up next year," said Samsung's Paul Michie, "but HDTV is causing real confusion among the public, a substantial part of which believes it's imminent." Zenith's Jerry McCarthy presided over 2-part display at Drake Hotel in Chicago -- company's new line in one section of suite, demonstration of its HDTV system in another. He expressed some concern that HDTV may be oversold too early. "I want to sell what's in the other room," he said, pointing to 1989-1990 product display.

"What worries dealers," we wrote in 1953, "is that headline-bedazzled public will simply sit on its collective wallet through vital Christmas season, buying nothing" (TVD Oct 24/53). We were writing about impact of color publicity before actual FCC decision authorizing colorcasting. It hasn't come to that in HDTV, but there are definite worries. What eventually happened in color, incidentally, is that public really sat on its wallet when it saw price and quality of color sets the next year, and went back to buying B&W sets. It was another 10 years before color became widely accepted. For HDTV, that process could be stretched out for longer period.

SONY, TAIYO IN CD RECORDING VENTURE: Taiyo Yuden, developer of widely publicized CD record-once system (TVD Nov 14 p10 et seq), has formed 50-50 venture with Sony in Japan to specialize in small-scale production of Compact Discs -- ending speculation, at least for time being, that TY's "reasonably priced" recorder will end up on consumer market. We reported in these pages last April that TY was negotiating with Sony (TVD April 24 p17).

Although Sony will make recorder and TY will produce discs, announcement effectively ruled out any type of consumer recorder using TY's principle, and Sony was even quoted in some quarters as saying it wouldn't sell machines, limiting itself to short-run CDs. There was substantial hint at news conference in Japan that specs for recorder have changed significantly since TY's early announcements last fall, when it stated that "simple special recorder" used 7-9 milliwatt (mW) laser for recording (as opposed to 2.1-mW laser used for CD playback). Now, recorder is described as "very expensive" because it uses 30-mW high-power laser for recording, as opposed to cheap mass-produced low-power laser.

New venture will be called START Lab (for "Sony-Taiyo Advanced Recording Technologies), owned 50-50 by partners, capitalized at \$2 million and headed by Heitaro Nakajima, exec. technology adviser to Sony who week earlier was joint recipient (with Philips scientist) of first annual IEEE Masaru Ibuka award for contributions to development of CD (TVD June 12 p16). Nakajima has held many posts with Sony and affiliated companies, including pres. of Aiwa.

START's short-run duplication of CDs is designed for commercial users such as broadcast stations, record companies and recording studios and is designed to be considerably cheaper than making master and pressing. Prices will be about \$27 per disc for run of 30 discs containing 30 min. or less of music, or \$30 for discs with up to 60 min. First year's sales are estimated at about \$2 million. START at outset will have 10 employes in Japan, but with expansion overseas seen in future.

System can be used to record both sound and data information -- CD-ROM and CD-I as well as 3" or 5" music discs -- news conference was told. Changes in system, which currently records in real time, will be necessary to record video. By next spring, START anticipates capacity of 10,000 discs per month. Cost of machine wasn't given, but blank discs were said to be slightly higher than current units. Life of information on disc was given as more than 10 years with no deterioration. Taiyo Yuden, whose tape is sold worldwide under tradename That's, is longtime Japanese company, has had relationship with Sony since it supplied capacitors for world's first transistor radio.

End of even any suspicion that TY's CD-R (record-once) system will be consumer priced presumably has caused sigh of relief at International Federation of Phonogram & Videogram Producers (IFPI) and affiliate Record Industry Assn. of America (RIAA), which last fall called recordable CD "even greater potential threat" to copyright owners than digital audio tape (TVD Nov 7 p11), and at Tandy Corp., which is developing THOR CD-E (erasable disc), only other system announced as compatible with standard Compact Discs.

* * * *

Agreement may be near on DAT between hardware and software manufacturers. All participants apparently were sworn to tight secrecy after June 9 meeting in Athens, and group issued only terse statement, "progress was made."

BIG-SCREEN SWITCH--CONSOLES TO TABLE MODELS: It may or may not be result of big-tube shortage, but that insatiable appetite for large-screen sets public is supposed to have doesn't show up in sales figures. What does show up is almost one-for-one changeover from consoles to large-screen table models.

Consoles shrank to below 10% of product mix in first 4 months of year, according to published industry figures -- and if this continues for full year, decline will be first in history of color TV. As recently as 1983, consoles constituted more than 20% of all color sales. In actual units, consoles dipped 13% from same period last year, from 12.8% of mix to 9.8% in 1989 period. Numerical decline in consoles from last year (89,000) is only slightly more than offset by increase in big-screen table models (91,000).

Big-screen table models (25" and over) increased 20.1% over last year, but because of drop in consoles total big-screen sales were up only 5.6% -- less than 13.8% increase in total color sales for period. Thus large-screen color sets (consoles and table models) actually comprised 25.8% of total sales in 1989 period, down from 27.8% in 1988's first 4 months. Interestingly, in portable-table category, 19" sales were up slightly despite 49% increase in sales of 20" size, which was expected to replace 19"; 13-14" sets were up substantial 21%. First complete figures for 28"-and-over category show they were about 0.8% of sales.

Whether shortage of large tubes affected sales mix is hard to tell. It's true, though, that total factory inventories were down 27.3% from last year after first 4 months, in period when sales to dealers were up 13.8%.

COLOR TV PRODUCT MIX, SALES TO DEALERS
Jan.-April 1989 vs. 1988

	1989 Sales	1988 Sales	% Change	1989 % Share	1988 % Share
Portable-Table Models	5,897,000	4,985,000	+18.3	89.2	85.8
8" and under....	106,000	115,000	- 7.8	1.6	2.0
9-12".....	159,000	220,000	-27.7	2.4	3.8
13-14".....	1,464,000	1,210,000	+21.0	22.1	20.8
15-19".....	1,535,000	1,516,000	+ 1.3	23.2	26.1
20-24".....	1,576,000	1,056,000	+49.2	23.8	18.2
25".....	372,000	259,000	+43.6	5.6	4.5
26".....	269,000	384,000	-29.9	4.1	6.6
27".....	388,000	n.a.	n.a.	5.9	n.a.
[27" and over*..	416,000	225,000	+84.9	6.3	3.9
28" and over....	28,000	n.a.	n.a.	0.4	n.a.
Consoles	648,000	746,000	-13.1	9.8	12.8
25".....	288,000	377,000	-23.6	4.4	6.5
26".....	168,000	225,000	-25.3	2.5	3.9
27".....	168,000	116,000	+44.8	2.5	2.0
28" and over....	24,000	28,000	-14.3	0.4	0.5
TOTAL DIRECT-VIEW	6,545,000	5,731,000	+14.2	99.0	98.7
Projection	65,000	77,000	-15.6	1.0	1.3
GRAND TOTAL	6,610,000	5,808,000	+13.8	100.0	100.0

*Figures in this category are included in categories directly above and below for 1989, are shown for comparison only and are not included in 1989 totals.

In current demonstrations of new Vistascreen large-screen picture tube family to TV set makers (TVD June 5 p8), Thomson is predicting that color TV sales will remain relatively unchanged in total units in next 3 years, rising only from 21.25 million this year to 21.5 million in 1992, but with percentage of very large screen direct-view sets (28" and over) increasing from 1.4% of mix this year (297,500) to 4.6% in 1992 (989,000). Sets in 25-27" size will drop from 27.5% (5.84 million) to 25.8% (5.55 million) and 19-20" from 45.6% (9.69 million) to 42.8% (9.2 million), smaller sizes increasing from 24% (5.1 million) to 25% (5.375 million). Thomson sees projection sets relatively unchanged, from 1.4% today (297,500) to 1.8% (387,000) in 1992.

Exact-frame location system developed by GSE Electronic Systems and approved by JVC as new VHS standard (TVD May 29 p14) is addition to current VISS and VASS systems, GSE said, noting that it didn't contribute to development of either of those systems, as we stated erroneously last month. GSE offers complete editing system that uses system known as RAPID (Retrieval and Access Program in Digital) at \$1,400; RAPID is only part of GSE's editing accessory. VHS licensees that incorporate system into their recorders must take out GSE licenses.

New customs user fee, fixed percentage of import's value, was approved last week by House Trade Subcommittee. Bill would extend existing fee of 0.17% of import value for one year, to Sept. 1990. But new fee will have \$575 maximum, whereas present system has no cap. Bush Administration had proposed new fees of 0.14% for entries processed electronically, to maximum of \$250 per item, and 0.24% for those processed manually, with maximum of \$425.

Pioneer will produce European laserdisks, in PAL format, at its U.S. plant in Carson, Cal. It's negotiating with movie companies for rights to PAL format software, Japanese reports said, hopes eventually to build disc plant in Europe. In Japan, videodisc production venture has been formed by Mitsubishi Plastics and Mitsubishi Corp. that is scheduled to produce 200,000 discs monthly in new plant scheduled for completion by Feb. Venture also will take over plant now owned by Mitsubishi plastics, turning out 100,000 monthly.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 149 yen = \$1, except where noted.

Note: We use Wed. closing figures to determine each week's dollar value; last Thurs., dollar passed 150-yen barrier.

CHINA'S 'NORMAL' FACE: China's foreign trade minister, Zheng Tuobin, last week inspected construction work on Beijing Matsushita Color CRT Co. joint venture and proudly proclaimed that no Japanese workers on project left China during recent upheaval -- but instead, more came to work on plant, which will start operation next month, 2 months ahead of schedule.

June 12 China Daily featured story headed "Good Times Keep Rolling in Shenzhen," emphasizing that "social disruptions in Beijing have had little effect on Shenzhen, China's first special economic zone," adjacent to Hong Kong. Another report in same issue proclaimed "Xiamen is Strong Lure to Investors," detailing accomplishments in economic zone opposite Taiwan, where many electronics firms are located.

China continued to put best face on joint venture situation -- just as it continued to lie to its own people about Tiananmen Square slaughter. Unquestionably, plants were resuming production and things were returning to at least appearance of normalcy. Many -- perhaps most -- foreign nationals working in those enterprises returned to their posts, and production in Beijing, which had stopped, was approaching former levels, according to all evidence.

There were some indications that recovery is still less than complete, however. Financial Times reported June 14 that several Japanese exporting companies have warned they will stop shipping goods next month because China hasn't sent necessary letters of credit. Article says Matsushita has stopped exporting TV sets to Japan -- but that was never a big business, anyway.

AT&T reportedly switched major order for telephones from China and Hong Kong to Taiwan, Taipei's Great Electric Co. said. However, AT&T spokesman said company was reviewing all of its business ventures in China, hasn't made final decisions.

It's generally agreed that long-term planning is more likely to be affected by stability of Chinese govt. than are any existing or contracted ventures. With future cloudy, there's no question China is much less attractive than it was several months ago -- and this could be boon to such areas as Malaysia, Indonesia, Philippines, Thailand, even relatively high-wage Taiwan and Korea. Hong Kong, whose manufacturers employ nearly 4 times as many people in China than within own borders, also has become question mark for near as well as far future.

Mergers and Acquisitions: Hanson Industries, U.S. subsidiary of London-based Hanson PLC, said it plans to sell about 53% of Smith Corona for \$333 million in public offering. Proceeds will be used by Smith Corona to pay short-term debt to Hanson, news release said. After close, Hanson would own 47.9% of typewriter maker... Canon is investing \$100 million in Next Inc., computer company started by Apple Computer co-founder Steven Jobs; Canon will own 16.66%. Companies also signed agreement for Canon to distribute Next computers in Asia.

Compact Disc Plus Graphics (CD + G) will be launched by July 4 in 25 east coast stores, including Tower Records, Sam Goody and Lechmere, sponsor Warner New Media said. CD + G discs, which contain encoded still video material (TVD June 20/88 p15), will be demonstrated at stores in kiosk with JVC CD + G player and TV set plus bin of discs. Player will list for about \$500. At start, 33 CD + G discs will be available, costing no more than regular CDs, with which they're compatible.

CES LOOKS AT FUTURE: Big LCD projectors and little LCD displays were among near-future highlights at Consumer Electronics Show, and for farther future there was Panasonic technology exhibit, already covered in these pages (TVD June 12 p10). Some other prototype products displayed:

First product to use tiny "Private Eye" display system developed by MIT scientists and produced by Reflection Technology in Waltham, Mass. (TVD March 6 p12, Dec 9 p10) will be "paperless fax," promised for fall by Medbar Div. of PortaFax Co., 71-08 51st Ave., Queens, N.Y. 11377. Tiny pocket fax system is capable of storing 25 pages, said Operations Mgr. Dalo Chinn, and little 2-oz. readout will be available for viewing faxed material without printer. It's to be available in fall, no price yet.

Sharp built on its Wizard pocket computing system in new programs as well as future products not yet available. Among those were still video camera with personal computer interface, program to use Wizard to add captions to videotape, electronic pen adaptor connecting Wizard to fax. Among nearer term programs are auto dialer, voice synthesis card, character generator, guides to sights in major cities. Sharp also gave preview of new telephone line, including model with pop-out autodialer that can be used with other phones. Intriguing product was miniature word processor, halfway in size between pocket reference and laptop, that can be carried under arm. Company also showed prototype still video camera using DAT as storage system and combination still video camera with 2" floppy disc and VHS camcorder.

Hitachi previewed some of next year's products, including 50" IDTV projection system, 31" direct view color set with zoom and frame noise reducer, VCR with 65-page on-screen instruction manual (up from this year's 18 pages), wireless remote jog/shuttle videocassette editor capable of memorizing 8 scenes.

NEW CAPTION ADAPTOR: New and smaller Telecaption adaptor was displayed at Consumer Electronics Show by National Captioning Institute (NCI). Replacing unit made by Sanyo is TV attachment built by Sigmatron of Ill., with 2-chip module made by Promex of Cal. New model, like predecessor, is expected to sell for less than \$200. It has 225-channel wireless remote control. NCI estimates 250,000 adaptors have been sold, hopes to match or exceed last year's sales of 50,000 in 1989.

Some 900 retailers handle adaptors, led by Sears and Penney catalog services, but now including Service Merchandise stores and Erol's chain. NCI is plugging captioning as "reading machine" as well as device for hearing impaired, pushing it for those learning English as 2nd language or needing help in reading skills.

Nearly 375 hours of captioned broadcast and cable programming now are available weekly, NCI said, and local news is being captioned in more than 35 markets. Nearly 1,500 captioned videotapes are available. NCI's 85-member Corporate Advisory Council recently adopted resolution urging TV set makers to build caption modules into receivers by 1991 (TVD April 3 p14).

Sony is producing S-VHS VCRs at its Kisarazu plant, Japanese reports said, and plans to introduce deck in 1989.

Sound Advice commenced public offering of 1.2 million shares of common stock at \$10.38 per share.

MITSUBISHI LINE: Highlighted by 70" TV, biggest rear-projection system yet (TVD May 8 p15), Mitsubishi premiered extensive additions to line in Chicago at Consumer Electronics Show.

Line includes 2 unique remote control features: (1) Pocket remote resembling large fountain pen, with 3 buttons that operate basic functions (power, channel, volume) as auxiliary remote for any Mitsubishi TV, at \$25 list. (2) Two-way remote for one audio system, with special button marked "ask." When that's pushed it duplicates receiver's complex front panel display on remote's LCD readout, including display of graphic equalizer. Product Planning & Development Vp Leo Delaney said concept may be extended to TV line.

Mitsubishi has improved its 35" color tube with fine pitch screen, resulting in brighter and more detailed picture. Also added to TV are coma-free deflection yoke for uniform focus, black level expansion circuit, white peak automatic contrast limiter, dynamic white level, digital sync circuit. Suggested list prices on most models aren't yet available.

Basic MGA line now has 3 models, with addition of 20" remote to 13" and 19" remote models available previously. New to Mitsubishi line are 31" monitor with new video noise reduction system, menu-driven operating system and 20-w-per-channel amplifier with detachable speakers. Three new 35" sets have 10-w amplifiers, programmable remotes, 700 lines of horizontal resolution. Direct-view line, all remote monitor receivers, now has one 20" model, two 26" table models, three 26" consoles, two 27" table models, one 31", three 35".

Mitsubishi's 70" projection TV, to be available in Oct. at \$6,399, uses company's new Selective Light Transmission Coating CRT, as does its 60". Other projection TV sizes have been held over.

Company added its first combination laserdisc and CD player. VCRs feature superfast forward and rewind systems, learning remote and "Spot Check" that permits monitoring of fast forward and rewind without having to go through other modes (stop, play, etc.). All recorders have 4 heads. First new model, with index search, on-screen display is \$499; hi-fi stereo version is \$699, S-VHS Hi-Fi \$999; deluxe S-VHS with dynamic comb filter and color on-screen displays is \$1,299. Mitsubishi added full-featured S-VHS-C camcorder with high-speed search, variable high-speed shutter and separate function keys for use as tabletop VCR.

JVC fields 7-model color TV line (its VCRs are in separate report, this issue), all with new integrated remote and 3-page memory. Line consists of 13" at \$339; 20" at \$399, MTS surround monitor receiver at \$529; 27" high-resolution monitor with MTS surround sound at \$829, similar model with Hyper-Bass Sound and learning remote at \$929; line is topped by two 35" MTS monitor receivers with Dolby/Spatial Surround, available in Aug. and Oct., still unpriced.

Note: Sony's giant-screen IDTV direct-view set that will list at \$40,000 in fall (TVD June 12 p10) has 43" tube, not 42" as we stated last week.

China's TV exports totaled \$80 million in year's first 4 months, General Administration of Customs in Beijing said. Consumer audio equipment exports in same period totaled \$75 million.

NEW VCRs, CAMCORDERS: Consumer Electronics Show was occasion for introduction of new line of VCRs and camcorders by JVC, all featuring on-screen menu system, TV/VCR remote with LCD readout, half-loading mechanism for quick starts and changes. Two-head leader at \$479 suggested list steps up to unit with Oval-Cut DA-4 double azimuth 4-head system, more comprehensive on-screen menus at \$499; DA-4 head system model with dual-screen programming (TV and remote LCD) \$529; hi-fi model with digital tracking and Duet editing system \$849; digital hi-fi with picture-in-picture plus all other features of preceding model, \$899.

Super VHS VCRs from JVC, all hi-fi stereo models with DA-4 system, start with digital tracking unit with half-loading, Duet Editing at \$1,299; with jog/shuttle and zero-frame editing, remote control center with 20-event editing bank, \$1,499. Top-of-line editing recorder has twin-LCD logical comb filter for high precision Y/C separation, independent audio processor, Video-on-Sound editing, color processor with split-screen check mode, character generator with 8-page memory, still unpriced.

JVC adds 3 new VHS-C camcorders to 3 already in line: Model with 2-speed 8x zoom, flying erase, insert editing and audio dubbing with optional remote, \$1,599; Super VHS-C with similar features, \$1,899; S-VHS-C with hi-fi sound in new shoulder-mount design, \$2,499.

Daewoo promised VHS-C camcorder for next year. Korean competitors Goldstar and Samsung, as reported previously, introduced full-sized VHS camcorders. Also new in Daewoo line is basic VHS deck to sell in \$279-\$289 retail range, 4-head version at \$329-\$339, linear stereo model, unpriced.

Kyocera (Yashica) adds 8mm camcorder with 8x zoom and AFM stereo audio recording with high-speed shutter, price undisclosed; semiprofessional 8mm with shoulder mount, die-cast aluminum L-frame, capable of accommodating 40 interchangeable lenses, permitting use of AA batteries for emergency, with editing features, in \$3,000-\$4,000 range.

Toshiba demonstrated its VHS Hi-Fi VCR with 4-band graphic equalizer, introduced earlier at \$750 (TVD April 10 p12), now with suggested list of \$699.

Crazy Eddie isn't bankrupt, retailer said in statement disclosing that 5 of its unsecured vendor creditors have filed involuntary Chapter 7 petition against it. Company said petition has "material misstatements of fact" and hasn't had impact on its 26 stores still operating. Vendors -- Code-A-Phone, Dynascan, Northwestern Bell, PhoneMate and Southwestern Bell -- accused retailer of ignoring \$860,000 in past-due debts. Crain's N.Y. Business, which reported that SEC is preparing insider trading suit against former Crazy Eddie officials, devoted 12 pages of June 5 issue to saga of Crazy Eddie founder Eddie Antar. Report chronicled conflicts within management, company rise to domination of discount consumer electronics retailing, subsequent financial woes. "Darkest chapter in the lives of the Antar family" remains, report said, with SEC likely to charge Antar and others with securities laws violations.

Matsushita and Siemens signed agreement to form joint venture in W. Germany to develop and market passive electronic components. Siemens will own 74.9% of Siemens-Matsushita Components, and Matsushita will own rest.

MEXICO TOP COLOR SOURCE: Mexico dominated color TV imports to U.S. in first quarter, increasing shipments over same 1988 period by huge margin, Commerce Dept. import figures showed. China had big gains in color and b&w TV shipments arriving here in March and was among leaders in first 3 months, exceeding Japan, Hong Kong and Canada in total TV.

In March, Mexico easily was top supplier of color TVs, followed by Taiwan, Korea, Malaysia, Singapore. Korea was first in b&w TV shipments, leading Hong Kong, China, Taiwan. 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.

Following are VCR and TV import totals by country for March and first 3 months of 1989:

	March	% Chg.	3 Months	% Chg.
VCR Decks				
Japan....	773,900	- 6.1	1,863,800	-12.8
Korea....	225,900	+34.1	678,400	+51.7
Taiwan...	50,200	+23.9	157,000	+ 7.9
TV Sets				
Mexico				
color...	354,200	+79.2	930,700	+64.0
Korea				
total...	240,600	-31.4	709,400	-27.1
color...	120,700	+ 2.9	323,600	-21.8
b&w....	119,800	-37.6	385,800	-31.1
Taiwan				
total...	131,600	+ 2.3	479,700	-16.5
color...	121,700	+ 2.9	330,200	-30.0
b&w....	9,900	- 4.8	149,500	+205.7
Malaysia				
color...	77,500	+115.3	209,900	+20.8
Singapore				
color...	49,600	+14.9	134,600	- 7.9
China				
total...	29,800	+613.8	128,300	*
color...	9,800	+603.3	59,700	*
b&w....	20,000	+619.0	68,700	*
Japan				
total...	35,500	+23.8	106,900	-16.5
color...	21,500	-17.7	82,000	+22.5
b&w....	14,000	+452.5	24,800	-59.3
Hong Kong				
total...	24,400	- 3.3	103,000	+18.2
color...	3,900	-71.3	40,500	+11.6
b&w....	20,500	+75.4	62,500	+22.8
Canada				
color...	16,900	+147.1	35,500	+100.9

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

Nokia net earnings fell 5.2% in first 4 months of fiscal 1989 on 7% higher sales. Consumer electronics sales dropped 12% to \$393.3 million in period. Finnish firm said growth of color TV market slowed in W. Europe, contributing to sales decline.

Highland Superstores will carry Xerox personal copiers in its stores in midwest and northeast U.S.

VIDEO AD DOLLARS UP: Zenith, Sharp and Thomson Consumer Electronics each "could more than double" ad spending in 4th quarter, as part of rejuvenation of consumer electronics advertising, Ad Age said in June 12 report. It said Panasonic and Sony also are planning to boost ad spending.

Advertisers of video equipment and accessories increased expenditures 23% in 1988, first boost in 4 years, but \$94 million total still was well below peak of \$136 million in 1984, it said. Panasonic will increase spending on video products ads 20% to \$12 million in quarter. Sharp, which will boost spending 33% to \$24 million, will promote new 100" projection TV among other products. Sony will raise spending from last year's total of \$20 million.

Other Ad & Promotions Notes: Sony Communications Products and Sony Advanced Systems select Communications Resource Network, N.Y., for PR... TDK packages coupons for free bottle of Pepsi or Diet Pepsi with videocassettes and 90-min. audio tapes. Another promotion gives consumers \$5 rebate on Reebok shoes with purchase of videotape 3-pack or 90-min. audiotape 4-pack... Fuji launches multimillion-dollar ad campaign for audiocassette line. Fuji promotion gives 20-disc plastic storage case with 20-packs of 3.5" floppy discs, 2 CRT screen cleaning towels with 10-packs of color 3.5" discs... BASF plans multimillion-dollar ad campaign for videotape beginning in Sept., with Leo Burnett as agency. It also announced several promotions at Consumer Electronics Show, including 5 coupons for 25¢ off on variety of retail products with purchase of single videocassette, "Bonus Pack" of T-140 videocassettes at T-120 price... JVC is accepting entries for 12th Tokyo Video Festival through Sept. 10... Sony entered joint promotion with Showtime Networks under which Showtime will offer Sony videotapes to consumers as incentive for cable TV subscription.

Portable DAT recorder with electronic still-video recording capability has been developed in Japan by Aiwa, will be released there in fall at about \$670. Video adapter will be available at \$170. No export plans were disclosed. DAT recorder is "smallest and lightest" on market, Aiwa said, and uses miniaturized motor and ICs for reduced size. When used with video adapter, product records pictures shot with camcorder or other video recorder, onto DAT. It's capable of recording up to 1,800 still pictures on 120-min. tape, Aiwa said.

Japan has caught up with U.S. in most key electronics technologies, Japanese Ministry of International Trade & Industry (MITI) said in report detailed in Electronic Business magazine. MITI white paper concluded that Japanese technology has equaled or surpassed U.S. in 90% of 40 major electronic products. Study was based on survey of 1,000 firms, R&D centers, analysts. Among areas where Japan is said to have lead over U.S. are consumer electronics, semiconductors, copiers.

Sanyo established financial company, Sanyo Electric Finance USA, in N.Y. New firm, capitalized at \$1 million, will give financial assistance to Sanyo's 22 subsidiaries in N. America.

Newmark & Lewis said it's considering alternatives for increasing shareholder value, including going private or putting itself up for sale. Retailer has retained investment banker Wertheim, Schroder & Co. to review alternatives. Company hasn't received any takeover offers, Chmn. Warren Hyman said.

Consumer Electronics Personals

Changes at Sony: Thomas Harvey, pres. of Sony Consumer Audio Products, becomes pres. of Sony Consumer Products Sales Co. July 1, succeeding John Briesch, now pres. of Sony Consumer Products Group and acting pres. of Sony Video (TVD April 10 p18). Former Consumer Audio Products is split into 2 groups: (1) Home & Car Hi-Fi Products, under Pres. Martin Homlish, ex-hi-fi/autosound vp. (2) General Audio/Communications, under Pres. Marnix van Gemert, ex-home video vp. James Palumbo is new pres. of Sony Consumer Display Products -- his first name was reported incorrectly last week... Jerry Copley, former western zone sales mgr., named Quasar southwest zone mgr.; he's succeeded by Robert Colvett, former L.A. territory sales rep.

Heitaro Nakajima, Sony executive technical adviser, ex-pres. of Aiwa and former pres. of Digital Audio Tape Conference, named pres. of START Lab, joint venture of Sony and Taiyo Yuden for small-scale production of Compact Discs (see separate report)... Changes at Gusdorf: Paul Gusdorf and Walter Gusdorf resign as chmn. and exec. vp, selling interests in firm to Pres. John Gusdorf... Robert Whitehouse resigns as Sanyo Business Systems Telephone Div. sales and mktg. vp, joining American Institute for Interactive Management as exec. consultant.

Arnie Nudell resigns as Infinity Systems pres.; Cary Christie, exec. vp., named interim pres... Tom Jacoby Harman Kardon vp, promoted to exec. vp... Chuck Turigliatto advanced to national sales mgr., Velodyne Acoustics, succeeding Jim Lee, now vp-gen. mgr.; Gary Gray named national sales rep, new post... Pamela Costanza appointed sales and mktg. asst., Precise Acoustic Labs... Brian Matos named national sales mgr., Allsop Consumer Electronics Div... Appointments at KLH: Bob Rapoport, ex-Ohm Acoustics, as vp-sales; Ron Silva, ex-Bose and Yamaha, as head of special projects; David Karron, ex-Fisher, as special consultant... William Cowdrey, Kenwood car audio and security mktg. dir., promoted to vp.

Sakae Shimizu, Toshiba (Japan) senior exec. vp, appointed pres., Sortec Corp., R&D company owned by Japanese govt. and 13 manufacturers; he succeeds Hisao Oka, named AI Language Research Institute... Kensuke Ito, Kyocera exec. vp, advanced to pres., succeeding Kinjiro Anjo, appointed vice chmn.; Nobusuke Kanda, Sanwa Bank, also named vice chmn.

Kenneth Palmer, ex-Interglobal exec. vp, named Starmaker Entertainment pres.; Al Schiefelbein, ex-Interglobal sales and mktg. vp, joins as exec. vp; Prism Chmn. Paul Levinson, who owns 60%, named vp, dir. and consultant... Linda Lauer promoted to VSDA exec. dir., effective July 1, succeeding Pam Horovitz, who advances into exec. vp vacancy created by retirement of Mickey Granberg, who remains as consultant and exec. vp of Assn.'s scholarship foundation... Alisse Kingsley, ex-Media Home Entertainment/Fox Hills Video, joins Warner Home Video as publicity and promotion mgr.

Investment opportunities in Taiwan are subject of meeting June 26 in N.Y., "U.S./Taiwan Economic Relations: New Markets and Opportunities." Sponsored by American Management Assns., it will feature talk by Economic Affairs Minister Li An Chen, as well as other officials of Taiwan govt. and U.S. business interests in Taiwan. Details: 518-891-0065.

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
Audio/Video Affiliates			
1989-qtr. to April 30	31,720,000	(429,000)	— ^a
1988-qtr. to April 30	40,542,000	64,000	.01
Circuit City Stores			
1989-qtr. to May 31	407,997,000	10,735,000	.47
1988-qtr. to May 31	327,648,000	8,953,000	.40
Commtron			
1989-9 mo. to May 31	421,580,000	6,171,000	.61
1988-9 mo. to May 31	353,355,000	2,842,000	.28
1989-qtr. to May 31	128,668,000	1,648,000	.16
1988-qtr. to May 31	123,103,000	940,000	.09
Handleman Co.			
1989-year to April 29	646,703,000	41,398,000	1.92
1988-year to April 30	539,764,000	34,047,000	1.58 ^b
1989-13 wk. to April 29	151,382,000	10,804,000	.50
1988-13 wk. to April 30	137,926,000	9,723,000	.45 ^b
Highland Superstores			
1989-qtr. to April 30	196,549,000	(8,518,000)	— ^a
1988-qtr. to April 30	181,649,000	283,000	.02
Quintex Entertainment ^c			
1989-9 mo. to April 30	76,772,000	3,738,000	.17 ^a
1989-qtr. to April 30	17,348,000	302,000	.01 ^a
Spelling Entertainment			
1989-9 mo. to April 30	99,973,000	9,044,000	.41
1988-9 mo. to April 30	106,548,000	18,130,000	.99
1989-qtr. to April 30	62,060,000	2,877,000	.09
1988-qtr. to April 30	25,278,000	5,377,000	.29

Note: ^aIncludes special credit. ^bAdjusted; restated.

^cComparative results unavailable.

'TAPE US'--CBS: TV networks have come long way -- from ignoring video recorders to suspicion to outright hostility. And now, CBS -- which placed 3rd in prime-time network ratings for 2 consecutive seasons -- is saying, in effect, "if you can't watch us in real time, tape us." New tactic is focus of special joint promotion with Maxell.

Maxell, in turn, will package CBS fall prime-time viewing guide with its U.S.-produced videocassettes. CBS ads in People and TV Guide will urge viewers to record its new shows on Maxell tape. Maxell Consumer Products Div. Vp Mike Golacinski hailed promotion as representing "a new philosophy on the part of broadcasters to encourage home videotaping for consumer viewing convenience."

CBS will also mention Maxell tape in connection with joint promotion of consumer "Instant Win" game in K mart's 72 million newspaper circulars to be distributed each week of joint promotion in fall (TVD May 15 p4).

This is year all 3 commercial networks officially take notice of VCR, promoting their new programs to video users. NBC network preview guides will be packed with 18 million 3M Scotch videocassettes, and free one-hour NBC-produced preview tape with each 5-pack. Free 15-min. cassettes highlighting new ABC shows will be given to Pizza Hut customers in joint promotion by Cap Cities/ABC and Pizza Hut parent Pepsico.

8mm Video Council and Travel Channel are sponsoring "Vacation Video Challenge," contest for best homemade vacation video. Contest runs June 15-Aug. 15. Winners get trip to Cancun, camcorders.

TELEVISION DIGEST®

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

With Consumer Electronics

JUNE 26, 1989

VOL. 29, NO. 26

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

ALLEGATIONS FLY IN SENATE: Broadcasters and cable trade charges about cable 'monopoly,' while networks and Hollywood dispute need for finsyn at 2 days of hearings. Inouye says cable investigation to continue. (P. 1)

NAB--KEEP TELCOS OUT OF CONTENT: That's position of joint board. Task force established to study tenets of telco entry into cable. TV board seeks non-advertising revenues. ATTC funds doubled. (P. 4)

LIN REJECTS McCAW BID: Says \$120-per-share, \$5.85-billion offer is inadequate, proceeds with tax-free spinoff of 7 TV stations. (P. 6)

WIRTH OFFERS KIDVID BILL: Proposes children's programming component for broadcaster public service obligations. (P. 6)

TAKEOVER MOVES TO COURT: Battle involving Time, Warner and Paramount intensifies with new offers, suits and accusations. (P. 7) State regulators seen as eventual force in 3-way fight. (P. 7)

MAYORS SUPPORT TELCOS: Local leaders endorse cable competition despite presentation on high cost of fiber by NCTA's Mooney. (P. 8)

HIGH COURT ADDRESSES MEDIA: Dial-a-porn, Warner Amex Cable, right-to-publish, states' rights among high court's actions last week. (P. 8)

SENATE REVIEWS MEDIA OWNERSHIP: Cable bashers can expect no rush to judgment from Senate Communications Subcommittee on reregulating industry, Chmn. Inouye (D-Hawaii) said, despite what one lawmaker saw as "damaging" allegations of excessive basic rates, discriminatory program distribution practices, other allegedly anticompetitive behaviors. But Inouye said Subcommittee's "investigation" of cable industry would continue, and indicated he was troubled by evidence presented to support allegations. He promised legislation if Subcommittee review suggests need. "If I was in the cable industry, I think I'd be looking for my Rolaids right now," Inouye concluded.

Cable came under fire throughout first of 2 days of hearings last week, with fewer potshots 2nd day. Latter was reserved largely for discussion of financial interest and syndication (finsyn) rules, featured 3 major network CEOs defending their call for freedom from constraints. CEOs said rules were "antiquated" and "untenable" and were undermining viability of their companies.

NCTA Pres. James Mooney was focus of much attention in 4-hour session June 21. He defended industry's record before clearly skeptical Subcommittee, stressing importance of U.S. cable's vertical integration in generating money stream that has made possible what he described as "specialty programming." He was supported by Discovery Channel Chmn. John Hendricks and Black Entertainment TV

Consumer Electronics

PANASONIC CUTS VHS-C price to \$799 list, other manufacturers expected to follow. Stagnation at retail hits camcorders particularly hard. (P. 11)

U.S. COLOR TV PRODUCTION soars 20.4% to 3.2 million in first quarter, representing nearly 60% of total supply, which rose 17.7% to 5.34 million. (P. 11)

WIDESCREEN TV SETS could become new top of line even before ATV arrives, as vehicle for watching video movies. European introductions seen this fall. (P. 12)

IDTV AND EDTV systems in spotlight at ICCE engineering sessions. Moves toward digital VCRs, home automation, merger of TV and computer are subjects. (P. 13)

VHS-C STRIKES BACK, coordinated by JVC, in drive to prove there's 'only one VHS.' Software, feature films planned. (P. 15)

CHINA PLANS POSTPONED by Matsushita and Toshiba, both delaying picture tube projects. Corning waits before sending personnel to China. (P. 15)

ASIAN VIDEOTAPE PRICES PLUNGE, result of 'fierce' competition in Korea, Taiwan, Hong Kong, Japan, says detailed report in Electronic Business. (P. 16)

CRAZY EDDIE FILES for protection under Chapter 11 proceeding in N.Y. Stores remain open. (P. 16)

(BET) Pres. Robert Johnson, who said only cable MSOs had money and interest to help provide startup capital for their ventures. Johnson said reinstatement of permanent must-carry rules for broadcasters posed bigger threat to BET than alleged monopolistic abuses of cable industry. But Mooney restated NCTA's willingness to accept must-carry compromise negotiated by broadcast and cable industries several years ago.

Several senators appeared sympathetic to notion that cable's vertical integration may have played important role in increasing program diversity. But, led by Sens. Gore (D-Tenn.) and Pressler (R-S.D.), they expressed concerns about combined impact of cable's horizontal and vertical integration. They decried cable control over both conduit and product, with Gore using such words as "cable Cosa Nostra," "shakedown" and "outrageous."

Mooney suggested charges of rate abuse were overblown and expressed confidence that forthcoming rates study by General Accounting Office would bear him out. He agreed prices for some systems have been too high, resulting in big rate hikes. However, picture generally is of reasonable rates, he said. There also is no "convincing" evidence of discrimination against alternative program providers, Mooney said, contending MSOs don't have enough "economic power" to bar entry of new programming networks. When confronted by Pressler with evidence of what he described as problems some alternative programmers are having in winning carriage deals from premium program services, Mooney drew laughter and hoots for suggesting that they "keep trying."

INTV Pres. Preston Padden also saw need for cable reregulation to avoid "slow erosion" of independent TV. He and John Hanks, dir.-N.Y.C. Bureau of Franchises, agreed problem wasn't cable's vertical integration alone, but was combination with control of program distribution through industry's horizontal integration. Telco entry into cable programming could be one option, he suggested, but more immediate solution would be to condition cable's compulsory license privileges on compliance with must-carry and new rules on channel positioning. He also said Congress must stop migration of professional sports to pay TV, perhaps by requiring cable operators to carry local signals for fee. Padden had package of other proposals, including forced divestiture of cable's program operations from systems.

Competition and not reregulation was advocated by consultant Harry Shooshan of National Economic Research Assoc. Citing his paper for Markle Foundation (made part of record and due to be published this summer), he recommended "Congress consider a right of access (including must-carry)" and extending compulsory licenses to cable program services. He also saw possibility in temporary price regulation, perhaps in form of cable rates capped at "premonopoly" 1986 levels, but qualified his remarks to indicate he saw curbs as "interim regulation... if regulation is absolutely necessary." Gene Kimmelman of Consumer Federation of America also supported rate constraints, saying fees would be half what they are today without deregulation.

New compulsory license ensuring "wireless cable" operators access to cable programming was urged by Wireless Cable Assn. Pres. Robert Schmidt. He explained his industry's problems in obtaining cable programming, was followed by similar but more dramatic presentation by Robert Phillips, chmn. of National Rural Telecommunications Cooperative (NRTC). Phillips said group's wholesale program costs for its Rural TV Basic Plus package to dish users is 444% higher than wholesale prices paid for same product by "independent" cable operators. Disparity for individual services ranges from low of 167% to as much as 790%, he said.

At hearing day earlier, TV network CEOs stopped short of asking Congress to repeal finsyn rules, saying talks with Hollywood on compromise were continuing. Inouye urged them to stay at bargaining table. However, NBC Pres. Robert Wright made clear he wasn't optimistic, charging studios with refusal to deal. "The studios have failed even to respond" to NBC's "50-50" proposal now on negotiating table, he said. "They are not willing to test the merit of their arguments in the marketplace... If negotiations don't succeed -- and I do not believe the studios presently have much incentive to negotiate -- then this issue should be addressed by the appropriate agencies."

Subcommittee heard countercharge from MPAA Pres. Jack Valenti, who contended that it was broadcasters who have refused to deal and that Hollywood has proposed "everything they want." But networks don't believe they have to deal, he said, because consent decree restricting their prime-time program ownership and production is expiring in 16 months. He predicted networks would rush back to negotiate with Hollywood once new FCC majority is installed and it becomes apparent that Commission won't revisit issue.

Wright said record for change is compelling, citing increased cable, VCR and independent TV competition. Cable revenues exceeded combined returns of 3 major networks in 1986, he said, while network share of prime time slipped to 67% last season. CEOs clearly touched nerve among senators in arguing they see major professional sports, including Olympics, Super Bowl and World Series, moving to cable eventually, with potentially substandard free TV ending up serving poor while pay TV was service of rich.

Cap/ABC Chmn. Thomas Murphy agreed with Wright on sports programming fear, saying that it was only matter of time and that only "for the foreseeable future" was it likely that such services would remain on free TV because of audiences that over-air stations still can deliver to advertisers. "If cable today wanted the Super Bowl, I do not think there's any way that we could keep it," CBS Pres. Laurence Tisch said, citing what he said were cable's sizable financial resources.

CEOs contended that finsyn rules are squeezing their profitability because advertiser revenues have flattened at time production costs are escalating. Several Subcommittee members expressed skepticism at network money pleas and quizzed CEOs about their revenues. "Any antitrust lawyer would say that for 3 companies to have 70% of the market is still a monopoly," parent Commerce Committee Chmn. Hollings (D-S.C.) said at one point. CEOs were reticent about discussing details of their businesses publicly, but each gave indications that network operational profits have fallen since cable was deregulated. Murphy admitted that ABC TV Network lost \$5 million last year. Tisch said CBS TV earned \$300 million profit in 1984 vs. \$60 million last year, but didn't break out network figure. At same time, he said, over-air broadcasters are forced to "subsidize" cable with free carriage of local station programming, referring to cable compulsory license. Wright called competitive situation "bizarre," said average network profit margin now is 4%. In terms of working capital, "this is not a good business to be in at this time," Tisch said.

But when quizzed about their future, none of CEOs said he was ready to give up, although Tisch said networks couldn't afford to take "hits" or losses, such as on sports and news, indefinitely. He credited finsyn with creating deficit financing climate in program production, strengthening hand of major film studios. Result is increased consolidation in Hollywood, Tisch said, noting number of suppliers of prime-time network series has fallen 32%. He said 4 studios own cable networks, 5 have TV station interests, one (Fox) owns TV network, and questioned TV networks' exclusion from programmer scene.

As opposed to ABC and NBC, which are heavily involved in cable programming, Tisch saw CBS's future in broadcasting only: "I am determined to keep CBS as a pure broadcaster in over-the-air television... How long I can do that I cannot say." He indicated that outcome of finsyn debate would help him settle question. Wright described NBC's future as in programming, saying network considered itself "a programming company." Murphy said "most attractive" part of Cap/ABC now is cable ventures in which it has interests -- Arts & Entertainment, ESPN, Lifetime. "All made more money last year, certainly more money than the ABC Television Network," he said. Asked about telco entry into cable, Murphy indicated Cap/ABC was steering clear of issue: "I have enough problems... We do not have a dog in that fight."

CEOs insisted they wouldn't favor in-house productions if finsyn were repealed, and their aim would have to be to put on highest quality programs most likely to be profitable. Other senators also questioned CEOs' program quality claims, noting cutbacks in standards divisions and violence, sex and drug use on TV. CEOs also urged repeal of network-cable cross-ownership ban. Murphy supported returning antitrafficking rules, while Wright indicated he wouldn't oppose idea and Tisch said he hadn't focused on issue.

Valenti contended networks would dominate program market without finsyn, leaving producers "manacled" to broadcasters. He presented case for rules grounded on what he said was networks' continuing market dominance, despite emergence of competitors. He said networks' power flows from their "total command" of prime-time TV. Networks also draw most ad dollars, can get programming at fixed price for 4 years under finsyn, have advantage in VHF assignments that gives them bigger audience reach, and remain profitable, he said. Supporting testimony was presented by independent producer Steve Cannell, who said his company would "perish" if rules go.

While CEOs were testifying, NBC had obtained copy of Valenti's prepared statement, which network officials annotated in margins and quietly distributed to reporters when MPAA head stepped up to testify. Cover sheet was emblazoned with NBC's handwritten warning: "The following testimony contains erroneous statements and misleading statistics..." and inside were such notations as: "These are completely irrelevant statistics," "Wrong!" and "Nonsense!" Move outraged Valenti, who called it "absolutely unprofessional," and disturbed senators and staffers, who said they couldn't recall similar incident.

Finsyn should continue for 3 major networks, said Fox CEO Jamie Kellner. But he said rules shouldn't be applied to Fox Bctg. yet because programmer is fledgling network with none of market power that rules are designed to curb. "It is absurd to intimate that under any fair test Fox or any other entity is structurally or functionally equivalent to the networks," he said.

Testifying on other issues, NAB Pres. Edward Fritts described what he saw as inequities of broadcast regulation vs. competitors, especially cable: "If Congress regulates broadcasting because of concerns about diversity and to protect the public interest, shouldn't this logic apply to new media as well?" Fritts said Congress needed either to reregulate cable or to eliminate all broadcast rules to create level playing field. He urged Congress to implement "reasonable" must-carry and channel positioning rules and to curb cable ownership.

Media Access Project's Andrew Schwartzman called for retaining finsyn, as well as for: (1) 3-5-year holding rule for TV-radio stations to slow turnover. (2) Character reviews of applicants before licensing. (3) Retention of cross-ownership rules, particularly newspaper-broadcast and network-cable bans. (4) Maintenance of prime-time access rule. (5) Law enshrining minority and women ownership rules.

NAB--NO TELCO INVOLVEMENT IN PROGRAM CONTENT: While NAB didn't come out in total opposition to any form of telco involvement in cable following 4 days of board meetings in Washington last week, it adopted firm antitelco positions on 2 major points: (1) "Oppose telephone company involvement in any form in content ownership, content generation, affiliation with content providers, joint ventures with programmers or other content providers, etc." (2) "Oppose telephone company ownership and/or operation of existing cable systems both inside and outside of their service territories."

At closing meeting June 23, NAB joint board established task force to study other aspects of possible marriage of telcos and cable in some form. Among other things, it will be charged with developing set of specific limitations and restrictions on court's Modified Final Judgment (MFJ) regarding telephone companies, refine content restrictions NAB wants imposed on telcos in cable, "develop strategies to ensure that local radio and TV stations have full and unencumbered access to telephone company switched fiber optic networks." NAB said it wouldn't oppose shift of jurisdiction over MFJ from U.S. Dist. Court Judge Harold Greene to FCC, as proposed in Congress and elsewhere. Assn. also won't oppose telco entry inside or outside service area -- "but only as a second broadband conduit available to the home" (meaning they must overbuild existing system). NAB wants cable telcos restricted to common carrier basis.

NCTA and USTA immediately issued statements on NAB's telco-cable position -- both expressing satisfaction. Said NCTA: "We are pleased that NAB has endorsed a position opposing telco entry into television [content]. We agree that the telcos' involvement in the content of television poses substantial risk." USTA said it "commends [NAB] decision to support telco entry into the cable television business. Telco provision of cable service promises great benefits for the American consumer." However, on program content, USTA said NAB position "flatly contradicts the guarantees of the First Amendment in ways the broadcasters themselves would not tolerate."

NAB acted after hearing from USTA Pres. John Sodolski earlier in week and NCTA Exec. Vp Decker Anstrom Fri. (filling in for NCTA Pres. James Mooney, who missed earlier meeting because of travel difficulties). Typical reactions of NAB dirs. to Sodolski: "He hurt himself badly." "He shot himself in the foot." He also was criticized for not knowing issues -- such as syndication and sports rights -- and for not being prepared to answer questions he received.

Sodolski said telco-cable is inevitable because fiber is going into homes -- "it's just a matter of time." He said telco could deliver video and audio into homes more cheaply and better than existing cable systems can, predicted there would be significant progress in this Congress (through 1990) to allow telco entry, but he didn't expect vote on legislation. Among other points Sodolski made, mostly in answer to questions: (1) Telcos pledged must-carry and channel position for local stations. Asked about radio, he said there are 10,000 stations, and telco-owned system could carry N.Y. radio station into Ala. if broadcaster were willing to pay. (2) Telcos would seek to control program content, but wouldn't compete for sports rights. He said broadcasters needed to worry about others in that regard. (3) Telcos probably would become involved in program originations, but not very heavily, citing high school sports that nobody else wants. (4) Telcos wouldn't settle for condition that they build and compete only in markets where cable systems already exist.

Anstrom said historic anticompetitive behavior of telcos provides "strong and compelling reasons" for maintaining current restrictions. He said telcos won't be "just another competitor" because they have not

mere deep pockets but "bottomless pockets." He said baby Bells, with combined 1988 revenues of \$74 billion, more appropriately should be called "behemoth Bells." Telco entry into cable would cause "a dramatic restructuring of the broadcasting industry [and] not for the better," Anstrom said. "Whatever problems you have with cable would be magnified a hundredfold with the telephone industry." Asked about compulsory licenses, he said their loss to cable "would invite a game of chicken in every community between cable operators and local broadcasters."

Just ahead of Sodolski's appearance, NAB Exec. Vp John Abel presented updated version of his well-received slide presentation analyzing economic impact on broadcasting of telco entry into information services. He showed where there's much opportunity for terrestrial broadcasters -- such as programming multiple channels, thus becoming more than just distributors. Broadcasters' uniqueness as program distributors will be "severely altered in a fiber world" and could make transmitters and antennas obsolete, he said. But he said opportunities still are there for broadcasters because of their long-standing contacts with advertisers and programmers.

TV board established task force to "study the economic subsidy that broadcasters provide to cable" through compulsory licenses and to seek additional sources of revenue beyond advertising. Board also doubled its \$700,000 commitment to \$1.4 million for Advanced TV Test Center (ATTC). Newly elected TV Chmn. Thomas Goodgame of Group W TV, who suggested idea, will head task force. He contended that "broadcasters are being forced to subsidize the growth of cable as it continues to attack the economic foundation of our business... Now that cable is mature and prospering, these federal policies that give cable a free ride no longer make sense."

House Telcom Subcommittee Chmn. Markey (D-Mass.) told radio board it's time for his panel to start focusing on problems of audio -- citing radio-only bill and technical issues. However, he said he's "still unconvinced about the need for wholesale revision of the license renewal process," said he has "an open mind... I pledge to work with you to rid your industry of highwaymen, bandits and pirates [in renewal process]." Markey warned that amendments will be emerging on renewal bill -- citing EEO and antitrafficking provisions as likely candidates. (At May 23 news briefing, newly elected NAB Chmn. Lowrey Mays, Clear Channel Bestg., said he would be "surprised" if broadcasters accept any kind of antitrafficking provision.) NAB has about 100 co-sponsors for radio-only renewal bill, worked to secure more last week with board members' vists to Hill and June 21 dinners with members of Congress.

NAB radio board adopted what it said was "wide-ranging agenda for revitalization of AM radio." Recommendations covered transmission standards, including move to "redouble encouragement" that AM stations convert to stereo, require continuous-tuning AM-FM receivers and law to mandate that all stereo receivers include AM. On interference, board said it would oppose FCC proposal to permit sale of "interference rights" between stations and will ask Commission to allow co-channel and adjacent-channel waivers only after it has determined that interference wouldn't be increased. NAB will seek "homesteading" rights for daytimers for 5 years on their old frequencies that switch to expanded AM band and assurance that original frequencies wouldn't be reassigned to new station. Board authorized formation of task force to meet with receiver manufacturers to seek better reception of AM in homes and to develop minimum technical standards for receivers. (In related matter, technical subgroup of FCC Radio Advisory Committee meets at NAB July 13, with interference to AM stations on agenda, along with engineering standards for FM.)

In opening 4 days of meetings, outgoing NAB Chmn. Wallace Jorgenson said his 2 years at helm "have been delicate ones as we have tried to avoid being mowed down in the cross-fire between a Congress and a Commission [FCC], each trying to seize the initiative in determining the future course of national communications policy. But we've come through relatively unscathed as a result of some skillful maneuvering by our staff professionals... NAB is stronger today than it has ever been."

NAB heard good financial report for fiscal year ended March 31 -- even though it showed \$348,652 deficit for year on revenues of \$16.16 million, expenses of \$16.51 million. (All of losses and much more were caused by unbudgeted expenses.) This compares with revenues of \$14.61 million for year ended March 31, 1988, expenses of \$14.78 million. Convention revenue (for 1988) was main source of income for fiscal 1989, with \$5.17 million excess of revenue over expenses (about same is projected for 1989 convention at end of April, which will show up in 1990 figures). Other main sources of revenue: Radio dues \$3.43 million, TV dues \$3.54 million, NAB Services \$1.44 million. Expenses by divisions: General and Administrative \$6.21 million, Govt. Relations \$1.56 million (that figure has been nearly doubled for current fiscal year), Public Affairs \$1.12 million, Station Services and Radio each \$1 million, Legal \$980,505, Research & Planning \$677,538, Science & Technology \$588,120, TV \$569,904, Minority & Special Services \$135,131 (area where budget is

expected to increase next year). Main beneficiaries of \$865,555 in unbudgeted expenses were \$309,060 to Advanced TV Test Center (ATTC), \$278,000 to Radio Futures Committee, \$123,102 for AM study.

In only contest for NAB leadership posts, William Sanders, KICD-AM-FM Spencer, Ia., was elected radio chmn. in 3-way race without runoff most had expected. Other candidates were Donald Newberg, Radio Chattanooga, and Robert Pricer, WCLT Radio Inc. Sanders received 16 votes, Newberg 8, Pricer 6. David Hicks, Hicks Bestg., was unopposed for radio vice chmn. On TV side, Benjamin McKeel, Nationwide Communications, moved from 2 years as chmn. (he was prohibited from serving 3rd term under bylaws) to vice chmn. to make way for Goodgame.

Board meetings were last to include radio unification seat. NAB established 12 such seats when NRBA was merged into NAB in 1987, with 4 being dropped each year. Last was held by Exec. Committee member William Clark, pres. of Shamrock Bestg.

LIN REJECTS McCAW BID: LIN Bestg. refused McCaw Cellular Communications' proposed \$5.85-billion takeover offer (\$120-per-share) June 20, but acknowledged it would be interested in selling at right price. U S West confirmed it has had discussions with LIN, which declined comment. LIN also said it will proceed with plans to spin off 7 TV stations in deal that would create new broadcast subsidiary and yield tax benefits to shareholders.

LIN Vp-Corp. Development-Treas. Michael Plouf said McCaw's offer was inadequate, adding that board doubts McCaw could arrange financing for purchase. Plouf denied LIN wanted to spin off TV stations as way of enabling management to maintain some control of company, contending official reason is that cellular interests are more profitable (TVD June 12 p6). He said LIN has filed with FCC to proceed with spinoff.

McCaw said it was disappointed at rejection, but reaffirmed that \$120 per share is "full and fair" offer. Saying it never was sure whether LIN had been discussing buyout with other companies, McCaw told target: "Now that you have commenced meetings with other potential acquirers, we hope that you will give us access to any nonpublic information you provide to others."

McCaw spokesman said company wanted to make acquisition on "friendly basis," but possibility of LIN and McCaw merging "is something we've never thought of." He added that McCaw also is interested in LIN's retaining TV stations because "they are in good markets," noting McCaw started out as broadcast company.

TV stations are: KXAN-TV (Ch. 36) Austin, Tex., NBC; KXAS-TV (Ch. 5) Ft. Worth-Dallas, NBC; WAND (Ch. 17) Decatur, ABC; WANE-TV (Ch. 15) Ft. Wayne, CBS; WAVY-TV (Ch. 10) Norfolk, NBC; WISH-TV (Ch. 8) Indianapolis, CBS; WOTV (Ch. 8) Grand Rapids, NBC. LIN's cellular properties are in Dallas, Houston, L.A., N.Y., Philadelphia.

Extending recent pitch to commercial broadcasters, TCI Senior Vp John Sie urged public TV stations recently to enter joint profit-making program ventures. Speaking at meeting of PTV group Pacific Mountain Network in Tucson, he said stations could set up for-profit subsidiaries to develop fare for cable. TCI source acknowledged afterward there might be tax and legal roadblocks for public stations to overcome before they could embark on joint ventures. While no PTV stations have yet responded to Sie, source said, TCI is involved in discussions with unidentified commercial outlets in response to similar call recently by TCI Pres. John Malone.

ANOTHER KIDVID BILL OFFERED: Sen. Wirth (D-Colo.) moved last week to reassert leadership role in setting children's TV policy, proposing new bill (S-1215) to require commercial stations to carry more educational and informational shows for youngsters. Measure was co-sponsored by Sens. Lautenberg (D-N.J.) and Metzenbaum (D-O.), and will compete for Senate attention with package (S-707) already pending from Senate Commerce Committee leaders Hollings (D-S.C.) and Inouye (D-Hawaii).

Wirth is long-time advocate of regulations to curb commercial kidvid excesses, but last year found himself up against bipartisan House-Senate coalition seeking passage of compromise package worked out by public interest advocates and broadcasters. That bill eventually passed Senate, but stalemate on Wirth's proposed changes lasted long enough to allow pocket veto by President Reagan after Congress adjourned. Wirth wants tougher bill.

New Wirth bill would: (1) Cap ads in kidvid at 12 min. per hour Mon.-Fri., 9-1/2 min. hourly on weekends. (2) Restrict "program-length" commercials targeted at youngsters. (3) Require FCC to take into account station's informational and educational programming schedule in reviewing license renewals. (4) Direct stations to do advance promotion on such programming, giving adults and children information to encourage viewing. Wirth said bill is prompted by growing evidence of TV's potential as educational tool, which he believes could be tapped to stem erosion in student achievement in U.S. Bill has support from variety of groups, including National Assn. of Better Bestg. but not ACT or NAB, which have endorsed S-707. Senate Communications Subcommittee plans July 12 hearing on children's TV legislation, 10 a.m., Rm. 253, Russell Bldg.

Health information will be broadcast in Latin America through 3,000 TV affiliates and 5 satellites in program titled Health for All. Variety show will be transmitted from Miami and is expected to reach more than 100 million viewers in more than 20 countries, said Pan American Health Organization, which produced show. Program covers AIDS, infant mortality, sanitation, role of women in health services, substance abuse, others. Ibero-American TV Organization (OTI) is distributing program.

Ventura Entertainment is acquiring Osmond Media Center in Orem, Utah, for \$6.6 million. Center was built 10 years ago by Osmond family of entertainers, has played host to several TV specials and series, motion pictures, commercials filming. Jimmy Osmond will remain as head of Center, also will join Ventura in what was described as "a high-level capacity."

TAKEOVER BATTLE IN COURTS: Three-sided takeover battle among Time, Warner and Paramount entered legal skirmish stage last week, involving courts in N.Y., Del., Conn. and Fla., as well as FCC and local regulatory authorities (see separate story this issue). Main battle is expected to be in Del. Chancery Court, where Chancellor William Allen has scheduled hearing July 11. Paramount also filed counterclaim in U.S. Dist. Court, N.Y., against earlier Time suit seeking to block Paramount tender offer, which has been extended until after Del. hearing.

Paramount, meanwhile, increased its offer for Time \$25 to \$200 per share. Paramount Chmn. Martin Davis said he hopes higher offer will convince Time board to submit offer to shareholders for vote. New price is conditioned on reversing Time-Warner stock swap and retains previous conditions on obtaining financing. Paramount also extended deadline for tender offer to July 7 and said it expects to extend it until after July 11 hearing in Del. court.

Time-controlled ATC also sued Paramount in Conn. Superior Court, seeking injunction against bid for Time because it would invalidate ATC cable franchise agreements. At least one city, Casselberry, Fla., also has filed suit in federal court seeking to prevent Paramount from assuming franchise now owned by ATC, and other local regulators have indicated similar suits are possible. Some participants also predicted at least some Time stockholders would file suits attempting to force sale to Paramount. N.Y. Stock Exchange, meanwhile, is investigating Paramount complaint that Time-Warner stock swap violated NYSE rules requiring stockholder vote on any issue involving more than 5% of shares as part of acquisition. Violation could mean Time stock couldn't be traded on big board, would have to move to OTC.

Paramount asked FCC to set aside decision authorizing license transfers from Time to Time-Warner, saying Time violated ex parte rules and provided misleading information in support of transfers. Warner also filed at FCC to block Paramount bid.

Entire cable industry would be immunized from hostile takeovers if FCC requires local approvals before okaying takeover, Paramount said in filing addressing many of same issues as Warner. Warner said it wants complete reevaluation of FCC policy on hostile tender offers. Cable Act gave local govts. primary responsibility to review cable franchise transfers, Warner said, and Paramount plan would evade that. Paramount dismissed similar Time argument that Paramount must get all local approvals before FCC approves takeover, pointing out Time itself obtained FCC consents May 26, before receipt of "numerous significant local transfers."

Warner said Paramount takeover would cause TV station cross-ownership problems with cable systems owned by Time or Warner in which Time now has substantial minority stock holding. It said TV stations involved include KRRT (Ch. 35) Kerrville, Tex., KTXH (Ch. 20) Houston, KTXT-TV (Ch. 39) Dallas, WDCA-TV (Ch. 20) Washington, WLFL-TV (Ch. 22) Raleigh-Durham, WTVZ (Ch. 33) Norfolk, WTXF-TV (Ch. 29) Philadelphia. Paramount said that if it exercises option for stations it will seek temporary waivers, similar to those granted to Warner in Time-Warner merger move.

Paramount said FTC cleared tender offer for Time June 21. FTC said Paramount doesn't have to wait full 15 days required by Hart-Scott-Rodino Act, which company said "confirms... that the acquisition of Time does not raise any antitrust issues."

DEAL FACES LOCAL REVIEW: Eventual winner of Time and Warner cable systems "will invariably" face extensive negotiations with local cable regulators on franchise transfers, said William Finneran, chmn. of N.Y. State Commission on Cable TV. Most local cable regulators we talked with said they probably won't seek system upgrades or higher franchise fees as condition of transfers, but many will ask guarantees that other costs related to takeover won't result in higher rates or reduced service and won't stop winner from keeping promises.

Main concern is guaranteed local role in determining whether franchise will be transferred to new owner. Casselberry, Fla., already has filed suit in federal court seeking to prevent Paramount from assuming franchise of Time-controlled ATC. San Diego also is considering legal action to force Paramount to obtain city approval of franchise transfers, City Attorney John Witt said: "We're very, deadly serious about this." FCC must "give cities a chance to put their 2¢ worth in" during its decision process on either Time acquisition of Warner or Paramount acquisition of Time, said William Bradley, Denver dir.-telecommunications.

N.Y.C. already has approved transfer of 6 of largest franchises involved in Time-Warner deal, but at cost to operators. N.Y. Board of Estimate okayed transfer only after companies agreed to speed wiring of several areas, improve reception, accept programming not controlled by cable owners, speed resolution of consumer complaints, improve telephone access. John Hanks, dir.-N.Y. Bureau of Franchises, said changes were solutions to prior violations rather than new concessions. If Paramount buys Time, whole process must start over, he said.

Regulators want stability and assurance new operator will meet all existing requirements, they said. Several officials said law won't allow them to negotiate improved agreements in return for transferring franchise. Local officials pointed out they can't regulate main thing they're interested in changing -- rates. Witt said cable companies almost certainly will try to raise rates to help pay interest on multibillion-dollar debts they incur in takeover, "and the public thinks the rates are too high already." Milwaukee Telecommunications Dir. Ronald Legro acknowledged that local officials can't regulate rates or programming, but said city may ask for assurances that are "as specific as they can, then we'll decide if that's good enough."

Lean version of TV violence legislation is moving through House. Voting 26-8, House Judiciary Committee June 20 approved bill (H-1391) without adding amendments adopted in Senate version (S-593) under which proposed voluntary program guidelines would address depictions of illicit drug use and explicit sex. Chmn. Brooks (D-Tex.) had said at Commercial Law Subcommittee markup week earlier that he planned to fight any efforts to load down House bill: "I have no intentions of decorating it." He said HR-1391 was "good bill" that should be passed by House "like it is... The bill is completely voluntary, and Congress is not trying to control speech or coerce broadcasters to act." Bill would ease antitrust laws for 3 years to permit broadcast, cable and program industries to work together to develop voluntary code on violence in programming. Aim is to reduce amount of violence on over-air TV and cable, said authors, Sen. Simon (D-Ill.) and Reps. Feighan (D-O.) and Glickman (D-Kan.). House unit made what's described as minor change in HR-1391's language to clarify that premium cable programmers could participate in guidelines drafting. Bill goes before full House next.

MAYORS SUPPORT TELCOS: U.S. Conference of Mayors approved resolution encouraging telco entry into cable and increasing local regulation of cable. Vote June 21 at meeting in Charleston, S.C., had been expected. Resolution cited lack of competition for cable and accused FCC, Congress and courts of "altering what cities had thought to be the terms and conditions of the Cable Act."

Mayors asked Congress to give local officials authority over rates and technical delivery and to permit telephone companies to own and operate cable systems as long as there are guarantees against cross-subsidization and telcos are required to meet franchise requirements. It also would: (1) Encourage telcos and cable companies to deploy fiber to homes. (2) Ask Congress to require cable operators to carry local TV signals as part of basic service. (3) Seek to prohibit cable programmers affiliated with cable systems from discriminating against nonaffiliated systems and other distributors.

Telcos' entry into cable would at least double -- and possibly quadruple -- their rate base, almost certainly resulting in higher phone charges, NCTA Pres. James Mooney told mayors meeting day before vote. NCTA released report at conference saying it would cost \$450 billion to "nearly a trillion dollars" to rewire nation with fiber and that switches wouldn't be available until late 1990s. Assn. said report was survey of estimates and reports released by telephone industry itself. In speech, Mooney pointed out phone companies have been allowed to "radically" accelerate depreciation schedules, resulting in higher telephone rates. He said that "unless they can justify huge new investments in plant, they may actually have to reduce phone rates."

USTA discounted inference telcos were using fiber as way of "gold-plating" telephone plant, Vp Ward White said. White called Mooney statement "very interesting" since telcos are pushing FCC for price caps that "argue against gold-plating." Telcos already are investing \$20 billion per year in new plant and equipment, White said, so spending for fiber would require little additional investment. USTA said Consumer Price Index (CPI) showed total telephone rates rose 1.3% in 1988 after dropping same amount in 1987. Cost of new fiber would be nearly 4 times total amount all local govts. spent in 1987, Mooney said, "and for this enormous investment, the consumer wouldn't receive anything he doesn't already receive today."

Cable caused some of its own political problems, Mooney acknowledged in speech. He agreed that "in some places cable basic rates have risen too much, too fast," and alluded to "rather unfortunate dispute over the Yankees on Long Island." But he said average cable subscriber's bill increased only 14.5% in first 2 years of deregulation and boosts now are below rate of inflation.

Meanwhile, cable industry isn't winning "rhetorical battle" with telcos on latter's entry into cable, Cox Cable Pres. James Robbins told Washington Cable Club. But he said cable arguments are "tremendously powerful" and he's confident they will be successful. Robbins acknowledged Congress and FCC are hearing many complaints about cable rates and service, but warned it's easy to lose sight of main goal -- meeting customer needs. He said cable companies are beginning to improve service but have "long way to go" and need to "be sure the information bubbles up to Washington."

SUPREME COURT & MEDIA: U.S. Supreme Court handed down series of media-related rulings last week, overturning broad congressional ban on obscene and indecent dial-a-porn calls, limiting states' rights to punish media for reporting truthful information obtained legally, and eliminating Warner Amex Cable liability for alleged antitrust and First Amendment violations in Dallas cable case.

Dial-a-porn ruling was seen as at least partial victory for FCC regulation, Commission Gen. Counsel Diane Killory said. Court in Sable Communications vs. FCC ruled that total ban on obscene and indecent communications by telephone "far exceeds that which is necessary to limit the access of minors to such messages." FCC was "heartened by the fact that the Court has indicated that government may place restrictions on the transmission of indecent messages to protect children," Killory said.

Justices voted 6-3 to throw out \$97,000 award against Fla. Star (Jacksonville) weekly newspaper that published name of rape victim. Fla. law makes it crime to "print, publish or broadcast" victim's name in sexual offense. Court said this violates free press rights guaranteed by First Amendment. Writing for majority, Justice Thurgood Marshall said decision was "limited" because truthful publication isn't protected automatically. Court said newspaper can be punished only in situation that's "narrowly tailored to a state interest of the highest order." That interest wasn't present in this case, Court said.

Court unanimously upheld lower court \$200,000 libel ruling against Hamilton (O.) Journal-News. However, High Court said Appeals Court issued misleading opinion on standards of investigative news reporting. Suit was filed by Daniel Connaughton, unsuccessful municipal judge candidate. Paper had reported that woman who testified before grand jury said Connaughton offered her and her sister jobs and trip to Florida. Six other persons at meeting when offer reportedly was made denied allegation.

Warner Amex Cable was taken off hook in Dallas suit in which Video International Products (VIP) charged city of Dallas and cable operator with violating antitrust laws and First Amendment. Court refused to review Appeals Court ruling that eliminated Warner from suit but ordered retrial of charges against city. Jury in U.S. Dist. Court, Dallas, awarded VIP \$4.24 million damages, but judge overturned it. Appeals Court affirmed violations by city and ordered retrial to set damages. City charged VIP with zoning violations days before system was to be sold, effectively forcing it to shut down. VIP claimed Warner Amex influenced city to file zoning charges.

Total public broadcasting income rose scant 1.6% in real purchasing power in FY 1988 to \$1.36 billion, CPB said in preliminary report. While overall revenue from nonfederal sources rose 2.4% after adjustment for inflation, that from federal sources fell 2.1% in aggregate. In slowest rate of growth in at least last 10 years, public radio's total nonfederal income increased 5.9% to \$221.01 million, CPB said. It gained 6.6% from that source for PTV to \$1.11 billion vs. typical growth rate of 10-13% in last decade. Generally comparable figures from Station Resource Group (SRG) show that public radio's nonfederal support inched up 0.1% after inflation in FY 1988, compared with growth of 5.9%, 9.6% and 12%, progressively, in 3 previous years. SRG consultant Thomas Thomas attributed poor performance primarily to flat audience growth. He said other factors included floundering state govt./university support and limited addition of new stations to system.

RENEWAL REFORMS OFFERED: New TV-radio license reform package was proposed in House last week by Reps. Tauke (R-Ia.) and Tauzin (D-La.), key members of Telecom Subcommittee. Bill is reintroduction of proposal kicking around in Congress for several years and is revised version of HR-1140 they offered in 100th Congress without success, despite drawing 123 co-sponsors. Reforms are sought by NAB and INTV.

Bill would restructure FCC broadcast license renewal process to give licensees greater renewal expectancy. Lawmakers said plan would end agency's costly and untenable practice of comparing license challenger's promises with broadcaster's actual record of performance. New bill is largely same as HR-1140, with language from radio renewal reform bill (HR-1136) proposed earlier this year by Rep. Rinaldo (R-N.J.) that would allow Commission to examine informal complaints against incumbent licensees at any time.

Bill's main component is 2-step process that would virtually guarantee license renewal if station met 2 conditions: (1) It provided programming that generally met interests and needs of audience, as certified to FCC by station. (2) It complied with all FCC rules and regulations. Agency would be required to revoke license automatically for station that hasn't met requirements; such stations could seek new license in comparative proceeding with competitors. "Payoffs" to competing applicants would be barred. Bill also would prohibit FCC from setting specific programming requirements, but would direct FCC to look into what information TV and radio stations maintain for public review to meet station public interest obligations.

Meanwhile, Rinaldo last week offered measure to rejuvenate AM radio. It would require all radio sets made and sold in U.S. to be able to provide both AM and FM, and those with FM stereo also to be able to receive AM stereo. FCC would have 90 days to provide report to Congress on sources of interference to AM stations, agencies with regulatory role in helping control problem, possible solutions. New spectrum allocations that could increase AM interference also would be prohibited. Bill proposed that FCC rules prohibit FM translators from rebroadcasting signals of any full-service radio stations in stations' local markets, which agency would have to determine and define in terms of areas of dominant influence. Rinaldo is ranking Republican on House Telecom Subcommittee.

Irving Kahn is abandoning plans to overbuild existing cable systems in southern N.J. with fiber optic cable because of repeated regulatory delays, he said. He said his Choice Cable is withdrawing its 11 cable TV franchise applications involving 91,000 homes in area. Choice plan to install fiber in competition with NYT Cable "has come to a screeching halt at the State's Office of Cable TV," Kahn said. NYT Cable is being sold to consortium including Comcast, Garden State Cablevision, Lenfest (48% owned by TCI).

ABC Radio Networks Pres. Aaron Daniels said he wasn't concerned that there was no advertising on special on abortion. Live program, with Barbara Walters as moderator, went on air as scheduled June 21, included 2 prochoice and 2 antiabortion advocates, permitted listeners to call in via toll-free number.

Seltel said it has been appointed rep for KXRM-TV Colo. Springs and WQTV Boston, both independents. Stations formerly were represented by Independent TV Sales.

TCI ACCEPTS RATE RULES: TCI finalized agreement with city of Dubuque that could lead to resumption of at least limited local regulation of basic cable service rates, officials said. Agreement doesn't take effect unless FCC agrees Dubuque cable system isn't "subject to effective competition." Deal, signed June 16, finalizes agreement in principle reached in Dec.

Dubuque plan shouldn't be considered precedent, TCI Vp Robert Thomson said, because "each market has to be looked at on its own merit." He said at least several other cities TCI serves have similar circumstances and "they will be addressed in turn." Thomson said deal is "an indication of our desire to settle long-standing issues with the cities, if a reasonable settlement is to be had." Agreement culminates more than year of negotiations and more than 5 years of litigation and lobbying at local, state and federal levels. Deal could be model for other city-operator disputes, said Nicholas Miller, Washington lawyer who represented Dubuque.

TCI agreed not to boost basic cable rates more than rise in Consumer Price Index, plus increase in certain programming costs. Premium and other non-basic services remain exempt from local regulation. Deal doesn't include requirements for upgrades or service improvements, said Merrill Crawford, Dubuque cable franchise administrator. He said service and upgrades already are adequate in current franchise. TCI took over franchise in 1987 from Group W Cable.

City and TCI will seek FCC approval of agreement as soon as possible, Crawford said. Local rate regulation is allowed only when area is served by fewer than 3 TV stations. Cable & Station Coverage Atlas maps show Dubuque is served by 8-9 stations' Grade B contours, but city has contended repeatedly that it's surrounded by bluffs of 350-500 ft., so residents usually can receive only one station. Group W had opposed filings before sale. Agreement calls for TCI to "cooperate" in seeking FCC ruling that there's no "effective competition" in city. Cable system serves about 19,000 subscribers, with 88% penetration.

Public TV (PTV) is entering discussions with Whittle Communications on possible participation in latter's planned \$200-million ad-supported high school video network. Among 3 channels Whittle has said it will offer free, beginning in March, is instructional service that it wants PTV to operate (TVD June 9 p7). While talks don't represent PTV endorsement of venture, S.C. ETV Pres.-Gen. Mgr. Henry Cauthen said, but it would be "irresponsible... not to position itself in the strongest possible way should [network] become a reality." Speaking for informal committee of national and regional leadership, Cauthen said that PTV continues to have "philosophical" difficulties with commercial aspect of project, but that that's matter for schools, rather than PTV, to resolve. However, Whittle has "come a very long way in meeting the objections" of many in PTV to design of service. Company has offered to provide PTV such inducements as 1,000 hours of free satellite time for ITV distribution and \$500,000 to acquire national ITV program rights. Meanwhile, Cable TV Alliance for Education extended membership to 13 MSOs and 7 cable networks, officials said after meeting June 21. Alliance plans to provide commercial-free cable alternative to Whittle. It was founded in April by group that included Continental Cablevision, Jones Intericable, TCI, Turner. Officials wouldn't identify new MSO participants, but listed Learning Channel and Weather Channel as additional programmers.

Personals

Newly elected Best. Pioneers' officers: Pres. Wallace Dunlap, retired Group W Washington-area vp, succeeding Sol Paul, TV-Radio Age; Vps James Greenwald, Katz Communications, and James Delmonico, consultant; Secy. William Stakelin, Apollo Radio Ltd.; Treas. Sherril Taylor, consultant... William Haber, founding partner, Creative Artists Agency, elected pres., HRTS.

Belva Brisset, head of FCC lobbying for NAB, promoted to senior vp... Senate confirmed nomination of Thomas Murrin, ex-pres., Energy & Advanced Technology Group, Westinghouse Electric, as deputy secy. of Commerce; James Rill, partner in Washington law firm Collier, Shannon, Rill & Scott, was confirmed as U.S. Asst. Attorney Gen. for Antitrust Div.

John Clough advanced to staff dir., House Commerce Committee, succeeding William Kitzmiller, who will retire this summer; **John Orlando** promoted to chief of staff for Chmn. Dingell's (D-Mich.) personal staff and his Oversight & Investigations Subcommittee; **Eleanor Lewis**, ex-administrative asst. to Rep. Hoyer (D-Md.), will take same position with Dingell, succeeding Orlando... **Michelle Tessier**, dir.-congressional affairs, National Assn. of Public TV Stations, becomes press secy., House Minority Leader Michel (R-Ill.) July 10... **Ron Klain**, 2-year clerk to Supreme Court Justice Byron White, named chief counsel to Senate Judiciary Committee... **Allen Moore**, ex-Commerce Dept. undersecy.-international trade, former Republican chief of staff, Senate Commerce Committee, named pres., National Solid Wastes Management Assn.

Kevin Reilly advanced to dir.-current drama programs, NBC Entertainment; **Edward Frank** moves from vp-program research, NBC, to vp-current comedy programs... **John Fraze** promoted to vp, CBS News Services... **Norman Horowitz** resigns as pres., Qintex Entertainment's MGM/UA Telecommunications... **Carrie Bloom** named PR specialist, Arbitron... **James Duffy**, 40-year ABC veteran, retires Aug. 1 as pres., Cap/ABC Communications, will become consultant to company and Project Literacy U.S. (PLUS).

Tony Cox, CHEK-TV Victoria, B.C., elected pres., RTNDA-Canada... **Terence Clark**, ex-partner, law firm Calfee, Halter & Griswold, joins Squire, Sanders & Dempsey as partner... **Joseph Swaney** promoted to PR mgr.-L.A., TBS... **Guy Grossman**, ex-KTVY Okla. City, joins KSTP-TV St. Paul-Minneapolis as dir.-mktg.

NABET filed unfair labor practice charge last week against Cap/ABC as result of network's decision June 20 to impose new contract unilaterally. Network sent letter to union saying it would impose all conditions except 10% ratification bonus and job guarantees -- both of which are conditional on signed contract -- sometime after June 26. Network spokeswoman said specific date hadn't been set, but said network would give union 24 hours' notice. NABET said it's charging ABC with "threatening to implement unilateral changes in the appropriate bargaining unit which constitutes a nonmandatory subject of bargaining." Network spokeswoman said company had "bargained in good faith every step of the way and has every right under all applicable law" to impose working conditions.

FCC will host users of its Mass Media Public Reference Room at June 27 meeting, 10:30 a.m., Commission Rm. 826. Reference Room officials will be available to "discuss any concerns that the users may wish to raise."

Published Weekly Since 1945



DIGEST

With Consumer Electronics
(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

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

Copyright © 1989 by Warren Publishing, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS
 2115 Ward Court, N.W., Washington, D.C. 20037
 Phone: 202-872-9200 Telex: 6502173616 (Via WUT)
 MCI Mail: TELEFACTS Facsimile (Group 3): 202-293-3435

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

WASHINGTON HEADQUARTERS

Albert Warren	Editor & Publisher	Roy W. Easley III	Controller
Paul Warren	Sr. Ed. & Assoc. Pub.	Gary Maderom	Marketing Director
Dawson B Nail	Executive Editor	Gene Edwards	Advertising Director
Daniel Warren	Senior Editor	Betty Alvine	Circulation Mgr.
M. E. Crowley	Managing Ed., Wash.	Deborah Jacobs	Information Systems Mgr.
Arthur Brodsky	Senior Editor		
R. Michael Feazel	Senior Editor		
Jeff Kole	Associate Editor		
Kenneth Reid	Associate Editor		
Jeff Hennessy	Production Editor		

Business

Roy W. Easley III	Controller
Gary Maderom	Marketing Director
Gene Edwards	Advertising Director
Betty Alvine	Circulation Mgr.
Deborah Jacobs	Information Systems Mgr.

NEW YORK BUREAU
 475 Fifth Ave., N.Y. 10017
 Phone: 212-686-5410
 Facsimile (Group 3): 212-889-5097

David Lachenbruch	Editorial Dir.
Paul Gluckman	Senior Editor
Lisa Lilienthal	Associate Editor
Robert Violino	Associate Editor
Michael Peck	Assistant Editor

JAPANESE REPRESENTATIVE
 Editorial and Circulation
 CES International/Asia
 1-18-2 Nishi Shinbashi, Minato-ku
 Tokyo 105, Japan
 Phone: (03) 592-1531
 Facsimile: (03) 592-1532

I'm interested in **Television Digest With Consumer Electronics** and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.

The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to **Television Digest With Consumer Electronics**.

Signature _____
 Name _____
 Company _____
 Address _____
 City _____ State _____ Zip _____

Paradigm Entertainment (with offices in Beverly Hills and N.Y.) has been formed by 3 media groups to produce programming for networks, syndication, cable, home video, pay-per-view, corporate events. Involved in co-venture are ML Media Opportunity Partners (ex-ABC execs. Elton Rule and Martin Pompadur), Bob Banner Assoc., Gary Pudney Co. Banner and Pudney will have creative control. Paradigm's primary focus is on developing series. Several projects are under way, Banner and Pudney said, including series for Arts & Entertainment cable network, situation comedy starring Lorna Luft, several specials.

Contest has developed for chmn.-elect of RTNDA with 2 candidates: Robert Sunde, ABC Information Radio Network, and Jeff Marks, WCSH-TV Portland, Me. Election will be held at RTNDA convention in Kansas City Sept. 13-16. In other RTNDA developments, ex-pres. Dean Mell, KHQ-TV Spokane, will receive Assn.'s Rob Downey Award and Richard Yoakam, retired Ind. U. prof., John Hogan Distinguished Service Award, both at convention.

Black entrepreneur Ragan Henry again is buying and selling radio stations. He's selling WXTR(FM) in suburban Washington for \$33 million, buying WRXJ(AM)-WCRJ(FM) Jacksonville for \$8.6 million. WXTR (which Henry bought in Nov. 1986 for \$14.5 million) is going to World Eight Bestg., headed by Louise Helftez, which is selling KFAC-AM-FM L.A. Henry is buying Jacksonville stations from Jay Hoker.

WRH

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 2nd statistical week of June and year to date:

	JUNE 3-9	1988 WEEK	% CHANGE	MAY 27- JUNE 2	23 WEEKS 1989	23 WEEKS 1988	% CHANGE
TOTAL COLOR.....	256,798	294,453	-12.8	382,829*	8,769,950*	7,620,738	+15.1
DIRECT-VIEW...	255,085	290,946	-12.3	378,582*	8,687,528*	7,519,272	+15.5
PROJECTION....	1,713	3,507	-51.2	4,247*	82,422	101,466	-18.8
TOTAL VCR.....	111,017	137,748	-19.4	194,408*	4,103,637	4,391,461	-6.6
DECKS.....	91,629	104,750	-12.5	155,549*	3,378,952	3,770,638	-10.4
CAMCORDERS....	19,388	32,998*	-41.2	38,859*	724,685*	620,823	+16.7

Color TV 5-week moving average: 1989--348,261*; 1988--302,002 (up 15.3%).

VCR deck 5-week moving average: 1989--120,083; 1988--123,377 (down 2.7%).

Camcorder 5-week moving average: 1989--37,347*; 1988--35,771 (up 4.4%).

* Record for period.

PANASONIC CUTS VHS-C PRICE AS SALES STAGNATE: Retail sales, relatively slow since March, have turned moribund in June, according to most reports from front lines. Slump didn't pick out electronics -- it also affects cars, clothing and appliances -- but depth and duration currently are impossible to fathom.

Stagnation seems to have hit camcorders particularly hard, which is strange, since June -- dads-and-grads time -- generally is considered camcorders' "2nd season," after Christmas. Basic oversupply and heavy inventories have aggravated situation to point where full-size VHS camcorders are being advertised at \$699 and \$799, even occasionally below \$600. EIA sales to dealer figures don't fully reflect slump, presumably because increase in number of dealers in last year keeps figures rising. Nevertheless, EIA data show camcorder sales to dealers down from 1988 in 3 of last 4 weeks. Although decline for 4 weeks is less than 8%, it's far cry from 26% year-to-date increase registered before widespread slowdown began.

If full-sized camcorders are sluggish, VHS-C has been hit particularly hard, just at time VHS group is trying to unleash major upbeat campaign on its advantages. In move that almost certainly will lead entire market, Panasonic last week announced "suggested minimum retail" price of \$799 on new version of basic full-featured VHS-C camcorder with high-speed shutter, flying erase head, 7-lux light sensitivity. It also priced S-VHS-C models at \$1,299, S-VHS-C Hi-Fi at \$1,499. Basic model thus is \$100-\$200 below previously quoted prices on similar models from Panasonic and others. Panasonic Consumer Video Group Vp-Gen. Mgr. Stan Hametz told us it's actually \$100 below last comparable price on predecessor model.

"These new models," Hametz said in Panasonic news release, "are designed and priced for maximum market exposure and affordability and will launch our marketing effort for VHS-C camcorders." With Panasonic, close No. 2 (to RCA) in camcorder market share, setting pace, rest of industry should be heard from soon.

'MADE IN U.S.' COLOR TVs RISE 20%: Production of color TV sets in U.S. jumped 20.4% in first quarter, representing nearly 60% of total supply -- which, in turn rose to 5.34 million, 17.7% over same 1988 period. Color TV supply was only 3.9% below quarterly record 5,555,000 in 4th quarter of 1987.

Reversing trend of recent quarters, color imports also climbed 14% to 2,169,000 from 1988's first quarter, when domestic production represented 58% of smaller total supply. Import total includes color TV kits as well as complete sets in wake of change in Customs classifications. As result, sets made here from imported kits (chassis with tubes) now are counted as imports, rather than as domestically manufactured

sets. We have made necessary revisions in last year's figures to give accurate comparison. Imports accounted for 40.6% of total supply this year, down from 42% in revised figure for same 1988 period.

Increase of 20.4% to 3,167,000 in domestic production compares with 5.6% drop in 1988 first quarter from 1987 quarter. First-quarter 1989 total falls short of 3,263,000 quarterly record for U.S. production in 4th quarter of 1988, although it probably is record for any recent first quarter. All of b&w TV supply came from overseas, as usual, and was down 2.9%, much smaller percentage decrease than 52.5% year ago.

Here's breakdown of TV set supply in first quarter, including last year's revised figures, as derived from EIA data (total color supply) and Commerce Dept. figures (imports):

TOTAL TV SUPPLY, FIRST QUARTER, 1989 vs. 1988

		U.S.- Produced*	% Change	% of Total	Imports	% Change	% of Total	Total Supply	% Change
Total TV	1989....	3,167,000	+20.4	52.4	2,875,000	+ 9.4	47.6	6,042,000	+14.9
	1988....	2,630,000	- 5.6	50.0	2,629,000	-27.7	50.0	5,259,000	-18.1
Color TV	1989....	3,167,000	+20.4	59.4	2,169,000	+14.0	40.6	5,336,000	+17.7
	1988....	2,630,000	- 5.6	58.0	1,902,000	- 9.6	42.0	4,532,000	- 7.3
B&W TV	1989....	--	--	--	706,000	- 2.9	100.0	706,000	- 2.9
	1988....	--	--	--	727,000	-52.6	100.0	727,000	-52.6

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

WIDESCREEN TV SETS--NEW TOP-OF-LINE? Both Philips and Thomson are expected to "introduce" widescreen TV sets -- with 16:9 aspect ratio -- to public at International Audio-Video Fair in Berlin Aug. 25-Sept. 3. Although generally considered to be designed for advanced TV (ATV) systems such as HDTV, there's strong evidence that sets could be fielded next year as high-end conventional TVs in Europe, where progress will be watched closely as clue for possible U.S. introduction.

Current demonstrations of new Vistascreen family of giant picture tubes to TV manufacturers by Thomson Consumer Electronics at Lancaster, Pa., tube hq (TVD June 5 p8) give idea of what international manufacturers are thinking about. One demonstration of upcoming 34W" widescreen tube (about equivalent in height to 28" standard tube) showed full-width Cinemascope-type movie, while standard 4:3 tubes showed same movie in conventional "descoped" TV or VCR format.

Difference between versions was startling, showing how much is missing from movies displayed in 4:3 aspect ratio. Synchronized versions of same movie were fed from different sources -- widescreen tube from videodisc in letterbox format, conventional tube from VHS cassette. On widescreen set, image was altered to fit tube exactly (eliminating black bands at top and bottom of letterbox format recording). This reduced resolution of picture somewhat, but added information in widescreen picture far overshadowed slightly coarser image.

Although letterbox format videocassettes and discs are relatively rare in U.S., they're common in Europe, and European TV stations frequently use that format for televised movies. It's not difficult to envision widescreen TV set with remote control button to convert letterbox format movie to full-screen. Developing widescreen projection TV to accommodate Cinemascope format would be simple matter. JVC, in fact, has raised possibility of making widescreen home movies in its demonstration at Consumer Electronics Show of LCD projection TV system using anamorphic lens to correspond to similar lens on camcorder (TVD June 5 p11). JVC says system is due on market next spring.

What do you do with widescreen TV when standard program using 4:3 ratio is being shown? Philips already has provided one answer that it calls POP (for picture-outside-picture). Widescreen set could accommodate standard 4:3 picture plus 3 additional small images vertically along one side (TVD Sept 26 p14).

Widescreen sets are expected to be offered next year in relatively small quantities in Europe, where MAC broadcasts from German-French TDF satellite will be capable of transmission in 16:9 ratio -- before

HDTV broadcasts start. Receivers will have chips that respond to signal sent along with broadcast telling them whether transmission is in 4:3 or 16:9 ratio. One possibility for Europe or Japan, where HDTV standards already are set, could be "HDTV-ready" sets compatible with widescreen letterbox tapes or broadcasts, but that could be converted later to HDTV. In U.S., widescreen sets could be sold as superpremium items designed primarily for "home theater" applications -- given sufficiency of letterbox program material.

* * * * *

Public overwhelmingly prefers widescreen to conventional aspect ratio in TV, according to study by David Sarnoff Research Center described in paper at recent International Conference on Consumer Electronics (ICCE) in Chicago. Researchers demonstrated various pictures to 180 "nonexpert viewers," who "expressed an overwhelming preference for widescreen regardless of all the parameters we varied." Sarnoff researchers called results "highly statistically significant," and added: "Changing image size, screen size and viewing distance had little impact on the preference." Only in comparing images on 4:3 screens with 16:9 screens of considerably smaller size (with same width) did degree of preference for widescreen fall off significantly.

Using 2 Mitsubishi 35" sets (with different masks) in "living room atmosphere" with movies from two 3/4" tapes played simultaneously, viewers were asked their preference. When 2 screens were of equal height, 90% preferred widescreen picture; when they were of equal area (widescreen set only 87% as high as 4:3 set), 89% preferred widescreen. With screens of equal diagonal (widescreen 81% as high as 4:3), 88% preferred wider set; with equal width (75% as high), 72% chose widescreen.

How much would viewers be willing to pay for widescreen set, if standard unit cost \$400? For set of equal height, average came to \$540 (35% premium), for equal area \$500 (25%), for equal diagonal \$490 (22.5%), for equal width \$480 (20%).

IMPROVED TV, DIGITAL VCR ON TECH AGENDA: IDTV and EDTV systems preoccupied industry engineers, along with prospects of moving VCRs into digital age, at recent International Conference on Consumer Electronics (ICCE) in Chicago, industry's top engineering event.

While HDTV came in for usual attention -- particularly descriptions of features of various proposed and planned systems for U.S., Japan and Europe -- specific proposals for interim measures and improvement of NTSC signal seemed to assume higher priority. IDTV systems, which involve progressive scan (line doubling) at receiver but no change in transmission, were subjects of several papers.

Philips Components announced new series of ICs for multistandard color decoders, video processors and picture signal improvement for both IDTV and EDTV (improved transmission) systems. Matsushita discussed digital signal processing system using 6 digital ICs and twelve 1-Mb field memory chips. Hitachi paper addressed difficulty of compensating for motion in progressive-scan sets and suggested TV transmitters send out invisible "synthetic motion signal... to perfect progressive scan conversion" from interlaced scan. Toshiba announced own digital system of large-scale integrated chips (LSIs) for conversion from standard NTSC to IDTV picture.

Clearvision, or Extended-Definition TV (EDTV), broadcasting will begin in Japan in fall, offering improved pictures to special TV sets without sacrificing compatibility with conventional sets. Second phase, EDTV II, is scheduled to have compatible widescreen (16:9) picture. Both Toshiba and Nippon TV Network detailed what were described as simple methods to transmit wide picture compatibly on standard 6-MHz channel.

Japan's EDTV broadcasts will include ghost canceling reference (GCR) signal in vertical blanking period between fields. Joint paper by NHK and NEC discussed digital ghost canceler to be built into TV sets to respond to GCR signal. System works for both single and multi-image ghosts, they said. Ill. Institute of Technology (IIT) paper described different ghost processing signal, also designed to be transmitted during blanking interval, to which built-in or add-on "black box" digital processors can respond. Paper said system has been successful in computer-simulated tests.

Although it may be some time before digital recording formats take over in VCRs, manufacturers are working on digital signal processing in video recorders, using current analog recording format but transforming signals to digital for processing. Matsushita has developed 2 digital LCI chips for signal processing in microcomputer-controlled video camera, and its engineers said same principles can apply to digital still camera system, enhanced- and advanced-definition motion cameras. Toshiba engineers have

digitized all signal processing in home VCR, including both recording and playback. Although it currently occupies 12 CMOS gate arrays, Toshiba paper said "we expect that in the near future digital signal processing in home VCRs will be more economical due to reduced number of components," and will result in "higher picture quality and more useful features."

Single-chip VCR -- with all video signal processing on one chip -- for conventional analog recorder also has been developed by Toshiba. "This IC reduces the number of external elements," Toshiba engineers said, and makes video circuits smaller and more inexpensive, adding: "We think this LSI could be almost the final analog IC for VHS signal processing." Presumably even closer to commercialization is Matsushita stereo zoom microphone for consumer camcorders, in which audio mixing ratio is interlocked to optical zoom lens for "psychoacoustically balanced sound," which Matsushita said was even more effective when played back in Dolby Pro Logic Surround Sound. Directivity, sensitivity and frequency response are changed along with lens's viewing angle.

Once again, home automation was subject of several sessions. Sony paper revealed extension of home bus system designed to connect VCR with accessories. It said system "will allow 8mm, VHS and Beta format VCRs to edit automatically, automatically adjust [themselves] and perform a variety of complex operations," such as combining computer and VCR software and remote control by telephone. Sony said several companies have introduced system recently.

"Multimedia" digital audio disc system that can record audio for more than 60 min. using write-once disc or rewritable magneto-optic disc, but also can play both types of disc as well as standard Compact Disc, was described by Sanyo. Optical head has 3 beam optics compatible with all 3 types of discs, judges disc type automatically "by detecting the difference in the reflectivity of the disc."

Merger of TV and computer was heralded in 2 papers -- by Fujitsu and Matsushita -- on combining moving video pictures with data on personal computers. Matsushita said displaying natural moving pictures along with computer graphics will be necessary to improve man-machine interface, especially for educational and presentation use. Fujitsu said it had developed digital TV system and LSIs "to act as a bridge between the computer-generated image and the TV system," making possible display of TV pictures and computer-generated images simultaneously on personal computer.

Similar system was demonstrated by ITT Semiconductors. "I don't know whether to call it a TV with computer graphics or a computer with TV," said Managing Dir. Lubo Micic, known as father of digital TV. He said TV-computer could be used to manipulate video image and realize all kinds of special effects, including "home colorization" of b&w movies.

He said ITT now is selling 7 million digital TV kits per year, representing 6-10% of world color TV market. He demonstrated new 3-chip digital TV chassis consisting of audio, video, remote control, on-screen graphics. ITT also displayed picture-in-picture (PIP) system using single tuner that could provide large screen of teletext information and 2 small pictures with full motion simultaneously -- small pictures sampling every 4th line of full TV pictures from tuner. Also demonstrated was single chip converter for Europe's D2-MAC satellite system, with 16:9 aspect-ratio picture (on Oceanic receiver with widescreen tube).

Intriguing new wireless remote-control concept shown by ITT was "TV mouse" (TVD April 17 p13). Demonstrated version had 2 buttons, and Micic said it could be reduced to size of pen. One button controlled series of on-screen menus and cursor, and other was pressed to enter command.

Cal. state assembly passed bill that would require every computer video display terminal and peripheral device used in any place of employment in state to meet ergonomic standards of American National Standards Institute (ANSI). Requirement would apply only to equipment made on or after Jan. 1, 1991, and would take effect on July 1, 1991.

New VCRs in Japan: NEC introduces lowest priced S-VHS-Hi-Fi deck, first to be equipped with 3-line digital comb filter, at about \$985... Sharp introduces S-VHS-C camcorder with built-in 1" color LCD viewfinder, 12x zoom, high-speed shutter at \$1,400... Asahi will market Hi8 camcorder made for it by Sanyo next month at \$1,675.

Facsimile broadcasting could begin in year or 2 at earliest, Japanese Post Ministry study group said. It suggested several uses for fax broadcasting, including supplement to TV programs, public service, business use. Next step will be examination of legal issues and technical standards.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 142 yen = \$1, except where noted.

VHS-C STRIKES BACK: Although each VHS group member is expected to run own campaign pushing VHS-C (TVD June 12 p11), JVC is spearheading drive with major effort that even includes encouraging feature films in S-VHS-C format, presumably for playing in miniature personal video systems.

"Our purpose is to show that compact and full-size VHS are one and the same format," said Yoshihiro Ueno, managing dir. of JVC's Video Div. at Consumer Electronics Show in Chicago. Commenting on prototype combination full-size/VHS-C recorders ("F/C") shown by 4 manufacturers, he said prices eventually would come down, making it possible for all VHS models to accommodate C cassettes without adaptor.

With 30-90-min. S-VHS-C tape due in Sept., Ueno said compact movies in EP mode were possible, and indicated they would be released at least in Japan, where JVC has software business. "There are no tracking problems in the EP mode because all S-VHS-C machines have automatic tracking," he said. "The picture quality in the EP mode shows very little deterioration." He said JVC hoped prerecorded S-VHS-C tapes would become available in U.S., and would encourage them via contacts with suppliers, but company has no plans to sell or subsidize software here. Cassette that could record for 40 min. in SP mode, 2 hours in EP still is in R&D, he said.

Ueno said JVC's Concept C miniature snap-together components, including color camera, deck, LCD monitor and tuner, as well as widescreen LCD projector (TVD June 5 p11), are part of widening applications of video -- particularly VHS -- in the home. Both systems are due for sale next spring. Projection system "uses S-VHS technology and technology borrowed from HDTV to make video into a home theater," he said. Projector was demonstrated in progressive scan mode and as widescreen system using anamorphic lens; lens could be used on camcorder to make widescreen home movies. Concept C is first product using ultracompact new VHS-C deck, which competes with new subminiaturized 8mm deck. Ueno estimated sales of VHS-C and 8mm camcorders in U.S. are about equal now.

Responding to complaints by some manufacturers that Super VHS decks are overpriced, Ueno said: "Eventually costs will come down, but we are not there yet. Remember, the original VHS recorders sold for \$1,300, and no S-VHS [decks] are that high now. We feel the pricing of conventional VHS recorders is too low." He estimated S-VHS sales were about 4% of total VCR sales in U.S. now, but expressed hope this would rise to 10% by year-end because of new models and some price reductions. Next year, he said, figure could reach 15%. "The future is bright because of consumer awareness of better pictures," he added.

* * * * *

Sales of S-VHS software have been "stable," but should go up for Christmas season, Super Source Video Pres. Hamilton Bryan said. "Unfortunately, the price of the machines has not dropped and everyone was expecting them to this summer, but we still have a lot of confidence in the format." Bryan complained that too many persons think HDTV is "right around the corner," so they're holding off buying S-VHS units. But he still expects software sales to rise. While not revealing sales figures, he did say best-selling titles include *Bladerunner*, *On Golden Pond*, *Robocop*, *Worlds Below*, *Duke Ellington's Sophisticated Ladies*. Another big seller is *Perfect Picture* tape that helps viewer adjust set controls to obtain optimal viewing.

CHINA PLANS POSTPONED: Despite some early vacillation, Japan last week appeared to be taking harder line toward China, suspending aid to Beijing. Both Matsushita and Toshiba revealed they have postponed work on picture tube ventures.

Matsushita said it had decided to postpone opening of Beijing Matsushita color tube plant, scheduled for late July. This is same plant cited by Chinese govt. 2 weeks ago as proof of normalizey in Beijing, when it said facility would open 2 months ahead of schedule (TVD June 19 p15). Matsushita Pres. Akio Tanii has cancelled scheduled visit to dedicate joint venture at opening ceremony. Japanese sources indicated that -- despite boast of Chinese govt. -- plant opening would have been delayed anyway because of upheaval in Beijing.

Toshiba indicated it currently has no plans to send its 5 representatives back to China, and revealed it will delay picture tube know-how project involving plants at Shanghai and Xianyang and won't return tube engineers to China for time being.

Corning still hasn't returned 78 Americans -- employees, families and contract workers, it evacuated from China (TVD June 12 p9), spokeswoman saying company is watching situation and following advisories from U.S. govt. Corning is involved in major picture tube glass project in Shenzhen. Commerce Dept. is urging American companies planning investments in China to hold off for time being.

China continues to put best face on things, its official press reporting industrial normalizey and return of many foreign nationals to their joint venture jobs. China Daily twice last week announced approval of \$140 million picture tube joint venture of Hitachi, Shenzhen Saige Corp. and China National Electronic Components Corp., but one of its reports indicated venture was approved in late April or early May, before govt. crackdown. Our efforts to reach our normal govt. contacts in Beijing by fax last week were unsuccessful.

—

Videogame rental rights battle is seen on horizon by Video Software Dealers Assn. (VSDA), which is rallying members for support. Computer Software Rentals Amendments Act, being considered by Senate and House Judiciary Committees, would give computer software manufacturers right to prevent rental of their programs to avoid illegal copying. In present form, bill also would stop videogame rentals, now being offered by many video stores. "Our customers don't rent videogames to copy them," VSDA Pres. Lou Berg said. "They rent them to enjoy a weekend's entertainment and to determine which of many expensive games they should buy." Assn. is asking its members to contact their congressmen and encourage customers to follow suit, spokesman said. "It's becoming clear to us that it's going to be a fight and it will be a big one," he said. VSDA is contacting members in 15 states with representatives on committees. No new hearings have been set yet.

MTS stereo turned in poorest performance of year in terms of percentage of total color TV sales in April, coming out to just 24.3%, as opposed to first-quarter figure of 27.1% (TVD June 5 p14). Nevertheless, 355,603 MTS sets sold to dealers in April represented 14.8% increase over 309,689 of April 1988 (21.3% of total sales). For year's first 4 months, MTS sales to dealers totaled 1,735,616 (26.5% of total color), up 33.4% from 1,301,021 (22.7%) in same 1988 period.

ASIAN VIDEOTAPE SLASHED: Far Eastern videotape manufacturers are "drastically" cutting prices and planning offshore production and shift to higher end products to maintain survival in fiercely competitive market. That's picture of Asian videotape market as painted by May issue of Asian Sources Electronics magazine. Meanwhile, European Community (EC) agreed to cut antidumping duties against videotape imports from Hong Kong and Korea.

EC's import tariffs were reduced to rate of 1.9-21.9%, from last year's 8.1-59.3%. Antidumping penalties had been imposed following complaints by European tape manufacturers that Far Eastern suppliers were underpricing products.

Despite growing demand for tape -- particularly videotape for camcorders -- supply exceeds demand on worldwide basis and profits have declined for most manufacturers, Asian Sources Electronics said. As result, "most makers are reluctant to expand production," article said.

In Taiwan, competition from Hong Kong and Korea has forced manufacturers to expand production and marketing overseas. "Most assemblers of finished cassettes and housings have started evaluating establishment of offshore production bases or looking for manufacturing partners in developing countries," report said.

"Intense" price competition is forcing Hong Kong makers to concentrate on higher end tape products to boost profits. At time of article, some in Hong Kong were planning to move out of European market because of stiff antidumping penalties. Much of production was being shifted to China to take advantage of low labor costs.

Japanese suppliers have kept production steady as worldwide supply continues to exceed demand, article said. Camcorder tape sales have increased sharply there, as have high-grade tapes. Like Hong Kong makers, Japanese are focusing on higher quality videotape in attempt to increase profits.

In Korea, tape suppliers are upgrading their manufacturing plants, streamlining management and improving quality control to be more competitive, report said. They also have broadened product lines and are pursuing more OEM and private-label orders.

Newest tape exporters in region are Malaysia, which began serious shipments in 1988, and India, where fierce competition has reduced prices "almost to rock bottom." India's exports have been limited because most companies are concentrating on expanding domestic market.

—
Preliminary injunction blocking Atari Games from marketing Tetris videogame cartridges for Nintendo Entertainment System was issued by U.S. Dist. Court, San Francisco. Court also rejected Atari Games' request for similar injunction against Nintendo. Atari Games has charged Nintendo with breach of licensing agreement on Tetris game, also has patent infringement and antitrust suits pending. Dan Van Elderen, COO-exec. vp of Atari Games subsidiary Tengen, said Tengen "believes it has legitimate rights to Tetris" despite court order.

Magnavox is delivering its first 2 TV-VCR combinations. With 47-function remote control, 4-event one-month on-screen programming, 155 channels, 13" is \$750, with 20" version at \$800.

CRAZY EDDIE IN CH. 11: Crazy Eddie, which recently issued statement saying it wasn't bankrupt (TVD June 19 p16), last week filed for protection from creditors under Chapter 11. Consumer electronics retailer said filing doesn't affect operations of its 26 remaining stores, which it said will stay open. Action follows filing of involuntary bankruptcy petition against Crazy Eddie by 5 vendors. Vendors accused company of ignoring \$860,000 in past-due debts.

Company had been pursuing out-of-court debt restructuring through vendor committee. Acting Pres.-CEO Peter Martosella said action by 5 vendors was "ill advised [and] caused a disruption in our bank credit facility and related business and cash flow problems." Martosella, who replaced Elias Zinn as pres.-CEO in Feb., said company will "attempt to overcome these problems and the damage of the involuntary filing and pursue our restructuring and reorganization efforts in Chapter 11."

In March, Crazy Eddie closed 17 retail outlets in N.Y. area because of declining sales and depleted working capital (TVD April 3 p13). Martosella blamed former management group led by founder Eddie Antar for retailer's financial troubles. Zinn group had won control from Antar in Nov. 1987 proxy fight, later discovered \$45 million inventory shortfall (TVD Nov 23/87 p12).

SONY TEACHES TECHNOLOGY: Special course in TV technology has been developed by Sony for education of retail sales staffs. Some 300 Sony field sales persons have been equipped with \$700 training kits to teach basic TV technology -- covering everything from history of TV to how projection TV works -- to groups of any size. Course can be used for anything from 2-day seminar in hotel to one-to-one instruction for new salesman, TV Mktg. Dir. Brian Klosterman said.

Kit, packed in leather case, includes text on technology (with emphasis on Sony features), looseleaf for updating, contains such supplementary material as easel flip-back chart, overhead color transparencies, 2" Mavica still video floppy discs for use on TV. Also included are individual leaflets for distribution to retail sales staff on Trinitron, Watchman and Videoscope (projection TV). Course and brochures contain such technical material as how LCDs work, fresnel projection screens, picture tube shadow masks, etc. Also included in course is series of lectures for group training.

Course is Phase 1 of 4-phase project, Klosterman said. Future phases will include videotaped courses on product features and individual retailer training.

—
Go-Video said last week it had defeated by "landslide" proxy solicitation to remove 3 of company's 5 directors. Dissident shareholders, owning 7.2% of stock, received favorable votes from holders of 34% of 6.7 million shares outstanding and claimed they received 90% of votes cast. Chmn.-CEO Terren Dunlap said 90% figure was misleading because many stockholders showed support for management by not voting.

Compact Disc-Read Only Memory (CD-ROM) Expo '89 will be held Oct. 2-6 in Washington. Conference will cover all aspects of CD-ROM, including market opportunities, products, standardization, networks. Details: CD-ROM Expo, Box 9171, Speen St., Framingham, Mass. 01701.

VCRs IN 65% OF HOMES: VCR penetration grew to 64.6% of U.S. TV households in Feb., continuing to outpace pay cable, which reached only 29.2%, figures released by Nielsen Media Research showed. VCR population climbed 2.4 points (3.8%) from Nov.'s 62.2% mark, but pay rose only 0.1 points (0.3%). VCR growth rate is accelerating, having grown 1.7% from May to July and 3.7% in July-Nov.

Alaska still leads in VCR penetration, with Anchorage and Fairbanks topping 80%. Eighteen cities broke 70%, up from 6 in Nov. Only 8 were below 50%: Fargo-Valley City 49.5%, Greenwood-Greenville 49.3%, Mankato 48.7%, Meridian 48.6%, Quincy-Hannibal-Keokuk 48.0%, Glendive 47.2%, Harlingen-Weslaco-Brownsville 46.7%, Laredo 45.7%.

Here's list of above-average VCR markets, along with their pay cable penetration and ranking, according to Nielsen figures for Feb.:

	% VCR	% Pay	Pay Rank
1. Anchorage.....	84.6	34.0	29
2. Fairbanks.....	82.2	31.7	49
3. Bend, Ore.....	74.5	16.9	206
4. San Fran.-Oakland-San Jose..	74.3	27.1	111
5. Las Vegas.....	73.3	24.1	154
6. Salt Lake City.....	73.2	24.0	156
7. San Diego.....	73.0	33.7	34
8. Salisbury.....	72.6	30.1	65
9. L.A.....	72.4	27.2	109
10. Santa Barbara.....	72.0	29.3	74
11. Baltimore.....	71.5	25.2	141
12. Sacramento-Stockton.....	71.4	26.5	121
13. Dallas-Ft. Worth.....	71.2	27.4	101
14. Presque Isle.....	71.0	22.4	171
15. Boston.....	70.8	37.6	15
16. Seattle-Tacoma.....	70.5	24.2	151
17. N.Y.....	70.4	33.9	30
Reno.....	70.4	32.1	45
19. Providence-New Bedford.....	69.7	35.9	20

Portable 8mm VCR-TV combination with 6" short-neck Trinitron will be put on market in Japan next week by Sony. Weighing under 12 lb., combo will be aimed primarily at automotive market, with optional diversity antenna. Set, in heat-resistant cabinet, has automatic "seek" function to search out strong channels as car moves to different stations' coverage areas. It has on-screen menus, is priced in Japan at just over \$1,000. Startup production will be 3,000 monthly. Although Sony officials in Japan have been quoted as saying set will be available in U.S. this year, Sony America representative said there were no concrete plans to offer model. Sony introduced 5" TV-8mm VCR combination here in 1977 at \$1,700 suggested list.

Walkman's 10th anniversary will be celebrated for next 6 months with Sony promotions. At kickoff last week at N.Y.'s Hard Rock Cafe, Sony Consumer Audio Products Pres. Thomas Harvey (who becomes pres. of Sony Consumer Products Sales Co. July 1) announced: Musical Mystery Sweepstakes with \$100,000 in prizes in Sept., gala anniversary Nov. 8 with celebrity guests among 4,000 at parties at Hard Rock Cafes nationwide connected by live satellite broadcast, radio station Walkman giveaways, TV advertising. Sony will offer silver-plated Limited Edition Walkman, designed with Tiffany, to music and consumer electronics leaders. Limited silver-plated Commemorative Edition (2,000 pieces) will be sold at \$650 each. In 10 years, Sony has sold 25 million Walkman products in U.S.

	% VCR	% Pay	Pay Rank
20. Honolulu.....	69.5	47.4	3
21. Rochester.....	69.3	38.0	14
Hartford & New Haven.....	69.3	37.0	17
23. Panama City.....	68.9	33.3	36
24. Chicago.....	68.7	29.2	76
25. Monterey-Salinas.....	68.6	25.5	136
26. Eugene.....	68.4	21.2	180
27. Atlanta.....	68.0	24.2	151
28. Washington.....	67.4	28.4	86
Evansville.....	67.4	21.1	184
30. Philadelphia.....	67.2	40.2	6
St. Louis.....	67.2	27.4	101
32. Victoria.....	67.1	48.8	2
33. Lake Charles.....	67.0	30.6	59
34. Indianapolis, Lafayette.....	66.9	29.4	71
35. Syracuse.....	66.7	34.5	26
36. Denver.....	66.6	26.9	116
37. Lansing.....	66.5	28.6	84
38. Albany-Schenectady-Troy.....	66.4	33.9	30
Detroit.....	66.4	32.8	37
Chattanooga.....	66.4	28.3	89
41. Springfield-Holyoke.....	66.3	39.6	7
42. Austin.....	66.2	30.9	57
43. Fresno-Visalia.....	66.1	27.4	101
44. Tyler.....	66.0	27.0	114
Houston.....	66.0	25.4	137
46. Burlington-Plattsburgh.....	65.8	25.4	137
47. Richmond-Petersburg.....	65.6	29.2	76
48. Portland-Auburn.....	65.5	25.6	135
49. Norfolk-P'mouth-Newport News	65.4	42.2	4
Portland, Ore.....	65.4	27.5	99
Rockford.....	65.4	24.1	154
52. Ft. Wayne.....	65.2	26.8	117
53. Lima.....	65.1	27.9	95
54. Green Bay-Appleton.....	65.0	18.7	200
55. Binghamton.....	64.8	26.7	118
56. Eureka.....	64.6	37.5	16

Impact of HDTV or other advanced TV systems is "likely to be significantly less than the change from b&w TV to color TV," Gordon Bricker concluded in new study, "A U.S. Strategy for High-Definition TV" (Knowledge Industry Publications, \$295). Bricker, who held wide variety of high-technology posts at RCA, said any decision on HDTV won't have significant economic impact in U.S. until after 2000, and "ATV/HDTV will not answer, near term, the U.S. competitiveness issue." Bricker recommended as long-range strategy "a cost-effective ATV system now and an all-digital HDTV system in a sensible time frame when the proper fiber optic or cable distribution system is in place," which he sees occurring in next 14-16 years.

"World's highest resolution flat-panel displays," claimed by Photronics for its plasma system, have resolution of 2,048x2,048, or more than 4 million pixels. We printed incorrect figure in report last week on DARPA's HDTV display contractors (TVD June 19 p11). Spectra-Physics no longer is publicly owned company, as we stated. It's now subsidiary of Ciba/Geigy.

Video product sales to dealers plunged in 2nd week of June in all major categories (see State of the Industry). Camcorders had biggest percentage decline of year but still were up 15.6% for month because of 123.7% jump in sales in first week. Other video product sales also were up in first 2 weeks despite drops in 2nd week: Direct-view color TV 29.4%, projection TV 13%, total VCR 30.5%.

Consumer Electronics Personals

Scott Olson joins Quasar as TV Div. mktg. mgr.; Sidney Pickup promoted to Quasar Audio Div. senior mktg. mgr., succeeded as audio mktg. mgr. by Fred Erdmann... Joseph Stephano retires as Zenith dir.-special markets (lodging, hospital, institutional) after 20 years with company, succeeded by John Beasley, special markets mktg. mgr... Changes at Pioneer: Makoto Koshiba, secy.-treas., and Ronald Stone, finance and administration dir., named exec. vps; Michael Fidler advanced to senior vp-home electronics marketing... James Harper, ex-A.B.O.A./Shandwick PR, Atlanta, joins Thomson Consumer Electronics as mgr., news and information, succeeding Judy Fleming, who has relocated to N. Ft. Myers, Fla. (TVD Sept 12 p16), where she's in free-lance PR and editorial services (913-997-3521); Harper reports to TCE Communications Dir. Frank McCann.

Frank Fedderman, onetime exec. vp, Kloss Video, leaves Video Display Corp., which took over Kloss projection TV tube plant, is considering options, can be reached at 508-470-2190... Robert McDowell, ex-May Dept. Stores, joins Sears Specialty Merchandising as vp-chief financial officer, succeeding Edward Liddy, now Sears finance vp... Takao Sakuma resigns as Seiko Epson managing dir., joins Kidder, Peabody as managing dir. and gen. mgr., Tokyo office... Appointments at newly formed Sony Trans Com Inc. (aircraft audio-video), following from Sunstrand Data: Michael Schulhof, chmn.; John Landstrom, pres.; Akira Suzuki, exec. vp; Kyoji Hoshikawa, treas.; Kenneth Nees, secy.; Michael Suffredini, asst. secy.

Osamu Nakamichi, former dir.-worldwide audio operations, Nakamichi Japan, appointed pres., Nakamichi America, replacing Yaz Yamazaki, who remains pres. of parent firm, Nakamichi U.S.A.; Steven Suda, ex-Nakamichi Canada, named dir.-home audio sales; Jett Logan, vp-sales, appointed vp-professional audio product group; Dean Miller, gen. mgr.-exec. vp., resigns to start own business, but will manage distribution and planning for Nakamichi's specialty audio product line... Frank Applestein, ex-Nakamichi, named vp-U.S. mktg. and sales, Mission Electronics USA, division of U.K.'s Mission-Cyrus Group (home audio); David O'Malley, ex-KEF, named Mission international sales dir.

Update on former editorial staff displaced by demise of High Fidelity magazine: Editor-in-Chief Michael Riggs joins Stereo Review as editor-at-large; Technical Editor David Ranada named technical editor, CurtCo Publishing, L.A.; Beth Fishkind, assoc. technical editor, appointed account exec., Dorf & Stanton, PR agency for Sharp, Maxell, others... Steve Rosenthal, ex-Parsec, joins SKC Audio Tape as eastern regional sales mgr... Robert Passaro, ex-International TV Assn. pres., joins D/J Brush Assoc., LaGrangeville, N.Y., consultants, as vp-senior consulting associate... Cheryl Vyfuis, PR consultant, named PR mgr., American Electronics Assn., reporting to PR Vp John Hatch.

RCA/Columbia Pictures Home Video Exec. Vp Gary Khammar and Sales & Mktg. Vp Richard Pinson resign effective June 30... Norman Horowitz resigns as MGM/UA Telecommunications pres.-CEO... Forum Home Video Pres. Michael Olivieri leaves company as part of previously announced move from N.Y. to parent Management Co. Entertainment Group's L.A. hq... John Eastburn resigns as Vestron corporate development vp and Video Store pres. to take undisclosed executive post outside entertainment industry.

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
General Instrument 1989-13 wk. to May 28 1988-13 wk. to May 29	345,619,000 312,876,000	32,456,000 21,364,000	.96 ^a .64
J2 Communications 1989-9 mo. to April 30 1988-9 mo. to April 30 1989-qtr. to April 30 1988-qtr. to April 30	5,799,371 4,708,422 2,933,751 2,146,558	485,714 248,267 301,172 131,229	.26 .14 .16 .07
National Semiconductor 1989-year to May 28 1988-year to May 29 1989-13 wk. to May 28 1988-13 wk. to May 29	1,647,900,000 1,432,100,000 419,100,000 421,700,000	(23,200,000) 62,700,000 77,100,000 22,400,000	— ^b .48 ^c .73 ^b .18 ^c
Prism Entertainment 1989-qtr. to April 30 1988-qtr. to April 30	5,226,000 5,024,000	383,000 402,000	.17 ^a .18 ^a

Note: ^aIncludes special credit. ^bIncludes special items
^cRestated.

PROJECTION 'BOUNCEBACK'? With projection TV sales off 18.8% from 1988 so far this year, U.S. Precision Lens, which makes most projection lenses, still is optimistic for 2nd half. First issue of "In Focus" newsletter to USPL customers, to be mailed this week, says manufacturers expect sales to "bounce back" later this year and forecasts "heavy promotion" in fall, resulting in 1989 sales exceeding those of last year.

Commenting on LCD projection systems shown at Chicago Consumer Electronics Show, USPL expresses belief that "a number of breakthroughs are required before this can become a broadly accepted consumer product," citing brightness, power consumption, lamp life, pixel density and dynamic picture resolution as areas needing improvement. It also notes that most LCD sets are 2-piece front projection systems, concept that hasn't been accepted by consumers. As for IDTV projection sets, USPL thinks improvement is still needed, particularly in scenes with motion.

Projection sales could be hurt by "all the hype about new technology, especially HDTV," newsletter suggests. It says seasonal factors are changing, and many now see projection TV as football season product, skewing promotional activity toward Aug.-Jan. period.

JVC introduces professional S-VHS-Hi-Fi deck capable of locating segment of tape by elapsed time and with index search and intro search, at \$1,815.

OBITUARIES

Daniel Denham, 68, retired 3M vp who helped launch first American-made blank videocassettes, died of heart attack June 10 while on trip to Naples, Fla. He joined 3M in 1949 as magnetic audio recording tape field representative, rising to group vp-recording materials and, at his retirement in 1982, group vp-network relations. He was founding member and chmn. of ITA and held various posts in EIA Consumer Electronics Group. Wife, 3 sons survive.

Harvey Zelniker, 41, JVC special accounts mgr., died of heart attack June 22 at home in Hackensack, N.J. He joined JVC in 1982 as hi-fi regional sales mgr., west coast branch, later became asst. branch mgr. before transferring to most recent position at JVC hq. He's survived by daughter, son.